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Bolt Equity Limited

Annual report and financial statements

**For the year ended
30 June 2013**

Registered Number 07151408

Directors

R de Souza
J Grover
P Southwell
P Bulmer
T Karlsson

Registered Office

Bampton Road
Harold Hill
Romford
Essex
RM3 8UG

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC PLC
60 Queen Victoria Street
London
EC4N 4TR

Directors' report

The Directors present their Report on the affairs of the Group together with the audited consolidated financial statements and auditors report for the year ending 30 June 2013

Principal activities and business review

The Group's business is the manufacture and sale of pharmaceutical products to hospitals, retail pharmacies and wholesalers in the UK and overseas. The Group trades as "Martindale Pharma". The Group operates in a challenging economic and regulatory environment with continued challenges for healthcare providers, retailers, wholesalers and manufacturers. The business continues to be responsive and adaptable to healthcare market needs and actively seeks new product and service solutions and business development opportunities.

In the UK against an austerity undertone the year saw the public spending environment increasingly hostile to medicines, encroaching into certain areas of our product portfolio, for example in the addiction area where funding is being shifted from drugs into broader recovery programmes. A decrease in National Health Service ('NHS') funding impacts drug pricing to hospitals, with contracts being reviewed more frequently, increasing use of tenders to reduce acquisition cost and health technology assessments to ensure innovative medicines represent value for money. Further there have been increased pressures on reducing the prescribing of unlicensed medicines with a focus on price rather than quality and service encouraged. The reorganisation within the NHS from Primary Care Organisations to Clinical Commissioning Groups was effective from April 2013 and has meant many drug prescribing policy decisions have been delayed or there is no structure to roll them through. Other impacts of these changes include delays in approvals for new marketing authorisations and longer review times. The pharmaceutical industry is also in the process of renegotiating with the Department of Health changes to the Pharmaceutical Price Regulatory Scheme for branded products, to be effective from January 2014 with likely demands for price cuts creating further challenges for UK based pharmaceutical companies. Similarly in Europe and Australia, healthcare markets face continued downward pressure on budgets, not only from the economic environment, but also the changing demographic of an ageing population. The Group has seen strong growth for its products in the Gulf and in other, particularly emerging, markets there continues to be demand for low cost, high quality generic products, but with constraints from limited funding and growing populations. There remains opportunity for additional growth to that generated in the UK, as the Group's product portfolio, existing and new, addresses health care priorities in several major markets.

The Group has grown turnover and improved profitability as it endeavours to take advantage of the current climate for pharmaceuticals by leveraging its' well respected and understood brand name with a heritage of supplying key medicines, established relationships with multiple customers in the decision making process for use of medicines and a broad range of products in priority areas of health spend. The Group is delivering across three areas

- Continuing to restore the consistency and quality of its supply chain – during the year significant investment has been made in infrastructure, particularly at the Romford site, restructuring across certain functions and the successful launch of a new enterprise wide IT system in February 2013

Directors' report (continued)

Principal activities and business review (continued)

- Re-position its existing portfolio and maximise growth potential by extending indications and therefore potential customers and obtaining approvals to enter additional countries - during the year there were several new indications launched as well as success in launching existing products into new markets
- Build depth into our key therapeutic areas by launching new products which complement our current product range and implementing new presentations of existing products – during the year several new products were successfully launched, in particular Tapclob®, an oral liquid which plays a key role in treating epilepsy especially in children and adolescents, and Prenoxad®, the world's first licensed emergency treatment for acute opioid related overdose for use at home or other non-medical settings

Operating profit was £12.0 million (2012: £10.4 million) and before exceptional items was £13.9 million (2012: £13.0 million)

On 1 October 2012 and 2 April 2013, through its wholly owned subsidiary, Nut Bond Limited, the Group issued £1,702,913 and £1,806,619 Fixed Rate Unsecured PIK Loan Notes respectively as payment in lieu of cash interest accrued to certain holders of the Loan Notes. These Loan Notes were subsequently admitted to the Official List of the Channel Islands Stock Exchange.

The Group monitors a number of key financial and non-financial performance indicators including turnover, earnings before interest, tax and depreciation and amortisation (EBITDA), cash flows, staff numbers, quality matters, customer complaints, and health and safety performance through an executive management committee process.

The turnover for the financial year ended 30 June 2013 was £69.4 million (2012: £68.6 million) and the EBITDA before exceptional items was £20.2 million (2012: £18.9 million). The results for the period are set out on page 9.

Results and dividends

The consolidated profit for the financial year amounted to £1,960,000 (2012: £267,000). No dividends were paid during the year and the Directors do not recommend the payment of a final dividend (2012: £nil).

Principal risks and uncertainties facing the Company

As the Company has no trade, but acts as a holding company, the Directors consider the principal risk is that of the performance of the Company's investments. The Directors of the Company closely monitor the performance of the subsidiary undertakings.

The key risks for the Group are regulatory approvals, failure to develop and introduce new products and exposure to economic conditions and competitor action. The Group operates in the pharmaceutical sector which is highly regulated. The Group has to meet stringent quality requirements in order to maintain its manufacturing licences. Constant monitoring of the supply chain is required to ensure customer satisfaction and maintain trading relationships.

Directors' report (continued)

Principal risks and uncertainties facing the Company (continued)

Regulatory requirements are a major factor in determining whether new products can be developed and existing products can be continued. The Group is required to comply with a wide range of regulatory controls over the manufacturing and testing of its products. The Group places high importance on its quality control procedures, both through maintenance of proper systems of control and appropriate qualifications and experience of quality control personnel.

The Group operates in a business sector which continually develops new products. In order to remain competitive the Group must continue to develop innovative products that satisfy customer need. Developing new products is a costly, lengthy and uncertain process and potential products may not be brought to market for a number of reasons, such as failure to receive regulatory approval or competitor actions. Regular internal and market focused reviews are undertaken to ensure such risks are minimised.

The Group is impacted by underlying macro economic events, particularly those that have a direct impact on the NHS in the UK. Proposed changes to the structure and funding of the NHS are areas that the Group has to adapt to in respect of its commercial practices. The Group's sales and marketing team is sufficiently flexible to change its contact points within the NHS in order to be able to influence the relevant decision makers.

Financial risk management

The Group undertakes a certain level of sales in foreign currencies, and also sources certain materials from non-UK manufacturers. The Group's risk to foreign exchange rate fluctuations is reviewed on a regular basis. The Group manages its credit risk with the setting of appropriate credit limits and actively monitors its outstanding trade debtor balances.

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments the Group uses a mixture of short term and long term debt finance.

Surplus liquid funds are invested in short term deposits with financial institutions with high credit ratings assigned by international credit rating agencies.

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by the use of fixed interest rate swap contracts.

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide Directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely reaction to changes in economic conditions and competitor actions.

Directors' indemnities

The Group maintains liability insurance for its Directors and officers.

Directors' report (continued)

Research and development

The Group continues to invest in research and development and the Directors regard investment in this area as a prerequisite for success in the medium to long term future. The cost incurred in the year amounted to £381,000 (2012 £388,000)

Future developments

Prospects for the Group in the UK market in the forthcoming year remain challenging. The Group is a leader in most of the markets that it operates in and continues to seek opportunities to develop its business both in the UK and overseas. Recent restructuring has resulted in a more focused and responsive organisation better placed to take advantage of opportunities in a rapidly changing environment.

Directors

The Directors who held office during the year and up to the date of signing the financial statement are given below:

R de Souza
J Grover
P Southwell
P Bulmer
T Karlsson

Statement of 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). Under the Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the statement of affairs of the Group and of the profit or loss of the Group 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 estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Directors' report (continued)

Statement of Directors' responsibilities (continued)

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal and informal meetings and an internal company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. We encourage the future interest and involvement of our people in the Group's future through reward schemes that are linked to business and individual performance.

Efforts are made to provide as much suitable employment as possible for disabled people. Depending on their skills and abilities, employees have the same opportunities for training, career development and promotion as other employees. Wherever possible, this includes the retraining and retention of staff who have become disabled during their employment.

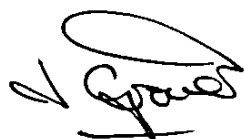
Disclosure of information to the auditors

As at the date of this report, as far as each Director is aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken such steps as he should have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board and signed on its behalf by



J Grover
Director
18 October 2013

Independent auditors' report to the members of Bolt Equity Limited

We have audited the Group and Company financial statements (the "financial statements") of Bolt Equity Limited for the year ended 30 June 2013 which comprise the Consolidated profit and loss account, the Consolidated statement of total recognised gains and losses, the Consolidated and Company balance sheet, the Consolidated cash flow statement 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).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 5 and 6, 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Group's and parent 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2013 and of the Group's profit and cash flows 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

Independent auditors' report

To the members of Bolt Equity Limited (continued)

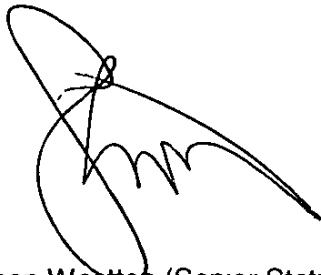
Opinion on other matters prescribed by the Companies Act 2006

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

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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



Stephen Wootton (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoppers LLP
Chartered Accountants and Statutory Auditors
London
18 October 2013

Consolidated profit and loss account for the year ended 30 June 2013

	Note	2013 £000	2012 £000
Turnover	2	69,367	68,570
Cost of sales		(34,766)	(38,055)
		<hr/>	<hr/>
Gross profit		34,601	30,515
Distribution costs		(3,215)	(4,303)
Administrative expenses		(19,342)	(15,858)
		<hr/>	<hr/>
Operating profit		12,044	10,354
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Operating profit before exceptional items		13,895	12,953
Exceptional items	3	(1,851)	(2,599)
		<hr/>	<hr/>
Operating profit after exceptional items		12,044	10,354
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Finance charges (net)	4	(8,216)	(8,257)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	3,828	2,097
		<hr/>	<hr/>
Tax on profit on ordinary activities	8	(1,868)	(1,830)
		<hr/>	<hr/>
Profit for the financial year		1,960	267
		<hr/>	<hr/>

There is no difference between the profit on ordinary activities before taxation and the profit / (loss) for the financial year as stated above and its historical cost equivalents

All of the Group's operations during the year related to continuing operations

**Consolidated statement of total recognised gains and losses
for the year ended 30 June 2013**

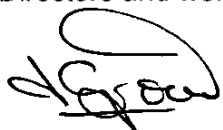
	2013 £000	2012 £000
Profit for the financial year	1,960	267
Currency translation differences	-	(162)
Total recognised gains for the year	1,960	105

Consolidated Balance Sheet

as at 30 June 2013

	Note	2013 £000	2012 £000
Fixed assets			
Intangible assets – licences	10	3,443	2,177
Intangible assets – goodwill	11	63,635	67,418
Tangible assets	12	11,513	9,854
		<u>78,591</u>	<u>79,449</u>
Current assets			
Stocks	14	8,064	7,841
Debtors	15	13,980	13,111
Cash at bank and in hand		7,988	7,097
		<u>30,032</u>	<u>28,049</u>
Creditors: amounts falling due within one year	16	<u>(23,716)</u>	<u>(21,966)</u>
Net current assets		<u>6,316</u>	<u>6,083</u>
Total assets less current liabilities		<u>84,907</u>	<u>85,532</u>
Creditors: amounts falling due after one year	17	(81,194)	(83,372)
Provisions for liabilities	18	(931)	(1,351)
Net assets		<u>2,782</u>	<u>809</u>
Capital and reserves			
Called up share capital	19	528	515
Share premium account	20	2,805	2,805
Profit and loss account	20	(551)	(2,511)
Total shareholders' funds	21	<u>2,782</u>	<u>809</u>

The consolidated financial statements on page 9 to 33 were approved by the board of Directors and were signed on its behalf by



J Grover
Director
18 October 2013
Registered number 07151408

Company Balance Sheet as at 30 June 2013

	Note	2013 £000	2012 £000
Fixed assets			
Investments	13	21,784	21,784
		<u>21,784</u>	<u>21,784</u>
Current assets			
Debtors	15	98	97
Cash at bank and in hand		13	-
		<u>111</u>	<u>97</u>
Creditors:			
- amounts falling due within one year	16	(5,336)	(3,653)
		<u>(5,225)</u>	<u>(3,556)</u>
Net current liabilities			
		<u>16,559</u>	<u>18,228</u>
Total assets less current liabilities			
Creditors:			
- amounts falling due after one year	17	(18,541)	(18,541)
		<u>(1,982)</u>	<u>(313)</u>
Net (liabilities)/assets			
Capital and reserves			
Called up share capital	19	528	515
Share premium account	20	2,805	2,805
Profit and loss account	20	(5,315)	(3,633)
		<u>(1,982)</u>	<u>(313)</u>
Total shareholders' deficit	21		

The financial statements on page 9 to 33 were approved by the board of Directors and were signed on its behalf by



J Grover
Director
18 October 2013
Registered number 07151408

Consolidated cash flow statement for the year ended 30 June 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	22	16,449	13,355
Returns on investments and servicing of finance	23	(2,503)	(2,931)
Taxation	23	(1,715)	(2,240)
Capital expenditure and financial investment	23	(5,418)	(2,903)
Acquisitions and disposals	23	-	4,204
Cash inflow before management of liquid resources and financing		6,813	9,485
Financing	23	(5,922)	(10,846)
Increase / (decrease) in cash in the year		891	(1,361)
Opening cash and cash equivalents		7,097	8,407
Currency translation differences		-	51
Closing cash and cash equivalents		7,988	7,097

Notes to the financial statements for the year ended 30 June 2013

1. Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the provisions of the Companies Act 2006

Basis of preparation

The financial statements are prepared under the historical cost convention. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The financial statements are prepared on a going concern basis.

Going concern

The Directors consider the Group has adequate resources to remain in operation for the foreseeable future, and have therefore continued to adopt the going concern basis for preparing financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date control passed. Acquisitions are accounted for under the acquisition method. Uniform Accounting policies are applied across the Group and any profits or losses on intra group transactions have been eliminated.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction, unless settlement has been covered by a forward exchange contract, in which case the contract rate is used.

Monetary assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date or at the rate at which they are covered by matching forward exchange contracts. Gains and losses on retranslation are included in the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at costs or valuation, net of depreciation and any provision for impairment. Cost includes the original purchase price of the assets and the cost attributable to bring the asset to its working condition for its intended use.

Depreciation is provided so as to write off the cost or valuation, less estimated residual value of tangible fixed assets over their estimated useful lives. The principal rates used are as follows:

Short leasehold improvements	Period of the lease or an appropriate shorter period
Fixtures, fittings & equipment	
Fixtures, fittings	10-20% on a straight line basis
Computer equipment	20-33% on a straight line basis
Motor vehicles	25% on a straight line basis

Notes to the financial statements for the year ended 30 June 2013

1. Accounting policies (continued)

Intangible fixed assets – goodwill

In accordance with Financial Reporting Standard Number 10 “Goodwill and Intangible Assets”, goodwill relating to the acquisition of businesses is capitalised and amortised in equal annual instalments over its estimated useful life. Goodwill is being amortised over 20 years. The Directors undertake an impairment review in each financial year where events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable in full.

Intangible fixed assets - licences

Licences are valued at cost on acquisition and are amortised in equal annual instalments over their estimated useful economic lives with a maximum life of ten years. Provision is made for any impairment.

Intangible assets – research and development

Expenditure incurred in the research of the new products is written off to the profit and loss account as incurred. Development expenditure is also written off, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases the identifiable expenditure is deferred and amortised over the period during which the Group is expected to benefit. This period is typically up to a maximum of 10 years. Provision is made for any impairment.

Fixed asset investments

Investments in subsidiary undertaking are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of work in progress and finished goods includes an appropriate proportion of attributable overheads. The stock valuation method used is standard cost. Provision is made for obsolete, slow moving, shorted dated or defective items where appropriate.

Borrowings

Bank loans, loan notes and overdrafts are stated at the amount repayable at the balance sheet date, net of directly attributable issue costs which are amortised over the period of the relevant loans.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Turnover

Turnover represents cash and credit sales net of value added tax, trade discounts and rebates and is recognised at the point of dispatch of goods to the customer.

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes to the financial statements

for the year ended 30 June 2013

1. Accounting policies (continued)

Provisions

A provision is recognised as a liability when the Group has a present legal or constructive obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. The amount provided for is management's best estimate of the expenditure required to settle the present obligation at the balance sheet date.

The Group recognises dilapidation provisions when property leases have a legal or constructive obligation to reinstate any alteration or to make good dilapidations at the end of the lease, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Dilapidations provisions are not discounted.

Exceptional items

Exceptional items are items that are unusual because of their size, nature or incidence and which the Group's management consider should be disclosed separately to enable a full understanding of Group's results.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reserved at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- i Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets with no likely subsequent rollover or available capital losses.
- ii Provision is made for gains on revalued fixed assets only where there is a commitment to dispose of the revalued assets and the attributable gain can neither be rolled over nor eliminated by capital losses.
- iii Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

Pension costs in respect of the Group's defined contribution schemes are charged to the profit and loss account as incurred.

Notes to the financial statements for the year ended 30 June 2013

2. Segmental information

The analysis of turnover by destination of geographical market is stated below

	2013 £000	2012 £000
Turnover		
United Kingdom	58,815	59,253
Rest of World	10,552	9,317
	<u>69,367</u>	<u>68,570</u>

The Group operates in a single segment which is the manufacturing and sales of pharmaceutical and controlled drugs

3. Exceptional items

The analysis of exceptional costs/(income) is stated below

	2013 £000	2012 £000
IT system upgrade project	1,617	2,117
Restructuring costs	534	656
Release of provision on disposal of subsidiary undertaking	(300)	-
Profit on disposal of subsidiary undertaking	-	(174)
	<u>1,851</u>	<u>2,599</u>

IT system upgrade costs are associated with the project to upgrade the Company's ERP system. Restructuring costs consist of consultancy fees, interim staff fees and redundancy costs. The release of provision for claims on disposal of subsidiary undertaking relates to the expiry of the potential claim period following the disposal in 2011 of Martindale Pharma GmbH.

4. Finance charges (net)

	2013 £000	2012 £000
Interest payable and similar charges	8,248	8,288
Interest receivable and similar income	(32)	(31)
	<u>8,216</u>	<u>8,257</u>

Notes to the financial statements

for the year ended 30 June 2013

4. Finance charges (net) (continued)

Interest payable and similar charges	2013 £000	2012 £000
Bank loans	2,424	2,866
9% Cumulative preference share dividend	1,670	1,673
Unsecured PIK loan notes	3,637	3,231
Amortisation of bank loan fees	517	518
	<u>8,248</u>	<u>8,288</u>

The Company's preference shares are included in the balance sheet as a liability and accordingly the dividends on them are included as finance charges

Interest receivable and similar income	2013 £000	2012 £000
Bank interest	<u>32</u>	<u>31</u>

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting)

	Note	2013 £000	2012 £000
Depreciation of owned tangible fixed assets	12	2,351	2,014
Amortisation of intangible fixed assets	10	75	71
Impairment of intangible fixed assets	10	-	106
Amortisation of goodwill	11	3,783	3,791
Auditors' remuneration			
- audit services		128	150
- taxation and other services		98	85
Foreign currency exchange gains		(267)	(108)
Operating lease rentals			
- land and buildings		848	896
- plant and machinery		160	164
- car leases		165	197
Research and development		381	388
Amortisation of loan fees		517	518
		<u></u>	<u></u>

Notes to the financial statements for the year ended 30 June 2013

6. Employee information

The average monthly number of people (including executive Directors) employed by the Group during the year was

	2013 Number	2012 Number
Manufacturing and distribution	385	388
Administration	40	36
	<u>425</u>	<u>424</u>

Their aggregate remuneration comprised

	2013 £000	2012 £000
Wages & salaries	13,986	13,248
Social security costs	1,401	1,381
Other pension costs	355	322
Share based payments	-	-
	<u>15,742</u>	<u>14,951</u>

The Company had no employees during either year

7. Directors' remuneration

	2013 £000	2012 £000
Aggregate emoluments	699	763
Compensation for loss of office	-	159
	<u>699</u>	<u>922</u>

	2013 £000	2012 £000
Highest paid director		
Aggregate emoluments	<u>354</u>	<u>507</u>
	<u>354</u>	<u>507</u>

Details of transactions with directors during the year are disclosed in note 28

Notes to the financial statements for the year ended 30 June 2013

8. Tax on profit on ordinary activities

a) The tax charge comprises

	2013 £000	2012 £000
UK corporation tax		
Current year	2,316	2,306
Prior year adjustment	(356)	(370)
	<u>1,960</u>	<u>1,936</u>
Foreign corporation tax		
Current year	-	23
	<u>1,960</u>	<u>1,959</u>
Total current tax		
Deferred taxation – UK		
Origination and reversal of timing differences	(104)	(10)
Effects of changes in tax rates	(12)	(30)
Prior year adjustment	24	(89)
	<u>(92)</u>	<u>(129)</u>
Total deferred tax		
Tax on profit of ordinary activities	<u>1,868</u>	<u>1,830</u>

b) The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before taxation is as follows -

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>3,828</u>	<u>2,097</u>
Profit on ordinary activities multiplied by standard rate in the UK of 23 75% (2012 25 5%)	909	535
Effects of		
Permanent differences	5	282
Timing differences between capital allowances and depreciation	103	10
Goodwill amortisation	898	967
Dividends on preference shares	401	427
Non-deductible interest	-	148
Prior year adjustment	(356)	(370)
Difference in overseas tax rates	-	5
Profit on disposal non-taxable	-	(45)
	<u>1,960</u>	<u>1,959</u>
Current tax charge for the year		

Notes to the financial statements for the year ended 30 June 2013

8. Tax on profit on ordinary activities (continued)

c) Factors that may affect future tax charges

A resolution passed by Parliament in July 2012 reduced the main rate of corporation tax from 24% to 23% from 1 April 2013

In addition to the changes in rates of Corporation tax disclosed within the note on taxation further changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements

9. Loss attributable to the Company

The loss for the financial period dealt with in the financial statements of the parent Company was £1.7 million (2012: £1.7 million loss). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented

10. Intangible fixed assets – licences and development expenditure Group

	Development expenditure £000	Licences £000	Total £000
Cost			
At 1 July 2012	788	2,492	3,280
Additions	1,038	303	1,341
At 30 June 2013	1,826	2,795	4,621
Accumulated amortisation			
At 1 July 2012	-	1,103	1,103
Amortisation charge	-	75	75
At 30 June 2013	-	1,178	1,178
Net book value At 30 June 2013	1,826	1,617	3,443
At 30 June 2012	788	1,389	2,177

The additions in the year relate to costs associated with the acquisition of product licences from third parties and costs for new product development

The company had no intangible fixed assets at 30 June 2013 and at 30 June 2012

Notes to the financial statements

for the year ended 30 June 2013

11. Intangible fixed assets – goodwill Group

	2013 £000
Cost	
At 1 July 2012	75,480
At 30 June 2013	75,480
Accumulated amortisation	
At 1 July 2012	8,062
Amortisation charge	3,783
At 30 June 2013	11,845
Net book value	
At 30 June 2013	63,635
At 30 June 2012	67,418

12. Tangible fixed assets

	Short leasehold improvements £000	Fixtures fittings & equipment £000	Total £000
Cost			
At 1 July 2012	4,229	9,847	14,076
Additions	-	4,077	4,077
Disposals	(119)	(22)	(141)
At 30 June 2013	4,110	13,902	18,012
Accumulated depreciation			
At 1 July 2012	1,520	2,702	4,222
Charge for the year	586	1,765	2,351
Disposals	(59)	(15)	(74)
At 30 June 2013	2,047	4,452	6,499
Net book value			
At 30 June 2013	2,063	9,450	11,513
At 30 June 2012	2,709	7,145	9,854

The Company had no tangible fixed assets at 30 June 2013 or at 30 June 2012

Notes to the financial statements for the year ended 30 June 2013

13. Investments

Company

Investments in subsidiary undertakings

	2013 £000	2012 £000
Investments at cost	21,784	21,784

At 30 June 2013, the Company held the whole of the issued share capital either directly or indirectly of the following subsidiaries which are incorporated in England and Wales

	Principal Activity	Number and value of share capital held
Nut Bond Limited	Holding company	21,688,018 £1 ordinary shares
Bolt Mezzanine Limited*	Holding company	21,688,018 10p ordinary shares
Martindale Pharma (Holdings 1) Limited*	Holding company	100,000 1p ordinary shares
Macarthy's Laboratories Limited*	Pharmaceutical manufacturing	3,501,000 £1 ordinary shares
Martindale Pharmaceuticals Limited*	Dormant	100 £1 ordinary shares
Aurum Pharmaceuticals Limited*	Dormant	100 £1 ordinary shares

* Held by subsidiary undertaking

On 2 October 2012 Macarthy Limited, Eldon Laboratories Limited and Martindale Pharma Company Limited were placed into members' voluntary liquidation as part of a group-wide corporate simplification process. On 18 July 2013 each of these three companies was formally dissolved.

In the opinion of the Directors the values of the above investments are at least equal to the amounts at which they are stated in the balance sheet.

Notes to the financial statements

for the year ended 30 June 2013

14. Stocks

	Group 2013 £000	Group 2012 £000
Raw materials and consumables	2,039	1,737
Work in progress	637	278
Finished goods and goods for resale	5,388	5,826
	<u>8,064</u>	<u>7,841</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

15. Debtors:

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Trade debtors	13,253	12,077	-	-
Amounts owed by Group undertakings	-	-	98	97
Other debtors	93	93	-	-
Prepayments and accrued income	634	941	-	-
	<u>13,980</u>	<u>13,111</u>	<u>98</u>	<u>97</u>

Amounts owed by Group undertakings are interest free, repayable on demand and unsecured

16. Creditors: amount falling due within one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Bank loans	6,204	5,935	-	-
Trade creditors	4,208	4,137	-	-
Amounts owed to group undertakings	-	-	96	82
Corporation tax	779	534	-	-
Other creditors including taxation and social security	1,525	2,038	-	-
Accruals & deferred income	11,000	9,322	5,240	3,571
	<u>23,716</u>	<u>21,966</u>	<u>5,336</u>	<u>3,653</u>

Amounts owed to group undertakings are not secured, are repayable on demand and do not accrue interest

Notes to the financial statements for the year ended 30 June 2013

17. Creditors: amounts falling due after one year

	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Bank loans	32,765	38,969	-	-
Unamortised loan fees	(1,717)	(2,233)	-	-
Unsecured PIK loan notes	31,605	28,095	-	-
Cumulative redeemable preference	18,541	18,541	18,541	18,541
	<u>81,194</u>	<u>83,372</u>	<u>18,541</u>	<u>18,541</u>
Borrowings are repayable as follows				
	Group 2013 £000	2012 £000	Company 2013 £000	2012 £000
Unsecured PIK loan notes				
Between two and five years	31,605	-	-	-
After five years	-	28,095	-	-
	<u>-</u>	<u>28,095</u>	<u>-</u>	<u>-</u>
9% Redeemable preference shares				
After five years	18,541	18,541	18,541	18,541
	<u>18,541</u>	<u>18,541</u>	<u>18,541</u>	<u>18,541</u>
Bank loans				
Between one and two years	6,519	6,204	-	-
Between two and five years	26,246	32,765	-	-
	<u>32,765</u>	<u>38,969</u>	<u>-</u>	<u>-</u>
On demand or within one year	6,204	5,935	-	-
	<u>38,969</u>	<u>44,904</u>	<u>-</u>	<u>-</u>
Total borrowings including finance leases				
Between one and two years	6,519	6,204	-	-
Between two and five years	76,392	32,765	18,541	-
After five years	-	46,636	-	18,541
	<u>82,911</u>	<u>85,605</u>	<u>18,541</u>	<u>18,541</u>
On demand on within one year	6,204	5,935	-	-
	<u>89,115</u>	<u>91,540</u>	<u>18,541</u>	<u>18,541</u>

Notes to the financial statements

for the year ended 30 June 2013

17. Creditors: amounts falling due after one year (continued)

Bank loans are secured by fixed and floating charges over the assets of the Group. The bank loans are repayable by instalments. The interest rate on the loans is LIBOR plus a margin and is paid quarterly. Interest rate swaps have been entered into that effectively fix a proportion of the interest charge on the bank loans.

18,541,352 cumulative redeemable preference shares of £1.00 each, were issued at par on 12 May 2010 and have a dividend of 9% per annum.

On 1 October 2012 and 2 April 2013, through its wholly owned subsidiary, Nut Bond Limited, the Group issued £1,702,913 and £1,806,619, Fixed Rate Unsecured PIK Loan Notes respectively as payment in lieu of cash interest accrued to certain holders of the Loan Notes. These Loan Notes were subsequently admitted to the Official List of the Channel Islands Stock Exchange. The loan notes are repayable on 30 April 2018. Interest accrues at a rate of 3% per quarter and compounds quarterly if the interest is not paid.

The Group has an undrawn committed borrowing facility available at 30 June 2013 of £0.75 million (2012 £0.75 million), which is at a floating rate and expires in more than two years.

18. Provisions for liabilities

Group

	Deferred taxation £000	Onerous contracts £000	Dilapidations £000	Total £000
At 1 July 2012	357	384	610	1,351
Profit and loss account	(92)	-	-	(92)
Release of provision	-	(328)	-	(328)
At 30 June 2013	265	56	610	931

Onerous contracts

The onerous contract provisions were established following a review of the product development portfolio in May 2010. It represented the anticipated costs to fulfil the Group's commitments under licence agreements and is expected to be used over a period of 3 years.

Dilapidations

The dilapidations provision relates to anticipated costs of restoring the leasehold properties to their original condition at the end of the present leases. The provision will be utilised at the end of the leases if they are not renewed.

Notes to the financial statements for the year ended 30 June 2013

18. Provisions for liabilities (continued)

Deferred taxation

Deferred taxation is provided as follows

	£000
At 1 July 2012	357
Other short term timing difference	(104)
Effects of change in tax rate	24
Prior year adjustment	(12)
At 30 June 2012	265

The amounts provided for deferred taxation and the amounts unprovided are set out below

	2013 Provided £000	Unprovided £000	2012 Provided £000	Unprovided £000
Accelerated capital allowances	278	-	403	-
Short term timing differences	(13)	-	(46)	-
Chargeable gains rolled over	-	1,144	-	1,248
Losses	-	(50)	-	(52)
At 30 June	265	1,094	357	1,196

The unprovided deferred tax relates primarily to a chargeable gain rolled over into replacement assets

The Company had £nil (2012 £nil) provisions for liabilities

19. Called up share capital

Authorised

	Group and Company as at 30 June 2012 and 30 June 2013	
	Number	£
Ordinary shares of £1.00 each	500,000	500,000
Ordinary A shares of £0.01 each	2,833,333	28,333
		528,333

Notes to the financial statements for the year ended 30 June 2013

19. Called up share capital (continued)

Called up, allotted and fully paid

Group and Company as at 30 June 2013

	Number	£
Ordinary shares of £1 00 each	500,000	500,000
Ordinary A shares of £0 01 each	2,833,333	28,333
		<u>528,333</u>

Group and Company as at 30 June 2012

	Number	£
Ordinary shares of £1 00 each	486,665	486,665
Ordinary A shares of £0 01 each	2,833,333	28,333
		<u>514,998</u>

On 12 May 2013 the Company issued 13,335 £1 00 ordinary shares at par for cash

20. Reserves

Group

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At 1 July 2012	2,805	(2,511)	294
Profit for the financial year	-	1,960	1,960
At 30 June 2013	<u>2,805</u>	<u>(551)</u>	<u>2,254</u>

Company

	Share premium account	Profit and loss account	Total
	£000	£000	£000
At 1 July 2012	2,805	(3,633)	(828)
Loss for the financial year	-	(1,682)	(1,682)
At 30 June 2013	<u>2,805</u>	<u>(5,315)</u>	<u>(2,510)</u>

Notes to the financial statements

for the year ended 30 June 2013

21. Reconciliation of movements in total shareholders' funds / (deficit)

	Group £000	Company £000
At 1 July 2012	809	(313)
Issue of shares	13	13
Profit / (loss) for the financial year	1,960	(1,682)
At 30 June 2013	2,782	(1,982)

22. Reconciliation of operating profit to operating cash flows

	2013 £000	2012 £000
Operating profit	12,044	10,354
Depreciation, amortisation and impairment	6,209	5,982
Other non-cash items	(235)	(134)
(Increase) / decrease in stocks	(223)	(2,671)
Increase in debtors	(869)	(2,016)
(Decrease) / increase in creditors	(142)	2,379
Decrease in provisions for liabilities	(335)	(539)
Net cash inflow from operating activities	16,449	13,355

23. Analysis of cash flows

	2013 £000	2012 £000
Returns on investments and servicing of finance		
Interest received	32	31
Interest paid	(2,535)	(2,962)
Net cash outflow from returns on investments and servicing of finance	(2,503)	(2,931)
Taxation		
UK corporation tax paid	(1,715)	(2,225)
Foreign tax paid	-	(15)
Net cash outflow from taxation	(1,715)	(2,240)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(1,341)	(797)
Purchase of tangible fixed assets	(4,077)	(2,106)
Net cash outflow from capital expenditure and financial investment	(5,418)	(2,903)

Notes to the financial statements

for the year ended 30 June 2013

23. Analysis of cash flows (continued)

	2013 £000	2012 £000
Acquisitions and disposals		
Disposal of subsidiary undertakings	-	5,421
Cash balance in subsidiary undertaking disposed	-	(1,217)
Net cash inflow from acquisitions and disposals	-	4,204
Financing		
Issue of ordinary share capital	13	-
Repayment of bank loan	(5,935)	(10,846)
Net cash outflow from financing	(5,922)	(10,846)

24. Analysis and reconciliation of net debt

	Cash at bank and in hand £000	Debt due within one year £000	Debt due after one year £000	Net debt £000
At 1 July 2012	7,097	(5,935)	(83,370)	(82,208)
Repayment of debt	-	5,935	-	5,935
Maturity adjustment	-	(6,204)	6,204	-
PIK loan note issued for non cash consideration	-	-	(3,510)	(3,510)
Amortisation of capitalised finance costs	-	-	(517)	(517)
Net increase in cash and cash equivalents	891	-	-	891
At 30 June 2013	7,988	(6,204)	(81,193)	(79,409)

Notes to the financial statements

for the year ended 30 June 2013

24. Analysis and reconciliation of net debt (continued)

	2013 £000	2012 £000
(Increase) / decrease in cash in the period	(891)	1,361
(Decrease) / increase in debt	(5,935)	(10,846)
Change in net debt resulting from cash flows	(6,826)	(9,485)
Amortisation of capitalised loan fees	517	518
PIK loan notes issued for non-cash consideration	3,510	3,118
Finance leases disposed of with subsidiary	-	(424)
Translation difference	-	(51)
Movement in net debt in the period	(2,799)	(6,324)
Net debt at 30 June 2012	82,208	88,532
Net debt at 30 June 2013	79,409	82,208

25. Financial instruments

Interest rate swap contracts

Under interest rate swap contracts the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the interest rate curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date.

Outstanding receive floating pay fixed contracts	Average Contract fixed Interest rate %	Notional Principal value £000	Fair value £000
At 30 June 2013			
Between two to five years	0.795	26,000	(70)
At 30 June 2012 Within 1 year	1.805	38,000	(343)

Unsecured PIK loan notes

The loan notes are registered on the Channel Island Stock Exchange, they are held but not traded and therefore there is no market for them. The Directors consider that their fair value is par.

Notes to the financial statements

for the year ended 30 June 2013

26. Financial commitments

Group

Capital commitments are as follows

	2013 £000	2012 £000
Contracted for but not provided for	2,094	682

At 30 June 2013 and 2012 the company had £nil capital commitments

At 30 June 2013 the Group has lease agreements in respect of properties, vehicles, plant and equipment, to which the payments extend over a number of years

Annual commitments under non-cancellable operating leases are as follows

Group	Land and buildings		Other assets	
	2013 £000	2012 £000	2013 £000	2012 £000
Commitments which expire				
Within one year	-	42	139	27
Within two to five years	464	112	207	289
After more than five years	517	853	-	-
	981	1,007	346	316

The charge to the profit and loss account relating to operating leases for land and buildings differs to the note above due to the accounting treatment of the rent free period for two of the Company's sites, the difference amounts to £518,000, (2012 £110,000)

Company

At 30 June 2013 the Company had £nil (2012 £nil) lease commitments

27. Pension commitments

The Group's current United Kingdom pension arrangements provide for contributions towards personal money purchase pension plans administered by Aegon on behalf of the employees. At the end of the year, contributions of £43,444 (2012 £44,257), representing the unpaid contributions for June 2013, were outstanding and included in the accruals

Notes to the financial statements for the year ended 30 June 2013

28. Related party transactions

Advantage has been taken of the exemption under FRS 8 "Related Party Transactions" with entities that are wholly owned by the Bolt Equity Limited group on the grounds that all the voting rights are controlled by that company

During the period AAC Capital UK LLP, an affiliate of the Group's major shareholder, charged the Group a management fee of £91,526 (2012 £45,305), £nil was owed at the year end (2012 £nil)

In the year 41,666 ordinary shares in the business were sold and purchased by certain key management and the employee benefit trust

29. Contingent liabilities

The Group has guaranteed bank and other borrowings amounting to £89.1 million (2012 £91.5 million)

At the 30 June 2013 the Group had the following additional contingent liabilities

Guarantee for duty deferment in favour of HM Customs and Excise for £100,000 with recourse

Various guarantees in favour of The State Company for Marketing Drugs and Medical Appliances, Iraq for US\$79,238 with recourse

Guarantee dated 18 March 2012 in favour of Executive Board Of Health Ministers Council, Saudi Arabia for US\$32,729 with recourse

30. Ultimate parent undertaking

AAC Capital NEBO Feeder II LP, a partnership registered in the United Kingdom, is the Company's ultimate parent and controlling party, and is the parent undertaking of the Group