

Doctors.net.uk Limited

Directors' report and financial
statements

Registered number 3527430

31 December 2009

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

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.

Business review

Revenue increased by approximately 17% from £6.97m in 2008 to £8.17m in 2009. The growth in the provision of communications and education programmes for the Pharmaceutical industry was significant with associated revenues increasing by over 80% in the year. The directors are pleased to report a return to operating profitability in 2009 with the Company generating £137k for the year compared to an operating loss of £(1.89)m in the previous year (after charging share option costs of £35k and £216k respectively) – a substantial turnaround in a difficult economic climate. The loss on ordinary activities before taxation improved to £(56)k from £(2.29)m.

The utilisation of the Company's website by its membership continued to grow. The average number of unique users in each month increased to 61,625 in 2009 (peaking at 63,000). By the end of the year 37,000 or more unique doctors were regularly using the service each day compared to 33,000 at the end of 2008, an increase of approximately 12%. 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 and Government which offer some stability at a time of global economic uncertainty. Nonetheless, it is evident that budget pressures exist within the customer group. This has been exacerbated in the past 12 months with several major mergers and acquisitions which have resulted in some considerable changes in our customers' organisations, the disruptive effects of which are continuing.

Informing doctors about the efficacy and benefits of new medicines and treatments, alongside researching doctors' opinions, is a challenge that the Company is very well positioned to achieve in a speedy and cost-efficient manner. The Directors are therefore encouraged that there is increasingly widespread adoption of the Company's services, a trend which appears to be continuing.

Directors' report *(continued)*

Business Review *(continued)*

During 2009, the Company began a major strategic software development programme to re-architect the website and database upon which the online network runs. The cost of this in 2009 was £393,000. Work continues into 2010 with a plan to launch the new technology later in the year. This will bring new benefits to members and new services to customers, as well as providing a more efficient platform from which the business operates. In addition, the technology that supports the production of the Syndicated market research product was also re-built at the end of 2008 and into 2009, with the latter year investment totalling £86,000. This re-build improves both the customer deliverable and the operational efficiency of the product offering.

Proposed dividend

The directors do not recommend the payment of a dividend (2008 *nil*)

Directors

The directors who held office during the year were as follows

Richard IV Adams
C James Arnold-Baker
Nicholas J Cross
Philip J Earl
Justin AS Jewitt
Ian M Laing
Timothy R Ringrose
David F White

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Auditors

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

By order of the board



Philip J Earl
Company Secretary

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 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 2009, 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 auditors' 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 auditors

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 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/UKNP.

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 2009 and of its loss 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.

D I McAllan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants & Registered Auditor

30 March 2010

Profit and loss account
For the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover	2	8,172,332	6,968,810
Cost of sales		(3,712,960)	(4,002,170)
		<hr/>	<hr/>
Gross profit		4,459,372	2,966,640
Administrative expenses		(4,321,948)	(4,855,762)
		<hr/>	<hr/>
Operating profit/(loss)		137,424	(1,889,122)
Interest payable and similar charges	5	(193,680)	(399,741)
		<hr/>	<hr/>
Loss before tax	3,4	(56,256)	(2,288,863)
Taxation (2008 deferred tax asset release)	6	-	(1,940,000)
		<hr/>	<hr/>
Loss for the financial year	15,16	(56,256)	(4,228,863)
		<hr/>	<hr/>

The company has no recognised gains and losses other than those shown above. All figures relate to continuing activities.

Balance sheet
As at 31 December 2009

	Note	2009		2008	
		£	£	£	£
Fixed assets					
Intangible assets	7		36,252		75,798
Tangible assets	8		755,685		505,875
Investments	9		800		800
			<u>792,737</u>		<u>582,473</u>
Current assets					
Debtors (including 2009 & 2008 £167,187 due after more than one year)	10,11	1,728,656		1,505,658	
Creditors amounts falling due within one year	12	(3,176,484)		(3,927,324)	
		<u></u>		<u></u>	
Net current liabilities			(1,447,828)		(2,421,666)
Total assets less current liabilities			<u>(655,091)</u>		<u>(1,839,193)</u>
Creditors amounts falling due after more than one year	13		(5,240,158)		(4,249,800)
			<u></u>		<u></u>
Net liabilities			<u>(5,895,249)</u>		<u>(6,088,993)</u>
Capital and reserves					
Called up share capital	14,15		54,111		50,158
Share premium account	15		6,607,944		6,396,673
Profit and loss account	15		(12,557,304)		(12,535,824)
			<u></u>		<u></u>
Shareholders' deficit	16		<u>(5,895,249)</u>		<u>(6,088,993)</u>

These financial statements were approved by the board of directors on 24 March 2010 and were signed on its behalf by



Philip J Earl
 Director

Cash Flow Statement

For the year ended 31 December 2009

	Note	2009	2008
		£	£
Reconciliation of operating profit/(loss) to net cash flow from operating activities			
Operating profit/(loss)		137,424	(1,889,122)
Depreciation & amortisation charges		352,595	327,122
Increase in debtors		(249,621)	(144,086)
(Decrease)/Increase in creditors		(96,783)	680,493
Charge in relation to share based payments		34,776	215,900
Net cash flow from operating activities		<u>178,391</u>	<u>(809,693)</u>
Returns on investments & servicing of finance			
Interest paid	(228,857)		(291,558)
Interest element of finance lease rental payments	(27,159)		(31,253)
		<u>(256,016)</u>	<u>(322,811)</u>
Capital expenditure & financial investment			
Purchase of tangible fixed assets		(588,662)	(122,035)
Cash flow before financing		<u>(666,287)</u>	<u>(1,254,539)</u>
Financing			
Issue of ordinary share capital	250,724		776,665
Increase in Borrowings	1,000,000		-
Capital element of finance lease rental payments	(39,489)		(51,067)
		<u>1,211,235</u>	<u>725,598</u>
Increase/(decrease) in cash in the year		<u><u>544,948</u></u>	<u><u>(528,941)</u></u>
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in cash in the year		544,948	(528,941)
Increase in Borrowings		(1,000,000)	-
Decrease in lease financing		39,489	51,067
Movement in net debt in the year		<u>(415,563)</u>	<u>(477,874)</u>
Net debt at the start of the year		(5,116,662)	(4,638,788)
Net debt at the end of the year	17	<u><u>(5,532,225)</u></u>	<u><u>(5,116,662)</u></u>

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

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

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after 7 November 2002 and not yet vested is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period until which it is estimated that the employee will exercise the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect an estimate of the number of employees that will cease to be employed by the Company, and therefore lose the benefit of the share options, before the estimated exercise date

Notes (continued)

1 Accounting policies (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

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 Loss on ordinary activities before taxation

	2009 £	2008 £
Loss on ordinary activity before taxation is stated after charging		
Auditors' remuneration for audit services	18,000	17,500
Operating lease rentals		
Land and buildings	357,792	357,976
Amortisation of intangible fixed assets	39,546	39,446
Depreciation of tangible fixed assets	313,049	287,576
	<hr/>	<hr/>

No non-audit services were charged (2008: £nil)

Notes (continued)

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

	2009 Number	2008 Number
Directors	8	8
Others	71	75
	<u>79</u>	<u>83</u>

The aggregate payroll costs of these persons were as follows

	2009 £	2008 £
Wages and salaries	3,719,637	3,464,144
Social security costs	416,062	386,924
	<u>4,135,699</u>	<u>3,851,068</u>

	2009 £	2008 £
Directors' emoluments	536,000	455,000

The highest paid director received emoluments of £216,000 (2008 £180,000) No pension contributions were paid on behalf of any director (2008 £nil)

5 Interest payable and similar charges

	2009 £	2008 £
On bank loans and overdrafts	166,521	368,488
On finance leases	27,159	31,253
	<u>193,680</u>	<u>399,741</u>

Notes (continued)

6 Taxation

Analysis of charge in year

	2009 £	2008 £
<i>UK corporation tax</i>		
UK corporation tax at 28% (2008 28.5%) on the loss before tax	-	-
	<u> </u>	<u> </u>

Deferred tax

Derecognition of deferred tax asset	-	(1,940,000)
	<u> </u>	<u> </u>

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

	2009 £	2008 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(56,256)	(2,288,863)
	<u> </u>	<u> </u>

Current tax at 28% (2008 28.5%)	(15,752)	(652,326)
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Effects of

Expenses not deductible for tax purposes	24,256	75,546
Depreciation in excess of capital allowances	80,037	74,224
Short term timing differences	7,280	-
(Use of)/increase in tax losses	(95,821)	502,556
	<u> </u>	<u> </u>

Total current tax charge (see above)	-	-
	<u> </u>	<u> </u>

No tax charge arises on the results for the year due to the use of brought forward trading losses. As at 31 December 2009 tax losses amounted to £10,878,320 (2008 £11,220,386) 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 Intangible fixed assets

	Total £
Cost	
At beginning and end of year	118,640
	<hr/>
Amortisation	
At beginning of year	42,842
Charged in year	39,546
	<hr/>
At end of year	82,388
	<hr/>
Net book value	
At 31 December 2009	36,252
	<hr/> <hr/>
At 31 December 2008	75,798
	<hr/> <hr/>

Notes (continued)

8 Tangible fixed assets

	Computer equipment & associated software licences £	Office furniture & equipment £	Leasehold improvements £	Total £
Cost				
At beginning of year	789,793	153,351	176,363	1,119,507
Additions	561,436	1,423	-	562,859
At end of year	1,351,229	154,774	176,363	1,682,366
Depreciation				
At beginning of year	473,285	58,027	82,320	613,632
Charged in year	223,848	30,413	58,788	313,049
At end of year	697,133	88,440	141,108	926,681
Net book value				
At 31 December 2009	654,096	66,334	35,255	755,685
At 31 December 2008	316,508	95,324	94,043	505,875
Net book value of assets held under finance leases				
At 31 December 2009	-	52,875	26,767	79,642
At 31 December 2008	31,775	74,025	80,300	186,100
Depreciation on assets held under finance leases				
Charged in 2009	31,775	21,150	53,533	106,458
Charged in 2008	42,367	21,150	53,533	117,050

Notes (continued)

9 Investments

	2009 £	2008 £
Investment in subsidiary undertaking	800	800

Subsidiary name	Registered in	Holding	Activity	Status	£
AusDoctors net Pty Limited	Australia	100%	Internet based services	Dormant	400
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

10 Debtors

	2009 £	2008 £
<i>Amounts recoverable within one year</i>		
Trade debtors	1,161,640	1,060,860
Other debtors	1,119	1,345
Called up share capital not paid	-	35,501
Prepayments and accrued income	398,741	240,796
	<u>1,561,500</u>	<u>1,338,502</u>
<i>Amounts recoverable in more than one year</i>		
Called up share capital not paid	167,156	167,156
	<u>1,728,656</u>	<u>1,505,658</u>

11 Deferred tax asset

	£
At beginning and end of year	-

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

	2009		2008	
	Provided £	Unprovided £	Provided £	Unprovided £
Fixed asset timing difference	-	295,884	-	215,847
Trading losses carried forward	-	3,167,064	-	3,245,825
	<u>-</u>	<u>3,462,948</u>	<u>-</u>	<u>3,461,672</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans and overdrafts	282,288	827,236
Trade creditors	341,364	428,035
Other creditors including taxation and social security	1,016,452	923,458
Obligations under finance leases	9,779	39,626
Accruals and deferred income	1,526,601	1,708,969
	<u>3,176,484</u>	<u>3,927,324</u>

The bank loan and overdraft are secured by way of a fixed and floating charge over the assets of the Company and personal guarantees provided by Nicholas Cross and Ian Laing, directors of the Company

13 Creditors: amounts falling due after more than one year

	2009 £	2008 £
Obligations under finance leases	240,158	249,800
Bank loans and overdrafts	5,000,000	4,000,000
	<u>5,240,158</u>	<u>4,249,800</u>

The maturity of obligations under finance leases is as follows

	2009 £	2008 £
Within one year	35,118	66,786
In two to five years	139,923	139,923
In more than five years	279,845	314,826
	<u>454,885</u>	<u>521,535</u>
Less future finance charges	(204,948)	(232,108)
	<u>249,937</u>	<u>289,426</u>

Notes (continued)

14 Called up share capital

	2009 £	2008 £
Allotted and called up		
Fully paid - equity 5,379,161 (2008 4,983,938) Ordinary shares of £0.01 each	53,792	49,839
Partly paid – equity 31,900 (2008 31,900) Ordinary shares of £0.01 each	319	319
	<u>54,111</u>	<u>50,158</u>

During the year the Company issued a total of 395,223 1p ordinary shares, 195,223 of which were issued for consideration of £1.00 each and 200,000 for consideration of £0.10 each

15 Reserves

	Ordinary share capital £	Share premium £	Profit & loss account £
At beginning of year	50,158	6,396,673	(12,535,824)
Share issues	3,953	211,271	-
Loss for the year	-	-	(56,256)
Share option charges under FRS20	-	-	34,776
At end of year	<u>54,111</u>	<u>6,607,944</u>	<u>(12,557,304)</u>

16 Reconciliation of movements in shareholders' deficit

	2009 £	2008 £
Loss for the year	(56,256)	(4,228,863)
Share option charges under FRS20	34,776	215,900
Funds raised from new shares issued during the year	215,224	812,135
Reduction/(Increase) in shareholders deficit	193,744	(3,200,828)
Shareholders' deficit at beginning of the year	(6,088,993)	(2,888,165)
Shareholders' deficit at the end of the year	<u>(5,895,249)</u>	<u>(6,088,993)</u>

Notes (continued)

17 Analysis of net debt

	At start of year £	Cash flow £	Non cash changes £	At end of year £
Overdrafts	(827,236)	544,948	-	(282,288)
Debt due after one year	(4,000,000)	(1,000,000)	-	(5,000,000)
Finance leases	(289,426)	39,489	-	(249,937)
Total	(5,116,662)	(415,563)	-	(5,532,225)

18 Employee share schemes

Share based payments

For those employees that qualify, share options are granted under an Inland Revenue approved EMI scheme. Other share options are granted under an unapproved scheme. The rules of the EMI and unapproved schemes are the same. All options vest on a time basis with no performance conditions attached. The general rule is that options vest three years after the date of grant (although a small number of exceptions apply) and expire 10 years after the date of grant. All options have an exercise price equal to estimated market value of a share at the date of grant. The exercise price is payable in cash.

The estimated fair value of each share option granted has been 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%.

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

	2009 Weighted average exercise price £p	2009 Number of options Number	2008 Weighted average exercise price £p	2008 Number of options Number
Outstanding at the beginning of the period	1.00	624,850	2.69	480,550
Granted during the period	1.00	125,400	1.00	344,900
Forfeited during the period	1.00	(36,500)	5.08	(200,600)
Exercised during the period	1.00	(2,000)	-	-
Outstanding at the end of the period	1.00	711,750	1.00	624,850
Exercisable at the end of the period	1.00	267,784	1.00	200,317

Notes (continued)

18 Employee share schemes (continued)

There were 2,000 share options exercised during the year. The options outstanding at the year end all have an exercise price of £1.00 and a weighted average contractual life of 1.1 years.

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

	2009 £	2008 £
Cumulative expense charged at the beginning of the period	371,900	156,000
Expense during the period arising from share option plans	34,776	215,900
Cumulative expense charged at the end of the period	406,676	371,900

19 Related party disclosures

There were no related party transactions during the year.

20 Annual commitments

Annual commitments under non-cancellable operating leases are as follows:

	2009 £	2008 £
Lease which expires in 2-5 years	366,295	366,295