

Doctors.net.uk Limited

**Directors' report and financial
statements**

Registered number 3527430

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the company have been the provision of IT services to UK registered medical doctors over the internet.

Business review

The company has increased the scale of its operations as planned during the period and anticipates considerable development during the next twelve months.

Proposed dividend

The directors do not recommend the payment of a dividend.

Significant changes in fixed assets

Details of movements in the fixed assets of the company are set out in note 6 and 7.

Directors and directors' interests

The directors who held office during the period were as follows:

NJ Cross	
IM Laing	
Dr NCM Bacon	
CJ Arnold-Baker	
D White	(appointed 19 June 2000)
M Gatenby	(appointed 25 September 2000)
R Kane	(resigned 31 July 2000)

The directors who held office at the end of the period had the following interests in the shares of the company recorded in the register of directors' share and debenture interests:

	Ordinary shares of 1p each		5% Preference shares of 1p each	
	Interest at beginning of period or date of appointment	Interest at end of period	Interest at beginning of period or date of appointment	Interest at end of period
NJ Cross	300,000	300,000	2,700,000	2,700,000
IM Laing	300,000	300,000	2,700,000	2,700,000
Dr NCM Bacon	300,000	300,000	2,700,000	2,700,000
CJ Arnold-Baker	100,000	100,000	1,000,000	1,000,000
D White	-	-	-	-
M Gatenby	-	-	-	-
R Kane	-	-	-	-

Directors' report *(continued)*

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



NJ Cross
Director

3 Worcester Street
Oxford
OX1 2PZ

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

Report of the auditors to the members of Doctors.net.uk Limited

We have audited the financial statements on pages 5 to 11.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants
Registered Auditors*

Profit and loss account
for the year ended 31 December 2000

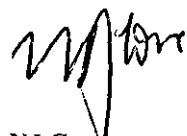
	<i>Note</i>	2000 £	1999 £
Turnover	2	216,800	31,290
Direct costs		(1,060,873)	(627,940)
		<hr/>	<hr/>
Gross loss		(844,073)	(596,650)
General and administrative expenses		(1,555,734)	(498,727)
		<hr/>	<hr/>
Operating loss		(2,399,807)	(1,095,377)
Interest payable and similar charges	5	(175,617)	(39,002)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	3	(2,575,424)	(1,134,379)
Taxation		-	-
		<hr/>	<hr/>
Loss for the year		(2,575,424)	(1,134,379)
Finance cost of non-equity shares		(4,500)	(4,500)
		<hr/>	<hr/>
Loss attributable to equity shareholders		(2,579,924)	(1,138,879)
		<hr/>	<hr/>

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

Balance sheet
at 31 December 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	6	95,100	84,917
Investments	7	400	-
		<u>95,500</u>	<u>84,917</u>
Current assets			
Debtors	8	103,637	45,581
Creditors: amounts falling due within one year	9	(4,150,159)	(1,506,096)
		<u>(4,046,522)</u>	<u>(1,460,515)</u>
Net current liabilities			
		<u>(3,951,022)</u>	<u>(1,375,598)</u>
Capital and reserves			
Called up share capital	10	10,000	10,000
Profit and loss account		(4,060,022)	(1,480,098)
		<u>(4,050,022)</u>	<u>(1,470,098)</u>
Equity shareholders deficit			
Non-equity shareholders' funds			
Called up share capital	10	90,000	90,000
Unpaid cumulative preference dividend		9,000	4,500
		<u>(3,951,022)</u>	<u>(1,375,598)</u>
Shareholders' deficit	11		

These financial statements were approved by the board of directors on 29th January 2001 and were signed on its behalf by:



NJ Cross
Director

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 company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Applicable Accounting Standards and under the historical cost accounting rules. As permitted by the exemptions in Financial Reporting Standard 1 relating to small companies, as defined in Sections 246-249 of the Companies Act 1985, the company has not prepared a cash flow statement.

The accounts have been prepared on a going concern basis. The directors have commenced a fundraising process to raise substantial additional capital to enable the company to fund its ongoing requirements. Until the point in time that additional funds are raised the directors are continuing to guarantee the companies borrowings.

The company and its subsidiaries qualify as a small-sized group under the provisions of the Companies Act 1985. Accordingly, the company has taken advantage of the exemptions available under Section 248 Companies Act 1985 and has not prepared group financial statements. These financial statements therefore present financial information about the company standing alone and not about its group.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

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	-	33% per annum
Office furniture	-	20% per annum
Office equipment	-	33% per annum

Foreign currencies

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

Operating leases

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

Turnover

Turnover represents the amount (excluding value added tax) derived from the provision of goods and services to customers in the period.

Notes (continued)

2 Turnover

Turnover, which arose primarily from the sale of advertising and from sponsorship, arises in the United Kingdom.

3 Loss on ordinary activities before taxation

	2000 £	1999 £
<i>Loss on ordinary activity before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	2,500	1,000
Other services	2,888	2,500
Depreciation	41,192	26,178
	<hr/>	<hr/>

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:

	2000 £	1999 £
Directors	5	5
Others	16	9
	<hr/>	<hr/>
	21	14
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	536,800	254,035
Social security costs	55,802	96,465
	<hr/>	<hr/>
	592,602	350,500
	<hr/>	<hr/>

Notes (continued)

5 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	175,617	39,002

6 Tangible fixed assets

	Computer equipment £	Office furniture & equipment £	Total £
Cost			
At beginning of period	88,498	27,233	115,731
Additions	52,189	10,008	62,197
Disposals	(8,180)	(2,642)	(10,822)
At end of period	132,507	34,599	167,106
Depreciation			
At beginning of period	25,895	4,919	30,814
Charged in year	34,069	7,123	41,192
At end of period	59,964	12,042	72,006
Net book value			
At 31 December 2000	72,543	22,557	95,100
At 31 December 1999	62,603	22,314	84,917

7 Investments

	2000 £	1999 £
100,000, 1 cent ordinary shares in AusDoctors.Net.Pty.Limited	400	-

The investment represents 100% of the authorised and issued share capital of AusDoctors.Net.Pty.Limited. The company is registered in Australia, providing IT services to Australian registered medical doctors over the internet. The aggregate share capital and reserves of AusDoctors.Net.Pty.Limited for the year ended 31 December 2000 were £188,678, and the company incurred a loss of £189,078 in the year.

Notes (continued)

8 Debtors

	2000 £	1999 £
Trade debtors	59,729	10,114
Other debtors	10,936	31,982
Prepayments and accrued income	32,972	3,485
	<hr/> 103,637 <hr/>	<hr/> 45,581 <hr/>

9 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	76,646	125,065
Other creditors including taxation and social security	18,640	20,730
Accruals and deferred income	70,063	21,086
Bank loans and overdrafts	3,984,810	1,339,215
	<hr/> 4,150,159 <hr/>	<hr/> 1,506,096 <hr/>

10 Called up share capital

	2000 Number	1999 Number
<i>Authorised</i>		
Equity: Ordinary shares of £0.01 each (1999 £1)	1,000,000	1,000,000
Non-equity: 5% cumulative preference shares of £0.01 each	9,000,000	9,000,000
	<hr/> 10,000,000 <hr/>	<hr/> 10,000,000 <hr/>
	£	£
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £0.01 each	10,000	10,000
Non-equity: 5% cumulative preference shares of £0.01 each	90,000	90,000
	<hr/>	<hr/>

Notes (continued)

11 Reconciliation of movements in shareholders funds

	2000 £	1999 £
Opening balance	(1,375,598)	(241,219)
Loss for the year	(2,579,924)	(1,138,879)
Appropriation to non-equity interests	4,500	4,500
	<hr/>	<hr/>
At end of year	(3,951,022)	(1,375,598)
	<hr/>	<hr/>

12 Related party disclosures

The company paid the following:

- £50,073 to Jonathon Bacon, brother of Dr N Bacon (Director), in respect of design services provided;
- £2,570 to Oxford Semiconductor Ltd in respect of Accounting and Book-Keeping services. NJ Cross is a chairman, and IM Laing a non-executive director of Oxford Semiconductor Ltd. They are both also shareholders in Oxford Semiconductor Limited;
- £10,152 to Oxford Semiconductor in respect of leased property costs for premises at 69 Milton Park where the company took an assignment at a consideration of £9,553 for premises let to Oxford Semiconductor by Milton Park Ltd. NJ Cross and IM Laing are non-executive directors of Milton Park Limited;
- £43,172 to Milton Park Ltd in respect of rent on 69 Milton Park, £2,470 in respect of accountancy software and £127 in respect of Insurance;
- £528 to Oxford Innovation Limited in respect of administration services. NJ Cross is a non-executive director of Oxford Innovation Limited. This company is a tenant of Milton Park Limited;
- The company lent AusDoctors.Net.Pty.Limited, the investment detailed in note 7, an amount of £231,998 during the year. This amount has been fully provided for.

The directors consider the above transactions to be at arm's length.

13 Annual Commitments

At 31 December 2000 the company was committed to make the following payments in the next year in respect of operating leases.

	Land and buildings
	2000 1999
	£ £
Lease which expire 2-5 years	44,265 43,200
	<hr/>