

eResearchTechnology UK 1 Limited

**Directors' report and financial
statements**

Registered number 07255547

31 December 2012

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities

The principal activity of the Group is the provision of cardiac data analysis services. The principal activity of the Company is that of a holding company.

Business review

Net revenues for the Group in 2012 totalled £83.2 million, an increase of £8.6 million (12%) from £74.6 million in 2011. Operating margin percentage was 6.7% in 2012 compared to 1.1% in 2011.

Group operating expenses were £77.6 million for 2012, an increase of £3.0 million (4.0%) from £73.8 million in 2011.

Principal Risks and Uncertainties

The Group business depends entirely on the clinical trials that biopharmaceutical and healthcare organisations conduct. Group revenues and profitability will decline if there is less competition in the biopharmaceutical and healthcare industries, which could result in fewer products under development and decreased pressure to accelerate a product approval. Revenues and profits will also decline if the Medicines and Healthcare products Regulatory Agency (MHRA) or similar agencies in foreign countries modify their requirements in a manner that decreases the need for our solutions.

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

Research and development

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Presentation of consolidated financial statements

In prior periods the Company has been exempt from preparing consolidated financial statements on the basis that a parent company, eResearchTechnology Inc, prepared consolidated financial statements incorporating the results of the Company.

On 3 July 2013, the parent company was acquired by Explorer Holdings Inc and delisted from the NASDAQ. As a result the parent company is no longer required, and has elected not, to prepare consolidated financial statements.

These financial statements therefore present the consolidated results of the Company and its subsidiaries. The basis for the consolidation is set out in note 1 to the financial statements.

In particular, all subsidiaries were acquired prior to the earliest period presented in these financial statements, immediately following the incorporation of the Company in May 2010 and therefore the effect of these acquisitions has been presented in the comparative balance sheets and profit and loss accounts as at and for the year ended 31 December 2011, which are being presented here for the first time.

Directors' report *(continued)*

Financial instruments

Non derivative financial instruments comprise trade debtors, investments, equity, cash and intra-group borrowings. The main purpose of these instruments is to finance the group's ongoing operations and their existence exposes the group to a number of financial risks, primarily foreign currency risk.

As a significant portion of the group's sales are transacted in foreign currencies, it is exposed to transactional currency risk. In addition the intra-group borrowings are generally denominated in US dollars, resulting in translation risk.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

J Blakeley	British	(resigned 29 June 2012)
K Schneck	American	(resigned 20 November 2012)
S Eisenstein	American	
E Bartlett	British	(resigned 13 August 2012)
J Litwin	American	(appointed 13 August 2012)
W Nasim	American	(appointed 20 November 2012)

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

Neither the Company, nor any of its subsidiaries, made any political donations or incurred any political expenditure during the year. A subsidiary of the Company made £4,062 charitable donations to UK charities during the year (2011: £6,322).

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

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

By order of the board



S Eisenstein
Director

16th December 2013

Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ

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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent ,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities



KPMG LLP

Botanic House

100 Hills Road

Cambridge

CB2 1AR

United Kingdom

Independent auditor's report to the members of eResearchTechnology UK 1 Limited

We have audited the financial statements of eResearchTechnology UK 1 Limited for the year ended 31 December 2012 set out on pages 6 to 26. 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2012 and of the group's 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.

Independent auditor's report to the members of eResearchTechnology UK 1 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



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

100 Hills Road
Cambridge
CB2 1AR

¹⁶
19 December 2013

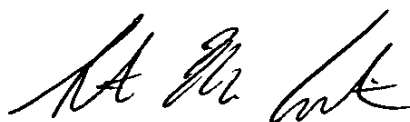
Consolidated Profit and Loss Account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover		83,206	74,637
Operating expenses	2	(77,641)	(73,813)
Operating profit		5,565	824
Other interest receivable and similar income	5	2,160	199
Interest payable and similar charges	6	(1,891)	(1,626)
Profit/(loss) on ordinary activities before taxation		5,834	(603)
Tax on profit on ordinary activities	7	(2,525)	(1,327)
Profit/(loss) for the financial year	17	3,309	(1,930)

Consolidated Balance Sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Intangible assets	8		18,413		26,781
Tangible assets	9		10,218		12,078
			<u>28,631</u>		<u>33,859</u>
Current assets					
Stocks	11	4,399		5,725	
Debtors (including £26,030,000 (2011 £nil) due after more than one year)	12	44,453		20,482	
Cash at bank and in hand		8,161		15,492	
		<u>57,013</u>		<u>41,699</u>	
Creditors, amounts falling due within one year	13	<u>(14,690)</u>		<u>(12,426)</u>	
Net current assets			<u>42,323</u>		<u>29,273</u>
Total assets less current liabilities			<u>70,954</u>		<u>68,132</u>
Creditors, amounts falling due after more than one year	14		<u>(35,128)</u>		<u>(34,910)</u>
Net assets			<u>35,826</u>		<u>33,222</u>
Capital and reserves					
Called up share capital	16		-		-
Share premium account	17		29,774		29,774
Translation reserve	17		(2,970)		(1,554)
Capital contribution reserve	17		2,187		1,476
Profit and loss account	17		6,835		3,526
Shareholders' funds			<u>35,826</u>		<u>33,222</u>

These financial statements were approved by the board of directors on 16 December 2013 and were signed on its behalf by



S Eisenstein
Director

Company Balance Sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Investments	10		57,441		60,043
			<u>57,441</u>		<u>60,043</u>
Creditors amounts falling due within one year	13	(11)		(7)	
Net current liabilities			<u>(11)</u>		<u>(7)</u>
Total assets less current liabilities			57,430		60,036
Creditors amounts falling due after more than one year	14		(35,128)		(34,910)
Net assets			<u>22,302</u>		<u>25,126</u>
Capital and reserves					
Called up share capital	16		-		-
Share premium account	17		29,774		29,774
Translation reserve	17		(3,143)		(2,087)
Profit and loss account	17		(4,329)		(2,561)
Shareholders' funds			<u>22,302</u>		<u>25,126</u>

These financial statements were approved by the board of directors on 16 December 2013 and were signed on its behalf by



S Eisenstein
Director

Company registered number 7255547

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Cash flow statement			
Cash flow from operating activities	21	23,209	10,520
Returns on investments and servicing of finance	22	35	199
Taxation		(1,363)	(1,285)
Capital expenditure and financial investment	22	(29,212)	(6,877)
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(7,331)	2,557
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period		(7,311)	2,557
Interest accrued on loan from parent undertaking		(1,763)	(1,530)
Foreign exchange		1,546	(97)
		<hr/>	<hr/>
Movement in net debt in the period		(7,548)	930
Net debt at the start of the period		(19,419)	(20,349)
		<hr/>	<hr/>
Net debt at the end of the period	23	(26,967)	(19,419)
		<hr/>	<hr/>

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2012

	2012 £000	2011 £000
Profit/(loss) for the financial year	3,309	(1,930)
Net exchange differences on the retranslation of net investments	(1,416)	(1,264)
Total recognised gains and losses relating to the financial year	1,893	(3,194)

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 financial statements, except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

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 centralised treasury arrangements of another company in the group and so shares banking arrangements with other entities in the group and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent, Explorer Holdings, Inc to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company 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 Explorer Holdings, 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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2012. Except as noted below, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

The purchase by the Company of eResearchTechnology Limited in May 2010 consisted of two newly-formed holding companies being added to the eResearchTechnology group, and therefore qualifies as a group reconstruction as set out in FRS 6. As permitted by FRS 6, merger accounting has been applied to this transaction and as a result the assets and liabilities of eResearchTechnology Limited at that date were not adjusted to their fair values on consolidation

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

In the prior period, the Company was exempt by virtue of Section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. However, as the consolidated financial statements of parent entities are no longer publicly available, consolidated financial statements have been presented for the year ended 31 December 2012

Notes (continued)

1 Accounting policies (continued)

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The estimated useful life of the group's goodwill is 5 years.

Intangible fixed assets and amortisation

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably.

Amortisation is provided to write off the cost of intangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Technology	8 years
Non-compete agreement	4 years
Customer backlog	4 years

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 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.

Any exchange differences arising on the related borrowings are recorded in the statement of total recognised gains and losses to the extent that they offset translation differences arising on the related foreign equity investment.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

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

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Revenue recognition

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.

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 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.

Share-based payment transactions

The share option programme allowing employees to acquire shares of eResearchTechnology, Inc. ceased on 3 July 2012. All unvested options at that date were accelerated and \$8 per option was paid to employees net of income tax.

On 3 July 2012 a new share scheme was established for executive and non-executive level employees, allowing employees to acquire shares in Explorer Holdings, Inc.

The fair value of options that have not yet vested as at 31 December 2012 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 ultimate 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.

Notes (continued)

2 Operating expenses

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets	5,815	5,880
Amortisation of goodwill	7,638	8,152
Profit on disposal of fixed assets	(270)	(47)
Hire of assets - operating leases	1,255	1,295
	<u> </u>	<u> </u>
<i>Operating expenses by nature</i>		
	2012 £000	2011 £000
Raw materials, consumables and other external charges	11,207	10,793
Staff costs (note 4)	21,590	21,600
Depreciation and other amounts written off tangible and intangible fixed assets	13,453	14,032
Other operating charges	31,391	27,388
	<u> </u>	<u> </u>
	77,641	73,813
	<u> </u>	<u> </u>
<i>Auditors' remuneration</i>		
	2012 £000	2011 £000
Audit of these financial statements	11	4
Amounts receivable by the company's auditor and its associates in respect of		
Audit of financial statements of subsidiaries of the company	91	91
Taxation services	52	124
	<u> </u>	<u> </u>

Notes (continued)

3 Remuneration of directors

The directors of the Company are also directors of the parent, eResearchTechnology Inc. As such the directors have not been remunerated for their services as directors of the Company.

4 Staff numbers and costs

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

	Number of employees	
	2012	2011
United Kingdom	97	95
Germany	317	310
	<u>414</u>	<u>405</u>

The aggregate payroll costs of these persons were as follows:

	2012 £000	2011 £000
Wages and salaries	17,654	17,724
Share based payments (See note 20)	711	255
Social security costs	3,060	3,458
Other pension costs	165	163
	<u>21,590</u>	<u>21,600</u>

5 Other interest receivable and similar income

	2012 £000	2011 £000
Net exchange gains	720	-
Interest receivable from related undertakings	1,277	-
Other	163	199
	<u>2,160</u>	<u>199</u>

Notes (continued)

6 Interest payable and similar charges

	2012 £000	2011 £000
Interest payable to related undertakings	1,763	1,530
On all other loans	128	-
Net exchange losses	-	96
	<u>1,891</u>	<u>1,626</u>

7 Taxation

Analysis of charge in period

	2012 £000	£000	2011 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	<u>1,205</u>		<u>1,260</u>	
Total current tax		1,205		1,260
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	<u>1,320</u>		<u>67</u>	
Total deferred tax		1,320		67
Tax on profit on ordinary activities		<u>2,525</u>		<u>1,327</u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2011 higher) than the standard rate of corporation tax in the UK of 24.5%, 2011 26.5%. The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	5,834	(603)
	-	-
Current tax at 24.5% (2011 26.5%)	1,429	(160)
<i>Effects of</i>		
Expenses not deductible for tax purposes		
Net goodwill amortisation	1,094	292
Share based payments	167	58
Other	62	15
Income not taxable (foreign exchange on intra-group financing)	(565)	(45)
Capital allowances for period in excess of depreciation	(905)	(281)
Enhanced research and development expenditure	(150)	(174)
Tax rates on overseas earnings	(12)	(95)
Net operating losses carried forward	85	1,650
	<hr/>	<hr/>
Total current tax charge (see above)	1,205	1,260
	<hr/>	<hr/>

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

Notes (continued)

8 Intangible fixed assets

Group	Goodwill £000
<i>Cost</i>	
At beginning of year	39,320
Foreign exchange	(1,004)
	<hr/>
At end of year	38,316
	<hr/>
<i>Amortisation</i>	
At beginning of year	12,539
Charged in year	7,638
Foreign exchange	(274)
	<hr/>
At end of year	19,903
	<hr/>
<i>Net book value</i>	
At 2012	18,413
	<hr/>
At 2011	26,781
	<hr/>

Notes (continued)

9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
<i>Cost</i>	
At beginning of year	29,913
Additions	6,022
Disposals	(5,404)
Foreign exchange	(323)
	<hr/>
At end of year	30,208
	<hr/>
<i>Depreciation</i>	
At beginning of year	17,835
Charge for year	5,815
Disposals	(3,528)
Foreign exchange	(132)
	<hr/>
At end of year	19,990
	<hr/>
<i>Net book value</i>	
At 31 December 2012	10,218
	<hr/>
At 31 December 2011	12,078
	<hr/>

Notes (continued)

10 Fixed asset investments

Company	Shares in group Undertaking £000
<i>Cost</i>	
At beginning of year	60,043
Foreign currency translation	(2,602)
	<hr/>
At end of year	57,441
	<hr/>

The principal undertakings in which the Group's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held Group Company
<i>Subsidiary undertakings</i>			
eResearchTechnology UK 2 Limited	England and Wales	Holding company	100% ordinary
eResearchTechnology Limited	England and Wales	Data analysis	100% ordinary
eResearchTechnology GmbH	Germany	Data analysis	100% ordinary

11 Stocks

	2012 £000	2011 £000
Raw materials and consumables	2,770	3,354
Work in progress	771	594
Finished goods and goods for resale	858	1,777
	<hr/>	<hr/>
	4,399	5,725
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2012 £000	2011 £000
Group		
Trade debtors	17,395	18,170
Amounts owed by group undertakings	26,030	-
Deferred tax assets	534	1,806
Other debtors	72	180
Prepayments and accrued income	422	326
	<u>44,453</u>	<u>20,482</u>

Total debtors include amounts owed by group undertakings that are due in more than one year of £26,030,000 (2011 £nil)

13 Creditors: amounts falling due within one year

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
Trade creditors	1,515	2,031	-	-
Amounts owed to group undertakings	2,074	1,575	11	7
Corporation tax	763	873	-	-
Other creditors	2,049	1,449	-	-
Accruals and deferred income	8,289	6,498	-	-
	<u>14,690</u>	<u>12,426</u>	<u>11</u>	<u>7</u>

14 Creditors: amounts falling due after more than one year

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
Amounts owed to group undertakings	<u>35,128</u>	<u>34,910</u>	<u>35,128</u>	<u>34,910</u>

The directors of the company had received, prior to the balance sheet date, an undertaking from the company to whom the loan is payable that the loan will not be recalled within a period of 12 months from the balance sheet date. Until the loan is recalled, interest is payable each quarter. Any unpaid interest increases the loan balance and incurs interest accordingly.

Notes (continued)

15 Deferred tax

	2012	2011
	£000	£000
At beginning of year	1,806	1,830
Charge to the profit and loss account	(1,320)	(67)
Foreign exchange	48	43
	<hr/>	<hr/>
At end of year	534	1,806
	<hr/>	<hr/>

The elements of deferred taxation are as follows

	2012	2011
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	(715)	(213)
Other timing differences	(388)	428
Tax losses	1,637	1,591
	<hr/>	<hr/>
	534	1,806
	<hr/>	<hr/>

The tax losses relate entirely to post-acquisition net operating losses of the German subsidiaries

16 Called up share capital

	2012	2011
	£000	£000
<i>Allotted, called up and fully paid</i>		
260 Ordinary shares of £1 each	-	-
	<hr/>	<hr/>

Notes (continued)

17 Capital and reserves

Group	Share capital £000	Share premium account £000	Translation reserve £000	Capital contribution reserve £000	Profit and loss account £000
At beginning of year	-	29,774	(1,554)	1,476	3,526
Profit for the year	-	-	-	-	3,309
Share based payments	-	-	-	711	-
Exchange adjustments	-	-	(1,416)	-	-
At end of year	-	29,774	(2,970)	2,187	6,835

Company	Share capital £000	Share premium account £000	Translation reserve £000	Profit and loss account £000
At beginning of year	-	29,774	(2,087)	(2,561)
Profit for the year	-	-	-	(1,768)
Exchange adjustments – investments	-	-	(2,666)	-
Exchange adjustments – borrowings	-	-	1,610	-
At end of year	-	29,774	(3,143)	(4,329)

The Company's loss for the financial year was £1,768,000 (2011 £1,599,000)

18 Commitments

Annual commitments under non-cancellable operating leases are as follows

Group	2012 Land and buildings £000	Other £000	2011 Land and buildings £000	Other £000
Operating leases which expire				
Within one year	-	177	674	57
In the second to fifth years inclusive	-	4	1,010	308
Over five years	1,429	-	29	-
	1,429	181	1,713	365

The Company did not have any commitments under non-cancellable operating leases

Notes (continued)

19 Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £165,000 (2011 £163,000).

Contributions amounting to £120,000 (2011 £114,000) were payable to the scheme and are included in creditors.

20 Share based payments

On 3 July 2012 the 1996 Plan and 2003 Plan were closed and all unvested options at that date were accelerated and \$8 per option was paid to employees net of income tax.

In July 2012 the shareholders of the parent company adopted the Explorer Holdings, Inc. 2012 Equity Incentive Plan (the 2012 Plan) that authorised the grant of both incentive and non-qualified options and stock purchase rights. The maximum aggregate number of shares of the parent company's common stock which may be issued upon the exercise of options under the 2012 Plan is 17,964,780.

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 2012 Plan.

All options under the 2012 Plan are non-qualified options, expire ten years from the grant date and are exercisable in two components: (1) fifty percent of the options granted vest on a time vested schedule (the Time Vested Options) and (2) fifty percent of the options granted vest on a performance vested schedule (the Performance Vested Options).

The Time Vested Options are exercisable in five equal annual instalments, with the first such instalment exercisable on the first anniversary of the date of the grant of this option, subject to the recipient continuing to provide services to the company.

For the Performance Vested Options, (i) forty percent of the options vest on the measurement date (defined in the Grant Agreement) on which the ultimate parent company first cumulatively earns or is deemed to earn a Multiple of Money Return equal to 2.0, (ii) forty percent of the options vest on the measurement date on which the ultimate parent company first cumulatively earns or is deemed to earn a Multiple of Money Return equal to 3.0, and (iii) twenty percent of the options vest on the measurement date on which the ultimate parent company first cumulatively earns or is deemed to earn a Multiple of Money Return equal to 3.5. The vesting of all Performance Vested Options is subject to the holder continuing to provide services to the company.

The weighted average share price at the date of exercise of share options exercised during the period was \$8. The fair value of each option was estimated to be \$0.59.

A total of 1,426,961 options were granted during the year under the 2012 Plan. The options outstanding at the year end have an exercise price of \$1 and a contractual life of 10 years. The remaining contractual life of the options was 9.5 years.

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.

The total expense recognised for the year arising from share based payments was £711,000 (2011 £255,000).

Notes (continued)

21 Reconciliation of operating profit to operating cash flows

	2012 £000	2011 £000
Operating profit	5,565	824
Depreciation and amortisation charges	13,453	14,032
Profit on sale of fixed assets	(270)	(47)
Share based payments	711	255
Decrease/(increase) in stocks	1,171	(2,818)
(Increase) in debtors	(143)	(844)
Increase/(decrease) in creditors	2,722	(882)
Net cash inflow from operating activities	23,209	10,520

22 Analysis of cash flows

	Notes	2011 £000	2012 £000	2011 £000	2011 £000
Returns on investment and servicing of finance					
Interest received	5	163		199	
Interest paid	6	(128)		-	
			35		199
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(6,022)		(9,312)	
Sale of tangible fixed assets		2,146		2,435	
New loans made to associated undertakings		(25,336)		-	
			(29,212)		(6,877)

Notes *(continued)*

23 Analysis of net debt

	At beginning of year £000	Cash flow £000	Accrued interest £000	Foreign exchange £000	At end of year £000
Cash in hand, at bank	15,294	(7,331)	-	-	8,161
Debt due after one year	(34,911)	-	(1,763)	1,546	(35,128)
Net debt	(19,619)	(7,331)	(1,763)	1,546	(26,967)

24 Ultimate parent company and parent undertaking of larger group

The Company is a subsidiary undertaking of Explorer Holdings, Inc. Explorer Holdings, Inc., an affiliate of Genstar Capital LLC is the ultimate parent company Delaware, USA

No other publicly available group financial statements include the results of the Company