

CLINIGEN GROUP LIMITED
(formerly Clinigen Holdings Limited)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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CLINIGEN HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

A D Leaver (resigned 18 June 2010)
P L George (appointed 18 June 2010)
ADL Healthcare Limited (appointed 18 June 2010)
L Leaver (appointed 13 October 2009 & resigned 18 June 2010)

COMPANY SECRETARY

R M W Wood

COMPANY NUMBER

06771928

REGISTERED OFFICE

Wilmot House
St James Court
Derby
DE1 1BT

AUDITORS

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

CLINIGEN HOLDINGS LIMITED

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The following pages do not form part of the statutory financial statements

CLINIGEN HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The directors present their report and the financial statements for the year ended 30 June 2010

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 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

The company's principal activity during the period under review was that of a holding company. The activity of the Group is the sale and distribution of pharmaceutical products and the provision of services to the pharma industry.

The company's principal activity, going forward, is that of the sale and distribution of pharmaceutical products, the three divisions focus on different sectors of the pharmaceutical value chain, with Keats Healthcare focussed solely on pharmaceutical products for use in Clinical Trials for new drugs, Clinigen Pharma supplying unlicensed medicines on a named patient or compassionate use basis, whilst Clinigen Healthcare supplies Foscavir®, its own branded medicine, globally.

On the 18 June 2010, the company acquired 100% interest in the share capital of TSL Investments Limited and thereby acquired 100% shareholdings in Keats Healthcare Limited, Keats Healthcare Inc and Keats India Limited. Further details relating to this acquisition are set out in note 20 to the financial statements.

On 18 June 2010, the company acquired Clinigen Pharma Limited. Clinigen Pharma Limited did not trade during the current financial year.

BUSINESS REVIEW

Clinigen Holdings is the holding company for the Clinigen Group of companies. This group is a Specialty Pharmaceutical & 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. 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.

CLINIGEN HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

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.

Recognising that the group was only legally formed in mid-June 2010, this review will cover the activities of the individual divisions.

Through the Keats Healthcare Division the company 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 whilst gross profit has remained static. This is largely due to less UK business and growth in US business, which at this start up stage is at a lower margin.

The company's cash position has been strong as the company negotiates very favourable payment terms. The company was profitable in the year.

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, during Q4 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 2010/11, and whilst it reviews commercial risks, it identifies significant commercial opportunities also.

The Clinigen Pharma Division focuses upon the supply of unlicensed medicines and named patient/compassionate use supply.

Again the global demand for new drugs continues to grow, 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. However, to date company's turnover and profit is predominantly from unlicensed medicines supplied to the UK domestic market, namely co-proxamol. This product line is in decline and will continue to be so. The company is profitable, but as co-proxamol declines it needs to win new contracts to drive growth.

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 Q4 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 2010/11, and whilst it reviews commercial risks, it identifies significant commercial opportunities also.

The Clinigen Healthcare Division is looking to acquire licensed established pharmaceutical products. Clinigen Healthcare's 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. 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, although off-label, in the treatment of CMV in haemopoietic stem cell transplant patients. 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 is dependent upon successful market transfers to Clinigen, it still represents a significant financial risk. The business plan is to grow turnover and profit from this product through a better marketing focus than the previous license holder. This will involve a

CLINIGEN HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

review of pricing, market access, indications and formulations. A full market and business review was conducted, which has resulted in an agreed 4 year business plan for growth. This has been adopted for budget year 2010/11, and whilst it reviews commercial risks, it identifies significant commercial opportunities also.

In general and in conclusion, it is true that increasing global coverage does expose the Clinigen Holdings to exchange 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 and cash flow. And 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.

RESULTS

The profit for the year, after taxation, amounted to £156,382 (2009 - £328,787).

DIRECTORS

The directors who served during the year were

A D Leaver (resigned 18 June 2010)
P L George (appointed 18 June 2010)
ADL Healthcare Limited (appointed 18 June 2010)
L Leaver (appointed 13 October 2009 & resigned 18 June 2010)

Subsequent to the year end on 20 October 2010, A D Leaver, R A J Sibson and L Leaver were appointed as directors of the company and ADL Healthcare resigned as a director.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year the company made charitable donations of £1,965.

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 dominated in foreign currencies.

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.

CLINIGEN HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

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 14 December 2010 and signed on its behalf

A handwritten signature in black ink, appearing to be 'P L George', with a stylized, flowing script.

P L George
Director

CLINIGEN HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLINIGEN HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Clinigen Holdings Limited for the year ended 30 June 2010, 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 Statement of directors' responsibilities, 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 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.

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 2010 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 HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLINIGEN HOLDINGS 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

14 December 2010

CLINIGEN HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
TURNOVER	1,2	5,078,375	2,478,115
Cost of sales		<u>(2,208,669)</u>	<u>(1,817,120)</u>
GROSS PROFIT		2,869,706	660,995
Administrative expenses		<u>(2,638,268)</u>	<u>(177,862)</u>
OPERATING PROFIT	3	231,438	483,133
Interest receivable and similar income		7,414	2,945
Interest payable and similar charges	7	<u>(18,934)</u>	<u>(7,291)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		219,918	478,787
Tax on profit on ordinary activities	8	<u>(63,536)</u>	<u>(150,000)</u>
PROFIT FOR THE FINANCIAL YEAR	18	<u>156,382</u>	<u>328,787</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss Account

The notes on pages 11 to 24 form part of these financial statements

CLINIGEN HOLDINGS LIMITED
REGISTERED NUMBER: 06771928

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Intangible assets	9		15,732,774		95,196
Tangible assets	10		100,020		40,035
			<u>15,832,794</u>		<u>135,231</u>
CURRENT ASSETS					
Stocks	12	60,080		4,296	
Debtors	13	1,436,280		704,827	
Cash at bank and in hand		2,205,297		1,030,888	
		<u>3,701,657</u>		<u>1,740,011</u>	
CREDITORS: amounts falling due within one year	14	(8,414,701)		(1,546,454)	
NET CURRENT (LIABILITIES)/ASSETS			<u>(4,713,044)</u>		<u>193,557</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,119,750</u>		<u>328,788</u>
CREDITORS: amounts falling due after more than one year	15		(5,166,650)		-
PROVISIONS FOR LIABILITIES					
Deferred tax	16		(4,931)		-
NET ASSETS			<u>5,948,169</u>		<u>328,788</u>
CAPITAL AND RESERVES					
Called up share capital	17		160		1
Share premium account	18		5,462,939		-
Profit and loss account	18		485,070		328,787
SHAREHOLDERS' FUNDS	19		<u>5,948,169</u>		<u>328,788</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2010



P L George
Director

The notes on pages 11 to 24 form part of these financial statements

CLINIGEN HOLDINGS LIMITED

**COMPANY BALANCE SHEET
AS AT 30 JUNE 2010**

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Investments	11		9,141,000		266,660
CURRENT ASSETS					
Debtors	13	1,020,210		10,000	
Cash at bank		362		140,953	
		<u>1,020,572</u>		<u>150,953</u>	
CREDITORS , amounts falling due within one year	14	(491,250)		(143,866)	
NET CURRENT ASSETS			<u>529,322</u>		<u>7,087</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,670,322</u>		<u>273,747</u>
CREDITORS , amounts falling due after more than one year	15		(4,201,750)		(266,660)
NET ASSETS			<u><u>5,468,572</u></u>		<u><u>7,087</u></u>
CAPITAL AND RESERVES					
Called up share capital	17		160		1
Share premium account	18		5,462,939		-
Profit and loss account	18		5,473		7,086
SHAREHOLDERS' FUNDS	19		<u><u>5,468,572</u></u>		<u><u>7,087</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 14 December 2010



P L George
Director

The notes on pages 11 to 24 form part of these financial statements

CLINIGEN HOLDINGS LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010**

		12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
	Note		
Net cash flow from operating activities	21	9,125,439	997,370
Returns on investments and servicing of finance	22	(11,520)	(4,346)
Taxation		(150,000)	-
Capital expenditure and financial investment	22	(7,460,725)	(16,183)
Acquisitions and disposals	22	(328,785)	54,047
INCREASE IN CASH IN THE YEAR		<u>1,174,409</u>	<u>1,030,888</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 30 JUNE 2010**

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Increase in cash in the year	1,174,409	1,030,888
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	1,174,409	1,030,888
Other non-cash changes	(2,642,000)	-
MOVEMENT IN NET DEBT IN THE YEAR	(1,467,591)	1,030,888
Net funds at 1 July 2009	1,030,888	-
NET (DEBT)/FUNDS AT 30 JUNE 2010	<u>(436,703)</u>	<u>1,030,888</u>

The notes on pages 11 to 24 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 Holdings 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, 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

Amortisation is provided at the following rates

Licences	-	14.3% straight line
Goodwill	-	5% 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 2010**

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

1.11 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

2 TURNOVER

The whole of the turnover is attributable to the sale and distribution of pharmaceutical products and the provision of services to the pharma industry

All turnover arose within the United Kingdom

CLINIGEN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Amortisation - intangible fixed assets	447,801	2,440
Depreciation of tangible fixed assets		
- owned by the group	19,992	13,932
Operating lease rentals		
- other operating leases	103	3,011
Difference on foreign exchange	394	(817)
Research and development expenditure written off	-	3,095
	<u> </u>	<u> </u>

4. AUDITORS' REMUNERATION

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Fees payable to the company's auditor for the audit of the company's annual accounts	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	6,500	-
	<u> </u>	<u> </u>

CLINIGEN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Wages and salaries	1,278,513	210,769
Social security costs	41,573	16,518
Other pension costs	11,475	2,313
	<u>1,331,561</u>	<u>229,600</u>

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

	12 Months ended 30 June 2010 No.	6 Months ended 30 June 2009 No
Management and admin	6	5
Selling and operations	6	7
	<u>12</u>	<u>12</u>

6. DIRECTORS' REMUNERATION

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Emoluments	<u>750,000</u>	<u>-</u>

During the year retirement benefits were accruing to 1 director (2009 - 1) in respect of defined contribution pension schemes

The highest paid director received remuneration of £750,000 (2009 - £NIL)

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

CLINIGEN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

7. INTEREST PAYABLE

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
On bank loans and overdrafts	18,692	1,456
On other loans	242	5,835
	<u>18,934</u>	<u>7,291</u>

8 TAXATION

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Analysis of tax charge in the year/period		
UK corporation tax charge on profit for the year/period	80,001	150,000
Adjustments in respect of prior periods	(16,465)	-
	<u>63,536</u>	<u>150,000</u>
Tax on profit on ordinary activities		

The tax assessed for the year/period is higher than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Profit on ordinary activities before tax	<u>219,918</u>	<u>478,787</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	61,577	134,060
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	18,424	15,940
Adjustments to tax charge in respect of prior periods	(16,465)	-
	<u>63,536</u>	<u>150,000</u>
Current tax charge for the year/period (see note above)		

Factors that may affect future tax charges

There are no known factors affecting future tax charges

CLINIGEN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

9. INTANGIBLE FIXED ASSETS

Group	Licences	Goodwill	Total
Cost	£	£	£
At 1 July 2009	-	97,636	97,636
Additions	7,441,032	8,644,347	16,085,379
At 30 June 2010	7,441,032	8,741,983	16,183,015
Amortisation			
At 1 July 2009	-	2,440	2,440
Charge for the year	442,918	4,883	447,801
At 30 June 2010	442,918	7,323	450,241
Net book value			
At 30 June 2010	6,998,114	8,734,660	15,732,774
At 30 June 2009	-	95,196	95,196

10. TANGIBLE FIXED ASSETS

Group	Leasehold	Plant &	Furniture,	Total
Cost	improvements	machinery	fittings and	£
	£	£	equipment	
At 1 July 2009	1,115	-	52,475	53,590
Additions	-	-	19,693	19,693
On acquisition of subsidiaries	22,267	1,710	126,595	150,572
At 30 June 2010	23,382	1,710	198,763	223,855
Depreciation				
At 1 July 2009	140	-	13,415	13,555
Charge for the year	185	-	19,807	19,992
On acquisition of subsidiaries	5,038	830	84,420	90,288
At 30 June 2010	5,363	830	117,642	123,835
Net book value				
At 30 June 2010	18,019	880	81,121	100,020
At 30 June 2009	975	-	39,060	40,035

11. FIXED ASSET INVESTMENTS

The consideration for the investment in Clinigen Healthcare Limited comprised deferred contingent consideration which is now not payable. This has been adjusted against the cost of the investment, as stated at the beginning of the year.

CLINIGEN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

11. FIXED ASSET INVESTMENTS (continued)

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2009	266,660
Additions	9,141,000
Deferred consideration not payable	(266,660)
	<hr/>
At 30 June 2010	9,141,000
	<hr/>
Net book value	
At 30 June 2010	9,141,000
	<hr/>
At 30 June 2009	266,660
	<hr/>

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

12. STOCKS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Raw materials	42,414	-	-	-
Finished goods and goods for resale	17,666	4,296	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	60,080	4,296	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

13. DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	551,424	692,422	-	-
Amounts owed by group undertakings	-	-	1,015,000	10,000
Other debtors	420,488	-	5,210	-
Prepayments and accrued income	464,368	12,405	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,436,280	704,827	1,020,210	10,000
	<hr/>	<hr/>	<hr/>	<hr/>

CLINIGEN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

14. CREDITORS: Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Loan notes (note 14)	455,250	-	455,250	-
Payments received on account	141,878	-	-	-
Trade creditors	514,505	982,125	-	-
Amounts owed to group undertakings	-	-	11,000	-
Corporation tax	63,535	150,000	-	-
Social security and other taxes	39,052	66,982	-	992
Other creditors	6,301,966	142,052	-	141,999
Accruals and deferred income	898,515	205,295	25,000	875
	<u>8,414,701</u>	<u>1,546,454</u>	<u>491,250</u>	<u>143,866</u>

£4,758,000 included in other creditors is secured by a a fixed and floating charge over the assets of the company

15 CREDITORS: Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Loan notes	2,186,750	-	2,186,750	-
Other creditors	2,979,900	-	2,015,000	266,660
	<u>5,166,650</u>	<u>-</u>	<u>4,201,750</u>	<u>266,660</u>

During the year the company issued unsecured 'B' loan notes attracting interest at 6% per annum. The loan notes are repayable in amounts of £455,250 in December 2010, September 2011, September 2012 and September 2013.

The company also issued unsecured 'A' loan notes attracting interest at 6% per annum. The loan notes are 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 £2,015,000 is due to A D Leaver, who is a shareholder of the company. Further details are set out in note 26 to the accounts. £659,900 is subordinated to an amount of £305,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

16 DEFERRED TAXATION

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
On acquisition of subsidiaries	4,931	-	-	-

The provision for deferred taxation is made up as follows

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Accelerated capital allowances	4,931	-	-	-

17 SHARE CAPITAL

	2010	2009
	£	£
Authorised, allotted, called up and fully paid		
100 (2009 - 1) Ordinary shares of £1 each	100	1
60 'A' Ordinary shares of £1 each	60	-
	160	1

During the year, 99 ordinary shares were issued via a bonus issue at par. In addition, 60 'A' Ordinary shares were issued for a consideration of £91,049 per share, in exchange for the shares of TSL Investments Limited

18. RESERVES

Group	Share premium account	Profit and loss account
	£	£
At 1 July 2009		328,787
Profit for the year		156,382
Capitalisation/bonus issue		(99)
Premium on shares issued during the year	5,462,939	
At 30 June 2010	5,462,939	485,070

CLINIGEN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

18. RESERVES (continued)

	Share premium account £	Profit and loss account £
Company		
At 1 July 2009		7,086
Loss for the year		(1,514)
Capitalisation/bonus issue		(99)
Premium on shares issued during the year	5,462,939	
	<u>5,462,939</u>	<u>5,473</u>
At 30 June 2010		

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Group		
Opening shareholders' funds	328,788	1
Profit for the year/period	156,382	328,787
Shares issued during the year/period	60	-
Share premium on shares issued (net of expenses)	5,462,939	-
	<u>5,948,169</u>	<u>328,788</u>
Closing shareholders' funds		
	<u>5,948,169</u>	<u>328,788</u>
	2010	2009
	£	£
Company		
Opening shareholders' funds	7,087	-
(Loss)/profit for the year/period	(1,514)	7,086
Shares issued during the year/period	60	1
Share premium on shares issued (net of expenses)	5,462,939	-
	<u>5,468,572</u>	<u>7,087</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 (loss)/profit for the year/period dealt with in the accounts of the company was £1,514 (2009 - £7,086)

CLINIGEN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

20. ACQUISITIONS AND DISPOSALS

Acquisitions

	Vendors' book value £	Fair value adjustments £	Fair value to the group £
Assets and liabilities acquired			
Tangible fixed assets	60,284	-	60,284
Goodwill	(900)	-	(900)
Stocks	42,414	-	42,414
Debtors	718,913	-	718,913
Cash at bank	696,215	-	696,215
Other creditors and provisions	(1,031,273)	-	(1,031,273)
Net assets acquired	<u>485,653</u>	<u>-</u>	<u>485,653</u>
Satisfied by			
Consideration			
Cash			1,000,000
Loan notes			1,821,000
Deferred consideration			821,000
Issue of shares			5,463,000
Acquisition costs			25,000
			<u>9,130,000</u>
Goodwill arising on consolidation (see note 9)			<u>8,644,347</u>

The summarised profit and loss account for Keats Healthcare Limited and Keats Healthcare Inc for the period from 1 July 2009 to the date of acquisition was as follows

Turnover	<u>17,197,421</u>
Operating profit	<u>1,007,256</u>
Profit before tax	<u>1,008,582</u>
Taxation	<u>(255,704)</u>
Profit after tax	<u>752,878</u>

The acquisition of the above companies was made at the year end and consequently there has been no impact upon the reporting cashflows of the group

CLINIGEN HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Operating profit	231,438	483,133
Amortisation of intangible fixed assets	447,801	2,440
Depreciation of tangible fixed assets	19,992	6,996
(Increase)/decrease in stocks	(13,370)	36,095
Increase in debtors	(87,879)	(189,106)
Increase in creditors	8,527,457	657,812
Net cash inflow from operating activities	9,125,439	997,370

22 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Returns on investments and servicing of finance		
Interest received	7,414	2,945
Interest paid	(18,934)	(7,291)
Net cash outflow from returns on investments and servicing of finance	(11,520)	(4,346)

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(7,441,032)	-
Purchase of tangible fixed assets	(19,693)	(16,183)
Net cash outflow from capital expenditure	(7,460,725)	(16,183)

	12 Months ended 30 June 2010 £	6 Months ended 30 June 2009 £
Acquisitions and disposals		
Purchase of fixed asset investments	(1,000,000)	-
Acquisition costs	(25,000)	-
Cash at bank and in hand on acquisition of subsidiaries	696,215	54,047
Net cash (outflow)/inflow from acquisitions and disposals	(328,785)	54,047

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

23. ANALYSIS OF CHANGES IN NET DEBT

	1 July 2009 £	Cash flow £	Other non-cash changes £	30 June 2010 £
Cash at bank and in hand	1,030,888	1,174,409	-	2,205,297
Debt:				
Debts due within one year	-	-	(455,250)	(455,250)
Debts falling due after more than one year	-	-	(2,186,750)	(2,186,750)
Net funds	1,030,888	1,174,409	(2,642,000)	(436,703)

24. MAJOR NON-CASH TRANSACTIONS

The company issued loan notes in exchange for its acquisition of TSL Investments Limited and its subsidiaries, for further details of this transaction see note 20

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 £11,475 (2009 - £2,313). Contributions totalling £3,126 (2009 - £52) were payable to the fund at the balance sheet date.

26. OPERATING LEASE COMMITMENTS

At 30 June 2010 the Group had annual commitments under non-cancellable operating leases as follows

Group	Land and buildings	
	2010 £	2009 £
Expiry date:		
Within 1 year	-	963
After more than 5 years	68,820	68,820

CLINIGEN HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

27. RELATED PARTY TRANSACTIONS

On 18 June 2010 the company acquired the entire issued share capital of TSL Investments Limited, a company which is under common control. TSL Investments Limited owns the entire issued share capital of Keats Healthcare Limited, Keats Healthcare Inc and Keats India Limited.

During the year Clinigen Healthcare Limited made sales of £21,335 (2009 £22,987) to and purchases of £194,101 (2009 £45,509), from Keats Healthcare Limited, a fellow subsidiary with effect from 18 June 2010. Previously, the company was controlled by A D Leaver. Clinigen Healthcare Limited was also charged £Nil (2009 £52,000) for shared services during the year.

During the year Clinigen Healthcare Limited was charged £Nil (2009 £33,250) by ADL Healthcare Limited, a company controlled by A D Leaver for shared services. £142,872 was charged for recharged expenses (2009 £Nil), in addition to this, management charges were charged to Clinigen Healthcare Limited of £869,250 (2009 £Nil) and loan interest charges of £4,438 (2009 £Nil). At 30 June 2010 £450,000 was payable to ADL Healthcare Limited. In addition, Keats Healthcare Limited owed £199,552 to ADL Healthcare Limited and was owed £1,824 by that company.

During the year the company received a loan of £2,015,000 from A Leaver, a former director and shareholder. The loan is unsecured, has no fixed repayment date and bears interest at a rate of 5% above bank base rate. At 30 June 2010 the balance outstanding on the loan was £2,015,000.

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
TSL Investments 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 TSL Investments Limited. All other shares are held directly. Subsequent to the year end, TSL Investments changed its name to Clinigen CT Limited.