# Cleveland Healthcall Services Limited

## Directors' report and financial statements

Year ended 31 December 2001

Registered number 2469671

# Directors' report and financial statements

## Contents

# Directors' report

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 December 2001.

**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 £145,000*(2000: £675,000).*

**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
Dr M Hodgson
Mr E Peel (resigned 15 January 2001)
Mr D Spink (resigned 31 December 2001)
Mr I Anderson
Dr AF Dun
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 | | | | Company Share Option Plan 1996 | | | |
|---|---|---|---|---|---|---|---|---|
| | 31 December | | | | 31 December | | | |
| | **2001** | **Granted** | **Exercised** | **2000** | **2001** | **Granted** | **Exercised** | **2000** |
| I Anderson | 11,688 | 11,688 | - | - | 5,882 | 5,882 | - | - |
| Dr AF Dun | 37,255 | 37,255 | - | - | 5,882 | 5,882 | - | - |

**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.

# Directors' report *(continued)*

**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 2001 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**

PricewaterhouseCoopers have indicated their willingness to continue in office, and a resolution to reappoint them will be proposed at the Annual General Meeting.

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

**CER Thomas**
*Secretary*

29 October 2002

The Colonnades
Beaconsfield Close
Hatfield
Hertfordshire
AL10 8YD

# Independent auditors' report to the members of Cleveland Healthcall Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes.

**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.

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.

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.

**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 the company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

**PricewaterhouseCoopers**
Chartered Accountants and Registered Auditors
London

29 October 2002

## Profit and loss account

*for the year ended 31 December 2001*

| | *Note* | **2001** | 2000 |
|---|---|---|---|
| | | **£** | £ |
| **Turnover** | 2 | **2,564,639** | 2,642,787 |
| Cost of sales | | **(1,857,286)** | (1,712,513) |
| **Gross profit** | | **707,353** | 930,274 |
| Distribution costs | | **(26,423)** | (21,004) |
| Administrative expenses | | **(436,581)** | (407,139) |
| **Operating profit** | | **244,349** | 502,131 |
| Interest receivable | 6 | **18,170** | 42,993 |
| **Profit on ordinary activities before taxation** | 4 | **262,519** | 545,124 |
| Tax on profit on ordinary activities | 7 | **(90,824)** | (175,985) |
| **Profit on ordinary activities after taxation** | | **171,695** | 369,139 |
| Dividends | 8 | **(145,000)** | (675,000) |
| **Retained profit/(loss) for the financial year** | 17 | **26,695** | (305,861) |

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 14 form an integral part of these financial statements.

## Balance sheet
*at 31 December 2001*

| | Note | 2001 £ | 2000 £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | **85,221** | 92,684 |
| **Current assets** | | | |
| Debtors | 10 | **576,703** | 194,494 |
| Cash at bank and in hand | | **449,375** | 458,451 |
| | | **1,026,078** | 652,945 |
| **Creditors:** Amounts falling due within one year | 11 | **(882,735)** | (543,760) |
| **Net current assets** | | **143,343** | 109,185 |
| **Net assets** | | **228,564** | 201,869 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **467,531** | 467,531 |
| Profit and loss account | 17 | **(238,967)** | (265,662) |
| **Equity shareholders' funds** | 18 | **228,564** | 201,869 |

The financial statements on pages were approved by the board of directors on 25 Oct 2002 and signed on its behalf by:

*Director*

The notes on pages 7 to 14 form an integral part of these financial statements.

## Cash flow statement
*for the year ended 31 December 2001*

| | Note | 2001 £ | 2001 £ | 2000 £ | 2000 £ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | *14* | | **328,617** | | 1,168,703 |
| **Returns on investments and servicing of finance** | | | | | |
| Interest received | | | **18,170** | | 42,993 |
| **Taxation** | | | **(47,242)** | | (90,844) |
| **Capital expenditure** | | | | | |
| Purchase of tangible fixed assets | | **(53,621)** | | (2,173) | |
| Sale of tangible fixed assets | | **-** | | 5,349 | |
| | | | **(53,621)** | | 3,176 |
| **Equity dividends paid** | | | **(255,000)** | | (700,000) |
| **Cash inflow/(outflow) before management of liquid resources and financing, being increase/(decrease) in cash during the year** | | | **(9,076)** | | 424,028 |

## Reconciliation of net cash flow to movement in net funds
***for the year ended 31 December 2001***

| | Note | £ |
|---|---|---|
| Net funds at 1 January 2001 | | 458,451 |
| (Decrease) in cash in the year | | (9,076) |
| Net funds at 31 December 2001 | *15* | 449,375 |

The notes on pages 7 to 14 form an integral part of these financial statements.

# Notes to the financial statements

## 1 Accounting policies

The company has adopted FRS18, Accounting Policies, in the current year, but this did not require any change in accounting policies.

***Basis of accounting***

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

***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***

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

***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 17.

## 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.

# Notes to the financial statements *(continued)*

## 3 Staff numbers and costs

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

| | Number of employees | |
|---|---|---|
| | **2001** | 2000 |
| Office and management | **11** | 10 |
| Operators | **52** | 50 |
| Drivers | **38** | 40 |
| Sales | **1** | 1 |
| | **102** | 101 |

The aggregate payroll costs of these employees were as follows:

| | 2001 | 2000 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **584,466** | 518,067 |
| Social security costs | **28,261** | 23,824 |
| Other pension costs | **12,113** | 10,192 |
| | **624,840** | 552,083 |

## 4 Profit on ordinary activities before taxation

| | 2001 | 2000 |
|---|---|---|
| | **£** | £ |
| ***Profit on ordinary activities before taxation is stated after charging:*** | | |
| Hire of plant and machinery | **45,848** | 46,572 |
| Payments under operating leases on properties | **65,120** | 65,120 |
| Depreciation of tangible fixed assets | **61,083** | 58,358 |
| Auditor's 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 *(2000: £nil)*.

# Notes to the financial statements *(continued)*

## 5 Directors' emoluments

The emoluments of Mr I Anderson and Dr AF Dun have been borne by other companies in the Nestor Healthcare group where they were also directors 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.

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Aggregate emoluments | **21,000** | 21,000 |

## 6 Interest receivable

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Interest receivable from group undertakings | **6,473** | 39,813 |
| Other | **11,697** | 3,180 |
| | **18,170** | 42,993 |

## 7 Tax on profit on ordinary activities

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Based on the profit on ordinary activities for the year: | | |
| UK corporation tax at 30% (including amounts owed in respect of group relief) | **90,824** | 176,028 |
| Adjustment in respect of previous years: | | |
| UK corporation tax | **-** | (43) |
| | **90,824** | 175,985 |

# Notes to the financial statements *(continued)*

## 8 Dividends

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Dividends paid in the year | **80,000** | 500,000 |
| Dividends proposed in the year | **65,000** | 175,000 |
| | **145,000** | 675,000 |

## 9 Tangible fixed assets

| | **Plant and machinery** | **Fixtures and fittings** | **Motor Vehicles** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| ***Cost*** | | | | |
| At beginning of year | 185,962 | 162,491 | 14,872 | 363,325 |
| Additions | 50,332 | 3,288 | - | 53,620 |
| **At end of year** | **236,294** | **165,779** | **14,872** | **416,945** |
| ***Depreciation*** | | | | |
| At beginning of year | 159,353 | 102,200 | 9,089 | 270,642 |
| Charge for the year | 32,638 | 23,487 | 4,957 | 61,082 |
| **At end of year** | **191,991** | **125,687** | **14,046** | **331,724** |
| ***Net book value*** | | | | |
| **At 31 December 2001** | **44,303** | **40,092** | **826** | **85,221** |
| At 31 December 2000 | 26,609 | 60,291 | 5,783 | 92,683 |

## 10 Debtors

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Trade debtors | **175,658** | 165,459 |
| Amounts owed to group companies | **378,575** | - |
| Prepayments and accrued income | **22,470** | 29,035 |
| | **576,703** | 194,494 |

# Notes to the financial statements *(continued)*

## 11 Creditors: Amounts falling due within one year

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Trade creditors | **(19,562)** | 11,126 |
| Amount owed to group undertakings | **440,560** | 1,035 |
| Amounts owed to group undertakings in respect of corporation tax | **101,566** | 53,292 |
| Other creditors including taxation and social security | **275,355** | 220,665 |
| Accruals and deferred income | **19,816** | 82,642 |
| Proposed dividend | **65,000** | 175,000 |
| | **882,735** | 543,760 |

| | **2001** | 2000 |
|---|---|---|
| Other creditors including taxation and social security comprises: | | |
| Corporation tax | **155,412** | 160,104 |
| Other taxes and social security | **67,742** | 16,293 |
| Other | **52,201** | 44,268 |
| | **275,355** | 220,665 |

## 12 Obligations under operating leases

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

| | **Properties 2001** | Properties 2000 |
|---|---|---|
| | **£** | £ |
| Leases which expire: | | |
| Greater than five years | **65,121** | 65,121 |

## 13 Deferred taxation

No deferred tax assets or liabilities were provided for during the year (*2000: £nil*).

# Notes to the financial statements *(continued)*

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

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Operating profit | **244,349** | 502,131 |
| Depreciation | **61,083** | 58,358 |
| (Increase)/Decrease in debtors | **(382,209)** | 605,974 |
| Increase in creditors | **405,394** | 2,240 |
| **Cash inflow from operating activities** | **328,617** | 1,168,703 |

## 15 Analysis of net debt

| | At 1 January 2001 | Cash flow | Other non-cash changes | **At 31 December 2001** |
|---|---|---|---|---|
| | £ | £ | £ | **£** |
| Cash at bank and in hand | 458,451 | (9,076) | - | **449,375** |

## 16 Called up share capital

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| ***Authorised:*** | | |
| 467,531 ordinary shares of £1 each | **467,531** | 467,531 |
| ***Allotted, called up and fully paid:*** | | |
| 467,531 ordinary shares of £1 each | **467,531** | 467,531 |

## 17 Profit and loss account

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| At beginning of year | **(265,662)** | 40,199 |
| Retained profit/(loss) for the financial year | **26,695** | (305,861) |
| At end of year | **(238,967)** | (265,662) |

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.

# Notes to the financial statements *(continued)*

## 17 Profit and loss account *(continued)*

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:

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Goodwill written off | **495,393** | 495,393 |

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

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Realised | **8,726** | 6,801 |
| Unamortised element of goodwill | **(247,693)** | (272,463) |
| Profit and loss account at 31 December | **(238,967)** | (265,662) |

## 18 Reconciliation of movements in equity shareholders' funds

| | **2001** | 2000 |
|---|---|---|
| | **£** | £ |
| Profit on ordinary activities after taxation | **171,695** | 369,139 |
| Dividends | **(145,000)** | (675,000) |
| | **26,695** | (305,861) |
| Equity shareholders' funds at the beginning of the year | **201,869** | 507,730 |
| **Equity shareholders' funds at the end of the year** | **228,564** | 201,869 |

## 19 Pensions

Certain employees of the company are members of the Healthcall Group Limited Pension Schemes which are contributory pension schemes 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 1998 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 2001.

The company also operates a defined contribution scheme.

# Notes to the financial statements *(continued)*

## 20 Transactions with directors

During the year, the company was charged £25,151 *(2000: £24,973)* in respect of paging and radio services provided by Autocall Limited, a company of which Mr J Ditchburn is a director.

## 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.