

5277708

Aptuit (Edinburgh) Limited

(Formerly Early Development and Packaging Services (UK) Limited)

Report and Financial Statements

30 September 2005



Apturi (Edinburgh) Limited

Registered No 05277708

Directors

A MacDonald	(Resigned 29 September 2005)
MN Wilson	(Resigned 29 September 2005)
J Russell	(Resigned 29 September 2005)
Jon Tropsa	(Appointed 29 September 2005 Resigned 27 March 2007)
M Griffith	(Appointed 29 September 2005, Resigned 27 March 2007)
G Brewer	(Appointed 29 September 2005, Resigned 29 September 2006)
A Templeton	(Appointed 27 March 2007)
J Fikre	(Appointed 27 March 2007)

Secretary

G Brewer	(Resigned 29 September 2006)
M Griffith	(Appointed 29 September 2006, Resigned 27 March 2007)
A Templeton	(Appointed 27 March 2007)

Auditors

Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

Bankers

Fortis Bank
Camomile Court
23 Camomile Street
London
EC3A 7PP

Solicitors

DLA Piper Rudnick Gray Cary UK LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

Registered Office

Unit 107
Deeside Industrial Park
Deeside
Flintshire
CH5 2UA

Directors' report

The directors present their report and financial statements for the 11 months ended 30 September 2005

The Company was incorporated on 4th November 2004 as HIS Construction Ltd and changed its name to Early Development and Packaging Services Ltd on 23rd May 2005. Post year end, the Company changed its name to Aptuit (Edinburgh) Ltd

Results and dividends

The loss for the period, after taxation, amounted to £16,530,639. The company did not pay a dividend in the period.

Principal activity, review of the business and future developments

The company's principal activities during the period were the management of Pre-Clinical Activities, Pharmaceutical Development, and Contract Packaging and Distribution of clinical trial drug materials and related activities within the pharmaceutical industry.

As a result of a reorganisation agreement the assets and liabilities were hived down to the Company from Quintiles Ltd on 1 June 2005, resulting in an Intercompany Note payable to Quintiles Limited amounting to \$68,500,000. In compliance with the purchase agreement Aptuit Inc acquired the company from Quintiles Ltd on 30 September 2005 and repaid the Intercompany Note. On acquisition Aptuit Inc made a capital contribution of \$15,000,000 and issued a fixed rate loan note of £30,363,230 bearing interest at 10% per annum. The loan matures on 30th September 2010.

Included in the assets and liabilities hived down to the company on 1 June 2005 were the unearned and unbilled accounts, which had been accounted for on a percent completion basis. On change of ownership to Aptuit Inc, the Directors changed the revenue recognition policy of the company to a milestone basis. The unearned and unbilled accounts as at 30 September 2005 have been prepared on a milestone basis, however, due to the lack of information available from the prior owner the current management team were unable to restate the unearned and unbilled accounts as at 1 June 2005 and adjust the revenue for the period to 30 September 2005 accordingly. The Directors accept the auditor's decision to qualify the audit report on this point.

Given the acquisition of the Company and the level of the impairment charge (£9,312,757), the results are as expected. The Directors are confident that the results for the financial year ended 30 September 2006 will show an operating profit.

Financial risk management objectives and policies

The main risks arising from the company's assets and liabilities are liquidity and foreign currency risks. The company has clear policies for managing each of these risks, as summarised below.

Liquidity Risk

The company aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets. Investment is carefully controlled, with authorization limits operating at different levels up to group board level and with hurdle rates of return and cash payback periods applied as part of the investment appraisal process.

The company participates in the overall world-wide group's funding strategy managed at corporate treasury level. The company participates in a UK cash pool. The objective is to maintain a balance between continuity of funding and flexibility.

Foreign Currency Risk

The company buys and sells goods and services denominated in currencies other than sterling. As a result of the value of the company's non-sterling revenues, purchases, financial assets and liabilities, cash flows can be affected significantly by movements in exchange rates.

Directors' report

For very large currency transactions the company seeks to mitigate its exposure to currency movements by working with the Group's Treasury department who would enter into forward currency contracts, denominated in the same currency as the operating funds flow, to match the exposures anticipated in the business

Employees

The company's policy is to consult and discuss with employees matters likely to affect employee's interests. Information on matters of concern to employees is given through employee quarterly meetings and monthly team briefings and involves all levels of staff. These meetings seek to achieve a common awareness of the financial and economic factors affecting the company's performance.

It is the company's policy to recruit disabled workers for those vacancies that they are able to fill and all necessary assistance with initial training courses given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors and their interests

The directors who held office during the year were as follows

A MacDonald	(Resigned 29 September 2005)
MN Wilson	(Resigned 29 September 2005)
J Russell	(Resigned 29 September 2005)
Jon Tropas	(Appointed 29 September 2005, Resigned 27 March 2007)
M Griffith	(Appointed 29 September 2005, Resigned 27 March 2007)
Gary Brewer	(Appointed 29 September 2005, Resigned 29 September 2006)
A Templeton	(Appointed 27 March 2007)
J Fikre	(Appointed 27 March 2007)

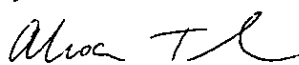
None of the directors in office during the year held any beneficial interests in the share capital of the company during the year.

M Griffith and J Tropas are also directors of the ultimate parent undertaking and their interests in the shares of Aptuit Inc are disclosed in that company's financial statements.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


A Templeton

30 March 2007

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period which 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 those 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, and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Independent auditors' report

to the shareholders of Aptuit (Edinburgh) Limited (formerly Early Development and Packaging Services (UK) Limited)

We have audited the company's financial statements for the period ended 30 September 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (UK Generally Accepted Accounting Practice), as set out in the statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, insufficient records were available to support the carrying values of contract related assets and liabilities hived down to the company on 1 June 2005 from a former group undertaking. Whilst the Directors have been able to provide adequate records to support the contracts related assets and liabilities recorded in the Balance Sheet as at 30 September 2005 there is insufficient appropriate evidence on which we could rely for the purposes of our audit to support recorded contract related income and expenditure in the period. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that such income and expenditure in the period had been properly recorded and presented in the Profit and Loss Accounts.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the recorded contract related income and expenditure of the company for the period ended 30 September 2005, in our opinion the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the company's loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practices, of the state of the company's affairs as at 30 September 2005

In respect solely of the limitation on our work relating to contract related income and expenditure of the company

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- proper accounting records have not been maintained

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Glasgow

30 March 2007

Profit and Loss Account

for the 11 month period ended 30 September 2005

	<i>Notes</i>	<i>2005</i> <i>£</i>
Turnover	2	13,499,703
Cost of sales		(11,991,098)
Gross profit		<u>1,508,605</u>
Net operating expenses	3	(4,947,618)
Exceptional item – impairment of tangible fixed assets	4	(9,312,757)
Operating loss	5	<u>(12,751,770)</u>
Interest payable		-
Loss on ordinary activities before taxation		<u>(12,751,770)</u>
Taxation	8	(3,778,869)
Loss retained for the financial period		<u><u>(16,530,639)</u></u>

Statement of total recognised gains and losses

There are no recognised gains and losses other than the loss for the period and all operations are continuing

The notes on pages 9 to 17 form part of these financial statements

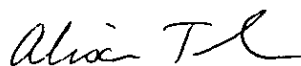
There is no difference between the historical cost profit and loss and the result shown above

Balance Sheet

at 30 September 2005

	Notes	2005 £
Fixed assets		
Tangible assets	9	22,326,989
Investment	10	1
		<u>22,326,990</u>
Current assets		
Stock	11	232,349
Debtors due within one year	12	15,739,040
		<u>15,971,389</u>
Creditors amounts falling due within one year	13	(12,178,594)
Net current assets		<u>3,792,795</u>
Total assets less current liabilities		<u>26,119,785</u>
Creditors amounts falling due after more than one year	14	(30,363,230)
Provisions for liabilities and charges	15	(3,778,869)
		<u>(8,022,314)</u>
Net liabilities		<u>(8,022,314)</u>
Capital and reserves		
Called up share capital	16	100
Capital contribution reserve	17	8,508,225
Profit and loss account	17	(16,530,639)
Equity shareholders' funds	17	<u>(8,022,314)</u>

A Templeton
Director



30 March 2007

The notes on pages 9 to 17 form part of these financial statements

Notes to the financial statements

at 30 September 2005

1. Accounting policies

Basis of Accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

The accounts have been prepared on a going concern basis because Aptuit Inc, the immediate parent company, has confirmed its intention to provide sufficient funds or other financial support to the company to enable it to continue trading and to meet its day to day commitments, properly incurred, during the years ending 30th September 2007 and 30th September 2008

Tangible fixed assets

The assets acquired by the company are stated at fair value as at 30 September 2005. Additions during the period are recorded at cost

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. It is calculated on a straight line basis over the following useful lives

Buildings	- 40 years
Plant and machinery	- 7-10 years
Fixtures, fittings and equipment	- 5-10 years
Computer equipment	- 3-5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

Fixed asset investments

Fixed asset investments, including those in subsidiary and associated undertakings, are included in the balance sheet at cost of investment, unless the directors believe the investment has suffered a permanent diminution in value

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Work in progress

The basis of valuation is direct cost uplifted for attributable overheads. Provision is made for losses on individual contracts

Unbilled services and unearned revenue

Customer billings are established by contractual provisions, including predetermined payment schedules, the achievement of contractual milestones or submission of appropriate billing detail. Unbilled services arise when services have been rendered and revenue has been recognised but customers have not been billed. Unbilled accounts receivable represent revenues on contracts to be billed, in subsequent periods, as per the terms of the related contracts. Conversely, unearned revenue represents amounts billed in excess of revenue recognised

Notes to the financial statements

at 30 September 2005

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign Currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Operating Leases

The rental costs of all operating leases are charged to the profit and loss account as incurred.

Pensions

Contributions to defined contribution pension schemes are charged to the profit and loss account in the period in which they become payable.

Cash flow statement

In accordance with Financial Reporting Standard 1, no cash flow statement has been presented as such a statement, consistent with the requirements of the standard, is included in the publicly available consolidated financial statements of the ultimate parent company (Note 21).

Related party transactions

In accordance with the exemption permitted by FRS 8, Related Party Transactions, transactions with fellow wholly owned group companies have not been disclosed.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for goods and services supplied during the period. A majority of the Company's revenues have been earned under contracts which range in duration from a few months to several years, depending on the service rendered. Service contracts generally take the form of fee-for-service or fixed-price agreements. In the case of fee-for-service contracts, revenue is recognised as contractual milestones are achieved based on output measures recognising our effort as work is incurred.

Turnover is wholly attributable to the principal activity of the company.

	2005 £
Analysis by geographical market	
United Kingdom	4,055,438
Rest of Europe	6,270,072
Rest of World	3,174,193
	13,499,703

Notes to the financial statements

at 30 September 2005

3. Operating Expenses

	<i>2005</i>
	<i>£</i>
Net operating expenses	
Marketing and distribution	491,622
Administrative Expenses	4,455,996
	<u>4,947,618</u>

4 Exceptional item – impairment of tangible fixed assets

The Directors engaged a professional firm to carry out a fair valuation of the tangible fixed assets as at 30 September 2005. The valuation resulted in an impairment charge of £9,312,757 being taken to the Profit and Loss Account

5. Operating loss

	<i>2005</i>
	<i>£</i>
This is stated after charging/(crediting)	
Depreciation (note 9)	1,401,958
Exceptional Item (note 4)	9,312,757
Operating lease rentals - plant and machinery	39,449
Operating lease rentals - other	72,753
Auditors' remuneration - audit services	79,650
Auditors' remuneration - non audit services	-
Foreign Exchange Gain	634,545
	<u> </u>

6. Directors' emoluments

	<i>2005</i>
	<i>£</i>
Emoluments	38,866
	<u> </u>
Company contributions paid to defined contribution pension schemes	888
	<u> </u>
	<i>2005</i>
	<i>No</i>
Members of defined contribution pension schemes	554
	<u> </u>

Notes to the financial statements

at 30 September 2005

7. Staff costs

	<i>2005</i>
	<i>£</i>
Wages and salaries	5,716,977
Social security costs	603,040
Other pension costs	274,019
	<u>6,594,036</u>

The average number of employees during the period, including directors, was as follows

	<i>2005</i>
	<i>No.</i>
Directors	1
Management and administration	252
Production	484
	<u>737</u>

8 Tax

(a) Tax on profit on ordinary activities

	<i>2005</i>
	<i>£</i>
UK Corporation tax	
Corporation tax on (Loss) for the period	-
Adjustment in respect of previous period	-
	<u>-</u>
Movement in deferred tax provision	(3,778,869)
	<u>(3,778,869)</u>

Notes to the financial statements

at 30 September 2005

(b) Factors affecting current tax charges

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below

	2005 £
(Loss) on ordinary activities	(12,751,770)
(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(3,825,531)
Disallowable expenses and non-taxable income	48,300
Depreciation in excess of capital allowances	3,777,231
	-

(c) Factors affecting future tax charge

As at 30 September 2005 the company has up to £27million of tax losses available to carry forward. The ability of the company to utilise these losses is subject to agreement to Her Majesties Revenue and Customs that these losses are available to offset against the future profits of Aptuit (Edinburgh) Ltd and is also dependent upon Aptuit (Edinburgh) Ltd making sufficient taxable profits against which the tax losses could be offset.

9. Tangible fixed assets

	<i>Land & buildings</i> £	<i>Plant & machinery</i> £	<i>Fixtures & fittings</i> £	<i>Total</i> £
Cost				
Transferred Value on Acquisition	20,704,210	11,157,015	806,715	32,667,940
Additions	9,400	325,968	38,396	373,764
At 30 September 2005	20,713,610	11,482,983	845,111	33,041,704
Depreciation				
Provided during period	373,235	938,685	90,038	1,401,958
Impairment Charge	1,533,556	7,246,912	532,289	9,312,757
At 30 September 2005	1,906,791	8,185,597	622,327	10,714,715
Net book value				
At 30 September 2005	18,806,819	3,297,386	222,784	22,326,989

Included within Plant and Machinery is Computer Software. The NBV of the Computer Software as at 30 September 2005 is £45,170.

Notes to the financial statements

at 30 September 2005

The Directors engaged a professional firm, KPMG LLP, to carry out a fair valuation of the tangible fixed assets as at 30 September 2005. The fair value of an asset reflects the price at which comparable assets are purchased under similar circumstances. The valuation resulted in an impairment charge of £9,312,757 being taken to the Profit and Loss Account.

10. Investment

	2005 £
Subsidiary undertakings	
Cost and book value	
Acquired during period	1
30 September 2005	1

The Investment comprises 1 ordinary share of a subsidiary undertaking Aptuit Informatics India Private Limited.

11. Stock

	2005 £
Raw materials	79,476
Work in progress	152,873
	232,349

12. Debtors

	2005 £
Amounts receivable within one year	
Trade debtors	6,846,145
Provision for bad and doubtful debts	(21,054)
Amounts owed by group undertakings	80,340
Amounts recoverable on contracts	7,852,089
Other debtors	842,879
Prepayments and accrued income	138,641
	15,739,040

Notes to the financial statements

at 30 September 2005

13. Creditors: amounts falling due within one year

	2005 £
Trade creditors	987,096
Amounts owed to group undertakings	436,419
Corporation tax	-
Payments on account	8,873,532
Accruals and deferred income	1,881,547
	<u>12,178,594</u>

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

	2005 £
Amounts owed to group undertakings	30,363,230
	<u>30,363,230</u>

The principal amount of the unsecured loan notes is £30,363,230. The notes are payable to Aptuit Inc and bear interest on the principal amount together with any accrued but unpaid interest outstanding at the rate equal to 10% per annum. The loan note maturity date is 30 September 2010.

15. Provision for liabilities and charges

Deferred tax

	2005 <u>Provided</u> £	2005 <u>Unprovided</u> £
Deferred tax liability / (asset)		
Accelerated capital allowances	4,514,082	
Short term timing differences	(42,298)	-
Tax losses	(692,915)	(8,177,795)
	<u>3,778,869</u>	<u>(8,177,795)</u>

Notes to the financial statements

at 30 September 2005

The movement in the deferred tax provision is shown below

	£
Opening balance	-
Movement in year	3,778,869
30 September 2006	<u>3,778,869</u>

16. Share capital

The authorised, allotted and fully paid share capital of the company consisted of

	<i>Authorised 2005</i>	<i>Allotted, called up and fully paid 2005</i>
	£	£
Equity share capital	1,000	100
1,000 shares of £1 each	<u>1,000</u>	<u>100</u>

17. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Capital contribution reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£
Opening Balance	-	-	-	-
Issue of shares	100	-	-	100
Capital contribution	-	8,508,225	-	8,508,225
(Loss) for the period	-	-	(16,530,639)	(16,530,639)
At 30 September 2005	<u>100</u>	<u>8,508,225</u>	<u>(16,530,639)</u>	<u>(8,022,314)</u>

On 30 September 2005 the parent company paid a capital contribution to the company amounting to £8,508,225

Notes to the financial statements

at 30 September 2005

18. Contingent Liabilities

As a consequence of corporate restructurings that were completed when Aptuit (Edinburgh) Ltd was owned by Quintiles Ltd the company have certain contingent liabilities in respect of taxation and duties. Any contingent liability can not be reasonably estimated as it is dependent upon the actions and tax elections of Quintiles Limited. However, Aptuit Inc has a warranty from Quintiles Ltd that any liability would be satisfied by them. Aptuit Inc have committed that any such funds received by them in respect of such tax liabilities would be repaid to Aptuit (Edinburgh) Ltd.

19. Pensions

The company makes contributions to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £274,019.

At the balance sheet date outstanding contributions amounted to £Nil.

20. Commitments

(a) Capital

The company had no contracted capital expenditure at 30 September 2005.

(b) Operating leases

The company had annual commitments under non-cancellable operating leases as set out below.

	<i>Land and buildings</i>	<i>Other</i>
	<i>2005</i>	<i>2005</i>
	<i>£</i>	<i>£</i>
Operating leases expiring		
Within one year	-	36,207
In two to five years	-	63,385
In over five years	218,260	-
	<u>218,260</u>	<u>99,592</u>
	<u><u>218,260</u></u>	<u><u>99,592</u></u>

21 Ultimate parent undertaking

The ultimate parent undertaking is Aptuit Inc, which is incorporated in the United States of America.

A copy of the consolidated financial statements can be obtained from Three Greenwich Office Park, Greenwich, CT 06831, United States of America.