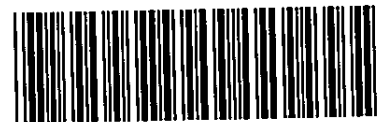


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BACHEM (U.K.) LIMITED
REPORT OF THE DIRECTORS AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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BACHEM (U.K.) LIMITED (REGISTERED NUMBER: 02006400)

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FOR THE YEAR ENDED 31 DECEMBER 2012**

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BACHEM (U.K.) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS	Dr S Moore Dr D Erne Dr T Frueh
SECRETARY:	Dr D Erne
REGISTERED OFFICE:	Delph Court Sullivans Way St Helens Merseyside WA9 5GL
REGISTERED NUMBER	02006400 (England and Wales)
AUDITORS:	Livesey Spottiswood Ltd Chartered Accountants and Registered Auditors 17 George Street St Helens Merseyside WA10 1DB
BANKERS:	Barclays Bank Plc 19 Church Street St Helens Merseyside WA10 1BG

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

The directors present their report with the financial statements of the company for the year ended 31 December 2012

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the production and distribution of fine chemicals for medical and pharmaceutical research

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statement

The operating profit which is the company's main performance indicator has remained consistent

Company revenue in 2011 included Immunology product sales, however in 2012 Immunology sales were moved back to Peninsula Inc and therefore all revenue was a consequence of production within Bachem UK. When we compare the 2011 revenue, less Immunology sales, the company turnover has shown an increase of 10% compared to the previous years production revenue. However this includes invoicing from the Resourcing and Capacity agreement. If this is taken out of the picture then there is a decrease of 6% in revenue. Considering European sales, if the significant currency fluctuation is taken into account, then European business was only 0.5% below budget. Results from the American market fell well below expectations. Further action has been taken to ensure that business from both the US and Europe increases to the desired level. It is expected that 2013 will see a more positive trend from the respective sales teams resulting in production being stronger, yielding a more positive financial result.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2012

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report

Dr S Moore

Dr D Erme

Other changes in directors holding office are as follows

Dr R Nyfeler - resigned 26 March 2012

Dr T Frueh - appointed 29 March 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state that the financial statements comply with IFRS,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS


So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2012**

AUDITORS

The auditors, Livesey Spottiswood Ltd, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:



D. D. Erne - Secretary

28 February 2013

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BACHEM (U.K.) LIMITED**

We have audited the financial statements of Bachem (U K) Limited for the year ended 31 December 2012 on pages five to sixteen. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 a Report of the Auditors 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 set out on page two, 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 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 Report of the Directors 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 company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

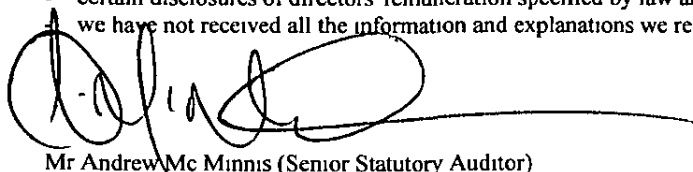
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Mr Andrew Mc Minnis (Senior Statutory Auditor)
for and on behalf of Livesey Spottiswood Ltd
Chartered Accountants and
Registered Auditors
17 George Street
St Helens
Merseyside
WA10 1DB

28 February 2013

BACHEM (U K.) LIMITED (REGISTERED NUMBER: 02006400)**INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue	2	2,197,735	2,576,594
Cost of sales		(973,973)	(1,423,960)
GROSS PROFIT		1,223,762	1,152,634
Distribution costs		(51,537)	(75,135)
Administrative expenses		(944,612)	(839,278)
OPERATING PROFIT		227,613	238,221
Finance costs	4	(7,350)	(11,501)
Finance income	4	50	51
PROFIT BEFORE INCOME TAX	5	220,313	226,771
Income tax	6	(45,722)	(38,899)
PROFIT FOR THE YEAR		174,591	187,872

The notes form part of these financial statements

BACHEM (U K.) LIMITED (REGISTERED NUMBER: 02006400)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012**

	2012 £	2011 £
PROFIT FOR THE YEAR	174,591	187,872
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>174,591</u>	<u>187,872</u>


The notes form part of these financial statements

BACHEM (U.K.) LIMITED (REGISTERED NUMBER 02006400)

**STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2012**

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,808,060	2,935,943
CURRENT ASSETS			
Inventories	8	325,218	312,757
Trade and other receivables	9	456,534	309,021
Cash and cash equivalents	10	542,566	576,609
		<u>1,324,318</u>	<u>1,198,387</u>
TOTAL ASSETS		<u><u>4,132,378</u></u>	<u><u>4,134,330</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	11	2,500	2,500
Share premium	12	380,409	380,409
Retained earnings	12	2,951,212	2,776,621
TOTAL EQUITY		<u><u>3,334,121</u></u>	<u><u>3,159,530</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	14	300,000	450,000
Deferred tax	15	175,000	200,000
		<u>475,000</u>	<u>650,000</u>
CURRENT LIABILITIES			
Trade and other payables	13	288,257	298,813
Tax payable		35,000	25,987
		<u>323,257</u>	<u>324,800</u>
TOTAL LIABILITIES		<u><u>798,257</u></u>	<u><u>974,800</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,132,378</u></u>	<u><u>4,134,330</u></u>

The financial statements were approved by the Board of Directors on 28 February 2013 and were signed on its behalf by



Dr S Moore - Director

The notes form part of these financial statements

BACHEM (U.K.) LIMITED (REGISTERED NUMBER 02006400)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Called up share capital £	Retained earnings £	Share premium £	Total equity £
Balance at 1 January 2011	2,500	2,588,749	380,409	2,971,658
Changes in equity				
Total comprehensive income	-	187,872	-	187,872
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	2,500	2,776,621	380,409	3,159,530
	<hr/>	<hr/>	<hr/>	<hr/>
Changes in equity				
Total comprehensive income	-	174,591	-	174,591
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	2,500	2,951,212	380,409	3,334,121
	<hr/>	<hr/>	<hr/>	<hr/>

The notes form part of these financial statements

BACHEM (U.K.) LIMITED (REGISTERED NUMBER. 02006400)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

		2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	320,045	524,854
Interest paid		(7,350)	(11,501)
Tax paid		(61,709)	(60,312)
Net cash from operating activities		<u>250,986</u>	<u>453,041</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(135,079)	(348,601)
Interest received		50	51
Net cash from investing activities		<u>(135,029)</u>	<u>(348,550)</u>
Cash flows from financing activities			
New loans in year		-	300,000
Loan repayments in year		(150,000)	(225,000)
Net cash from financing activities		<u>(150,000)</u>	<u>75,000</u>
(Decrease)/increase in cash and cash equivalents		<u>(34,043)</u>	<u>179,491</u>
Cash and cash equivalents at beginning of year	2	<u>576,609</u>	<u>397,118</u>
Cash and cash equivalents at end of year	2	<u><u>542,566</u></u>	<u><u>576,609</u></u>

The notes form part of these financial statements

NOTES TO THE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2012	2011
	£	£
Profit before income tax	220,313	226,771
Depreciation charges	262,962	263,249
Finance costs	7,350	11,501
Finance income	(50)	(51)
	<u>490,575</u>	<u>501,470</u>
(Increase)/decrease in inventories	(12,461)	95,487
Increase in trade and other receivables	(147,513)	(73,465)
(Decrease)/increase in trade and other payables	<u>(10,556)</u>	<u>1,362</u>
Cash generated from operations	<u>320,045</u>	<u>524,854</u>

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

Year ended 31 December 2012

	31/12/12	1/1/12
	£	£
Cash and cash equivalents	<u>542,566</u>	<u>576,609</u>

Year ended 31 December 2011

	31/12/11	1/1/11
	£	£
Cash and cash equivalents	<u>576,609</u>	<u>397,118</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is not recognised until the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Freehold property	- 2.5% on cost
Fixtures, fittings and equipment	- 10% on cost
Computer equipment	- 33% on cost

Inventories

Inventories and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Government Grants

Government grants are recorded at fair value provided there is a reasonable assurance that the grant will take place and that all requirements attached to it will be fulfilled.

Investments

Investments held as non-current assets are stated at cost less provision for any impairment.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

2 SEGMENTAL REPORTING

The revenue is attributable to a single activity, production and distribution of fine chemicals for medical and pharmaceutical research

Geographical analysis of revenue

	2012 £	2011 £
United Kingdom	397,734	319,100
Europe	1,128,293	1,781,479
Rest of world	<u>671,708</u>	<u>476,015</u>
	<u>2,197,735</u>	<u>2,576,594</u>

3 EMPLOYEES AND DIRECTORS

	2012 £	2011 £
Wages and salaries	650,667	618,848
Social security costs	55,986	55,709
Other pension costs	20,993	23,087
	<u>727,646</u>	<u>697,644</u>

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

	2012	2011
Production	25	25
Administration	6	6
	<u>31</u>	<u>31</u>

	2012 £	2011 £
Directors' remuneration	71,516	72,820
Directors' pension contributions to money purchase schemes	<u>3,053</u>	<u>3,251</u>

4 NET FINANCE COSTS

	2012 £	2011 £
Finance income		
Deposit account interest	50	38
Corporation tax interest	-	13
	<u>50</u>	<u>51</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

4 NET FINANCE COSTS - continued

	2012	2011
	£	£
Finance costs		
Interest on group loan	7,350	11,382
Other interest	-	119
	<u>7,350</u>	<u>11,501</u>
Net finance costs	<u>7,300</u>	<u>11,450</u>

5 PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting)

	2012	2011
	£	£
Cost of inventories recognised as expense	973,973	1,423,960
Other operating leases	413	280
Depreciation - owned assets	262,962	263,248
Foreign exchange differences	(3,858)	24,259
Auditors' remuneration - audit fee	8,500	8,500
Auditors' remuneration - other services	2,790	3,680
	<u>2,790</u>	<u>3,680</u>

6 INCOME TAX

Analysis of tax expense

	2012	2011
	£	£
Current tax		
Tax	70,000	49,000
Prior periods	722	(101)
Total current tax	<u>70,722</u>	<u>48,899</u>
Deferred tax	<u>(25,000)</u>	<u>(10,000)</u>
Total tax expense in income statement	<u>45,722</u>	<u>38,899</u>

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2012	2011
	£	£
Profit on ordinary activities before income tax	<u>220,313</u>	<u>226,771</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.500% (2011 - 26.500%)	53,977	60,094
Effects of		
Expenses not deductible for tax purposes	1,712	396
Capital allowances in surplus/(excess) of depreciation	14,143	(11,509)
Adjustments to tax charge in respect of previous years	722	(101)
Rounding on provision	168	19
Movement in deferred tax	<u>(25,000)</u>	<u>(10,000)</u>
Tax expense	<u>45,722</u>	<u>38,899</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

7 PROPERTY, PLANT AND EQUIPMENT

	Freehold property £	Fixtures, fittings and equipment £	Computer equipment £	Totals £
COST				
At 1 January 2012	2,044,924	2,071,559	235,358	4,351,841
Additions	28,275	102,736	4,068	135,079
At 31 December 2012	2,073,199	2,174,295	239,426	4,486,920
DEPRECIATION				
At 1 January 2012	212,530	1,017,182	186,186	1,415,898
Charge for year	44,684	182,674	35,604	262,962
At 31 December 2012	257,214	1,199,856	221,790	1,678,860
NET BOOK VALUE				
At 31 December 2012	1,815,985	974,439	17,636	2,808,060
At 31 December 2011	1,832,394	1,054,377	49,172	2,935,943

8 INVENTORIES

	2012 £	2011 £
Raw materials	227,210	213,249
Work-in-progress	96,317	97,817
Finished goods	1,691	1,691
	325,218	312,757

9 TRADE AND OTHER RECEIVABLES

	2012 £	2011 £
Current		
Trade debtors	104,480	161,757
Amounts owed by group undertakings	336,476	107,132
Other debtors	2,672	8,666
Prepayments and accrued income	12,906	31,466
	456,534	309,021

10 CASH AND CASH EQUIVALENTS

	2012 £	2011 £
Cash in hand	109	401
Bank accounts	542,457	576,208
	542,566	576,609

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012

11 CALLED UP SHARE CAPITAL

Allotted and issued Number	Class	Nominal value £1	2012 £	2011 £
2,500	Ordinary		<u>2,500</u>	<u>2,500</u>

12 RESERVES

	Retained earnings £	Share premium £	Totals £
At 1 January 2012	2,776,621	380,409	3,157,030
Profit for the year	174,591		174,591
At 31 December 2012	<u>2,951,212</u>	<u>380,409</u>	<u>3,331,621</u>

13 TRADE AND OTHER PAYABLES

	2012 £	2011 £
Current		
Trade creditors	118,321	115,698
Social security and other taxes	9,806	13,886
Other creditors	22,456	21,667
Amounts due to group undertakings	89,218	89,376
Accrued expenses	48,456	58,186
	<u>288,257</u>	<u>298,813</u>

14 FINANCIAL LIABILITIES - BORROWINGS

	2012 £	2011 £
Non-current		
Parent company loan	<u>300,000</u>	<u>450,000</u>
Terms and debt repayment schedule		
		2-5 years £
Parent company loan		<u>300,000</u>

15 DEFERRED TAX

	2012 £	2011 £
Balance at 1 January	200,000	210,000
Movement in the year	<u>(25,000)</u>	<u>(10,000)</u>
Balance at 31 December	<u>175,000</u>	<u>200,000</u>

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2012**

16 ULTIMATE PARENT COMPANY

The directors consider the ultimate holding company to be Bachem Holding A G , a company incorporated in Switzerland. Copies of the group accounts are available from Delph Court, Sullivans Way, St Helens, WA9 5GL

17 RELATED PARTY DISCLOSURES

During the period Bachem (UK) Limited has transactions with the following related parties by virtue of common control of the ultimate shareholders and Managing Directors

	Goods sold in year	Goods purchased in year	Amount recoverable at year end	Amount payable at year end
Bachem Holding -2012	nil	£39,307	nil	£23,442
(2011)	nil	£32,853	nil	£20,000
Bachem AG-2012	£452,020	£119,467	£72,790	£50,177
(2011)	£461,664	£45,676	£46,814	£6,616
Bachem Americas Inc 2012	£662,922	£4,778	£260,062	nil
(2011)	£451,644	nil	£40,713	nil
Bachem Bioscience-2012	nil	nil	nil	nil
(2011)	£4,818	nil	nil	nil
Peninsula Laboratories Inc -2012	£6,508	£3,590	£3,624	nil
(2011)	£1,101	£357,141	£637	£57,413
Bachem California Inc -2012	nil	£4,778	nil	£4,778
(2011)	£14,073	£505	nil	£505
Bachem Distribution-2012	nil	£108,752	nil	£10,821
(2011)	nil	£147,393	£18,971	£4,842