

FOREST LABORATORIES UK LIMITED

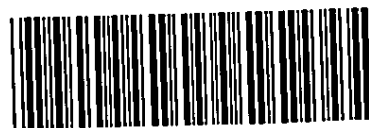
ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2009

COMPANY REGISTRATION NUMBER - 532832

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FOREST LABORATORIES UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2009

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- 

DIRECTORS

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

SECRETARY AND REGISTERED OFFICE

A Livingstone  
Bourne Road  
Bexley  
Kent DA5 1NX

COMPANY NUMBER

532832

AUDITORS

BDO LLP  
2 City Place, Beehive Ring Road  
Gatwick  
RH6 0PA  
United Kingdom

## FOREST LABORATORIES UK LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2009

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The directors submit their report together with the audited financial statements for the year ended 31st March 2009.

#### 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.

#### 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 losses.

No dividend was paid or proposed.

#### Review of the business

Trading for the year was in line with expectations.

The Company continued with its program of investment in the new delivery method for one of its existing product. This culminated in an application for regulatory approval being submitted to the regulatory authorities in September 2009.

Key performance indicators compared to previous years are as follows:

	<u>2009</u>	<u>2008</u>
	<u>(£000)</u>	<u>(£000)</u>
Turnover	27,957	25,338
Gross Profit	10,131	7,841
Operating Loss	(239)	(431)
Interest Received	137	284

The company continues to operate within a difficult trading environment. The review of the PPRS during the year imposed further price cuts on our sales to the NHS and resistance to price increases on our over the counter range is strong.

However the result of the Company's decision to restructure the business and outsource its manufacturing has improved its operational margins and we continue to explore opportunities to add to our product portfolio.

The Company intends to dispose of its now vacant manufacturing facility and is actively seeking a suitable offer.

The directors note the £209,000 deficit on the Balance Sheet but consider the situation acceptable because of the subordination of an inter-group creditor loan of £7,008,280 - refer note 14.

FOREST LABORATORIES UK LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2009

(continued)

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Research & Development

Research & Development is primarily focused on maintaining our current marketing authorisations.

Now that the majority of the work on the new delivery method for one of our products has been completed, emphasis in this area is now being given to sourcing additional products to complement our current portfolio.

Risks 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.

Directors

The directors of the Company during the year ended 31st March 2009 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.

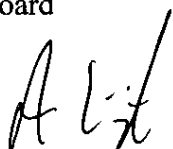
Auditors

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.

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

By order of the board

A Livingstone  
Secretary



Date: 14/12/2009

FOREST LABORATORIES UK LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31ST MARCH 2009

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Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom 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 presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 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

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#### To the shareholders of Forest Laboratories UK Limited

We have audited the financial statements of Forest Laboratories UK Limited for the year ended 31 March 2009 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. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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.

Our 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 audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

FOREST LABORATORIES UK LIMITED

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

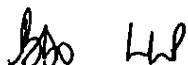
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We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

*Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



**BDO LLP**

*Chartered Accountants and Registered Auditors*

Gatwick

United Kingdom

Date

21 December 2009

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 31ST MARCH 2009

	<u>NOTE</u>	<u>2009</u>	<u>2008</u>
TURNOVER	2	27,957,238	25,337,956
Cost of Sales		<u>(17,825,883)</u>	<u>(17,497,081)</u>
GROSS PROFIT		10,131,355	7,840,875
Distribution Costs		5,036,018	5,005,022
Administrative Expenses		<u>5,334,378</u>	<u>5,718,726</u>
		(10,370,396)	(10,723,748)
Other operating income		<u>-</u>	<u>2,451,695</u>
OPERATING LOSS	3	(239,041)	(431,178)
Interest Receivable	6	136,791	283,907
Pension finance charges	7	<u>(280,000)</u>	<u>(69,000)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(382,250)	(216,271)
Taxation	8	<u>-</u>	<u>33,000</u>
LOSS FOR THE YEAR	18	<u><u>(382,250)</u></u>	<u><u>(183,271)</u></u>

All amounts relate to continuing activities.

The notes on pages 9 to 22 form part of these financial statements.

FOREST LABORATORIES UK LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31ST MARCH 2009

	<u>2009</u>	<u>2008</u>
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES		
Loss for the financial year	(382,250)	(183,271)
Actual return less expected return on pension scheme assets	(2,125,000)	(1,669,000)
Experience gains/(losses) arising on scheme liabilities	997,000	(18,000)
Change in assumptions underlying the present value of scheme liabilities	(410,000)	1,819,000
Share based payments	79,646	55,896
TOTAL RECOGNISED GAINS AND LOSSES IN THE YEAR	<u>(1,840,604)</u>	<u>4,625</u>
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
Loss for the financial year	(382,250)	(183,271)
Actuarial (loss)/gain on pension scheme	(1,538,000)	132,000
Share based payments	79,646	55,896
NET (DECREASE)/INCREASE IN SHAREHOLDERS' FUNDS	(1,840,604)	4,625
Opening shareholders' funds	<u>1,630,983</u>	<u>1,626,358</u>
CLOSING SHAREHOLDERS' FUNDS	<u>(209,621)</u>	<u>1,630,983</u>

The notes on pages 9 to 22 form part of these financial statements.

**FOREST LABORATORIES UK LIMITED**

COMPANY REGISTRATION NUMBER - 532832

**BALANCE SHEET AT 31ST MARCH 2009**

	<u>NOTE</u>	<u>2009</u>	<u>2008</u>
		<u>£</u>	<u>£</u>
<b>FIXED ASSETS</b>			
Tangible assets	9	1,285,871	1,094,350
Intangible assets	10	2,574,899	3,076,267
Investments	11	100	100
		<u>3,860,870</u>	<u>4,170,717</u>
<b>CURRENT ASSETS</b>			
Stocks	12	4,717,324	3,448,371
Debtors	13	6,969,071	5,444,961
Cash at bank		<u>1,673,314</u>	<u>5,298,441</u>
		<u>13,359,709</u>	<u>14,191,773</u>
<b>CREDITORS - amounts falling due within one year</b>	14	<u>12,375,200</u>	<u>12,888,507</u>
<b>NET CURRENT ASSETS</b>		<u>984,509</u>	<u>1,303,266</u>
<b>TOTAL ASSETS less CURRENT LIABILITIES</b>		<u>4,845,379</u>	<u>5,473,983</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred taxation	15	(60,000)	(60,000)
Pension liability	16	(4,995,000)	(3,783,000)
		<u>(209,621)</u>	<u>1,630,983</u>
<b>CAPITAL and RESERVES</b>			
Share Capital	17	534,938	534,938
<b>RESERVES</b>			
Capital reserve	18	564,662	564,662
Profit and loss account	18	<u>(1,309,221)</u>	<u>531,383</u>
		<u>(744,559)</u>	<u>1,096,045</u>
		<u>(209,621)</u>	<u>1,630,983</u>

Approved and authorised for issue by the Board of Directors

R. Stafford

Date:

14/12/2009

The notes on pages 9 to 22 form part of these financial statements.

## FOREST LABORATORIES UK LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

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#### 1. Accounting Policies

##### Basis of preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and are in accordance with applicable accounting standards. The principal accounting policies which the directors have adopted and applied consistently within that convention are set out below.

##### Going concern

The financial statements have been prepared on a going concern basis, despite the fact that the company's balance sheet indicates a net liability position of £209,621. The going concern basis has been supported by a subordination of a fellow group subsidiary, Pharmax Healthcare Ltd, loan of £7,008,280, whereby Pharmax Healthcare Limited has subordinated its loan in favour of other creditors and will not demand repayment of its loan until such time as the company has returned to a positive net asset position.

##### 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 & Development

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

##### 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 2009

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#### 1. Accounting Policies (continued)

##### Share-based payment

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement 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, with the exception of freehold land, 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

##### 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.

##### 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.

##### 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 manufactured finished goods	-	cost of raw materials and labour together with attributed overheads based on the normal level of activity.
Finished goods	-	cost of purchase on a first in, first out purchased basis

## FOREST LABORATORIES UK LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

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#### 1. Accounting Policies (continued)

##### Pension Costs

The group operates a defined benefit scheme and FRS 17 "Retirement Benefits" has been adopted in full during the year to 31 March 2009. 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 FRS17 'Retirement benefits'.

##### 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.

#### 2. Analysis of 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:-

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
United Kingdom	23,243,002	21,480,538
Republic of Ireland	1,263,096	1,011,332
Rest of Europe	1,950,585	1,449,398
Middle East and Far East	504,980	582,183
Asia	94,334	105,932
Africa	62,500	61,636
Canada	84,955	24,456
Central and South America	361,998	318,809
Australia and New Zealand	391,788	303,672
	<u>27,957,238</u>	<u>25,337,956</u>

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 TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

3.	<u>Operating (Loss)</u>	<u>2009</u>	<u>2008</u>
	Operating (loss) is arrived at after charging / (crediting):	<u>£</u>	<u>£</u>
	Depreciation	102,876	284,235
	Amortisation	501,368	496,358
	Impairment loss on plant and machinery	-	314,774
	Profit on sale of product rights	-	(2,451,695)
	Research and Development Expenditure	1,588,083	1,967,963
	Restructuring costs	1,389,774	1,766,559
	Profit on foreign currency transactions	(465,851)	(57,070)
	Auditor's remuneration		
	- audit services	39,182	43,700
	- non audit services	2,730	3,360
	Operating leases - plant and machinery	12,169	12,060
	Operating leases - motor vehicles	58,470	64,035
	Share-based payment	79,646	55,896

### 4. Employees

The average monthly number of employees within each category was:

	<u>2009</u>	<u>2008</u>
	<u>No</u>	<u>No</u>
Production	31	60
Distribution	32	39
Administrative	32	28
	<u>95</u>	<u>127</u>

The costs incurred in respect of these employees were:

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Wages and salaries	2,833,809	3,822,788
Social security costs	352,108	450,745
Other pension costs	999,000	855,359
	<u>4,184,917</u>	<u>5,128,892</u>

### 5. Directors' Emoluments

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Aggregate emoluments	-	-

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

6. Interest Receivable

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Bank interest	<u>136,791</u>	<u>283,907</u>

7. Pension finance charges

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Expected return on pension scheme assets	435,000	645,000
Interest on pension scheme liabilities	(715,000)	(714,000)
	<u>(280,000)</u>	<u>(69,000)</u>

8. Tax on loss on ordinary activities

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Analysis of tax charge:		
UK corporation tax Current Year	-	-
Deferred tax (note 15)	<u>-</u>	<u>(33,000)</u>
Tax charge on loss on ordinary activities	<u>-</u>	<u>(33,000)</u>
Factors affecting the UK tax charge for the year:	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Loss on ordinary activities before tax	382,250	216,271
Loss on ordinary activities at the standard rate of UK corporation tax at 28% (2008 – 30%)	(107,030)	(64,881)
Effects of:		
Expenses not deductible for tax purposes	25,200	13,647
Capital allowances in (excess of depreciation)/less than depreciation	(13,932)	41,475
Share option exercise tax deduction	22,301	-
Research & Development tax credit	(21,000)	(23,700)
FRS 17 adjustments not allowable for tax	(91,280)	39,600
Other timing differences	(78,474)	76,500
Tax losses (utilised)/not credited to Profit and Loss account	264,215	(82,641)
Current tax charge for the year	<u>-</u>	<u>-</u>

# FOREST LABORATORIES UK LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

### 9. Tangible Assets

	FREEHOLD LAND & BUILDINGS	FURNITURE FIXTURES & FITTINGS	PLANT & MACHINERY	MOTOR VEHICLES	TOTAL
	£	£	£	£	£
Cost at 1st April 2008	1,758,735	637,098	820,203	25,264	3,241,300
Additions during year	-	285,122	-	34,136	319,258
Disposals	-	(179,633)	(632,683)	(25,264)	(837,580)
Cost at 31st March 2009	<u>1,758,735</u>	<u>742,587</u>	<u>187,520</u>	<u>34,136</u>	<u>2,722,978</u>
Depreciation at 1st April 2008	855,855	568,905	710,582	11,608	2,146,950
Charge for the year	35,219	42,684	21,673	3,300	102,876
On disposals	-	(165,128)	(632,683)	(14,908)	(812,719)
Depreciation at 31st March 2009	<u>891,074</u>	<u>446,461</u>	<u>99,572</u>	<u>-</u>	<u>1,437,107</u>
Net book value at 31st March 2009	<u>867,661</u>	<u>296,126</u>	<u>87,948</u>	<u>34,136</u>	<u>1,285,871</u>
Net book value at 31st March 2008	<u>902,880</u>	<u>68,193</u>	<u>109,621</u>	<u>13,656</u>	<u>1,094,350</u>

Freehold land and buildings are stated at:-

	<u>2009</u> £	<u>2008</u> £
Revaluation in 1983	1,500,000	1,500,000
Additions	258,735	258,735
Revalued Cost	<u>1,758,735</u>	<u>1,758,735</u>

The historical cost of land and buildings is:-

	<u>2009</u> £	<u>2008</u> £
Historic Cost	1,190,193	1,190,193
Accumulated depreciation based on historical cost	660,254	635,995
Historical cost net book value	<u>529,939</u>	<u>554,198</u>

# FOREST LABORATORIES UK LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

### 10. Intangible Assets

	<u>Trade Marks</u>	
	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Cost		
At 1st April	5,113,656	5,013,656
Additions	-	100,000
At 31st March	<u>5,113,656</u>	<u>5,113,656</u>
Amortisation		
At 1st April	2,037,389	1,541,031
provided for in year	<u>501,368</u>	<u>496,358</u>
at 31st March	<u>2,538,757</u>	<u>2,037,389</u>
Net book value at		
31st March	<u>2,574,899</u>	<u>3,076,267</u>

### Subsidiaries and Related Companies

The following companies were incorporated in the UK and were dormant at 31st March 2009.

	<u>Unquoted shares</u>
	<u>at cost</u>
	<u>£</u>
<u>Subsidiary</u>	
Pharmax Limited	100
Cost at 31st March 2008	
and 31st March 2009	<u>100</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.

12. <u>Stocks</u>	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Raw materials	-	1,219,752
Work in progress	-	391,348
Finished goods and goods for resale	<u>4,717,324</u>	<u>1,837,271</u>
	<u>4,717,324</u>	<u>3,448,371</u>

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

13. Debtors

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Trade debtors	6,472,202	5,252,330
Prepayments and accrued income	496,869	192,631
	<u>6,969,071</u>	<u>5,444,961</u>

Included in prepayments and accrued income are prepayments of £157,156 receivable in greater than one year but less than 5 years.

14. Creditors - Amounts falling due within one year

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Trade creditors	1,235,028	709,841
Amounts owed to Group undertakings	9,759,670	9,298,130
Other creditors	-	262,822
Accruals and deferred income	1,216,707	2,288,327
Other Taxation and Social Security	163,795	329,387
	<u>12,375,200</u>	<u>12,888,507</u>

A loan of £7,008,280 from a fellow group company, Pharmax Healthcare Limited, has been subordinated in favour of other creditors and this company will not demand repayment of its loan until such time as Forest Laboratories UK Limited has returned to a positive net asset position.

# FOREST LABORATORIES UK LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

### 15. Provisions for Liabilities and Charges

#### Deferred Taxation

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
<b>Provision for deferred tax</b>		
Accelerated capital allowances at 1st April	(60,000)	(93,000)
Transfer to profit and loss account (note 8)	-	33,000
Provision at 31st March	<u>(60,000)</u>	<u>(60,000)</u>

### 16. 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 2006, indicated that, on the basis of service to date and current salaries, the scheme's assets were sufficient to meet 55% of its liabilities. It was assumed that the investment returns would be 6.6% 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 2008 the scheme, which is contracted out of the state scheme, had assets of approximately £6m (2008 - £8m). 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 has recently reviewed the funding rate in light of the results of the valuation and is committed to pay 16.4% of total pensionable salaries each year until the next valuation. Additionally, the company will pay a minimum of £876,000 per annum from January 2009 for ten years in order to reduce the deficit in the scheme. The company expects to pay approximately £1,170,000 into the fund during the next financial year.

A full actuarial valuation of the mixed benefits scheme was carried out at 30th June 2006 and updated at 31st March 2009 by a qualified independent actuary on an FRS 17 basis. The major assumptions used by the actuary were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Inflation Assumption	3.2%	3.7%	3.1%
Rate of increase in salaries	3.3%	3.8%	3.2%
Rate of increase of pensions in payment	3.1%	3.6%	3.0%
Rate of increase for deferred pensioners	3.2%	3.7%	3.1%
Discount Rate	6.1%	6.9%	5.4%

FOREST LABORATORIES UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

16. Pension Scheme (Continued)

The assets in the scheme and the expected rate of return at 31st March 2009 were:

	Long- term rate of return expected at 2009	Value at 2009 £	Long- term rate of return expected at 2008	Value at 2008 £	Long- term rate of return expected at 2007	Value at 2007 £
Equities	7.0%	4,359,000	7.5%	6,176,000	7.8%	6,432,000
Bonds	3.8%	657,000	4.5%	941,000	4.8%	948,000
Cash	0.5%	1,010,000	5.3%	1,416,000	5.3%	1,285,000
Total market value of assets		6,026,000		8,533,000		8,665,000
Present value of scheme liabilities		(11,021,000)		(12,316,000)		(13,061,000)
Deficit in the scheme		(4,995,000)		(3,783,000)		(4,396,000)
Related deferred tax asset (not recognised)		1,398,600		1,059,240		1,318,800
Net pension liability on an FRS 17 basis		<u>(3,596,400)</u>		<u>(2,723,760)</u>		<u>(3,077,200)</u>

**FOREST LABORATORIES UK LIMITED**

**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009**

**16. Pension Scheme (continued)**

*Analysis of amounts charged to operating profit for the pension scheme*

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Current service cost	214,000	342,000
Loss on settlements	365,000	-
	<u>579,000</u>	<u>342,000</u>

*Analysis of amount charged to interest payable for the pension scheme*

Expected return on the pension scheme assets	435,000	645,000
Interest on pension scheme liabilities	(715,000)	(714,000)
Net loss charged to other finance charges	<u>(280,000)</u>	<u>(69,000)</u>

*Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses (STRGL)*

Actual return less expected return on net assets	(2,125,000)	(1,669,000)
Experience gains/(losses) arising on scheme liabilities	997,000	(18,000)
Changes in assumptions underlying the present value of scheme liabilities	(410,000)	1,819,000
Net actuarial (loss)/gain recognised	<u>(1,538,000)</u>	<u>132,000</u>

*History of experience (losses)/gains*

	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Actual return less expected return on pension scheme assets	(2,125,000)	(1,669,000)	103,000
- As % of year end pension scheme assets	(35.0%)	(19.5%)	1.2%
Experience gains/(losses) arising on the scheme liabilities	997,000	(18,000)	(1,496,000)
-As % of present value of year end scheme liabilities	9.0%	(0.1%)	(11.5%)
Changes in assumptions underlying the present value of the scheme liabilities	(410,000)	1,819,000	88,000
-As % of present value of year end scheme liabilities	(4.0%)	14.8%	0.7%
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	<u>(1,538,000)</u>	<u>132,000</u>	<u>(1,305,000)</u>
- As % of present value of year end scheme liabilities	(14.0%)	1.1%	(10.0%)

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 TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

16. Pension Scheme (continued)

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Movements in deficit during the year		
Deficit in scheme at beginning of year	(3,783,000)	(4,396,000)
Current service cost	(579,000)	(342,000)
Contributions paid	1,185,000	892,000
Other finance costs	(280,000)	(69,000)
Actuarial (loss)/gain	(1,538,000)	132,000
Deficit in the scheme at end of year	<u>(4,995,000)</u>	<u>(3,783,000)</u>

17. Share Capital

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
<u>Equity</u>		
Authorised, issued and fully paid		
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	<u>532,573</u>	<u>532,573</u>
	<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 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 2009

### 18. Reserves

	Non-distributable reserve £	Profit and loss account £
Balance at 1st April 2008	564,662	531,383
Actuarial loss	-	(1,538,000)
Loss for the financial year	-	(382,250)
Share based payment	-	79,646
Other net recognised gains and losses	-	-
Balance at 31st March 2009	<u>564,662</u>	<u>(1,309,221)</u>

### 19. Share-based payment

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

For 2009, the impact of share-based payments is a net charge to income of £79,646 (2008 £55,896). 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 6 year period (2008: 6) from the date of grant and will lapse if not exercised within six years from the date of grant. In addition, the options will lapse 3 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:

	<u>2009</u>	<u>2008</u>
Expected dividend yield	0%	0%
Expected stock price volatility	34.17%	31.15%
Risk-free interest rate	2.80%	4.20%
Expected life of options (years)	<u>6</u>	<u>6</u>
	<u>2009</u>	<u>2008</u>
The share-based remuneration expense (note 3) comprises:	£	£
Equity-settled schemes	<u>79,646</u>	<u>55,896</u>

## FOREST LABORATORIES UK LIMITED

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2009

#### 20. Commitments under operating leases

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

	<u>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Plant and machinery		
- expiring between 2 and 5 years	5,000	5,636
Property rental		
- expiring after 5 years	<u>162,600</u>	<u>5,636</u>
	<u>167,600</u>	<u>11,272</u>

#### 21. 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>2009</u>	<u>2008</u>
	<u>£</u>	<u>£</u>
Sales during the year	342,954	332,772
Due from Ocean Healthcare at 31st March	207,378	217,905
Provision for doubtful debts	<u>2,375</u>	<u>11,387</u>

#### 22. 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

#### 23 Parent Company

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