

532832

PHARMAX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31ST MARCH 1995



PHARMAX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 1995

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DIRECTORS

R Hart  
W J More  
H Solomon (USA)  
R T Stafford (Republic of Ireland)

SECRETARY & REGISTERED OFFICE

W J More  
Bourne Road  
Bexley, Kent DA5 1NX

COMPANY NUMBER

532832

AUDITORS

BDO Stoy Hayward  
8 Baker Street  
London W1M 1DA

PHARMAX LIMITED


NOTICE OF MEETING

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Notice is hereby given that the Annual General Meeting of the Company will be held at Bourne Road, Bexley, Kent on Tuesday, 28th November 1995 for the following purposes:-

1. To receive the directors' report and audited financial statements for the year ended 31st March, 1995.
2. To elect directors.
3. To re-appoint BDO Stoy Hayward as auditors and to authorise the directors to agree their remuneration for the ensuing year.

By order of the board

  
W J More

Secretary

Date: 2/11/95

Members entitled to attend and vote at this meeting are entitled to appoint a proxy to attend and, in the event of a poll, vote instead of them. A proxy need not be a member of the Company.

PHARMAX LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 1995

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The directors submit their report together with the audited financial statements for the year ended 31st March 1995.

Principal Activity

The principal activity of the Company is the manufacture and distribution of ethical pharmaceutical products.

Review of Business

Sales of the Company's ethical products declined by 4% over last year, primarily due to the significant reduction in sales of our cardiovascular products and contract generic business following strong sales in the previous year. Growth in our new and existing promoted branded products, coupled with the increase in our export sales to Asia, were unable to compensate fully for this decline. Under the Department of Health's PPRS Scheme our N.H.S. prices were again frozen throughout the year and will continue to be frozen until 30th September 1996, at the very earliest.

Monuril, our antibiotic launched last year and used in the treatment of uncomplicated urinary tract infections, showed slow but steady progress during the year with the product mainly being used on problem patients as third line therapy.

With the ongoing changes and constraints within the National Health Service establishing further Drug Review Committees and Drug Formularies, new products are taking longer to obtain acceptance and established products are constantly under review.

As a result of these difficult economic market conditions and the need to sustain our marketing investment in support of our branded promoted products, we anticipate that both sales and profits will continue to be constrained in the coming year.

Results & Dividends

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

No dividend is proposed.

There have been no events since the balance sheet date which materially affect the position of the Company.

## PHARMAX LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 1995

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#### Directors

The directors of the Company during the year ended 31st March, 1995 were:-

A A J Goldberg  
R Hart  
W J More  
H Solomon (USA)  
R T Stafford (Republic of Ireland)

Subsequent to the year end Dr A A J Goldberg resigned as a director as from 7th June 1995.

Mr R Hart and Mr R T Stafford retire by rotation and, being eligible, offer themselves for re-election.

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

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

#### Political and Charitable Contributions

Contributions during the year to United Kingdom charitable organisations amounted to £500. No political contributions were made.

#### Taxation status

The Company is not a close company within the meaning of the Income and Corporation Taxes Act, 1988.

#### Fixed Assets

The movements in the fixed assets of the Company are disclosed in Notes 9 and 10 to the accounts.

PHARMAX LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 1995  
(continued)

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Auditors

BDO Stoy Hayward 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

  
W J More

Secretary

Date: 2/11/95

## PHARMAX LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31ST MARCH 1995

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#### Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PHARMAX LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF  
PHARMAX LIMITED

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We have audited the financial statement on pages 6 to 17 which have been prepared under the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31st March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO Stoy Hayward  
Chartered Accountants and Registered Auditors  
London

3 March 1995



PHARMAX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1995

	<u>NOTE</u>	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
<u>TURNOVER</u>	2	9,403,343	9,808,679
Cost of Sales		<u>4,624,769</u>	<u>4,555,228</u>
<u>GROSS PROFIT</u>		4,778,574	5,253,451
Distribution costs	2,748,107	2,337,247	
Administrative expenses	<u>1,722,327</u>	<u>1,684,466</u>	
		<u>4,470,434</u>	<u>4,021,713</u>
		308,140	1,231,738
Other operating income	3	—	<u>11,765</u>
<u>OPERATING PROFIT</u>	4	308,140	1,243,503
Interest receivable	7	<u>139,228</u>	<u>66,339</u>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		447,368	1,309,842
Taxation	8	<u>198,310</u>	<u>459,613</u>
<u>RETAINED PROFIT for the Year</u>		<u>£ 249,058</u>	<u>£ 850,229</u>

STATEMENT OF RETAINED PROFITS  
FOR THE YEAR

Retained profits at 1st April 1994	7,870,074	7,019,845
Retained profits for the year	<u>249,058</u>	<u>850,229</u>
Retained profits at 31st March 1995	<u>£8,119,132</u>	<u>£7,870,074</u>

All amounts relate to continuing activities.

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

The notes on pages 8 to 17 form part of these financial statements.

PHARMAX LIMITED

BALANCE SHEET AT 31ST MARCH, 1995

	<u>NOTE</u>	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible assets	9	1,617,411	1,506,379
Investments	10	<u>1,394</u>	<u>1,394</u>
		1,618,805	1,507,773
<u>CURRENT ASSETS</u>			
Stocks	11	1,384,384	1,540,263
Debtors	12	3,536,228	3,581,470
Cash at bank and in hand		<u>4,413,178</u>	<u>3,972,393</u>
		<u>9,333,790</u>	<u>9,094,126</u>
<u>CREDITORS - amounts falling due within one year</u>			
Creditors	13	<u>1,636,863</u>	<u>1,552,225</u>
<u>NET CURRENT ASSETS</u>		<u>7,696,927</u>	<u>7,541,901</u>
<u>TOTAL ASSETS less CURRENT LIABILITIES</u>		9,315,732	9,049,674
<u>PROVISION for LIABILITIES and CHARGES</u>			
DEFERRED TAXATION	14	<u>97,000</u>	<u>80,000</u>
		<u>£ 9,218,732</u>	<u>£ 8,969,674</u>
<u>CAPITAL and RESERVES</u>			
CALLED UP SHARE CAPITAL	15	534,938	534,938
<u>RESERVES</u>			
Capital reserve		564,662	564,662
Profit and loss account		<u>8,119,132</u>	<u>7,870,074</u>
		<u>8,683,794</u>	<u>8,434,736</u>
		<u>£ 9,218,732</u>	<u>£ 8,969,674</u>

APPROVED by the BOARD OF DIRECTORS

R. Hart

W.J. More

Date: 2/11/95

The notes on pages 8 to 17 form part of these financial statements

1. Accounting Policies

(a) Convention

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

(b) Foreign Currency

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

(c) Turnover

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

(d) Research & Development

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

(e) Deferred Taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

(f) Tangible Fixed Assets and Depreciation

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

Plant and machinery, fixtures and fittings  
Motor vehicles

Up to 10 years  
Up to 4 years

## PHARMAX LIMITED

### NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 1995

#### 1. Accounting Policies (continued)

##### (g) 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.

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

##### (i) Pension Costs

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

#### 2. Analysis of Turnover and Profit

The turnover and profit before taxation is attributable mainly to the manufacture and distribution of Ethical Pharmaceuticals.

The turnover attributable to each of the geographical markets is:-

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
United Kingdom	8,091,857	8,696,145
Republic of Ireland	377,151	389,317
Europe	57,511	46,828
Middle East	150,021	184,659
Asia	527,210	267,224
Canada	153,747	183,313
Other	45,846	41,193
	<u>£ 9,403,343</u>	<u>£ 9,808,679</u>

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

3. Other Operating Income

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Rental income	<u>NIL</u>	<u>11,765</u>

4. Operating Profit

Operating profit is arrived at after charging:-

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Depreciation	478,011	442,054
Auditors' remuneration		
- audit services	22,700	22,300
- non audit services	11,027	14,525
Operating leases - plant and machinery	12,879	7,713
Operating lease - other	270,000	270,000
And after crediting:		
Profit on sale of fixed assets	<u>21,234</u>	<u>21,603</u>

5. Employees

The average number employed by the Company within each category was:

	<u>1995</u>	<u>1994</u>
	<u>No</u>	<u>No</u>
Production	71	73
Distribution	74	70
Administrative	<u>29</u>	<u>31</u>
	<u>174</u>	<u>174</u>

The costs incurred in respect of these employees were:

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Wages and salaries	3,287,997	3,166,607
Social security costs	334,438	297,524
Other pension costs	<u>434,050</u>	<u>417,343</u>
	<u>£4,056,485</u>	<u>£3,881,474</u>

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

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6. Directors' Emoluments

Emoluments of directors of the Company included in staff costs were as follows:

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Management remuneration including pension contributions	<u>£ 219,533</u>	<u>£ 181,416</u>

The emoluments, excluding pension contributions, of directors (other than those whose duties were wholly or mainly discharged outside the United Kingdom) were as follows:

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Highest Paid Director	<u>£ 95,326</u>	<u>£ 76,951</u>
Other directors		
Up to £5,000	Two	Two
£5,001 - £10,000	One	One
£70,001 - £75,000	None	One
£90,001 - £95,000	One	None

In addition, Dr A A J Goldberg received fees in his capacity as Medical Consultant, amounting to £16,437 (1994 £16,863).

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

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7. Interest Receivable

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Bank interest	56,065	66,339
Building Society interest	207	-
Interest supplement		
Tax repayment	<u>82,956</u>	<u>-</u>
	<u>£ 139,228</u>	<u>£ 66,339</u>

8. Taxation

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Corporation Tax at 33% (1994 - 33%) on profits for the year	186,000	473,000
Over provision prior years	( 4,690)	( 22,387)
Transfer to deferred taxation	<u>17,000</u>	<u>9,000</u>
	<u>£ 198,310</u>	<u>£ 459,613</u>

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 1995

9. Tangible Assets

	<u>FURNITURE FIXTURES &amp; FITTINGS</u>	<u>PLANT &amp; MACHINERY</u>	<u>MOTOR VEHICLES</u>	<u>TOTAL</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost at 1st April 1994	360,502	1,656,150	1,183,495	3,200,147
Additions during year	<u>60,637</u>	<u>203,991</u>	<u>384,775</u>	<u>649,403</u>
	421,139	1,860,141	1,568,270	3,849,550
Disposals during year	<u>27,949</u>	<u>-</u>	<u>270,414</u>	<u>298,363</u>
Cost at 31st March 1995	<u>393,190</u>	<u>1,860,141</u>	<u>1,297,856</u>	<u>3,551,187</u>
Depreciation at 1st April 1994	281,669	964,361	447,738	1,693,768
Provision for year	<u>44,741</u>	<u>132,323</u>	<u>300,947</u>	<u>478,011</u>
	326,410	1,096,684	748,685	2,171,779
Eliminated on disposals	<u>27,949</u>	<u>-</u>	<u>210,054</u>	<u>238,003</u>
Depreciation at 31st March 1995	<u>298,461</u>	<u>1,096,684</u>	<u>538,631</u>	<u>1,933,776</u>
Net book value at 31st March 1995	<u>94,729</u>	<u>763,457</u>	<u>759,225</u>	<u>1,617,411</u>
Net book value at 31st March 1994	<u>78,833</u>	<u>691,789</u>	<u>735,757</u>	<u>1,506,379</u>

There were no capital commitments at the balance sheet date. (1994 £ nil).



PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

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10. Fixed Asset Investments

Subsidiaries and Related Companies

	<u>Percentage of Share Capital held</u>	<u>Unquoted Shares at cost</u> <u>£</u>
<u>Subsidiary</u>		
Fletcher, Fletcher & Co Ltd (incorporated in UK)	100% ordinary	100
<u>Related Company</u>		
Forest Pharms Limited (incorporated in UK)	50% ordinary	<u>£1,294</u>
<u>Net Book Value</u> at 31st March 1995		<u>£1,394</u>
<u>Net Book Value</u> at 31st March 1994		<u>£1,394</u>

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

11. Stocks

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Raw materials	659,187	1,101,471
Work in progress	337,983	204,612
Finished goods and goods for resale	<u>387,214</u>	<u>234,180</u>
	<u>£1,384,384</u>	<u>£1,540,263</u>

In the opinion of the directors, the above value of stocks is not materially different to replacement cost at 31st March, 1995.

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

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12. Debtors

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Trade debtors	2,243,390	2,313,787
Amounts owing by Group undertakings	490,425	526,412
Prepayments and accrued income	<u>802,413</u>	<u>741,271</u>
	<u>£3,536,228</u>	<u>£3,581,470</u>

No debtors are due after more than one year.

13. Creditors

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Trade creditors	570,184	618,584
Amounts owed to Group undertakings	15,748	15,748
Other creditors and accruals	991,400	878,839
Other taxation and social security	<u>59,531</u>	<u>39,054</u>
	<u>£1,636,863</u>	<u>£1,552,225</u>

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

14. Provisions for Liabilities and Charges  
Deferred Taxation

	<u>1995</u>		<u>1994</u>	
	Not Provided	Provided in accounts	Not Provided	Provided in accounts
	£	£	£	£
Sundry timing difference	-	17,000	-	-
Accelerated capital allowances	-	<u>80,000</u>	-	<u>80,000</u>
	<u>NIL</u>	<u>97,000</u>	<u>NIL</u>	<u>80,000</u>
Movements in deferred taxation				
		£		£
Balance at 1st April 1994		80,000		71,000
Transfer from profit and loss account		<u>17,000</u>		<u>9,000</u>
Balance at 31st March 1995		<u>£97,000</u>		<u>£80,000</u>

15. Share Capital

	<u>1995</u>	<u>1994</u>
	£	£
Authorised issued and fully paid:		
Deferred shares of 10p each	2,150	2,150
Ordinary shares of 10p each	215	215
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>

PHARMAX LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH, 1995

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16. Commitments under operating leases

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

	<u>1995</u> <u>£</u>	<u>1994</u> <u>£</u>
Land and buildings - expiring after 5 years	270,000	270,000
Plant and machinery - expiring between 2 and 5 years	<u>12,879</u>	<u>7,713</u>
	<u>£282,879</u>	<u>£277,713</u>

The commitment for land and buildings is subject to periodic rent reviews.

17. Pension Scheme

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

The total pension cost for the year was £434,050 (1994 £417,343). The employer's contribution was 16.1% (1994 16.1%) of an employee's pensionable salary. The pension cost charged to the profit and loss account is such as to spread the cost of pensions over employees' working lives. The pension cost has been based on the latest valuation which was conducted as at 6th April 1994 and was completed allowing for 9% investment return and 8% future salary increases. The next valuation is due during the year 1997.

18. 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.

19. Parent Company

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