

**(Registered Number: 2469671)**

## Directors' report and financial statements

**For the year ended 31 December 2002**



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# **Cleveland Healthcall Services Limited**

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# Cleveland Healthcall Services Limited

## Directors' Report for the year ended 31 December 2002

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2002.

### Principal activity

The principal activity of the company during the year was the provision of medical services for doctors.

### Results and dividends

The results of the company for the year are set out in the profit and loss account on page 4. The directors propose the payment of a dividend of £143,000 (2001: £145,000).

### Review of business and future developments

The directors are confident about the company's future prospects.

### Directors

The directors who served during the year and subsequently, were as follows:

Mr JE Ditchburn  
Dr RS Sagoo  
Dr D Oldroyd  
Dr P Bhandary  
Dr DB Acquilla (resigned 11 July 2001)  
Dr M Hodgson  
Mr I Anderson  
Dr AF Dun (resigned 20 June 2002)  
Mr C Rooke (appointed 7 March 2002)

### Directors' interests

The directors had no interests in the share capital of the company. The interests in the share capital of Nestor Healthcare Group plc of those directors serving at the end of the year, who were not directors of the ultimate parent undertaking were as follows:

Employee Share Option Scheme 1996 31 December					Company Share Option Plan 1996 31 December				
	2002	Granted	Exercised	2001	2002	Granted	Exercised	2001	
I Anderson	11,688	-	-	11,688	5,882	-	-	5,882	

Employee SAYE Share Option Scheme 1996 31 December				
	2002	Granted	Exercised	2001
I Anderson	38,340	-	-	38,340

# **Cleveland Healthcare Services Limited**

## **Directors' Report**

**for the year ended 31 December 2002** (Continued)

### **Creditor payment policy**

It is the company's policy to have appropriate terms and conditions for transactions with suppliers, ranging from standard terms and conditions to those which have been specifically negotiated, and that in the absence of a dispute, payment will be made in accordance with those terms and conditions and confirming to the CBI Code of Best Practice; copies available from CBI at Centrepoint, 103 New Oxford Street, London.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable account policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.


The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are 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.

### **Auditors**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

Approved by the board of directors and signed on its behalf by:

  
**CER Thomas**  
Secretary

 2003

The Colonnades  
Beaconsfield Close  
Hatfield  
Hertfordshire  
AL10 8YD

## **Independent Auditors' Report to the Members of Cleveland Healthcare Services Limited**

We have audited the financial statements on pages 4 to 15.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
One Embankment Place  
London  
WC2N 6RH

Date: 30 October 2003

# Cleveland Healthcare Services Limited

## Profit and Loss Account for the year ended 31 December 2002

	<i>Note</i>	<b>2002 £</b>	<b>2001 £</b>
<b>Turnover</b>	<b>2</b>	<b>3,103,753</b>	2,564,639
<b>Cost of sales</b>		<b>(2,320,343)</b>	(1,857,286)
<b>Gross profit</b>		<b>783,410</b>	707,353
Distribution costs		(20,235)	(26,423)
Administrative expenses		(543,482)	(436,581)
<b>Operating profit</b>		<b>219,693</b>	244,349
Interest receivable	6	15,966	18,170
<b>Profit on ordinary activities before taxation</b>	<b>4</b>	<b>235,659</b>	262,519
Tax on profit on ordinary activities	7	(63,798)	(90,824)
<b>Profit on ordinary activities after taxation</b>		<b>171,861</b>	171,695
Dividends	8	(143,000)	(145,000)
<b>Retained profit for the financial year</b>	<b>16</b>	<b>28,861</b>	26,695

All turnover and operating profits are derived from continuing activities.

The company has no recognised gains and losses other than the above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 7 to 15 form an integral part of these financial statements.

# Cleveland Healthcall Services Limited

## Balance Sheet as at 31 December 2002

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	9	62,478	85,221
<b>Current assets</b>			
Debtors	10	307,560	576,703
Cash at bank and in hand		1,014,483	449,375
		1,322,043	1,026,078
<b>Creditors: Amounts falling due within one year</b>	11	(1,127,096)	(882,735)
<b>Net current assets</b>		194,947	143,343
<b>Net assets</b>		257,425	228,564
<b>Capital and reserves</b>			
Called up share capital	15	467,531	467,531
Profit and loss account	16	(210,106)	(238,967)
<b>Equity shareholders' funds</b>	17	257,425	228,564

The financial statements on pages were approved by the board of directors on 30 October 2003 and signed on its behalf by:



Director

The notes on pages 7 to 15 form an integral part of these financial statements.

# Cleveland Healthcare Services Limited

## Cash Flow Statement for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £ Re-stated
<b>Cash flows from operating activities</b>	13	<b>610,937</b>	376,891
<b>Returns on investments and servicing of finance</b>			
Interest received		15,966	18,170
<b>Taxation</b>		-	(95,516)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(29,944)	(53,621)
Sale of tangible fixed assets		-	-
<b>Equity dividends paid</b>		<b>(31,850)</b>	(255,000)
<b>Cash inflow/(outflow) before management of liquid resources and financing, being increase/(decrease) in cash during the year</b>		<b>565,109</b>	(9,076)

## Reconciliation of Net Cash Flow to Movement in Net Funds for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Net funds at 1 January 2002		449,375	458,451
Increase/(decrease) in cash in the year		565,109	(9,076)
<b>Net funds at 31 December 2002</b>	14	<b>1,014,484</b>	449,375

The notes on pages 7 to 15 form an integral part of these financial statements.



# **Cleveland Healthcare Services Limited**

## **Notes to the financial statements for the year ended 31 December 2002**

### **1 Accounting policies**

The company has adopted FRS 19 'Deferred taxation' in the current period. The effect of this change in accounting policy is described below.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards.

The "Taxation" line item of the cash flow statement and the "Increase in creditors" line item of net cash inflow from operating activities (note 13) have been re-stated to conform to the current year presentation.

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation of fixed assets is provided in equal annual instalments to reflect a reduction from book value to estimated residual value over the useful life of the asset to the company. Useful economic lives are estimated as follows:

Motor vehicles	- 3 years
Fixtures and fittings	- 3 to 7 years
Plant and machinery	- 3 to 5 years

#### **Deferred taxation**

The company has adopted FRS 19 'Deferred taxation' in the current period. The cumulative effect of this change at 1 January 2001 and the effect for the year ended 31 December 2001 were immaterial, and therefore no restatement of comparative figures was necessary.

Previously, deferred taxation was provided using the liability method in respect of the taxation effect of all timing differences to the extent that it was probable that liabilities would crystallise in the foreseeable future.

Under FRS 19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets.
- Provision is made for gains which have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a commitment to dispose of the replacement assets.

# **Cleveland Healthcall Services Limited**

## **Notes to the financial statements for the year ended 31 December 2002 (Continued)**

### **1 Accounting policies (Continued)**

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Pensions**

Pension costs are charged to the profit and loss account in such a way as to provide for the liabilities evenly over the average remaining working lives of the employees.

#### **Leases**

Rentals under operating leases are charged to the profit and loss account as they fall due.

#### **Goodwill**

Until 31 December 1997, any goodwill, being the difference between the fair value of the purchase consideration and the fair value of the identifiable net assets of an acquired business, was written off to reserves on acquisition: in accordance with the transitional provisions of Financial Reporting Standard 10 this treatment has continued to be applied. From 1 January 1998, in accordance with Financial Reporting Standard 10, goodwill is capitalised and amortised in equal annual instalments over its useful life, normally a period not exceeding 20 years.

Goodwill arising prior to 1 January 1998 in respect of business acquisitions is written off against reserves and is classified as unrealised when initially written off. This goodwill becomes a realised loss over its useful economic life.

Further information on goodwill is provided in note 16.

### **2 Turnover**

Turnover represents sales of goods and services, exclusive of value added tax, to third party customers during the year. All the turnover is applicable to the UK market.

# Cleveland Healthcare Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 3 Staff numbers and costs

The average number of persons employed by the company, excluding directors, during the year was as follows:

	2002 Number	2001 Number
Office and management	12	11
Operators	51	52
Drivers	36	38
Sales	1	1
	<b>100</b>	<b>102</b>

The aggregate payroll costs of these employees were as follows:

	2002 £	2001 £
Wages and salaries	603,961	584,466
Social security costs	27,655	28,261
Other pension costs	14,492	12,113
	<b>646,108</b>	<b>624,840</b>

### 4 Profit on ordinary activities before taxation

	2002 £	2001 £
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Hire of plant and machinery	47,116	45,848
Payments under operating leases on properties	89,211	65,120
Depreciation of tangible fixed assets	52,687	61,083
Auditors' remuneration – audit services	5,000	5,000

Fees paid to the auditor and its associates in respect of other non-audit services amounted to £nil (2001: £nil).

# Cleveland Healthcare Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 5 Directors' emoluments

The emoluments of Mr I Anderson have been borne by other companies in the Nestor Healthcare group where he was also a director of, or employed by, those other group companies. The directors do not believe that it is possible to meaningfully allocate the emoluments of these directors between their respective duties. Accordingly, the aggregate emoluments figure does not include these items. Additionally, the company contributes monies to a central fund which is distributed for directors' services across all Nestor Healthcare Group plc companies. The directors do not believe that it is possible to meaningfully allocate this contributed amount to services rendered specifically to the company. Accordingly, the aggregate emoluments figure does not include these items.

	2002 £	2001 £
Aggregate emoluments	18,000	21,000

### 6 Interest receivable

	2002 £	2001 £
Interest receivable from group undertakings	-	6,473
Other	15,966	11,697
	15,966	18,170

### 7 Tax on profit on ordinary activities

#### a) Analysis of tax charge in the year

	2002 £	2001 £
UK Current tax:		
UK Corporation tax at 30%	80,678	90,824
Adjustment in respect of prior years	(2,472)	-
Total current tax	78,206	90,824
UK Deferred tax:		
Origination and reversal of timing differences	(14,408)	-
Total deferred tax	(14,408)	-
Tax on profit on ordinary activities	63,798	90,824

# Cleveland Healthcare Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 7 Tax on profit on ordinary activities (Continued)

#### b) Factors affecting tax charge for the period

	2002 £	2001 £
Profit on ordinary activities before taxation	235,659	262,519
Profit on ordinary activities multiplied by the standard rate in the UK of 30% (2001: 30%)	70,698	78,756
Effects of:		
Expenses not deductible for tax purposes	843	1,550
Accelerated capital allowances and other timing differences	9,137	10,518
Adjustment in respect of prior years	(2,472)	-
Current tax charge for the period	78,206	90,824

### 8 Dividends

	2002 £	2001 £
Dividends paid in the year	-	80,000
Dividends proposed in the year	143,000	65,000
	143,000	145,000

### 9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>				
At beginning of year	236,294	165,779	14,872	416,945
Additions	29,944	-	-	29,944
At end of year	266,238	165,779	14,872	446,889
<b>Depreciation</b>				
At beginning of year	191,991	125,687	14,046	331,724
Charge for the year	27,709	24,152	826	52,687
At end of year	219,700	149,839	14,872	384,411
<b>Net book value</b>				
At 31 December 2002	46,538	15,940	-	62,478
At 31 December 2001	44,303	40,092	826	85,221

# Cleveland Healthcare Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 10 Debtors

	2002 £	2001 £
Trade debtors	146,650	175,658
Amounts owed by group undertakings	123,575	378,575
Prepayments and accrued income	22,927	22,470
Deferred taxation	14,408	-
	<b>307,560</b>	<b>576,703</b>

The deferred tax asset comprised the following:

	2002 £	2001 £
Excess of depreciation over capital allowances	14,408	-

### 11 Creditors: Amounts falling due within one year

	2002 £	2001 £
Trade creditors	43,428	(19,562)
Amount owed to group undertakings	558,103	440,560
Amounts owed to group undertakings in respect of corporation tax	101,566	101,566
Other creditors including taxation and social security	246,428	275,355
Accruals and deferred income	34,571	19,816
Proposed dividend	143,000	65,000
	<b>1,127,096</b>	<b>882,735</b>
Other creditors including taxation and social security comprises:		
Corporation tax	233,618	155,412
Other taxes and social security	-	67,742
Other	12,810	52,201
	<b>246,428</b>	<b>275,355</b>

### 12 Obligations under operating leases

At 31 December, the company had annual commitments under non-cancellable operating leases as set out below:

	Properties 2002 £	Properties 2001 £
Leases which expire:		
Greater than five years	81,181	65,121

# Cleveland Healthcare Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 13 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £ Re-stated
Operating profit	219,693	244,349
Depreciation	52,687	61,083
Decrease/(increase) in debtors	283,552	(382,209)
Increase in creditors	55,005	453,668
<b>Cash inflow from operating activities</b>	<b>610,937</b>	<b>376,891</b>

### 14 Analysis of net debt

	At 1 January 2002 £	Cash flow £	Other non-cash changes £	At 31 December 2002 £
Cash at bank and in hand	449,385	565,109	-	1,014,484

### 15 Called-up share capital

	2002 £	2001 £
<b>Authorised</b>		
467,531 ordinary shares of £1 each	467,531	467,531
<b>Allotted, called-up and fully paid</b>		
467,531 ordinary shares of £1 each	467,531	467,531

# Cleveland Healthcall Services Limited

## Notes to the financial statements for the year ended 31 December 2002 (Continued)

### 16 Profit and loss account

	2002 £	2001 £
At beginning of year	(238,967)	(265,662)
Retained profit/(loss) for the financial year	28,861	26,695
At end of year	(210,106)	(238,967)

Purchased goodwill was previously written off to a separate goodwill write off reserve. Following the introduction of Financial Reporting Standard 10, all purchased goodwill arising from acquisitions post 1 January 1998 is now capitalised and amortised over its useful economic life. Under the requirements of Financial Reporting Standard 10, goodwill arising prior to 1 January 1998 is now written off against profit and loss reserves and becomes a realised loss over its estimated useful life.

The goodwill arose on the acquisition of the businesses of Cleveland Deputising Services Limited and the Cleveland branch of Healthcall Services Limited in the period to 31 March 1991, together with that arising in respect of the business of DOCS Limited acquired in the year ended 31 December 1993. The directors have attributed a useful life of 20 years to this goodwill. The cumulative amount of goodwill written off against reserves as at 31 December is set out below:

	2002 £	2001 £
Goodwill written off	495,393	495,393

The movement between realised and unrealised reserves for the year ended 31 December is as follows:

	2002 £	2001 £
Realised	12,817	8,726
Unamortised element of goodwill	(222,923)	(247,693)
Profit and loss account at 31 December	(210,106)	(238,967)

### 17 Reconciliation of movements in equity shareholders' funds

	2002 £	2001 £
Profit on ordinary activities after taxation	171,861	171,695
Dividends	(143,000)	(145,000)
Equity shareholders' funds at the beginning of the year	28,861	26,695
	228,564	201,869
Equity shareholders' funds at the end of the year	257,425	228,564



## **Cleveland Healthcall Services Limited**

### **Notes to the financial statements for the year ended 31 December 2002 (Continued)**

#### **18 Pensions**

Certain employees of the company are members of the Healthcall Group Limited Pension Scheme which is a contributory pension scheme administered by trustees independently of company finances. Contributions are paid into the schemes in accordance with the recommendations of independent actuaries, who carry out valuations at regular intervals and are charged against profits so as to spread the cost of pensions over employees' working lives over the group as a whole. Particulars of the latest valuation dated 1 November 2001 in respect of the scheme are given in the annual report and financial statements of Nestor Healthcare Group plc for the year ended 31 December 2002.

The company also operates a defined contribution scheme.

#### **19 Transactions with directors**

During the year, the company was charged £20,473 (2001: £25,151) in respect of paging and radio services provided by Autocall Limited, a company of which Mr J Ditchburn is a director.

#### **20 Subsequent event**

On 10 March, 2003 the remaining 49% interest in the company's share capital was purchased by Nestor Primecare Services Limited from the parent's joint venture partner.

#### **21 Ultimate parent undertaking**

The immediate parent undertaking is Healthcall Medical (Holdings) Limited which is incorporated in Great Britain and registered in England and Wales.

The parent undertaking of the smallest and largest group for which group accounts are prepared and in which the results of the Company are consolidated, is Nestor Healthcare Group plc, which is incorporated in Great Britain and registered in England and Wales.

Copies of the financial statements of Nestor Healthcare Group plc can be obtained from its registered office at The Colonnades, Beaconsfield Close, Hatfield, Hertfordshire, AL10 8YD.