Patientline UK Limited

Report and Financial Statements

Year Ended 31 March 2002

Company number: 2841021



Blueprint Audit Limited
Chartered Accountants
and Registered Auditor

PATIENTLINE UK LIMITED

Annual report and financial statements for the year ended 31 March 2002

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Directors

DC Lewis (Chairman)
P Rushby
WJC Dunn
DP Watts
MRG Christian
J O'Reilly
S Burke
BD Farrell
HM Crosby
WJ Glover
PB Coleridge

Secretary and registered office

EJ Taylor, Connaught House, 46-48 High Street, Slough, SL1 1EL

Company number

2841021

Accountants and business advisers

Tenon Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Auditor

Blueprint Audit Limited, Charnwood House, Gregory Boulevard, Nottingham, NG7 6NX

Bankers

The Royal Bank of Scotland Group, 1 Princes Street, London, EC2R 8PB

PATIENTLINE UK LIMITED

Report of the directors for the year ended 31 March 2002

The directors present their report together with the audited financial statements for the year ended 31 March 2002.

Results and dividends

The profit and loss account is set out on page 4 and shows the result for the year.

The directors do not recommend the payment of a dividend.

Principal activity, trading review and future developments

The principal activity of the company is the development and operation of bedside television, radio and telephone terminals for hospital patients. The directors are satisfied with the year under review and are confident of future prospects.

Research and development

The company continues to invest in research and development. This has resulted in improvements to the existing terminal and the development of a new system, Terminal 2 and of systems for use by the associated Trustline Telecom division. These costs have been capitalised in the balance sheet.

Directors

The directors of the company during the year were:

DC Lewis
AS Firmston-Williams (resigned 8 November 2001)
P Rushby
WJC Dunn
DP Watts
MRG Christian
J O'Reilly
S Burke
BD Farrell
HM Crosby
WJ Glover (appointed 29 May 2001)
PB Coleridge (appointed 6 November 2001)

The interests of the directors in the share capital of the parent company are disclosed in that company's financial statements.

EMU Impact

Having reviewed its commercial and accounting transactions, the company is managing the impact of the single currency.

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 of the company 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; 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 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 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.

Auditors

The auditors, BDO Stoy Hayward Nottingham office, have transferred their audit business to Blueprint Audit Limited. In accordance with section 26 of the Companies Act 1989, Blueprint Audit Limited have been appointed as auditors to succeed BDO Stoy Hayward Nottingham office, and will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the Board

EJ Taylor
Secretary

23 May 2002

Blueprint Audit

Chartered Accountants and Registered Auditor

PATIENTLINE UK LIMITED

Report of the auditors

Independent auditors' report to the shareholders of Patientline UK Limited

We have audited the financial statements of Patientline UK Limited for the year ended 31 March 2002 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 consider 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 March 2002 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited

Blueprint Audit Limited
Chartered *Accountants*
and Registered Auditor
Nottingham

23 May 2002

PATIENTLINE UK LIMITED

Profit and loss account for the year ended 31 March 2002

	Note	2002 £	2001 £
Turnover	2	10,445,349	7,423,977
Royalty charge		(1,566,802)	(1,113,597)
Other costs of sales		(972,126)	(754,361)
Gross profit		7,906,421	5,556,019
Administrative expenses		(12,243,887)	(7,159,657)
Operating loss	5	(4,337,466)	(1,603,638)
Interest chargeable by holding company		(1,818,331)	(1,845,182)
Interest receivable from subsidiary undertakings		37,027	-
Other interest payable and similar charges	6	(463,385)	(1,708,164)
Loss on ordinary activities before and after taxation	16	(6,582,155)	(5,156,984)
Deficit brought forward		(13,304,686)	(8,147,702)
Deficit carried forward		(19,886,841)	(13,304,686)

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 12 form part of these financial statements.

PATIENTLINE UK LIMITED

Balance sheet at 31 March 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	8		2,556,898		843,920
Tangible assets	9		28,050,189		17,068,221
			30,607,087		17,912,141
Current assets					
Stocks	10	227,405		478,244	
Debtors	11	4,049,735		1,474,640	
Cash at bank and in hand		490,123		8,706,005	
		4,767,263		10,658,889	
Creditors: amounts falling due within one year	12	(14,093,205)		(3,454,636)	
Net current assets/(liabilities)			(9,325,942)		7,204,253
Total assets less current liabilities			21,281,145		25,116,394
Creditors: amounts falling due after more than one year - holding company loan	13		38,674,998		35,928,092
Capital and reserves					
Called up share capital - equity	15		2,400,000		2,400,000
Share premium account	16		92,988		92,988
Profit and loss account	16		(19,886,841)		(13,304,686)
Shareholders' deficit	17		(17,393,853)		(10,811,698)
			21,281,145		25,116,394

The financial statements were approved by the Board on 23 May 2002.

PB Coleridge
Director

The notes on pages 6 to 12 form part of these financial statements.

1 Accounting policies

There have been no changes in accounting policies during the year.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents the value of services provided net of value added tax. Incoming call revenue is accrued net of the cost of the telecoms provider.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following straight line rates:

Hospital equipment and installations	-	10%-25% per annum
Motor vehicles	-	25% per annum
Fixtures and fittings	-	10% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

Leasing and hire purchase commitments

Assets acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element is charged to the profit and loss account over the term of the contract. Rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the agreement.

Development costs

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation the expenditure is deferred and amortised over the period during which the company expects the revenue from the project to accrue.

1 Accounting policies *(Continued)*

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, in accordance with Financial Reporting Standard 19.

Cashflow statement

Under FRS 1 (revised) the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking.

Going concern

At 31 March 2002 the company had net liabilities of £17,393,853. In the absence of other funding the company is dependant upon the continued financial support of its bankers, creditors and its parent company, Patientline Plc. The parent company has confirmed that support will continue to be made available to the company and on this basis the directors consider it appropriate that the financial statements have been prepared on a going concern basis.

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

3 Employees

	2002 £	2001 £
Staff costs consist of:		
Wages and salaries	5,085,364	3,139,625
Social security costs	476,624	278,977
	5,561,988	3,418,602

The average monthly number of employees, including directors, during the year was 249 (2001 : 165)

4 Directors

	2002 £	2001 £
Directors' emoluments consist of:		
Emoluments	1,682,578	843,853
Highest paid director	175,833	119,045

5 Operating loss

	2002 £	2001 £
This has been arrived at after charging:		
Depreciation of owned assets	3,625,673	2,380,092
Depreciation of assets held under finance lease and hire purchase contracts	2,830	4,396
Amortisation of development costs	35,738	34,035
Operating lease rentals - other	196,583	188,935
Operating lease rentals – plant and machinery	111,238	108,646
Auditors' remuneration	8,000	8,000
Loss on disposal of tangible fixed assets	-	2,666

6 Other interest payable and similar charges

Bank overdraft and loans	280,385	896,766
Amortisation of debt issue costs	180,000	791,274
Hire purchase and finance lease interest	3,000	20,124
	463,385	1,708,164

7 Taxation on loss on ordinary activities

	2002 £	2001 £
(a) Analysis of charge in year		
Current tax:		
UK corporation tax	-	-

(b) Factors affecting tax charge for year

The tax assessed for the year is different from the expected rate of corporation tax. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before taxation	(6,582,155)	(5,156,984)
Loss on ordinary activities multiplied by expected rate of corporation tax of 30%	(1,974,647)	(1,547,095)
Effects of:		
Expenses not deductible for tax purposes	4,845	2,862
Depreciation in excess of capital allowances	912,829	705,826
Group relief surrendered	1,056,973	36,230
Value of trading losses carried forward	-	802,177
Actual tax charge	-	-

(c) Factors that may affect future tax charges

No tax is expected to be payable in the short term due to trading losses.

8 Intangible fixed assets

	Development costs £
Cost	
At 1 April 2001	904,182
Additions	1,748,716
At 31 March 2002	2,652,898
Amortisation	
At 1 April 2001	60,262
Provided for year	35,738
At 31 March 2002	96,000
Net book value	
At 31 March 2002	2,556,898
At 31 March 2001	843,920

9 Tangible assets

	Hospital equipment and installations £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 April 2001	22,611,132	132,494	149,565	22,893,191
Additions	14,545,293	-	65,178	14,610,471
At 31 March 2002	37,156,425	132,494	214,743	37,503,662
Depreciation				
At 1 April 2001	5,677,097	106,404	41,469	5,824,970
Provided for the year	3,573,195	23,744	31,564	3,628,503
At 31 March 2002	9,250,292	130,148	73,033	9,453,473
Net book value				
At 31 March 2002	27,906,133	2,346	141,710	28,050,189
At 31 March 2001	16,934,035	26,090	108,096	17,068,221

The net book value of tangible fixed assets includes an amount of £Nil (2001: £12,456) in respect of assets held under finance leases and hire purchase contracts.

10 Stocks

	2002 £	2001 £
Consumables and spare parts	134,223	389,553
Goods for resale	93,182	88,691
	227,405	478,244

There is no material difference between the replacement cost of stocks and the amounts stated above.

11 Debtors

	2002 £	2001 £
Trade debtors	1,211,389	110,446
Amounts due from group undertakings	1,306,432	186,025
Other debtors	863,951	537,886
Prepayments and accrued income	667,963	640,283
	4,049,735	1,474,640

All amounts shown under debtors fall due for payment within one year, with the exception of the amount due from group undertakings which falls due for payment after more than one year.

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdraft	8,361,987	-
Trade creditors	4,668,183	2,480,209
Taxation and social security	169,134	193,557
Obligations under finance leases and hire purchase contracts	-	9,898
Accruals and deferred income	893,901	770,972
	14,093,205	3,454,636

The bank loans and overdraft were secured by a mortgage debenture over the assets of the group and accrue interest at 2% above base rate and are wholly repayable within 5 years.

13 Creditors: amounts falling due after more than one year - holding company loan

Amount due to parent company	38,674,998	35,928,092

The loan bears interest at a commercial rate.

14 Deferred taxation

There is no deferred taxation liability due to the availability of taxable losses to carry forward.

A deferred tax asset has not been provided in respect of the taxable losses due to the uncertainty over the timing of future profitability.

15 Share capital

	Authorised		Allotted, called up and fully paid	
	2002 £	2001 £	2002 £	2001 £
Equity shares:				
Ordinary shares of £1 each	2,300,000	2,300,000	2,300,000	2,300,000
"A" ordinary shares of £1 each	100,000	100,000	100,000	100,000
	2,400,000	2,400,000	2,400,000	2,400,000

16 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2001	92,988	(13,304,686)
Loss for year	-	(6,582,155)
At 31 March 2002	92,988	(19,886,841)

17 Reconciliation of movements in shareholders' deficit

	2002 £	2001 £
Loss on ordinary activities before and after taxation	(6,582,155)	(5,156,984)
Opening shareholders' deficit	(10,811,698)	(5,654,714)
Closing shareholders' deficit	(17,393,853)	(10,811,698)

18 Capital commitments

Contracted but not provided for	8,162,000	2,329,275

19 Commitments under operating leases

As at 31 March 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2002 £	Other 2002 £	Land and buildings 2001 £	Other 2001 £
Operating leases which expire:				
Within one year	-	5,932	146,343	50,264
In one to two years	76,350	23,036	81,140	31,253
In two to five years	5,000	79,679	229,920	14,438
After five years	74,439	-	193,280	-

20 Contingency

The company has given cross guarantees to its parent company in respect of bank loans and overdrafts. The contingent liability under the guarantee at 31 March 2002 was £8,519,000 (2001: £Nil).

21 Related party transactions

The company has taken advantage of the exemption under FRS8 on the grounds that it is a wholly owed subsidiary undertaking.

22 Ultimate parent company

At 31 March 2002 the company's ultimate parent company was Patientline Plc.

The largest and smallest group in which the results of the company are consolidated is that headed by Patientline Plc.

The financial statements of Patientline plc can be obtained from Companies House.