

M3 (EU) Limited

Annual report and financial
statements for the year ended
31 December 2017



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Strategic Report

Business review and future developments

Overall revenue has increased to £29,846,183 (2016 £27,200,238) and the directors are pleased to report a profit before income tax of £1,791,047 in 2017 compared with a profit before income tax of £1,237,233 in 2016.

The directors and management team work closely with the parent company (M3, Inc.) to anticipate risks from economic or global factors and plan accordingly. We remain confident about our business prospects because we continue to gain market share from competitors for online market research and are able to provide highly cost-effective digital marketing services to life science companies. Our ability to engage specific groups of doctors and healthcare professionals, in key global markets in order to conduct market research and to deliver impactful digital communications enables our clients to gain a competitive advantage and improve their efficiency.

M3 (EU) Limited 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).

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 needed to serve our clients and expand our business.

Regulation

The Company mainly trades with the pharmaceutical industry which is highly regulated. Changes to these regulations can have a significant impact on our ability to provide services to this group.

The Global market research division of the business is accredited by ISO standard 26362 which ensures internal regulation standards are maintained.

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.

Strategic Report (continued)

Principal risks and uncertainties (continued)

Competition (continued)

The emergence of significant competitive services would threaten the Company's growth but the high demand for digital market research and media services currently outweighs the competitive risk.

Industry changes

Changes such as consolidation in the pharmaceutical industry, pricing pressures, patent expiries or healthcare reform could affect the demand and pricing of all our services.

GDPR

GDPR comes into effect on 25th May 2018. The Company has been undertaking numerous steps to ensure early compliance with the standard and the opportunities that these changes bring outweigh the risks.

Brexit

The Company continues to monitor the government's position regarding Brexit assessing the impact on the Company on an ongoing basis.

Key performance indicators (KPIs)

The Company's key performance indicators are its reach to healthcare professionals globally, revenue growth and profit. In 2017 the company achieved revenue of £29,846,183 (2016: £27,200,238) which represents a growth of 9% from 2016. The company achieved a profit before income tax of £1,791,047 (2016: £1,237,233) which represents an increase of 45% from 2016.

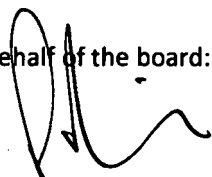
Financial risk management

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. The Company has implemented policies and procedures to manage invoicing and cash collections which reduce bad debts and credit risks.

Position of the business

As at 31 December 2017 the Company had net assets of £4,011,114 (2016; assets of £2,536,542).

On behalf of the board:



Paul Rice

Director

20 Western Avenue, Milton Park

Abingdon, OX14 4SH

10 May 2018

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the financial year ended 31 December 2017.

Principal activities

M3 (EU) Limited owns and operates the European division of the M3 Global Research panel, www.doctors.net.uk the UK's largest online network of GMC registered medical doctors and www.m3medical.com, a service for healthcare professionals throughout Europe. The Company generates revenue from the delivery of market research services, online promotional programmes, online continuing medical education (CME) programmes and recruitment services and for a wide range of clients. The customer base includes pharmaceutical and medical device companies, agencies, public and private sector healthcare providers, recruitment companies, technology companies, charities and consulting services.

Financial Risk Management

Refer to the Strategic report for the disclosures on the financial risk management of the company.

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.

Other

The Company purchased and maintained throughout the financial year and as at the date of approval of the financial statements, Directors' and Officers' liability insurance in respect of itself and its Directors.

Future developments

No significant changes to the company's activities are expected.

Proposed dividend

The directors do not recommend the payment of a dividend (2016: nil).

Independent Auditors

The auditors PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise indicated, were:

Timothy R Ringrose – resigned 05/01/18

Akihiko Tomaru

Itaru Tanimura

Richard C Knowles – resigned 01/02/18

Anton Richter – appointed 01/02/18

Paul Rice – appointed 01/02/18

Directors' Report (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, 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, comprising Financial Reporting Standard 102 *The Financial Reporting Standard Applicable in the UK and Republic of Ireland* (FRS 102), 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;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

The directors 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.

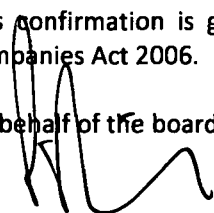
Disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself 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



Paul Rice
Director

20 Western Avenue, Milton Park
Abingdon, Oxfordshire.
OX14 4SH
10 May 2018

Independent auditors' report to the members of M3 (EU) Limited

Report on the audit of the financial statements

Opinion

In our opinion, M3 (EU) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet, the Statement of comprehensive income, the Statement of changes in equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of the M3 (EU) Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of the M3 (EU) Limited (continued)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

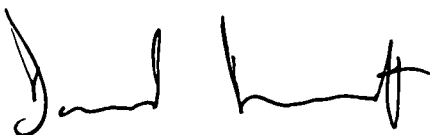
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Daniel Dennett (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
10 May 2018

Statement of comprehensive income

For the year ended 31 December 2017

	Note	2017	2016
		£	£
Revenue	2	29,846,183	27,200,238
Cost of sales		<u>(14,777,091)</u>	<u>(13,633,066)</u>
Gross profit		15,069,092	13,567,172
Administrative expenses		(13,453,424)	(12,274,018)
Other Operating Income		146,852	-
Operating profit	3	1,762,520	1,293,154
Income from shares in group undertakings	11	72,925	-
Finance income	6	3,217	14,104
Finance costs	7	<u>(47,615)</u>	<u>(70,025)</u>
Profit before income tax		1,791,047	1,237,233
Income tax expense	8	<u>(316,475)</u>	<u>(263,709)</u>
Profit for the financial year from continuing operations		1,474,572	973,524
Profit for the financial year		1,474,572	973,524
Other comprehensive income		-	-
Total tax component of other comprehensive income		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		1,474,572	973,524

All items dealt with in arriving at the profit before income tax relate to continuing operations.

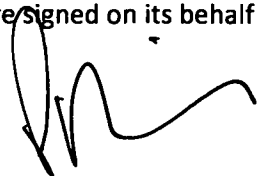
There is no material difference between the profit before income tax and the profit for the financial years stated above, and their historical cost equivalents.

The notes presented on pages 11 to 24 form an integral part of these financial statements.

Balance sheet
As at 31 December 2017

	Note	2017		2016	
		£	£	£	£
ASSETS					
Non-current assets					
Intangible assets	9	517,797		637,251	
Property, plant & equipment	10	559,255		449,953	
Investments	11	1,800		800	
Total Non-current asset		1,078,852		1,088,004	
Current assets					
Trade and other receivables	12	8,584,024		9,802,168	
Cash		5,042,174		6,116,654	
Total current asset		13,626,198		15,918,822	
Total assets		14,705,050		17,006,826	
Equity and liabilities					
Equity					
Called up Share Capital	15	67,109		67,109	
Share premium account		7,548,315		7,548,315	
Accumulated Losses		(3,604,310)		(5,078,882)	
Total equity		4,011,114		2,536,542	
Current liabilities					
Trade and other payables	13	10,693,936		14,470,284	
Total current liabilities		10,693,936		14,470,284	
Total assets less total liabilities		4,011,114		2,536,542	
Total equity and liabilities		14,705,050		17,006,826	

The financial statements on pages 8 to 24 were approved by the board of directors on 10 May 2018 and were signed on its behalf by:



Paul Rice
Director

Statement of changes in equity
For the year ended 31 December 2017

	Called up share capital	Share premium account	Accumulated Losses	Total equity
	£	£	£	£
At 1 January 2016	67,109	7,548,315	(6,052,406)	1,563,018
Profit for the financial year	-	-	973,524	973,524
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	973,524	973,524
At 31 December 2016	67,109	7,548,315	(5,078,882)	2,536,542
At 1 January 2017	67,109	7,548,315	(5,078,882)	2,536,542
Profit for the financial year	-	-	1,474,572	1,474,572
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,474,572	1,474,572
At 31 December 2017	67,109	7,548,315	(3,604,310)	4,011,114

Notes to the financial statements for the year ended 31 December 2017

4 Principal accounting policies

a) General information

M3 (EU) Limited is a Company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is 20 Western Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SH.

M3 (EU) Limited owns and operates the UK's largest online network of GMC registered medical doctors and a service for healthcare professionals throughout Europe.

b) Statement of compliance.

The financial statements of M3 (EU) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006. The Company has early adopted the Amendments to FRS 102 (issued in July 2016).

c) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

d) Basis of accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

The Company has chosen to apply paragraph 1A(2) of Schedule 1 to the Companies Regulations and adapt the profit and loss account format and terminology to comply with Section 5 of FRS 102 (issued in July 2016). The Company has also chosen to apply paragraph 1A(1) of Schedule 1 to adapt the balance sheet format and terminology to comply with Section 4 of FRS 102 (issued in July 2016).

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(p).

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.

e) 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.

f) Exemption for qualifying entities

FRS 102 allows a qualifying entity certain disclosure exemptions. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. M3 (EU) Limited is a qualifying entity as its results are consolidated into the financial statements of M3, Inc. which are publicly available.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

f) Exemption for qualifying entities (continued)

As a qualifying entity, the Company has taken advantage of the following exemptions:

- from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- from disclosing the Company's key management personnel total compensation, as required by FRS 102 and paragraph 33.7.

g) Foreign currencies

i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of statement of comprehensive income.

h) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

i) Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

ii) Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

i) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income and retained earnings, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred taxation

Deferred taxation is provided at anticipated tax rates, using the full provision method, on all timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

j) Intangible assets

Database development expenditure represents the costs (or deemed costs) incurred in building a database of contacts willing to partake in specific areas of market research. These costs are being amortised over their expected useful life of five years. Costs of maintaining the databases are written off as incurred.

Website development expenditure represents the costs (or deemed costs) incurred in building a new website www.m3medical.com for European doctors and other healthcare professionals. These costs are being amortised over their expected useful life of five years.

In 2018 we plan to recognise the development expenditure incurred in the building and installation of the new NetSuite One World ERP. These costs are being amortised over their expected useful life of five years

The Company has taken advantage of the exemption under paragraph 35.10(n) of FRS 102 in respect of using a previous UK GAAP carrying value of intangible asset at the date of transition as its deemed cost at that date.

k) Property, plant & equipment

Property, plant & equipment are stated at their historic purchase cost (together with any incidental expenses of acquisition) less accumulated depreciation and accumulated impairment losses.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

k) Property, plant & equipment (continued)

Depreciation is calculated so as to write off the cost of property, plant & equipment 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

Property, plant & equipment are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of comprehensive income and included in 'Other operating (losses)/gains'.

l) Impairment of non-financial assets

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the operating profit, unless the asset has been revalued when the amount is recognised in the statement of comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

m) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade receivables and cash, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

m) Financial instruments (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade payables and short-term loans, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

n) Operating leases

Rental charges for operating leases are charged to the statement of comprehensive income on a straight line basis over the life of the lease.

o) Investments

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

Notes to the financial statements for the year ended 31 December 2017 (continued)

1 Principal accounting policies (continued)

o) Investments (continued)

The Company has taken advantage of the exemption under paragraph 35.10(f) of FRS 102 in respect of using a previous UK GAAP cost of investments in subsidiaries at the date of transition as its cost at that date.

p) Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of property, plant & equipment and intangible asset. (Sections 17 and 18)

The annual depreciation or amortisation charge for property, plant & equipment and intangible asset is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of property, plant & equipment, note 9 for intangible assets and note 1(k) and 1(j) for the useful economic lives for each class of asset.

ii) Revenue recognition

The Company recognises revenue as earned, which is over the service period as the information is delivered or related services are performed. Where service period crosses the year end an estimate is included to reflect the progress of completion of the projects impacted.

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

2 Revenue

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

	2017 £	2016 £
By class of business:		
Advertising	6,717,107	8,093,983
Market Research	23,129,076	19,106,255
	29,846,183	27,200,238

3 Operating profit

	2017 £	2016 £
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation of property, plant & equipment	328,786	304,797
Amortisation of intangible fixed assets	179,986	169,969
Loss on disposal of fixed assets	1,349	1,696
Foreign exchange losses / (gains)	222,641	(421,670)
Operating lease charges	530,421	431,513
Other operating Income	146,852	-
Services provided by the Company's auditors:		
Fees payable for the audit	31,250	33,000

Other operating income consists of amounts recharged to group companies (£96,289) and R&D tax credits (£50,563)

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:

	2017 Number	2016 Number
Directors	2	2
Others	182	198
	184	200

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2017 £	2016 £
Wages and salaries	8,522,475	8,070,631
Social security costs	879,399	880,174
Other pension costs	595,001	556,838
	<u>9,996,875</u>	<u>9,507,643</u>

5 Directors' remuneration

	2017 £	2016 £
Directors' remuneration	333,742	341,133
Contribution to money purchase pension scheme	20,376	20,375
	<u>354,118</u>	<u>361,508</u>

The highest paid director received remuneration of £180,742 and pension contributions of £11,070 (2016: remuneration of £180,633 and pension contributions of £11,069).

Two (2016: two) directors were remunerated in the year.

Two (2016: two) directors are employed by other companies in the M3 Inc. Group and are remunerated by those companies in respect of those services to the group as a whole and for which no recharge is made to the Company.

The number of directors for whom retirement benefits are accrued under defined contribution schemes amounted to two (2016: two).

6 Finance income

	2017 £	2016 £
Bank interest receivable	3,217	14,104
	<u>3,217</u>	<u>14,104</u>

7 Finance costs

	2017 £	2016 £
Interest payable to group companies	47,615	70,025
	<u>47,615</u>	<u>70,025</u>

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

8 Income tax expense

a) Tax charged in the Statement of comprehensive income

	2017 £	2016 £
Current income tax:		
Current income tax charge	619	2,821
Adjustment in respect of prior period	6,670	(25,569)
Deferred tax:		
Origination and reversal of temporary differences	309,186	286,457
Tax expense in the Statement of comprehensive income	<u>316,475</u>	<u>263,709</u>

b) Reconciliation of the total tax charge

Tax assessed for the year is higher (2016: Higher) than the standard effective rate of corporation tax in the United Kingdom at 19.25% (2016: 20%).

	2017 £	2016 £
<i>Total tax reconciliation</i>		
Profit before income tax	<u>1,791,047</u>	<u>1,237,233</u>
Profit before income tax multiplied by the standard rate in the UK 19.25% (2016: 20.00%)	344,777	247,447
<i>Effects of:</i>		
Fixed Asset differences	15,729	12,067
Expenses not deductible for tax purposes	4,257	6,368
Other differences leading to an increase in the tax charge		
R&D expenditure credits	(9,732)	(15,663)
Group income	(14,036)	-
R&D expenditure debits from prior year	-	13,732
Adjustments to tax charge prior periods - deferred tax	-	14,097
Adjustments to tax charge prior periods	(6,670)	(39,301)
Adjust opening and closing deferred tax rate	-	24,962
Recognition of deferred tax asset for losses	-	-
Short-term timing differences	291,336	261,495
Utilisation of tax losses	<u>(309,186)</u>	<u>(261,495)</u>
Total tax charge for the financial year	<u>316,475</u>	<u>263,709</u>

As at 31 December 2017 gross tax losses amounted to £2,631,551 (2016: £4,300,215) which are available to be relieved against future profits of the same trade (note 14).

During the year to 31 December 2017 the Directors reviewed the future outlook for the company and were satisfied that there would be sufficient taxable profits in the future to justify recognition of a deferred tax asset for the company's brought forward losses.

Notes to the financial statements for the year ended 31 December 2017 (continued)

8 Income tax expense (continued)

In the year to 31 December 2017, £309,186 of the deferred taxation asset has been utilised against the profits for the year.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2016) and Finance Bill 2016 (on 7 September 2017). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements

9 Intangible assets

	Website development £	Database development £	Software £	Total £
Cost				
At 1 January 2017	586,926	308,147	-	895,073
Addition	2,425	-	58,107	60,532
At 31 December 2017	589,351	308,147	58,107	955,605
Accumulated amortisation				
At 1 January 2017	141,006	116,816	-	257,822
Charge for the year	118,356	61,630	-	179,986
At 31 December 2017	259,362	178,446	-	437,808
Net book amount				
At 31 December 2017	329,989	129,701	58,107	517,797
At 31 December 2016	445,920	191,331	-	637,251

Amortisation of intangible assets is recognised in the statement of comprehensive income and included in administrative expenses.

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

10 Property, plant & equipment

	Computer equipment & related software licences £	Office furniture & equipment £	Leasehold improvements £	Total £
Cost				
At 1 January 2017	1,173,791	163,615	251,311	1,588,717
Additions	200,895	20,365	222,419	443,679
Disposals	(46,816)	(4,732)	-	(51,548)
At 31 December 2017	1,327,870	179,248	473,730	1,980,848
Accumulated depreciation				
At 1 January 2017	963,553	102,203	73,008	1,138,764
Charge for the year	191,536	21,717	115,533	328,786
Disposals	(42,453)	(3,504)	-	(45,957)
At 31 December 2017	1,112,636	120,416	188,541	1,421,593
Net book amount				
At 31 December 2017	215,234	58,832	285,189	559,255
 At 31 December 2016	 210,238	 61,412	 178,303	 449,953

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

11 Investments

	2017 £	2016 £
Investment in subsidiary undertaking	1,800	800
Net book value	1,800	800

During the year, M3 (EU) Limited acquired 100% of the shares in M3 Global Research Limited for £1,000. On 29 September 2017, M3 Global Research Limited paid a dividend of £72,925 to the Company.

The subsidiary undertakings of the Company which are incorporated in England and Wales are wholly owned by the Company, are listed below. The share capital of these subsidiaries comprises £1 ordinary shares.

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
M3 Health Limited	England & Wales	100%	General business services	Dormant	100
Doctorsnetuk Limited	England & Wales	100%	General business services	Dormant	100
M3 Healthcare Limited	England & Wales	100%	General business services	Dormant	100
M3 Global Research Limited	England & Wales	100%	General business services	Dormant	1,000

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

The registered office of all the above subsidiaries is 20 Western Avenue, Milton Park, Milton, Abingdon, Oxfordshire, OX14 4SH

12 Trade and other receivables

	2017 £	2016 £
Trade receivables	4,926,793	5,139,530
Other receivables	45,774	72,958
Other tax asset	40,450	-
Deferred tax asset (note 14)	535,747	844,933
Prepayments and accrued income	3,035,260	3,744,747
	8,584,024	9,802,168

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

13 Trade and other payables

	2017 £	2016 £
Trade payables	707,503	563,754
Amounts owed to group undertakings	3,798,486	7,651,159
Other payables - taxation	568,160	737,159
Other Payables including social security and pension	325,163	265,917
Corporation tax	-	2,821
Accruals and deferred income	5,294,624	5,249,474
	10,693,936	14,470,284

Amounts owed to group undertakings includes £3,798,486 which is secured and repayable on demand. Interest was charged during the year between 1.13% and 1.17% (2016: between 1.13% and 1.17%). The remainder of amounts owed to group undertakings are trading related.

14 Deferred tax

The deferred taxation included in the company balance sheet, and the amounts not provided, are set out below:

	2017		2016	
	Provided £	Unprovided £	Provided £	Unprovided £
Fixed asset timing difference	83,977	-	107,305	-
General provisions	4,406	-	6,591	-
Trading losses carried forward	447,364	-	731,037	-
	535,747	-	844,933	-

	2017 £	2016 £
Origination and reversal of timing difference	535,747	844,933
Total deferred tax	535,747	844,933

The movement during the year on deferred tax balances were:

	2017 £	2016 £
At beginning of financial year	844,933	1,131,390
Current year (debit) / credit – profit and loss account	(309,186)	(286,457)
At end of financial year	535,747	844,933

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

Notes to the financial statements for the year ended 31 December 2017 *(continued)*

14 Deferred tax (continued)

During the year to 31 December 2017 the Directors reviewed the future outlook for the company and were satisfied that there would be sufficient taxable profits in the future to justify recognition of a deferred tax asset for the company's brought forward losses.

In the year to 31 December 2017, £309,186 of the deferred taxation asset has been utilised against the profits for the year.

15 Called up share capital

	2017 £	2016 £
Authorised share capital		
6,710,932 (2016: 6,710,932) Ordinary shares of £0.01 each	67,109	67,109
Allotted, issued and fully paid		
6,710,932 (2016: 6,710,932) Ordinary shares of £0.01 each	67,109	67,109

There is a single class of ordinary shares. There is no restriction on the distribution of dividends and the repayment of capital.

16 Financial commitments

As at 31 December, the Company had the following minimum lease payments under non-cancellable operating leases for each of the following periods.

	2017 £	2016 £
Not later than one year	528,200	528,200
Later than one year and not later than five years	1,158,750	1,686,950
Later than five years	-	-
	1,686,950	2,215,150

17 Related party transactions

In accordance with the exemption available under Section 33.1A 'Related Party Disclosures', transactions with other group undertakings have not been disclosed in these financial statements.

Refer to note 5 for the disclosure of key management personnel compensation.

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.