

eResearchTechnology UK 1 Limited

Annual report and financial statements

Registered number 07255547

31 December 2013

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Strategic report

The directors present their annual report and financial statements for the year ended 31 December 2013.

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 2013 totalled £74.4 million, a decrease of £8.8 million (11%) from £83.2 million in 2012. Operating margin percentage was 1% in 2013 compared to 6.7% in 2012.

Group operating expenses were £73.7 million for 2013, a decrease of £3.9 million (5.0%) from £77.6 million in 2012.

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

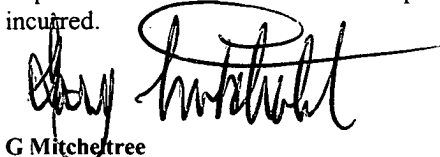
Another company in the group, eResearchTechnology, Inc. is responsible for group investments and places investments in money market funds, municipal securities, bonds of government sponsored agencies, certificates of deposit with fixed rates with maturities of less than one year, and A1P1 rated commercial 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 Mitchell
Director

Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire
PE2 6FZ

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 £6,212 charitable donations to UK charities during the year (2012: £4,062).

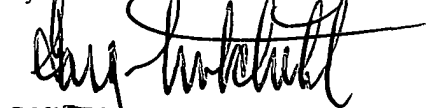
Disclosure of information to auditor

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

29 September 2014

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 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 2013 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 2013 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 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.

Charles le Strange Meakin

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

29 September 2014

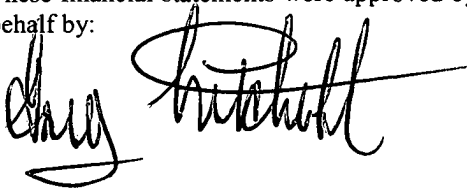
Consolidated profit and loss account
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Turnover		74,435	83,206
Operating expenses	2	(73,655)	(77,641)
Operating profit		780	5,565
Other interest receivable and similar income	5	4,992	2,160
Interest payable and similar charges	6	(3,164)	(1,891)
Profit on ordinary activities before taxation		2,608	5,834
Tax on profit on ordinary activities	7	(2,340)	(2,525)
Profit for the financial year	17	268	3,309

Consolidated balance sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Intangible assets	8		10,982		18,413
Tangible assets	9		8,228		10,218
			<hr/>		<hr/>
			19,210		28,631
Current assets					
Stocks	11	3,805		4,399	
Debtors (including £43,848,000 (2012: £26,030,000) due after more than one year)	12	57,587		44,453	
Cash at bank and in hand		7,881		8,161	
		<hr/>		<hr/>	
		69,273		57,013	
Creditors: amounts falling due within one year	13	(13,794)		(14,690)	
		<hr/>		<hr/>	
Net current assets			55,479		42,323
			<hr/>		<hr/>
Total assets less current liabilities			74,689		70,954
Creditors: amounts falling due after more than one year	14		(36,017)		(35,128)
Provisions	15		(1,358)		-
			<hr/>		<hr/>
Net assets			37,314		35,826
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		-		-
Share premium account	17		29,774		29,774
Translation reserve	17		(1,792)		(2,970)
Capital contribution reserve	17		2,229		2,187
Profit and loss account	17		7,103		6,835
			<hr/>		<hr/>
Shareholders' funds	17		37,314		35,826
			<hr/>		<hr/>

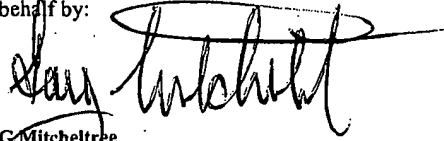
These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:


G Mitcheltree
Director

Company balance sheet
at 31 December 2013

	<i>Note</i>	2013 £000	2013 £000	2012 £000	2012 £000
Fixed assets					
Investments	10		56,274		57,441
			<u>56,274</u>		<u>57,441</u>
Creditors: amounts falling due within one year	13	(11)		(11)	
Net current liabilities			(11)		(11)
Total assets less current liabilities			56,263		57,430
Creditors: amounts falling due after more than one year	14		(36,017)		(35,128)
Net assets			<u>20,246</u>		<u>22,302</u>
Capital and reserves					
Called up share capital	16		-		-
Share premium account	17		29,774		29,774
Translation reserve	17		(3,449)		(3,143)
Profit and loss account	17		(6,079)		(4,329)
Shareholders' funds	17		<u>20,246</u>		<u>22,302</u>

These financial statements were approved by the board of directors on 29 September 2014 and were signed on its behalf by:


G. Mitchelltree
Director

Company registered number: 07255547

Consolidated cash flow statement
for the year ended 31 December 2013

	<i>Note</i>	2013 £000	2012 £000
Cash flow statement			
Cash flow from operating activities	21	18,946	23,209
Returns on investments and servicing of finance	22	23	35
Taxation		(1,051)	(1,363)
Capital expenditure and financial investment	22	(18,198)	(29,212)
		<hr/>	<hr/>
(Decrease) in cash in the period		(280)	(7,331)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net debt			
(Decrease) in cash in the period		(280)	(7,311)
Interest accrued on loan from parent undertaking		(1,750)	(1,763)
Foreign exchange		861	1,546
		<hr/>	<hr/>
Movement in net debt in the period		(1,169)	(7,548)
Net debt at the start of the period		(26,967)	(19,419)
		<hr/>	<hr/>
Net debt at the end of the period	23	(28,136)	(26,967)
		<hr/>	<hr/>

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2013

	2013 £000	2012 £000
Profit for the financial year	268	3,309
Net exchange differences on the retranslation of foreign subsidiaries	1,178	(1,415)
Total recognised gains and losses relating to the financial year	1,446	1,894

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 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 2013. 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 2013 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

	2013 £000	2012 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation and other amounts written off tangible fixed assets:	5,496	5,815
Amortisation of goodwill	7,891	7,638
Profit on disposal of fixed assets	(60)	(270)
Hire of assets - operating leases	2,261	1,255
	<hr/>	<hr/>
<i>Operating expenses by nature</i>		
	2013 £000	2012 £000
Raw materials, consumables and other external charges	9,660	11,207
Staff costs (note 4)	23,457	21,590
Depreciation and other amounts written off tangible and intangible fixed assets	13,387	13,453
Other operating charges	27,151	31,391
	<hr/>	<hr/>
	73,655	77,641
	<hr/>	<hr/>
<i>Auditors' remuneration</i>		
	2013 £000	2012 £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	88	91
Taxation services	50	52
	<hr/>	<hr/>

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	
	2013	2012
United Kingdom	102	97
Germany	329	317
	<hr/>	<hr/>
	431	414
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	£000	£000
Wages and salaries	19,881	17,654
Share based payments (See note 20)	42	711
Social security costs	3191	3,060
Other pension costs	343	165
	<hr/>	<hr/>
	23,457	21,590
	<hr/>	<hr/>

5 Other interest receivable and similar income

	2013 £000	2012 £000
Net exchange gains	-	720
Interest receivable from related undertakings	4,912	1,277
Other	80	163
	<hr/>	<hr/>
	4,992	2,160
	<hr/>	<hr/>

Notes (continued)

6 Interest payable and similar charges

	2013 £000	2012 £000
Interest payable to related undertakings	1,750	1,763
On all other loans	57	128
Net exchange losses	1,357	-
	<u>3,164</u>	<u>1,891</u>

7 Taxation

Analysis of charge in period

	2013 £000	2013 £000	2012 £000	2012 £000
<i>UK corporation tax</i>				
Current tax on income for the period	1,264		1,205	
Adjustments in respect of prior periods	(332)			
	<u></u>		<u></u>	
Total current tax		932		1,205
<i>Deferred tax (see note 15)</i>				
Origination/reversal of timing differences	1,408		1,320	
	<u></u>		<u></u>	
Total deferred tax		1,408		1,320
		<u></u>		<u></u>
Tax on profit on ordinary activities		2,340		2,525
		<u></u>		<u></u>

Notes (continued)

7 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2012: lower) than the standard rate of corporation tax in the UK of 23.25%, 2012: 24.5%). The differences are explained below.

	2013 £000	2012 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,608	5,834
Current tax at 23.25% (2012 : 24.5%)	606	1,429
<i>Effects of:</i>		
Expenses not deductible for tax purposes:		
Net goodwill amortisation	1,309	1,094
Other	32	229
Foreign exchange on intra-group financing not deductible/(taxable)	42	(565)
Capital allowances for period in excess of depreciation	146	(905)
Other short-term timing differences	(380)	-
Enhanced research and development expenditure	(148)	(150)
Tax rates on overseas earnings	23	(12)
Net operating losses (utilised)/carried forward	(366)	85
Adjustments in respect of prior periods	(332)	-
Total current tax charge (see above)	932	1,205

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 Apr 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 2013 (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
<i>Cost</i>	
At beginning of year	38,316
Foreign exchange	827
	<hr/>
At end of year	39,143
	<hr/>
<i>Amortisation</i>	
At beginning of year	19,903
Charged in year	7,981
Foreign exchange	277
	<hr/>
At end of year	28,161
	<hr/>
<i>Net book value</i>	
At 2013	10,982
	<hr/>
At 2012	18,413
	<hr/>

Notes (continued)

9 Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
Cost	
At beginning of year	30,208
Additions	4,548
Disposals	(4,921)
Foreign exchange	264
	<hr/>
At end of year	30,099
	<hr/>
Depreciation	
At beginning of year	19,990
Charge for year	5,496
Disposals	(3,745)
Foreign exchange	130
	<hr/>
At end of year	21,871
	<hr/>
Net book value	
At 31 December 2013	8,228
	<hr/>
At 31 December 2012	10,218
	<hr/>

Notes (continued)

10 Fixed asset investments

Company	Shares in group undertaking £000
Cost	
At beginning of year	57,441
Foreign currency translation	(1,167)
	<hr/>
At end of year	56,274
	<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
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

	2013 £000	2012 £000
Raw materials and consumables	2,569	2,770
Work in progress	247	771
Finished goods and goods for resale	989	858
	<hr/>	<hr/>
	3,805	4,399
	<hr/>	<hr/>

Notes (continued)

12 Debtors

	2013 £000	2012 £000
<i>Group</i>		
Trade debtors	12,580	17,395
Amounts owed by group undertakings	43,848	26,030
Deferred tax assets	515	534
Other debtors	124	72
Prepayments and accrued income	520	422
	<u>57,587</u>	<u>44,453</u>

Total debtors include amounts owed by group undertakings that are due in more than one year of £43,848,000 (2012: £26,030,000).

13 Creditors: amounts falling due within one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Trade creditors	2,042	1,515	-	-
Amounts owed to group undertakings	2,083	2,074	11	11
Corporation tax	644	763	-	-
Other creditors	1,987	2,049	-	-
Accruals and deferred income	7,038	8,289	-	-
	<u>13,794</u>	<u>14,690</u>	<u>11</u>	<u>11</u>

14 Creditors: amounts falling due after more than one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Amounts owed to group undertakings	<u>36,017</u>	<u>35,128</u>	<u>36,017</u>	<u>35,128</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

	2013 £000	2012 £000
At beginning of year	534	1,806
Charge to the profit and loss account	(1,408)	(1,320)
Foreign exchange	31	48
	<hr/>	<hr/>
At end of year	(843)	534
	<hr/>	<hr/>

The elements of deferred taxation are as follows:

	2013 £000	2012 £000
Difference between accumulated depreciation and amortisation and capital allowances	(953)	(715)
Other timing differences	(1,025)	(388)
Tax losses	1,135	1,637
	<hr/>	<hr/>
	(843)	534
	<hr/>	<hr/>

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:

	2013 £000	2012 £000
Deferred tax assets (note 12)		
United Kingdom	515	441
Germany	-	93
	<hr/>	<hr/>
	515	534
Deferred tax liabilities		
Germany	(1,358)	-
	<hr/>	<hr/>
	(1,358)	-
	<hr/>	<hr/>
Net deferred tax (liability)/asset as above	(843)	534
	<hr/>	<hr/>

16 Called up share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
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	Total equity £000
At beginning of year	-	29,774	(2,970)	2,187	6,835	35,826
Profit for the year	-	-	-	-	268	268
Share based payments	-	-	-	42	-	42
Exchange adjustments	-	-	1,178	-	-	1,178
At end of year	-	29,774	(1,792)	2,229	7,103	37,314

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	(3,143)	(4,329)	22,302
Profit for the year	-	-	-	(1,750)	(1,750)
Exchange adjustments – investments	-	-	(1,167)	-	(1,167)
Exchange adjustments – borrowings	-	-	861	-	861
At end of year	-	29,774	(3,449)	(6,079)	20,246

The Company's loss for the financial year was £1,750,000 (2012: £1,768,000).

18 Commitments

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

Group	2013 Land and buildings £000	Other £000	2012 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	193	-	177
In the second to fifth years inclusive	-	257	-	4
Over five years	1,464	-	1,429	-
	1,464	450	1,429	181

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 £343,000 (2012: £165,000).

Contributions amounting to £203,000 (2012: £120,000) 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 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 \$8. The fair value of each option was estimated to be \$0.59.

No options were granted during the year under the 2013 Plan (2012: 1,426,961). 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 8.5 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 £42,000 (2012: £711,000).

Notes (continued)

21 Reconciliation of operating profit to operating cash flows

	2013 £000	2012 £000
Operating profit	780	5,565
Depreciation and amortisation charges	13,477	13,453
Profit on sale of fixed assets	(60)	(270)
Loss on foreign exchange	225	-
Share based payments	42	711
Decrease in stocks	594	1,171
Decrease/(increase) in debtors	4,665	(143)
(Decrease)/increase in creditors	(777)	2,722
Net cash inflow from operating activities	18,946	23,209

22 Analysis of cash flows

	Notes	2013 £000	2013 £000	2012 £000	2012 £000
Returns on investment and servicing of finance					
Interest received	5	80		163	
Interest paid	6	(57)		(128)	
			23		35
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(4,548)		(6,022)	
Sale of tangible fixed assets		1,236		2,146	
New loans made to associated undertakings		(14,886)		(25,336)	
			(18,198)		(29,212)

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	8,161	(280)	-	-	7,881
Debt due after one year	(35,128)	-	(1,750)	861	(36,017)
Net debt	(26,967)	(280)	(1,750)	861	(28,136)

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.