

Company Registration No. 03125708 (England and Wales)

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012



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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 2012

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

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 increased by 10.67% to £15.0 million (2011: £13.5 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 29.8% (2011: 25.6%) and a net profit margin of 0.62% (2011: 0.98%).

The company's cash position at the year end was healthy, with cash at bank and in hand of £2.1 million (2011: £0.6 million). The company had net current assets of £2.0 million (2011: £1.9 million) and net assets of £2.2 million (2011: £2.1 million) at the year end.

We believe the company's position in the market place remains strong, and we look forward to continued growth in 2013.

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 2012

Directors

The following directors have held office since 1 January 2012

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 2012

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

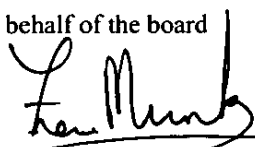
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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


Dr Z-M Munk
Director
June 14, 2013

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 2012 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 2012 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

14 June 2013

Chartered Accountants
Statutory Auditor

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
LONDON E1W 1YW

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		2012	2011
	Notes	£	£
Turnover	2	14,983,303	13,538,726
Cost of sales		(10,514,217)	(10,069,696)
Gross profit		4,469,086	3,469,030
Administrative expenses		(4,344,299)	(3,301,240)
Operating profit	3	124,787	167,790
Other interest receivable and similar income	4	256	883
Amounts written off investments	5	-	(2,240)
Interest payable and similar charges	6	(132)	(833)
Profit on ordinary activities before taxation		124,911	165,600
Tax on profit on ordinary activities	7	(31,959)	(33,115)
Profit for the year	14	92,952	132,485

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

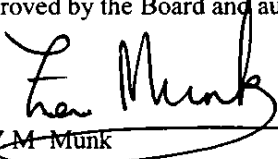
PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	8	117,776		57,768	
Investments	9	57,121		57,121	
		<u>174,897</u>		<u>114,889</u>	
Current assets					
Debtors	10	3,098,595		3,605,021	
Cash at bank and in hand		<u>2,126,725</u>		<u>569,126</u>	
		5,225,320		4,174,147	
Creditors: amounts falling due within one year	11	<u>(3,246,940)</u>		<u>(2,228,710)</u>	
Net current assets		<u>1,978,380</u>		<u>1,945,437</u>	
Total assets less current liabilities		<u><u>2,153,277</u></u>		<u><u>2,060,326</u></u>	
Capital and reserves					
Called up share capital	13	50,000		50,000	
Profit and loss account	14	<u>2,103,277</u>		<u>2,010,326</u>	
Shareholders' funds	15	<u><u>2,153,277</u></u>		<u><u>2,060,326</u></u>	

Approved by the Board and authorised for issue on June 14, 2013


Dr Z M Munk
Director

Company Registration No. 03125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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 2012

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	
	2012	2011
	£	£
United Kingdom	2,894,567	2,923,570
Rest of the world	12,088,736	10,615,156
	<u>14,983,303</u>	<u>13,538,726</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

3	Operating profit	2012	2011
		£	£
	Operating profit is stated after charging		
	Depreciation of tangible assets	55,116	93,496
	Loss on foreign exchange transactions	4,545	91,316
	Operating lease rentals	401,445	421,973
	Auditors' remuneration	49,873	51,832
		<u> </u>	<u> </u>
4	Investment income	2012	2011
		£	£
	Bank interest	256	883
		<u> </u>	<u> </u>
		256	883
		<u> </u>	<u> </u>
5	Amounts written off investments	2012	2011
		£	£
	Amounts written off fixed asset investments		
	- permanent diminution in value	-	2,240
		<u> </u>	<u> </u>
6	Interest payable	2012	2011
		£	£
	On bank loans and overdrafts	132	833
		<u> </u>	<u> </u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2012**

7 Taxation	2012	2011
	£	£
Domestic current year tax		
U K corporation tax	32,000	47,000
Adjustment for prior years	(41)	(13,885)
Relief for overseas tax	(3,218)	(4,277)
	28,741	28,838
Foreign corporation tax		
Foreign corporation tax	3,218	4,277
Total current tax	31,959	33,115
	31,959	33,115
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	124,911	165,600
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.50% (2011 - 26.50%)	30,603	43,884
Effects of		
Non deductible expenses	456	1,677
Depreciation add back	13,503	24,776
Capital allowances	(25,297)	(24,249)
Adjustments to previous periods	(41)	(13,885)
Other tax adjustments	12,735	912
	1,356	(10,769)
Current tax charge for the year	31,959	33,115

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

8 Tangible fixed assets

	Plant and machinery £	Fixtures & equipment £	Total £
Cost			
At 1 January 2012	961,067	419,661	1,380,728
Additions	112,579	2,545	115,124
At 31 December 2012	1,073,646	422,206	1,495,852
Depreciation			
At 1 January 2012	910,387	412,573	1,322,960
Charge for the year	45,870	9,246	55,116
At 31 December 2012	956,257	421,819	1,378,076
Net book value			
At 31 December 2012	117,389	387	117,776
At 31 December 2011	50,680	7,088	57,768

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

9 Fixed asset investments

	Unlisted investments £
Cost	
At 1 January 2012 & at 31 December 2012	57,121
Net book value	
At 31 December 2012	57,121
At 31 December 2011	57,121

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	Class	Shares held %
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 2012

10 Debtors	2012	2011
	£	£
Trade debtors	591,836	516,937
Amounts owed by group undertakings	2,132,941	2,811,948
Corporation tax	20,273	-
Other debtors	1,046	-
Prepayments and accrued income	352,499	276,136
	<u>3,098,595</u>	<u>3,605,021</u>

Prepayments and accrued income shown above includes accrued income of £299,252 (2011 £224,240)

11 Creditors: amounts falling due within one year	2012	2011
	£	£
Trade creditors	590,788	328,485
Amounts owed to related parties	1,164,363	1,170,409
Corporation tax	-	32,723
Other taxes and social security costs	75,090	121,943
Other creditors	150,370	50,410
Accruals and deferred income	1,266,329	524,740
	<u>3,246,940</u>	<u>2,228,710</u>

Accruals and deferred income shown above includes deferred income of £862,921 (2011 £276,624)

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.

	2012	2011
	£	£
Contributions payable by the company for the year	<u>128,015</u>	<u>106,890</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2012

13 Share capital	2012	2011
	£	£
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 2012	2,010,325
Profit for the year	92,952
Balance at 31 December 2012	2,103,277

15 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
Profit for the financial year	92,952	132,485
Opening shareholders' funds	2,060,326	1,927,841
Closing shareholders' funds	2,153,277	2,060,326

16 Financial commitments

At 31 December 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2013

	Land and buildings		Other	
	2012	2011	2012	2011
	£	£	£	£
Operating leases which expire				
Within one year	180,364	9,727	144	-
Between two and five years	-	364,668	8,337	8,774
	180,364	374,395	8,481	8,774

PHARM-OLAM INTERNATIONAL (UK) LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2012**

17 Employees**Number of employees**

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

	2012	2011
	Number	Number
Clinical	79	73
Business development	7	7
Administration	17	15
Quality assurance	5	4
	<u>108</u>	<u>99</u>

Employment costs

	2012	2011
	£	£
Wages and salaries	3,865,855	3,500,146
Social security costs	354,422	328,999
Other pension costs	128,015	106,890
	<u>4,348,292</u>	<u>3,936,035</u>

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 2012

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 £2,154,782 (2011 £2,811,948) and is included within amounts owed by group undertakings in note 10 above.

Amounts owed to related parties in note 11 included £2,913 (2011 £4,557) due to MB Quest Inc, a company incorporated in the United States of America and £1,131,461 (2011 £1,165,852) 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.