Registered number 3527430

Doctors.net.uk Limited

Annual report and financial statements for the year ended 31 December 2012

Contents

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities
Doctors net uk Limited owns and operates the UK's largest online network of GMC registered medical doctors The company generates revenue from the delivery of online promotional programmes, online continuing medical education (CME) programmes, recruitment services and market research studies for a wide range of clients The customer base includes pharmaceutical and medical device companies, public and private sector healthcare providers, recruitment companies, technology companies, charities and financial services In 2012, Doctors net uk has continued to extend its reach by building and leading an alliance of companies operating online networks of doctors in other regions including Europe, Latin America and Australia

Business review and future developments
Revenue decreased by approximately 4% from £9 23m in 2011 to £8 86m in 2012 This was due to a significant downturn in the Market Research business with revenue decreasing in the year by 25% This was partially offset by a significant increase in International communications revenue in the year (2012 £359k verses 2011 £43k) Within the communications business both the pharmaceutical and healthcare revenues were in line with 2011 revenues The directors are pleased to report a profit on ordinary activities before taxation of £239k in 2012 compared with a profit of £90k in 2011 (after charging share option costs of £nil and £41k respectively)

Usage of the company's website by doctors has continued to grow The average number of unique users in a day has increased to 46,000 with over 65,000 unique users each month These activity levels vastly exceed those of any other online doctor community or network in the UK

The directors and management team work closely with the parent company (M3 Inc) 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, clients are switching a higher percentage of the marketing budgets to digital marketing services In 2012, the company delivered a small number of successful international promotional programmes for pharmaceutical clients The ability to target specific groups of doctors, both in the UK and Globally, and to measure the impact of the messaging provides our clients with a highly valuable and measurable marketing tool for new therapies

Doctors net uk is owned by M3 USA Corporation, a subsidiary of M3 Inc 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

Principal risk and uncertainties
The key business risks and uncertainties affecting the company are set out below

Employee retention - the company's performance and growth is dependent upon the ability to hire, retain and motivate sufficient numbers of talented people, with the right mix of skills and experience skills needed to serve our clients and expand the business An inability to attract the right employees in sufficient numbers to meet particular demands could have negative effects, including the ability to win new business and to deliver our services to the high standards that we have set

Directors' report (continued)

Principal risk and uncertainties (continued)
Regulation – our main customer group, the pharmaceutical industry, is highly regulated Changes to these regulations could have a significant impact on our ability to provide services to this group

Competition - the company's growth and success is dependent on the ability to successfully compete with other companies that provide similar services to healthcare companies The emergence of a significant competitor would threaten our growth

Industry changes – changes such as consolidation in the pharmaceutical industry, or healthcare reform could put pressure on the pricing of our services, as our client could seek price decreases and limits the amount of available budget for the company's products

Key performance indicators (KPIs)
The company's key performance indicator is growing profit and secondly growing revenue The company achieved a profit of £239k which is a growth of £148k, however we did not meet the growing revenue target in 2012, revenue was £8 9m, (a decrease of 4% due to adverse market conditions affecting market research revenues) The gross margin in 2012 (53%) is 1% higher than in 2011 (52%)

Financial risk management
The company manages its own financial operations and financial risk carefully The company is cash positive and can also rely on its parent company for additional funding and cash flow requirements The directors have received written confirmation of financial support from the parent company for at least 12 months from the date of approval of these financial statements The company has limited foreign exchange risk (<0 5% of revenue) The company has implemented policies and procedures to manage invoicing and cash collections (average debtor is 37 days) which reduce bad debts and credit risks

Other
The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors

Proposed dividend
The directors do not recommend the payment of a dividend *(2011 nil)*

Auditors
The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting

Directors
The directors of the company who were in office during the year and up to the date of signing the financial statements were

Timothy R Ringrose
Aki Tomaru
Itaru Tanimura

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

Directors' report (continued)

Statement of directors' responsibilities
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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 judgements and accounting 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,
- 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 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

Statement of information to auditors
Each of the persons who are a director at the date of approval of this report confirms that

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006

On behalf of the board

Timothy R Ringrose
Director
90 Park Drive, Milton Park
Abingdon, OX14 4RY
24 September 2013

Independent auditors 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 2012 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter 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

Independent auditors report to the members of Doctors.net.uk Limited *(continued)*

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

Daniel Dennett (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
24 September 2013

Profit and loss account
For the year ended 31 December 2012

	Note	2012	2011
		£	£
Turnover	2	**8,858,654**	9,225,890
Cost of sales		**(4,158,121)**	(4,389,194)
Gross profit		**4,700,533**	4,836,696
Administrative expenses		**(4,306,240)**	(4,587,576)
Operating profit	3	**394,293**	249,120
Interest payable and similar charges	6	**(155,553)**	(159,240)
Profit on ordinary activities before taxation	3,4	**238,740**	89,880
Tax on profit on ordinary activities	7	-	1,280
Profit for the financial year	15,16	**238,740**	91,160

All items dealt with in arriving at the profit on ordinary activities before taxation relate to continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years stated above, and their historical cost equivalents

Statement of total recognised gains & losses
For the year ended 31 December 2012

	2012	2011
	£	£
Profit for the financial year	**238,740**	91,160
Impairment of investment	-	(62,365)
Total gain for the year	**238,740**	28,795

Balance sheet
As at 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Fixed assets					
Tangible assets	8		**250,885**		86,335
Investments	9		**20,135**		20,135
			271,020		106,470
Current assets					
Debtors	10	**2,218,871**		2,515,702	
Cash at bank and in hand		**747,122**		1,001,517	
		2,965,993		3,517,219	
Creditors amounts falling due within one year	11	**(3,508,574)**		(3,916,367)	
Net current liabilities			**(542,581)**		(399,148)
Total assets less current liabilities			**(271,561)**		(292,678)
Creditors amounts falling due after more than one year	12		**(4,354,571)**		(4,572,194)
Net liabilities			**(4,626,132)**		(4,864,872)
Capital and reserves					
Called up share capital	14		**67,109**		67,109
Share premium account	15		**7,548,315**		7,548,315
Profit and loss account	15		**(12,241,556)**		(12,480,296)
Total shareholders' deficit	16		**(4,626,132)**		(4,864,872)

The financial statements on pages 6 to 17 were approved by the board of directors on 24 September 2013 and were signed on its behalf by

Timothy R Ringrose
Director

Notes to the financial statements for the year ended 31 December 2012

1 Principal accounting policies

Basis of preparation
These financial statements are prepared on the going concern basis, under historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year as are set out below

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

Going concern
The directors have performed an assessment of the company's ability to continue as a going concern and have received written confirmation of financial support from the parent company for a period that of at least 12 months from the date of approval of these financial statements by the board of directors As such, these financial statements have been prepared on the going concern basis

Deferred taxation
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 result in an obligation to pay more tax in the future, or where a right to pay less tax in the future has occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover the carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Tangible fixed assets
Tangible fixed assets are stated at their historic purchase cost (together with any incidental expenses of acquisition) less accumulated depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets to their expected residual values on a straight-line basis over the expected useful lives of the assets concerned The principal rates of depreciation applied are

Computer equipment & related software licences	-	33% per annum
Office furniture	-	20% per annum
Office equipment	-	33% per annum
Leasehold improvements	-	over the minimum lease period

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

Notes to the financial statements for the year ended 31 December 2012
(continued)

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

Finance leases
Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments

Each lease payment is allocated between the liability and the finance charge The corresponding rental obligations, net of finance charges, are included in other long-term payables The interest element of the finance cost is charged over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term

Investments
Investments are stated at cost less any provisions made to reflect permanent diminution in value where appropriate The directors review the carrying value of investments and make adjustments to the provisions for permanent diminution as necessary when an impairment trigger has been noted

Cashflow statement and related party disclosures
The company is a wholly owned subsidiary of M3 USA Corporation incorporated in the USA and is included in the consolidated financial statements of that company, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996) On the same basis the company has also taken advantage of the exemptions allowed under Financial Reporting Standard 8 "Related Party Disclosures" and has not disclosed transactions with other group companies as 100% of the company's voting rights are controlled within the group

2 Turnover

Turnover represents the invoiced value of projects completed and services supplied to customers during the year, excluding value added tax The company recognises revenue as earned, which is over the service period as the information is delivered or related services are performed Advance payments for services and subscriptions are credited to deferred revenues and reflected in operating revenue over the subscription term, which is generally one year

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

	2012	2011
	£	£
By class of business·		
Advertising	**6,559,740**	6,141,077
Market Research	**2,298,914**	3,084,813
	8,858,654	9,225,890

Notes to the financial statements for the year ended 31 December 2012
(continued)

3 Operating profit

	2012	2011
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	**114,418**	131,820
Operating lease rentals		
Land and buildings	**339,338**	357,804
Services provided by the company's auditor		
Fees payable for the audit	**18,360**	18,360
Fees payable for other services	**3,750**	-

4 Staff numbers and costs

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

	2012	2011
	Number	Number
Directors	**1**	6
Others	**77**	74
	78	80

The aggregate payroll costs of these persons were as follows

	2012	2011
	£	£
Wages and salaries	**4,322,070**	4,756,969
Social security costs	**488,444**	553,173
	4,810,514	5,310,142

Notes to the financial statements for the year ended 31 December 2012
(continued)

5 Directors emoluments

	2012	2011
	£	£
Directors' emoluments	**210,336**	524,299
Compensation for loss of office	-	88,383
Contribution to money purchase pension scheme	**11,539**	-
	221,875	612,682

The highest paid director received emoluments of £210,336 and pension contributions of £11,539 *(2011 emoluments of £200,000 and pension contributions of £nil)*

6 Interest payable and similar charges

	2012	2011
	£	£
Interest payable to group companies	**134,284**	50,406
Interest payable on overdraft and bank loans	-	84,599
Finance lease interest	**21,269**	24,235
	155,553	159,240

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

7 Tax on profit on ordinary activities

Analysis of charge in year

	2012	2011
	£	£
UK corporation tax		
UK corporation tax at 24 5% *(2011 26 5%)* on the loss before tax	-	-
Adjustment in respect of prior years	-	(1,280)
Total current tax credit	-	(1,280)

The actual tax on the profit on ordinary activities is lower than expected
The reconciliation between expected and actual current tax is below

	2012	2011
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**238,740**	89,880
Profit on ordinary activities multiplied by the standard rate in the UK 24 5% *(2011 26 5%)*	**58,491**	23,818
Effects of		
Expenses not deductible for tax purposes	**22,382**	43,258
Depreciation in excess of capital allowances	**25,938**	(44,650)
Short term timing differences	**286**	-
Losses not utilised and carried forward	-	226,804
Use of tax losses brought forward	**(107,097)**	-
Deduction on exercise of share options	-	(249,230)
Adjustment in respect of prior years	-	(1,280)
Current tax charge for the year	-	(1,280)

No tax charge arises on the results for the year due to use of tax losses brought forward As at 31 December 2012 tax losses amounted to £10,182,441 *(2011 £10,906,568)* which are available to be relieved against future profits of the company

The Finance Act 2012, which was substantively enacted on 3 July 2012, included legislation to reduce the main UK corporation tax to 23% from 1 April 2013 The deferred tax balances have been re-measured to reflect this reduction In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

8 Tangible assets

	Computer equipment & related software licences	Office furniture & equipment	Leasehold improvements	Total
	£	£	£	£
Cost				
At 1 January 2012	166,850	109,165	176,363	452,378
Additions	207,155	987	70,826	278,968
At 31 December 2012	**374,005**	**110,152**	**247,189**	**731,346**
Accumulated depreciation				
At 1 January 2012	104,945	96,491	164,607	366,043
Charged for the year	86,661	11,757	16,000	114,418
At 31 December 2012	**191,606**	**108,248**	**180,607**	**480,461**
Net book amount				
At 31 December 2012	**182,399**	**1,904**	**66,582**	**250,885**
At 31 December 2011	61,905	12,674	11,756	86,335

Assets held under finance leases and capitalised in tangible fixed assets

	2012	2011
	£	£
Cost	**266,350**	266,350
Aggregate depreciation	**(266,350)**	(246,853)
Net book amount	-	19,497

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

9 Investments

	2012	2011
	£	£
Investment in subsidiary undertaking	**500**	500
Other investments	**19,635**	19,635
Net book value	**20,135**	20,135

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

The directors believe that the carrying value of the investments is supported by their underlying net assets

10 Debtors

	2012	2011
	£	£
Trade debtors	**1,347,988**	1,862,906
Other debtors	**10,560**	6,370
Prepayments and accrued income	**860,323**	646,426
	2,218,871	2,515,702

11 Creditors: amounts falling due within one year

	2012	2011
	£	£
Trade creditors	**380,967**	393,640
Other creditors including taxation and social security	**704,417**	1,163,541
Obligations under finance leases	**-**	11,842
Accruals and deferred income	**2,423,190**	2,347,344
	3,508,574	3,916,367

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

12 Creditors: amounts falling due after more than one year

	2012	2011
	£	£
Obligations under finance leases	-	217,623
Amounts owed to group undertakings	**4,354,571**	4,354,571
	4,354,571	4,572,194

Amounts owed to and from group undertakings are unsecured and repayable on demand Interest was charged at 3 25%

Future minimum payments under finance leases are as follows

	2012	2011
	£	£
Within one year	-	34,981
In two to five years	-	139,923
In more than five years	-	209,876
Total gross payments	-	384,780
Less future finance charges	-	(155,315)
Obligations under finance leases	-	229,465

During the year the company terminated the lease and paid off the obligation in full

13 Deferred tax

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

	2012		2011	
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Fixed asset timing difference	-	**347,045**	-	265,073
General provisions	-	**6,839**	-	7,133
Trading losses carried forward	-	**2,367,418**	-	2,753,908
	-	**2,721,302**	-	3,026,114

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

14 Called up share capital

	2012 £	2011 £
Authorised share capital		
6,710,932 *(2011 6,710,932)* Ordinary shares of £0 01 each	**67,109**	67,109
Allotted and fully paid		
6,710,932 *(2011 6,710,932)* Ordinary shares of £0 01 each	**67,109**	67,109

15 Reserves

	Called up share capital £	Share premium account £	Profit & loss account £
At 1 January 2012	67,109	7,548,315	(12,480,296)
Profit for the year	-	-	238,740
At 31 December 2012	**67,109**	**7,548,315**	**(12,241,556)**

16 Reconciliation of movements in shareholders' deficit

	2012 £	2011 £
Profit for the year	**238,740**	91,160
Share option charges under FRS20	-	41,141
Funds raised from new shares issued during the year	-	937,367
Investment Impairment - MedUniverse	-	(62,365)
Reduction in shareholders' deficit	**238,740**	1,007,303
Shareholders' deficit at 1 January 2012	**(4,864,872)**	(5,872,175)
Shareholders' deficit at 31 December 2012	**(4,626,132)**	(4,864,872)

Notes to the financial statements for the year ended 31 December 2012 *(continued)*

17 Financial commitments

Annual commitments under non-cancellable operating leases at 31 December 2012 are as follows

	2012	2011
	£	£
Within one year	-	366,295
Within two to five years	-	-
After five years	**138,560**	-

18 Ultimate parent undertaking

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