

CLINIGEN GROUP LIMITED
(formerly Clinigen Holdings Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011



CLINIGEN GROUP LIMITED

COMPANY INFORMATION

DIRECTORS

A D Leaver (appointed 20 October 2010)
P L George
ADL Healthcare Limited (resigned 20 October 2010)
L Leaver (appointed 20 October 2010)
R Sibson (appointed 20 October 2010)

COMPANY SECRETARY

R Sibson

COMPANY NUMBER

06771928

REGISTERED OFFICE

Pitcairn House
Crown Square
Centrum 100
Burton on Trent
Staffordshire

AUDITORS

Smith Cooper
Chartered Accountants & Statutory Accountants
Wilmot House
St James Court
Friar gate
Derby
DE1 1BT

CLINIGEN GROUP LIMITED

CONTENTS

	Page
Directors' report	1 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Statement of total recognised gains and losses	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated cash flow statement	11
Notes to the financial statements	12 - 24

CLINIGEN GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The directors present their report and the financial statements for the year ended 30 June 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

On 17 March 2011, the company changed its name from Clinigen Holdings Limited to Clinigen Group Limited.

The group's principal activity is that of the sale and distribution of pharmaceutical products. The group operates two divisions, "Products" and "Services", and each focus on different sectors of the pharmaceutical value chain. Clinigen Healthcare incorporates the Products division and supplies Foscavir®, its own branded medicine, globally. It also incorporates the Global Access Program business of the Services division supplying un-licensed medicines on a named patient, compassionate use and early access basis on behalf of Pharmaceutical company clients. Keats Healthcare, also part of the Services Division, is focussed solely on Global supply of pharmaceutical products for use in Clinical Trials for new drugs.

BUSINESS REVIEW

Clinigen Group Limited is the parent company for the Clinigen Group of companies. This group is a specialty pharmaceutical products and services company focussed on getting medicines to patients and their physicians. Clinigen is dedicated to serving the patient, the medical community, and the pharmaceutical industry with quality products and services.

The group was formed by the merger in 2010 of Keats Healthcare, Clinigen Pharma and Clinigen Healthcare therefore this review is the first full year as a group. Consequently, it will, for comparison purposes, address the activities of the individual divisions as well as consolidated results. The group is looking to acquire, in-license, develop, register, market and commercialise proprietary specialist high value medicines in its targeted therapeutic areas. Clinigen also aims to be the preferred partner for pharmaceutical and biotechnology companies, especially those from outside Europe, seeking to maximise product and commercial opportunities within Europe and globally.

Within this report the Directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the period end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

CLINIGEN GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

In its first year the group met all of the financial targets and business objectives set in the 2010 business plan. It rapidly expanded its global coverage, operational structure and capability and established a sound platform for the addition of further products and services. The Group strengthened its balance sheet and established bank funding to support growth, including future acquisitions.

The Clinigen Products Division (trading through Clinigen Healthcare) is looking to acquire, in-license, develop, register, market and commercialise proprietary specialist high value medicines in its targeted therapeutic areas. Its lead branded product is Foscavir®, the brand name for foscarnet sodium. Clinigen acquired the global licenses and rights for this brand from Astra Zeneca in 2010. At the time of acquisition the brand had been discontinued in the USA and the licence had become dormant. However Clinigen is currently supplying Foscavir in the USA on a Named Patient basis, is in the process of reviving the licence and has signed an exclusive distribution agreement for Foscavir with Hospira, a US Pharma company. The Japanese market for Foscavir, and associated sales and profits, was not transferred to Clinigen in the current financial year but will transfer early in 2011/12. This drug is indicated for the treatment of CMV retinitis in patients with acquired immunodeficiency syndrome (AIDS) and the treatment of acyclovir-resistant mucocutaneous HSV infections in immuno-compromised patients. Foscavir® also has significant usage in the treatment of CMV in hematopoietic stem cell transplant patients, for which it is prescribed off label on a global basis. However this off label usage has now converted to licenced use in Japan as approval has recently been gained, from the Japanese licencing authority, to add this indication to the licence for Japan. The group plan to extend this new licence indication to other major territories. Foscavir® is highly differentiated from other available treatments and has significant advantages in unresponsive populations.

The acquisition of this product was a significant investment for the company, and its value is dependent upon successful completion of market transfers to Clinigen. It still represents a significant financial risk. A full market and business review was conducted, which resulted in an agreed 4 year business plan for growth. The plan which was successfully implemented for 2010/11 and has been adopted for 2011/12, and whilst it reviews commercial risks, it identifies significant commercial opportunities also. The business plan is to grow turnover and profit from this product through, (a) greater marketing focus than the previous license holder (b) Managing price changes globally (changes in some major markets were implemented in the current financial year), (c) adding new territories for supply such as the US and Canada, and (d) the introduction of a new indication, which has been obtained in Japan. This has delivered significant growth in the sales and profitability of Foscavir® in the current year and is anticipated to deliver continued growth in future years. The division is currently in negotiations for the acquisition of another product in its target therapeutic area (leukaemia).

The Clinigen Services division operates Clinical Trial Supply (CTS) through Keats Healthcare and Global Access Programs (GAP) for unlicensed medicines through Clinigen Healthcare.

Through Keats Healthcare Limited (to be branded Clinigen CTS) Clinigen continues to be a supplier of comparator and other pharmaceutical products to the clinical trials sector. As the global demand for new drugs continues to grow, the company's success in attracting new customers and winning new business within both the domestic and export markets has resulted in an increase in the company's turnover and gross profit. Growth in turnover has largely been driven by growth in US business, which due to the nature of the US market is at a lower margin, whilst the UK shows good growth in gross profit. US clinical trials regulations do not necessarily require the use of the current market leader (brand) for comparison purposes, so often cheaper or generic comparators are used. As for many businesses of our size, the business environment in which we operate continues to be challenging with competition on a global basis from established players within the general wholesale pharmaceutical market. The success of the company will be measured on its ability to gain a larger share of the market than its competitors in a highly regulated and constantly changing market. However, the risks and uncertainties that the business could face in the future will be counteracted by the company's ability to work closer with its customers to develop strategies to address their specific needs.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen events outside our control. However, a full market and business review was conducted in 2010, which resulted in an agreed 4 year business plan for growth. This has been implemented in 2010/11 and adopted for budget year 2011/12, and whilst it reviews commercial risks, it identifies significant commercial opportunities also.

CLINIGEN GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2011

The Clinigen GAP arm of the Services Division operates through Clinigen Healthcare and focuses upon the global supply of unlicensed medicines and named patient/compassionate use supply

Again the global demand for new drugs continues to grow and there is also a need for new and innovative ways of increasing access to new markets for these drugs, so demand for these services is growing. In the current financial year turnover and profit for this arm is predominantly from unlicensed medicines supplied to the UK domestic market. This business is in decline and will continue to be so. The business has won a number of contracts for Global Access Programmes during the current year and the operation of these and new programmes will more than offset the decline in UK business to drive overall growth in turnover and profit. The business environment in which we operate, which is highly regulated, continues to be challenging with competition on a global basis from established players, particularly one large global player. The success of the company will be measured on its ability to gain a larger share of the market largely from this key competitor. The market is developing and changing with new regulations in many geographies and it is uncertain how these may impact the business in the future. However, during 2010 a full market and business review was conducted, which resulted in an agreed 4 year business plan for growth. This has been adopted for budget year 2011/12, and whilst it reviews commercial risks, it identifies significant commercial opportunities also.

In general it is true that increasing global coverage does expose the Clinigen Group to both exchange and debt risks to a greater degree.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover, gross margin, EBITDA, and cash flow.

Finally, considering the risks and uncertainties the company has identified, we are aware that any plans for the future development of the business may be subject to unforeseen events outside our control.

The acquired operations of Keats have been fully integrated into the Group and continue to perform and grow in line with expectations.

RESULTS

The profit for the year, after taxation, amounted to £3,891,436 (2010 - £156,382)

DIRECTORS

The directors who served during the year were

A D Leaver (appointed 20 October 2010)

P L George

ADL Healthcare Limited (resigned 20 October 2010)

L Leaver (appointed 20 October 2010)

R Sibson (appointed 20 October 2010)

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the group made charitable donations of £10,377

FINANCIAL INSTRUMENTS

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, interest rate risk and foreign exchange risk. The group has a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and related finance costs. The group has implemented policies that require appropriate credit checks before a sale is made. The group hedges its exposure to foreign currency fluctuations by using bank accounts denominated in foreign currencies.

CLINIGEN GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

AUDITORS

Under section 487(2) of the Companies Act 2006, Smith Cooper will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 15 September 2011 and signed on its behalf

A handwritten signature in black ink, appearing to be 'P L George', with a large, stylized initial 'P' and a long, sweeping underline.

P L George
Director

CLINIGEN GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLINIGEN GROUP LIMITED

We have audited the financial statements of Clinigen Group Limited for the year ended 30 June 2011, set out on pages 7 to 24. 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2011 and of the group's 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.

CLINIGEN GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLINIGEN GROUP 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 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

Janet Morgan (Senior statutory auditor)
for and on behalf of
Smith Cooper
Chartered Accountants
Statutory Accountants
Wilmot House
St James Court
Friar gate
Derby
DE1 1BT

15 September 2011

CLINIGEN GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 £	2010 £
TURNOVER	1,2		
Continuing operations		11,655,013	5,078,375
Acquisitions		23,369,281	-
		<u>35,024,294</u>	<u>5,078,375</u>
Cost of sales	3	(19,523,248)	(2,208,669)
		<u>15,501,046</u>	<u>2,869,706</u>
GROSS PROFIT			
Administrative expenses	3	(8,938,580)	(2,638,268)
		<u>6,562,466</u>	<u>231,438</u>
OPERATING PROFIT	4		
Continuing operations		3,421,261	231,438
Acquisitions		3,141,205	-
		<u>6,562,466</u>	<u>231,438</u>
Interest receivable and similar income		563	7,414
Interest payable and similar charges	8	(391,318)	(18,934)
		<u>6,171,711</u>	<u>219,918</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	9	(2,280,275)	(63,536)
		<u>3,891,436</u>	<u>156,382</u>
PROFIT FOR THE FINANCIAL YEAR	20	<u>3,891,436</u>	<u>156,382</u>

The notes on pages 12 to 24 form part of these financial statements

CLINIGEN GROUP LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	£	£
PROFIT FOR THE FINANCIAL YEAR	3,891,436	156,382
Exchange adjustments offset in reserves (translation of overseas subsidiary)	19,097	-
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	3,910,533	156,382

The notes on pages 12 to 24 form part of these financial statements

CLINIGEN GROUP LIMITED
REGISTERED NUMBER. 06771928

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Intangible assets	10		14,088,598		15,732,773
Tangible assets	11		65,990		100,019
			<u>14,154,588</u>		<u>15,832,792</u>
CURRENT ASSETS					
Stocks	13	900,075		60,080	
Debtors	14	4,265,530		1,436,280	
Cash at bank and in hand		10,009,945		2,205,297	
		<u>15,175,550</u>		<u>3,701,657</u>	
CREDITORS: amounts falling due within one year	15	<u>(14,543,214)</u>		<u>(8,414,696)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>632,336</u>		<u>(4,713,039)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,786,924</u>		<u>11,119,753</u>
CREDITORS: amounts falling due after more than one year	16		<u>(4,132,833)</u>		<u>(5,166,650)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	17	-		(4,931)	
Other provisions	18	<u>(795,386)</u>		<u>-</u>	
			<u>(795,386)</u>		<u>(4,931)</u>
NET ASSETS			<u>9,858,705</u>		<u>5,948,172</u>
CAPITAL AND RESERVES					
Called up share capital	19		160		160
Share premium account	20		5,462,939		5,462,939
Foreign exchange reserve	20		19,097		-
Profit and loss account	20		4,376,509		485,073
SHAREHOLDERS' FUNDS	21		<u>9,858,705</u>		<u>5,948,172</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 September 2011



P L George
Director

The notes on pages 12 to 24 form part of these financial statements

CLINIGEN GROUP LIMITED
REGISTERED NUMBER. 06771928

COMPANY BALANCE SHEET
AS AT 30 JUNE 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Investments	12		9,141,000		9,141,000
CURRENT ASSETS					
Debtors	14	1,926,947		1,020,210	
Cash at bank		773,983		362	
		<u>2,700,930</u>		<u>1,020,572</u>	
CREDITORS: amounts falling due within one year	15	<u>(2,900,525)</u>		<u>(491,250)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(199,595)</u>		<u>529,322</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,941,405</u>		<u>9,670,322</u>
CREDITORS: amounts falling due after more than one year	16		<u>(3,472,833)</u>		<u>(4,201,750)</u>
NET ASSETS			<u><u>5,468,572</u></u>		<u><u>5,468,572</u></u>
CAPITAL AND RESERVES					
Called up share capital	19		160		160
Share premium account	20		5,462,939		5,462,939
Profit and loss account	20		5,473		5,473
SHAREHOLDERS' FUNDS	21		<u><u>5,468,572</u></u>		<u><u>5,468,572</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 September 2011



P L George
Director

The notes on pages 12 to 24 form part of these financial statements

CLINIGEN GROUP LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 £	2010 £
Net cash flow from operating activities	22	8,740,705	9,125,439
Returns on investments and servicing of finance	23	(390,755)	(11,520)
Taxation		(91,234)	(150,000)
Capital expenditure and financial investment	23	(17,916)	(7,460,725)
Acquisitions and disposals	23	-	(328,785)
CASH INFLOW BEFORE FINANCING		8,240,800	1,174,409
Financing	23	(455,250)	-
INCREASE IN CASH IN THE YEAR		7,785,550	1,174,409

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 £	2010 £
Increase in cash in the year	7,785,550	1,174,409
Cash outflow from decrease in debt and lease financing	455,250	-
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	8,240,800	1,174,409
Other non-cash changes	19,098	(2,642,000)
MOVEMENT IN NET DEBT IN THE YEAR	8,259,898	(1,467,591)
Net (debt)/funds at 1 July 2010	(436,703)	1,030,888
NET FUNDS/(DEBT) AT 30 JUNE 2011	7,823,195	(436,703)

The notes on pages 12 to 24 form part of these financial statements

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Basis of consolidation

The financial statements consolidate the accounts of Clinigen Group Limited and all of its subsidiary undertakings ('subsidiaries')

The results of subsidiaries acquired during the year are included from the effective date of acquisition

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Revenue is recognised when goods are dispatched

1.4 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Licence fees are stated at cost and are amortised to the Profit and loss Account over their estimated useful life.

Expenditure on identifying, obtaining and maintaining licences is written off as revenue costs when incurred.

Amortisation is provided at the following rates

Licences	-	14.3% straight line
Goodwill	-	6.67% straight line

1.5 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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

L/Term Leasehold Property	-	20% straight line
S/Term Leasehold Property	-	17% straight line
Plant & machinery	-	20% straight line
Fixtures & fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	33% straight line

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1. ACCOUNTING POLICIES (continued)

1.7 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

The results of overseas subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the retranslation of the net assets of overseas subsidiaries at the closing rate of exchange are taken directly to reserves

1.11 Research and development

Research and development expenditure is written off in the year in which it is incurred

1.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2. TURNOVER

A geographical analysis of turnover is as follows

	2011 £	2010 £
United Kingdom	9,622,644	5,078,375
Rest of European Union	8,851,511	-
Rest of world	16,550,139	-
	<u>35,024,294</u>	<u>5,078,375</u>

The whole of the turnover and profit before taxation from continuing activities is attributable to the sale and distribution of pharmaceutical products

3 COST OF SALES AND EXPENSES

	2011 Continuing £	2010 Continuing £
Cost of sales	19,523,248	2,208,669
Administrative expenses	8,938,580	2,638,268

The following amounts were included within continuing activities in relation to acquisitions during the year

	2011 £	2010 £
Cost of sales	17,238,681	-
Administrative expenses	2,989,395	-

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2011 £	2010 £
Amortisation - intangible fixed assets	1,644,175	447,801
Depreciation of tangible fixed assets		
- owned by the group	51,945	19,992
Operating lease rentals		
- other operating leases	12,907	103
Difference on foreign exchange	(101,326)	394
Research and development expenditure written off	7,483	-
	<u>1,614,284</u>	<u>568,290</u>

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

5. AUDITORS' REMUNERATION

	2011 £	2010 £
Fees payable to the company's auditor for the audit of the company's annual accounts	6,000	3,500
Fees payable to the company's auditor and its associates in respect of The auditing of accounts of associates of the company pursuant to legislation	25,750	6,500

6. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2011 £	2010 £
Wages and salaries	2,983,798	1,278,513
Social security costs	235,694	41,573
Other pension costs	69,323	11,475
	3,288,815	1,331,561

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

	2011 No.	2010 No
Management	6	3
Selling and operations	42	6
	48	9

7. DIRECTORS' REMUNERATION

	2011 £	2010 £
Emoluments	727,000	750,000
Company pension contributions to defined contribution pension schemes	14,247	-

During the year retirement benefits were accruing to 2 directors (2010 - 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £392,000 (2010 - £750,000)

Management charges have been raised by ADL Healthcare Limited to the group, and these charges include an estimated amount relating to directors' services of £392,000 (2010 £750,000)

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

8. INTEREST PAYABLE

	2011 £	2010 £
On bank loans and overdrafts	2,001	18,692
On other loans	389,317	242
	<u>391,318</u>	<u>18,934</u>

9. TAXATION

	2011 £	2010 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	2,627,080	80,001
Adjustments in respect of prior periods	35,500	(16,465)
Total current tax	<u>2,662,580</u>	<u>63,536</u>
Deferred tax (see note 17)		
Origination and reversal of timing differences	(382,305)	-
Tax on profit on ordinary activities	<u>2,280,275</u>	<u>63,536</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2010 - higher than) the standard rate of corporation tax in the UK of 27.5% (2010 - 28%). The differences are explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>6,171,711</u>	<u>219,918</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 27.5% (2010 - 28%)	1,697,221	61,577
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	159,822	18,424
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	17,278	-
Capital allowances for year in excess of depreciation	5,612	-
Higher rate taxes on overseas earnings	370,454	-
Adjustments to tax charge in respect of prior periods	35,500	(16,465)
Short term timing difference leading to an increase (decrease) in taxation	376,693	-
Current tax charge for the year (see note above)	<u>2,662,580</u>	<u>63,536</u>

Factors that may affect future tax charges

There are no known factors affecting future tax charges

CLINIGEN GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

10. INTANGIBLE FIXED ASSETS

Group	Licences	Goodwill	Total
Cost	£	£	£
At 1 July 2010 and 30 June 2011	7,441,032	8,741,983	16,183,015
Amortisation			
At 1 July 2010	442,919	7,323	450,242
Charge for the year	1,063,004	581,171	1,644,175
At 30 June 2011	1,505,923	588,494	2,094,417
Net book value			
At 30 June 2011	5,935,109	8,153,489	14,088,598
At 30 June 2010	6,998,113	8,734,660	15,732,773

11. TANGIBLE FIXED ASSETS

Group	Leasehold improvements	Plant & machinery	Furniture, fittings and equipment	Total
Cost	£	£	£	£
At 1 July 2010	9,755	7,591	206,726	224,072
Additions	-	-	17,916	17,916
At 30 June 2011	9,755	7,591	224,642	241,988
Depreciation				
At 1 July 2010	2,485	1,810	119,758	124,053
Charge for the year	1,914	1,518	48,513	51,945
At 30 June 2011	4,399	3,328	168,271	175,998
Net book value				
At 30 June 2011	5,356	4,263	56,371	65,990
At 30 June 2010	7,270	5,781	86,968	100,019

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

12. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2010 and 30 June 2011	9,141,000
Net book value	
At 30 June 2011	9,141,000
At 30 June 2010	9,141,000

Details of the principal subsidiaries can be found under note number 29

13. STOCKS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Raw materials	533,313	42,414	-	-
Finished goods and goods for resale	366,762	17,666	-	-
	900,075	60,080	-	-

14. DEBTORS

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Trade debtors	2,314,954	551,424	-	-
Amounts owed by group undertakings	-	-	1,845,213	1,015,000
Other debtors	1,346,919	420,488	11,734	5,210
Prepayments and accrued income	226,283	464,368	70,000	-
Deferred tax asset (see note 17)	377,374	-	-	-
	4,265,530	1,436,280	1,926,947	1,020,210

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Loan notes (note 16)	728,917	455,250	728,917	455,250
Payments received on account	3,491,871	141,878	-	-
Trade creditors	618,414	514,505	42,298	-
Amounts owed to group undertakings	-	-	1,397,500	11,000
Corporation tax	2,557,280	63,535	-	-
Social security and other taxes	492,795	39,052	255,659	-
Other creditors	2,582,501	6,301,964	4,050	-
Accruals and deferred income	4,071,436	898,512	472,101	25,000
	14,543,214	8,414,696	2,900,525	491,250

16. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Loan notes	1,457,833	2,186,750	1,457,833	2,186,750
Other creditors	2,675,000	2,979,900	2,015,000	2,015,000
	4,132,833	5,166,650	3,472,833	4,201,750

The loan notes comprise unsecured 'B' loan notes and 'A' loan notes which both attract interest at 6% per annum. The 'B' loan notes were repayable in amounts of £455,250 in December 2010, September 2011, September 2012 and September 2013. The 'A' loan notes were repayable in amounts of £273,667 on September 2011, September 2012, and September 2013. The maximum payable has been recognised, although the final amount payable is contingent upon the business results of subsidiary undertakings and therefore may be lower than the amounts recognised.

Other creditors are unsecured and include an amount due to A D Leaver, who is a director and shareholder of the company and an amount due to R Sibson, who is a director of the company.

Details of the loans from the directors are given in note 27.

17. DEFERRED TAXATION

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
At beginning of year	(4,931)	-	-	-
Released during/(charge for) the year	382,305	(4,931)	-	-
At end of year	377,374	(4,931)	-	-

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

17. DEFERRED TAXATION (continued)

The deferred taxation balance is made up as follows

	<u>Group</u>		<u>Company</u>	
	2011 £	2010 £	2011 £	2010 £
Accelerated capital allowances	(7,526)	4,931	-	-
Short term timing differences	384,900	-	-	-
	<u>377,374</u>	<u>4,931</u>	<u>-</u>	<u>-</u>

18. PROVISIONS

<u>Group</u>	<u>Provision £</u>
At 1 July 2010	-
Additions	795,386
At 30 June 2011	<u>795,386</u>

Provision

The provision relates to estimated sales credits which the subsidiary company, Clinigen Healthcare Limited believes it could be liable for under certain national regulations. The timing of the credits is uncertain but it is considered that the position should be confirmed during the current year.

The Company has no provisions.

19. SHARE CAPITAL

	2011 £	2010 £
Authorised, allotted, called up and fully paid		
100 Ordinary shares of £1 each	-	100
16,000 (2010 - 60) 'A' Ordinary shares of £0.01 (2010 - £1) each	160	60
	<u>160</u>	<u>160</u>

On 28 June 2011, a special resolution was passed to reclassify all the shares as 'A' ordinary shares of £1 each and on the same date the 'A' ordinary shares were subdivided into 16,000 'A' ordinary shares of 1p each.

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

20. RESERVES

	Share premium account £	Foreign exchange reserve £	Profit and loss account £
Group			
At 1 July 2010	5,462,939		485,073
Profit for the year			3,891,436
Movement on foreign exchange		19,097	
	<u>5,462,939</u>	<u>19,097</u>	<u>4,376,509</u>
At 30 June 2011			
		Share premium account £	Profit and loss account £
Company			
At 1 July 2010 and 30 June 2011		5,462,939	5,473

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Group		
Opening shareholders' funds	5,948,172	328,791
Profit for the year	3,891,436	156,382
Shares issued during the year	-	60
Share premium on shares issued (net of expenses)	-	5,462,939
Other recognised gains and losses during the year	19,097	-
	<u>9,858,705</u>	<u>5,948,172</u>
Closing shareholders' funds		
	2011 £	2010 £
Company		
Opening shareholders' funds	5,468,572	7,087
Profit/(loss) for the year	-	(1,514)
Shares issued during the year	-	60
Share premium on shares issued (net of expenses)	-	5,462,939
	<u>5,468,572</u>	<u>5,468,572</u>
Closing shareholders' funds		

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account

The profit/(loss) for the year dealt with in the accounts of the company was £NIL (2010 - £-1,514)

CLINIGEN GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

22. NET CASH FLOW FROM OPERATING ACTIVITIES

	Continuing	Discontinued	2011 Total	2010
	£	£	£	£
Operating profit	6,562,466	-	6,562,466	231,438
Amortisation of intangible fixed assets	1,644,175	-	1,644,175	447,801
Depreciation of tangible fixed assets	51,945	-	51,945	19,992
Increase in stocks	(839,995)	-	(839,995)	(13,370)
Increase in debtors	(2,529,476)	-	(2,529,476)	(87,879)
Increase in creditors	3,056,204	-	3,056,204	8,527,457
Increase in provisions	795,386	-	795,386	-
Net cash inflow from continuing operating activities	8,740,705			
Net cash inflow from operating activities			8,740,705	9,125,439

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2011 £	2010 £
Returns on investments and servicing of finance		
Interest received	563	7,414
Interest paid	(391,318)	(18,934)
Net cash outflow from returns on investments and servicing of finance	(390,755)	(11,520)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	-	(7,441,032)
Purchase of tangible fixed assets	(17,916)	(19,693)
Net cash outflow from capital expenditure	(17,916)	(7,460,725)
Acquisitions and disposals		
Purchase of fixed asset investments	-	(1,000,000)
Cash at bank and in hand on acquisition of subsidiaries	-	696,215
Acquisition costs	-	(25,000)
Net cash from acquisitions and disposals	-	(328,785)

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

23. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2011 £	2010 £
Financing		
Repayment of debenture loans	(455,250)	-

24. ANALYSIS OF CHANGES IN NET DEBT

	1 July 2010 £	Cash flow £	Other non-cash changes £	Exchange Movement £	30 June 2011 £
Cash at bank and in hand	2,205,297	7,785,550	-	19,098	10,009,945
Debt:					
Debts due within one year	(455,250)	455,250	(728,917)	-	(728,917)
Debts falling due after more than one year	(2,186,750)	-	728,917	-	(1,457,833)
Net (debt)/funds	(436,703)	8,240,800	-	19,098	7,823,195

25. PENSION COMMITMENTS

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £55,076 (2010 - £11,475). Contributions totalling £2,549 (2010 - £3,126) were payable to the fund at the balance sheet date.

26. OPERATING LEASE COMMITMENTS

At 30 June 2011 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
Group	2011 £	2010 £	2011 £	2010 £
Expiry date:				
Within 1 year	-	-	2,799	-
Between 2 and 5 years	68,820	-	-	-
After more than 5 years	-	68,820	-	-

CLINIGEN GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

27. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under FRS8 from disclosing related party transactions with wholly owned subsidiaries

During the year the group made sales of £20,540, recharged expenses of £9,182 (2010 £142,872), was charged £249,750 as sales commissions, paid management charges of £540,000 (2010 £869,252), paid royalty payments of £518,386 and loan interest charges of £26,926 (2010 £4,438) to ADL Healthcare Limited, a company of which A D Leaver is a director and shareholder. At 30 June 2011 there was an amount of £810 due to the group in respect of these transactions (2010 £199,552 creditor). At 30 June 2011 £450,000 (2010 £450,000) was payable to ADL Healthcare Limited in respect of a loan. A further £39,832 was due to ADL Healthcare in respect of recharges and loan interest.

At the year end the company had a loan of £2,015,000 from A Leaver, a director and shareholder. The loan is unsecured, has no fixed repayment date and bears interest at a rate of 5% above bank base rate. There is no fixed date for repayment but is not due for repayment within the current year.

Included within creditors, amounts due in more than one year, is a loan of £500,000 (2010 £500,000) due to A Jenkins, a director of a subsidiary company. The loan is unsecured and interest is at base plus 5% and it has no fixed date for repayment but is not due for repayment within the next year.

Also within creditors, amounts due in more than one year, is a loan of £160,000 due to R Sibson, a director of the company. The loan is unsecured and interest is at base plus 5% and has no fixed date for repayment but is not due for repayment within the next year.

28. CONTROLLING PARTY

The ultimate controlling party is A D & L Leaver by way of their controlling interest in the company.

29. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Clinigen CT Limited	England	100	Holding company
Keats Healthcare Limited	England	100	Sale and distribution of pharmaceutical products
Clinigen Healthcare Limited	England	100	Sale and distribution of pharmaceutical products
Keats India Limited	England	100	Dormant
Keats Healthcare Inc	USA	100	Sale and distribution of pharmaceutical products
Clinigen Pharma Limited	England	100	Dormant

The shares in Keats Healthcare Limited, Keats India Limited and Keats Healthcare Inc are held via the company's holding in Clinigen CT Limited. All other shares are held directly.