

eResearchTechnology UK 1 Limited

**Annual report and consolidated
financial statements**

Registered number 07255547

31 December 2016

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Strategic report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2016.

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 2016 totaled £82.6 million as compared to £68.3 million in 2015. The increase is primarily due to the result of an increase in business volume from eResearch Technology GmbH.

Group operating expenses were £80.2 million for 2016, a difference of £15.4 million (123.8%) from £64.8 million in 2015, primarily to the result of an increase in business volume from eResearch Technology GmbH.

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.

Brexit

On June 23, 2016, the United Kingdom (U.K.) held a referendum in which voters approved an exit from the E.U., commonly referred to as "Brexit". As a result of the referendum, it is expected that the British government will begin negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities. It is unknown at this time if Brexit will have a material impact on our business.

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 Mitchellree

Director

Date: March 23, 2018

Peterborough Business Park
Lynch Wood
Peterborough
Cambridgeshire PE2 6FZ

Directors' report

The directors present their report and the audited consolidated financial statements of eResearchTechnology UK1 Limited (the "Company") for the year ended 31 December 2016.

Going concern

The financial statements have been prepared on the going concern basis.

Dividend

The directors do not recommend the payment of a dividend (2015: nil).

Directors

The directors who held office during the year and up to the date of this report were as follows:

G Mitcheltree	American
W Nasim	American
J Corrigan	American

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.

Events

On May 2, 2016, the Group along with its company's parent, Explorer Holdings, Inc., was acquired by Nordic Capital.

On December 7, 2016, the Group acquired 100% of the share capital of Exco InTouch Limited for £45.5 million.


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

Date: March 23, 2018

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 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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 2016 set out on pages 8 to 33. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 2016 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act.

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.



Richard Bartlett-Rawlings (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 23 March 2018

Consolidated profit and loss account and other comprehensive income
for the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover	2	82,551	68,251
Cost of sales		(15,309)	(13,567)
Gross profit		67,242	54,684
Administrative expenses		(64,912)	(51,269)
Operating profit	3	2,330	3,415
Interest receivable and similar income	6	10,764	8,938
Interest payable and similar charges	7	(4,840)	(1,957)
Profit on ordinary activities before taxation		8,254	10,396
Tax on profit on ordinary activities	8	(3,720)	(3,423)
Profit for the financial year		4,534	6,973
Net exchange differences on the retranslation of net investment and related borrowings		13,613	(2,406)
Total comprehensive Profit for the year		18,147	4,567

The results above relate to continuing activities.

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

The notes on pages 13 to 33 form part of these financial statements.

Consolidated balance sheet
at 31 December 2016

	<i>Note</i>	2016	2016	2015	2015
		£000	£000	£000	£000
Fixed assets					
Goodwill	10		20,228		-
Intangible assets	11		25,010		
Tangible assets	12		5,524		4,884
			<u>50,762</u>		<u>4,884</u>
Current assets					
Stocks	14	2,269		2,769	
Debtors (including £106,048,000 (2015: £66,449,000) due after more than one year)	15	137,160		84,757	
Cash at bank and in hand		9,135		10,361	
		<u>148,564</u>		<u>97,887</u>	
Creditors: amounts falling due within one year	16	<u>(30,968)</u>		<u>(18,751)</u>	
Net current assets			117,596		79,136
Total assets less current liabilities			168,358		84,020
Creditors: amounts falling due after more than one year	17		(102,912)		(43,904)
Provisions	18		(4,575)		(1,590)
Net assets			<u>60,871</u>		<u>38,526</u>
Capital and reserves					
Called up share capital			33		-
Share premium account			41,179		29,774
Translation reserve			7,753		(5,611)
Capital contribution reserve			2,564		2,315
Profit and loss account			9,342		12,048
Shareholders' funds			<u>60,871</u>		<u>38,526</u>

The notes on pages 14 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on March 2018 and were signed on its behalf by:



G Mitcheltree

Director

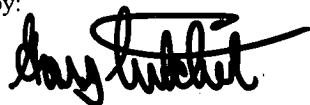
Company registered number: 07255547

Company balance sheet
at 31 December 2016

	<i>Note</i>	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Investments	13		75,423		62,591
			<u>75,423</u>		<u>62,591</u>
Creditors: amounts falling due within one year	16	(11)		(11)	
		<u></u>		<u></u>	
Net current liabilities			(11)		(11)
			<u></u>		<u></u>
Total assets less current liabilities			75,412		62,580
Creditors: amounts falling due after more than one year	17		(55,652)		(43,904)
			<u></u>		<u></u>
Net assets			<u>19,760</u>		<u>18,676</u>
Capital and reserves					
Called up share capital			-		-
Share premium account			29,774		29,774
Translation reserve			2,127		(1,320)
Profit and loss account			(12,141)		(9,778)
			<u></u>		<u></u>
Shareholders' funds			<u>19,760</u>		<u>18,676</u>

The notes on pages 14 to 33 form part of these financial statements.

These financial statements were approved by the board of directors on March 2018 and were signed on its behalf by:



G Mitcheltree
Director

Company registered number: 07255547

Consolidated statement of changes in equity
for the year ended 31 December 2016

Group	Called up share capital £	Share premium £	Capital contributions reserve £	Translation reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2015	-	29,774	2,269	(3,159)	5,075	33,959
Total comprehensive income for the period						
Profit for the year	-	-	-	-	6,973	6,973
Share based payments	-	-	46	-	-	46
Exchange adjustments	-	-	-	(2,452)	-	(2,452)
Total comprehensive income for the period	-	-	46	(2,452)	6,973	4,567
Balance at 31 December 2015	-	29,774	2,315	(5,611)	12,048	38,526
	Called up share capital £	Share premium £	Capital contributions reserve £	Translation reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	-	29,774	2,315	(5,611)	12,048	38,526
Total comprehensive income for the period						
Exco in Touch acquisition	33	11,405	-	-	(7,240)	4,198
Profit for the financial year	-	-	-	-	4,534	4,534
Share based payments	-	-	249	-	-	249
Exchange adjustments	-	-	-	13,364	-	13,364
Total comprehensive income for the period	-	-	249	13,364	4,534	18,147
Balance at 31 December 2016	33	41,179	2,564	7,753	9,342	60,871

The notes on pages 14 to 33 form part of these financial statements.

Company statement of changes in equity
for the year ended 31 December 2016

Company	Called up Share Capital £	Share premium £	Capital contributions reserve £	Translation reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2015	-	29,774	-	(2,283)	(7,694)	19,797
Total comprehensive income for the period						
Loss for the year	-	-	-	-	(2,084)	(2,084)
Exchange adjustments – investments	-	-	-	2,852	-	2,852
Exchange adjustments - borrowings	-	-	-	(1,889)	-	(1,889)
Total comprehensive income for the period	-	-	-	963	(2,084)	(1,121)
Balance at 31 December 2015	-	29,774	-	(1,320)	(9,778)	18,676

	Called up share capital £	Share premium £	Capital contributions reserve £	Translation reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	-	29,774	-	(1,320)	(9,778)	18,676
Total comprehensive income for the period						
Loss for the financial year	-	-	-	-	(2,363)	(2,363)
Exchange adjustments - investments	-	-	-	12,832	-	12,832
Exchange adjustments - borrowings	-	-	-	(9,385)	-	(9,385)
Total comprehensive income for the period	-	-	-	3,447	(2,363)	1,084
Balance at 31 December 2016	-	29,774	-	2,127	(12,141)	19,760

The notes on pages 14 to 33 form part of these financial statements.

Consolidated cash flow statement
for the year ended 31 December 2016

	<i>Note</i>	2016 £000	2015 £000
Cash flow from operating activities:			
Profit for the year		4,534	6,973
Adjustments for:			
Amortization of intangibles		266	2,733
Depreciation of tangible assets		2,981	3,282
Interest receivable		(10,764)	(8,938)
Interest payable		4,840	1,957
Gain on sale of tangible assets		(127)	(166)
Share based payments expenses		249	46
Increase in trade and other debtors		(3,423)	(2,319)
Decrease/(increase) in stocks		520	(373)
Increase in trade and other creditors		8,171	(8,204)
Foreign exchange losses		3,147	5,272
Taxation		(2,229)	(199)
Net effect of Exco acquisition		1,114	-
Net cash inflow from operating activities		9,279	64
Cash flows from investing activities			
Purchase of tangible assets		(2,558)	(1,127)
Acquisition of business		(45,494)	-
Net cash outflows from investing activities		(48,052)	(1,127)
Cash flows from financing activities			
Proceeds from group loans		37,547	6,018
Net cash flows from financing activities		37,547	6,018
Net (decrease)/increase in cash and cash equivalents		(1,226)	4,955
Cash and cash equivalents at beginning of the year		10,361	5,406
Cash and cash equivalents at the end of the year		9,135	10,361
Cash and cash equivalents at the end of the year comprise:			
Cash in bank in hand	23	9,135	10,361

The notes on pages 13 to 33 form part of these financial statements.

Notes

(forming part of the financial statements)

1. Accounting policies

eResearchTechnology UK1 Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Group's ultimate parent undertaking, Goldcup Holdings, Inc. includes the Group in its consolidated financial statements. The consolidated financial statements of Explorer Holdings, Inc. are prepared in accordance with US GAAP and are not available to the public

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Group has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed further below.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 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.

Notes (continued)

1. Accounting policies (continued)

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.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable

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 parent financial statements, investments in subsidiaries, are carried at cost less impairment.

1.4 Intangible assets, 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.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

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

1.5 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.

Notes (continued)

1. Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the group expects to consume an asset's future economic benefits.

1.7 Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account

1.8 Stocks

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

1.9 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1. Accounting policies (continued)

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method

Pension costs

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.

1.11 Turnover

Revenue is recognised as follows:

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

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

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

Notes (continued)

1. Accounting policies (continued)

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Share-based payment transactions

In May 2016, a new share scheme was established for executive and non-executive level employees, allowing employees to acquire shares in Goldcup Holdings, Inc.

The fair value of options that have not yet vested as at 31 December 2016 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.

1.14 Acquisition of Exco In Touch

On December 7, 2016, we completed the acquisition of Exco In Touch, whereby we acquired 100% of the outstanding equity of Exco for £45.5 million, thereby effecting a business combination. Exco is a provider of patient engagement, data capture and digital health solutions.

In accordance with acquisition method accounting for a business combination, the purchase consideration of £45.5 million was allocated to the assets acquired and liabilities assumed based on their estimated fair value on the date of acquisition as follows (in thousands):

Notes (continued)

1.14 Acquisition of Exco In Touch (continued)

	£000
Consideration paid:	
Cash paid to sellers	£42,289
Debt payoff	3,205
Total consideration paid	<u>£45,494</u>
Assets acquired:	
Cash and cash equivalents	£1,221
Accounts receivable	4,736
Inventory	20
Prepaid expenses	283
Prepaid income taxes	707
Property and equipment	364
Intangible assets	25,266
Goodwill	20,278
Total assets acquired	<u>£52,875</u>
Liabilities assumed:	
Accounts payable	849
Accrued expenses	1,526
Accrued payroll	1,540
Sales taxes payable	272
Deferred income taxes	2,368
Deferred revenues	826
Total assumed liabilities	<u>£7,381</u>
Net assets acquired	<u>£45,494</u>

Notes (continued)

2. Turnover

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

The analysis of turnover by geographical area is as follows:

	2016 £000	2015 £000
United Kingdom	14,824	17,957
USA	41,813	26,520
Europe	20,824	18,720
Other	5,090	5,054
	<u>82,551</u>	<u>68,251</u>

3. Operating expenses

	2016 £000	2015 £000
--	--------------	--------------

Included in profit/loss are the following:

Depreciation and other amounts written off tangible fixed assets:	2,981	3,282
Amortization of intangible assets	266	2,733
Profit on disposal of fixed assets	127	166
Hire of assets - operating leases	1,761	1,659
Staff costs (note 5)	27,754	21,211
	<u>27,754</u>	<u>21,211</u>

Auditor's remuneration

	2016 £000	2015 £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	204	133
Taxation services	33	45
	<u>237</u>	<u>189</u>

4. 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.

Notes (continued)

5. 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	
	2016	2015
United Kingdom	255	96
Germany	356	308
	<u>611</u>	<u>404</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Staff costs (for the above persons)		
Wages and salaries	23,655	17,965
Share based payments (See note 22)	249	46
Social security costs	3,488	2,927
Other pension costs	362	273
	<u>27,754</u>	<u>21,211</u>

6. Interest receivable and similar income

	2016 £000	2015 £000
Net exchange gains	-	904
Interest receivable from related undertakings	10,799	8,241
Other	(35)	(207)
	<u>10,764</u>	<u>8,938</u>

Notes *(continued)*

7. Interest payable and similar charges

	2016	2015
	£000	£000
Interest payable to related undertakings	2,364	1,929
On all other loans	255	28
Net exchange losses	2,221	-
	<u>4,840</u>	<u>1,957</u>

8. Tax on profit on ordinary activities

Analysis of charge in period

	2016	2016	2015	2015
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	4,890		2,644	
Adjustments in respect of prior periods	(3,913)		65	
	<u></u>		<u></u>	
Total current tax		977		2,709
<i>Deferred tax (see note 18)</i>				
Origination/reversal of timing differences	2,743		714	
	<u></u>		<u></u>	
Total deferred tax		2,743		714
		<u></u>		<u></u>
Tax on profit on ordinary activities		3,720		3,423

Notes (continued)

9. Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2015: higher) than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below.

	2016 £000	2015 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	8,254	10,396
Current tax at 20.00% (2015: 20.25%)	1,651	2,105
<i>Effects of:</i>		
Expenses not deductible for tax purposes:		
Net goodwill amortization	1,348	210
Other	64	71
Foreign exchange on intra-group financing not taxable/(deductible)	3,275	570
Capital allowances for period in excess of depreciation	(75)	(29)
Other short-term timing differences	(1,914)	(530)
Enhanced research and development expenditure	-	(202)
Tax rates on overseas earnings	421	449
Net operating losses utilized	120	-
Deferred tax	2,743	714
Adjustments in respect of prior periods	(3,913)	65
Total tax charge	3,720	3,423

The adjustment in respect of prior years of £(3,913k) (2015: £65k) relates to the finalisation of tax computations from prior years

Factors affecting the tax charge for the year

The effective rate for 2016 is a weighted average of the applicable corporation tax rates during that year. The 20% rate remained flat as of 1 April 2016. The effective rate for 2015 is a weighted average of the applicable corporation tax rates during the year. The 21% rate was reduced to 20% from 1 April 2015.

Factors affecting the future tax charge

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional further planned reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 17% (effective from 1 April 2020), which were substantively enacted on the 6th September 2016 and received royal assent on 15th September 2016.

Notes *(continued)*

10. Goodwill

Group

	£000
<i>Cost</i>	
At beginning of year	-
Goodwill	20,278
	<hr/>
At end of year	20,278
	<hr/> <hr/>
<i>Amortization</i>	
At beginning of year	-
Adjustment in year	50
	<hr/>
At end of year	50
	<hr/> <hr/>
<i>Net book value</i>	
At 2016	20,228
	<hr/> <hr/>
At 2015	-
	<hr/> <hr/>

Notes *(continued)*

11. Intangible Assets

Group	£000
<i>Cost</i>	
At beginning of year	34,299
Intangible assets	25,276
Foreign exchange adjustment	5,593
	<hr/>
At end of year	65,168
	<hr/>
<i>Amortization</i>	
At beginning of year	34,299
Charged in year	266
Foreign exchange adjustment	5,593
	<hr/>
At end of year	40,158
	<hr/>
<i>Net book value</i>	
At 2016	25,010
	<hr/>
At 2015	<hr/>

Notes (continued)

12. Tangible fixed assets

	Fixtures, fittings, tools and equipment £000
<i>Cost</i>	
At beginning of year	27,131
Exco in Touch at beginning of year	665
Additions	3,592
Disposals	(3,006)
Foreign exchange	1,617
	<hr/>
At end of year	29,999
	<hr/>
<i>Depreciation</i>	
At beginning of year	22,247
Exco in Touch at beginning of year	311
Charge for year	2,981
Disposals	(2,100)
Foreign exchange	1,036
	<hr/>
At end of year	24,475
	<hr/>
<i>Net book value</i>	
At 31 December 2016	5,524
	<hr/>
At 31 December 2015	4,884
	<hr/>

Notes (continued)

13. Fixed asset investments

	Shares in group Undertaking £000
Company	
<i>Cost</i>	
At beginning of year	62,591
Foreign currency translation	12,832
At end of year	75,423

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

<i>Subsidiary undertakings</i>	Country of incorporation	Address	Principal Activity	Group	Class and percentage shares
eResearchTechnology UK 2 Limited	England and Wales	Peterborough Business Park, Lynch Wood, Peterborough, Cambridgeshire PE2 6FZ	Holding company	100% ordinary	100% ordinary
eResearchTechnology Limited	England and Wales	Peterborough Business Park, Lynch Wood, Peterborough, Cambridgeshire PE2 6FZ	Provides cardiac diagnostics and patient reported data	100% ordinary	
eResearchTechnology GmbH	Germany	Seiboldstrasse 3, Estenfeld, Germany	Provides respiratory diagnostics, makes diagnostic devices and patient reported data.	100% ordinary	
Exco in Touch, LTD.	England and Wales	Wheatcroft Business Park, Landmere Lane, Nottingham,	Provides patient reported data	100% ordinary	100% ordinary

Notes *(continued)*

14. Stocks

	2016	2015
	£000	£000
Raw materials and consumables	1,845	1,751
Work in progress	91	150
Finished goods and goods for resale	333	868
	<hr/>	<hr/>
	2,269	2,769
	<hr/>	<hr/>

Notes (continued)

15. Debtors

	2016	2015
	£000	£000
Group		
Trade debtors	27,910	18,536
Amounts owed by group undertakings	106,048	65,449
Deferred tax assets	543	166
Other debtors	2,153	134
Prepayments and accrued income	506	472
	<u>137,160</u>	<u>84,757</u>

Total debtors include amounts owed by group undertakings that are due in more than one year of £106,048 (2015: £65,449).

16. Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Trade creditors	4,410	2,028	-	-
Amounts owed to group undertakings	9,519	2,317	11	11
Corporation tax	3,736	4,986	-	-
Other creditors	3,124	1,680	-	-
Accruals and deferred income	10,179	7,740	-	-
	<u>30,968</u>	<u>18,751</u>	<u>11</u>	<u>11</u>

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2016	2015	2016	2015
	£000	£000	£000	£000
Amounts owed to group undertakings	102,912	43,904	55,652	43,904

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)

18. Deferred tax

	2016 £000	2015 £000
At beginning of year	(1,424)	(779)
Charge to the profit and loss account	(2,743)	(714)
Foreign exchange	135	69
At end of year	(4,032)	(1,424)

The elements of deferred taxation are as follows:

	2016 £000	2015 £000
Difference between accumulated depreciation and amortization and capital allowances	182	40
Other timing differences	(4,439)	(1,464)
Tax losses	225	-
	(4,032)	(1,424)

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:

	2016 £000	2015 £000
Deferred tax assets		
United Kingdom	543	166
	543	166
Deferred tax liabilities		
Germany	(4,575)	(1,590)
	(4,575)	(1,590)
Net deferred tax liability as above	(4,032)	(1,424)

Notes *(continued)*

19. Called up share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i>		
260 Ordinary shares of £1 each	-	-
1,121,861 Ordinary shares of £ .0001 each	-	-
661,853 Series A Preferred shares of £ .001 each	7	-
404,611 Series B Preferred shares of £ .01 each	4	-
550,654 Series C Preferred shares of £ .04 each	22	-
	<hr/>	<hr/>
	33	-
	<hr/>	<hr/>

Notes (continued)

20. Commitments

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

	2016		2015	
	Land and	Other	Land and	Other
	buildings		Buildings	
Group	£000	£000	£000	£000
Operating leases which expire:				
Within one year	1,878	158	1,393	190
In the second to fifth years inclusive	5,990	187	3,647	231
Over five years	4,019	22	5,703	49
	<u>11,887</u>	<u>367</u>	<u>10,743</u>	<u>470</u>

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

21. 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 £362,000 (2015: £273,000).

Contributions amounting to £304,000 (2015: £203,000) were payable to the scheme and are included in creditors.

22. Share based payments

In May 2016, the shareholders of the parent company adopted the Goldcup Holdings, Inc. 2016 Equity Incentive Plan (the 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 Plan is 123,518,846.

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 Plan.

All options under the 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).

For the Time Vested Options, twenty percent (20%) of the options will vest on the first anniversary of the grant date, and the remaining portion shall vest at a rate of 5% per quarter thereafter, 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 2.5; 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 3.0. The vesting of all Performance Vested Options is subject to the holder continuing to provide services to the company.

Notes (continued)

22. Share based payments (continued)

The weighted average share price at the date of exercise of share options exercised during the period was \$1.00. The fair value of each option was estimated to be \$0.38.

During the year, 13,895,878 options were granted during the year under the Plan (2015: 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 6.6 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 £249,000 (2015: £46,000).

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	10,361	(1,226)	-	-	9,135
Debt due after one year	(43,751)	-	(2,516)	(9,385)	(55,652)
Net debt	(33,390)	(1,226)	(2,516)	(9,385)	(46,517)

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 Nordic Capital, is the ultimate parent company Delaware, USA.

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

25. Related parties

Identity of related parties with which the Company has transacted

The company has taken advantage of the exemption available under FRS102 from disclosing transactions between wholly-owned subsidiaries or with their parent, namely Explorer Holdings, Inc.

In the normal course of business, the Company will transact at an arms-length basis with fellow members of the Explorer Holdings, Inc.