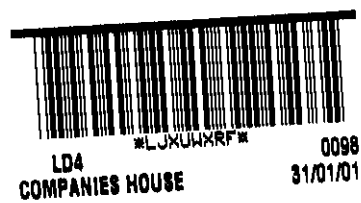


PHARMAX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2000



PHARMAX LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2000

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DIRECTORS

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

SECRETARY AND REGISTERED OFFICE

A Livingstone
Bourne Road
Bexley
Kent DA5 1NX

COMPANY NUMBER

532832

AUDITORS

BDO Stoy Hayward
8 Baker Street
London W1M 1DA

PHARMAX LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2000

The directors submit their report together with the audited financial statements for the year ended 31st March 2000.

Principal Activity

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

Review of Business

This has been a disappointing year for the Company. After integrating the business of Pharmax Healthcare Limited, sales declined by 2.5% to £19.9M.

The major part of the downturn has been in our export markets where we have been experiencing difficulties due to the current exchange rate.

In October 1999 we were forced to cut the prices of our UK branded ethical medicines by 4.5%. Although we have yet to see the full effect of this measure, it has put increasing strain on the profitability of the Company which we will need to address in the coming year.

Results & Dividends

The profit and loss statement is set out on page 5 and shows the Company's results 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 2000

(continued)

Directors

The directors of the Company during the year ended 31st March 2000 were:-

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

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

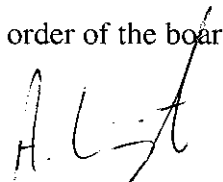
Mr J Worth and Mr D Burke retire by rotation and, being eligible, offer themselves for re-election.

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

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the board


A Livingstone
Secretary

Date: 21/12/2000

PHARMAX LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31ST MARCH 2000

Directors' responsibilities

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

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

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

PHARMAX LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
PHARMAX LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 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 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 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 accuracy 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 2000 and of its result 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
Date **8 JANUARY 2001**

PHARMAX LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2000

	<u>NOTE</u>	<u>2000</u> <u>£</u>	<u>1999</u> <u>£</u>
TURNOVER	2	19,393,379	9,047,496
Cost of Sales		<u>12,928,074</u>	<u>5,010,002</u>
GROSS PROFIT		6,465,305	4,037,494
Distribution Costs	4,216,644	2,822,016	
Administrative Expenses	<u>2,402,597</u>	<u>1,783,823</u>	
		<u>6,619,241</u>	<u>4,605,839</u>
OPERATING LOSS		(153,936)	(568,345)
Interest Receivable	6	<u>551,910</u>	<u>478,211</u>
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		397,974	(90,134)
Taxation	7	<u>180,000</u>	<u>(8,961)</u>
PROFIT / (LOSS) FOR THE YEAR		<u><u>217,974</u></u>	<u><u>(81,173)</u></u>

STATEMENT OF RETAINED PROFITS

Retained profits at 1st April	7,359,806	7,440,979
Profit / (Loss) for the year	<u>217,974</u>	<u>(81,173)</u>
Retained profits at 31st March	<u><u>7,577,780</u></u>	<u><u>7,359,806</u></u>

All amounts relate to continuing activities.

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

The notes on pages 7 to 15 form part of these financial statements.

PHARMAX LIMITED

BALANCE SHEET AT 31ST MARCH 2000

	<u>NOTE</u>	<u>2000</u> £	<u>1999</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	8	2,127,016	2,168,066
Investments	9	1,394	1,394
		<u>2,128,410</u>	<u>2,169,460</u>
<u>CURRENT ASSETS</u>			
Stocks	10	3,546,717	3,136,279
Debtors	11	4,055,265	4,815,274
Cash at bank		<u>10,027,951</u>	<u>10,341,964</u>
		<u>17,629,933</u>	<u>18,293,517</u>
<u>CREDITORS - amounts falling due within one year</u>			
	12	<u>11,004,963</u>	<u>11,897,571</u>
<u>NET CURRENT ASSETS</u>		<u>6,624,970</u>	<u>6,395,946</u>
<u>TOTAL ASSETS less CURRENT LIABILITIES</u>		8,753,380	8,565,406
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>			
Deferred Taxation	13	76,000	106,000
		<u>8,677,380</u>	<u>8,459,406</u>
<u>CAPITAL and RESERVES</u>			
Called up Share Capital	14	534,938	534,938
<u>RESERVES</u>			
Capital Reserve		564,662	564,662
Profit and loss account		<u>7,577,780</u>	<u>7,359,806</u>
		<u>8,142,442</u>	<u>7,924,468</u>
		<u>8,677,380</u>	<u>8,459,406</u>

APPROVED by the BOARD OF DIRECTORS

R. Stafford

Date: 5th January 2001

D. Burke

The notes on pages 7 to 15 form part of these financial statements.

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

1. Accounting Policies

(a) Convention

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

(b) Foreign Currency

Foreign currency transactions are translated at the rates ruling when they occurred. Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange profits and losses, 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 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

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

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.

(j) 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

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

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

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
United Kingdom	17,872,115	7,487,233
Republic of Ireland	405,519	368,826
Rest of Europe	305,045	210,167
Middle East	214,779	225,371
Asia	390,169	520,242
Canada	147,297	175,697
Other	58,455	59,960
	<u>19,393,379</u>	<u>9,047,496</u>

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

3.	<u>Operating Loss</u>	<u>2000</u>	<u>1999</u>
	Operating loss is arrived at after charging:	£	£
	Depreciation	299,973	458,255
	Auditor's remuneration		
	- audit services	20,000	26,256
	- non audit services	1,562	2,338
	Operating leases - plant and machinery	10,500	15,094
	Operating leases - motor vehicles	326,755	-
	Operating leases - other	-	270,000

4. Employees

The average monthly number of employees within each category was:

	<u>2000</u>	<u>1999</u>
	No	No
Production	69	69
Distribution	69	56
Administrative	28	29
	<u>166</u>	<u>154</u>

The costs incurred in respect of these employees were:

	<u>2000</u>	<u>1999</u>
	£	£
Wages and salaries	3,747,564	3,429,882
Social security costs	374,921	293,385
Other pension costs	506,854	518,523
	<u>4,629,339</u>	<u>4,241,790</u>

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

5. Directors' Emoluments

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Aggregate emoluments	<u>80,796</u>	<u>79,524</u>

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

6. Interest Receivable

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Bank interest	551,861	478,155
Building Society interest	49	56
	<u>551,910</u>	<u>478,211</u>

7. Taxation

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Corporation tax	210,000	7,039
Transfer from deferred taxation	<u>(30,000)</u>	<u>(16,000)</u>
	<u>180,000</u>	<u>(8,961)</u>

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

8. **Tangible Assets**

	FREEHOLD LAND & BUILDINGS	FURNITURE FIXTURES & FITTINGS	PLANT & MACHINERY	MOTOR VEHICLES	TOTAL
	£	£	£	£	£
Cost at 1st April 1999	1,754,855	350,714	2,616,352	91,905	4,813,826
Reclassification	-	66,228	-66,228	-	-
Additions during year	-	200,502	66,583	-	267,085
	<u>1,754,855</u>	<u>617,444</u>	<u>2,616,707</u>	<u>91,905</u>	<u>5,080,911</u>
Disposals during year	-	-	-	50,957	50,957
Cost at 31st March 2000	<u>1,754,855</u>	<u>617,444</u>	<u>2,616,707</u>	<u>40,948</u>	<u>5,029,954</u>
Depreciation at 1st April 1999	539,052	300,181	1,743,510	63,017	2,645,760
Provision for the year	35,121	105,490	145,157	14,205	299,973
	<u>574,173</u>	<u>405,671</u>	<u>1,888,667</u>	<u>77,222</u>	<u>2,945,733</u>
Eliminated on disposals	-	-	-	42,795	42,795
Depreciation at 31st March 2000	<u>574,173</u>	<u>405,671</u>	<u>1,888,667</u>	<u>34,427</u>	<u>2,902,938</u>
Net book value at 31st March 2000	<u>1,180,682</u>	<u>211,773</u>	<u>728,040</u>	<u>6,521</u>	<u>2,127,016</u>
Net book value at 31st March 1999	<u>1,215,803</u>	<u>50,533</u>	<u>872,842</u>	<u>28,888</u>	<u>2,168,066</u>

There were no capital commitments at the balance sheet date. (1999 £nil)

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

9. Fixed Asset Investments

Subsidiaries and Related Companies

	Percentage of Share <u>Capital held</u>	Unquoted shares <u>at cost</u> £
<u>Subsidiary</u>		
Fletcher, Fletcher & Co Ltd	100% ordinary	100
<u>Related Company</u>		
Forest Pharms Limited	50% ordinary	<u>1,294</u>
<u>Net Book Value</u> at 31st March 2000		<u>1,394</u>
<u>Net Book Value</u> at 31st March 1999		<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.

10. <u>Stocks</u>	<u>2000</u> £	<u>1999</u> £
Raw Materials	1,116,106	1,198,320
Work in progress	410,364	382,907
Finished goods and goods for resale	<u>2,020,247</u>	<u>1,555,052</u>
	<u>3,546,717</u>	<u>3,136,279</u>

In the opinion of the directors, the above value of stocks is not materially different to replacement cost at 31st March 2000.

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

11. Debtors

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Trade debtors	3,489,886	4,316,980
Amounts owed by Group undertakings	14,211	59,912
Prepayments and accrued income	551,168	272,910
Other Taxation and Social Security	<u>-</u>	<u>165,472</u>
	<u>4,055,265</u>	<u>4,815,274</u>

All debts fall due for payment within one year.

12. Creditors - Amounts falling due within one year

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Trade creditors	746,420	1,158,536
Amounts owed to Group undertakings	8,509,379	8,513,054
Corporation Tax	182,902	353,165
Other creditors	352,889	375,856
Accruals and deferred income	1,107,303	1,496,960
Other Taxation and Social Security	<u>106,070</u>	<u>-</u>
	<u>11,004,963</u>	<u>11,897,571</u>

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

13. Provisions for Liabilities and Charges
Deferred Taxation

	<u>2000</u>		<u>1999</u>	
	Not Provided	Provided in accounts	Not Provided	Provided in accounts
	£	£	£	£
Sundry timing difference	-	-	-	6,500
Accelerated capital allowances	-	76,000	-	99,500
Related to freehold land and buildings	156,000	-	155,000	-
	<u>156,000</u>	<u>76,000</u>	<u>-</u>	<u>106,000</u>
Movements in deferred taxation				
Balance at 1st April 1999		106,000		124,000
Transfer to Profit & Loss Account		(30,000)		(18,000)
Balance 31st March 2000		<u>76,000</u>		<u>106,000</u>

14. Share Capital

	<u>2000</u>	<u>1999</u>
	£	£
Authorised, issued and fully paid		
21,500 Deferred shares of 10p each	2,150	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>

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 of 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.

PHARMAX LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2000

15. Commitments under operating leases

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

	<u>2000</u>	<u>1999</u>
	<u>£</u>	<u>£</u>
Plant and machinery		
- expiring between 2 and 5 years	<u>10,500</u>	<u>12,541</u>
	<u>10,500</u>	<u>12,541</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 total pension cost for the year was £506,854 (1999 £518,523). The employer's contribution was 16.1% (1999 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 1997 and was completed allowing for 8.5% investment returns and 7% future salary increases.

17. Related Party Transactions

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

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. Copies of the consolidated financial statements of Pharmax Holding Limited are available from Companies House.

19. Parent Company

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