

## **Aegate Limited**

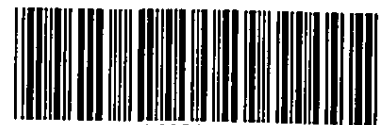
Report and Financial Statements

Year Ended

31 December 2010

Company Number 05089909

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# **Aegate Limited**

## **Report and financial statements for the year ended 31 December 2010**

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### **Directors**

G Noon  
C Haynes  
K Janjua  
D Cooksey

### **Secretary and registered office**

C Haynes, 5th Floor Liscartan House, 127-131 Sloane Street, London, SW1X 9AS

### **Company number**

05089909

### **Auditors**

BDO LLP, 55 Baker Street, London, W1U 7EU

# **Aegate Limited**

## **Report of the directors for the year ended 31 December 2010**

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The directors present their report together with the audited financial statements for the year ended 31 December 2010

### **Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the year

The directors do not recommend payment of a dividend (2009 - £Nil)

### **Principal activities and business review**

The principal activity of the company continues to be providing a pharmaceutical drug authentication service to pharmacists and pharmaceutical manufacturers to improve patient safety

In March 2010 an offer by Aegate Holdings AG was made and accepted for the entire share capital of Aegate Ltd. All shareholders received equivalent shares in Aegate Holdings AG.

During the year the company transferred the fixed assets and all Intellectual Property to Aegate Geneva GmbH, a subsidiary of Aegate Ltd. Subsequently, the business of Aegate Geneva GmbH was sold to Aegate Salus AG, a recently incorporated subsidiary of Aegate Holdings AG.

The directors consider that the results for the year and the financial position at the end of the year were satisfactory.

### **Directors**

The directors of the company during the year were

J Moynihan	(resigned 23 June 2010)
G Noon	
K Janjua	(resigned 23 June 2010)
K Janjua	(appointed 20 December 2010)
M Stapleton	(resigned 23 June 2010)
C Haynes	
D Cooksey	(appointed 6 September 2011)

In accordance with the Articles of Association, the directors are not required to retire from the board on a rotational basis.

### **Directors' indemnity and insurance**

In accordance with the Articles of Association, the company has provided to all the directors, an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office, and the company has taken out an insurance policy in respect of those liabilities for which directors may not be indemnified. Neither the indemnity nor the insurance provides cover in the event that the director is proved to have acted dishonestly or fraudulently.

# Aegate Limited

## Report of the directors for the year ended 31 December 2010 (*continued*)

### Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping 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.

### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

In preparing this directors' report advantage has been taken of the small companies' exemption.

### By order of the Board

C Haynes

### Secretary

Date 2/11/2011

# **Aegate Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF AEGATE LIMITED**

We have audited the financial statements of Aegate Limited for the year ended 31 December 2010 which comprise the profit and loss account, the balance sheet and the related notes. 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 auditor's 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 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss 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 matters 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.

# Aegate Limited

## Independent auditor's report (*continued*)

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### 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, and
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies' regime

*BDO LLP*

Julian Frost (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom

Date *02/11/2011*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# Aegate Limited

## Profit and loss account for the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	2	633,559	358,263
Cost of sales		(319,215)	-
<b>Gross profit</b>		<b>314,344</b>	<b>358,263</b>
Other Income	3	2,507,127	-
Administrative expenses		(6,392,350)	(7,095,460)
Gain on disposal	11	1,786,429	-
<b>Operating loss</b>	3	<b>(1,784,450)</b>	<b>(6,737,197)</b>
Interest receivable	6	1	1,412
Interest payable and similar charges	7	(1,012,810)	(708,745)
<b>Loss on ordinary activities before taxation</b>		<b>(2,797,259)</b>	<b>(7,444,530)</b>
Taxation on loss on ordinary activities	8	144,606	-
<b>Loss on ordinary activities after taxation</b>		<b>(2,652,653)</b>	<b>(7,444,530)</b>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 7 to 18 form part of these financial statements

# Aegate Limited

## Balance sheet at 31 December 2010

<i>Company number 05089909</i>	<b>Note</b>	<b>2010 £</b>	<b>2010 £</b>	<b>2009 £</b>	<b>2009 £</b>
<b>Fixed assets</b>					
Tangible assets	9		46,972		206,087
Intangible assets	10		-		10,343
Investments	11		1,756,659		1
			<u>1,803,631</u>		<u>216,431</u>
<b>Current assets</b>					
Debtors	12	735,560		1,236,881	
Cash at bank		352,930		387,671	
		<u>1,088,490</u>		<u>1,624,552</u>	
<b>Creditors: amounts falling due within one year</b>	13	2,362,360		1,171,235	
<b>Net current (liabilities)/assets</b>			<u>(1,273,870)</u>		<u>453,317</u>
<b>Total assets less current liabilities</b>			<u>529,761</u>		<u>669,748</u>
<b>Creditors: amounts falling due after more than one year</b>	14		19,233,933		17,221,267
<b>Net liabilities</b>			<u>(18,704,172)</u>		<u>(16,551,519)</u>
<b>Capital and reserves</b>					
Called up equity share capital	15		12,301,320		12,301,320
Other reserves	16		2,354,483		1,854,483
Profit and loss account	17		(33,359,975)		(30,707,322)
<b>Shareholders' deficit</b>	18		<u>(18,704,172)</u>		<u>(16,551,519)</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime under The Small Companies and Groups Regulations 2009

The financial statements were approved by the Board of Directors and authorised for issue on 2/11 2011

C Haynes  
Director

The notes on pages 7 to 18 form part of these financial statements



# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010

### 1 Accounting policies

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

The following principal accounting policies have been applied

#### *Going concern*

These financial statements have been prepared on a going concern basis because Ipex Capital Limited has committed to provide continued financial support to enable the company to meet its liabilities as they fall due

The directors consider that Ipex Capital Limited has the financial capacity to provide the necessary level of financial support

#### *Cash flow statement*

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as the company is a small company

#### *Turnover*

Turnover is stated net of value added tax and similar taxes

#### *Research and development*

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

#### *Fixed assets*

All fixed assets are initially recorded at cost

#### *Fixed asset investments*

Investments are included as fixed assets and are shown at cost less provision for any diminution in value considered permanent

#### *Depreciation*

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant and machinery	-	33% on cost
Computer equipment	-	20% - 50% on cost
Fixtures and fittings	-	10% - 20% on cost
Computer software	-	33% - 40% on cost

#### *Operating lease agreements*

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

#### *Pension costs*

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

### 1 Accounting policies (*continued*)

#### *Deferred taxation*

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

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

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

#### *Foreign currencies*

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Monetary assets and liabilities in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date

#### *Financial instruments*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity

#### *Consolidation*

Under the provision of section 401 of the Companies Act 2006 the company is exempt from preparing consolidated accounts as it is consolidated in the financial statements of the parent entity, Aegate Holdings AG. The financial statements of Aegate Holdings AG have been appended to these accounts

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

### 2 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company

An analysis of turnover is given below

	2010 £	2009 £
Europe	633,559	358,263

### 3 Operating loss

	2010 £	2009 £
This has been arrived at after charging/(crediting)		
Other income	(2,507,127)	-
Depreciation of own fixed assets	34,642	178,759
Amortisation	520	5,603
Auditors' remuneration		
- audit services	16,000	13,300
- non audit services	21,000	5,000
Operating lease costs		
- land and buildings	146,236	220,123
- other	90,239	45,988
Net loss on foreign currency translation	40,904	39,264

Other income arises from charging group companies for services supplied by Aegate Limited

### 4 Employees

Staff costs (including directors) consist of

	2010 £	2009 £
Wages and salaries	2,534,203	2,841,795
Social security costs	453,572	479,929
Other pension costs	118,675	128,715
	3,106,450	3,450,439

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

### 4 Employees (continued)

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

	2010 Number	2009 Number
UK	26	35
Belgium	8	9
Greece	12	17
Italy	7	7
	<u>53</u>	<u>68</u>

### 5 Directors

	2010 £	2009 £
Salaries	50,039	210,231
Pension contributions	1,648	9,672
Other benefits	1,201	708
	<u>52,888</u>	<u>220,611</u>

### 6 Interest receivable

	2010 £	2009 £
Bank interest receivable	<u>1</u>	<u>1,412</u>

### 7 Interest payable and similar charges

	2010 £	2009 £
Bank interest payable	144	56
Finance charges on shares classed as financial liabilities	1,012,666	708,689
	<u>1,012,810</u>	<u>708,745</u>

Interest payable to group undertakings amounted to £1,012,666 (2009 - £708,689)

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

### 8 Taxation on loss from ordinary activities

	2010 £	2009 £
(a) Analysis of charge in the year		
<i>Current tax</i>		
UK corporation tax on results of the year	-	-
Research & Development tax credit	(144,606)	-
	<hr/>	<hr/>
Total current tax	(144,606)	-
	<hr/>	<hr/>

#### (b) Factors affecting current tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	(2,797,259)	(7,444,530)
	<hr/>	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	(783,233)	(2,084,468)
Effects of		
Non-taxable income	(500,200)	-
R&D tax credit	(144,606)	-
Expenses not deductible for tax purposes	403,348	208,726
Short term timing differences	2,891	11,374
Non-trading loan	(22,102)	12,253
Losses carried forward	899,296	1,852,115
	<hr/>	<hr/>
Current tax charge for year (note 8(a))	(144,606)	-
	<hr/>	<hr/>

No deferred tax asset will be recognised, however there are losses carried forward of £17,736,885 (2009 - £15,087,630)

#### (c) Factors that may affect future tax charges

The directors are not aware of any factors likely to materially affect the tax charge in future years

# Aegate Limited

Notes forming part of the financial statements  
for the year ended 31 December 2010 (*continued*)

## 9 Tangible assets

	Plant and machinery £	Computer equipment £	Fixtures and fittings £	Total £
<i>Cost</i>				
At 1 January 2010	22,500	976,903	37,252	1,036,655
Additions	428	43,970	2,475	46,873
Disposals	(10,302)	(1,004,523)	-	(1,014,825)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	12,626	16,350	39,727	68,703
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2010	4,926	824,287	1,355	830,568
Charge for the year	2,886	23,811	7,945	34,642
Disposals	(4,007)	(839,543)	71	(843,479)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2010	3,805	8,555	9,371	21,731
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2010	8,821	7,795	30,356	46,972
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	17,574	152,616	35,897	206,087
	<hr/>	<hr/>	<hr/>	<hr/>

## 10 Intangible assets

	Computer software £
<i>Cost</i>	
At 1 January 2010	15,946
Disposals	(15,946)
	<hr/>
At 31 December 2010	-
	<hr/>
<i>Amortisation/Impairment</i>	
At 1 January 2010	5,603
Charge for the year	520
Disposals	(6,123)
	<hr/>
At 31 December 2010	-
	<hr/>
<i>Net book value</i>	
At 31 December 2010	-
	<hr/>
At 31 December 2009	10,343
	<hr/>

# Aegate Limited

Notes forming part of the financial statements  
for the year ended 31 December 2010 (*continued*)

## 11 Investments

			Shares in group undertakings £
<i>Cost</i>			
At 1 January 2010			1
Additions			1,756,658
			<hr/>
At 31 December 2010			<b>1,756,659</b>
			<hr/>
Name of undertaking	Location	Class	%
Aegate Inc	USA	Common stock	100
Aegate Geneva GmbH	Switzerland	Common stock	100

On 2 March 2010 the company acquired the entire share capital of Aegate Geneva GmbH on incorporation

On incorporation, IP was transferred from the company to Aegate Geneva GmbH, along with other assets, liabilities and employees. The gain on disposal in respect of the transfer was £1,786,429

## 12 Debtors

	2010 £	2009 £
Trade debtors	173,896	128,658
Amounts owed by group undertakings	111,809	74,540
VAT recoverable	172,189	324,618
Other debtors	204,164	581,165
Prepayments	73,502	127,900
	<hr/>	<hr/>
	735,560	1,236,881
	<hr/>	<hr/>

The debtors above include the following amounts falling due after more than one year

	2010 £	2009 £
Other debtors	21,372	17,628
	<hr/>	<hr/>

# Aegate Limited

Notes forming part of the financial statements  
for the year ended 31 December 2010 (*continued*)

## 13 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	328,210	291,347
Amounts owed to group undertakings	1,362,258	30,858
Other taxation and social security	105,428	138,847
Other creditors	566,464	710,183
	<u>2,362,360</u>	<u>1,171,235</u>

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

	2010 £	2009 £
Shares classed as financial liabilities	17,084,000	16,084,000
Other creditors	2,149,933	1,137,267
	<u>19,233,933</u>	<u>17,221,267</u>

Other creditors falling due after more than one year represent interest accrued on the preference shares. Preference shares and accrued interest are repayable on a liquidity event. As a liquidity event is not expected to happen in the foreseeable future, preference shares and accrued interest therefore have been classified as a long term liability.



# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 *(continued)*

### 15 Share capital

	2010 Number	Allotted, called up and fully paid 2009 Number	2010 £	2009 £
'A' ordinary shares of £0 0001 each	10,000,000	10,000,000	1,000	1,000
'B' ordinary shares of £0 0001 each	3,200,000	3,200,000	320	320
Deferred shares of £1 each	12,300,000	12,300,000	12,300,000	12,300,000
'B' preferred shares of £1 each	17,084,000	16,084,000	17,084,000	16,084,000
	<b>42,584,000</b>	<b>41,584,000</b>	<b>29,385,320</b>	<b>28,385,320</b>
			2010 £	2009 £
<b>Amounts presented in equity:</b>				
'A' ordinary shares of £0 0001 each			1,000	1,000
'B' ordinary shares of £0 0001 each			320	320
Deferred shares of £1 each			12,300,000	12,300,000
			<b>12,301,320</b>	<b>12,301,320</b>
<b>Amounts presented in liabilities:</b>				
'B' preferred shares of £1 each			17,084,000	16,084,000

The following shares were issued during the year

On 25 January 2010, £524,072 of preference share capital issued in 2009 was paid in cash

On 19 February 2010, 1,000,000 preference shares were issued at par for cash

On 25 March 2010, 500,000 preference shares were issued at par for cash. These were subsequently cancelled when an equivalent number of shares in the parent company, Aegate Holdings AG, were issued

The rights of the shares as they pertained at the balance sheet date are as follows

'A' ordinary shares - no voting rights, the right to dividends, the right to receive the proceeds of the return of capital on liquidation or otherwise after the payment of amounts due to the preference shareholders

'B' ordinary shares - full voting rights, no right to dividends, no right to receive the proceeds of the return of capital on liquidation or otherwise

Deferred shares - no voting rights, no rights to dividends or other distributions out of the revenue or any other profits of the company, the right to receive the proceeds of the return of capital on a winding-up or other return of assets of the company only after the debts and liabilities and the costs of winding-up have been paid or allowed for and after there has been paid on each equity share the sum of £10 million sterling or its equivalent in any other currency in which payment is determined to be made

'B' preferred shares - no voting rights, the right to dividends, the right to receive an amount equal to the nominal value of the share plus the 'additional amount' on a return of capital on the liquidation of the company. The 'additional amount' is a cumulative dividends of 6% p a of the nominal value of the share, less the amount of any dividends paid on the share

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

### 16 Other reserves

	2010 £	2009 £
Other	2,354,483	1,854,483

Included within other reserves is £1,854,483 of interest payable on preference shares that was waived during 2009 on 12,300,000 preference shares that became deferred shares. This is included in other reserves as in substance this waiver of interest due was a capital contribution by the majority shareholder at that time.

During 2010, £500,000 preference shares were issued to the majority shareholder at the time, then subsequently cancelled by a capital reduction in accordance with The Companies (Reduction of Share Capital) Order 2008. The cash was not returned to the parent and has been treated as a capital contribution by the majority shareholder at that time.

### 17 Profit and loss account

	2010 £	2009 £
Balance brought forward	(30,707,322)	(23,262,792)
Loss for the financial year	(2,652,653)	(7,444,530)
Balance carried forward	(33,359,975)	(30,707,322)

### 18 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Loss for the financial year	(2,652,653)	(7,444,530)
Other (note 16)	500,000	-
Net addition to shareholders' funds	(2,152,653)	(7,444,530)
Opening shareholders' deficit	(16,551,519)	(9,106,989)
Closing shareholders' deficit	(18,704,172)	(16,551,519)

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (continued)

### 19 Pensions

#### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £118,675 (2009 - £128,714).

At the year end there were contributions of £10,325 (2009 - £14,543) payable to the scheme and are included in creditors.

There are no directors accruing retirement benefits under the defined contribution pension scheme (2009 - 1).

### 20 Commitments under operating leases

As at 31 December 2010, the company had annual commitments under non-cancellable operating leases as set out below.

	2010 Land and buildings £	2010 Other £	2009 Land and buildings £	2009 Other £
Operating leases which expire				
Within one year	26,355	-	-	-
In two to five years	-	61,903	96,525	56,876
More than five years	71,766	-	-	-
	<u>98,121</u>	<u>61,903</u>	<u>96,525</u>	<u>56,876</u>

### 21 Other financial commitments

As at 31 December 2010, the company had annual commitments under non-cancellable service contracts as set out below.

	2010 £	2009 £
Service contracts which expire		
Within one year	299,915	266,550
Within two to five years	-	310,975
In over five years	-	-
	<u>299,915</u>	<u>577,525</u>

# Aegate Limited

## Notes forming part of the financial statements for the year ended 31 December 2010 (*continued*)

### 22 Related party transactions

During the period the company entered into £1,229,770 (2009 - £8,743,191) of related party transactions with Ipex Capital Limited, Aegate Geneva GmbH, Aegate Salus AG and Aegate Holdings AG as follows

	2010 £
Trade debtors and creditors	2,010,750
Preference shares	(1,524,972)
Accrued interest on preference shares	(1,012,666)
Equity contribution in cash	12,668
Equity contribution in kind	1,743,990
	<hr/>
	1,229,770

£20,585,000 was owed by Aegate Limited at 31 December 2010 to Aegate Holdings AG, and £111,809 was owed to Aegate Limited from Aegate Geneva GmbH and Aegate Inc (2009 - £16,638,049)

### 23 Ultimate controlling party

The ultimate controlling party to the company is Ipex 1 Fund Limited Partnership, a partnership registered in England, which is the parent of both the smallest and largest groups of which the company is a member

The immediate parent company is Aegate Holdings AG, a company registered in Switzerland



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BDO Ltd  
Rte de Meyrin 123  
CH-1219 Châtelaine

To the Board of Directors of

**Aegate Holdings AG**

Geneva

**Report on the Audit of the Consolidated Financial Statements  
as of 31 December 2010**

(for the period from 1 March to 31 December 2010)

**THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY  
No. 5089909**

28 October 2011  
11766/21506361/4-10

THESE ACCOUNTS  
FORM PART OF THE  
GROUP ACCOUNTS  
OF COMPANY



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BDO Ltd  
Rte de Meyrin 123  
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**Report of the Auditors on the Consolidated Financial Statements  
to the Board of Directors of**

**Aegate Holdings AG, Geneva**

In accordance with the terms of our engagement, we have audited the accompanying consolidated financial statements of Aegate Holdings AG, which comprise the balance sheet, income statement, cash flow statement, statement of shareholders' equity and notes for the period from 1 March 2010 to 31 December 2010.

***Board of Directors' Responsibility***

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Swiss GAAP RPC and with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements for the period from 1 March 2010 to 31 December 2010 give a true and fair view of the financial position, the results of operations and the cash flow in accordance with Swiss GAAP RPC and are in compliance with Swiss law

Without qualifying our opinion, we draw your attention to note 4 of the financial statements, which indicates that the company's ability to act as a going concern depends on the financial support provided by its major shareholder, and to note 6 of the financial statements, which indicates that there is an uncertainty regarding the potential impairment of the intellectual property

Geneva, 28 October 2011

BDO Ltd

A handwritten signature in black ink, appearing to be 'M. Paffrath', written over the printed name.

Matthias Paffrath

Auditor in Charge  
Licensed Audit Expert

A handwritten signature in black ink, appearing to be 'Alexandre Ogay', written over the printed name.

pp Alexandre Ogay

Licensed Audit Expert

Enclosures

Consolidated financial statements



**AEGATE HOLDINGS AG**  
**Geneva**

**CONSOLIDATED BALANCE SHEET FOR THE FIRST**  
**FINANCIAL YEAR ENDED ON 31 DECEMBER 2010**  
 (period from 1 March to 31 December)

	<i>Note</i>	<u>31 Dec 2010</u> CHF 000's
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at bank		620
Trade Debtors - third parties		254
Prepaid expenses & accrued income		757
Total current assets		<u>1'631</u>
<b>Non current assets</b>		
Tangible fixed assets		220
Intangible fixed assets		2'649
Total non current assets		<u>2'869</u>
<b>Total assets</b>		<u><u>4'500</u></u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade creditors - third parties		508
Other creditors		332
Payable interests on loan from shareholders		99
Accrued liabilities		906
Total current liabilities		<u>1'845</u>
<b>Long Term liabilities</b>		
Loan from shareholders		6'202
Total liabilities		<u>8'047</u>
<b>Shareholder's equity</b>		
Share Capital		960
Participation Capital		276
Legal Reserve from capital contribution		3'059
Retained earnings		(7'842)
Total shareholder's equity		<u>(3'547)</u>
<b>Total liabilities and shareholder's equity</b>		<u><u>4'500</u></u>

AEGATE HOLDINGS AG  
Geneva

**CONSOLIDATED INCOME STATEMENT FOR THE FIRST**  
**FINANCIAL YEAR ENDED ON 31 DECEMBER 2010**  
(period from 1 March to 31 December)

	<i>Note</i>	2010 (300 days) CHF 000's
<b>Revenue</b>		
Turnover		828
Cost of sales		(24)
<b>Gross Margin</b>		804
<b>Expenses</b>		
Personnel costs		(5'070)
Depreciation of fixed assets		(175)
Amortisation of intangible assets		(350)
Other expenses		(3'420)
<b>Operating Loss</b>		(8'211)
Finance expense		(186)
<b>Loss before tax</b>		(8'397)
Corporation taxes on profit and capital		223
<b>Loss for the first financial period</b>		(8'174)
 Dividend paid		 -
Negative goodwill arising from group restructuration		332
<b>Closing Retained Earnings</b>		(7'842)

AEGATE HOLDINGS AG  
Geneva

**STATEMENT OF CONSOLIDATED CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2010**

	<u>2010</u> CHF 000's
<b>Cash flows from operating activities</b>	
Loss for the first financial period	(8'174)
Amortisation of intangible assets	350
Depreciation of fixed assets	175
Decrease/(increase) of trade debtors	(254)
Decrease/(increase) of prepaid expenses & accrued income	(757)
Increase/(decrease) of trade creditors	508
Increase/(decrease) of other creditors	332
Increase/(decrease) of payable interests on loan from shareholders	99
Increase/(decrease) of accrued liabilities	906
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(6'815)</b>
<b>Cash flows from investing activities</b>	
Purchase of tangible fixed assets	(395)
Purchase of intangible assets	(2'999)
Negative goodwill arising from group restructuring	332
<b>Net cash inflow from investing activities</b>	<b>(3'062)</b>
<b>Cash flows from financing activities</b>	
Increase in loan from shareholders	6'202
Contribution from shareholders/participants	4'295
<b>Net cash outflow from financing activities</b>	<b>10'497</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>620</b>
Cash and cash equivalents 9 March	0
Cash and cash equivalents 31 December	620
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>620</b>

AEGATE HOLDINGS AG  
Geneva

STATEMENT OF CHANGES IN EQUITY FOR THE FIRST  
FINANCIAL YEAR ENDED ON 31 DECEMBER 2010

	Share Capital CHF 000's	Participation Capital CHF 000's	Legal Reserve CHF 000's	Retained Earnings CHF 000's	Total CHF 000's
Issued on incorporation	960	250	3'059		4'269
Issued during year		26	-		26
Dividend distribution	-	-	-		-
Result for the period	-	-	-	(8'174)	(8'174)
Neg goodwill arising from restr	-	-	-	332	332
As at 31 December 2010	960	276	3'059	(7'842)	(3'547)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**1. Activity and scope**

Aegate Holdings AG ("the Company") was incorporated in Geneva, Switzerland, on 22 March 2010, and as such prepares its financial statements for statutory purposes in accordance with the provisions of Swiss law and the Company's bylaws. The Company is the ultimate holding company of a group of companies ("the Group") which prepares its consolidated financial statements according to Swiss GAAP RPC.

The Group is composed of the following entities as at 31 December 2010

Entity	Activity within the organisation	Scope of consolidation	Date	Entry in Group Method	Rights	
					Voting	Participation
Aegate Holdings AG Genève	Holding company	Ultimate holding company	22 03 2011	Incorporation/restructuring	-	
Aegate Ltd London	Development services and operational activities	Subsidiary	22 03 2011	Restructuring	100%	100%
Aegate Inc Arlington (USA)	Dormant	Subsidiary of Aegate Ltd	22 03 2011	Restructuring	100% ind	100% ind
Aegate Genève GmbH Genève	Dormant	Subsidiary of Aegate Ltd	22 03 2011	Restructuring	100% ind	100% ind
Aegate Salus AG Genève	Management of Intellectual Property Rights and of group fixed assets	Subsidiary	06 06 2011	Inception	100%	100%

Given the fact that all entities are held at 100%, they are consolidated using the integral method under which the net assets value of these entities is eliminated against the investment value reported in the statutory financial statements of Aegate Holdings AG.

**2. Summary of significant accounting principles**

The principal accounting methods applied for the presentation of the consolidated financial statements are the following:

**a) Functional currency**

These financial statements are prepared according to Swiss GAAP RPC in Swiss Francs (CHF) as functional and reporting currency.

**b) Revenue recognition**

The revenues of the company are mainly composed of services provided to clients which are recognised based on the period they are referring to. Sales of goods are recognised upon delivery to the customer.

**c) Foreign Currency**

Transactions denominated in foreign currencies are converted in Swiss Francs, at actual monthly exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period-end are reported at the rates of exchange prevailing at the period end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transactions is included in the income statement.

**d) Investments**

Investments are stated at cost less provisions necessary to account for any permanent impairment in value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**e) Intangible fixed assets**

Intangible fixed assets are stated at cost less their periodical depreciation and any impairment required in the circumstances

**f) Tangible fixed assets**

Tangible fixed assets are stated at cost. Depreciation is calculated on a straight line basis over the estimated useful lives of the related assets using the following rates

- Computer system and equipment	20% - 50%
- Plant & Machinery	33%
- Furniture & Fittings	10% - 20%

In addition to the periodical depreciation, the company examines at the end of each year if there are indicators that an asset's net realisable value might be under its book value. In such case, the necessary impairment is calculated and booked in addition to the usual depreciation.

**3. Deferred taxes**

Given the fact that the statutory financial statements of all the companies included in this consolidation are determinant for taxation and have not been retreated as part of the consolidation process, there are no deferred taxes.

Despite the existence of losses recognised by the competent tax Authorities which will be carried forward for compensation against future profits, the company has not recognised deferred tax assets given the uncertainty of the possibility to compensate part or all of these losses in the legal timeframe as defined by the relevant tax legislations applicable. The detail of the compensable losses from a tax perspective as at 31 December 2010 is as follows:

Entity	Amount CHF 000's
Aegate Ltd, London	23,161
Aegate Holdings AG, Genève	310
Aegate Salus AG, Genève	898
Aegate Geneva GmbH, Genève	446
<b>TOTAL</b>	<b>24,815</b>

Aegate Holdings AG  
Geneva

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**4. Going concern**

The consolidated financial statements of Aegate Holdings AG have been prepared on a going concern basis because the major shareholder has confirmed their intention to provide continued financial support to enable the company to meet its liabilities as they fall due. The Directors and Management consider that the major shareholder has effectively the financial capacity to provide the necessary level of financial support.

**5. Tangible fixed assets**

	Computer equipment CHF 000's	Plant and machinery CHF 000's	Furniture and fixings CHF 000's	Total CHF 000's
<b>Cost</b>				
Opening balance	1,678	37	68	1,783
Additions	16	1		17
Foreign exchange revaluation	40	(2)	(10)	28
Closing balance	1,734	36	58	1,828
<b>Depreciation</b>				
Opening balance	1,383	9	4	1,396
Charge for year	155	9	11	175
Foreign exchange revaluation	38		(1)	37
Closing balance	1,576	18	14	1,608
<b>Net book value</b>				
- at 31 December 2010	158	18	44	220

Aegate Holdings AG  
Geneva

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**6. Intangible fixed assets**

	Intellectual Property rights CHF 000's	Total CHF 000's
<b>Cost</b>		
Opening balance	0	0
Additions	2,918	2,918
Foreign exchange revaluation	81	81
	<hr/>	<hr/>
Closing balance	2,999	2,999
	<hr/>	<hr/>
<b>Depreciation</b>		
Opening balance	0	0
Charge for year	350	350
Foreign exchange revaluation	0	0
	<hr/>	<hr/>
Closing balance	350	350
	<hr/>	<hr/>
<b>Net book value</b>		
- at 31 December 2010	2,649	2,649

During the last 5 years, the engineers of Aegate Ltd, a fully owned subsidiary, have been intensively working to develop an integrated solution for pharmaceutical drug authentication service to pharmacists and pharmaceutical manufacturers in order to improve patient safety. Given the fact, that a first integrated solution has been completed during the year 2007 and has reached a stage at which it can be commercialised at end of 2009, the management has decided to create a subsidiary dedicated to the management of the Intellectual Property Rights, Aegate Salus AG, in Geneva, in the view of the forthcoming important contracts to be concluded with major pharmaceutical companies. As part of this transfer, the intellectual property rights have been valued by an independent advisor to be of GBP 1'786k, which is below the production cost of the rights as it was incurred by Aegate Ltd.

These intellectual property rights are depreciated on a linear basis over a 5 years period which corresponds to the minimum estimated duration of the long term contracts which are currently being negotiated with potential clients.

The intangible assets are assessed annually to determine whether there is any impairment in value. Furthermore, the assets are constantly being enhanced by the development engineers within Aegate Ltd under instruction from Aegate Salus AG. The Directors and Management conclude that there has been no impairment to the intangible assets since, at the date of signing of the accounts, contracts relying on the use of the intellectual property are at an advanced stage of negotiation. These contracts equate to many times the value of the intangible assets. However, there is remaining uncertainty on whether the underlying expectations will be met.



Aegate Holdings AG  
Geneva

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2010

**7. Pledged assets**

As at 31 December, pledged assets are as follows

	<u>2010</u> <u>CHF</u>
Cash at bank consigned awaiting release	5'000
	<u>5'000</u>

**8. Bank overdraft, commitment and contingent liabilities**

As at 31 December, the Group had a loan facility from the majority shareholder of GBP 5,050,000 and had utilised GBP 4,250,000 of the facility

The Group has entered into commitments (other than office and operating lease rentals, see note 13) by means of

	<u>2010</u> <u>CHF 000's</u>
Service contracts expiring within one year	438
	<u>438</u>

Aegate Holdings AG  
Geneva

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**9. Finance income**

Finance expense	2010 CHF 000's
Paid to banks	-
Paid to shareholder	(186)
Bank charges	-
	<hr/> (186) <hr/>
Finance income	2010 CHF 000's
Received from banks	-
Other	-
	<hr/> - <hr/>
Total Finance expense	<hr/> (186) <hr/>

**10. Pension Fund**

The Company does not manage its own pension fund but uses third-party schemes as follows

- In the United Kingdom Aegate Ltd operates a defined contribution scheme through a third party provider. The company contributes a fixed percentage for each employee who is a member of this scheme.
- In Switzerland The Swiss entities have jointly adhered to a Pension scheme proposed by the insurance AXA Winterthur which fully comply with the Swiss laws minimal requirements (LPP regulation). As part of the contractual agreement with the insurer, there are no legal obligations for Aegate to contribute to a pension plan deficit or benefit from a pension plan surplus. The Swiss companies are only committed to pay ordinary contributions as defined contractually, in Swiss laws and in the pension scheme. In addition, a resignation is possible periodically. Therefore, no pension liability has to be determined in accordance with Swiss GAAP.

Aegate Holdings AG  
Geneva

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**11. Personnel costs**

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

	<u>2010</u>
Average number of employees	<u>54</u>

Particulars of employee costs (including directors) are as follows

	<u>2010</u>
	<u>CHF 000's</u>
Salaries	3,981
Social security costs	622
Pension costs	169
Other	298
	<u>5,070</u>

The salaries figure above includes annual staff bonuses

**12 Fire insurance value of tangible assets**

As at 31 December 2010, tangible assets are insured against loss from fire for an amount of CHF 590,000

Aegate Holdings AG  
Geneva

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2010

**13. Office and operating lease rentals**

As at 31 December, office (including parking) and operating lease rentals are payable as follows

	<u>31.12.2010</u> CHF 000's
Office (including parking) rentals	
Between 1 January 2011 to 31 December 2011	115
Between 1 January 2012 to 31 December 2012	105
Between 1 January 2013 to 31 December 2013	105
Between 1 January 2014 to 31 December 2014	105
Between 1 January 2015 to 31 December 2015	105
Between 1 January 2016 to 31 December 2016	100
Between 1 January 2017 to 31 December 2017	47
Between 1 January 2018 to 31 December 2018	35
	<hr/> 717
Operating lease rentals	
Between 1 January 2011 to 31 December 2011	90
Between 1 January 2012 to 31 December 2012	56
Between 1 January 2013 to 31 December 2013	37
Between 1 January 2014 to 31 December 2014	6
	<hr/> 189

**14. Share Capital**

The holding company share capital is made up of 3'200'000 nominative shares of nominal CHF 0.30 each for a total amount of CHF 960'000.00. This capital was paid in full by a contribution in nature consisting in 3'200'000 shares, category B, of Aegate Ltd in London (GB) accepted for a value of CHF 0.30 each as per contract dated 9 March 2010.

Aegate Holdings AG  
Geneva

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT 31 DECEMBER 2010**

**15. Participation Capital**

As at 31 December 2010, the participation capital is composed of the following certificates

10'000'000 ordinary certificates of nom CHF 0.01 each	CHF	100'000
17'584'000 privileged certificates of nom CHF 0.01 each	CHF	175'840
1 ordinary certificates of nom CHF 1.00 each	CHF	1
<b>TOTAL</b>	<b>CHF</b>	<b>275'841</b>

The privileged certificates are entitled to receive in priority before any other participant, in case of reimbursement of capital following the liquidation of the company, a proceed in Swiss Francs corresponding to the equivalent of GBP 1 for each certificate plus an amount corresponding to a compounded interests of 6% per annum starting at the participation capital constitution calculated on the value of GBP 1

The participation capital has been full paid in by contribution in nature of shares of Aegate Ltd, London (GB) as described on note 16

**16. Reserves from Capital Contributions**

The reserves from capital contributions has been constituted as part of the contributions in nature processed by the shareholders of Aegate Ltd for the payment of the participation capital described in note 14, in accordance with the shareholders contractual agreements made on 9 March 2010 and 19 April 2010. The contributions in nature processed as part of these contracts are as follow

Quantity	Description	Nominal value	Countervalue
<b>Share capital</b>			
3,200,000	Ordinary shares of Aegate Holdings AG	CHF 0.30	CHF 960,000.00
	against contribution in nature of		
3,200,000	Ordinary shares, cat B of Aegate Ltd, London	GBP 0.0001	-CHF 960,000.00
	<b>Reserves from capital contributions</b>		<b>CHF 0.00</b>
10,000,000	Ordinary particip. certif. of Aegate Holdings AG	CHF 0.01	CHF 100,000.00
17,084,000	Privileged particip. certif. of Aegate Holdings AG	CHF 0.01	CHF 170,840.00
1	Ordinary particip. certif. of Aegate Holdings AG	CHF 1.00	CHF 1.00
	against contribution in nature of		
7,926,558	Ordinary shares, cat A of Aegate Ltd, London	GBP 0.0001	-CHF 79,265.58
2,073,442	Ordinary shares, cat A of Aegate Ltd, London	GBP 0.0001	-CHF 20,734.42
17,084,000	Preference shares of Aegate Ltd, London	GBP 1.0000	-CHF 3,229,999.00
12,300,000	Deferred shares of Aegate Ltd, London	GBP 1.0000	-CHF 1.00
	<b>Reserves from capital contributions</b>		<b>CHF 3,059,159.00</b>

Aegate Holdings AG  
Geneva

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2010

**17. Negative Goodwill**

As part of the inception of Aegate Holdings AG, a full group restructuring was operated during which Aegate Ltd was acquired against exchange of shareholding and participation rights as described above in notes n°12, 13 and 14. As part of this operation, a negative goodwill arose given the fact that the values retained for the restructuring were under the effective net assets of Aegate Ltd at the date of the operation, being the 9th of March 2011. The calculation of the negative goodwill can be summarised as follow:

Value of the net assets of Aegate Ltd at restructuring date	CHF	4'622'432
Shareholders and participants titles conversion value (acquisition price)	CHF	4'290'000
<b>Negative goodwill generated by the operation</b>	<b>CHF</b>	<b>332'432</b>

In accordance with the requirements of Swiss GAAP RPC 30, the negative goodwill has been input against the shareholders' equity.

**18. Post balance sheet events**

An increase of the participation capital has been completed in April/May 2011 by the issuance of 350'000 participation certificates B issued at a price above par value, all paid-in in cash.

An additional increase of the participation capital has been completed in August 2011, whereby 64'859'574 participation certificates A issued on this occasion at par value were paid-in by compensation of part of the liabilities of the Company under the shareholder loan agreement.