REGISTERED NUMBER: 07316438 (England and Wales)

Report of the Director and

Unaudited Financial Statements for the Year Ended 30 June 2016

for

React & Recover Medical Group Limited

Contents of the Financial Statements
for the year ended 30 June 2016

React & Recover Medical Group Limited

Company Information
for the year ended 30 June 2016

DIRECTOR:	K J Fowlie
SECRETARY:	Ms K Morrison
REGISTERED OFFICE:	50-52 Chancery Lane London WC2A 1HL
REGISTERED NUMBER:	07316438 (England and Wales)

Report of the Director for the year ended 30 June 2016

The director presents his report with the financial statements of the company for the year ended 30 June 2016. The comparative period is for the eighteen month period ended 30 June 2015.

PRINCIPAL ACTIVITY
The principal activities of the company are the provision of consultancy services and case management, to the insurance industry and legal fraternity.

DIRECTORS
The directors who have held office during the period from 1 July 2015 to the date of this report are as follows:

R M Fielding – resigned 17 September 2015
K J Fowlie

GOING CONCERN
The financial statements have been prepared on a going concern basis.

The Company is a member of the Slater & Gordon Consolidated Group (the "Global Group") whose ultimate parent entity is Slater and Gordon Limited, a company incorporated in Australia.

At 30 June 2016 the Company had net assets of £0.06m and cash of £0.01m. The Company is reliant upon its parent entity in relation to ongoing financial support. The Company has received confirmation from its parent entity that it will support the Company to meet its liabilities as and when they fall due, but only to the extent that funds are not otherwise available to the Company to meet such liabilities. The parent has also confirmed that it will continue to provide the financial support outlined above for a period of at least 12 months from the date of signing of this financial report.

During the 6 months ended 31 December 2016, the Global Group incurred a net loss after tax of A$425.1m (including A$350.3m of intangible asset impairment) and generated negative net cash flow from operating activities of A$11.4m. At 31 December 2016, the Global Group's total liabilities exceed its total assets by A$126.0m. With effect from 27 December 2016, the Global Group agreed various amendments to the Slater and Gordon Syndicated Facility Agreement ("SFA") with its banking syndicate ("lenders"). Facilities provided under the SFA are fully drawn with borrowings of A$737.6m recognised as at 31 December 2016. Based on exchange rates as at 31 December 2016, A$20.0m is repayable in August 2017, A$10.0m is repayable in February 2018, A$421.4m is repayable in May 2018 and A$286.2m is repayable in March 2019. The Company is party to the SFA and has given a cross-guarantee, along with other members of the Global Group, and is also party to a debenture supporting the cross-guarantee and granting security over all of its assets, in relation to all liabilities outstanding under the SFA in favour of the lenders.

The Global Group's current operating environment continues to present challenges and uncertainty. On 15 February 2017 the Global Group presented updated trading and cash flow forecasts and a number of recapitalisation options to its lenders. On 17 March 2017 the ultimate parent entity announced that it had been notified that in excess of 94% of the SFA debt had been traded from the original syndicate of lenders to secondary debt buyers (the "New Senior Lenders"). The Global Group has been informed by the New Senior Lenders that they fully intend to implement a solvent restructure of the ultimate parent entity, and to work cooperatively with the ultimate parent entity to enter into binding agreements to reset its debt structure (through a debt for equity Lender Scheme of Arrangement) to ensure that the Global Group has a sustainable level of debt and a stable platform for its operations. Under the SFA, a majority of lenders by value must agree to a satisfactory recapitalisation plan by 26 May 2017. Should this not occur, the borrowings under the SFA may become due and payable within a further 14 days of this date.

The Global Group will not have sufficient free cash flow to pay interest and repay the facilities in May 2018, or earlier, and there is some risk that it may not meet minimum cash balances specified in the SFA. Accordingly, the Global Group requires the ongoing support of its lenders to continue as a going concern.

Class Action proceedings were commenced against Slater and Gordon on 12 October 2016 in the Federal Court of Australia. Without admission, there are no unencumbered assets available to meet any judgement that the class complainants may obtain against the Global Group other than the potential benefit (if any) from applicable insurance policies.

Report of the Director (continued) for the year ended 30 June 2016

The above matters present a material uncertainty in relation to the Global Group's and the Company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

After taking into account all available information, the Directors of the ultimate parent entity concluded, for the purposes of the Financial Report for the half-year ended 31 December 2016 signed on 27 February 2017, that there are currently reasonable grounds to believe:

- the existing borrowing facilities will be restructured such that the Global Group will continue to be able to pay its debts as and when they become due and payable; and
- preparation of financial statements on a going concern basis is currently appropriate.

The Directors of the ultimate parent entity formed this view based on a number of factors including:

- the support that lenders have afforded the Global Group, in the form of amendments to the SFA, since it was first established in May 2015;
- the absence of advice from lenders of a withdrawal of their support;
- the nature and scope of recent and ongoing confidential discussions with the lenders and their advisors; and
- that a recapitalisation plan produces a better return to lenders, and other stakeholders, than the alternatives.

The Directors, having given consideration to the current financial forecasts for the Global Group, the Group and the Company, and having given consideration to the conclusions of the Directors of the ultimate parent entity set out above, and of the factors that the Directors of the ultimate parent entity considered when forming this view, and of the stated intent of the New Senior Lenders to implement a solvent restructure of the ultimate parent entity through a debt for equity Lender Scheme of Arrangement to ensure that the Global Group has a sustainable level of debt and a stable platform for its operations, consider the going concern basis of preparation for these financial statements is appropriate.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

BY ORDER OF THE BOARD:

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K J Fowlie - Director
Date: 24 March 2017

Statement of Profit or Loss
for the year ended 30 June 2016

	Notes	Year ended 30.6.16 £	Period 1.1.14 to 30.6.15 £
CONTINUING OPERATIONS			
Revenue		1,238	4,860
Cost of sales		-	(13,095)
GROSS PROFIT/(LOSS)		1,238	(8,235)
Other operating income		-	-
Administrative expenses		1,759	(4,202)
OPERATING PROFIT/(LOSS)		2,997	(12,437)
PROFIT/(LOSS) BEFORE INCOME TAX	4	2,997	(12,437)
Income tax	5	-	1,933
PROFIT/(LOSS) FOR THE PERIOD		2,997	(10,504)

The notes form part of these financial statements

Statement of Financial Position
30 June 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	7	46,572	46,572
Investments	8	300	300
		46,872	46,872
Current assets			
Trade and other receivables	9	66,240	66,027
Tax receivable		1,933	1,933
Cash and cash equivalents	10	9,288	6,676
		77,461	74,636
Total assets		124,333	121,508
Liabilities			
Current liabilities			
Trade and other payables	13	63,641	63,813
Tax payable		-	-
		63,641	63,813
Total liabilities		63,641	63,813
Net assets		60,692	57,695
Equity			
Called up share capital	11	201	201
Retained earnings	12	60,491	57,494
		60,692	57,695

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 relating to small companies for the period ended 30 June 2016.

The members have not required the company to obtain an audit of its financial statements for the period ended 30 June 2016 in accordance with Section 476 of the Companies Act 2006.

The director acknowledges his responsibilities for:
(a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
(b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the director on 24 March 2017 and were signed by:

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K J Rowlie - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2016

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2014	201	67,998	68,199
Changes in equity			
Total comprehensive income	-	(10,504)	(10,504)
Balance at 30 June 2015	201	57,494	57,695
Changes in equity			
Total comprehensive income	-	2,997	2,997
Balance at 30 June 2015	201	60,491	60,692

The notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2016

		Period 1.1.14 to 30.6.15 £	Year Ended 31.12.13 £
Cash flows from operating activities			
Cash generated from operations	1	2,612	(28,367)
Tax paid		-	(14,687)
Net cash from operating activities		2,612	(43,054)
(Decrease)/increase in cash and cash equivalents		2,612	(43,054)
Cash and cash equivalents at beginning of period	2	6,676	49,730
Cash and cash equivalents at end of period	2	9,288	6,676

Notes to the Statement of Cash Flows
for the year ended 30 June 2016

1. **RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS**

	Period 1.1.14 to 30.6.15	Year Ended 31.12.13
	£	£
Profit/(loss) before income tax	2,997	(12,437)
Depreciation charges	-	-
	2,997	(12,437)
(Increase) in trade and other receivables	(213)	(4,128)
(Decrease) in trade and other payables	(172)	(11,802)
Cash generated from operations	2,612	(28,367)

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Period ended 30 June 2015

	30.6.16	1.7.15
	£	£
Cash and cash equivalents	9,288	6,676

Year ended 31 December 2013

	30.6.15	1.1.14
	£	£
Cash and cash equivalents	6,676	49,730

Notes to the Financial Statements
for the year ended 30 June 2016

1. **GENERAL INFORMATION**

React & Recover Medical Group Limited is a company incorporated and domiciled in the United Kingdom.

2. **ACCOUNTING POLICIES**

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Revenue recognition
Revenue is measured at the fair value of the consideration received and represents amounts receivable for services provided in the ordinary course of business, net of discounts and sales taxes.

The company provides management services. Income is recognised on delivery of service. Income can be reliably estimated based on agreed charges with customers or instructing parities. Where services are delivered by external parties costs can be reliably estimated based on contractual charges agreed with those suppliers.

Taxation including deferred tax
The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted by the Statement of Financial Position date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial position date and reduced to the extent that bit is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Operating profit
Operating profit is profit stated before finance income, finance expense and tax.

Trade receivables
Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Amounts set aside for settlement adjustments, are based on historical experience. The resulting settlement adjustments are recognised within revenue as they relate to revisions of income estimates, not collapsibility (credit risk). Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

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2. ACCOUNTING POLICIES - continued

Trade payables
Trade payables do not carry any interest and are stated at their fair value.

Cash and cash equivalents

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made a number of judgements, and the preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3. EMPLOYEES AND STAFF COSTS

There were no employees during the year apart from the directors. The costs of the directors were borne by the other group companies.

4. INCOME TAX

Analysis of tax (income)/expense

	Year ended 30.6.16 £	Period 1.1.14 to 30.6.15 £
Current tax:		
Tax	-	(1,933)
Deferred tax	-	-
Total tax (income)/expense in statement of profit or loss	-	(1,933)

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Factors affecting the tax expense
The tax assessed for the period is higher (2015 - lower) than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 30.6.16 £	Period 1.1.14 to 30.6.15 £
(Loss)/profit on ordinary activities before income tax	2,997	(12,437)
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.2% (2013 - 23%)	599	(2,637)
Effects of:		
Indexation allowance	-	-
Group relief	(599)	874
Benefit of PYA taken in subsequent year with lower tax rate	-	(170)
Change in tax rate	-	-
Tax (income)/expense	-	(1,933)

Factors affecting future tax charges
Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the UK corporation tax rate down to 17% was announced in the 2016 Budget and substantively enacted on 6 September 2016 (to be effective from 1 April 2020).

6. **PROPERTY, PLANT AND EQUIPMENT**

	Land & Buildings £
COST	
At 1 July 2015 and 30 June 2016	46,572
NET BOOK VALUE	
At 30 June 2016	46,572
At 30 June 2015	46,572

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7. **INVESTMENTS**

Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Nature Of business	Shares held class	Proportion of shares held
React Medical Management Limited	UK	Medical reporting	Ordinary	100%
React Medical Reporting Limited	UK	Medical reporting	Ordinary	100%
Recover Healthcare Limited	UK	Rehabilitation Services	Ordinary	100%
Medicalaw Limited	UK	Medico-legal services	Ordinary	100%

8. **TRADE AND OTHER RECEIVABLES**

	2016 £	2015 £
Current:		
Amounts owed by group undertakings	46,378	47,297
Other receivables	19,862	18,730
Prepayments and accrued income	-	-
	66,240	66,027

The director considers that the net carrying amount of Trade receivables approximates to their fair value.

9. **CASH AND CASH EQUIVALENTS**

	2016 £	2015 £
Cash and cash equivalents	9,288	6,676

Cash and cash equivalents comprise cash held by the company. The carrying amount of these assets approximates to their fair value.

10. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016 £	2015 £
200	Ordinary	£1	200	200
1	B Shares	£1	1	1
			201	201

11. RESERVES

	Retained earnings £
At 1 July 2015	57,495
Deficit for the period	2,997
At 30 June 2016	60,491

12. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Current:		
Trade payables	972	973
Amounts owed to group undertakings	61,443	61,443
Payroll and other taxes including social security	-	-
Other liabilities	1,226	1,397
	63,641	75,615

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The director considers that the amount of trade payables approximates to their fair value.

13. DEFERRED TAX

	2016 £	2015 £
Movement in provision	-	-
Balance at 30 June	-	-

14. ULTIMATE PARENT COMPANY

The ultimate parent company of the Company is Slater and Gordon Limited, a company incorporated in Australia. Copies of the consolidated accounts of Slater and Gordon Limited can be obtained from 485 La Trobe Street, Melbourne, Victoria, Australia, 3000

15. CONTINGENT LIABILITIES

The Company is party to a multi-currency (AUD/GBP) syndicated facility agreement ("SFA") dated 29 May 2015 (and as subsequently amended) pursuant to which its ultimate parent company, Slater and Gordon Limited, is a borrower. Pursuant to the terms of the SFA, the Company has given a cross-guarantee (along with other Group Companies) in relation to all liabilities outstanding under the SFA in favour of the Finance Parties (as defined under the SFA). The Company is also party to a debenture dated 29 May 2015 (the "Debenture") pursuant to which the Company (together with other Group Companies) covenants with Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties (as defined in the Debenture)) that it will on demand pay all liabilities outstanding under the SFA (and associated finance documents) when they are due and payable and grants security over all of its assets in favour of Westpac Banking Association (acting as Security Trustee for itself and the Secured Parties).

16. FINANCIAL INSTRUMENTS

The company's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The company does not use derivatives. There main purpose of these financial instruments is to manage the company's operations. It is, and has been throughout the period under review, the policy of the company that no trading in financial instruments shall be undertaken.

Credit risk

The company is not subject to significant consideration of credit risk with exposure spread across many companies. Policies are maintained to ensure that the company enters into sales contracts that are tailored to the customer's respective credit risk. The credit quality of the company's trade receivables is considered by management to be good, as evidenced by the low rates of impairment provided and amounts written off.

No interest is charged on the receivable balances. The company does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the company to the receivables counterparty.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date the principle assets were:

	Note	30.6.16 £	30.6.15 £
Non-current assets			
Property	**7**	46,572	46,572
Subsidiaries	**8**	300	300
Loans and receivables			
Amounts due from group companies	**9**	46,378	47,297
Other receivables	**9**	19,862	18,730
Cash and cash equivalents	**10**	9,288	6,676
		75,528	**72,703**

The receivables are all based in the UK and denominated in sterling.