

S32832

FOREST LABORATORIES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2005



FOREST LABORATORIES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2005

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DIRECTORS

H Solomon (USA)
R Stafford (Republic of Ireland)
J Worth
D Burke (Republic of Ireland)

SECRETARY AND REGISTERED OFFICE

A Livingstone
Bourne Road
Bexley
Kent DA5 1NX

COMPANY NUMBER

532832

AUDITORS

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

FOREST LABORATORIES UK LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2005

The directors submit their report together with the audited financial statements for the year ended 31st March 2005.

Principal Activity & Business Review

The principal activities of the Company are the manufacture and distribution of ethical and over-the-counter pharmaceutical products.

Results & Dividends

The profit and loss statement is set out on page 6 and shows the Company's results for the year, together with the retained profits.

No dividend is proposed.

On 30th November 2005 the Company purchased the trade and intellectual property relating to Infacol in Australia, New Zealand and the far east. Full disclosure of this event is in note 20 to the financial statements.

Research & Development

Research & development is primarily focused on maintaining our current marketing authorisations. We are continuing to invest in the project to develop a new delivery method for one of our products which we believe will, amongst other benefits, greatly enhance the patients quality of life.

Directors

The directors of the Company during the year ended 31st March 2005 were:-

H Solomon	(USA)
R Stafford	(Republic of Ireland)
J Worth	
D Burke	(Republic of Ireland)

None of the directors had any interest in the share capital of the Company during the year or previous year.

Mr R Stafford retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors in the shares of the ultimate parent company are disclosed in

FOREST LABORATORIES UK LIMITED

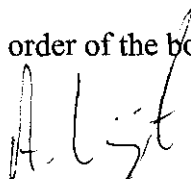
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2005

(continued)

Auditors

A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the board



A Livingstone
Secretary

Date: 7th December 2005.

FOREST LABORATORIES UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31ST MARCH 2005

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FOREST LABORATORIES UK LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF FOREST LABORATORIES UK LIMITED

We have audited the financial statements on pages 6 to 20 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Accounting Standards.

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

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

This report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

FOREST LABORATORIES UK LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
FOREST LABORATORIES UK LIMITED (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st March 2005 and of the Company's results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
London

Date: 7/12/05

FOREST LABORATORIES UK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	<u>NOTE</u>	<u>2005</u>	<u>2004</u>
TURNOVER	2	24,304,821	22,825,312
Cost of Sales		<u>15,769,151</u>	<u>14,928,038</u>
GROSS PROFIT		8,535,670	7,897,274
Distribution Costs		4,695,427	3,947,776
Administrative Expenses		<u>3,691,227</u>	<u>4,103,219</u>
		<u>8,386,654</u>	<u>8,050,995</u>
OPERATING PROFIT	3	149,016	(153,721)
Interest Receivable	6	<u>361,172</u>	<u>383,802</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		510,188	230,081
Taxation	7	<u>(97,600)</u>	<u>240,430</u>
PROFIT FOR THE YEAR		<u><u>412,588</u></u>	<u><u>470,511</u></u>

STATEMENT OF RETAINED PROFITS

Retained profits at 1st April	8,524,494	8,053,983
Profit for the year	<u>412,588</u>	<u>470,511</u>
Retained profits at 31st March	<u><u>8,937,082</u></u>	<u><u>8,524,494</u></u>

All amounts relate to continuing activities.

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

The notes on pages 8 to 20 form part of these financial statements.

FOREST LABORATORIES UK LIMITED
BALANCE SHEET AT 31ST MARCH 2005

	<u>NOTE</u>	<u>2005</u> £	<u>2004</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	8	1,659,928	1,719,858
Intangible Assets	9	3,587,500	3,997,500
Investments	10	1,394	1,394
		<u>5,248,822</u>	<u>5,718,752</u>
<u>CURRENT ASSETS</u>			
Stocks	11	3,334,149	2,870,175
Debtors	12	4,237,110	4,963,183
Cash at bank		8,128,220	7,891,800
		<u>15,699,479</u>	<u>15,725,158</u>
<u>CREDITORS - amounts falling due within one year</u>	13	<u>10,829,419</u>	<u>11,735,216</u>
<u>NET CURRENT ASSETS</u>		<u>4,870,060</u>	<u>3,989,942</u>
<u>TOTAL ASSETS less CURRENT LIABILITIES</u>		<u>10,118,882</u>	<u>9,708,694</u>
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>			
Deferred Taxation	14	82,200	84,600
		<u>10,036,682</u>	<u>9,624,094</u>
<u>CAPITAL and RESERVES</u>			
Called up Share Capital	15		
Equity		215	215
Non-equity		534,723	534,723
<u>RESERVES</u>			
Capital Reserve		564,662	564,662
Profit and loss account		8,937,082	8,524,494
		<u>9,501,744</u>	<u>9,089,156</u>
		<u>10,036,682</u>	<u>9,624,094</u>

APPROVED by the BOARD OF DIRECTORS

R. Stafford

R. Stafford (Signature) *Director* *1st Dec 2005*

D. Burke (Signature)

D. Burke

Date: *7th December 2005*

The notes on pages 8 to 20 form part of these financial statements.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

1. Accounting Policies

(a) Convention

These financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The principal accounting policies which the directors have adopted within that convention are set out below.

(b) Foreign Currency

Foreign currency transactions are translated at the rates ruling when they occurred. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange profits and losses are included in the Company's trading results.

(c) Turnover

Turnover is the amount derived from the provision of goods and services falling within the Company's ordinary activities after deduction of trade discounts and value added tax.

(d) Research & Development

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

(e) Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except for:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company is anticipated to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

1 Accounting Policies (continued)

(f) Tangible Fixed Assets and Depreciation

For all tangible fixed assets depreciation is calculated to write down their cost or valuation to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives, which are considered to be:

Freehold Buildings	40 years
Plant and machinery, fixtures and fittings	Up to 10 years
Motor vehicles	Up to 4 years

(g) Intangible fixed assets and amortisation

Intangible assets consist of trademarks which are recorded at cost less accumulated amortisation. Amortisation is provided on a straight-line basis over the directors estimate of the useful economic life of 10 years.

(h) Patents, Licences and Trade Marks

The normal expenses of maintaining patents, licences and trade marks are charged against the Company's trading results as incurred.

(i) Stock and Work in Progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Cost is calculated as follows:-

Raw materials, bought in parts and consumable stores	-	cost of purchase on first in, first out basis
Work in progress and finished goods	-	cost of raw materials and labour together with attributed overheads based on the normal level of activity.

(j) Pension Costs

Contributions to the Company's pension scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Company.

(k) Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

2. Analysis of Turnover

Turnover is attributable mainly to the manufacture and distribution of Ethical and Over The Counter (OTC) Pharmaceuticals.

Turnover attributable to each of the Company's geographical markets is:-

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
United Kingdom	21,117,883	20,000,845
Republic of Ireland	969,264	814,841
Rest of Europe	849,567	706,212
Middle East	472,790	432,973
Asia	521,891	358,568
Africa	70,928	204,178
Canada	153,065	190,797
Central and South America	149,433	116,898
	<u>24,304,821</u>	<u>22,825,312</u>

All assets of the company are situated within the United Kingdom, and all trading results are generated from operations within the United Kingdom.

3. Operating (Loss) / Profit

Operating (loss) / profit is arrived at after charging / (crediting):

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Depreciation	218,314	222,198
Research and Development Expenditure	1,632,973	2,292,803
Profit on disposal of fixed assets	-	(776)
Loss / (profit) on foreign currency transactions	3,965	(8,307)
Auditor's remuneration		
- audit services	37,431	32,520
- non audit services	16,297	10,940
Operating leases - plant and machinery	9,772	9,772
Operating leases - motor vehicles	<u>39,507</u>	<u>120,198</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

4. Employees

The average monthly number of employees within each category was:

	<u>2005</u>	<u>2004</u>
	<u>No</u>	<u>No</u>
Production	69	70
Distribution	42	44
Administrative	27	26
	<u>138</u>	<u>140</u>

The costs incurred in respect of these employees were:

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Wages and salaries	3,635,678	3,685,313
Social security costs	409,146	387,692
Other pension costs	524,761	521,604
	<u>4,569,585</u>	<u>4,594,609</u>

5. Directors' Emoluments

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Aggregate emoluments	<u>109,890</u>	<u>108,334</u>

Retirement benefits accrued to one director under a defined benefit scheme during the year.

6. Interest Receivable

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Bank interest	<u>361,172</u>	<u>383,802</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

7. Tax on profit on ordinary activities

	<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
Analysis of tax charge / (credit):		
UK corporation tax Current Year	100,000	(332,059)
Prior Years	<u>-</u>	<u>94,029</u>
	100,000	(238,030)
Deferred tax (note 14)	<u>(2,400)</u>	<u>(2,400)</u>
Tax charge / (credit) on profit on ordinary activities	<u>97,600</u>	<u>(240,430)</u>
Factors affecting the UK tax charge for the year:	<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
Profit on ordinary activities before tax	510,188	230,081
Profit on ordinary activities at the standard rate of UK corporation tax at 30% (2004 – 30%)	153,056	69,024
Effects of:		
Expenses not deductible for tax purposes	19,081	14,805
Capital allowances in excess of depreciation	24,564	2,400
Share option exercise tax deduction	(82,800)	(418,288)
Research & Development tax credit	(18,780)	-
Other timing differences	4,879	-
Prior year under provision	-	94,029
Current tax charge / (credit) for the year	<u>100,000</u>	<u>(238,030)</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

8.	<u>Tangible Assets</u>				
	<u>FREEHOLD LAND & BUILDINGS</u>	<u>FURNITURE FIXTURES & FITTINGS</u>	<u>PLANT & MACHINERY</u>	<u>MOTOR VEHICLES</u>	<u>TOTAL</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost at 1st April 2004	1,758,735	761,571	3,109,107	15,964	5,645,377
Additions during year	-	54,821	103,563	-	158,384
Disposals	-	-	-	-	-
Cost at 31st March 2005	<u>1,758,735</u>	<u>816,392</u>	<u>3,212,670</u>	<u>15,964</u>	<u>5,803,761</u>
Depreciation at 1st April 2004	714,979	688,103	2,511,151	11,286	3,925,519
Charge for the year	35,219	37,452	141,683	3,960	218,314
Depreciation at 31st March 2005	<u>750,198</u>	<u>725,555</u>	<u>2,652,834</u>	<u>15,246</u>	<u>4,143,833</u>
Net book value at 31st March 2005	<u>1,008,537</u>	<u>90,837</u>	<u>559,836</u>	<u>718</u>	<u>1,659,928</u>
Net book value at 31st March 2004	<u>1,043,756</u>	<u>73,468</u>	<u>597,956</u>	<u>4,678</u>	<u>1,719,858</u>

9.	<u>Intangible Assets</u>
	<u>Trade Marks</u>
	<u>£</u>
Cost	
At start and end of year	<u>4,200,000</u>
Amortisation at 1st April 2004	202,500
provided for in year	<u>410,000</u>
at 31st March 2005	<u>612,500</u>
Net book value at 31st March 2005	<u>3,587,500</u>
31st March 2004	<u>3,997,500</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

10. Fixed Asset Investments

Subsidiaries and Related Companies

The following companies were incorporated in the UK and were dormant at 31st March 2005.

	Percentage of Share <u>Capital held</u>	Unquoted shares <u>at cost</u> £
<u>Subsidiary</u>		
Pharmax Limited	100% ordinary	100
<u>Related Company</u>		
Forest Pharmax Limited	50% ordinary	<u>1,294</u>
Cost at 31st March 2005		<u>1,394</u>
Cost at 31st March 2004		<u>1,394</u>

The Company has taken advantage of the exemption granted under S228 (1) of the Companies Act 1985 from preparing consolidated financial statements being itself a wholly owned subsidiary undertaking.

11. <u>Stocks</u>	<u>2005</u> £	<u>2004</u> £
Raw materials	966,894	963,929
Work in progress	389,382	484,531
Finished goods and goods for resale	<u>1,977,873</u>	<u>1,421,715</u>
	<u>3,334,149</u>	<u>2,870,175</u>

In the opinion of the directors, the above value of stocks is not materially different to replacement cost at 31st March 2005.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

12. Debtors

	<u>2005</u> £	<u>2004</u> £
Trade debtors	3,772,567	4,339,889
Prepayments and accrued income	227,473	285,531
Corporation Tax	237,070	337,763
	<u>4,237,110</u>	<u>4,963,183</u>

All debts fall due for payment within one year.

Prepayments and accrued income includes £108,000 relating to prepaid pension contributions.

13. Creditors - Amounts falling due within one year

	<u>2005</u> £	<u>2004</u> £
Trade creditors	971,389	1,368,302
Amounts owed to Group undertakings	8,533,272	8,240,570
Other creditors	600,142	1,323,207
Accruals and deferred income	539,429	738,994
Other Taxation and Social Security	185,187	64,143
	<u>10,829,419</u>	<u>11,735,216</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

14. Provisions for Liabilities and Charges
Deferred Taxation

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Provision for deferred tax		
Accelerated capital allowances	<u>82,200</u>	<u>84,600</u>
Provision at 1 April 2004	84,600	87,000
Transfer to profit and loss account (note 7)	(2,400)	(2,400)
Provision at 31 March 2005	<u><u>82,200</u></u>	<u><u>84,600</u></u>

15. Share Capital

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
<u>Equity</u>		
Authorised, issued and fully paid		
2,150 Ordinary shares of 10p each	<u>215</u>	<u>215</u>
<u>Non-Equity</u>		
21,500 Deferred shares of 10p each	2,150	2,150
12% non-cumulative redeemable preference shares of £1 each	<u>532,573</u>	<u>532,573</u>
	<u><u>534,723</u></u>	<u><u>534,723</u></u>

Ordinary shareholders have 1,000 votes per share and the right to all profits after payment of the preference dividend. On a winding up, following payment to the Preference Shareholders, Ordinary Shareholders will receive £100 per share and the balance of any assets following payment to Deferred Shareholders.

Deferred Shareholders have one vote per share, no rights to share in the profits, and on a winding up, repayment of the amount paid up following payment to the preference shareholders and £100 per Ordinary Share.

Preference Shareholders have one vote per share and in a winding up, surplus assets remaining after payment of liabilities shall first be applied to repaying the paid up amount on their shares. The shares were issued on 26th May 1978 and can be redeemed only at the Company's option. The Company must give three months written notice of redemption. The shares would be redeemed at par value.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

16. Commitments under operating leases

The Company's annual commitments under non cancellable operating leases is as follows:-

	<u>2005</u>	<u>2004</u>
	<u>£</u>	<u>£</u>
Plant and machinery		
- expiring between 2 and 5 years	<u>6,188</u>	<u>8,872</u>
	<u>6,188</u>	<u>8,872</u>

17. Pension Scheme

The Company operates a defined benefit pension scheme for the majority of its employees who joined the scheme prior to 6th April 1993. Any new entrants to the Company's pension scheme, subsequent to 6th April 1993, joined a money purchase scheme. The assets of the scheme are held in a separate trustee administered fund.

The pension cost relating to this scheme is assessed every three years in accordance with the advice of a qualified actuary using the projected unit method. The most recent formal valuation, at 30th June 2003, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 79% of its liabilities. It was assumed that the investment returns would be 7% per annum, that salary increases would average 4.5% per annum and that present and future pensions would increase at the rate of inflation up to a maximum of 5% per annum.

At 31st March 2005 the scheme, which is contracted out of the state scheme, had assets of approximately £8.6m (2004 - £7.4m). Contributions to the scheme by employees and the company have been maintained in accordance with the recommendations of the actuary in his previous valuation. The company is committed to pay 16.1% of total pensionable salaries each year until the next valuation which is due at 30th June 2006, when the funding rate will be reassessed. The total pension cost for the year was £524,761 (2004 - £521,604).

Additional disclosure required by FRS17 – Retirement Benefits

FRS 17 does not have to be fully adopted until the year ended 31st March 2006. The impact of FRS 17 would be significant as an additional liability equal to the deficit in the scheme of £2.9m (2004 - £2.3m) would be recognised in the company's balance sheet. The group has taken advantage of the transitional arrangements allowed under FRS 17 which requires the following disclosures to be made before 2005.

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

17. Pension Scheme (Continued)

A full actuarial valuation of the mixed benefits scheme was carried out at 30th June 2003 and updated at 31st March 2005 by a qualified independent actuary on a FRS 17 basis. The major assumptions used by the actuary were:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Inflation Assumption	2.9%	2.0%	2.2%
Rate of increase in salaries	3.0%	2.5%	3.0%
Rate of increase of pensions in payment	2.8%	2.0%	2.2%
Rate of increase for deferred pensioners	2.9%	2.0%	2.2%
Discount Rate	5.2%	5.3%	5.6%

The assets in the scheme and the expected rate of return at 31st March 2005 were:

	Long-term rate of return expected at 2005	Value at 2005 £	Long-term rate of return expected at 2004	Value at 2004 £	Long-term rate of return expected at 2003	Value at 2003 £
Equities	7.0%	6,400,000	7.0%	5,400,000	7.5%	4,700,000
Bonds	4.5%	1,500,000	4.5%	1,300,000	4.5%	1,200,000
Cash		600,000		600,000		700,000
Rebates Due		100,000		100,000		-
Total market value of assets		8,600,000		7,400,000		6,600,000
Present value of scheme liabilities		(11,500,000)		(9,700,000)		(9,000,000)
Deficit in the scheme		(2,900,000)		(2,300,000)		(2,400,000)
Related deferred tax liability		870,000		690,000		720,000
Net pension liability on a FRS 17 basis		<u>(2,030,000)</u>		<u>(1,610,000)</u>		<u>(1,680,000)</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

17. Pension Scheme (continued)

	<u>2005</u>	<u>2004</u>
Movements in deficit during the year		
Deficit in scheme at beginning of year	(2,300,000)	(2,400,000)
Current service cost	(300,000)	(300,000)
Contributions paid	600,000	500,000
Past service cost	(300,000)	(200,000)
Actuarial gain	(600,000)	100,000
Deficit in the scheme at end of year	<u>(2,900,000)</u>	<u>(2,300,000)</u>

If the above amounts had been recognised in the financial statements, the company's profit and loss account reserve at 31st March 2005 would have been as follows:

	At 31st March 2005	At 31st March 2004
Profit and loss reserve excluding pension liability	8,937,082	8,524,494
Pension liability	<u>(2,900,000)</u>	<u>(2,300,000)</u>
Profit and loss reserve	<u>6,037,082</u>	<u>6,224,494</u>

18. Related party Transactions

The Company has taken advantage of the exemption allowed by FRS8 Related Party Transactions not to disclose any transactions or balances with entities which have 90% or more voting rights controlled within the Group.

During the year the Company traded with a distributor in Ireland, Ocean Healthcare Ltd, 50% of whose shares were owned by a member of the close family of one of the Company's directors. The transactions have been carried out at arm's length.

	<u>2005</u>	<u>2004</u>
Sales during the year	323,176	186,373
Due from Ocean Healthcare at 31st March 2005	<u>86,322</u>	<u>119,219</u>

19. Cash Flow Statement

The Company has taken advantage of the exemption allowed under Financial Reporting Standard 1 "Cash Flow Statements" not to produce a cash flow statement, as it is a wholly owned subsidiary of Pharmax Holding Limited. A Group cash flow statement is included in the financial statements of Pharmax Holding Limited, the United Kingdom parent company. Copies of the consolidated financial statements of Pharmax Holding Limited are available from Companies House.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2005

20. Post Balance Sheet Event

On 30th November 2005 the Company concluded an agreement with the Australian subsidiary of Pfizer Inc. to purchase the trade and intellectual property of their product Infacol which is marketed in certain Pacific and Far East countries. The consideration paid was AU\$1,900,000 plus an agreement to buy their stock on hand at close of business on 30th November 2005 at their cost price.

21. Parent Company

The Company's ultimate parent company is Forest Laboratories Inc., a company incorporated in the USA.