

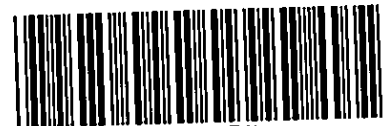
**eResearchTechnology Limited**

**Directors' report and financial  
statements**

Registered number 02126652

31 December 2010

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## **Directors' report**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditors' report, for the year ended 31 December 2010

### **Principal activity**

The principal activity of the Company is the provision of cardiac data analysis services

### **Business review**

Net revenues for 2010 totalled £21.5 million, an increase of £7 million (48%) from £14.5 million in 2009. Gross margin percentage was 31.8% in 2010 compared to 21.5% in 2009.

Operating expenses were £14.7 million for 2010, an increase of £3.3 million (28.4%) from £11.4 million in 2009. Direct and staff costs are comparable with the prior year due to cost savings as a result of efficiency initiatives. The cost of other operating expenses increased by 66.1% to £8.2 million in 2010 from £4.9 million in 2009. Other operating expenses include an allocation of group shared services.

On May 28, 2010 the eRT Group acquired a division of Carefusion Germany 234 GmbH now called eResearchTechnology GmbH. The acquisition was funded by an interest bearing intercompany loan. Interest payable of £1.0 million in 2010 (2009: nil) is included in interest payable and similar charges.

### **Principal Risks and Uncertainties**

The Company operates in a market that is intensely competitive, continuously evolving and subject to rapid technological change. Increased competition could result in price reductions, reduced gross margins and loss of market share.

Our primary financial market risks include fluctuations in interest rates and currency exchange rates.

#### *Interest Rate Risk*

Our Parent Company places investments in money market funds, municipal securities, bonds of government sponsored agencies, certificates of deposit with fixed rates with maturities of less than one year, and A1P1 rated commercial bonds and paper. Due to the current financial market conditions, we have invested primarily in liquid money market funds. Due to the average maturity and conservative nature of our investment portfolio, a sudden change in interest rates would not have a material effect on the value of the portfolio. The impact on our future interest income of future changes in investment yields will depend largely on the gross amount of our cash, cash equivalents, short-term investments and long-term investments.

#### *Foreign Currency Risk*

All international net revenues are incurred in either US Dollars or Pounds Sterling. As such, we face exposure to adverse movements in the exchange rate of the Pounds Sterling and US Dollars.

### **Results and dividends**

The results for the year are shown in the profit and loss account on page 5. The directors do not recommend the payment of a final dividend (2009: £nil).

## **Directors' report** *(continued)*

### **Directors and their interests**

The directors who held office during the year were as follows

J Blakeley	British	
M McKelvey	American	(resigned 10 February 2011)
J Bobbin	British	(resigned 1 December 2010)
K Schneck	American	
S Eisenstein	American	
E Bartlett	British	(appointed 11 May 2010)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report

### **Political and Charitable contributions**

The Company made no political donations or incurred any political expenditure during the year. The Company made £895 charitable donations to a UK charity during the year (2009 £nil)

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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



**S Eisenstein**  
Director

Pegasus House  
Bakewell Road  
Orton Southgate  
Peterborough,  
Cambridgeshire  
PE2 6YS

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 judgments and 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 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.



37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

## **Independent auditors' report to the members of eResearchTechnology Limited**

We have audited the financial statements of eResearchTechnology Limited for the year ended 31<sup>st</sup> December 2010 set out on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm)

### **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<sup>st</sup> December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK 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.

### **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

CH le Strange Meakin

30<sup>th</sup> September 2011

Charles le Strange Meakin (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants

**Profit and loss account**  
*for the year ended 31 December 2010*

	<i>Note</i>	<b>2010</b> <b>£</b>	<b>2009</b> <b>£</b>
<b>Turnover</b>	<b>2</b>	<b>21,490,654</b>	14,538,151
Operating expenses	3	(14,659,676)	(11,415,398)
<b>Operating profit</b>		<b>6,830,978</b>	3,122,753
Other interest receivable and similar income	7	12,001	38,590
Interest payable and similar charges	8	(1,037,998)	(391,513)
<b>Profit on ordinary activities before taxation</b>	<b>4-6</b>	<b>5,804,981</b>	2,769,830
Tax on profit on ordinary activities	9	(1,729,633)	(832,555)
<b>Profit for the financial year</b>	<b>18</b>	<b>4,075,348</b>	1,937,275

All of the above results relate to continuing activities

There is no difference between the loss shown above and the historical cost loss

**Balance sheet**  
**at 31 December 2010**

	Note	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Tangible assets	10		4,027,775		2,191,131
Investments	11		54,328,118		-
			<u>58,355,893</u>		<u>2,191,131</u>
<b>Current assets</b>					
Debtors	12	5,774,252		3,284,733	
Cash at bank and in hand		4,477,678		8,698,586	
			<u>10,251,930</u>		<u>11,983,319</u>
<b>Creditors, amounts falling due within one year</b>	13	(6,236,404)		(3,375,908)	
			<u>4,015,526</u>		<u>8,607,410</u>
<b>Net current assets</b>					
			<u>62,371,419</u>		<u>10,798,542</u>
<b>Total assets less current liabilities</b>					
<b>Creditors' amounts falling due after more than one year</b>	14		(32,324,800)		-
			<u>(16,600)</u>		<u>(7,058)</u>
<b>Provisions for liabilities and charges</b>	15				
			<u>30,030,019</u>		<u>10,791,484</u>
<b>Net assets</b>					
			<u>30,030,019</u>		<u>10,791,484</u>
<b>Capital and reserves</b>					
Called up share capital	17		259		100
Share premium account	18		16,701,386		-
Capital contributions reserve	18		1,219,765		1,078,943
Translation reserve	18		(1,679,180)		-
Profit and loss account	18		13,787,789		9,712,441
			<u>30,030,019</u>		<u>10,791,484</u>
<b>Shareholders' funds</b>	19				
			<u>30,030,019</u>		<u>10,791,484</u>

These financial statements were approved by the board of directors on 27 September 2011 and were signed on its behalf by



**S Eisenstein**  
Director

**eResearchTechnology Limited**  
**Registered number. 02126652**



## **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

#### ***Related parties***

As the Company is a wholly owned subsidiary of eResearchTechnology, Inc, the Company has taken advantage of the exemption contained in FRS 8, and has therefore not disclosed transactions or balances with entities which form part of the group (or investors of the group qualifying as related parties) The consolidated financial statements of eResearchTechnology, Inc are publicly available (see note 23)

#### ***Going Concern***

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 1 to 2

The company is expected to continue to generate positive cash flows in its own account for the foreseeable future The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent, eResearchTechnology, Inc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the ERT Group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of eResearchTechnology, Inc, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### ***Cash flow statement***

Under the provisions of FRS 1 (revised), the Company has not prepared a cash flow statement because it is a wholly-owned subsidiary of eResearchTechnology, Inc whose consolidated financial statements are publicly available

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost, less accumulated depreciation

Depreciation is provided at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows

Tools and equipment	-	3-4 years
Fixtures and fittings	-	5 years

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### **Turnover**

Revenue is recognised as follows

Cardiac safety service revenues consist of revenues from services that the Company provides on a fee-for-service basis and the Company recognises such revenues as the services are performed. The rental of cardiac safety equipment is recognised over the rental period.

Sales of equipment and supplies are recognised at the date of dispatch. The Company provides consulting and training services on a time and materials basis and recognises revenues as it performs the services.

Customer deposits are included within deferred income until the agreed services are performed.

#### **Share based payments**

The share option programme allows employees to acquire shares of the Parent Company. The fair value of options granted after 7 November 2002 and that have not yet vested as at 1 January 2011 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. The Company's parent grants rights to its equity instruments to the Company's employees. These are accounted for as equity settled share based payments in the consolidated accounts of the parent and in these financial statements.

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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

#### **Clarification of financial instruments issued by the Company**

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

## **Notes** *(continued)*

### **1 Accounting policies** *(continued)*

#### **Foreign currency**

Transactions denominated in foreign currencies are recorded in sterling at the actual exchange rate as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### **Investments**

Where the Company has a foreign currency loan to finance a foreign equity investment a net investment in a subsidiary situation is created. The net investment is revalued at the period end date at the closing exchange rate and the resulting gain or loss on exchange is offset to the translation reserve account.

Where the Company has a foreign equity investment independent of any borrowings the asset is reported at the rate of exchange prevailing at the period end date and the resulting gain or loss on exchange is shown in the profit and loss account.

#### **Leases**

The Company enters into operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

#### **Pension costs**

The Company operates a defined contribution scheme and the amounts charged to the profit and loss account represent the contributions payable in respect of the accounting period. The assets of the scheme are held separately from those of the Company in an independently administered fund.

**Notes** (continued)

**2 Analysis of turnover**

The turnover for the year was derived from the Company's principal activity

The analysis of turnover by geographical area is as follows

	2010 £	2009 £
United Kingdom	2,083,111	1,288,600
USA	5,221,773	1,638,429
Europe	12,816,454	8,876,530
Other	1,369,316	2,734,592
	<u>21,490,654</u>	<u>14,538,151</u>

**3 Operating expenses**

	2010 £	2009 £
Raw materials, consumables and other external charges	1,217,199	1,159,401
Staff costs (note 5)	3,804,599	3,950,948
Depreciation of tangible fixed assets	1,434,225	1,366,333
Other operating charges	8,203,653	4,938,716
	<u>14,659,676</u>	<u>11,415,398</u>

**4 Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging

	2010 £	2009 £
Depreciation and other amounts written off tangible fixed assets		
- Owned	1,434,225	1,366,333
Operating lease rentals		
- Plant and machinery	23,843	25,055
- Other assets	221,884	221,884
Profit on disposal of fixed assets	11,594	24,865
<i>Auditors remuneration</i>		
Audit of the financial statements	20,000	31,544
Services relating to tax	57,100	19,035
Other services	-	5,425
	<u></u>	<u></u>

## Notes (continued)

### 5 Staff numbers and costs

Particulars of employees (including directors) are as shown below

	2010 £	2009 £
Employee costs during the year amounted to		
Wages and salaries	3,119,947	3,322,851
Share based payments (see note 22)	140,822	152,960
Social security costs	430,795	355,603
Other pension costs	113,035	119,534
	<u>3,804,599</u>	<u>3,950,948</u>

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

	2010 Number	2009 Number
Management	2	2
Administration and selling	86	87
	<u>88</u>	<u>89</u>

### 6 Remuneration of directors

	2010 £	2009 £
Directors' emoluments	56,788	278,169
Company contributions to money purchase pension schemes	4,040	8,304
	<u>60,828</u>	<u>286,473</u>

	Number of directors 2010	2009
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	2	2

Directors' rights to subscribe for shares in the Parent Company are indicated below

	At start of year £	At end of year £	Weighted average exercise price £
J Blakeley	112,325	152,068	4.61
J Bobbin	1,700	2,600	4.34
E Bartlett	6,000	8,500	4.71

The other directors have not been remunerated for their services as directors of the Company. Further details of their remuneration for services for other group companies can be obtained from the financial statements of eResearchTechnology, Inc (see note 23)

**Notes** (continued)

**7 Other interest receivable and similar income**

	2010 £	2009 £
Interest	12,001	38,590
	<u>12,001</u>	<u>38,590</u>

**8 Interest payable and similar charges**

	2010 £	2009 £
Loss on foreign exchange	85,566	389,467
HMRC Interest	-	2,046
Interest on loan from eResearchTechnology UK 2 Limited	952,432	-
	<u>1,037,998</u>	<u>391,513</u>

**9 Tax on profit on ordinary activities**

Analysis of charge in year	2010 £	2009 £
<i>UK corporation tax</i>		
Current tax on income for the year	1,696,571	877,715
Total current tax	<u>1,696,571</u>	<u>877,715</u>
<i>Deferred tax (see note 16)</i>		
Origination/reversal of timing differences	33,594	(45,160)
Adjustments in respect of prior years	<u>(532)</u>	<u>-</u>
Total deferred tax	<u>33,062</u>	<u>(45,160)</u>
Tax on profit on ordinary activities	<u>1,729,633</u>	<u>832,555</u>

## Notes (continued)

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

#### Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2009 higher) than the standard rate of corporation tax in the UK (28%, 2009 28%). The differences are explained below

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	5,804,981	2,769,830
Current tax at 28% (2009 28%)	1,625,395	775,552
<i>Effects of</i>		
Share option charge	39,430	42,829
Expenses not deductible for tax purposes	2,642	1,559
Disallowable interest payable on loan from eRT UK 2 Ltd	224,571	-
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	(46,286)	42,110
Reversal/origination of short term timing differences	(2,581)	(102)
Effect of share options, gains and charges	15,434	2,159
Effect of trade debtors revaluation	-	11,730
Research and development extra tax deduction	(148,330)	-
Group relief claimed	(1,960)	-
Other adjustments	(11,744)	1,878
Total current tax charge (see above)	1,696,571	877,715

#### Factors affecting the tax charge after the current year

On 27 July 2010 the UK Government's 2010 Finance Bill completed its passage through Parliament, resulting in a change in the corporation tax rate from 28% to 26% as from 1 April 2011

### 10 Tangible fixed assets

	Fixtures, fittings, tools and equipment £
<i>Cost</i>	
At beginning of year	11,562,885
Additions	3,273,361
Disposals	(149,921)
At end of year	14,686,325
<i>Depreciation</i>	
At beginning of year	9,371,754
Charge for the year	1,434,225
Disposals	(147,429)
At end of year	10,658,550
<b>Net book value</b>	
<b>At 31 December 2010</b>	<b>4,027,775</b>
At 31 December 2009	2,191,131

## Notes (continued)

### 11 Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At beginning of year	-
Additions	58,477,385
Foreign exchange movement	(4,149,267)
At end of year	54,328,118
<b>Net book value</b>	
At 31 December 2010	54,328,118
At 31 December 2009	-

During the year the company acquired 100% of the ordinary share capital of a division of Carefusion Germany 234 GmbH for \$84m. Following the acquisition the company was renamed eResearchTechnology GmbH.

The companies in which the Company's interest at the year end is more than 20% as follows

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
eResearchTechnology Europe GmbH	Germany	Provides respiratory diagnostics, makes diagnostic devices and provides services for electronically gathering cardiac- safety and patient -reported data	Issued ordinary 100%

### 12 Debtors

	2010 £	2009 £
Trade debtors	4,893,380	2,475,843
Other debtors	150,648	131,301
Prepayments and accrued income	161,767	159,314
Amounts due from group undertaking	159,630	76,386
Deferred tax asset (see note 16)	408,827	441,889
	<b>5,774,252</b>	<b>3,284,733</b>

### 13 Creditors amounts falling due within one year

	2010 £	2009 £
Trade creditors	153,299	183,323
Amounts due to group undertaking	1,227,800	-
Other taxes and social security	90,252	79,954
Accruals and deferred income	3,910,062	2,545,798
Corporation tax liability	854,991	566,833
	<b>6,236,404</b>	<b>3,375,908</b>



**Notes** *(continued)*

**14 Creditors: amounts falling due after more than one year**

	2010 £	2009
Amounts owed to group undertakings	<u>32,324,800</u>	<u>-</u>

**15 Provisions for liabilities**

	Other provisions £
At beginning of year	7,058
Debit to the profit and loss for the year	9,542
<b>At end of year</b>	<u><b>16,600</b></u>

Other provisions relate to employers' national insurance on employee share options in accordance with UITF 25

**16 Deferred taxation**

	£
At beginning of year	(441,889)
Adjustment to prior year	(532)
Credit to the profit and loss account	33,594
<b>At end of year</b>	<u><b>(408,827)</b></u>

The elements of the deferred tax are as follows

	2010 £	2009 £
Short term timing differences on bad debt provision and pension liability	(10,247)	(12,828)
Other timing difference on share options	(18,957)	(3,152)
Difference between accumulated depreciation and amortisation and capital allowances	(379,623)	(425,909)
<b>Deferred tax asset</b>	<u><b>(408,827)</b></u>	<u><b>(441,889)</b></u>

## Notes (continued)

### 17 Called up share capital

	2010 £	2009 £
<b>Authorised</b>		
259 ordinary shares of £1 each	<b>259</b>	100
<b>Allotted, called up and fully paid</b>		
259 ordinary shares of £1 each	<b>259</b>	100

During the year the Company issued 159 £1 ordinary shares for a consideration of US \$24 million, settled in cash

### 18 Capital and reserves

	Called up share capital £	Share Premium £	Capital Contributions Reserve £	Translation reserve £	Profit and loss account £	Total £
At the beginning of the year	100	-	1,078,943	-	9,712,441	10,791,484
Profit for the year	-	-	-	-	4,075,348	4,075,348
Share based payment charge	-	-	140,822	-	-	140,822
New share capital subscribed	159	16,701,386	-	-	-	16,701,545
Investment foreign exchange movement	-	-	-	(4,149,267)	-	(4,149,267)
Loan foreign exchange movement	-	-	-	2,470,087	-	2,470,087
	<b>259</b>	<b>16,701,386</b>	<b>1,219,765</b>	<b>(1,679,180)</b>	<b>13,787,789</b>	<b>30,030,019</b>

### 19 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
<b>Retained profit</b>	<b>4,075,348</b>	1,937,275
New share capital subscribed	<b>16,701,545</b>	-
Credit in relation to share based payments	<b>140,822</b>	152,960
Translation reserve	<b>(1,679,180)</b>	-
<b>Net (deduction from)/addition to shareholders' funds</b>	<b>19,238,535</b>	2,090,235
Opening shareholders' funds	<b>10,791,484</b>	8,701,249
<b>Closing shareholders' funds</b>	<b>30,030,019</b>	10,791,484

## Notes (continued)

### 20 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire				
- within 1 year	-	1,083	-	3,189
- between 2-5 years	192,684	22,760	192,684	21,866
- over five years	29,200	-	29,200	-
	<u>221,884</u>	<u>23,843</u>	<u>221,884</u>	<u>25,055</u>

### 21 Pension scheme

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 £113,035 (2009 £119,534). There were no prepaid employer pension contributions at the year end (2009 £nil). There were no accrued employer pension contributions at the year end (2009 £9,217).

### 22 Employee share schemes

#### Share based payments

In 1996, the Parent Company adopted a share option plan (the "1996 Plan") that authorised the grant of both incentive and non-qualified options to acquire up to 3,375,000 shares of the Parent Company's common stock. The Parent Board of Directors determined the exercise price of the options under the 1996 Plan. The exercise price of incentive share options was not below the fair value of the common shares on the grant date. Incentive share options under the 1996 Plan expire ten years from the grant date and are exercisable in accordance with vesting provisions set by the Board, which generally are over three to five years. In May 1999, the shareholders of the Parent Company approved an amendment to the 1996 Plan that increased the number of shares which could be acquired through option grants under the 1996 Plan by 4,050,000 to 7,425,000 and provided for an annual option grant of 5,000 shares to each outside Parent Company director. In April 2001, the shareholders of the Parent Company approved an amendment to the 1996 Plan that increased the number of shares which could be acquired through option grants under the 1996 Plan by 2,025,000 to 9,450,000. No additional options have been granted under this plan, as amended, since 31 December 2003 and no additional options may be granted there under in accordance with the terms of the 1996 Plan.

In May 2003, the shareholders of the Parent Company approved a new share option plan (the "2003 Plan") that authorised the grant of both incentive and non-qualified options to acquire shares of the Parent Company's common shares and provided for an annual option grant of 10,000 shares to each outside Parent Company director. The Compensation Committee of the Parent Company Board of Directors determines or makes recommendations to the Parent Company Board of Directors regarding the recipients of option grants, the exercise price and other terms of the options under the 2003 Plan. The exercise price of incentive share options may not be set below the fair value of the common shares on the grant date. Incentive share options under the 2003 Plan expire ten years from the grant date, or at the end of such shorter period as may be designated by the Compensation Committee, and are exercisable in accordance with vesting provisions set by the Compensation Committee, which generally are over four years. In April 2006, the shareholders of the Parent Company approved an amendment to the 2003 Plan that increased the number of shares which could be acquired through option grants under the 2003 Plan by 3,500,000. In accordance with the terms of the 2003 Plan, there are a total of 7,318,625 shares reserved for issuance under the 2003 Plan. The Parent Company normally issues new shares to satisfy option exercises under these plans. On 15 February 2007, the Board of Directors of the Parent Company, based on the recommendation of the Compensation Committee, adopted, subject to shareholder approval at the Annual Meeting, the Parent Company's Amended and Restated 2003 Equity Incentive Plan (the "2003 Equity Plan"). On 26 April 2007, the shareholders approved the adoption of the Plan.

## Notes (continued)

### 22 Employee share schemes (continued)

#### Share based payments

The 2003 Equity Plan amended the Parent Company's existing 2003 Plan in two material respects. First, it prohibits re-pricing of any share options granted under the Plan unless the shareholders approve such re-pricing. Second, it permits awards of share appreciation rights, restricted shares, long term performance awards and performance shares in addition to grants of share options.

Both the 1996 Plan and the 2003 Plan are exercisable in four equal annual instalments, with the first such instalment exercisable on the first anniversary of the date of the grant of this option.

The terms and conditions of the plans are as follows, whereby all options are settled by physical delivery of shares.

Scheme		Vesting conditions	Contractual
1996 Share Option Plan granted by Parent on	23 April 2002	4 years	10 years
	23 July 2002	4 years	10 years
2003 Share Option Plan granted by Parent on	22 April 2003	4 years	10 years
	9 February 2004	4 years	10 years
	14 February 2005	4 years	7 years
	10 February 2006	4 years	7 years
	23 February 2007	4 years	7 years
	28 February 2008	4 years	7 years
	2 March 2009	4 years	7 years
	26 February 2010	4 years	7 years

The number and weighted average exercise prices of share options are as follows:

	2010 Weighted average exercise price (£)	2010 Weighted average exercise price (\$)	2010 Number of options	2009 Weighted average exercise price (£)	2009 Weighted average exercise price (\$)	2009 Number of options
Outstanding at the beginning of the period	7.10	11.10	237,276	6.70	12.38	240,939
Granted during the period	3.92	6.05	41,850	2.94	4.60	59,950
Forfeited during the period	4.24	6.54	5,050	4.59	7.18	11,125
Exercised during the period	2.98	4.60	675	0.65	1.02	1,013
Lapsed during the period	9.15	14.11	20,675	4.59	7.18	51,475
Outstanding at the end of the period	6.43	9.92	252,726	7.10	11.10	237,276
Exercisable at the end of the period	7.98	12.31	143,477	9.11	14.25	120,676

The weighted average share price at the date of exercise of share options exercised during the period was £4.94 for the period.

## Notes (continued)

### 22 Employee share schemes (continued)

Options outstanding at the year end have the following exercise price and weighted average contractual lives

Range of exercise price \$	Vested	Unvested	Weighted average exercise price (\$)	Weighted average exercise price (£)	Weighted average remaining contractual life
0-2.21	1,013	-	1.02	0.66	0.18
2.21-4.42	2,813	-	3.01	1.95	1.54
4.42-6.63	19,351	78,374	5.32	3.44	5.37
6.63-8.84	30,850	11,125	7.41	4.79	3.37
11.05-13.25	19,750	19,750	12.08	7.81	4.18
13.25-15.46	49,900	-	15.04	9.72	1.67
19.88-22.09	19,800	-	22.09	14.28	3.11

The fair value of the Company's share-based awards to employees during the years ended 31 December 2009 and 2010 was estimated at the date of grant using the Black-Scholes closed form option-pricing model (Black-Scholes), assuming no dividends and using the weighted-average valuation assumptions noted in the following table. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected life (estimated period of time outstanding) of the share options granted was estimated using the historical exercise behaviour of employees. Expected volatility was based on historical volatility for a period equal to the share option's expected life, calculated on a daily basis.

	2010 2003 option plan	2009 2003 option plan
Fair value at measurement date	<b>£1.89</b>	£1.36
Weighted average share price	<b>£3.96</b>	£2.94
Exercise price	<b>£3.96</b>	£2.94
Expected volatility	<b>61.76%</b>	63.97%
Option life	<b>3.8 years</b>	3.5 years
Risk free interest rate (based on national government bonds)	<b>2.37%</b>	1.33%

Share options are granted under a service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

The total expenses recognised for the period arising from share based payments are as follows:

	2010 £	2009 £
Equity settled share based payments	<b>140,822</b>	152,960
	<b>140,822</b>	152,960

**Notes** *(continued)*

**23 Ultimate Parent Company and controlling party**

The Company is a wholly owned subsidiary of eResearchTechnology, Inc which is the ultimate Parent Company and controlling party incorporated in Delaware, USA

The largest group in which the results of the Company are consolidated is that headed by eResearchTechnology, Inc No other group financial statements include the results of the Company The consolidated financial statements of the group are available to the public and can be obtained from 1818 Market Street, 10<sup>th</sup> Floor, Philadelphia, PA 19103, USA