

AURUM PHARMACEUTICALS LIMITED

Report and Financial Statements

30 June 1999

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**



REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D W West
D Bryant
M J Saunders

SECRETARY

N J Pinchin

REGISTERED OFFICE

Bampton Road
Harold Hill
Romford RM3 8UG

BANKERS

Bank of Scotland
38 Threadneedle Street
London
EC2P 2EH

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 30 June 1999.

PRINCIPAL ACTIVITIES

The company engages in the purchase and sale of pharmaceutical products. The company was acquired on 30 June 1999 by the Macarthy Group Limited.

RESULTS

The results for the year are set out on page 5. The retained loss for the year was £112,231 (1998: profit £97,073).

DIRECTORS

The directors who held office during the year were as follows:

M G Lanning	(resigned 9 June 1999)
R J Gorman	(resigned 9 June 1999)
L R Lanning	(resigned 9 June 1999)
L A Gorman	(resigned 9 June 1999)
D W West	(appointed 18 June 1999)
D Bryant	(appointed 9 June 1999)
M J Saunders	(appointed 9 June 1999)

Messrs M G Lanning, R J Gorman, L R Lanning and L A Gorman, each owned 25 'A' shares during the year up to 9 June 1999 and Messrs M G Lanning and R J Gorman, each owned 1 'B' share each during the year up to 9 June 1999.

Messrs D W West, D Bryant and M J Saunders were directors of the ultimate holding company, Macarthy Group Limited and their interests are disclosed in the financial statements of that company.

YEAR 2000

The company is giving high priority to the task of ensuring that all its systems are year 2000 compliant. A programme is currently in place to address this issue.

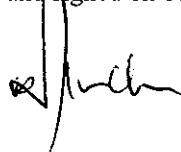
The costs related to the programme are not expected to be material to the profitability of the company and will be written-off as incurred.

AUDITORS

Pursuant to s386 Companies Act 1985, an elective resolution has been passed dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche are deemed to continue as auditors.

The report of the Directors has been prepared in accordance with the special provisions of s246 of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



N J Pinchin

Secretary

27th April 2000

STATEMENT OF 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 as at the end of the financial year 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;
- 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.

AURUM PHARMACEUTICALS LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 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 30 June 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and
Registered Auditors

27th April 2000

PROFIT AND LOSS ACCOUNT
Year ended 30 June 1999

	Note	1999 £	1998 £
TURNOVER		3,973,465	2,367,861
Cost of sales		(1,645,507)	(985,688)
Gross profit		2,327,958	1,382,173
Distribution costs		(222,264)	(116,154)
Administrative expenses		(1,942,233)	(868,230)
OPERATING PROFIT	3	163,461	397,789
Interest receivable		8,886	8,095
Interest payable and similar charges		(96,447)	(51,076)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		75,900	354,808
Tax on profit on ordinary activities	6	(28,131)	(89,735)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		47,769	265,073
Dividends	7	(160,000)	(168,000)
Retained (loss)/ profit for the year		(112,231)	97,073
Retained profit brought forward		140,796	43,723
Retained profit carried forward		28,565	140,796

All amounts relate to continuing activities.

There were no recognised gains or losses for 1999 or 1998 other than those included in the profit and loss account.

BALANCE SHEET
30 June 1999

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Intangible assets	8	27,211		-	
Tangible assets	9	30,877		26,769	
			58,088		26,769
CURRENT ASSETS					
Stocks	10	499,706		339,831	
Debtors	11	687,364		527,630	
Cash at bank and in hand		522,135		283,101	
		1,709,205		1,150,562	
CREDITORS: amounts falling due within one year	12	(1,738,626)		(1,036,433)	
NET CURRENT (LIABILITIES)/ ASSETS			(29,421)		114,129
TOTAL ASSETS LESS CURRENT LIABILITIES			28,667		140,898
CAPITAL AND RESERVES					
Share capital – equity	13		100		102
Capital redemption reserve	13		2		-
Profit and loss account	14		28,565		140,796
			28,667		140,898

These accounts have been prepared in accordance with the special provisions relating to small companies under s246 Companies Act 1985.

These financial statements were approved by the Board of Directors on 27th April 2000.

Signed on behalf of the Board of Directors



D W West

Director

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents cash and credit sales excluding value added tax.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Plant and machinery	20% straight line method
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Research and development

During the year, there was a change in accounting policy in respect of development expenditure. Development expenditure is currently capitalised where there is a clearly defined project and the outcome of the project has been determined with reasonable certainty. Capitalised development is amortised over the estimated useful economic life of the project. Prior to 9 June 1999, development expenditure was expensed as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowing raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Contribution to pension funds

The company operates a defined contribution scheme in respect of the directors.

The pension costs charged against profit represent the amount of the contributions payable to the scheme in respect of the accounting period.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****2. DISTRIBUTION AGREEMENT**

The company has an agreement with a distributor which, in addition to providing for the warehousing and distribution of the company's products, also provides both stock and debtor financing. The key elements of the agreement are as follows:

Stock

- (a) The distributor is responsible for the storage and distribution of goods held at its premises on behalf of the company.
- (b) Legal title to the goods passes to the distributor once they are delivered to their warehouse. A finance charge is made based on the length of time that the stock is held before sale. The distributor invoices the company for stock that becomes obsolete.
- (c) The company pays for the goods on the suppliers' credit terms.
- (d) On termination of the agreement the company would be required to purchase all of the stock still held in the distributors warehouse.

Debtors

- (a) The distributor is responsible for despatching goods from its warehouse in accordance with orders received from the company's customers and for raising the appropriate paperwork including sales invoices. The distributor manages the sales ledger function of the company.
- (b) The distributor pays the amount due from the customer 30 days after the end of the month in which the sale took place. The company has no right to future economic benefits arising from these debtors.
- (c) The distributor is responsible for the collection of cash from the customer and there is no recourse to the company for slow moving and/or bad debts.
- (d) A debtor finance charge is payable to the distributor calculated as a percentage of the monthly sales handled by them.

Accounting treatment

In accordance with Financial Reporting Standard No. 5, reporting the substance of transactions, stock and debtors arising from the above agreement is accounted for as follows:

Stock

Stock held at the distributor's warehouse at the balance sheet date is included in stock. A corresponding amount is included in trade creditors.

Debtors

Individual sales ledger balances factored to the distributor at the balance sheet date are not recognised in the company's balance sheet. Amounts due from the distributor at the accounting date, representing the total value of goods sold less the cost of those goods, are included in trade debtors.

See notes 10 and 11 below for amounts arising at the accounting date.

NOTES TO THE ACCOUNTS**Year ended 30 June 1999****3. OPERATING PROFIT**

The operating profit is arrived at after charging/crediting:

	1999 £	1998 £
Depreciation of owned assets	10,368	12,707
Operating leases – office equipment	877	877
Operating leases – motor vehicles	72,854	52,837
Operating leases – land and buildings	5,500	7,663
Loss/(profit) on foreign currency exchange	1,343	(9,168)
Auditors' remuneration	5,000	2,300
	<u> </u>	<u> </u>

4. DIRECTORS

	1999 £	1998 £
Directors' emoluments	475,000	169,169
	<u> </u>	<u> </u>

5. PENSION SCHEME

The company operates a defined contribution pension scheme for the benefit of the directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year amounted to £299,829 (1998 - £5,640).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
Based on the profit for the year		
UK corporation tax	28,131	88,644
Prior periods		
UK corporation tax	-	1,091
	<u>28,131</u>	<u>89,735</u>

7. DIVIDENDS

	1999 £	1998 £
Ordinary dividends on 'A' shares - paid	160,000	168,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 30 June 1999

8. INTANGIBLE FIXED ASSETS

	Other intangible assets £
Cost	
At 1 July 1998	-
Additions	27,211
Disposals	-
	<hr/>
At 30 June 1999	27,211
	<hr/>
Amortisation	
At 1 July 1998	-
Charge for the year	-
	<hr/>
At 30 June 1999	-
	<hr/>
Net book value	
At 30 June 1999	27,211
	<hr/> <hr/>
At 30 June 1998	-
	<hr/> <hr/>

9. TANGIBLE FIXED ASSETS

	Plant and machinery £
Cost	
At 1 July 1998	58,939
Additions	16,872
Disposals	(3,993)
	<hr/>
At 30 June 1999	71,818
	<hr/>
Depreciation	
At 1 July 1998	32,170
Charge for the year	10,368
Disposals	(1,597)
	<hr/>
At 30 June 1999	40,941
	<hr/>
Net book value	
At 30 June 1999	30,877
	<hr/> <hr/>
At 30 June 1998	26,769
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

10. STOCKS

	1999 £	1998 £
Stocks	499,706	339,831

Included within the above is £354,331 (1998 - £248,550) of consignment stock (see note 2).

11. DEBTORS

	1999 £	1998 £
Trade debtors	626,191	499,967
Others	61,173	27,663
	687,364	527,630

Included within trade debtors is an amount of £462,758 (1998 - £392,754) due from Distriphar UK under a debt factoring agreement (see note 2 above).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	1,217,433	777,679
Directors' loan accounts	-	7,933
Other creditors	262,013	250,821
Amounts owed to fellow subsidiary undertakings	259,180	-
	1,738,626	1,036,433

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

13. SHARE CAPITAL

	1999 £	1998 £
Authorised		
Equity shares:		
900 ordinary 'A' shares of £1.00 each	900	900
100 ordinary shares 'B' of £1.00 each	100	100
	<u>1,000</u>	<u>1,000</u>
Allotted		
Equity shares:		
100 allotted, called up and fully paid ordinary 'A' shares of £1.00 each	100	100
2 allotted, called up and fully paid ordinary 'B' shares of £1.00 each	-	2
	<u>100</u>	<u>102</u>

The 'A' and 'B' shares rank pari passu in all respects. The 2 ordinary 'B' shares of £1 each were purchased by the company under section 162 of the Companies Act 1985 for an aggregate amount of £2.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
(Loss)/profit for the financial year	47,769	265,073
Dividends paid	(160,000)	(168,000)
Net movement in shareholders' funds	<u>(112,231)</u>	<u>97,073</u>
Shareholders' funds at 1 July 1998	140,796	43,723
Shareholders' funds at 30 June 1999	<u>28,565</u>	<u>140,796</u>

15. DISCLOSABLE INTERESTS OF THE DIRECTORS

	30 June 1999		1 July 1998	
	Ordinary 'A' shares	Ordinary 'B' shares	Ordinary 'A' shares	Ordinary 'B' shares
Mr M G Lanning	-	-	25	1
Mr R J Gorman	-	-	25	1
Mrs L R Lanning	-	-	25	-
Mrs L A Gorman	-	-	25	-

As from 9 June 1999, the entire share capital was purchased by Macarthy Group Limited and none of the directors had any interest in the other group companies at 30 June 1999.

NOTES TO THE ACCOUNTS

Year ended 30 June 1999

16. OPERATING LEASE COMMITMENTS

At 30 June 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1999	1998	1999	1998
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	8,911	6,268
Between two and five years	-	-	64,820	45,591
After five years	5,500	5,500	-	-
	<u>5,500</u>	<u>5,500</u>	<u>73,731</u>	<u>51,859</u>

17. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and ultimate parent company and controlling party is Macarthy Group Limited, a company incorporated in Great Britain.

The consolidated accounts are available from Macarthy Group Limited, Bampton Road, Harold Hill, Romford RM3 8UG, England.

The company has taken advantage of the exemption granted by paragraph 3(c) of financial reporting standard 8 not to disclose related party transactions with Macarthy Group companies.