

Forest Laboratories UK Limited

Report and Financial Statements

Year Ended

31 March 2013

Company Number 532832

WEDNESDAY



A31JNKYW

A04

12/02/2014

#206

COMPANIES HOUSE

Forest Laboratories UK Limited

Report and financial statements for the year ended 31 March 2013

Contents

Page:

1	Report of the directors
4	Independent auditor's report
6	Profit and loss account
7	Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds
8	Balance sheet
9	Notes forming part of the financial statements

Directors

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

Secretary and registered office

A Livingstone, Riverbridge House, Anchor Boulevard, Crossways Business Park, Dartford, Kent, DA2 6SL

Company number

532832

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Forest Laboratories UK Limited

Report of the directors for the year ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013

Results and dividends

The profit and loss account is set out on page 6 and shows the profit for the year

The directors do not recommend the payment of a dividend (2012 - £Nil)

Principal activity

The principal activity of the Company is distribution of ethical and over-the-counter pharmaceutical products. The Company also engages in the purchase and sale of product licences.

Review of the business and future developments.

Trading for the year was in line with expectations.

The operating loss was the result of writing off raw materials consumed during validation of the production process of our Colobreathe®. The validation process is ongoing but we expect profits from sales of the product during the coming year will exceed any residual validation costs and the costs associated with launching the product.

Key performance indicators compared to previous years are as follows

	2013 £	2012 £
Turnover	51,562,475	44,465,466
Gross profit	17,509,376	20,499,987
Operating (loss) / profit	(838,858)	4,838,087
Interest received	21,357	36,877

Working capital remains healthy

As indicated above, we expect to complete the validation process of Colobreathe and we continue to look for opportunities to add to our portfolio of brands and to look for new markets for our existing portfolio.

Research and development

Research and development is primarily focused on maintaining our current marketing authorisations. All costs relating to this are expensed.

Forest Laboratories UK Limited

Report of the directors for the year ended 31 March 2013 (*continued*)

Risk and uncertainties

The main financial risks arising from the company's activities are credit risk, interest rate risk, liquidity risk and foreign currency risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

Credit risk arises from the Company's trade and other receivables. Credit limits for each customer are reviewed annually. Credit checks are made on each new customer and limits set prior to commencing trading. Management review all debtors for impairment on a regular basis and are comfortable that all unprovided debts are fully recoverable.

Liquidity risk arises from fluctuations in market related interest rates. The company has used financing from affiliate companies to fund the increased expenses associated with launching Colobreathe. The company has positive cash reserves and does not make use of borrowings to fund its working capital requirements. Loan funding has been obtained to fund trademark acquisitions and this financing has been agreed at a variable rate of 3% above base rate. Management monitor and manage the recoverability of debtors and agreement of payment terms with creditors closely to ensure positive cash resources are maintained and enhanced.

The Company's export markets are exposed to fluctuating foreign exchange rates which may impact on the Company's sales and profitability. The Company does not make use of forex exchange contracts to mitigate foreign currency risk.

Charitable and political contributions

During the period the company made charitable contributions of £26,548 (2012 £39,378). There were no political contributions.

Post balance sheet events

No post balance sheet events requiring adjustment or disclosure have been noted.

Employee involvement

Members of the management team regularly discuss matters of current interest and concern to the business with members of staff.

Policy and practice on the payment of creditors

The company aims to pay its suppliers in accordance with their agreed upon terms and conditions. The number of average days' purchases of the company represented by trade creditors at 31 March 2013 was 37 (2012 52). The variance is largely due to an increase in stocks immediately prior to the 2012 year end, which was not replicated at the 2013 year end.

Directors

The directors of the Company during the year ended 31 March 2013 were

H Solomon (USA)
R Stafford (Republic of Ireland)
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.

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

Forest Laboratories UK Limited

Report of the directors for the year ended 31 March 2013 (*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,
- state whether applicable UK 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 presume that the company will continue in business.

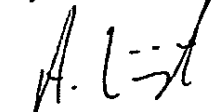
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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

By order of the Board



A Livingstone
Secretary

Date: 10th February 2014

Forest Laboratories UK Limited

Independent auditor's report

TO THE MEMBERS OF FOREST LABORATORIES UK LIMITED

We have audited the financial statements of Forest Laboratories UK Limited for the year ended 31 March 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, 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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 March 2013 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.

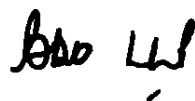
Forest Laboratories UK Limited

Independent auditor's report (*continued*)

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



John Everingham (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom

Date

11 February 2014

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

Forest Laboratories UK Limited

Profit and loss account for the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	51,562,475	44,465,466
Cost of sales		<u>(34,053,099)</u>	<u>(23,965,479)</u>
Gross profit		17,509,376	20,499,987
Distribution costs		<u>(10,295,356)</u>	<u>(8,087,522)</u>
Administration expenses		<u>(8,052,878)</u>	<u>(7,574,378)</u>
Operating (loss)/profit	3	(838,858)	4,838,087
Interest receivable	6	21,357	36,877
Interest payable		<u>(403,199)</u>	<u>(490,191)</u>
Pension finance charges	7	<u>(108,000)</u>	<u>(165,000)</u>
(Loss)/profit on ordinary activities before taxation		(1,328,700)	4,219,773
Taxation	8	<u>(41,990)</u>	<u>(1,043,509)</u>
(Loss)/profit for the year	18	<u>(1,370,690)</u>	<u>3,176,264</u>

All amounts relate to continuing activities

The notes on pages 9 to 24 form part of these financial statements

Forest Laboratories UK Limited

Statement of total recognised gains and losses and reconciliation of movements in shareholders' funds for the year ended 31 March 2013

	Note	2013 £	2012 £
Statement of total recognised gains and losses			
(Loss)/profit for the year		(1,370,690)	3,176,264
Actual return less expected return on pension scheme assets		648,000	(384,000)
Experience (loss)/gains arising on scheme liabilities		(1,224,000)	(168,000)
Change in assumptions underlying the present value of scheme liabilities		(1,537,000)	(1,165,000)
Share based payments		381,550	266,825
Deferred tax recognised on pension fund timing differences		485,990	412,080
Total recognised gains and losses relating to the year		(2,616,150)	2,138,169
Reconciliation of movements in shareholders' funds			
(Loss)/profit for the financial year		(1,370,690)	3,176,264
Actuarial (loss)/gains on pension scheme		(2,113,000)	(1,717,000)
Share based payments		381,550	266,825
Deferred tax recognised on pension fund timing difference		485,990	412,080
Net (decrease)/increase in shareholders' funds		(2,616,150)	2,138,169
Opening shareholders' funds		16,909,676	14,771,507
Closing shareholders' funds		14,293,526	16,909,676

The notes on pages 9 to 24 form part of these financial statements

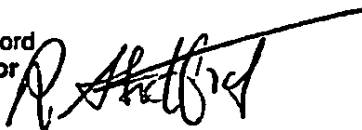
Forest Laboratories UK Limited

Balance sheet at 31 March 2013

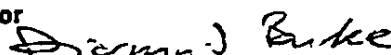
Company number 532832	Note	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	9		394,056		487,871
Intangible assets	10		16,099,064		18,214,814
Investments	11		100		100
			<u>16,493,220</u>		<u>18,702,785</u>
Current assets					
Stocks	12	16,955,312		10,622,133	
Debtors	13	12,654,744		10,024,231	
Cash at bank and in hand		1,028,606		3,928,873	
		<u>30,638,662</u>		<u>24,575,237</u>	
Creditors: amounts falling due within one year	14	23,455,206		15,789,346	
		<u>23,455,206</u>		<u>15,789,346</u>	
Net current assets			<u>7,183,456</u>		<u>8,785,891</u>
Total assets less current liabilities			<u>23,676,676</u>		<u>27,488,676</u>
Creditors due after one year	15		7,000,000		8,000,000
Provisions for liabilities and charges					
Pension liability	16		2,383,150		2,579,000
			<u>14,293,526</u>		<u>16,909,676</u>
Capital and reserves					
Share capital	17		534,938		534,938
Profit and loss account	18		13,758,588		16,374,738
			<u>14,293,526</u>		<u>16,909,676</u>
Shareholders' funds			<u>14,293,526</u>		<u>16,909,676</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10th February 2014.

R Stafford
Director



D Burke
Director



The notes on pages 9 to 24 form part of these financial statements.

Forest Laboratories UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013

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

Consolidated results

The Company has taken advantage of the exemption granted under s400 of the Companies Act 2006 from preparing consolidated financial statements being itself a wholly owned subsidiary undertaking

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

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. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer, which is generally on delivery

Research and development

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

Deferred taxation

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

- 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 anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Forest Laboratories UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013 (*continued*)

1 Accounting policies (*continued*)

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. There are no market based vesting conditions.

Tangible fixed assets and depreciation

For all tangible fixed assets, depreciation is provided to write off the cost or valuation, less estimated residual values, evenly over their expected useful lives. It is calculated at the following rates:

Plant, machinery, furniture, fixtures and fittings	-	Up to 10 years
Motor vehicles	-	Up to 4 years

Intangible fixed assets and amortisation

Intangible assets consist of purchased 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.

Patents, licences and trade marks

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

Stock

Stock is valued at the lower of cost and net realisable value.

Cost is calculated as follows:

Raw materials and bought in parts	-	Cost of purchase on a first in, first out basis
Finished goods purchased	-	Cost of purchase on a first in, first out basis

Forest Laboratories UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013 (continued)

1 Accounting policies (continued)

Pension costs

The Company operates a defined benefit scheme and FRS 17 "Retirement Benefits" has been adopted in full during the year to 31 March 2013. Under FRS 17 pension scheme assets are measured at fair value and scheme liabilities are valued using a projected unit method, discounted at the current rate of return on high quality corporate bonds. The full service cost of benefits accruing during the year is charged against operating profit. The expected return on scheme assets and the change in the net present value of scheme liabilities are included in other finance charges. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The scheme deficit is recognised in full in the balance sheet.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the company are charged to the profit and loss account or the statement of total recognised gains and losses in accordance with FRS 17 "Retirement Benefits".

Leased assets

All leases are treated as operating leases. Their annual rentals are charged to the profit and loss account.

2 Turnover

Turnover is attributable mainly to the distribution of Ethical and Over the Counter (OTC) pharmaceuticals. Turnover attributable to each of the Company's geographical markets is:

	2013 £	2012 £
United Kingdom	41,408,964	35,996,244
Republic of Ireland	1,364,938	1,403,322
Rest of Europe	6,736,239	5,370,549
Middle East and Far East	892,177	488,183
Asia	199,738	69,827
Africa	63,728	58,819
Canada	126,558	64,990
Central and South America	71,905	370,623
Australia and New Zealand	698,228	642,909
	<hr/>	<hr/>
	51,562,475	44,465,466

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

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 *(continued)*

3 Operating (loss)/profit

	2013 £	2012 £
This is arrived at after charging / (crediting)		
Depreciation	172,290	135,686
Amortisation of intangible assets	2,399,910	2,301,204
Research and development expenditure	1,276,001	2,259,901
(Profit) on foreign currency transactions	(9,167)	(190,921)
Auditors' remuneration		
- audit services	39,041	39,182
Loss on disposal of tangible asset	12,136	-
Operating leases – plant and machinery	11,020	4,071
Operating leases – motor vehicles	189,971	190,674
Operating leases – premises	159,475	163,268
Share based payment	381,550	266,825
Inventory written off	1,789,000	-
	<u> </u>	<u> </u>

4 Employees

The average monthly number of employees within each category was

	2013 Number	2012 Number
Distribution	35	33
Administrative	25	24
	<u> </u>	<u> </u>
	60	57
	<u> </u>	<u> </u>

The costs incurred in respect of these employees were

	2013 £	2012 £
Wages and salaries	2,769,037	2,788,689
Social security costs	307,529	319,005
Other pension costs	3,117,363	2,602,497
	<u> </u>	<u> </u>
	6,193,929	5,710,191
	<u> </u>	<u> </u>

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 *(continued)*

5 Directors' emoluments

	2013 £	2012 £
Aggregate emoluments	-	-
Director's emoluments have been borne by a fellow group company		

6 Interest receivable

	2013 £	2012 £
Bank interest	21,357	36,877

7 Pension finance charges

	2013 £	2012 £
Expected return on pension scheme assets	327,000	360,000
Interest on pension scheme liabilities	(435,000)	(525,000)
	(108,000)	(165,000)

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

8 Taxation on loss on ordinary activities

	2013 £	2012 £
Analysis of tax charge		
UK corporation tax		
- Current tax on profits	-	(150,000)
- Tax payable on prior years	-	(16,429)
- Prior year over provision	150,000	-
	<u>150,000</u>	<u>(166,429)</u>
Deferred tax		
- Timing differences	(173,290)	(825,310)
- Tax rate change	(18,700)	(51,770)
	<u>(191,990)</u>	<u>(877,080)</u>
Total tax (charge)/credit	<u>(41,990)</u>	<u>(1,043,509)</u>
	2013 £	2012 £
(Loss)/profit on ordinary activities before tax	<u>(1,328,700)</u>	<u>4,219,773</u>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 24% (2012 – 26%)	<u>(318,888)</u>	<u>1,097,141</u>
Effects of		
Expenses not deductible for tax purposes	58,800	1,175
Capital allowances for year in excess of depreciation	(18,650)	(32,483)
Share option exercise tax deduction	91,572	69,375
Research and development tax credit	(6,000)	-
FRS 17 adjustments not allowable for tax	(578,980)	(509,860)
Other timing differences	54,874	(21,228)
Tax losses utilised	-	(505,890)
Carried forward tax losses	698,572	-
Impact of tax rate change	18,700	51,770
Prior year under-provision of tax	-	16,429
Prior year over provision of tax	(150,000)	-
	<u>(150,000)</u>	<u>166,429</u>
Current tax charge for year	<u>(150,000)</u>	<u>166,429</u>

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

9 Tangible assets

	Furniture, fixtures and fittings £	Plant and machinery £	Motor Vehicles £	Total £
<i>Cost or valuation</i>				
At 1 April 2012	965,080	340,674	34,136	1,339,890
Additions	57,469	-	33,142	90,611
Disposals	-	-	(34,136)	(34,136)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	1,022,549	340,674	33,142	1,396,365
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 April 2012	702,202	131,817	18,000	852,019
Provided for the year	107,228	59,062	6,000	172,290
On disposals	-	-	(22,000)	(22,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	809,430	190,879	2,000	1,002,309
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 March 2013	213,119	149,795	31,142	394,056
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	262,878	208,857	16,136	487,871
	<hr/>	<hr/>	<hr/>	<hr/>

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

10 Intangible assets

	2013 £	Trademarks 2012 £
<i>Cost</i>		
At 1 April	24,022,489	5,013,656
Additions	284,160	19,008,833
	<hr/>	<hr/>
At 31 March	24,306,649	24,022,489
	<hr/>	<hr/>
<i>Amortisation</i>		
At 1 April	5,807,675	3,506,471
Provided for the year	2,399,910	2,301,204
	<hr/>	<hr/>
At 31 March	8,207,585	5,807,675
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March	16,099,064	18,214,814
	<hr/>	<hr/>

11 Investments

Subsidiaries and related companies

The following companies were incorporated in the UK and were dormant at 31 March 2013. The proportion of shares held is 100%.

	Unquoted shares at cost £
<i>Subsidiary</i>	
Pharmax Limited	
Cost at 31 March 2012 and 31 March 2013	100
	<hr/>

12 Stocks

	2013 £	2012 £
Raw materials	9,304,256	4,795,104
Finished goods and goods for resale	7,651,056	5,827,029
	<hr/>	<hr/>
	16,955,312	10,622,133
	<hr/>	<hr/>

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)

13 Debtors

	2013 £	2012 £
Trade debtors	10,519,896	8,985,837
Prepayments and accrued income	850,728	910,054
Amount due from group undertaking	616,970	8,340
Deferred tax asset	517,150	120,000
Corporation tax	150,000	-
	<u>12,654,744</u>	<u>10,024,231</u>

Included in prepayments and accrued income are prepayments of £165,116 (2012 - £261,560) receivable in greater than one year but less than five years

	2013 £	2012 £
Provision for deferred tax		
Deferred tax asset at 1 April	935,000	1,400,000
Current year timing differences recognised in profit/(loss) account	(191,990)	(877,080)
Timing differences recognised directly in statement of recognised gains/(losses)	485,990	412,080
	<u>1,229,000</u>	<u>935,000</u>
Total deferred tax asset at 31 March		
The balance of deferred tax comprises		
Other accruals - (disclosed in debtors)	107,060	120,000
Taxation losses - (disclosed in debtors)	410,090	-
FRS17 pension fund obligation - (disclosed in note 17)	711,850	815,000
	<u>1,229,000</u>	<u>935,000</u>

The recoverability of the deferred tax asset is dependent on the ability of the company to generate future taxable profits

14 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	3,439,633	3,435,012
Amounts owed to Group undertakings	12,840,278	5,067,273
Accruals and deferred income	2,472,312	2,558,421
Other taxation and social security	303,313	568,441
Corporation Tax	-	160,199
Loan due to Group undertakings (refer note 15)	4,399,670	4,000,000
	<u>23,455,206</u>	<u>15,789,346</u>

Forest Laboratories UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013 (*continued*)

15 Creditors due after one year

	2013 £	2012 £
Loans due to Group undertaking	7,000,000	8,000,000

Unsecured loan payable to Forest Tosara Limited of £12,000,000 repayable in quarterly instalments of £1 million ending on 31 March 2015. The loan incurs interest at the Bank of England base rate plus a margin of 3%.

16 Pension scheme

The Company operates a defined benefit pension scheme for the majority of its employees who joined the scheme prior to 6 April 1993. Any new entrants to the Company's pension scheme between 6 April 1993 and 30 June 2010, joined a money purchase scheme. The assets of the scheme are held in a separate trustee administered fund. This scheme is now closed to new entrants and future benefit accrual. Since 1 July 2010 the Company has operated a group personal pension scheme for all employees to which contributions are made under salary sacrifice rules.

At 31 March 2013 the scheme, which is contracted out of the state scheme, had assets of approximately £8.6m (2012 - £7.8m). Contributions to the scheme by employees and the company have exceeded the recommendations of the actuary in his previous valuation. The company will pay a minimum of £1,216,000 per annum from January 2011 for 8 years in order to reduce the deficit in the scheme.

A full actuarial valuation of the mixed benefits scheme was carried out at 30 June 2009 and updated at 31 March 2013 by a qualified independent actuary on an FRS 17 basis. The major assumptions used by the actuary were:

	2013	2012	2011
Inflation assumption	3.7%	2.5%	3.0%
Rate of increase of pensions in payment	3.5%	3.8%	3.9%
Rate of increase for deferred pensioners	3.7%	2.5%	3.0%
Discount rate	4.5%	4.8%	5.6%

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)

16 Pension scheme (continued)

The assets in the scheme and the expected rate of return at 31 March 2013 were

	Long term rate of return expected at 2013	Value at 2013 £	Long term rate of return expected at 2012	Value at 2012 £	Long term rate of return expected at 2011	Value at 2011 £	Long term rate of return expected at 2010	Value at 2010 £	Long term rate of return expected at 2009	Value at 2009 £
Equities	8.0%	5,493,000	7.4%	4,054,000	7.7%	5,312,000	7.7%	5,493,000	7.0%	4,359,000
Bonds	2.3%	1,688,000	2.7%	1,173,000	4.2%	1,216,000	4.4%	1,263,000	3.8%	657,000
Property	6.5%	133,000	5.9%	119,000	-	-	-	-	-	-
Cash	0.5%	1,286,000	0.5%	2,450,000	0.5%	1,824,000	0.5%	927,000	0.5%	1,010,000
Total market value of assets		8,600,000		7,796,000		8,352,000		7,683,000		6,026,000
Present value of scheme liabilities		(11,695,000)		(11,190,000)		(11,990,000)		(12,426,000)		(11,021,000)
Deficit in Scheme		(3,095,000)		(3,394,000)		(3,638,000)		(4,743,000)		(4,995,000)
Related deferred tax asset - see note 14)		711,850		815,000		945,880		1,328,040		1,398,600
Net pension liability on an FRS 17 basis		(2,383,150)		(2,579,000)		(2,692,120)		(3,414,960)		(3,596,400)

Forest Laboratories UK Limited

Notes forming part of the financial statements for the year ended 31 March 2013 (continued)

16 Pension scheme (continued)

	2013 £	2012 £
<i>Analysis of amounts charged to operating profit for the pension scheme</i>		
Current service cost	44,000	44,000
Loss on settlements	-	26,000
	<u>44,000</u>	<u>70,000</u>
<i>Analysis of amount charged to interest payable for the pension scheme</i>		
Expected return on the pension scheme assets	327,000	360,000
Interest on pension scheme liabilities	(435,000)	(525,000)
	<u>(108,000)</u>	<u>(165,000)</u>
<i>Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses</i>		
Actual return less expected return on net assets	648,000	(384,000)
Experience gains/(losses) arising on scheme liabilities	(1,224,000)	(168,000)
Changes in assumptions underlying the present values of scheme liabilities	(1,537,000)	(1,165,000)
	<u>(2,113,000)</u>	<u>(1,717,000)</u>
<i>Reconciliation of present value of plan liabilities</i>		
At beginning of year	11,190,000	11,990,000
Less assets in respect of DC and AVC funds	-	(2,556,000)
Current service cost	44,000	44,000
Interest cost	435,000	525,000
Settlements	-	(126,000)
Benefits paid	(2,735,000)	(20,000)
Actuarial (gains)/losses	2,761,000	1,333,000
	<u>11,695,000</u>	<u>11,190,000</u>
<i>Reconciliation of present value of plan assets</i>		
At beginning of year	7,796,000	8,352,000
Less assets in respect of DC and AVC funds	-	(2,556,000)
Expected returns on assets	327,000	360,000
Actuarial gains/(losses)	648,000	(384,000)
Employer contributions	2,564,000	2,196,000
Settlements	-	(152,000)
Benefits paid	(2,735,000)	(20,000)
	<u>8,600,000</u>	<u>7,796,000</u>

Forest Laboratories UK Limited

**Notes forming part of the financial statements
for the year ended 31 March 2013 (continued)**

16 Pension scheme (continued)

History of experience (losses)/gains

	2013	2012	2011	2010	2009
	£	£	£	£	£
Actual return less expected return on pension scheme assets	648,000	(384,000)	(531,000)	1,364,000	(2,125,000)
- as % of year end pension scheme assets	7.5%	(4.9%)	(6.4%)	18.0%	(35.0%)
Experience gains/(losses) arising on scheme liabilities	(1,224,000)	(168,000)	(33,000)	483,000	997,000
- as % of present value of year end scheme liabilities	10.0%	(1.51%)	(0.3%)	3.9%	9.0%
Changes in assumptions underlying the present value of the scheme liabilities	(1,537,000)	(1,165,000)	586,000	(2,129,000)	(410,000)
- as % of present value of year end scheme liabilities	(13.0%)	(10.4%)	4.8%	(17.1%)	(4.0%)
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	(2,113,000)	(1,717,000)	22,000	(282,000)	(1,538,000)
- as % of present value of year end scheme liabilities	(18.1%)	(15.3%)	0.2%	(2.3%)	(14.0%)

The experience gains and losses are those resulting from the actual performance of the scheme being different from that predicted, for example from changes in economic conditions, from performance of the investment managers who manage the scheme's assets or from changes in the demographic profile of the scheme members

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

16 Pension scheme (*continued*)

	2013 £	2012 £
Movements in deficit during the year		
Deficit in scheme at beginning of year	(3,394,000)	(3,638,000)
Current service cost	(44,000)	(70,000)
Contributions paid	2,564,000	2,196,000
Other finance costs	(108,000)	(165,000)
Actuarial gain/(loss)	(2,113,000)	(1,717,000)
Deficit in the scheme at end of year	(3,095,000)	(3,394,000)

17 Share capital

	2013 £	2012 £
<i>Issued and fully paid</i>		
2,150 ordinary shares of 10p each	215	215
21,500 Deferred shares of 10p each	2,150	2,150
12% non-cumulative redeemable preference shares of £1 each	532,573	532,573
	<u>534,938</u>	<u>534,938</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 26 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 forming part of the financial statements
for the year ended 31 March 2013 (continued)

18 Reserves

	Profit and loss account £
Balance at 1 April 2012	16,374,738
(Loss)/profit for the financial year	(1,370,690)
Actuarial loss	(2,113,000)
Deferred tax recognised on pension fund timing difference	485,990
Share based payment	381,550
	<hr/>
At 31 March 2013	13,758,588
	<hr/>

19 Share based payment

The group adopted FRS 20 "Share based Payment" during the year ended 31 March 2007. Prior to this no amounts were reflected in respect of share based payments.

For 2013, the impact of share based payments is a net charge to income of £381,550 (2012 - £266,825). The expense has been included in the administrative expenses line of the income statement. There was no impact on net assets.

Senior managers and certain other members of staff participate in an equity settled share option scheme operated by the parent company, Forest Laboratories Inc whose shares are listed on the New York Stock Exchange. The options vest over a three, four or five year period from the date of grant and will lapse if not exercised within ten years from the date of grant. The seven year average expected life of the options is based on the contract term and vesting period and represents the period of time that granted options are expected to be outstanding. In addition, the options will lapse three months after an individual leaves the company's employment. There are no market-based vesting conditions.

The following assumptions were used in determining the fair values of stock options using the Black-Scholes model:

	2013	2012
Expected dividend yield	0%	0%
Expected stock price volatility	24.77%	24.00%
Risk free interest rate	1.25%	0.93%
Expected life of options (years)	7	7
	<hr/>	<hr/>
	2013	2012
	£	£
The share based remuneration expense (note 3) comprises		
Equity settled schemes	381,550	266,825
	<hr/>	<hr/>

Forest Laboratories UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

20 Commitments under operating leases

	Expiring in less than 1 year		Expiring between 2 and 5 years	
	2013 £	2012 £	2013 £	2012 £
The Company's annual commitments under non-cancellable operating leases is as follows				
Plant and machinery	-	-	11,325	11,020
Motor vehicles	-	52,039	171,905	104,472
Property rental	-	-	162,000	162,000
	<u>-</u>	<u>52,039</u>	<u>171,905</u>	<u>104,472</u>
	-	52,039	345,230	277,492
	<u>-</u>	<u>52,039</u>	<u>345,230</u>	<u>277,492</u>

21 Related party transactions

The Company has taken advantage of the exemption allowed for 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 Limited, 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

	2013 £	2012 £
Sales during the year	633,218	608,016
Due from Ocean Healthcare at 31 March	<u>103,724</u>	<u>156,674</u>

22 Cash flow statement

The Company has taken advantage of the exemption allowed for 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

23 Parent company

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