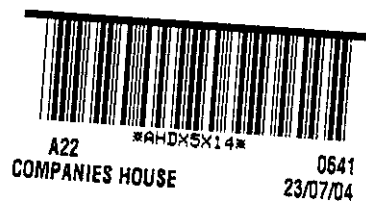


Company Registration Number 3812015

Dr Foster Ltd

Financial Statements

31st December 2003



CLB

Chartered
Accountants

DR FOSTER LTD

Financial Statements

Year ended 31st December 2003

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DR FOSTER LTD

The Directors' Report

Year ended 31st December 2003

The directors present their report and the financial statements of the company for the year ended 31st December 2003.

Principal activities

Dr Foster Ltd is an independent company created to produce the comprehensive and authoritative measures of health service performance and make these accessible to health professionals and the general public.

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £0.01 each	
		At	At
		31 December 2003	1 January 2003 or later date of appointment
Mr F Hollendoner		1,963	1,296
Mr T Kelsey		26,600	26,600
Mr R Taylor		26,600	26,600
Mr J Brown		5,111	4,444
Mr S Bellamy		97	97
Mr J Arnold-Forster	(Appointed 1 April 2003)	-	-
Mr R Killen	(Resigned 21 September 2003)	-	-

Directors' Interest in Convertible Loan Notes

As at 31 December 2003 the following directors' held interests in the Convertible Loan Notes of the company :

F Hollendoner £40,000, representing 10% of the total loan notes issued. T Kelsey £50,000, representing 12.5% of the total loan notes issued.

R Taylor £50,000, representing 12.5% of the total loan notes issued.

Directors' Share Options

As at 31 December 2003 the following directors' held options to subscribe for the ordinary £0.01 shares of the company:

F Hollendoner nil (2002: 667)

J Brown nil (2002: 667)

During the year F Hollendoner and J Brown both exercised their options at exercise price of £0.01 per share.

DR FOSTER LTD

The Directors' Report *(continued)*

Year ended 31st December 2003

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. 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.

Auditors

CLB Chartered Accountants and Registered Auditors were appointed during the period to fill a casual vacancy.

A resolution to re-appoint CLB as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:
82 Saint John Street
London
EC1M 4JN

Signed by order of the directors



Mark Butt
Director

Approved by the directors on 4th June 2004

DR FOSTER LTD

Independent Auditors' Report to the Shareholders

Year ended 31st December 2003

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

DR FOSTER LTD

Independent Auditors' Report to the Shareholders *(continued)*

Year ended 31st December 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Aldwych House
81 Aldwych
London
WC2B 4HP

CLB
Chartered Accountants
& Registered Auditors

4th June 2004

DR FOSTER LTD

Profit and Loss Account

Year ended 31st December 2003

	Note	2003 £	2002 £
Turnover		2,813,122	1,274,217
Operating costs:			
Other external charges		830,704	582,141
Staff costs		1,385,944	1,120,928
Depreciation written off fixed assets	2	91,168	110,463
Other operating charges		617,035	514,924
Operating loss	2	(111,729)	(1,054,239)
Interest receivable		6,847	9,021
Interest payable		(76,157)	(3,710)
Loss on ordinary activities before taxation		(181,039)	(1,048,928)
Tax on loss on ordinary activities	3	–	(40,176)
Loss for the financial year		(181,039)	(1,008,752)
Balance brought forward		(2,465,382)	(1,456,630)
Balance carried forward		<u>(2,646,421)</u>	<u>(2,465,382)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 7 to 13 form part of these financial statements.

DR FOSTER LTD

Balance Sheet

31st December 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	4	—	300
Tangible assets	5	<u>206,581</u>	<u>143,139</u>
		<u>206,581</u>	<u>143,439</u>
Current assets			
Debtors	6	1,013,339	446,803
Cash at bank and in hand		<u>743,288</u>	<u>148,292</u>
		1,756,627	595,095
Creditors: Amounts falling due within one year	7	<u>768,107</u>	<u>712,420</u>
Net current assets/(liabilities)		<u>988,520</u>	<u>(117,325)</u>
Total assets less current liabilities		<u>1,195,101</u>	<u>26,114</u>
Creditors: Amounts falling due after more than one year	8	<u>1,541,667</u>	<u>191,667</u>
		<u>(346,566)</u>	<u>(165,553)</u>
Capital and reserves			
Called-up equity share capital	11	1,701	1,675
Share premium account		2,298,154	2,298,154
Profit and loss account		<u>(2,646,421)</u>	<u>(2,465,382)</u>
Deficiency	12	<u>(346,566)</u>	<u>(165,553)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 4th June 2004 and are signed on their behalf by:



Mark Butt

The notes on pages 7 to 13 form part of these financial statements.

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers.

Income derived from contracts is recognised at the point at which a fair value can be attributed to the various components of the contract. Where it is not possible to attribute a fair value, consideration is given to whether sums received are non-refundable.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Intellectual Property - Over 3 years

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & Fittings	-	Over 10 years
Computer Equipment	-	Over 3 years
Website and Database	-	Over 3 years

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

1. Accounting policies *(continued)*

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Going concern

United Kingdom law requires the company's directors to consider whether it is appropriate to prepare financial statements on the basis that the company is a going concern. In considering this matter the directors have reviewed the company's budget for the new reporting year and forward one further year. The directors see no reason why the company should not continue in operational existence for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the company's financial statements.

Change in format of profit and loss account

The format of the profit and loss account has been changed from format 1 to format 2, as permitted by the Companies Act 1985, for the year ended 31 December 2003. The comparatives have also been prepared on this basis. The reason for the change is that it is not possible to split the payroll costs between those relating to cost of sales and administrative expenditure due to the nature of the company's activities.

2. Operating loss

Operating loss is stated after charging:

	2003 £	2002 £
Directors' emoluments	525,605	324,647
Amortisation	300	900
Depreciation of owned fixed assets	90,868	109,563
Auditors' fees	7,000	7,000

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

3. Tax on loss on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	—	(40,176)
Total current tax	—	(40,176)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Loss on ordinary activities before taxation	(181,039)	(1,048,928)
Profit/(loss) on ordinary activities by rate of tax	(54,312)	(314,678)
Disallowed expenses and non taxable income	38,122	9,680
Depreciation in excess of capital allowances	(33,092)	5,138
R & D tax credit	—	(40,176)
Losses arising in the year	49,282	299,860
Total current tax (note 3(a))	—	(40,176)

(c) Factors that may affect future tax charges

The Company has tax losses of £2,416,379 available to offset future taxable profits. No deferred tax asset has been recognised in respect of these losses.

4. Intangible fixed assets

	Intellectual Property £
Cost	
At 1st January 2003 and 31st December 2003	2,700
Amortisation	
At 1st January 2003	2,400
Charge for the year	300
At 31st December 2003	2,700
Net book value	
At 31st December 2003	—
At 31st December 2002	300

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

5. Tangible fixed assets

	Fixtures & Fittings £	Computer Equipment £	Website and Database £	Total £
Cost				
At 1st January 2003	11,941	75,302	249,804	337,047
Additions	13,118	34,713	106,479	154,310
At 31st December 2003	<u>25,059</u>	<u>110,015</u>	<u>356,283</u>	<u>491,357</u>
Depreciation				
At 1st January 2003	2,388	48,906	142,614	193,908
Charge for the year	1,886	16,741	72,241	90,868
At 31st December 2003	<u>4,274</u>	<u>65,647</u>	<u>214,855</u>	<u>284,776</u>
Net book value				
At 31st December 2003	<u>20,785</u>	<u>44,368</u>	<u>141,428</u>	<u>206,581</u>
At 31st December 2002	<u>9,553</u>	<u>26,396</u>	<u>107,190</u>	<u>143,139</u>

6. Debtors

	2003 £	2002 £
Trade debtors	895,350	378,504
Corporation tax repayable	100	—
Called up share capital not paid	61	16,080
Other debtors	47,252	14,674
Prepayments and accrued income	70,576	37,545
	<u>1,013,339</u>	<u>446,803</u>

7. Creditors: Amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	65,834	50,000
Trade creditors	283,396	504,956
PAYE and social security	36,384	45,562
VAT	96,019	—
Accruals and deferred income	286,474	111,902
	<u>768,107</u>	<u>712,420</u>

The bank overdraft is secured by a fixed and floating charge of all property and assets of the company.

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

8. Creditors: Amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	141,667	191,667
Other creditors	1,400,000	—
	<u>1,541,667</u>	<u>191,667</u>

Within other creditors are £1,400,000 Convertible Unsecured Loan Notes. These were issued in two tranches ; £400,000 on the 29 April 2003 and £1,000,000 on 22 September 2003. The notes are due for repayment on their third anniversaries respectively. The consideration for these issues was £1,400,000. The interest rate is 12%.

9. Commitments under operating leases

At 31st December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2003 £	2002 £
Operating leases which expire:		
Within 1 year	31,853	8,667
Within 2 to 5 years	5,355	—
	<u>37,208</u>	<u>8,667</u>

10. Related party transactions

The directors' do not consider there to be an ultimate controlling party.

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

11. Share capital

Authorised share capital:

	2003 £	2002 £
1,000,000 Ordinary shares of £0.01 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	2003 No	£	2002 No	£
Ordinary shares of £0.01 each	<u>170,114</u>	<u>1,701</u>	<u>167,446</u>	<u>1,674</u>

During the year 2,668 options were exercised, where by 2,668 £0.01 ordinary shares were issued at par.

At 31 December 2003 6,070 shares remain unpaid, 5,700 of these were issued at par to the employees of the company in 2000 and 370 share remain unpaid from 2002 issue. Allotted, called up and unpaid share capital of £61 is included within debtors.

Warrants

At 31 December 2003 884 warrants had been issued entitling the holder to subscribe for an ordinary share at a subscription price of £33.94 for every warrant held, exercisable at any time. The ordinary shares allotted pursuant to an exercise of a warrant shall rank parri passu in all respects with the ordinary shares in issue on the date of exercise of the warrants.

DR FOSTER LTD

Notes to the Financial Statements

Year ended 31st December 2003

12. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Loss for the financial year	(181,039)	(1,008,752)
New equity share capital subscribed	26	147
Premium on new share capital subscribed	—	65,306
	26	65,453
Net reduction to funds	(181,013)	(943,299)
Opening shareholders' equity (deficit)/funds	(165,553)	777,746
Closing shareholders' equity deficit	(346,566)	(165,553)