

Forest Laboratories UK Limited

Report and Financial Statements

Year Ended

31 March 2010

Company Number. 532832

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Forest Laboratories UK Limited

Report and financial statements for the year ended 31 March 2010

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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, West Sussex, RH6 0PA

Forest Laboratories UK Limited

Report of the directors for the year ended 31 March 2010

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

Results and dividends

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

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

Trading for the year was in line with expectations.

The Company submitted an application for a marketing authorisation for the new delivery method for one of its existing products in September 2009. It was validated in June 2010 and is currently following the regulatory process.

Key performance indicators compared to previous years are as follows:

	2010 £	2009 £
Turnover	30,690,060	27,957,238
Gross profit	12,532,962	10,131,355
Operating profit / (loss)	2,919,890	(239,041)
Interest received	22,249	136,791

The increase in turnover and profit has come from both increasing volumes in established markets as well as opening up new markets for our niche antibiotic and baby care range. We have also launched one new product during the year which complements our existing product range and we continue to explore opportunities to add to our product portfolio.

The Company has exchanged contracts with a buyer to dispose of its now vacant manufacturing facility and anticipates completion by 31st March 2011.

Working capital remains healthy.

Research and development

Research and development is primarily focused on maintaining our current marketing authorisations.

Some additional work has been necessary to answer questions from the regulator relating to the new delivery method for one of our products. Significant resources are also aimed at sourcing additional products to complement our current portfolio.

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.

Forest Laboratories UK Limited

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

Risk and uncertainties (continued)

Credit risk arises from the Company's trade and other receivables. Management reviews 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 positive cash reserves and does not make use of borrowings to fund operations. Management monitors and manages the recoverability of debtors and payment of 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.

Directors

The directors of the company during the year ended 31 March 2010 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.

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,
- 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.

Forest Laboratories UK Limited

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

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 14th December 2010

Forest Laboratories UK Limited

Independent auditor's report

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 2010 which comprise 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 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 2010 and of its profit 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.

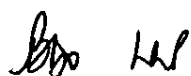
Forest Laboratories UK Limited

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 20 December 2010

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 2010

	Note	2010 £	2009 £
Turnover	2	30,690,060	27,957,238
Cost of sales		(18,157,098)	(17,825,883)
Gross profit		12,532,962	10,131,355
Distribution cost		(5,727,089)	(5,036,018)
Administration expenses		(3,885,983)	(5,334,378)
Operating profit / (loss)	3	2,919,890	(239,041)
Interest receivable	6	22,249	136,791
Pension finance charges	7	(312,000)	(280,000)
Profit / (loss) on ordinary activities before taxation		2,630,139	(382,250)
Taxation	8	60,000	-
Profit / (loss) for the year	18	2,690,139	(382,250)

All amounts relate to continuing activities

The notes on pages 8 to 22 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 2010

	Note	2010 £	2009 £
Statement of total recognised gains and losses			
Profit / (loss) for the year		2,690,139	(382,250)
Actual return less expected return on pension scheme assets		1,364,000	(2,125,000)
Experience gains arising on scheme liabilities		483,000	997,000
Change in assumptions underlying the present value of scheme liabilities		(2,129,000)	(410,000)
Share based payments		120,387	79,646
Total recognised gains and losses relating to the year		<u>2,528,526</u>	<u>(1,840,604)</u>
Reconciliation of movements in shareholders' funds			
Profit / (loss) for the financial year		2,690,139	(382,250)
Actuarial (loss) on pension scheme		(282,000)	(1,538,000)
Share based payments		120,387	79,646
Net increase / (decrease) in shareholders' funds		<u>2,528,526</u>	<u>(1,840,604)</u>
Opening shareholders' funds		<u>(209,621)</u>	<u>1,630,983</u>
Closing shareholders' funds		<u>2,318,905</u>	<u>(209,621)</u>

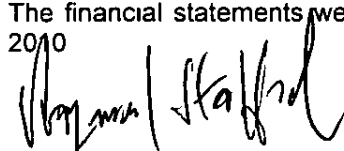
The notes on pages 9 to 22 form part of these financial statements

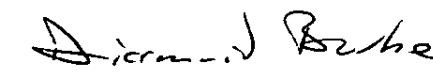
Forest Laboratories UK Limited

Balance sheet at 31 March 2010

Company number 532832	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Tangible assets	9		1,375,252		1,285,871
Intangible assets	10		2,073,539		2,574,899
Investments	11		100		100
			<u>3,448,891</u>		<u>3,860,870</u>
Current assets					
Stocks	12	5,855,643		4,717,324	
Debtors	13	6,487,780		6,969,071	
Cash at bank and in hand		3,496,316		1,673,314	
		<u>15,839,739</u>		<u>13,359,709</u>	
Creditors: amounts falling due within one year	14	12,226,725		12,375,200	
		<u>12,226,725</u>		<u>12,375,200</u>	
Net current assets			<u>3,613,014</u>		<u>984,509</u>
Total assets less current liabilities			<u>7,061,905</u>		<u>4,845,379</u>
Provisions for liabilities and charges					
Deferred taxation	15		-		(60,000)
Pension liability	16		(4,743,000)		(4,995,000)
			<u>2,318,905</u>		<u>(209,621)</u>
Capital and reserves					
Share capital	17		534,938		534,938
Capital reserve	18		564,662		564,662
Profit and loss account	18		1,219,305		(1,309,221)
			<u>2,318,905</u>		<u>(209,621)</u>
Shareholders' funds			<u>2,318,905</u>		<u>(209,621)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14th December 2010


R Stafford
Director


D Burke
Director

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

Forest Laboratories UK Limited

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

1 Accounting policies

The 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 following principal accounting policies have been applied

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 2010 (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, with the exception of freehold land, 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:

Freehold buildings	-	40 years
Plant, 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

Stock is 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
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 2010 (continued)

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 2010. 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

	2010 £	2009 £
United Kingdom	25,479,403	23,243,002
Republic of Ireland	1,213,503	1,263,096
Rest of Europe	2,685,541	1,950,585
Middle East and Far East	376,708	504,980
Asia	55,007	94,334
Africa	36,076	62,500
Canada	26,036	84,955
Central and South America	316,902	361,998
Australia and New Zealand	500,884	391,788
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	30,690,060	27,957,238
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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 2010 (continued)

3 Operating profit/(loss)

	2010 £	2009 £
This is arrived at after charging/(crediting)		
Depreciation	104,008	102,876
Amortisation	501,360	501,368
Research and development expenditure	1,153,713	1,588,083
Restructuring costs	(16,758)	1,389,774
Profit on foreign currency transactions	(221,091)	(465,851)
Auditors' remuneration		
- audit services	39,182	39,182
- non audit services	2,730	2,730
Operating leases – plant and machinery	5,067	12,169
Operating leases – motor vehicles	140,016	58,470
Operating leases – premises	54,508	-
Share based payment	120,387	79,646

4 Employees

The average monthly number of employees within each category was

	2010 Number	2009 Number
Production	-	31
Distribution	30	32
Administrative	27	32
	57	95

The costs incurred in respect of these employees were

	2010 £	2009 £
Wages and salaries	2,356,233	2,833,809
Social security costs	283,645	352,108
Other pension costs	1,500,259	999,000
	4,140,137	4,184,917

5 Directors' emoluments

	2010 £	2009 £
Aggregate emoluments	-	-

Forest Laboratories UK Limited

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

6 Interest receivable

	2010 £	2009 £
Bank interest	22,249	136,791

7 Pension finance charges

	2010 £	2009 £
Expected return on pension scheme assets	334,000	435,000
Interest on pension scheme liabilities	(646,000)	(715,000)
	(312,000)	(280,000)

8 Taxation on loss on ordinary activities

	2010 £	2009 £
Analysis of tax charge		
UK corporation tax		
- Current tax on profits	-	-
Deferred tax		
- Timing differences	60,000	-
	60,000	-
Originating and reversing of timing differences	60,000	-

	2010 £	2009 £
Profit / (loss) on ordinary activities before tax	2,630,139	(382,250)
Profit/(Loss) on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009 - 28%)	736,439	(107,030)
Effects of		
Expenses not deductible for tax purposes	42,440	25,200
Capital allowances for year in excess of depreciation	(12,155)	(13,932)
Share option exercise tax deduction	33,708	22,301
Research and development tax credit	(14,000)	(21,000)
FRS 17 adjustments not allowable for tax	(149,520)	(91,280)
Other timing differences	(6,226)	(78,474)
Tax losses (utilised)/not credited to profit and loss account	(630,646)	264,215
Current tax charge for year	-	-

Forest Laboratories UK Limited

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

9 Tangible assets

	Freehold land and buildings £	Furniture, fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At 1 April 2009	1,758,735	742,587	187,520	34,136	2,722,978
Additions	-	142,001	59,331	-	201,332
Disposals	-	-	(41,260)	-	(41,260)
At 31 March 2010	1,758,735	884,588	205,591	34,136	2,883,050
<i>Depreciation</i>					
At 1 April 2009	891,074	446,461	99,572	-	1,437,107
Provided for the year	-	82,331	15,677	6,000	104,008
Disposals	-	-	(33,317)	-	(33,317)
At 31 March 2010	891,074	528,792	81,932	6,000	1,507,798
<i>Net book value</i>					
At 31 March 2010	867,661	355,796	123,659	28,136	1,375,252
At 31 March 2009	867,661	296,126	87,948	34,136	1,285,871

Freehold land and buildings are stated at

	2010 £	2009 £
Revaluation in 1983	1,500,000	1,500,000
Additions	258,735	258,735
Revalued cost	1,758,735	1,758,735

The historical cost of land and buildings is

	2010 £	2009 £
Historic cost	1,190,193	1,190,193
Accumulated depreciation based on historical cost	660,254	660,254
Historical cost net book value	529,939	529,939

Forest Laboratories UK Limited

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

10 Intangible assets

	Trademarks	
	2010	2009
	£	£
<i>Cost</i>		
At 1 April	5,113,656	5,113,656
Additions	-	-
	<hr/>	<hr/>
At 31 March	5,113,656	5,113,656
	<hr/>	<hr/>
<i>Amortisation</i>		
At 1 April	2,538,757	2,037,389
Provided for the year	501,360	501,368
	<hr/>	<hr/>
At 31 March	3,040,117	2,538,757
	<hr/>	<hr/>
<i>Net book value</i>		
At 31 March	2,073,539	2,574,899
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11 Investments

Subsidiaries and related companies

The following companies were incorporated in the UK and were dormant at 31 March 2010

	Unquoted shares at cost £
<i>Subsidiary</i>	
Pharmax Limited	100
Cost at 31 March 2009 and 31 March 2010	100
	<hr/>

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

12 Stocks

	2010	2009
	£	£
Raw materials	616,339	-
Finished goods and goods for resale	5,239,304	4,717,324
	<hr/>	<hr/>
	5,855,643	4,717,324
	<hr/>	<hr/>

Forest Laboratories UK Limited

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

13 Debtors

	2010 £	2009 £
Trade debtors	5,833,985	6,472,202
Prepayments and accrued income	653,795	496,869
	<u>6,487,780</u>	<u>6,969,071</u>

Included in prepayments and accrued income are prepayments of £133,775 (2009 - £157,156) receivable in greater than one year but less than five years

14 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	767,129	1,235,028
Amounts owed to Group undertakings	10,194,973	9,759,670
Accruals and deferred income	928,934	1,216,707
Other taxation and social security	335,689	163,795
	<u>12,226,725</u>	<u>12,375,200</u>

15 Provisions for liabilities and charges

	2010 £	2009 £
Provision for deferred tax		
Accelerated capital allowances at 1 April	(60,000)	(60,000)
Transfer to profit and loss account (note 8)	60,000	-
	<u>-</u>	<u>(60,000)</u>
Provision at 31 March	-	(60,000)

Forest Laboratories UK Limited

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

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, subsequent to 6 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 30 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 31 March 2010 the scheme, which is contracted out of the state scheme, had assets of approximately £7.7m (2009 - £6.0m). 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.

A full actuarial valuation of the mixed benefits scheme was carried out at 30 June 2006 and updated at 31 March 2010 by a qualified independent actuary on an FRS 17 basis. The major assumptions used by the actuary were:

	2010	2009	2008
Inflation assumption	3.1%	3.2%	3.7%
Rate of increase in salaries	3.2%	3.3%	3.8%
Rate of increase of pensions in payment	4.3%	3.1%	3.6%
Rate of increase for deferred pensioners	3.1%	3.2%	3.7%
Discount rate	5.6%	6.1%	6.9%

Forest Laboratories UK Limited

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

16 Pension scheme (*continued*)

The assets in the scheme and the expected rate of return at 31 March 2010 were

	Long term rate of return expected at 2010	Value at 2010 £	Long term rate of return expected at 2009	Value at 2009 £	Long term rate of return expected at 2008	Value at 2008 £
Equities	7.7%	5,493,000	7.0%	4,359,000	7.5%	6,176,000
Bond	4.4%	1,263,000	3.8%	657,000	4.5%	941,000
Cash	0.5%	927,000	0.5%	1,010,000	5.3%	1,416,000
		<hr/>		<hr/>		<hr/>
Total market Value of assets		7,683,000		6,026,000		8,533,000
Present value of scheme liabilities		(12,426,000)		(11,021,000)		(12,316,000)
		<hr/>		<hr/>		<hr/>
Deficit in Scheme		(4,743,000)		(4,995,000)		(3,783,000)
Related deferred tax asset (not recognised)		1,328,040		1,398,600		1,059,240
		<hr/>		<hr/>		<hr/>
Net pension liability on an FRS 17 basis		(3,414,960)		(3,596,400)		(2,723,760)
		<hr/>		<hr/>		<hr/>

Forest Laboratories UK Limited

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

16 Pension scheme (continued)

	2010 £	2009 £	
<i>Analysis of amounts charged to operating profit for the pension scheme</i>			
Current service cost	187,000	214,000	
Loss on settlements	217,000	365,000	
	<u>404,000</u>	<u>579,000</u>	
<i>Analysis of amount charged to interest payable for the pension scheme</i>			
Expected return on the pension scheme assets	334,000	435,000	
Interest on pension scheme liabilities	(646,000)	(715,000)	
	<u>(312,000)</u>	<u>(280,000)</u>	
<i>Analysis of amounts recognised in the Statement of Total Recognised Gains and Losses</i>			
Actual return less expected return on net assets	1,364,000	(2,125,000)	
Experience gains/(losses) arising on scheme liabilities	483,000	997,000	
Changes in assumptions underlying the present values of scheme liabilities	(2,129,000)	(410,000)	
	<u>(282,000)</u>	<u>(1,538,000)</u>	
<i>History of experience (losses)/gains</i>			
	2010 £	2009 £	2008 £
Actual return less expected return on pension scheme assets	1,364,000	(2,125,000)	(1,669,000)
- as % of year end pension scheme assets	18.0%	(35.0%)	(19.5%)
Experience gains/(losses) arising on scheme liabilities	483,000	997,000	(18,000)
- as % of present value of year end scheme liabilities	3.9%	9.0%	(0.1%)
Changes in assumptions underlying the present value of the scheme liabilities	(2,129,000)	(410,000)	1,819,000
- as % of present value of year end scheme liabilities	(17.1%)	(4.0%)	14.8%
	<u>(282,000)</u>	<u>(1,538,000)</u>	<u>132,000</u>
Actuarial (loss)/gain recognised in the statement of recognised gains and losses	(282,000)	(1,538,000)	132,000
	<u>(282,000)</u>	<u>(1,538,000)</u>	<u>132,000</u>
- as % of present value of year end scheme liabilities	(2.3%)	(14.0%)	1.1%

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 2010 (continued)

16 Pension scheme (continued)

	2010 £	2009 £
Movements in deficit during the year		
Deficit in scheme at beginning of year	(4,995,000)	(3,783,000)
Current service cost	(404,000)	(579,000)
Contributions paid	1,250,000	1,185,000
Other finance costs	(312,000)	(280,000)
Actuarial loss	(282,000)	(1,538,000)
Deficit in the scheme at end of year	(4,743,000)	(4,995,000)

17 Share capital

	2010 £	2009 £
<i>Authorised, 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
	534,938	534,938

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 2010 (continued)

18 Reserves

	Non-distributable reserve £	Profit and loss account £
Balance at 1 April 2009	564,662	(1,309,221)
Actuarial loss	-	(282,000)
Profit/(Loss) for the financial year	-	2,690,139
Share based payment	-	120,387
	<hr/>	<hr/>
At 31 March 2010	564,662	1,219,305
	<hr/>	<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 2010, the impact of share based payments is a net charge to income of £120,387 (2009 - £79,646). 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 six year period (2009 – six year) 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 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:

	2010	2009
Expected dividend yield	0%	0%
Expected stock price volatility	29.70%	34.17%
Risk free interest rate	2.60%	2.80%
Expected life of options (years)	6	6
	<hr/>	<hr/>

	2010 £	2009 £
The share based remuneration expense (note 3) comprises		
Equity settled schemes	120,387	79,646
	<hr/>	<hr/>

Forest Laboratories UK Limited

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

20 Commitments under operating leases

	2010 £	2009 £
The Company's annual commitments under non cancellable operating leases is as follows		
Plant and machinery - expiring between 2 and 5 years	5,344	5,000
Motor vehicles - expiring between 2 and 5 years	166,984	58,470
Property rental - expiring between 2 and 5 years	162,600	-
- expiring after 5 years	-	162,600
	<u>334,928</u>	<u>226,070</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

	2010 £	2009 £
Sales during the year	359,992	342,954
Due from Ocean Healthcare at 31 March	17,592	207,378
Provision for doubtful debts	-	2,375
	<u></u>	<u></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