

Registered number 02708690

## Network Europe Group Limited

Annual report and financial statements  
for the year ended 31 March 2012

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# **Network Europe Group Limited**

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# **Network Europe Group Limited**

## **Directors and advisors**

### **Directors**

S Smith

M Riley

### **Company secretary**

D McGlennon

### **Registered office**

Daisy House

Lindred Road Business Park

Nelson

Lancashire

BB9 5SR

### **Bankers**

Bank of Scotland

19/21 Spring Gardens

Manchester

M2 1FB

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

# Network Europe Group Limited

## Directors' report for the year ended 31 March 2012

The directors present their report and the audited financial statements for Network Europe Group Limited ("the Company"), for the year ended 31 March 2012

### Principal activity

The principal activity of the Company is the provision, installation and maintenance of telecommunication equipment

### Business review

Results for the period, which are set out on page 9, are in line with expectations. The previous period was 15 months in duration to the period ending 31 March 2011.

Exceptional administrative expenses of £337,000 (2011: £nil) were incurred during the year relating to redundancy, legal fees and directors' costs associated with the integration of the Daisy Group's acquisitions.

### Key performance indicators (KPIs)

The KPIs for the Company are set out below:

	Year ended 31 March 2012	15 months to 31 March 2011
Turnover (£'000)	14,155	16,518
Gross profit (£'000)	8,107	8,310
Adjusted EBITDA* (£'000)	6,154	5,313
Customer numbers**	2,149	2,101
Direct debit penetration %**	87.3%	88.8%

\* - operating result from continuing operations before depreciation and exceptional administrative expenses

\*\* - at 31 March

### Current performance

Performance since the year end has been in line with expectations.

### Future developments

The Company is focused on improving operational efficiency and cross-selling additional products and services to its customer base.

With the support of the Daisy Group, the Company is focused on growing its customer base over the next financial year.

# **Network Europe Group Limited**

## **Directors' report for the year ended 31 March 2012 (continued)**

### **Financial risk management**

The Company's operations expose it to a limited number of financial risks, namely credit risk and liquidity risk. The Company's ultimate parent company arranges and manages external debt funding.

#### *Credit risk*

Appropriate credit checks are undertaken on all potential customers before new contracts are accepted. Individual exposures are monitored with customers to ensure the Company's exposure to bad debts is minimised.

The Company's customers are generally credit worthy with the majority of them being General Practitioner surgeries. The credit risk is further reduced as a large proportion of customers make payments by direct debit.

Credit risk associated with cash balances and funding to purchase leased vehicles is managed by transacting with financial institutions with high quality credit ratings. Accordingly the Company's associated credit risk is deemed to be limited. All institutions utilised by the Company require the advance approval of the board.

#### *Liquidity risk*

The Company regularly forecasts cash flow to ensure that sufficient cash is available from trading for future expenses and capital expenditure.

### **Policy on payment to suppliers**

The Company's supplier payment policy is to agree terms and conditions for business transactions with suppliers. Suppliers are made aware of the Company's terms of payment. Payment is then made subject to these terms and conditions being met.

### **Principal risks and uncertainties**

The directors regularly assess the key business risks of the Company, which are considered to be

- Reliance on key suppliers
- Reliance on employees who have significant experience in the sector
- Regulatory change within the National Health Service, which may impact on the Company's profitability with General Practitioners, who are the Company's principal customer base. The risk is mitigated by closely monitoring and becoming actively involved in changes that may impact on the Company.

The Company, together with support from the group, manages these risks by building strong relationships with its suppliers, investing in training and competitive remuneration packages for its employees, and providing detailed planning and execution around integration activities.

### **Dividend**

The directors do not recommend the payment of a dividend (2011 £1,948,000). Further details can be found in note 20 to the financial statements.

# **Network Europe Group Limited**

## **Directors' report for the year ended 31 March 2012 (continued)**

### **Directors**

The directors who held office during the year and since the year end are given below

A Riley	(resigned 28 June 2011)
M Riley	
S Smith	(appointed 28 June 2011)
G Kirkwood	(appointed 1 April 2011, resigned 12 April 2012)

### **Directors' and officers' liability insurance and indemnity**

The Company has purchased insurance to cover its directors and officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. In accordance with section 236(2) of the Companies Act 2006 the directors disclose a qualifying third party indemnity provision entered into between the parent company (Daisy Group plc) and the current directors which was in force at the date of approval of this report. The indemnity provision applies in their capacity as directors of the Company. Neither the insurance nor the indemnity provides cover where the director has acted fraudulently or dishonestly.

### **Political and charitable donations**

The Company made £1,523 charitable donations during the year (2011 £515). No political donations were made during the year (2011 £nil).

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

# **Network Europe Group Limited**

## **Directors' report for the year ended 31 March 2012 (continued)**

### **Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- (a) so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (b) each director has taken all the steps that they ought to have taken as a director in order to make themselves 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 Section 418 of the Companies Act 2006

By order of the board



S Smith  
Director

27 September 2012

# **Network Europe Group Limited**

## **Independent auditors' report to the members of Network Europe Group Limited**

We have audited the financial statements of Network Europe Group Limited for the year ended 31 March 2012 which comprise the profit and loss account, the balance sheet and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Network Europe Group Limited**

### **Independent auditors' report to the members of Network Europe Group Limited (continued)**

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Benjamin Parrott (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester

27 September 2012

# Network Europe Group Limited

## Profit and loss account for the year ended 31 March 2012

		Year ended 31 March 2012	15 months to 31 March 2011
	Note	£'000	£'000
<b>Turnover</b>	3	<b>14,155</b>	16,518
Cost of sales		<b>(6,048)</b>	(8,208)
<b>Gross profit</b>		<b>8,107</b>	8,310
Administrative expenses		<b>(2,315)</b>	(3,014)
<b>Operating profit</b>	5	<b>5,792</b>	5,296
<b>Adjusted EBITDA*</b>		<b>6,154</b>	5,313
Depreciation	10	<b>(25)</b>	(17)
Exceptional administrative expenses	4	<b>(337)</b>	-
<b>Operating profit</b>	5	<b>5,792</b>	5,296
Interest receivable and similar income	8	<b>1</b>	-
<b>Profit on ordinary activities before tax</b>		<b>5,793</b>	5,296
Tax on profit on ordinary activities	9	<b>(1,110)</b>	(1,501)
<b>Profit for the period</b>	15	<b>4,683</b>	3,795

The notes on pages 11 to 18 are an integral part of these financial statements

All results in the current and prior period derive from continuing activities

In the current and prior period there is no material difference between the profit on ordinary activities before taxation and the profit stated above and their historical cost equivalents

The Company has recognised no gains or losses, in the current or prior period, other than those shown above in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been prepared

\* - operating result from continuing operations before depreciation and exceptional administrative expenses

# Network Europe Group Limited

## Balance sheet as at 31 March 2012

	Note	2012 £'000	2011 £'000
<b>Fixed assets</b>			
Tangible assets	10	90	50
		<b>90</b>	<b>50</b>
<b>Current assets</b>			
Debtors	11	7,437	5,718
Cash at bank and in hand		4,128	453
		<b>11,565</b>	<b>6,171</b>
<b>Creditors' amounts falling due within one year</b>	12	<b>(4,475)</b>	<b>(3,722)</b>
<b>Net current assets</b>		<b>7,090</b>	<b>2,449</b>
<b>Total assets less current liabilities</b>		<b>7,180</b>	<b>2,499</b>
<b>Provisions for liabilities</b>	13	-	(2)
<b>Net assets</b>		<b>7,180</b>	<b>2,497</b>
<b>Capital and reserves</b>			
Called up share capital	14	25	25
Capital redemption reserve	15	-	-
Profit and loss account	15	7,155	2,472
<b>Total shareholders' funds</b>	16	<b>7,180</b>	<b>2,497</b>

The notes on pages 11 to 18 are an integral part of these financial statements

The financial statements on pages 9 to 18 were approved by the board of directors on 27 September 2012 and signed on its behalf by



S Smith  
Director

27 September 2012

Registered number 02708690

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012

### 1 Accounting policies

#### Basis of preparation

These financial statements are prepared on the going concern basis, under historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Adjusted EBITDA is defined as the operating result from continuing operations before depreciation, amortisation and net exceptional administrative expenses.

#### Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales duty.

Where goods and/or services are sold in one bundled transaction, the Company allocates the total arrangement's consideration to the different individual elements based on their relative fair values. Management determines the fair values of individual components based on actual amounts charged by the Company on a stand-alone basis, or alternatively based on comparable pricing arrangements observable in the market.

Service income is recognised at fair value, evenly over the period to which the service relates. Usage charges are recognised in the period when the service is received by the customer.

The Company provides certain maintenance services. Fees charged to customers for the provision of maintenance and support services are recognised at fair value, on a straight line basis over the period of the related agreement.

To the extent that invoices are raised to a different pattern than the revenue recognition described above, appropriate adjustments are made through deferred and accrued income to account for revenue when the underlying service has been performed or goods have transferred to the customer.

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided 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:

Land and buildings	20% reducing balance
Plant and machinery	25% reducing balance

#### Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 1 Accounting policies (continued)

#### Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and account purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19, 'Deferred tax'

#### Pension costs

The Company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### Exceptional items

Items that are material and non-operating or non-recurring in nature are presented as exceptional items in the profit and loss account, within the relevant account heading. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Company's underlying business performance.

### 2 Cash flow statement and related party disclosures

The Company is a wholly owned subsidiary of Daisy Group plc and is included in the consolidated financial statements of this company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996), 'Cash Flow Statements'. The Company is also exempt under the terms of paragraph 3(c) of FRS 8, 'Related Party Disclosures' from disclosing related party transactions with entities that are part of the Daisy Group plc group.

### 3 Turnover

The Company's activities consist of the provision, installation and maintenance of telecommunication equipment to business customers within the United Kingdom. The Company had a single class of business and consequently does not present a segmental analysis.

### 4 Exceptional administrative expenses

	Year ended 31 March 2012	15 months to 31 March 2011
	£'000	£'000
Reorganisation and restructuring costs	337	-
	337	-

The reorganisation and restructuring costs relate to redundancy, legal fees and directors costs associated with integration of the Daisy group's acquisitions.

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 5 Operating profit

Operating profit is stated after charging

	Note	Year ended 31 March 2012 £'000	15 months to 31 March 2011 £'000
Depreciation of tangible assets			
- owned assets	10	25	17
Operating lease rentals			
- land and buildings		49	62
- other		12	31
Fees payable for the audit		9	10

### 6 Directors' emoluments

None of the directors received any remuneration for their services to the Company during the year (2011 £nil). Any remuneration received by the directors was borne by the ultimate parent undertaking, Daisy Group plc

### 7 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year, analysed by category, was as follows

	Year ended 31 March 2012 Number	15 months to 31 March 2011 Number
Sales	18	14
Administration and operations	25	29
	43	43

The aggregate payroll costs were as follows

	Year ended 31 March 2012 £'000	15 months to 31 March 2011 £'000
Wages and salaries	1,235	1,911
Social security costs	142	198
Other pension costs	8	-
	1,385	2,109

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 8 Interest receivable

	Year ended 31 March 2012 £'000	15 months to 31 March 2011 £'000
Other interest	1	-
	1	-

### 9 Tax on profit on ordinary activities

Analysis of the charge in the period is as follows

	Note	Year ended 31 March 2012 £'000	15 months to 31 March 2011 £'000
<b>Current tax</b>			
- UK corporation tax on profits of the period		1,507	1,503
- Adjustment in respect of previous periods		(395)	-
<b>Total current tax</b>		1,112	1,503
<b>Deferred tax</b>			
- Origination and reversal of timing differences		(1)	(2)
- Adjustment in respect of previous periods		(1)	-
<b>Total deferred tax</b>	13	(2)	(2)
<b>Total tax on profit on ordinary activities</b>		1,110	1,501

The current tax charge for the period is lower (2011 higher) than the standard effective rate of corporation tax in the UK 26% (2011 28%). The differences are explained below

	Year ended 31 March 2012 £'000	15 months to 31 March 2011 £'000
<b>Profit on ordinary activities before tax</b>	5,793	5,296
Current tax at 26% (2011 28%)	1,506	1,483
<b>Effects of</b>		
Expenses not deductible for tax purposes	46	18
Group relief not paid for	(46)	-
Timing differences between capital allowances and depreciation	1	2
Adjustments in respect of previous periods	(395)	-
<b>Current tax charge for the period</b>	1,112	1,503

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 9 Tax on profit on ordinary activities (continued)

A number of changes to the UK corporation tax system were announced in the March 2012 budget statement to reduce the main rate of corporation tax from 26 per cent to a proposed rate of 22 per cent by 1 April 2014. Legislation to reduce the main rate of corporation tax from 26 per cent to 24 per cent from 1 April 2012 was enacted in March 2012.

The proposed further reductions of the main rate of corporation tax by 1 per cent per year to 22 per cent by 1 April 2014 are expected to be enacted separately each year. These further changes had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements.

The impact of these changes is not material.

### 10 Tangible fixed assets

	Note	Land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>				
At 1 April 2011		18	141	159
Additions		21	44	65
<b>At 31 March 2012</b>		<b>39</b>	<b>185</b>	<b>224</b>
<b>Accumulated depreciation</b>				
At 1 April 2011		16	93	109
Charge for the year	5	5	20	25
<b>At 31 March 2012</b>		<b>21</b>	<b>113</b>	<b>134</b>
<b>Net book value</b>				
<b>At 31 March 2012</b>		<b>18</b>	<b>72</b>	<b>90</b>
At 31 March 2011		2	48	50

### 11 Debtors

	2012 £'000	2011 £'000
Trade debtors	1,134	1,078
Amounts owed by group undertakings	5,298	4,049
Other debtors	4	-
Prepayments and accrued income	1,001	591
	<b>7,437</b>	<b>5,718</b>

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 11 Debtors (continued)

Included in prepayments and accrued income is an amount of £5,500 (2011 £5,500) in respect of amounts due in more than one year

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

### 12 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	666	701
Amounts owed to group undertakings	-	197
Other creditors	33	-
Taxation and social security	529	575
Corporation tax	1,508	645
Accruals and deferred income	1,739	1,604
	<b>4,475</b>	<b>3,722</b>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

### 13 Provisions for liabilities

	Note	Deferred tax £'000	
At 1 April 2011		2	
Profit and loss account	9	(2)	
<b>At 31 March 2012</b>		-	
		<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
Accelerated capital allowances		1	2
Short term timing differences		(1)	-
		-	2

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 14 Called up share capital

	2012 Number	2011 Number	2012 £	2011 £
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	25,000	25,000	25,000	25,000
	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>	<b>25,000</b>

### 15 Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
At 1 April 2011	-	2,472
Profit for the year	-	4,683
<b>At 31 March 2012</b>	<b>-</b>	<b>7,155</b>

£33 (2011 £33) is held on the capital redemption reserve following a buy-back of Ordinary B shares in 2011

### 16 Total shareholders' funds

	2012 £'000	2011 £'000
Profit for the period	4,683	3,795
Dividends	-	(1,948)
<b>Retained profit</b>	<b>4,683</b>	<b>1,847</b>
Share buy-back	-	(4)
<b>Net addition to shareholders' funds</b>	<b>4,683</b>	<b>1,843</b>
Opening shareholders' funds	2,497	654
<b>Closing shareholders' funds</b>	<b>7,180</b>	<b>2,497</b>

### 17 Contingent liabilities

Daisy Group plc, the ultimate parent of the Company, has banking facilities in place which are secured through fixed and floating charges over the assets of the Company and its subsidiary undertakings. The directors do not expect any material loss to arise in respect of the group security arrangements in place. The total indebtedness against this facility at 31 March 2012 was £77.9m (2011 £65.7m).

# Network Europe Group Limited

## Notes to the financial statements for the year ended 31 March 2012 (continued)

### 18 Commitments

Annual commitments under non-cancellable operating leases expire as follows

<b>2012</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Within one year	-	6	6
Within two to five years inclusive	25	1	26
Greater than five years	16	-	16
	<b>41</b>	<b>7</b>	<b>48</b>

<b>2011</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>
Within one year	-	12	12
Within two to five years inclusive	43	7	50
Greater than five years	47	-	47
	<b>90</b>	<b>19</b>	<b>109</b>

### 19 Pension schemes

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £7,640 (2011 £367).

### 20 Dividends

	<b>2012 £'000</b>	<b>2011 £'000</b>
Dividends	-	1,948
	-	1,948

The directors do not recommend the payment of a dividend. The prior period dividends were paid in respect of the ordinary shares, and represented £77.92 per share.

### 21 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Daisy Group plc which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Daisy Group plc consolidated financial statements can be obtained from the Group's website [www.daisygroupplc.com](http://www.daisygroupplc.com).

The Company's immediate parent undertaking is Surgery Line Limited, a company registered in England.