

# **Doctors.net.uk Limited**

**Directors' report and financial  
statements**

**Registered number 3527430**

**31 December 2011**

**SATURDAY**



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**24/03/2012**

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**COMPANIES HOUSE**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2011

### Principal activities

Doctors net uk Limited is an operator of online Professional Networks and its activity is currently dominated by running the UK's largest online network of GMC registered medical doctors. Doctors net uk has established an extensive and unique network, the existence of which allows the Company to generate revenue from the provision of sponsored, targeted communication and education campaigns and market research studies for its customers. The customer base includes the Pharmaceutical and Medical Device industries as well as Public & Private Sector healthcare providers, recruitment, technology and financial services businesses. In 2011, Doctors net uk has established an alliance of companies in France, Germany, Spain and Sweden to extend the reach of services provided to clients.

### Business review

Revenue increased by approximately 6% from £8.74m in 2010 to £9.26m in 2011. The growth in the Market Research business and the provision of communications and educations for the Healthcare business was significant with revenues increasing by 14% and 23% in the year respectively, however the communications in the pharmaceutical industry suffered through 2011 and revenues declined by 4%. The directors are pleased to report a profit on ordinary activities before taxation of £90k in 2011 compared with a loss of £(237)k in 2010 (after charging share option costs of £41k and £29k respectively).

The utilisation of the Company's website by its membership continued to grow. The average number of unique users in a day has increased to 44,000 (10% increase on 2010) and over 65,000 unique users each month (6% increase on 2010). These utilisation statistics vastly exceed those of any other online doctor community in the UK.

The Directors work closely with the leadership team to anticipate risks from economic or global factors and plan accordingly. The majority of the Company's revenues are derived from the Pharmaceutical industry which is currently facing some economic and regulatory challenges. However, spend on Market Research activities remains strong and clients are switching a higher percentage of the marketing budgets to digital marketing services. In 2011, the company broadened the client base to service clients in the device and diagnostics sector, private hospital providers and the third sector (charities). The ability to target specific groups of doctors and to measure the impact of the messaging provides our clients with a highly valuable and measurable marketing tool for new therapies such as biologics and cell therapies. The government's plans to give more control of health spend to doctors has underlined the importance of clinician engagement.

Following a sales process, 100% of all Doctors.net uk stock was acquired by M3 USA Corporation a subsidiary of M3 Inc on the 23rd August 2011. M3 Inc, established in September 2000, is listed on the Tokyo Stock Exchange First Section (Securities code 2413) with Sony Communications Network Corporation, a supplier of network-related services, as the largest stockholder.

The board of Directors of Doctors net uk are Itaru Tanimura (CEO M3 Inc), Akı Tomaru (CEO M3 USA Corporation) and Timothy Ringrose (CEO Doctors net uk).

## **Directors' report** *(continued)*

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2010 nil)

### **Directors**

The directors who held office during the year were as follows

Richard IV Adams (resigned 16 December 2011)  
C Arney (resigned 23 August 2011)  
C James Arnold-Baker (resigned 23 August 2011)  
Nicholas J Cross (resigned 23 August 2011)  
Philip J Earl (resigned 23 August 2011)  
Justin AS Jewitt (resigned 3 May 2011)  
Ian M Laing (resigned 23 August 2011)  
Timothy R Ringrose (resigned 23 August 2011, reappointed 19 December 2011)  
David F White (resigned 10 August 2011)  
Aki Tomaru (appointed 23 August 2011)  
Itaru Tanimura (appointed 23 August 2011)

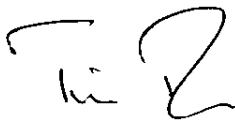
### **Disclosure of information to auditor**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



**Timothy R Ringrose**  
*Director*

90 Milton Park  
Abingdon  
OX14 4RY

## **Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are 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 directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are 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 them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

Arlington Business Park  
Theale  
Reading, RG7 4SD

**Independent auditor's report to the members of Doctors.net.uk Limited**

We have audited the financial statements of Doctors net uk Limited for the year ended 31 December 2011, set out on pages 5 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

14/3/12

**D McAllan (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants & Registered Auditor  
Arlington Business Park, Theale, Reading, RG7 4SD

**Profit and loss account**  
**For the year ended 31 December 2011**

|  | <i>Note</i> | <b>2011</b><br>£   | <b>2010</b><br>£ |
|--|-------------|--------------------|------------------|
| <b>Turnover</b>                              | 2           | <b>9,225,890</b>   | 8,736,028        |
| Cost of sales                                |             | <b>(4,389,194)</b> | (3,889,014)      |
|  |             | <hr/>              | <hr/>            |
| <b>Gross profit</b>                          |             | <b>4,836,696</b>   | 4,847,014        |
| Administrative expenses                      |             | <b>(4,587,576)</b> | (4,218,706)      |
|  |             | <hr/>              | <hr/>            |
| <b>Operating profit</b>                      |             | <b>249,120</b>     | 628,308          |
| Exceptional item – asset impairment          | 7           | -                  | (711,189)        |
|  |             | <hr/>              | <hr/>            |
| <b>Profit/(loss) before interest and tax</b> |             | <b>249,120</b>     | (82,881)         |
| Interest payable and similar charges         | 5           | <b>(159,240)</b>   | (154,560)        |
|  |             | <hr/>              | <hr/>            |
| <b>Profit/(loss) before tax</b>              | 3,4         | <b>89,880</b>      | (237,441)        |
| Taxation                                     | 6           | <b>1,280</b>       | 133,078          |
|  |             | <hr/>              | <hr/>            |
| <b>Profit/(loss) for the financial year</b>  | 14,15       | <b>91,160</b>      | (104,363)        |
|  |             | <hr/> <hr/>        | <hr/> <hr/>      |

**Statement of total recognised gains & losses**  
**For the year ended 31 December 2011**

|   | <b>2011</b><br>£ | <b>2010</b><br>£ |
|---|------------------|------------------|
| <b>Profit/(loss) for the financial year</b>           | <b>91,160</b>    | (104,363)        |
| Unrealised surplus on recognition of investment asset | -                | 205,062          |
| Impairment of investment asset                        | <b>(62,365)</b>  | (123,062)        |
|   | <hr/>            | <hr/>            |
| <b>Total gains &amp; losses since for the year</b>    | <b>28,795</b>    | (22,363)         |
|   | <hr/> <hr/>      | <hr/> <hr/>      |

## Balance sheet

As at 31 December 2011

|  | Note  | 2011               | 2010               |
|--|-------|--------------------|--------------------|
|  |       | £                  | £                  |
| <b>Fixed assets</b>  |       |                    |                    |
| Tangible assets  | 7     | 86,335             | 206,343            |
| Investments  | 8     | 20,135             | 82,800             |
|  |       | <u>106,470</u>     | <u>289,143</u>     |
| <b>Current assets</b>  |       |                    |                    |
| Cash at bank and in hand   |       | 1,001,517          | -                  |
| Debtors (including 2011 £nil & 2010 £167,187 due after more than one year) | 9     | 2,515,702          | 1,866,040          |
|  |       | <u>3,517,219</u>   | <u>1,866,040</u>   |
| <b>Creditors: amounts falling due within one year</b>                      | 10    | (3,916,367)        | (3,197,885)        |
|  |       | <u>(399,148)</u>   | <u>(1,331,845)</u> |
| <b>Net current liabilities</b>   |       |                    |                    |
|  |       | <u>(292,678)</u>   | <u>(1,042,702)</u> |
| <b>Total assets less current liabilities</b>                               |       |                    |                    |
| <b>Creditors: amounts falling due after more than one year</b>             | 11    | (4,572,194)        | (4,829,473)        |
|  |       | <u>(4,864,872)</u> | <u>(5,872,175)</u> |
| <b>Net liabilities</b>   |       |                    |                    |
|  |       | <u>(4,864,872)</u> | <u>(5,872,175)</u> |
| <b>Capital and reserves</b>  |       |                    |                    |
| Called up share capital  | 13,14 | 67,109             | 54,271             |
| Share premium account  | 14    | 7,548,315          | 6,623,784          |
| Profit and loss account  | 14    | (12,480,296)       | (12,550,230)       |
|  |       | <u>(4,864,872)</u> | <u>(5,872,175)</u> |
| <b>Shareholders' deficit</b>   | 15    |                    |                    |
|  |       | <u>(4,864,872)</u> | <u>(5,872,175)</u> |

These financial statements were approved by the board of directors on 14 March 2012 and were signed on its behalf by



**Timothy R Ringrose**  
 Director



## Cash Flow Statement

For the year ended 31 December 2011

|   | Note        | 2011               | 2010               |
|---|-------------|--------------------|--------------------|
|   |             | £                  | £                  |
| <b>Reconciliation of operating profit/(loss) to net cash flow from operating activities</b> |             |                    |                    |
| Operating profit/(loss)   |             | 249,120            | (82,881)           |
| Depreciation & amortisation charges   |             | 131,820            | 235,272            |
| Disposal of Assets/Asset impairment   |             | 31,767             | 711,189            |
| (Increase) in debtors   |             | (811,390)          | (103,333)          |
| Increase/(decrease) in creditors  |             | 1,077,312          | (39,423)           |
| Charge in relation to share based payments  |             | 41,139             | 29,437             |
| <b>Net cash flow from operating activities</b>  |             | <b>719,768</b>     | <b>750,261</b>     |
| <b>Returns on investments &amp; servicing of finance</b>                                    |             |                    |                    |
| Interest paid   | (157,596)   |                    | (131,737)          |
| Finance lease interest payments   | (24,235)    |                    | (25,338)           |
|   |             | <b>(181,831)</b>   | <b>(157,075)</b>   |
| <b>Taxation – R&amp;D tax credit receipts</b>   |             | <b>1,280</b>       | <b>133,078</b>     |
| <b>Capital expenditure &amp; financial investment</b>                                       |             |                    |                    |
| Purchase of tangible fixed assets   |             | (109,149)          | (327,153)          |
| <b>Cash flow before financing</b>   |             | <b>430,068</b>     | <b>399,111</b>     |
| <b>Financing</b>  |             |                    |                    |
| Issue of ordinary share capital   | 1,104,526   |                    | 16,000             |
| Repayment of bank loan  | (4,600,000) |                    | (400,000)          |
| Receipt from issuing loan to a group undertaking  | 4,354,571   |                    | -                  |
| Finance lease capital payments  | (10,755)    |                    | (9,717)            |
|   |             | <b>848,342</b>     | <b>(393,717)</b>   |
| <b>Increase in cash in the year</b>   |             | <b>1,278,410</b>   | <b>5,394</b>       |
| <b>Reconciliation of net cash flow to movement in net debt</b>                              |             |                    |                    |
| Increase in cash in the year  |             | 1,278,410          | 5,394              |
| Increase in Borrowings  |             | 27,807             | 400,000            |
| Decrease in lease financing   |             | 10,755             | 9,717              |
| <b>Movement in net debt in the year</b>   |             | <b>1,316,972</b>   | <b>415,111</b>     |
| Net debt at the start of the year   |             | (5,117,114)        | (5,532,225)        |
| <b>Net debt at the end of the year</b>  | 16          | <b>(3,800,142)</b> | <b>(5,117,114)</b> |

## Notes

Forming part of the financial statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### *Basis of preparation*

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

The company is exempt by virtue of Section 405 of the Companies Act 2006 from the requirement to prepare group accounts. These financial statements present financial information about the company as an individual undertaking and not about its group.

#### *Going concern*

Despite the deficiency of net assets, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

#### *Taxation*

The charge for taxation is based upon the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

#### *Tangible fixed assets and depreciation*

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|  |   |                               |
|--|---|-------------------------------|
| Computers & associated software licences | - | 33% per annum                 |
| Office furniture                         | - | 20% per annum                 |
| Office equipment                         | - | 33% per annum                 |
| Leasehold improvements                   | - | over the minimum lease period |
| Database rights                          | - | 33% per annum                 |

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of exchange transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### *Operating leases*

Rental charges for operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Classification of financial instruments issued by the company*

Financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

### 2 Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of services to customers in the year. Revenue is recognised at the time that such services are delivered to customers.

Turnover arises principally from sponsored communication and education materials and market research studies and is earned wholly in the United Kingdom.

### 3 Profit/(loss) on ordinary activities before taxation

|   | 2011<br>£         | 2010<br>£         |
|---|-------------------|-------------------|
| <i>(Loss)/profit on ordinary activity before taxation is stated after charging:</i> |                   |                   |
| Auditor's remuneration for audit services   | 18,360            | 18,360            |
| Operating lease rentals   |                   |                   |
| Land and buildings  | 357,804           | 357,804           |
| Amortisation of intangible fixed assets   | -                 | 36,252            |
| Depreciation of tangible fixed assets   | 131,820           | 199,020           |
|   | <u>          </u> | <u>          </u> |

£nil in non-audit services were charged by KPMG LLP (2010 £32,000)

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

|           | 2011<br>Number    | 2010<br>Number    |
|-----------|-------------------|-------------------|
| Directors | 6                 | 8                 |
| Others    | 74                | 75                |
|           | <u>          </u> | <u>          </u> |
|           | 80                | 83                |
|           | <u>          </u> | <u>          </u> |

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

|                                 | 2011<br>£        | 2010<br>£        |
|---------------------------------|------------------|------------------|
| Wages and salaries              | 4,756,969        | 3,913,398        |
| Social security costs           | 553,173          | 437,977          |
|                                 | <u>5,310,142</u> | <u>4,351,375</u> |
|                                 |                  |                  |
|                                 | 2011<br>£        | 2010<br>£        |
| Directors' emoluments           | 524,299          | 480,400          |
| Compensation for loss of office | 88,383           | -                |
|                                 | <u>612,682</u>   | <u>480,400</u>   |

The highest paid director received emoluments of £200,000 (2010 £180,000) No pension contributions were paid on behalf of any director (2010 £nil)

### 5 Interest payable and similar charges

|                                     | 2011<br>£      | 2010<br>£      |
|-------------------------------------|----------------|----------------|
| On bank/parent loans and overdrafts | 135,005        | 129,222        |
| On finance leases                   | 24,235         | 25,338         |
|                                     | <u>159,240</u> | <u>154,560</u> |

## Notes (continued)

### 6 Taxation

#### Analysis of charge in year

|   | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| <i>UK corporation tax</i>                                     |           |           |
| UK corporation tax at 26.5% (2010 28%) on the loss before tax | -         | -         |
| Adjustment in respect of prior years                          | (1,280)   | (133,078) |
|   | <hr/>     | <hr/>     |
| Total current tax credit                                      | (1,280)   | (133,078) |
|   | <hr/>     | <hr/>     |

#### Factors affecting the tax charge for the current year are as follows

|   | 2011<br>£ | 2010<br>£ |
|---|-----------|-----------|
| <i>Current tax reconciliation</i>   |           |           |
| Profit/(loss) on ordinary activities before tax                                   | 89,880    | (237,441) |
|   | <hr/>     | <hr/>     |
| Current tax at 26.5% (2010 28%)   | 23,818    | (66,483)  |
| <i>Effects of</i>   |           |           |
| Expenses not deductible for tax purposes  | 43,258    | 10,239    |
| Depreciation in excess of capital allowances                                      | (44,650)  | 257,579   |
| Short term timing differences   | -         | 630       |
| Losses not utilised and carried forward   | 226,804   | -         |
| Use of tax losses brought forward   | -         | (259,382) |
| Deduction on exercise of share options  | (249,230) | -         |
| Other taxable income included in the statement of total recognised gains & losses | -         | 57,417    |
| Adjustment in respect of prior years  | (1,280)   | (133,078) |
|   | <hr/>     | <hr/>     |
| Total current tax charge (see above)  | (1,280)   | (133,078) |
|   | <hr/>     | <hr/>     |

No tax charge arises on the results for the year due to the deduction on exercise of share options. The adjustment in respect of prior years relates to a release of a provision for a tax charge relating to tax credits received in respect of the years ended 31 December 2008 and 2009. As at 31 December 2011 tax losses amounted to £10,906,568 (2010 £10,046,077) which are available to be relieved against future profits of the company.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

## Notes (continued)

### 7 Tangible fixed assets

|   | Computer<br>equipment &<br>related software<br>licences<br>£ | Office<br>furniture &<br>equipment<br>£ | Leasehold<br>improvements<br>£ | Total<br>£    |
|---|--|---|--------------------------------|---------------|
| <b>Cost</b>   |  |   |                                |               |
| At beginning of year                                      | 1,712,096  | 154,774                                 | 176,363                        | 2,043,233     |
| Additions   | 41,186   | 1,992                                   | -                              | 43,178        |
| Disposals   | (1,586,432)  | (47,601)                                | -                              | (1,634,033)   |
| At end of year  | 166,850  | 109,165                                 | 176,363                        | 452,378       |
| <b>Depreciation</b>                                       |  |   |                                |               |
| At beginning of year                                      | 1,566,196  | 117,834                                 | 152,860                        | 1,836,890     |
| Charged in year   | 94,439   | 25,634                                  | 11,747                         | 131,820       |
| Disposals   | (1,555,690)  | (46,977)                                | -                              | (1,602,667)   |
| At end of year  | 104,945  | 96,491                                  | 164,607                        | 366,043       |
| <b>Net book value</b>                                     |  |   |                                |               |
| <b>At 31 December 2011</b>                                | <b>61,905</b>  | <b>12,674</b>                           | <b>11,756</b>                  | <b>86,335</b> |
| At 31 December 2010                                       | 145,900  | 36,940                                  | 23,503                         | 206,343       |
| <b>Net book value of assets held under finance leases</b> |  |   |                                |               |
| <b>At 31 December 2011</b>                                | <b>-</b>   | <b>10,575</b>                           | <b>8,922</b>                   | <b>19,497</b> |
| At 31 December 2010                                       | -  | 31,725                                  | 17,844                         | 49,569        |
| <b>Depreciation on assets held under finance leases</b>   |  |   |                                |               |
| <b>Charged in 2011</b>                                    | <b>-</b>   | <b>21,150</b>                           | <b>8,922</b>                   | <b>30,072</b> |
| Charged in 2010   | -  | 21,150                                  | 8,922                          | 30,072        |

## Notes (continued)

### 8 Investments

|                                      | 2011<br>£     | 2010<br>£     |
|--------------------------------------|---------------|---------------|
| Investment in subsidiary undertaking | 500           | 800           |
| Other investments                    | 19,635        | 82,000        |
|                                      | <u>20,135</u> | <u>82,800</u> |

| Subsidiary name            | Registered in   | Holding | Activity                  | Status  | £   |
|----------------------------|-----------------|---------|---------------------------|---------|-----|
| uknursing net Limited      | England & Wales | 100%    | General business services | Dormant | 100 |
| medeConnect Limited        | England & Wales | 100%    | General business services | Dormant | 100 |
| JobConnect Limited         | England & Wales | 100%    | General business services | Dormant | 100 |
| PharmaConnect Limited      | England & Wales | 100%    | General business services | Dormant | 100 |
| Networks in Health Limited | England & Wales | 100%    | General business services | Dormant | 100 |

### 9 Debtors

|  | 2011<br>£        | 2010<br>£        |
|--|------------------|------------------|
| <i>Amounts recoverable within one year</i>       |                  |                  |
| Trade debtors                                    | 1,862,906        | 1,203,038        |
| Other debtors                                    | 6,370            | 7,119            |
| Prepayments and accrued income                   | 646,426          | 488,727          |
|  | <u>2,515,702</u> | <u>1,698,884</u> |
| <i>Amounts recoverable in more than one year</i> |                  |                  |
| Called up share capital not paid                 | -                | 167,156          |
|  | <u>2,515,702</u> | <u>1,866,040</u> |

## Notes (continued)

### 10 Creditors: amounts falling due within one year

|  | 2011<br>£        | 2010<br>£        |
|--|------------------|------------------|
| Bank loans and overdrafts                              | -                | 276,894          |
| Trade creditors  | 393,640          | 325,564          |
| Other creditors including taxation and social security | 1,163,541        | 991,613          |
| Obligations under finance leases                       | 11,842           | 10,747           |
| Accruals and deferred income                           | 2,347,344        | 1,593,067        |
|  | <u>3,916,367</u> | <u>3,197,885</u> |

The bank loan and overdraft were paid in full by M3 USA Corporation on purchase date of 23 August 2011, since the purchase date we have a parent loan on the balance sheet

### 11 Creditors: amounts falling due after more than one year

|                                    | 2011<br>£        | 2010<br>£        |
|------------------------------------|------------------|------------------|
| Obligations under finance leases   | 217,623          | 229,473          |
| Bank loans and overdrafts          | -                | 4,600,000        |
| Amounts owed to group undertakings | 4,354,571        | -                |
|                                    | <u>4,572,194</u> | <u>4,829,543</u> |

The maturity of obligations under finance leases is as follows

|                             | 2011<br>£      | 2010<br>£      |
|-----------------------------|----------------|----------------|
| Within one year             | 34,981         | 34,981         |
| In two to five years        | 139,923        | 139,923        |
| In more than five years     | 209,876        | 244,925        |
|                             | <u>384,780</u> | <u>419,829</u> |
| Less future finance charges | (155,315)      | (179,609)      |
|                             | <u>229,465</u> | <u>240,220</u> |



## Notes (continued)

### 12 Deferred tax

The amounts provided for deferred taxation, and the amounts not provided, are set out below

|                                | 2011     |                  | 2010     |                  |
|--------------------------------|----------|------------------|----------|------------------|
|                                | Provided | Unprovided       | Provided | Unprovided       |
|                                | £        | £                | £        | £                |
| Fixed asset timing difference  | -        | 265,073          | -        | 341,119          |
| General provisions             | -        | 7,133            | -        | -                |
| Trading losses carried forward | -        | 2,753,908        | -        | 2,854,944        |
|                                | <u>-</u> | <u>3,026,114</u> | <u>-</u> | <u>3,196,063</u> |

### 13 Called up share capital

|  | 2011          | 2010          |
|--|---------------|---------------|
|  | £             | £             |
| <b>Ordinary Shares</b>   |               |               |
| Fully paid - equity 6,125,932 (2010 5,395,161) Ordinary shares of £0.01 each | 61,259        | 53,952        |
| Partly paid – equity nil (2010 31,900) Ordinary shares of £0.01 each         | -             | 319           |
| 'A' Ordinary 200,000 (2010 nil) Ordinary shares of £0.01 each                | 2,000         | -             |
| 'B' Ordinary 385,000 (2010 nil) Ordinary shares of £0.01 each                | 3,850         | -             |
|  | <u>67,109</u> | <u>54,271</u> |

During the year the Company issued a total of 898,871 1p ordinary shares and 385,000 1p 'B' ordinary shares, all of which were issued for consideration of £1.00 each

### 14 Reserves

|                                     | Ordinary share capital | Share premium    | Profit & loss account |
|-------------------------------------|------------------------|------------------|-----------------------|
|                                     | £                      | £                | £                     |
| At beginning of year                | 54,271                 | 6,623,784        | (12,550,230)          |
| Share issues                        | 12,838                 | 924,531          | -                     |
| Profit for the year                 | -                      | -                | 91,160                |
| Share option charges under FRS20    | -                      | -                | 41,139                |
| Investment Impairment - MedUniverse | -                      | -                | (62,365)              |
| <b>At end of year</b>               | <u>67,109</u>          | <u>7,548,315</u> | <u>(12,480,296)</u>   |

## Notes (continued)

### 15 Reconciliation of movements in shareholders' deficit

|   | 2011<br>£          | 2010<br>£          |
|---|--------------------|--------------------|
| Profit/loss for the year                            | 91,160             | (104,363)          |
| Share option charges under FRS20                    | 41,141             | 29,437             |
| Funds raised from new shares issued during the year | 937,367            | 16,000             |
| Unrealised gain on investment                       | -                  | 82,000             |
| Investment Impairment - MedUniverse                 | (62,365)           | -                  |
|   | <hr/>              | <hr/>              |
| Reduction in shareholders' deficit                  | 1,007,303          | 23,074             |
| Shareholders' deficit at beginning of the year      | (5,872,175)        | (5,895,249)        |
|   | <hr/>              | <hr/>              |
| <b>Shareholders' deficit at the end of the year</b> | <b>(4,864,872)</b> | <b>(5,872,175)</b> |
|   | <hr/> <hr/>        | <hr/> <hr/>        |

### 16 Analysis of net debt

|                         | At start of<br>year<br>£ | Cash flow<br>£   | Non cash<br>changes<br>£ | At end of<br>year<br>£ |
|-------------------------|--------------------------|------------------|--------------------------|------------------------|
| Bank balance            | (276,894)                | 1,278,410        | -                        | 1,001,516              |
| Debt due after one year | (4,600,000)              | 27,807           | -                        | (4,572,193)            |
| Finance leases          | (240,220)                | 10,755           | -                        | (229,465)              |
|                         | <hr/>                    | <hr/>            | <hr/>                    | <hr/>                  |
| <b>Total</b>            | <b>(5,117,114)</b>       | <b>1,316,972</b> | <b>-</b>                 | <b>(3,800,142)</b>     |
|                         | <hr/> <hr/>              | <hr/> <hr/>      | <hr/> <hr/>              | <hr/> <hr/>            |

### 17 Employee share schemes

#### Share based payments

Until 23 August 2011 a Share options scheme was in operation. Since the purchase of Doctors net uk Limited by M3 USA Corporation this scheme is no longer available. For those employees that did qualify, share options were granted under an Inland Revenue approved EMI scheme. Other share options were granted under an unapproved scheme. The rules of the EMI and unapproved schemes were the same. All options vest on a time basis. The general rule was that options vested three years after the date of grant (although a small number of exceptions applied) and expired 10 years after the date of grant. All options had an exercise price equal to estimated market value of a share at the date of grant. The exercise price was payable in cash.

The estimated fair value of each share option granted was calculated using the Black-Scholes option pricing model. The common model inputs were: the share price at grant date, the exercise price, expected volatility of 40%, no expected dividends and a risk free interest rate of 4.5%. The period between grant date and assumed exercise date (ie the period over which the fair value is charged to the profit and loss account) is assessed for each grant. The period used ranges from 10 years to 3 years. To allow for effects of options being forfeited during the period before exercise due to employees leaving the Company, the amount of the charge is reduced by 40%.

## Notes (continued)

### 17 Employee share schemes (continued)

The number and weighted average exercise prices of share options in issue are as follows

|   | <b>2011</b>     | <b>2011</b>      | <b>2010</b>     | <b>2010</b>      |
|---|-----------------|------------------|-----------------|------------------|
|   | <b>Weighted</b> | <b>Number of</b> | <b>Weighted</b> | <b>Number of</b> |
|   | <b>average</b>  | <b>options</b>   | <b>average</b>  | <b>options</b>   |
|   | <b>exercise</b> |                  | <b>exercise</b> |                  |
|   | <b>price</b>    | <b>Number</b>    | <b>price</b>    | <b>Number</b>    |
|   | <b>£p</b>       |                  | <b>£p</b>       |                  |
| Outstanding at the beginning of the period  | 1.00            | 853,900          | 1 00            | 711,750          |
| Granted during the period                   | 1.00            | 223,799          | 1 00            | 227,150          |
| Forfeited during the period                 | 1 00            | (178,828)        | 1 00            | (69,000)         |
| Exercised during the period                 | 1.00            | (898,871)        | 1 00            | (16,000)         |
| <b>Outstanding at the end of the period</b> | <b>nil</b>      | <b>-</b>         | <b>1 00</b>     | <b>853,900</b>   |
| <b>Exercisable at the end of the period</b> | <b>nil</b>      | <b>-</b>         | <b>1 00</b>     | <b>442,050</b>   |

There were 898,871 share options exercised during the year. There are no options outstanding at the year end.

The total expense recognised arising from share based payments is as follows

|  | <b>2011</b>    | <b>2010</b>    |
|--|----------------|----------------|
|  | <b>£</b>       | <b>£</b>       |
| Cumulative expense charged at the beginning of the period  | 436,113        | 406,676        |
| Expense during the period arising from share option plans  | 41,139         | 29,437         |
| <b>Cumulative expense charged at the end of the period</b> | <b>477,252</b> | <b>436,113</b> |

### 18 Related party disclosures

There were no related party transactions during the year.

### 19 Annual commitments

Annual commitments under non-cancellable operating leases are as follows

|                                   | <b>2011</b> | <b>2010</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>£</b>    | <b>£</b>    |
| Lease which expires within 1 year | 366,295     | -           |
| Lease which expires in 2-5 years  | -           | 366,295     |

## **Notes** *(continued)*

### **20 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The Company is a subsidiary undertaking of M3 Inc which is the ultimate parent company incorporated in Japan

The largest group in which the results of the Company are consolidated is that headed by M3 Inc, incorporated in Japan. The smallest group in which they are consolidated is that headed by M3 USA Corporation incorporated in USA. The consolidated financial statements of these groups are available to the public and may be obtained from M3 Inc, Akasaka Intercity 10th floor, 1-11-44 Akasaka, Minato-ku, Tokyo 107-0052 Japan and M3 USA Corporation, 1215 17th St NW, Suite 100, Washington, DC 20036, USA