

Company Registration No. 03125708 (England and Wales)

PHARM-OLAM INTERNATIONAL (UK) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

COMPANIES HOUSE COPY



PHARM-OLAM INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION

Directors	Dr Z M Munk S Munk
Secretary	S Munk
Company number	03125708
Registered office	The Brackens London Road Ascot Berkshire SL5 8BJ
Auditors	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW
Bankers	HSBC Bank plc 100 Brook Drive Green Park Reading Berkshire RG2 6UJ

PHARM-OLAM INTERNATIONAL (UK) LIMITED

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PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities and review of the business

The principal activity of the company continued to be that of management and consulting of clinical research trials

The directors are satisfied with the level of turnover of the company and are satisfied that the company will maintain or improve this level of performance for the foreseeable future

During the year turnover decreased by 11% to £13.5 million (2010 £15.2 million). Turnover represents revenue derived from sales of services, excluding value added tax, and is a key performance indicator, as it measures the output of the business. The company achieved a gross profit margin of 26% (2010 24%) and a net profit margin of 0.97% (2010 0.14%).

The company's cash position at the year end was healthy, with cash at bank and in hand of £569,126 (2010 £610,711). The company had net current assets of £1.9 million (2010 £1.7 million) and net assets of £2 million (2010 £1.9 million) at the year end.

We believe the company's position in the market place remains strong, and we look forward to a return to growth in 2012.

Principal risks and uncertainties facing the company

CRO industry

The company operates in a very competitive industry, competing with both small providers offering niche services, and large global CROs. In addition to this competition, some of the company's customers have the ability to carry out many of the CRO's activities, and thus not require a CRO's services.

Pharmaceutical industry

The company is reliant upon companies within the pharmaceutical industry continuing to outsource research and development expenditure. Any factors that effect or delay the level of outsourcing (such as merger and acquisition activity, lack of pipeline within the pharmaceutical industry, etc) will impact the company's ability to generate revenues.

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend payment of an ordinary dividend.

Future developments

The directors anticipate that the company will maintain or improve its level of performance for the foreseeable future.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Directors

The following directors have held office since 1 January 2011

Dr Z M Munk

S Munk

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 2006

Financial instrument and risk management

Information on financial risks and other risks is set out below

Treasury activities take place under procedures and policies monitored by the directors. They are designed to minimise the financial risks faced by the company, which primarily arise from interest rate, credit and liquidity risks. It is not the policy of the company to enter into speculative transactions.

The company's principle financial instruments comprise bank balances, trade creditors, trade debtors and loans to the company. The purpose of these instruments is to finance the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances, liquidity risk has been managed through continual review of the funding status of the company and its exposure to liquidity risk. The company makes use of money market facilities where funds are available.

In respect of loans, these comprise loans from related companies, which are interest free and payable on demand. The directors are aware of the company's required finance and have determined that these will only be repaid when finance is available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet the amounts due.

The company has no financial instruments to hedge foreign exchange exposure and does not enter into derivative transactions.

Auditors

In accordance with the company's articles, a resolution proposing that UHY Hacker Young be reappointed as auditors of the company will be put at a General Meeting.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

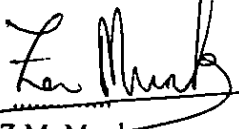
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board


A handwritten signature in black ink, appearing to read 'Z M Munk', is written over a horizontal line.

Dr Z M Munk

Director

26 JUNE 2012

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PHARM-OLAM INTERNATIONAL (UK) LIMITED

We have audited the financial statements of Pharm-Olam International (UK) Limited for the year ended 31 December 2011 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 1 - 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 APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF PHARM-OLAM INTERNATIONAL (UK) LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Colin Wright (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

26 June 2012

Chartered Accountants
Statutory Auditor

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
Turnover	2	13,538,726	15,221,654
Cost of sales		(10,069,696)	(11,637,562)
Gross profit		3,469,030	3,584,092
Administrative expenses		(3,301,240)	(3,501,991)
Operating profit	3	167,790	82,101
Other interest receivable and similar income	4	883	63
Amounts written off investments	5	(2,240)	-
Interest payable and similar charges	6	(833)	(2,542)
Profit on ordinary activities before taxation		165,600	79,622
Tax on profit on ordinary activities	7	(33,115)	(58,888)
Profit for the year	14	132,485	20,734

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2011

	Notes	2011 £	£	2010 £	£
Fixed assets					
Tangible assets	8	57,768		122,306	
Investments	9	57,121		55,504	
			114,889		177,810
Current assets					
Debtors	10	3,605,021	4,821,227		
Cash at bank and in hand		569,126	610,711		
		4,174,147	5,431,938		
Creditors: amounts falling due within one year	11	(2,228,710)	(3,681,907)		
Net current assets			1,945,437		1,750,031
Total assets less current liabilities			2,060,326		1,927,841
Capital and reserves					
Called up share capital	13	50,000		50,000	
Profit and loss account	14	2,010,326		1,877,841	
Shareholders' funds	15	2,060,326		1,927,841	

Approved by the Board and authorised for issue on

26 June 2012

Dr ZM Munk

Director

Company Registration No. 03125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

Cash Flow Statement

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for services, net of VAT and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	3 years straight line
Fixtures & equipment	4 years straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies

(Continued)

1.7 Revenue recognition

Fee income represents revenue earned under a wide variety of contracts to provide professional services. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance under these contracts. It is measured at the fair value of the right to consideration, which represents amounts chargeable to clients, including expenses and disbursements but excluding value added tax.

Revenue is generally recognised as contract activity progresses so that for incomplete contracts it reflects the partial performance of the contractual obligations. For such contracts the amount of revenue reflects the accrual of the right to consideration by reference to the value of work performed. Revenue not billed to clients is included in debtors and payments on account in excess of the relevant amount of revenue are included in creditors.

Fee income that is contingent on events outside the control of the company is recognised when the contingent event occurs.

1.8 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.9 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.10 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Geographical market

	Turnover	
	2011	2010
	£	£
United Kingdom	2,923,570	4,400,577
Rest of the world	10,615,156	10,821,077
	<u>13,538,726</u>	<u>15,221,654</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

3	Operating profit	2011	2010
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	93,496	155,021
	Loss on foreign exchange transactions	91,316	-
	Operating lease rentals	421,973	413,970
	Auditors' remuneration	51,832	55,853
	and after crediting		
	Profit on foreign exchange transactions	-	(28,576)
4	Investment income	2011	2010
		£	£
	Bank interest	883	63
		883	63
5	Amounts written off investments	2011	2010
		£	£
	Amounts written off fixed asset investments		
	- permanent diminution in value	2,240	-
6	Interest payable	2011	2010
		£	£
	On bank loans and overdrafts	833	2,542

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

7 Taxation	2011	2010
	£	£
Domestic current year tax		
U K corporation tax	47,000	48,422
Adjustment for prior years	(13,885)	10,466
Relief for overseas tax	(4,277)	(3,422)
	<u>28,838</u>	<u>55,466</u>
Foreign corporation tax		
Foreign corporation tax	<u>4,277</u>	<u>3,422</u>
Total current tax	<u>33,115</u>	<u>58,888</u>
	<u>33,115</u>	<u>58,888</u>
 Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>165,600</u>	<u>79,622</u>
 Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.50% (2010 - 28.00%)	<u>43,884</u>	<u>22,294</u>
 Effects of		
Non deductible expenses	1,677	320
Depreciation add back	24,776	43,406
Capital allowances	(24,249)	(31,004)
Adjustments to previous periods	(13,885)	10,466
Other tax adjustments	912	13,406
	<u>(10,769)</u>	<u>36,594</u>
Current tax charge for the year	<u>33,115</u>	<u>58,888</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

8 Tangible fixed assets

	Plant and machinery £	Fixtures & equipment £	Total £
Cost			
At 1 January 2011	932,109	419,661	1,351,770
Additions	28,958	-	28,958
At 31 December 2011	961,067	419,661	1,380,728
Depreciation			
At 1 January 2011	841,553	387,911	1,229,464
Charge for the year	68,834	24,662	93,496
At 31 December 2011	910,387	412,573	1,322,960
Net book value			
At 31 December 2011	50,680	7,088	57,768
At 31 December 2010	90,556	31,750	122,306

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

9 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2011	55,504
Additions	3,857
At 31 December 2011	59,361
Provisions for diminution in value	
At 1 January 2011	-
Charge for the year	2,240
At 31 December 2011	2,240
Net book value	
At 31 December 2011	57,121
At 31 December 2010	55,504

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Pharm-Olam International (Polska) Sp z o o	Poland	Ordinary	100 00
Pharm-Olam International Deutschland GmbH	Germany	Ordinary	100 00
Pharm-Olam International (Belgium) Pvt Ltd	Belgium	Ordinary	99 00
Pharm-Olam International (India) Pvt Ltd	India	Ordinary	100 00
Pharm-Olam International d o o	Croatia	Ordinary	100 00
Pharm-Olam International (Spain) S L	Spain	Ordinary	100 00
Pharm-Olam International (Italia) SRL	Italy	Ordinary	100 00
Pharm-Olam (Bulgaria) EOOD	Bulgaria	Ordinary	100 00
Pharm-Olam International (Hungary) Medical Research LLC	Hungary	Ordinary	100 00

The company, together with its subsidiaries as detailed above, are included in the group financial statements of Pharm-Olam Group Limited.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

10 Debtors	2011	2010
	£	£
Trade debtors	516,937	1,303,382
Amounts owed by group undertakings	2,811,948	3,301,151
Corporation tax	-	52,022
Prepayments and accrued income	276,136	164,672
	<u>3,605,021</u>	<u>4,821,227</u>

Prepayments and accrued income shown above includes accrued income of £224,240 (2010 £118,455)

11 Creditors: amounts falling due within one year	2011	2010
	£	£
Trade creditors	328,485	330,931
Amounts owed to related parties	1,170,409	2,439,759
Corporation tax	32,723	-
Other taxes and social security costs	121,943	131,679
Other creditors	50,410	48,545
Accruals and deferred income	524,740	730,993
	<u>2,228,710</u>	<u>3,681,907</u>

Accruals and deferred income shown above includes deferred income of £276,624 (2010 £421,264)

12 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2011	2010
	£	£
Contributions payable by the company for the year	<u>106,890</u>	<u>122,959</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

13 Share capital	2011	2010
	£	£
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2011	1,877,841
Profit for the year	132,485
Balance at 31 December 2011	2,010,326

15 Reconciliation of movements in shareholders' funds	2011	2010
	£	£
Profit for the financial year	132,485	20,734
Opening shareholders' funds	1,927,841	1,907,107
Closing shareholders' funds	2,060,326	1,927,841

16 Financial commitments

At 31 December 2011 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2012

	Land and buildings		Other	
	2011	2010	2011	2010
	£	£	£	£
Operating leases which expire				
Within one year	9,727	14,596	-	169
Between two and five years	364,668	383,493	8,774	8,774
	374,395	398,089	8,774	8,943

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2011	2010
	Number	Number
Clinical	73	83
Business development	7	10
Administration	15	17
Quality assurance	4	4
	<u>99</u>	<u>114</u>

Employment costs

	2011	2010
	£	£
Wages and salaries	3,500,146	3,680,520
Social security costs	328,999	311,968
Other pension costs	106,890	122,959
	<u>3,936,035</u>	<u>4,115,447</u>

The number of employees shown above includes employees working in both the UK and the company's European branches. The comparative figures have been restated to include the employees working in the European branches, as previously they had been excluded.

18 Control

Pharm-Olam International (UK) Limited is a wholly owned subsidiary of Pharm-Olam Group Limited, a company registered in England and Wales. Pharm-Olam Group Limited is wholly owned by Pharm-Olam International, Ltd, a partnership based in Texas, United States of America. The company's and group's ultimate controlling party is Dr Z M Munk, a director of this company.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

19 Related party relationships and transactions

During the year the company was charged for monitoring and research services carried out by its subsidiary undertakings and entered into financing arrangements with the subsidiaries. The resulting amounts owed to the company by its parent, subsidiaries and fellow subsidiaries was £2,811,948 (2010 £3,301,151) and is included within amounts owed by group undertakings in note 9 above.

Amounts owed to related parties in note 10 included £4,557 (2010 £4,742) due to MB Quest Inc, a company incorporated in the United States of America and £1,165,852 (2010 £2,435,017) due to subsidiary and fellow subsidiary undertakings. The balance with MB Quest Inc arose as a result of payments made for monitoring and research services rendered to the company.

All related companies are connected by virtue of being under the control of Dr Z M Munk.