eResearchTechnology UK 1 Limited

Annual report and financial statements

Registered number 07255547

31 December 2014

Contents

Strategic report

The directors present their annual report and financial statements for the year ended 31 December 2014.

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 2014 totalled £68.3 million, a decrease of £6.1 million (8%) from £74.4 million in 2013.

Group operating expenses were £73.7 million for 2014, a difference of £nil (0%) from £73.7 million in 2013.

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.

Interest rate risk

Another company in the group, eResearchTechnology, Inc. is responsible for group investments and 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 earned in either US Dollars, Euros or Pounds Sterling. As such, we face exposure to adverse movements in the exchange rate of the US Dollar and Euro against Pounds Sterling.

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.

G Mitcheltree
Director

Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ

19 January 2016

Directors' report

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 and up to the date of this report were as follows:

S Eisenstein	American	(resigned 10 April 2014)
G Mitcheltree	American	(appointed 10 June 2014)
J Litwin	American	(resigned 2 September 2014)
W Nasim	American	
J Corrigan	American	(appointed 2 September 2014)

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 £2,900 charitable donations to UK charities during the year (2013: £6,212).

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

G Mitcheltree
Director

Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ

19 January 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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

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 2014 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 2014 and of the group's loss 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 Strategic Report and 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.

CM le Strange Meakin

Charles le Strange Meakin (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

~~20~~ 14 January 2016

Consolidated profit and loss account

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover		**68,253**	74,435
Operating expenses	2	**(73,699)**	(73,655)
Operating (loss)/profit		**(5,446)**	780
Other interest receivable and similar income	5	**7,861**	4,992
Interest payable and similar charges	6	**(1,722)**	(3,164)
Profit on ordinary activities before taxation		**693**	2,608
Tax on profit on ordinary activities	7	**(2,721)**	(2,340)
Profit/(Loss) for the financial year	17	**(2,028)**	268

Consolidated balance sheet
at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Intangible assets	*8*		2,947		10,982
Tangible assets	*9*		7,278		8,228
			10,225		19,210
Current assets					
Stocks	*11*	2,396		3,805	
Debtors (including £66,214,000 *(2013: £43,848,000)* due after more than one year)	*12*	81,325		57,587	
Cash at bank and in hand		5,406		7,881	
		89,127		69,273	
Creditors: amounts falling due within one year	*13*	(24,445)		(13,794)	
Net current assets			64,682		55,479
Total assets less current liabilities			74,907		74,689
Creditors: amounts falling due after more than one year	*14*		(39,931)		(36,017)
Provisions	*15*		(1,017)		(1,358)
Net assets			33,959		37,314
Capital and reserves					
Called up share capital	*16*		-		-
Share premium account	*17*		29,774		29,774
Translation reserve	*17*		(3,159)		(1,792)
Capital contribution reserve	*17*		2,269		2,229
Profit and loss account	*17*		5,075		7,103
Shareholders' funds	*17*		33,959		37,314

These financial statements were approved by the board of directors on 19 January 2016 and were signed on its behalf by:

G Mitcheltree
Director

Company balance sheet
at 31 December 2014

	Note	2014 £000	2014 £000	2013 £000	2013 £000
Fixed assets					
Investments	*10*		**59,738**		56,274
			59,738		56,274
Creditors: amounts falling due within one year	*13*	**(10)**		(11)	
Net current liabilities			**(10)**		(11)
Total assets less current liabilities			**59,728**		56,263
Creditors: amounts falling due after more than one year	*14*		**(39,931)**		(36,017)
Net assets			**19,796**		20,246
Capital and reserves					
Called up share capital	*16*		**-**		-
Share premium account	*17*		**29,774**		29,774
Translation reserve	*17*		**(2,283)**		(3,449)
Profit and loss account	*17*		**(7,695)**		(6,079)
Shareholders' funds	*17*		**19,796**		20,246

These financial statements were approved by the board of directors on 19 January 2016 and were signed on its behalf by:

G Mitcheltree
Director

Company registered number: 07255547

Consolidated cash flow statement

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Cash flow statement			
Cash flow from operating activities	21	**14,092**	18,946
Returns on investments and servicing of finance	22	**(104)**	23
Taxation		**(872)**	(1,051)
Capital expenditure and financial investment	22	**(15,591)**	(18,198)
Decrease in cash in the period		**(2,475)**	(280)

Reconciliation of net cash flow to movement in net debt

	Note	2014 £000	2013 £000
Decrease in cash in the period		**(2,475)**	(280)
Interest accrued on loan from parent undertaking		**(1,617)**	(1,750)
Foreign exchange		**(2,298)**	861
Movement in net debt in the period		**(6,390)**	(1,169)
Net debt at the start of the period		**(28,136)**	(26,967)
Net debt at the end of the period	23	**(34,526)**	(28,136)

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit/(Loss) for the financial year	**(2,028)**	268
Net exchange differences on the retranslation of foreign subsidiaries	**(1,367)**	1,178
Total recognised gains and losses relating to the financial year	**(3,395)**	1,446

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 Strategic Report on page 1.

The company is expected to continue to generate positive operating 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 2014. 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.

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 2013. All unvested options at that date were accelerated and $8 per option was paid to employees net of income tax.

On 3 July 2013 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 2014 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

	2014	2013
	£000	£000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and other amounts written off tangible fixed assets:	**4,588**	5,496
Amortisation of goodwill	**7,572**	7,891
Profit on disposal of fixed assets	**(121)**	(60)
Hire of assets - operating leases	**1,923**	2,261

Operating expenses by nature

	2014	2013
	£000	£000
Raw materials, consumables and other external charges	**7,257**	9,660
Staff costs (note 4)	**21,427**	23,457
Depreciation and other amounts written off tangible and intangible fixed assets	**12,160**	13,387
Other operating charges	**32,855**	27,151
	73,699	73,655

Auditors' remuneration

	2014	2013
	£000	£000
Audit of these financial statements	**11**	**11**
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**89**	**88**
Taxation services	**43**	**50**

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 **2014**	2013
United Kingdom	**95**	102
Germany	**291**	329
	386	431

The aggregate payroll costs of these persons were as follows:	2014 **£000**	2013 £000
Wages and salaries	**18,164**	19,881
Share based payments (See note 20)	**40**	42
Social security costs	**2,942**	3,191
Other pension costs	**281**	343
	21,427	23,457

5 Other interest receivable and similar income

	2014 **£000**	2013 £000
Net exchange gains	**1,119**	-
Interest receivable from related undertakings	**6,741**	4,912
Other	**1**	80
	7,861	4,992

Notes *(continued)*

6 Interest payable and similar charges

	2014 £000	2013 £000
Interest payable to related undertakings	**1,617**	1,750
On all other loans	**105**	57
Net exchange losses	**-**	1,357
	1,722	3,164

7 Taxation

Analysis of charge in period

	2014 £000	2014 £000	2013 £000	2013 £000
UK corporation tax				
Current tax on income for the period	**2,736**		1,264	
Adjustments in respect of prior periods	**(32)**		(332)	
Total current tax		**2,704**		932
Deferred tax (see note 15)				
Origination/reversal of timing differences	**17**		1,408	
Total deferred tax		**17**		1,408
Tax on profit on ordinary activities		**2,721**		2,340

Notes *(continued)*

7 Taxation *(continued)*

Factors affecting the tax charge for the current period

The current tax charge for the period is higher *(2013: lower)* than the standard rate of corporation tax in the UK of 21.5% *(2013: 23.25%)*. The differences are explained below.

	2014 £000	2013 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**693**	2,608
Current tax at 21.5% *(2013 : 23.25%)*	**149**	606
Effects of:		
Expenses not deductible for tax purposes:		
Net goodwill amortisation	**1,240**	1,309
Other	**322**	32
Foreign exchange on intra-group financing not taxable/(deductible)	**629**	42
Capital allowances for period in excess of depreciation	**24**	146
Other short-term timing differences	**1,040**	(380)
Enhanced research and development expenditure	**(202)**	(148)
Tax rates on overseas earnings	**374**	23
Net operating losses utilised	**(840)**	(366)
Adjustments in respect of prior periods	**(32)**	(332)
Total current tax charge (see above)	**2,704**	932

Factors that may affect future current and total tax charges

The Budget on 20 March 2013 announced that the UK corporation tax rate will reduce to 20% by April 2015. A reduction in the rate from 26% to 24% (effective from 1 April 2012) was substantively enacted on 5 July 2011, a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Two further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were both substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly and further reduce the deferred tax asset at 31 December 2014 (of which the UK element has been calculated based on the rate of 20% substantively enacted at the balance sheet date).

Notes *(continued)*

8 Intangible fixed assets

Group	**Goodwill £000**
Cost	
At beginning of year	39,143
Foreign exchange	(2,552)
At end of year	36,591
Amortisation	
At beginning of year	28,161
Charged in year	7,572
Foreign exchange	(2,089)
At end of year	33,644
Net book value	
At 2014	**2,947**
At 2013	10,982

Notes *(continued)*

9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
Cost	
At beginning of year	30,099
Additions	5,288
Disposals	(4,706)
Foreign exchange	(889)
At end of year	29,792
Depreciation	
At beginning of year	21,871
Charge for year	4,588
Disposals	(3,439)
Foreign exchange	(506)
At end of year	22,514
Net book value	
At 31 December 2014	**7,278**
At 31 December 2013	8,228

Notes *(continued)*

10 Fixed asset investments

	Shares in group undertaking £000
Company	
Cost	
At beginning of year	56,274
Foreign currency translation	3,464
At end of year	**59,738**

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
Subsidiary undertakings				
eResearchTechnology UK 2 Limited	England and Wales	Holding company	100% ordinary	100% ordinary
eResearchTechnology Limited	England and Wales	Data analysis	100% ordinary	-
eResearchTechnology GmbH	Germany	Data analysis	100% ordinary	-

11 Stocks

	2014 £000	2013 £000
Raw materials and consumables	**1,838**	2,569
Work in progress	**64**	247
Finished goods and goods for resale	**494**	989
	2,396	3,805

Notes *(continued)*

12 Debtors

	2014	2013
	£000	£000
Group		
Trade debtors	**16,143**	12,580
Amounts owed by group undertakings	**64,264**	43,848
Deferred tax assets	**238**	515
Other debtors	**211**	124
Prepayments and accrued income	**469**	520
	81,325	57,587

Total debtors include amounts owed by group undertakings that are due in more than one year of £66,214,000 *(2013: £43,848,000).*

13 Creditors: amounts falling due within one year

	Group		**Company**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Trade creditors	**1,267**	2,042	**-**	-
Amounts owed to group undertakings	**12,713**	2,083	**10**	11
Corporation tax	**2,476**	644	**-**	-
Other creditors	**1,700**	1,987	**-**	-
Accruals and deferred income	**6,289**	7,038	**-**	-
	24,445	13,794	**10**	11

14 Creditors: amounts falling due after more than one year

	Group		**Company**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Amounts owed to group undertakings	**39,931**	36,017	**39,931**	36,017

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

	2014	2013
	£000	£000
At beginning of year	**(843)**	534
Charge to the profit and loss account	**(17)**	(1,408)
Foreign exchange	**81**	31
At end of year	**(779)**	(843)

The elements of deferred taxation are as follows:

	2014	2013
	£000	£000
Difference between accumulated depreciation and amortisation and capital allowances	**(385)**	(953)
Other timing differences	**(394)**	(1,025)
Tax losses	**-**	1,135
	(779)	(843)

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

The net deferred tax is presented in the balance sheet as follows:

	2014	2013
	£000	£000
Deferred tax assets (note 12)		
United Kingdom	**238**	515
	238	515
Deferred tax liabilities		
Germany	**(1,017)**	(1,358)
	(1,017)	(1,358)
Net deferred tax liability as above	**(779)**	(843)

16 Called up share capital

	2014	2013
	£000	£000
Allotted, called up and fully paid		
260 Ordinary shares of £1 each	**-**	-

Notes *(continued)*

17 Capital and reserves

Group	**Share capital £000**	**Share premium account £000**	**Translation reserve £000**	**Captial contribution reserve £000**	**Profit and loss account £000**	**Total equity £000**
At beginning of year	-	29,774	(1,792)	2,229	7,103	37,314
Loss for the year	-	-	-	-	(2,028)	(2,028)
Share based payments	-	-	-	40	-	40
Exchange adjustments	-	-	(1,367)	-	-	(1,367)
At end of year	**-**	**29,774**	**(3,159)**	**2,269**	**5,075**	**33,959**

Company	**Share capital £000**	**Share premium account £000**	**Translation reserve £000**	**Profit and loss account £000**	**Total Equity £000**
At beginning of year	-	29,774	(3,449)	(6,079)	20,246
Loss for the year	-	-	-	(1,616)	(1,616)
Exchange adjustments – investments	-	-	3,464	-	3,464
Exchange adjustments – borrowings	-	-	(2,298)	-	(2,298)
At end of year	-	29,774	(2,283)	(7,695)	19,796

The Company's loss for the financial year was £1,616,000 *(2013: £1,750,000).*

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	**2014 Land and buildings £000**	**Other £000**	2013 Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	**-**	**124**	-	193
In the second to fifth years inclusive	**-**	**217**	-	257
Over five years	**1,496**	**-**	1,464	-
	1,496	**341**	1,464	450

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 £678,000 *(2013: £343,000)*.

Contributions amounting to £203,000 *(2013: £203,000)* were payable to the scheme and are included in creditors.

20 Share based payments

In July 2012 the shareholders of the parent company adopted the Explorer Holdings, Inc. 2012 Equity Incentive Plan (the 2013 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 \$0.68. The fair value of each option was estimated to be \$0.68.

No options were granted during the year under the 2013 Plan *(2013:nil)*. 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 7.5 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 £40,000 *(2013: £42,000)*.

Notes *(continued)*

21 Reconciliation of operating profit to operating cash flows

	2014 £000	2013 £000
Operating profit	**(5,446)**	780
Depreciation and amortisation charges	**12,160**	13,477
Profit on sale of fixed assets	**(121)**	(60)
Loss on foreign exchange	**830**	225
Share based payments	**40**	42
Decrease in stocks	**1,409**	594
Increase /(Decrease) in debtors	**(3,599)**	4,665
Increase /(Decrease) in creditors	**8,819**	(777)
Net cash inflow from operating activities	**14,092**	18,946

22 Analysis of cash flows

	Notes	2014 £000	2014 £000	2013 £000	2013 £000
Returns on investment and servicing of finance					
Interest received	*5*	**1**		80	
Interest paid	*6*	**(105)**		(57)	
			(104)		23
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(5,288)**		(4,548)	
Sale of tangible fixed assets		**1,389**		1,236	
New loans made to associated undertakings		**(11,692)**		(14,886)	
			(15,591)		(18,198)

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	7,881	(2,475)	-	-	**5,406**
Debt due after one year	(36,017)	-	(1,617)	(2,298)	**(39,932)**
Net debt	(28,136)	(2,475)	(1,617)	(2,298)	**(34,526)**

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.