

Registered number: 02211403

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

COMPANY INFORMATION

Director	A J Macdonald
Company secretary	N Singh
Registered number	02211403
Registered office	RiverView, The Meadows Business Park, Station Approach, Blackwater Camberley Surrey GU17 9AB
Independent auditors	Ernst and Young LLP 1 More London Place London SE1 2AF
Bankers	ING BANK N.V. 60 London Wall London EC2M 5TQ

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

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INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Introduction

The director presents his strategic report for the year ended 31 December 2015.

Business review

The principal activity of the company is the provision of specialist clinical research services to the pharmaceutical industry.

The financial statements have been prepared on a standalone rather than consolidated basis as the company is taking the exemption available under section 401 of the Companies Act 2006.

INC Research Clinical Development Services Limited

The director considers both the year end position and the result for the year to be satisfactory.

INC Research Globally

2015 was a year of significant accomplishments for INC Research following on from the completion of the group's initial public offering in late 2014. The group has continued to focus on growth of the business via the expansion of global reach and clinical process innovation, and has added entities in various new locations during 2015 leading to service revenue growth and an increase in overall customer base. The global business now employs over 6,400 staff across six continents with experience spanning more than 110 countries and growth of the group remains a priority.

The business is now seen as one of the top-tier CROs in the industry and has developed industry leading relationships with principle investigators and clinical research sites, as demonstrated by being named the "Top CRO to Work With" among large global CROs in the 2015 CenterWatch Global Investigative Site Relationship survey the "2015 CenterWatch Survey") conducted by CenterWatch, a third party leading publisher in the clinical trials industry. INC was also named the "Best Contract Research Organization" at the 11th Annual Script Awards ceremony in December 2015. The annual Scrip awards competition is organised by Script Intelligence to celebrate the contributions of the pharmaceutical, biotech and other allied industries to improving human health worldwide.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

The company is part of the INC Research Holdings Inc. group and risks are assessed across the group taking into account local regulations and conditions.

Credit risk

The company now operates on a cost plus basis and has no third party credit risk. The group has a diverse portfolio of customers and operate across a broad range of the Clinical Research industry and do not place reliance on any one customer or sector of the industry. Over recent years, the business's policy of targeted acquisition has enabled it to increase the number of therapeutic areas in which it specialises, therefore minimising the risk of a significant downturn in one area. The group also mitigates direct risk from customers by taking deposits for certain types of activity and by requiring payment within 30 days of invoice and using a managed credit control function.

Gearing and interest rate risk

The company's only gearing is through intercompany loans; the risk related to these loans is therefore minimal. The interest rate on these loans is linked to the LIBOR rate of interest. The company relies on support from other group entities. The overall group is in a strong financial position and the directors are not aware of support being withdrawn. See the going concern section in the directors' report.

Foreign currency risk

The group has a significant exposure in relation to US Dollars and the Euro. Turnover, leases and operational costs are denominated in both currencies. The group has further exposure in other worldwide currencies, although not as significant. The group seeks to reduce its foreign exchange exposure arising in various currencies through matching, as far as possible, receipts and payments in individual currencies.

Financial key performance indicators

The results for the company show turnover of £4,297,986 (2014: £5,497,505) and a profit before tax of £7,806,794 (2014 loss: £3,628,201). Turnover decreased by 22% due to the reduction in the cost base and transfer pricing mark-up percentage applied in the year of 6% (2014: 8%). The profit before tax increased by 314% due to a reversal of impairment of a subsidiary of £5,633,000 (2014: charge £5,633,000) following an equity valuation.

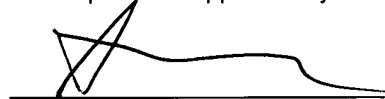
Other key performance indicators

The average monthly employee numbers have increased to 70 (2014: 66) as the company continues its strategy of growth.

Future Developments

The director expects the group to continue in the contract research organisation business and are continually seeking to develop additional expertise in new therapeutic areas and to expand the business operations into new regional marketplaces. The outlook for the next twelve months is generally positive.

This report was approved by the board and signed on its behalf.



A J Macdonald

Director

Date: 16/09/16

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The director presents his report and the financial statements for the year ended 31 December 2015.

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the director must not approve the financial statements unless he is satisfied that he gives 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 director is required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Dividends

The director does not recommend the payment of a dividend (2014: Nil). Subsequent to year end an interim dividend of £14,000,000 was declared and paid.

Capital and reserves

On 5 November 2015, 44,197,600 ordinary shares with an aggregate nominal value of £44,197,600 were issued through a bonus issue utilising the full merger reserve, and were subsequently cancelled.

On 12 November 2015, the company cancelled in full the share premium account and capital redemption reserve of £39,581,743 and £600 respectively.

Going concern

The accompanying financial statements have been prepared on the assumption that the company will continue as a going concern.

The company is profitable, has net assets and net current assets. It is expected that the company will continue to be profitable going forward.

Additionally, the company and group have long-term relationships with a number of customers and suppliers across different geographic areas. The director believes that the company is well placed to manage its business risks successfully for the foreseeable future. Thus, the director continues to adopt the going concern basis in preparing the annual report and accounts.

Director

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

The director who served during the year was:

A J Macdonald

Future developments

A full review of the company's activities during the financial year and future developments are contained within the strategic report on pages 1-2.

Research and development activities

The nature of the business means that the company incurs time in research and development. Research and development expenditure is written off as incurred.

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

This report was approved by the board and signed on its behalf.



A J Macdonald

Director

Date: 16/09/16

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

We have audited the financial statements of INC Research Clinical Development Services Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, that Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Ethical Standards for Auditors.

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 Strategic Report and the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland; 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 Strategic Report and 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.



Gordon Cullen (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 30/9/16

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 £	As restated 2014 £
Turnover	3	4,297,986	5,497,505
Cost of sales		(2,912,666)	(2,544,055)
Gross profit		1,385,320	2,953,450
Administrative expenses		(1,036,158)	(2,592,751)
Operating profit	4	349,162	360,699
Reversal of/(impairment on) investments in subsidiaries	12	5,633,000	(5,633,000)
Interest receivable and similar income	8	1,896,755	1,811,437
Interest payable and expenses	9	(72,123)	(105,824)
Profit/(loss) before tax		7,806,794	(3,566,688)
Tax on profit/(loss)	10	(17,380)	173,800
Profit/(loss) for the year		7,789,414	(3,392,888)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		7,789,414	(3,392,888)

All the results above relate to continuing activities.

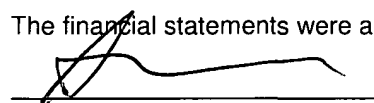
The notes on pages 12 to 28 form part of these financial statements.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED
REGISTERED NUMBER:02211403

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £	As restated 2014 £
Fixed assets			
Tangible assets	11	70,208	115,128
Investments	12	44,201,640	38,568,640
		<u>44,271,848</u>	<u>38,683,768</u>
Current assets			
Debtors: amounts falling due after more than one year	13	28,913,956	27,036,569
Debtors: amounts falling due within one year	13	2,302,865	1,040,839
Cash at bank and in hand	14	42,010	226,885
		<u>31,258,831</u>	<u>28,304,293</u>
Creditors: amounts falling due within one year	15	(2,533,572)	(1,310,068)
Net current assets		<u>28,725,259</u>	<u>26,994,225</u>
Total assets less current liabilities		<u>72,997,107</u>	<u>65,677,993</u>
Provisions for liabilities			
Other provisions	18	(53,927)	(524,227)
		<u>(53,927)</u>	<u>(524,227)</u>
Net assets		<u><u>72,943,180</u></u>	<u><u>65,153,766</u></u>
Capital and reserves			
Called up share capital	19	13,831	13,831
Share premium account	20	-	39,581,143
Capital redemption reserve	20	-	600
Merger reserve	20	-	44,197,600
Profit and loss account	20	72,929,349	(18,639,408)
		<u><u>72,943,180</u></u>	<u><u>65,153,766</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


A J Macdonald

Director

Date: 16/09/16

The notes on pages 11 to 28 form part of these financial statements.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Retained earnings £	Total equity £
At 1 January 2015 (as previously stated)	13,831	39,581,143	600	44,197,600	(18,298,609)	65,494,565
Distributions relating to loans	-	-	-	-	(340,799)	(340,799)
At 1 January 2015 (as restated)	13,831	39,581,143	600	44,197,600	(18,639,408)	65,153,766
Comprehensive income for the year						
Profit for the year	-	-	-	-	7,789,414	7,789,414
	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	7,789,414	7,789,414
Cancellation of capital contribution reserve	-	-	(600)	-	600	-
Capitalisation of merger reserve by way of bonus issue	44,197,600	-	-	(44,197,600)	-	-
Capital reduction	(44,197,600)	-	-	-	44,197,600	-
Cancellation of share premium	-	(39,581,143)	-	-	39,581,143	-
Total transactions with owners	-	(39,581,143)	(600)	(44,197,600)	83,779,343	-
At 31 December 2015	13,831	-	-	-	72,929,349	72,943,180

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £	Share premium £	Capital redemption reserve £	Merger reserve £	Retained earnings £	Total equity £
At 1 January 2014	13,831	39,581,143	600	44,197,600	(14,673,124)	69,120,050
Comprehensive income for the year						
Loss for the year	-	-	-	-	(3,392,888)	(3,392,888)
Distributions relating to loans	-	-	-	-	(573,396)	(573,396)
At 31 December 2014	13,831	39,581,143	600	44,197,600	(18,639,408)	65,153,766

The notes on pages 11 to 28 form part of these financial statements.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies

1.1 Basis of preparation of financial statements

INC Research Clinical Development Services Limited is a limited liability company incorporated in England and Wales.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The Company transitioned from previously extant UK GAAP to FRS 102 as at 1 January 2015. Information on the impact of first-time adoption of FRS 102 is given in note 26.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £.

The following principal accounting policies have been applied:

1.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements:

- as permitted by FRS 102 paragraph 1.12b, the company has not prepared a cashflow statement;
- as permitted by FRS 102 paragraph 33.1a, the company has not disclosed any related party transactions with wholly owned subsidiaries.
- as permitted by FRS 102 paragraph 112.1e, the company has not disclosed key management personnel compensation.

1.3 Going concern

The accompanying financial statements have been prepared on the assumption that the company will continue as a going concern. The company has adequate financial resources together with long-term relationship with a number of customers and suppliers across different geographic areas. As a consequence, the director believes that the company is well placed to manage its business risks successfully. Thus, the director continues to adopt the going concern basis in preparing the annual report and accounts.

1.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue is recognised on a cost-plus transfer pricing basis.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

1.5 Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 20% or over term of lease
Fixtures and fittings	- 20%
Computer equipment	- 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

1.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.7 Valuation of investments

Investments in subsidiaries are measured at cost less provision for impairment. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured at amortised cost using the effective interest method.

1.9 Cash and cash equivalents

Cash and cash equivalents include deposits held at call with financial institutions repayable without penalty.

1.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

1.10 Financial instruments (continued)

and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

1.14 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

1.15 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

1.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

1.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. Accounting policies (continued)

1.18 Research and development

Research and development expenditure is written off as it is incurred.

1.19 Prior period adjustment

The director has reviewed and revised the classification of turnover, cost of sales and administrative expenses in the statement of comprehensive income. In order to maintain a consistent presentation, 2014 comparatives have been restated which has had the effect of increasing turnover by £78,424 from £5,419,081 to £5,497,505, decreasing cost of sales by £419,299 from £2,963,354 to £2,544,055 and increasing administrative expenses by £497,723 from £2,095,028 to £2,592,751.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The director makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experiences may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

- **Carrying value of tangible assets:**
The company assesses at the end of each reporting period, whether there is any indication that the investments may be impaired. If such an indication were to become apparent, the company would estimate the recoverable amount of the asset.
- **Impairment of non-financial assets:**
Where there are indicators of impairment of individual assets, the Company performs impairment tests based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.
- **Recognition of deferred tax assets:**
The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

3. Analysis of turnover

The whole of the turnover is attributable to clinical research services.

	2015 £	2014 £
United Kingdom	1,234,916	1,190,032
Rest of Europe	53,191	422,491
Rest of the world	3,009,879	3,884,982
	<u>4,297,986</u>	<u>5,497,505</u>

4. Operating profit

The operating profit is stated after charging:

	2015 £	2014 £
Research & development charged as an expense	1,443,682	1,195,347
Depreciation of tangible fixed assets	97,243	128,113
Loss on disposal of tangible owned fixed assets	263	127,770
Operating lease rentals: Land and Buildings	126,143	343,402
Exchange differences	2,151	19,165
Defined contribution pension cost	156,364	144,741
	<u>1,925,846</u>	<u>2,058,538</u>

5. Director's remuneration

Director's remuneration for the year was £NIL (2014: £NIL). The director of the company is remunerated by another group undertaking and apportionment in respect of his service between group companies is not considered practicable. The director is considered to have minimal qualifying services in respect of the company.

6. Auditors' remuneration

	2015 £	2014 £
Fees payable to the Company's auditor and its associates in respect of:		
Audit of the Company's annual accounts	12,500	12,500
	<u>12,500</u>	<u>12,500</u>

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

7. Employees

Staff costs were as follows:

	2015 £	2014 £
Wages and salaries	2,994,384	3,199,725
Social security costs	324,986	321,265
Cost of defined contribution scheme	156,364	144,741
	<u>3,475,734</u>	<u>3,665,731</u>

The average monthly number of employees, including the director, during the year was as follows:

	2015 No.	2014 No.
Project Management and Management	20	21
Clinical Operation	29	22
Sales, General and Administration	7	8
Quality Assurance	5	6
Data Service	9	9
	<u>70</u>	<u>66</u>

8. Interest receivable

	2015 £	As restated 2014 £
Interest receivable from group companies	1,896,737	1,811,437
Other interest receivable	18	-
	<u>1,896,755</u>	<u>1,811,437</u>

9. Interest payable and similar charges

	2015 £	2014 £
Interest payable to group companies	72,123	105,824
	<u>72,123</u>	<u>105,824</u>

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. Taxation

	2015 £	2014 £
Total current tax	-	-
Deferred tax		
Deferred tax charge/(credit)	17,380	(173,800)
Total deferred tax	17,380	(173,800)
Taxation on profit/(loss) on ordinary activities	17,380	(173,800)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2014 - *lower than*) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £	As restated 2014 £
Profit on ordinary activities before tax	7,806,794	(3,566,688)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	1,580,608	(766,594)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	7,251	1,191,535
Income not taxable for tax purposes	(1,140,490)	-
R&D expenditure credits	8,111	3,955
Group relief surrendered/(claimed)	(387,801)	-
Movement in deferred tax not recognised	(50,299)	(263,167)
Transfer pricing adjustments	-	(339,529)
Total tax charge for the year	17,380	(173,800)

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. Taxation (continued)

Factors that may affect future tax charges

As at the balance sheet date there was an unrecognised deferred tax asset of £1,114,293 (2014: £1,221,064) arising as a result of accelerated capital allowances and other timing differences. In addition, there were trading losses of £26,062,799 (2014: £26,100,000) carried forward out of which only £869,000 have been recognised as there is insufficient evidence to recognise all the losses. The deferred tax asset was calculated using the future UK corporation tax rate of 18%. No net reversal of the deferred tax asset is expected to occur in the following year.

The Finance Act 2013 was enacted in July 2013 and introduced a reduction in the headline rate of corporation tax to 21% from 1 April 2014 and to 20% by 1 April 2015. The summer budget announced on 8 July 2015 included reductions in the rate of corporate tax from 20% to 19% and 18% effective from 1 April 2017 and 1 April 2020 respectively. These changes have been substantively enacted in October 2015. On 16 March 2016, a further reduction of the corporation tax rate to 17% was announced for 2020, however this has not been substantively enacted at the balance sheet date.

11. Tangible fixed assets

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2015	228,681	127,620	100,086	456,387
Additions	29,870	-	32,733	62,603
Disposals	-	5,037	(20,616)	(15,579)
At 31 December 2015	258,551	132,657	112,203	503,411
Depreciation				
At 1 January 2015	172,925	106,352	61,982	341,259
Charge for the period	55,756	13,068	28,418	97,242
Disposals	-	5,037	(10,335)	(5,298)
At 31 December 2015	228,681	124,457	80,065	433,203
Net book value				
At 31 December 2015	29,870	8,200	32,138	70,208
At 31 December 2014	55,756	21,268	38,104	115,128

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2015	44,201,640
At 31 December 2015	<u>44,201,640</u>
At 1 January 2015	5,633,000
Impairment reversal	<u>(5,633,000)</u>
At 31 December 2015	<u>-</u>
Net book value	
At 31 December 2015	<u>44,201,640</u>
At 31 December 2014	<u><u>38,568,640</u></u>

As a result of assessing the equity value and in accordance with Section 27 of FRS102, the carrying values of investment in subsidiaries at year end, have been compared to their recoverable amounts, represented by their value in use plus all the cash at bank and in hand, short and long term debtors, and less short and long term creditors and debt. This resulted in an impairment reversal in the year of £5,633,000.

The value in use has been derived from discounted cash flow projections using a discount rate of 8.4% (2014 – 12%). Cash flows have been projected over five years based on management's most recent business forecasts. After that a perpetuity rate of 3% has been applied, which is consistent with expected long term growth rates.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
INC Research International Israel Limited	Israel	Ordinary	100 %	Clinical research services
INC Research GmbH	Germany	Ordinary	100 %	Clinical research services

The aggregate of the share capital and reserves as at 31 December 2015 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
INC Research International Israel Limited	(43,451)	161,764
INC Research GmbH	25,905,598	2,766,076
	<u>25,862,147</u>	<u>2,927,840</u>

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

13. Debtors

	2015 £	<i>As restated</i> 2014 £
Due after more than one year		
Amounts owed by group undertakings	28,815,884	26,920,669
Deferred tax asset	98,072	115,900
	<u>28,913,956</u>	<u>27,036,569</u>

Amounts owed by group undertakings consists of a loan due from INC Research Europe Holdings Limited which bears interest at the higher of 3 months LIBOR or 7.04% and is repayable in December 2017.

	2015 £	2014 £
Due within one year		
Amounts owed by group undertakings	1,799,945	793,193
Other debtors	16,535	11,617
Prepayments and accrued income	219,057	30,770
Tax recoverable	208,980	147,359
Deferred tax asset	58,348	57,900
	<u>2,302,865</u>	<u>1,040,839</u>

14. Cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	42,010	226,885
	<u>42,010</u>	<u>226,885</u>

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

15. Creditors: Amounts falling due within one year

	2015 £	<i>As restated</i> 2014 £
Trade creditors	4,351	11,363
Amounts owed to group undertakings	2,181,412	926,740
Corporation tax	-	-
Social security	95,508	88,900
Accruals and deferred income	252,301	283,065
	<u>2,533,572</u>	<u>1,310,068</u>

Included in amounts owed to group undertakings is a revolving loan facility with INC Research UK Limited of £2,092,626 (2014: 861,664) with a maximum commitment of £10,000,000. The facility bears interest at LIBOR plus 4.75% and is repayable on demand.

16. Financial instruments

	2015 £	2014 £
Financial assets		
Financial assets measured at fair value through profit or loss	42,010	226,885
Financial assets that are debt instruments measured at amortised cost	30,632,363	27,725,480
	<u>30,674,373</u>	<u>27,952,365</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(2,438,064)	(1,221,169)
	<u>(2,438,064)</u>	<u>(1,221,169)</u>

Financial assets measured at fair value through profit or loss comprise of cash balances.

Financial assets measured at amortised cost comprise of loans owed by group undertakings.

Financial liabilities measured at amortised cost comprise of loans owed to group undertakings.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

17. Deferred taxation

	Deferred tax £
At 1 January 2015	173,800
Charged to the profit or loss	(17,380)
At 31 December 2015	156,420

The deferred tax asset is made up as follows:

	2015 £	2014 £
Tax losses carried forward	156,420	173,800
	<u>156,420</u>	<u>173,800</u>

18. Provisions

	Glasgow office closure provision £	Edinburgh office dilapidation provision £	Total £
At 1 January 2015	484,227	40,000	524,227
Charged to the profit or loss	-	4,487	4,487
Utilised in year	(474,787)	-	(474,787)
At 31 December 2015	9,440	44,487	53,927

Glasgow office closure

A provision is recognised for the remaining legal and contractual obligations following either vacation or underutilisation of office space net of any sub-lease rental income. It is expected that all of these costs will be incurred within the next financial year.

Edinburgh office dilapidation

A provision is recognised for the amount required to reinstate the office to the state required under the lease agreement on expiration (31 December 2018).

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

19. Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
13,831 Ordinary shares of £1 each	<u>13,831</u>	<u>13,831</u>

On 5 November 2015, 44,197,600 ordinary shares with an aggregate nominal value of £44,197,600 were issued through a bonus issue utilising the full merger reserve, and were subsequently cancelled.

20. Reserves

Share premium

This reserve records the amount above the nominal value received for shares sold.

Capital redemption reserve

This non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

Merger Reserve

This reserve is the difference between the cost of investment and the nominal value of the share capital acquired through the merger accounting method.

Profit and loss account

This reserve records cumulative net gains and losses recognised in the income statement.

On 5 November 2015, 44,197,600 ordinary shares with an aggregate nominal value of £44,197,600 were issued through a bonus issue utilising the full merger reserve, and were subsequently cancelled.

On 12 November 2015, the company cancelled in full the share premium account and capital redemption reserve of £39,581,743 and £600 respectively.

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £156,364 (2014: £144,741). Contributions totalling £24,381 (2014: £20,593) were payable to the fund at the reporting date.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

22. Commitments under operating leases

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £	2014 £
Land and buildings		
Not later than 1 year	114,372	147,589
Later than 1 year and not later than 5 years	295,179	442,769
Total	409,551	590,358

23. Post balance sheet events

On 23 June 2016, an interim dividend of £14,000,000 was declared and paid.

24. Exemption from preparation of consolidated financial statements

The 2015 financial statements contain information about INC Research Clinical Development Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken exemption under Section 401 of the Companies Act 2006 from the requirement to prepare group accounts as the company and all of its subsidiaries are included in the consolidated accounts of INC Research Holdings Inc. which are publicly available.

25. Controlling party

The immediate parent company is Kendle North Carolina LLC, a company incorporated in the United States of America. The ultimate parent company and controlling party is INC Research Holdings, Inc., a company incorporated in the United States of America. The smallest and largest group in which the results of the company are consolidated is that headed by INC Research Holdings, Inc. Copies of the consolidated financial statements are filed and publicly available and can also be obtained from the company's registered address.

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

26. First time adoption of FRS 102

	Note	As previously stated 1 January 2014 £	Effect of transition 1 January 2014 £	FRS 102 (as restated) 1 January 2014 £	As previously stated 31 December 2014 £	Effect of transition 31 December 2014 £	FRS 102 (as restated) 31 December 2014 £
Fixed assets		44,541,145	-	44,541,145	38,683,768	-	38,683,768
Current assets		27,902,432	(234,269)	27,668,163	28,645,092	(340,799)	28,304,293
Creditors: amounts falling due within one year		(3,323,527)	-	(3,323,527)	(1,310,068)	-	(1,310,068)
Net current assets		24,578,905	(234,269)	24,344,636	27,335,024	(340,799)	26,994,225
Total assets less current liabilities		69,120,050	(234,269)	68,885,781	66,018,792	(340,799)	65,677,993
Provisions for liabilities		-	-	-	(524,227)	-	(524,227)
Net assets		69,120,050	(234,269)	68,885,781	65,494,565	(340,799)	65,153,766

INC RESEARCH CLINICAL DEVELOPMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

26. First time adoption of FRS 102 (continued)

	<i>As previously stated 31 December 2014</i>	<i>Effect of transition 31 December 2014</i>	FRS 102 (as restated) 31 December 2014
Note	£	£	£
Turnover	5,497,505	-	5,497,505
Cost of sales	(2,544,055)	-	(2,544,055)
	<hr/>	<hr/>	<hr/>
Gross profit	2,953,450	-	2,953,450
Administrative expenses	(2,592,751)	-	(2,592,751)
	<hr/>	<hr/>	<hr/>
Operating profit	360,699	-	360,699
Impairment on investment in subsidiaries	(5,633,000)	-	(5,633,000)
Interest receivable and similar income	1,578,840	232,597	1,811,437
Interest payable and similar charges	(105,824)	-	(105,824)
Taxation	173,800	-	173,800
	<hr/>	<hr/>	<hr/>
Loss on ordinary activities after taxation and for the financial year	(3,625,485)	232,597	(3,392,888)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Explanation of changes to previously reported profit and equity:

- 1 As a result of the application of FRS102 an adjustment was made to restate the loans so they are recorded at amortised cost. The effect of this entry on the profit and loss account is an amendment of interest receivable and similar income.