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**Stiefel Laboratories (Ireland) Limited**

**Consolidated Financial Statements**  
**for the Year Ended 31 March 2004**

**Together With Directors' and Auditors' Reports**

**Registered Number: 49850**

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Stiefel Laboratories (Ireland) Limited

Consolidated Financial Statements

for the Year Ended 31 March 2004

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**Stiefel Laboratories (Ireland) Limited**

**Company Information**

**for the Year Ended 31 March 2004**

**Directors**

Herbert A. Stiefel (U.S.)  
Charles G. Culhane  
Joe Burns

**Secretary and Registered Office**

James M. McGrath  
Finisklin Industrial Estate  
Sligo

**Bankers**

AIB Bank  
26 Stephen Street  
Sligo

**Solicitors**

Arthur Cox & Co.  
41/45 St. Stephen's Green  
Dublin 2

**Auditors**

Ernst & Young  
Chartered Accountants  
Dockgate  
Dock Road  
Galway

## **Stiefel Laboratories (Ireland) Limited**

### **Directors' report**

#### **For the year ended 31 March 2004**

The Directors present their report together with the audited financial statements for the year ended 31 March 2004.

#### **Principal activities and review of the development of the business**

The Group is engaged in the development, manufacture, supply and marketing of pharmaceutical and medicinal preparations. During the year the Group increased its product lines, developed its overseas markets and actively sought new licensing and acquisition opportunities.

#### **Results for the year and state of affairs at 31 March 2004**

The consolidated profit and loss account for the year ended 31 March 2004 is set out on page 7 while the consolidated balance sheet at that date is set out on pages 9 and 10. Profit on ordinary activities after taxation and before minority interest for the year amounted to €18,370,000 (2003 - €16,493,000). Retained profit for the year was €2,736,000 (2003 - €4,443,000). The net assets attributable to Group shareholders at 31 March 2004 amounted to €122,460,000 (2003 - €123,038,000).

#### **Dividends and retentions**

The Directors declared and paid dividends of €14,363,000 for the year (2003 - €12,464,000). No other distributions or transfers to reserves are recommended by the Directors for fiscal year 2004.

#### **Future developments in the business**

The Group will continue to develop its current market through re-investment of its profits and will seek increased expansion through further investment, licensing and acquisitions.

#### **Research and development**

The Group continues to be heavily committed to a programme of research and development activities.

## **Directors' report (continued)**

### **Directors and Secretary**

The Directors and Secretary who served during the year were as follows:

Mr Herbert A. Stiefel  
Mr Charles G. Culhane  
Mr. Jim Kernan  
Mr. Joe Burns  
Mr. Jim M. McGrath (Company Secretary)

Since the year ended 31 March 2004, Mr. Jim Kernan resigned as director as of 1<sup>st</sup> April 2004.

### **Health and safety**

The well-being of the company's employees during the year was safeguarded through the adherence to health and safety standards in accordance with the requirements of the Safety, Health and Welfare at Work Act, 1989.

### **Books of Account**

The measures, which the directors have taken to ensure that proper books of account are kept (under Section 202, Companies Act, 1990), are the adoption of suitable policies for recording transactions, assets and liabilities, the employment of appropriately qualified staff and the use of computer and documentary systems. The Company's books of account are kept at Finisklin Industrial Estate, Sligo.

### **Charitable and political contributions**

The Group made no significant charitable or political donations during the year.

### **Directors' and Secretary's interests**

At 31 March 2004, Herbert A. Stiefel held 17,645 common stock Class A shares of US\$0.01 each in Stiefel Laboratories, Inc. (2003 - 17,615). None of the Directors or Company Secretary in office at 31 March 2004 or their families held any other interest in the share capital or debentures of the Company, its holding company or any other Group company at 31 March 2004 or 31 March 2003 (or date of appointment, if later).

## Directors' report (continued)

### Events since year end

There were no significant events, which occurred subsequent to 31 March 2004 that had a material effect on the financial statements.

### Directors' responsibility statement

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of the affairs of the Company and the Group and of the profit or loss of the Group 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 Group 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 the Group and which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2003, and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

Ernst & Young will continue in office in accordance with Section 160 (2) of the Companies Act, 1963.

On behalf of the Directors

Director           JOE BURNS

Director           CHARLES G. CULHANE

October 29, 2004

**Independent Auditors' Report to the Members of Stiefel Laboratories (Ireland) Limited:**

We have audited the group's financial statements for the year ended 31 March 2004, which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement and the related notes 1 to 27. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion as to: whether proper books of account have been kept by the company; whether at the balance sheet date there exists a financial situation which may require the convening of an extraordinary general meeting of the company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and transactions with the group is not given and, where practicable, include such information in our report.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Independent Auditors' Report to the Members of Stiefel Laboratories (Ireland) Limited (Continued)****Basis of audit 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and of the group as at 31 March 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2003 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The company balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the financial statements.

In our opinion the company balance sheet does not disclose a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Ernst & Young  
Registered Auditors  
Galway

October 29, 2004



Stiefel Laboratories (Ireland) Limited

Consolidated profit and loss account

For the year ended 31 March 2004

	Notes	2004 €000	Restated 2003 €000
<b>Turnover - Continuing Operations</b>	2	149,010	145,326
Cost of sales		<u>(43,531)</u>	<u>(44,322)</u>
<b>Gross profit</b>		105,479	101,004
Operating costs	3	<u>(80,437)</u>	<u>(80,289)</u>
<b>Operating profits - Continuing Operations</b>		25,042	20,715
Exceptional Items	4	<u>(1,156)</u>	<u>(180)</u>
<b>Profit on ordinary activities before interest</b>		23,886	20,535
Interest receivable and similar income	7	1,198	2,743
Other Finance Costs	5	(181)	133
Interest payable and similar charges	5	<u>(73)</u>	<u>(166)</u>
<b>Profit on ordinary activities before taxation</b>	7	24,830	23,245
Taxation on profit on ordinary activities	8	<u>(6,460)</u>	<u>(6,752)</u>
<b>Profit on ordinary activities after taxation</b>		18,370	16,493
Minority interests	20	<u>(1,271)</u>	<u>414</u>
<b>Profit for the financial year attributable to Group shareholders</b>	23	17,099	16,907
Dividends paid	10, 23	<u>(14,363)</u>	<u>(12,464)</u>
<b>Retained profit for the year</b>		<u>2,736</u>	<u>4,443</u>
<b>Profit and loss account, beginning of year</b>			
As previously stated		170,757	166,258
Prior Year adjustment	23, 25	<u>(4,376)</u>	<u>269</u>
As restated		166,381	166,527
<b>Retained profit for the year</b>		2,736	4,443
Actuarial loss for the year, net of translation adjustments and deferred taxation		<u>(2,151)</u>	<u>(4,589)</u>
<b>Profit and loss account, end of year</b>		<u>166,966</u>	<u>166,381</u>

The accompanying notes form an integral part of this consolidated profit and loss account.

On behalf of the Board

JOE BURNS, Director

CHARLES G. CULHANE, Director

October 29, 2004

Stiefel Laboratories (Ireland) Limited

**Consolidated statement of total recognised gains and losses**

**For the year ended 31 March 2004**

	<b>Notes</b>	<b>2004</b> €000	<b>Restated</b> <b>2003</b> €000
Profit for the financial year attributable to Group shareholders	23	17,099	16,907
Actuarial loss on defined benefit pension schemes	25	(3,255)	(5,834)
Translation adjustment associated with defined benefit pension schemes	25	385	-
Deferred tax associated with defined benefit pension schemes		719	1,245
Movement in the translation reserve	22, 23	<u>(1,163)</u>	<u>(26,858)</u>
<b>Total recognised gains and losses relating to the year</b>		13,785	<u>(14,540)</u>
Prior year adjustment for FRS 17	23, 25	<u>(4,376)</u>	
<b>Total recognised gains and losses since last annual report</b>		<u><u>9,409</u></u>	

The accompanying notes form an integral part of this consolidated statement of total recognised gains and losses.

JOE BURNS, Director

CHARLES G. CULHANE, Director

October 29, 2004

**ERNST & YOUNG**

Stiefel Laboratories (Ireland) Limited

Consolidated balance sheet

31 March 2004

	Notes	2004 €000	Restated 2003 €000
<b>Fixed assets</b>			
Intangible assets	11	3,039	4,482
Tangible assets	12	37,821	37,683
Financial assets	13	<u>4,187</u>	<u>4,187</u>
		<u>45,047</u>	<u>46,352</u>
<b>Current assets</b>			
Stocks	14	15,954	13,723
Debtors	15	61,765	53,150
Investments, primarily government securities at cost		24,163	27,545
Cash at bank and in hand		<u>11,971</u>	<u>13,992</u>
		113,853	108,410
<b>Creditors: Amounts falling due within one year</b>	16	<u>(18,472)</u>	<u>(17,175)</u>
<b>Net current assets</b>		<u>95,381</u>	<u>91,235</u>
<b>Total assets less current liabilities</b>		140,428	137,587
<b>Creditors: Amounts falling due after more than one year</b>	17	(15)	(16)
<b>Provisions for liabilities and charges</b>	18	(454)	(826)
<b>Government grants</b>	19	<u>(432)</u>	<u>(445)</u>
<b>Net assets excluding pension liabilities</b>		139,527	136,300
<b>Net pension liabilities</b>	25	<u>(7,030)</u>	<u>(4,534)</u>
<b>Net assets including pension liabilities</b>		<u>132,497</u>	<u>131,766</u>

(Continued)

Stiefel Laboratories (Ireland) Limited

Consolidated balance sheet (continued)

31 March 2004

	Notes	2004 €000	Restated 2003 €000
<b>Capital and reserves</b>			
Called-up share capital	21	152	152
Share premium account	22	128	128
Translation reserve	22	(45,320)	(44,157)
Other reserves	22	534	534
Profit and loss account		<u>166,966</u>	<u>166,381</u>
<b>Shareholders' funds (Equity interests only)</b>	23	122,460	123,038
Minority interests	20	<u>10,037</u>	<u>8,728</u>
<b>Total capital employed</b>		<u>132,497</u>	<u>131,766</u>

**ERNST & YOUNG**

The accompanying notes form an integral part of this consolidated balance sheet.

On behalf of the Board

JOE BURNS, Director

CHARLES G. CULHANE, Director

October 29, 2004

Stiefel Laboratories (Ireland) Limited

Company balance sheet

31 March 2004

	Notes	2004 €000	Restated 2003 €000
<b>Fixed assets</b>			
Intangible assets	11	2,769	3,976
Tangible assets	12	18,491	18,342
Financial assets	13	<u>21,352</u>	<u>21,607</u>
		<u>42,612</u>	<u>43,925</u>
<b>Current assets</b>			
Stocks	14	4,042	3,525
Debtors	15	19,237	21,827
Investments, primarily government securities at cost		14,320	16,463
Cash at bank and in hand		<u>4,435</u>	<u>1,311</u>
		42,034	43,126
<b>Creditors: Amounts falling due within one year</b>	16	<u>(5,979)</u>	<u>(4,021)</u>
<b>Net current assets</b>		<u>36,055</u>	<u>39,105</u>
<b>Total assets less current liabilities</b>		78,667	83,030
<b>Creditors: Amounts falling due after more than one year</b>	17	-	-
<b>Provisions for liabilities and charges</b>	18	(655)	(791)
<b>Government grants</b>	19	<u>(432)</u>	<u>(445)</u>
<b>Net assets excluding pension liabilities</b>		77,580	81,794
<b>Net pension liabilities</b>	25	<u>(2,501)</u>	<u>(1,793)</u>
<b>Net assets including pension liabilities</b>		<u>75,079</u>	<u>80,001</u>
<b>Capital and reserves</b>			
Called-up share capital	21	152	152
Share premium account	22	128	128
Other reserves	22	534	534
Profit and loss account		<u>74,265</u>	<u>79,187</u>
<b>Shareholder's funds (Equity interests only)</b>		<u>75,079</u>	<u>80,001</u>

The accompanying notes form an integral part of this balance sheet.

On behalf of the Board

JOE BURNS, Director

CHARLES G. CULHANE, Director

October 29, 2004

Stiefel Laboratories (Ireland) Limited

Consolidated cash flow statement

For the year ended 31 March 2004

	Notes	2004 €000	Restated 2003 €000
Cash flow from operating activities	24a	21,788	17,617
Returns on investments and servicing of finance	24b	937	582
Taxation		(7,911)	(8,429)
Capital expenditure and financial investment	24b	(4,558)	(3,698)
Equity dividends paid		<u>(14,356)</u>	<u>(10,335)</u>
<b>Cash (outflow) before use of liquid resources and financing</b>		<u>(4,100)</u>	<u>(4,263)</u>
Management of liquid resources	24b	3,383	21,436
Financing:			
Decrease in debt		<u>(74)</u>	<u>(136)</u>
<b>(Decrease) increase in cash for the year</b>		<u>(791)</u>	<u>17,037</u>
<b>Reconciliation of net cash flow to movement in net funds</b>	24c		
(Decrease) increase in cash in the year		(791)	17,037
Cash outflow from decrease in debt and lease financing		74	136
Cash inflow from decrease in liquid resources		<u>(3,383)</u>	<u>(21,436)</u>
Change in net funds resulting from cash flow		(4,100)	(4,263)
Translation difference		<u>(1,258)</u>	<u>(9,704)</u>
<b>Movement in net funds for the year</b>		<u>(5,358)</u>	<u>(13,967)</u>
<b>Net funds at beginning of year</b>		<u>41,456</u>	<u>55,423</u>
<b>Net funds at end of year</b>		<u>36,098</u>	<u>41,456</u>

The accompanying notes form an integral part of this consolidated cash flow statement.

On behalf of the Board

JOE BURNS, Director

CHARLES G. CULHANE, Director

October 29, 2004

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements

31 March 2004

#### 1. Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the valuation of investments to market value and Irish generally accepted accounting principles and are stated in Euro. The principal accounting policies adopted by the Group, are set out below. These are unchanged from the previous year with the exception of the adoption in full of Financial Reporting Standard 17 "Retirement Benefits," the effects of which are explained in note 25. A prior year adjustment of €4,376,000 is the cumulative prior year effect of this change of accounting policy and has been charged against reserves.

##### *a) Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and each of its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from, or up to, the effective date of acquisition or disposal. All significant intercompany transactions have been eliminated.

##### *b) Intangible fixed assets*

Intangible fixed assets are shown at cost less accumulated amortisation and are amortised over the period during which the Group is expected to benefit, currently five to twenty years. Provision is made for any impairment.

##### *c) Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off the net cost of the assets over their expected useful lives at the following rates per annum:

Freehold land	Not depreciated
Buildings	2.5%
Leasehold land and building improvements	Over term of lease
Fixtures and fittings	14%
Machinery and equipment	8-33%
Motor vehicles	20%
Leased assets	The shorter of the term of the leases or the useful economic life of the asset

##### *d) Financial fixed assets*

In the consolidated financial statements, investments in associated companies are not accounted for using the equity method, because the Company is not in a position to exercise a significant influence over these companies. Interests in subsidiary and associated undertakings are stated in the Company balance sheet at cost.

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements (continued)

31 March 2004

#### 1. Accounting policies (continued)

##### *e) Stocks*

Stocks are stated at the lower of purchase cost on a first in, first out basis and net realisable value. Cost in the case of raw materials and packaging materials consists of direct material costs together with any relevant duty and freight costs. In the case of work-in-progress and finished goods, cost includes materials, labour and an appropriate proportion of factory overhead based on a normal level of activity.

Net realisable value is based on the estimated normal selling price, less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow moving and defective stocks, where appropriate.

##### *f) Government grants*

Capital grants relating to fixed assets are shown as a deferred credit and are credited to the profit and loss account on a straight-line basis over the expected useful lives of the assets to which they relate.

Revenue grants are credited to the profit and loss account in the same period as the related expense is incurred.

##### *g) Foreign currency*

Foreign currency monetary assets and liabilities are translated into Euro at rates of exchange ruling at the balance sheet date. Foreign currency transactions are translated using the exchange rates ruling at the date of the transactions. Gains or losses on translation are credited or charged in the consolidated profit and loss account as they arise.

For the purpose of consolidation, the balance sheets of the foreign subsidiaries not in the Euro zone are translated into Euro at the closing exchange rate. The profit and loss accounts of foreign subsidiaries not in the Euro zone are translated into Euro at the average rate of exchange for the year. Movements in translation gains or losses are included in the translation reserve in the consolidated balance sheet. Where a subsidiary operates in a country with a hyperinflationary economy, the results are re-measured into a stable currency by applying the temporal method prior to being translated into Euro.

##### *h) Research and development*

Research and development costs are expensed as incurred.

##### *i) Taxation*

Current tax is provided on taxable profits using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or receive more tax. Deferred tax is measured on an undiscounted 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.



**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**1. Accounting policies (continued)**

*i) Taxation (continued)*

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

*j) Pension costs*

The Group accounts for pension schemes in accordance with FRS 17 "Retirement Benefits." For defined contribution schemes, contributions are charged to the profit and loss account as payable in respect of the accounting period. For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period the vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Group, in separate trustee administered funds. Pension schemes assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated on the balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented separately after other net assets on the face of the balance sheet.

*k) Group turnover*

Group turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services in the normal course of business.

*l) Operating leases*

Rentals under operating leases are charged on a straight-line basis over the lease term.

*m) Investments*

Investments held as current assets are stated at market value at the balance sheet date. All such investments are readily marketable.

Unlisted investments, which relate primarily to time deposits, are stated at historical cost.

*n) Finance Leases*

Assets held under leasing arrangements that transfer substantially all the risks and rewards of ownership to the Group are capitalised. The capital element of the related rental obligations is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge in proportion to the capital balances outstanding.

# Stiefel Laboratories (Ireland) Limited

## Notes to the financial statements (continued)

31 March 2004

### 2. Turnover

Turnover is in respect of the supply of pharmaceutical and medicinal preparations. Turnover by geographical area during the year was as follows:

	2004	2003
	€000	€000
Europe	83,199	78,546
Rest of world	<u>65,811</u>	<u>66,780</u>
	<u>149,010</u>	<u>145,326</u>

### 3. Operating costs

	2004	Restated 2003
	€000	€000
Distribution	6,969	7,149
Marketing and administrative expenses	57,152	57,103
Research and development costs	<u>16,316</u>	<u>16,037</u>
	<u>80,437</u>	<u>80,289</u>

### 4. Exceptional Items

	2004	Restated 2003
	€000	€000
Net (loss) profit on sale of properties in continuing operations (a)	(8)	624
Restructuring of continuing operations (b)	<u>(1,148)</u>	<u>(804)</u>
	<u>(1,156)</u>	<u>(180)</u>

- a) FY 2004 represents loss on sale of properties amounting to €61,000 and profit on sale of properties amounting to €53,000. The net corresponding tax credit was €7,000 and the net corresponding decrease in minority interest was €1,000.

FY 2003 represents profit on sale of properties amounting to €994,000 and loss on sale of properties amounting to €370,000. The net corresponding tax charge for FY 2003 was €230,000 and the net corresponding increase in minority interest was €214,000.

# Stiefel Laboratories (Ireland) Limited

## Notes to the financial statements (continued)

31 March 2004

### 4. Exceptional Items (continued)

FY 2004 represents a fundamental restructuring of the European operations in France, Ireland, Italy, Spain and United Kingdom. The corresponding tax change was €238,000 and the corresponding decrease in minority interest was €43,000.

FY 2003 represents a fundamental restructuring of the European operations in France, Spain and United Kingdom. The corresponding tax change was €270,000 and the corresponding decrease in minority interest was €134,000.

### 5. a) Interest payable and similar charges

	<u>2004</u>	<u>2003</u>
	€000	€000
On bank overdrafts and other loans which are repayable within five years, not by installments	71	153
Finance lease interest payable	<u>2</u>	<u>13</u>
	<u>73</u>	<u>166</u>

### b) Other finance costs

	<u>2004</u>	<u>Restated 2003</u>
	€000	€000
Interest on defined benefit pension schemes	1,379	1,352
Expected return on schemes assets	<u>(1,198)</u>	<u>(1,485)</u>
	<u>181</u>	<u>(133)</u>

### 6. Employees and remuneration

a) The average number of persons employed by the Group, including executive directors, during the years was:

	<u>2004</u>	<u>2003</u>
Production	493	527
Selling and distribution	645	578
Administrative	<u>194</u>	<u>185</u>
	<u>1,332</u>	<u>1,290</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

6. Employees and remuneration (continued)

b) The payroll costs were:

	2004	Restated 2003
	€000	€000
Wages and salaries	32,078	35,914
Social welfare costs	3,833	4,471
<i>Pension costs</i>		
Amounts included within operating profit	2,881	3,144
Amounts included within other finance costs	181	(133)
Amounts recognised in the Statement of total recognised gains and losses	<u>3,255</u>	<u>5,834</u>
	<u>42,228</u>	<u>49,230</u>

7. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting):

	2004	Restated 2003
	€000	€000
Directors' remuneration		
- Emoluments including pension contributions	429	476
Auditors' remuneration	244	242
Operating lease rentals		
- Plant and machinery	497	872
- Other assets	823	1,722
Depreciation of tangible fixed assets		
- Owned	4,707	4,616
- Held under finance lease	36	47
Amortisation of government grants	(13)	(14)
Foreign exchange loss	2,817	4,129
Net loss (profit) on sale of tangible fixed assets	8	(624)
Research & Development expenditure	16,316	16,037
Bank interest income	(1,198)	(2,743)

All profit was generated by continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for both years and their respective historical cost equivalents.

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

8. Taxation on profit on ordinary activities

	2004	2003
	€000	€000
(a) Analysis of charge in year		
Current tax:		
Irish Corporation tax	2,604	1,805
Manufacturing Relief	(202)	(46)
Adjustment in respect of previous periods	<u>151</u>	<u>(68)</u>
Total current tax	2,553	1,691
Foreign Tax	4,491	5,756
Adjustments in respect of previous periods	<u>(24)</u>	<u>(17)</u>
Total current tax (Note 8(b))	7,020	7,430
Deferred tax:		
Origination and reversal of timing difference (Note 15)	(433)	(598)
Deferred tax on defined benefit pension schemes	<u>(127)</u>	<u>(80)</u>
Total Deferred Tax	(560)	(678)
Tax on profit on ordinary activities	<u>6,460</u>	<u>6,752</u>

(b) The current tax assessed for the year is higher than the standard rate of corporation tax in the Republic of Ireland at a rate of 12.5% (2003 - 15.125%). The differences are explained below:

	2004	2003
	€000	€000
Profit on ordinary activities before taxation	<u>24,830</u>	<u>23,245</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2003 - 15.125%)	3,104	3,516
Effect of:		
Royalty withholding tax	933	914
Losses carried forward to future years	78	81
Losses offset against current year profits	(51)	(20)
Expenses not allowed for tax purposes	154	711
Income exempt from taxation	(3)	(23)
Higher tax rates on overseas earnings	2,380	2,462
Manufacturing relief	(202)	(46)
Prior year adjustments - Ireland	151	(68)
Prior year adjustments - Foreign	(24)	(17)
Other differences	<u>500</u>	<u>(80)</u>
Current tax charge for year (Note 8(a))	<u>7,020</u>	<u>7,430</u>

The Company is entitled, under present legislation, to an effective Irish corporation tax rate of 10% until the year 2010 on profits arising from the manufacture of goods by it in Ireland.

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**9. Profit for the financial year**

Under the provisions of Section 3(2) of the Companies (Amendment) Act 1986, the Company has not presented its own profit and loss account. The profit for the financial year in the profit and loss account of the Company amounted to €10,075,000 (2003 - €15,570,000).

**10. Dividends paid**

	<u>2004</u>	<u>2003</u>
	€000	€000
Dividend of €119.69 per ordinary share (2003 - €103.86)	<u>14,363</u>	<u>12,464</u>

**11. Intangible fixed assets**

**Group**

	<b>Know- How</b>	
	<u>2004</u>	<u>2003</u>
	€000	€000
<b>Cost</b>		
Beginning of year	7,172	7,694
Additions	-	1,062
Exchange adjustment	<u>(124)</u>	<u>(1,584)</u>
End of year	<u>7,048</u>	<u>7,172</u>
<b>Amortization</b>		
Beginning of year	2,690	3,098
Charge for the year	158	640
Impairment (a)	1,009	175
Exchange adjustment	<u>152</u>	<u>(1,223)</u>
End of year	<u>4,009</u>	<u>2,690</u>
<b>Net book value</b>		
Beginning of year	<u>4,482</u>	<u>4,596</u>
End of year	<u>3,039</u>	<u>4,482</u>

- (a) FY 2004 represents an impairment of Ireland's Diane-35 product rights resulting from management's decision to cease all research and development spend for this line, which would be required in order to receive final approval from the Canadian Health Ministry prior to launch.

FY2003 represents an impairment of Brazil's Bonru-Perel product rights resulting from management's decision to cease all marketing spend for this line due to declining sales.

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**11. Intangible fixed assets (continued)**

**Company**

	<b>Know- How</b>	
	<b>2004</b>	<b>2003</b>
	<b>€000</b>	<b>€000</b>
<b>Cost</b>		
Beginning of year	5,018	3,956
Additions	<u>-</u>	<u>1,062</u>
End of year	<u>5,018</u>	<u>5,018</u>
<b>Amortisation</b>		
Beginning of year	1,042	791
Charge for the year	198	251
Impairment (b)	<u>1,009</u>	<u>-</u>
End of year	<u>2,249</u>	<u>1,042</u>
<b>Net book value</b>		
Beginning of year	<u>3,976</u>	<u>3,165</u>
End of year	<u>2,769</u>	<u>3,976</u>

- (b) FY 2004 represents an impairment of Ireland's Diane-35 product rights resulting from management's decision to cease all research and development spend for this line, which would be required in order to receive final approval from the Canadian Health Ministry prior to launch.

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

12. Tangible fixed assets

	Freehold Land and Buildings	Leasehold Land and Building Improvements	Fixtures and Fittings	Machinery and Equipment	Motor Vehicles	Total
	€000	€000	€000	€000 (a)	€000 (a)	€000
<b>Group</b>						
<b>Cost</b>						
Beginning of year	29,133	3,270	6,361	24,374	2,179	65,317
Additions	204	1,301	443	2,340	797	5,085
Disposals	(15)	-	(283)	(111)	(535)	(944)
Transfers/reclassifications	449	(1,075)	247	401	(16)	6
Exchange adjustment	(49)	(6)	(11)	(41)	(25)	(132)
End of year	<u>29,722</u>	<u>3,490</u>	<u>6,757</u>	<u>26,963</u>	<u>2,400</u>	<u>69,332</u>
<b>Depreciation</b>						
Beginning of year	5,637	1,397	3,770	15,768	1,062	27,634
Charge for year	755	183	937	2,410	458	4,743
Disposals	(88)	(14)	(138)	(245)	(259)	(744)
Transfers/reclassifications	-	2	(36)	158	(132)	(8)
Exchange adjustment	(22)	(6)	(15)	(63)	(8)	(114)
End of year	<u>6,282</u>	<u>1,562</u>	<u>4,518</u>	<u>18,028</u>	<u>1,121</u>	<u>31,511</u>
<b>Net book value</b>						
Beginning of year	<u>23,496</u>	<u>1,873</u>	<u>2,591</u>	<u>8,606</u>	<u>1,117</u>	<u>37,683</u>
End of year	<u>23,440</u>	<u>1,928</u>	<u>2,239</u>	<u>8,935</u>	<u>1,279</u>	<u>37,821</u>



Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

12. Tangible fixed assets (continued)

	Freehold Land and Buildings	Leasehold Land and Building Improvements	Fixtures and Fittings	Machinery and Equipment	Motor Vehicles	Total
	€000	€000	€000	€000 (a)	€000	€000
<b>Company</b>						
<b>Cost</b>						
Beginning of year	15,855	2,621	820	13,852	252	33,400
Additions	-	1,206	141	757	50	2,154
Disposals	-	-	-	-	(27)	(27)
Transfers/reclassifications	13	(174)	8	94	1	(58)
End of year	<u>15,868</u>	<u>3,653</u>	<u>969</u>	<u>14,703</u>	<u>276</u>	<u>35,469</u>
	Freehold Land and Buildings	Leasehold Land and Building Improvements	Fixtures and Fittings	Machinery and Equipment	Motor Vehicles	Total
	€000	€000	€000	€000 (a)	€000	€000
<b>Depreciation</b>						
Beginning of year	3,491	1,247	499	9,692	129	15,058
Charge for year	406	171	128	1,192	53	1,950
Disposals	-	-	-	-	(27)	(27)
Transfers / reclassifications	(3)	(54)	4	49	1	(3)
End of year	<u>3,894</u>	<u>1,364</u>	<u>631</u>	<u>10,933</u>	<u>156</u>	<u>16,978</u>
<b>Net book value</b>						
Beginning of year	<u>12,364</u>	<u>1,374</u>	<u>321</u>	<u>4,160</u>	<u>123</u>	<u>18,342</u>
End of year	<u>11,974</u>	<u>2,289</u>	<u>338</u>	<u>3,770</u>	<u>120</u>	<u>18,491</u>

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements (continued)

31 March 2004

#### 12. Tangible fixed assets (continued)

- a) Included within machinery and equipment and motor vehicles are assets held under finance leases of the Group with a net book value of Nil (2003 - €36,000) and €49,000 (2003 - €101,000), respectively.

Included within machinery and equipment are assets held under finance leases of the Company with a net book value of Nil (2003 - €36,000).

- b) Included within Freehold Land and Buildings of the Group is an amount of €2,097,000 (2003 - €2,042,000) for freehold land which is not depreciated. In addition, included within the Freehold Land and Buildings of the Company is an amount of €147,000 (2003 - €147,000) for freehold land which is not depreciated.
- c) At 31 March 2004, the Company and Group had assets with a cost of €8,307,000 (2003 - €7,544,000) included above which had been fully depreciated.

#### 13. Financial fixed assets

Group	2004	2003
	€000	€000
Unlisted shares in related companies at cost (b)		
Beginning and end of year	<u>3,126</u>	<u>3,126</u>
Unlisted shares in others at cost		
Beginning of year	1,061	711
Purchase of shares	<u>-</u>	<u>350</u>
End of year	<u>1,061</u>	<u>1,061</u>
Total financial fixed assets	<u>4,187</u>	<u>4,187</u>

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**13. Financial fixed assets (continued)**

**Company**

Investment in group undertakings (a)		
Beginning of year	17,099	17,099
Acquisitions	170	-
Adjustment (c)	(343)	-
End of year	<u>16,926</u>	<u>17,099</u>
Net book value	<u>16,926</u>	<u>17,099</u>
Net book value of amounts due from group undertakings	<u>239</u>	<u>321</u>
Unlisted shares in related companies at cost (b)		
Beginning and end of year	<u>3,126</u>	<u>3,126</u>
Unlisted shares in others at cost		
Beginning of year	1,061	711
Acquisitions	-	350
End of year	<u>1,061</u>	<u>1,061</u>
Total financial fixed assets	<u>21,352</u>	<u>21,607</u>

In the opinion of the Directors, the value to the Group and the Company of the unlisted investments is not less than the carrying value.

**Stiefel Laboratories (Ireland) Limited****Notes to the financial statements (continued)****31 March 2004****13. Financial fixed assets (continued)**

a) At 31 March 2004, the Company had the following subsidiary undertakings as detailed below:

<b>Name and Registered Address of Company</b>	<b>Percentage of Equity Held</b>	<b>Country of Incorporation</b>
Laboratórios Stiefel Argentina Av. Federico Lacroze 3194 1ro C1426CQR 1426 Buenos Aires	100%	Argentina
Stiefel Laboratories Srl Via Calabria, 15 20090 Redecesio Di Segrate Milano	100%	Italy
Stiefel Laboratories Pte Limited 103 Gul Circle Jurong 629589	100%	Singapore
Laboratoires Stiefel S.A.R.L. 6 Avenue de l'Imperatrice Josephine 92500 Rueil-Malmaison	98%	France
Stiefel Philippines, Inc. Unit 1604-A & 1603-B, West Tower Philippine Stock Exchange Center Road Ortigas Center Pasig City, Central Manila 1600	100%	The Philippines
Stiefel Laboratories (Korea) Limited Wonjin Building, 6th Floor 1626-2, Seocho-dong Seocho-Ku, Seoul 137-070	100%	Korea
Stiefel Laboratories (SA) (Pty) Limited P.O. Box 1310 Northriding 2162	100%	South Africa
Stiefel Laboratories Pty Limited Unit 2, 10 Salisbury Road Castle Hill NSW 2154	100%	Australia

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**13. Financial fixed assets (continued)**

<b>Name and Registered Address of Company</b>	<b>Percentage of Equity Held</b>	<b>Country of Incorporation</b>
Laboratórios Stiefel Ltda Rua Prof. Joao Cavalheiro Salem 1081/1301, CEP 07243-580 Bonsucesso-Guarulhos, SP	83%	Brazil
Laboratórios Stiefel de Chile & Cia Ltda Avda. Américo Vespucio #1220 Penalolén, Santiago 693 25 60	100%	Chile
Stiefel Laboratories Taiwan Inc. 3 F-1, No. 333 Lung Chiang Road Taipei 10482	100%	Taiwan
Laboratórios Farmacêuticos Stiefel (Portugal), Ltda Rua Cladio Galeno - Edificio Alloga Cabra Figa Rio de Mouro 2635	100%	Portugal
Laboratórios Stiefel Colombia S.A. Carrera 9 No. 123-40 Santa fé de Bogotá	100%	Colombia
Stiefel Maroc, S.A. 275 Boulevard Zerktouni Immeule GAPI, 2ème étage Casablanca	100%	Morocco
Stiefel Distributors (Ireland) Limited Finisklin Industrial Estate Sligo	100%	Ireland
Stiefel Laboratories (UK) Limited Holtspur Lane Wooburn Green High Wycombe Buckinghamshire HP10 0AU	63%	United Kingdom

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements (continued)

31 March 2004

#### 13. Financial fixed assets (continued)

Name and Registered Address of Company	Percentage of Equity Held	Country of Incorporation
Laboratórios Stiefel (Espana) S.A. C/Coto de Donana No. 11-13 Area Empresarial Andalucia No. 1 28320 Pinto Madrid	56%	Spain
Laboratórios Stiefel De Venezuela S.A. Ave. Fransico De Miranda Esquina con calle Republica Dominicana Edificio Torre Bazar Bolivar, Nivel D, Oficina D-4 Caracas	100%	Venezuela
Stiefel Laboratories Pakistan (PVT) Limited 2-K/1 Model Town Lahore	100%	Pakistan
Stiefel Polska Sp. z.o.o. ul. Kowelska 10 03-432 Warszaw	100%	Poland
Stiefel Laboratories Egypt 27, Misr EL Tameer Building Area 5, Behind Sheraton Heliopolis Apt. 8 Cairo	100%	Egypt

With the exception of Laboratórios Stiefel Ltda and Stiefel Laboratories (Pte) Limited, all the subsidiary undertakings are engaged in the marketing of pharmaceutical and medicinal preparations. Laboratórios Stiefel Ltda and Stiefel Laboratories (Pte) Limited are engaged in the manufacture, supply and marketing of pharmaceutical and medicinal preparations.

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

13. Financial fixed assets (continued)

- b) The investment in related companies consists of a 25% holding in the Ordinary share capital of Stiefel Laboratories (Thailand) Limited (250 Ordinary shares at 100 Baht each), a 16.7% investment in Stiefel Laboratorium GmbH (300 Ordinary shares of DM500 each), and a 30% investment in Stiefel Mexicana S.A. de C.V. (2,560,728 Ordinary shares of one Peso each). These companies market and sell products manufactured by the Company, Stiefel Laboratories (Pte) Limited and Stiefel Mexicana S.A. de C.V. These investments are not treated as associated companies under FRS9 because the Company is not in a position to exercise a significant influence over these companies. For the same reason, they are not treated as related or associated companies under the Companies (Amendment) Act 1986. As a result, these companies are not accounted for by the equity method of valuation.

The companies have a 31 March fiscal year end. The balance sheets of these companies at 31 March 2004 and their results for the year then ended are set out below. The figures have been extracted from unaudited accounts, as no audits were required for these entities.

Balance sheets at 31 March 2004:

	Stiefel Laboratorium GmbH Mühlheimer Strasse 231 D-63075 Offenbach/Main Germany	Stiefel Laboratories (Thailand) Ltd. 408/143 Phaholyothin Place Building, 33 <sup>rd</sup> Floor Phaholyothin Road Samsennai, Phayathai Bangkok 10400 Thailand	Stiefel Mexicana, S.A. de C.V. Eje Nte. Sur No. 11 Nuevo Parque Industrial 76809, San Juan Del Rio, Qro.
	€000	€000	€000
Fixed assets	1,320	401	6,478
Net current assets	3,349	1,539	1,539
Intercompany creditors less intercompany debtors	(2,284)	(24)	(159)
	<u>2,385</u>	<u>1,916</u>	<u>7,858</u>
Share capital	750	756	2,519
Other reserves	-	(1,006)	(4,645)
Retained earnings	<u>1,635</u>	<u>2,166</u>	<u>9,984</u>
	<u>2,385</u>	<u>1,916</u>	<u>7,858</u>

- c) Represents a repayment of a capital contribution by Laboratórios Stiefel (Espana) S.A. The share premium capital for Laboratórios Stiefel (Espana) S.A. was eliminated in consolidation against the unlisted shares in related companies of the Group.

# Stiefel Laboratories (Ireland) Limited

## Notes to the financial statements (continued)

31 March 2004

### 13. Financial fixed assets (continued)

Extracts from the profit and loss accounts for the year ended 31 March 2004:

#### Retained earnings:

Balance at beginning of year	1,376	1,849	8,356
Profit for year	<u>259</u>	<u>317</u>	<u>1,628</u>
Balance at end of year	<u>1,635</u>	<u>2,166</u>	<u>9,984</u>

### 14. Stocks (a)

	Group		Company	
	2004	2003	2004	2003
	€000	€000	€000	€000
Raw materials	4,436	4,893	2,082	2,216
Work-in-progress	1,151	969	434	422
Finished goods	<u>10,367</u>	<u>7,861</u>	<u>1,526</u>	<u>887</u>
	<u>15,954</u>	<u>13,723</u>	<u>4,042</u>	<u>3,525</u>

(a) The replacement cost of stock did not differ materially from the figures shown above.

### 15. Debtors

	Group		Company	
	2004	Restated 2003	2004	2003
	€000	€000	€000	€000
Amounts falling due within one year:				
Trade debtors	44,608	37,574	7,658	4,371
Amounts owed by fellow group undertakings (a)	457	772	9,154	12,474
Amounts owed by related companies (a)	2,807	4,098	-	3,775
Prepayments and accrued income	9,424	8,596	2,378	1,150
Loans to fellow group undertakings (b, c)	2,786	153	47	57
Deferred tax assets (d)	<u>1,683</u>	<u>1,285</u>	<u>-</u>	<u>-</u>
	<u>61,765</u>	<u>52,478</u>	<u>19,237</u>	<u>21,827</u>
Amounts falling due after more than one year:				
Loans to related companies	-	672	-	-
	-	672	-	-
	<u>61,765</u>	<u>53,150</u>	<u>19,237</u>	<u>21,827</u>



**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**15. Debtors (continued)**

- (a) The amounts owed by fellow group undertakings and related companies are unsecured, interest free and due for repayment within one year.
- (b) At 31 March 2004, the Group and Company had one unsecured term loan payable by a fellow group undertaking totaling €47,000, which is payable on demand and accrues interest at 8%.
- (c) At 31 March 2004, the Group had one unsecured loan of €2,739,000, which matures on 30 April 2004 and accrues interest at Libor plus 3%.
- (d) Movements in deferred taxation during the years are as follows:

	Group	
	2004	Restated 2003
	€000	€000
Deferred taxation asset:		
Beginning of the year	1,285	1,410
Credit to profit and loss account	433	598
Translation adjustment	(35)	(723)
End of year (e)	<u>1,683</u>	<u>1,285</u>

- (e) Deferred tax asset balances consist of the following:

	2004	2003
	€000	€000
Pension provision	42	37
Fixed assets	450	(214)
Accounts payable	262	(5)
Loss carryforward	315	321
Amortization of intangibles	(326)	(317)
Accruals	311	380
Other	629	1,083
End of year	<u>1,683</u>	<u>1,285</u>

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**16. Creditors: Amounts falling due within one year**

	Group		Company	
	2004	2003	2004	2003
	€000	€000	€000	€000
Bank loans and overdrafts	-	1	-	-
Obligations under finance leases	21	64	-	36
Trade creditors	4,706	4,534	2,103	1,958
Amounts owed to fellow group undertakings (a)	1,552	1,074	1,128	-
Amounts owed to related companies (a)	20	46	-	-
Corporation tax	2,175	2,970	560	362
Payroll taxes and social welfare	1,180	993	184	193
Accruals and deferred income	8,818	7,493	2,004	1,472
	<u>18,472</u>	<u>17,175</u>	<u>5,979</u>	<u>4,021</u>

- (a) The amounts owed by fellow group undertakings and related companies are unsecured, interest free and are due for repayment within one year.

**17. Creditors: Amounts falling due after more than one year**

	Group		Company	
	2004	2003	2004	2003
	€000	€000	€000	€000
Finance leases due between 2 and 5 years	<u>15</u>	<u>16</u>	<u>-</u>	<u>-</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

18. Provisions for liabilities and charges

	Group		Company	
	2004	2003	2004	Restated 2003
	€000	€000	€000	€000
Provision for contingent losses:				
Beginning of the year	826	1,445	-	-
Translation adjustment	(372)	(619)	-	-
End of year (a)	<u>454</u>	<u>826</u>	<u>-</u>	<u>-</u>
Deferred taxation:				
Beginning of year	-	-	791	718
Credited for year	-	-	(136)	73
End of year	<u>-</u>	<u>-</u>	<u>655</u>	<u>791</u>

The Company deferred tax liability arises from accelerated capital allowances. The Group and Company had no unprovided deferred tax at 31 March 2004 (2003 - €Nil).

- (a) During fiscal 2000, the Group received a tax assessment notice from the State of Sao Paulo in Brazil pertaining to the State's Goods and Services Circulation Tax. Accordingly, the Group has recorded a contingency of approximately €454,000, equivalent to the expected amount of the assessment. The assessment is currently under appeal and a final decision may be reached within the next two to five years. If the ruling is unfavorable to the Group, payments are expected to occur shortly thereafter.

19. Government grants

	2004	2003
	€000	€000
<b>Group and Company</b>		
<b>Received</b>		
Beginning and end of year	<u>1,049</u>	<u>1,049</u>
<b>Amortisation</b>		
Beginning of year	604	590
Amortised to profit and loss account	<u>13</u>	<u>14</u>
End of year	<u>617</u>	<u>604</u>
<b>Net book value</b>		
Beginning of year	<u>445</u>	<u>459</u>
End of year	<u>432</u>	<u>445</u>

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements (continued)

31 March 2004

#### 20. Minority interests

Minority interests arise from the following minority shareholdings: 37% in Stiefel Laboratories (UK) Limited, 17% in Laboratórios Stiefel Ltda, 2% in Laboratoires Stiefel S.A.R.L., and 44% in Laboratórios Stiefel (España) S.A.

The movement in minority interests during the year was as follows:

	2004 €000	2003 €000
Beginning of year		
As previously stated	8,728	13,563
Prior Year Adjustment	-	(130)
As restated	8,728	13,433
Retained profit (loss) for the year	1,278	1,715
Dividends paid to minority interests	(7)	(2,129)
Revaluation of net assets of subsidiary undertakings	194	(4,291)
Adjustment (a)	(156)	-
End of year	10,037	8,728

- (a) Represents minority share of a repayment by Laboratórios Stiefel (España) S.A. of its share premium capital.

#### 21. Called-up share capital

	2004 and 2003 €000
<i>Authorised:</i>	
250,000 Ordinary shares of €1.269738 each	317,435
100 "A" Redeemable Preference shares of €1.269738 each	127
100 "B" Redeemable Preference shares of €1.269738 each	127
100 "C" Redeemable Preference shares of €1.269738 each	127
100 "D" Redeemable Preference shares of €1.269738 each	127
100 "E" Redeemable Preference shares of €1.269738 each	127
100 "F" Redeemable Preference shares of €1.269738 each	127
100 "G" Redeemable Preference shares of €1.269738 each	127
100 "H" Redeemable Preference shares of €1.269738 each	127
100 "I" Redeemable Preference shares of €1.269738 each	127
100 "J" Redeemable Preference shares of €1.269738 each	127
	<u>318,705</u>
<i>Alloted, called-up and fully paid:</i>	
120,000 Ordinary Shares of €1.269738 each	<u>152,369</u>

# Stiefel Laboratories (Ireland) Limited

## Notes to the financial statements (continued)

31 March 2004

### 22. Reserves

	Share Premium Account	Other Reserves	Translation Reserve
	€000	€000 (a)	€000
<b>Group</b>			
Beginning of year	128	534	(44,157)
Movement during year	-	-	(1,163)
End of year	<u>128</u>	<u>534</u>	<u>(45,320)</u>
<b>Company</b>			
Beginning of year	128	534	
Movement during year	-	-	
End of year	<u>128</u>	<u>534</u>	

- (a) In accordance with the terms of its employment grant agreements with the Irish Industrial Development Authority, the Company is required to maintain equity equivalent to the amount of the grant received. As a result, in fiscal 1998 the Company reserved €534,000, which the Directors designated as nondistributable.

### 23. Reconciliation of movements in shareholders' funds

	2004	Restated 2003
	€000	€000
Opening shareholders' funds	127,414	149,773
Prior Period adjustments for FRS 17	<u>(4,376)</u>	<u>269</u>
Opening shareholders' funds as restated	<u>123,038</u>	<u>150,042</u>
Profit for the financial year	17,099	16,907
Dividends paid	<u>(14,363)</u>	<u>(12,464)</u>
Retained profit for the year	2,736	4,443
Actuarial loss on defined benefit pension schemes, net of translation adjustment and deferred tax	(2,151)	(4,589)
Movement in the translation reserve	<u>(1,163)</u>	<u>(26,858)</u>
Net deduction from shareholders' funds	<u>(578)</u>	<u>(27,004)</u>
Closing shareholders' funds	<u>122,460</u>	<u>123,038</u>

Included in the accompanying Group balance sheet is approximately €25,200,000 (2003 - €28,400,000) in shareholders' funds that are not distributable as dividends to the Group under various regulations of foreign governments.

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

24. Cash flow information

a) Reconciliation of operating profit to operating cash flows

	2004	Restated 2003
	€000	€000
Operating profit	25,042	20,715
Depreciation and amortisation charges	4,901	5,312
(Increase) in stocks	(2,693)	(1,192)
(Increase) in debtors	(8,346)	(6,406)
Increase (Decrease) in creditors	3,044	(618)
Amortisation of government grant	(13)	(14)
Cost of a fundamental restructuring (Note 4)	(1,148)	(804)
Impairment of intangible assets	1,009	-
Net (loss) gain on sale of tangible fixed assets (Note 4)	(8)	624
<b>Net cash inflow from operating activities</b>	<b><u>21,788</u></b>	<b><u>17,617</u></b>

b) Analysis of cash flows for headings netted in cash flow statement

	2004	Restated 2003
	€000	€000
<b>Return on investments and servicing of finance</b>		
Interest received	1,198	2,744
Interest paid	(252)	(20)
Interest paid on finance leases	(2)	(13)
Dividends paid to minority interests	(7)	(2,129)
<b>Net cash inflow from returns on Investments and servicing of finance</b>	<b><u>937</u></b>	<b><u>582</u></b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(5,055)	(5,097)
Purchase of financial fixed asset	-	(1,412)
Proceeds from sale of tangible fixed assets	497	2,811
<b>Net cash outflow from capital Expenditure and financial investment</b>	<b><u>(4,558)</u></b>	<b><u>(3,698)</u></b>
<b>Management of liquid resources</b>		
Sale of unlisted investment	<u>3,383</u>	<u>21,436</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

24. Cash flow information (continued)

c) Analysis of net funds

	At Beginning of Year	Cash Flow	Exchange Movement	At End of Year
	€000	€000	€000	€000
<b>At 31 March 2004</b>				
Cash in hand, at bank	13,992	(791)	(1,230)	11,971
Debt due within a year	(1)	1	-	-
Finance lease due after a year	(16)	73	(72)	(15)
Finance lease due within a year	(64)	-	43	(21)
		74		
Investments	27,545	(3,383)	1	24,163
<b>TOTAL</b>	<b>41,456</b>	<b>(4,100)</b>	<b>(1,258)</b>	<b>36,098</b>

25. Guarantees and other financial commitments

a) Operating leases

Leasing commitments payable during the next 12 months under operating leases and prior-year comparative amounts are indicated below.

Group	Land and Buildings	Other	Total
	€000	€000	€000
<b>2004</b>			
Payable on leases in which the commitment expires:			
Within one year	106	98	204
From two to five years	97	561	658
After five years	1,033	-	1,033
	<u>1,236</u>	<u>659</u>	<u>1,895</u>
<b>2003</b>			
Payable on leases in which the commitment expires:			
Within one year	114	181	295
From two to five years	70	476	546
After five years	787	155	942
	<u>971</u>	<u>812</u>	<u>1,783</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

25. Guarantees and other financial commitments

a) Operating leases (continued)

Company	Land and Buildings €000	Other €000	Total €000
<b>2004</b>			
Payable on leases in which the commitment expires:			
Within one year	1	19	20
From two to five years	-	58	58
After five years	<u>674</u>	<u>-</u>	<u>674</u>
	<u>675</u>	<u>77</u>	<u>752</u>
<b>2003</b>			
Payable on leases in which the commitment expires:			
Within one year	1	72	73
From two to five years	-	30	30
After five years	<u>597</u>	<u>-</u>	<u>597</u>
	<u>598</u>	<u>102</u>	<u>700</u>

b) Pension obligations

Financial reporting Standard 17, "Retirement Benefits" (FRS 17) has been adopted in full with effect from 1 April 2003. The adoption of FRS 17 has required a change to the accounting treatment of defined pension arrangements, such that the Group includes the assets and liabilities of these arrangements in the Group's balance sheet. Current service costs and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Restatement of comparatives

Group profit and loss account	Group operating profit €000	Other finance costs €000	Tax on profit on ordinary activities €000	Profit for the year €000
Year to 31 March 2003				
As previously stated:	20,730	-	(6,785)	16,577
Adoption of FRS 17	<u>(250)</u>	<u>133</u>	<u>33</u>	<u>(84)</u>
As restated	<u>20,480</u>	<u>133</u>	<u>6,752</u>	<u>16,493</u>



**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**25. Guarantees and other financial commitments (continued)**

*b) Pension obligations (continued)*

	Debtors	Net Pension Liabilities	Minority Interest	Profit & loss account
	€000	€000	€000	€000
<b>Group balance sheet</b>				
Year to 31 March 2003				
As previously stated:	53,150	-	(8,886)	170,757
Adoption of FRS 17	<u>1,374</u>	<u>(5,908)</u>	<u>158</u>	<u>(4,376)</u>
As restated	<u>54,524</u>	<u>(5,908)</u>	<u>(8,728)</u>	<u>166,381</u>

	Provision for liabilities & charges	Net Pension Liabilities	Profit & loss account
	€000	€000	€000
<b>Company balance sheet</b>			
Year to 31 March 2003			
As previously stated:	(791)	-	80,980
Adoption of FRS 17	<u>199</u>	<u>(1,992)</u>	<u>(1,793)</u>
As restated	<u>(592)</u>	<u>(1,992)</u>	<u>79,187</u>

The Group's two principal pension schemes are operated by the Company and by Stiefel Laboratories (UK) Limited.

The Company operates a defined benefit pension scheme. In 2000, the Company amended this Plan so that no new participants would be admitted after March 31, 2001. In the future, the Company's Irish employees that were not already in the defined benefit plan will participate in an employer sponsored defined contribution retirement plan. The fund is valued every three years by a professionally qualified independent actuary. The rates of contribution are determined by the actuary. The latest actuarial valuation under the projected unit method was carried out at 31 December 2001. This was updated to take into account the requirements of FRS 17, in order to assess the liabilities at 31<sup>st</sup> March 2004. The charge to the profit and loss account for the year amounted to €916,000 (2003 - €363,000).

## Stiefel Laboratories (Ireland) Limited

### Notes to the financial statements (continued)

31 March 2004

#### 25. Guarantees and other financial commitments (continued)

##### b) Pension obligations (continued)

Stiefel Laboratories (UK) Limited also operates a defined benefit pension scheme. Pension costs are assessed in accordance with the advice of a professionally qualified independent actuary. The most recent formal actuarial valuation was carried out at 30 June 2001. This was updated to take into account the requirements of FRS 17, in order to assess the liabilities at 31<sup>st</sup> March 2004. The pension cost for the year was €874,000 (2003 - €933,000).

The total charge to the profit and loss account for the Group's other eleven pension plans amounted to €1,272,000.

The major assumptions used for the actuarial valuation were:

	2004	2003	2002
	%	%	%
Rate of increase in salaries	3.8 - 4.5	4.0 - 4.5	4.0
Rate of increase in pensions payment	3.0	2.5 - 3.0	3.0
Discount rate	5.0 - 5.8	5.8 - 6.0	5.5 - 6.0
Inflation rate	2.3 - 2.6	2.5 - 3.0	3.0

The expected long term rate of return on the assets of scheme were:

	2004	2003	2002
	%	%	%
Equities	7.5	7.0 - 7.5	7.0
Property	6.5	6.0	7.0
Bonds	4.5 - 5.3	4.5 - 5.0	5.5 - 6.0
Cash	2.0 - 4.5	2.5 - 4.0	3.0 - 5.0

**Stiefel Laboratories (Ireland) Limited**

**Notes to the financial statements (continued)**

**31 March 2004**

**25. Guarantees and other financial commitments (continued)**

*b) Pension obligations (continued)*

The fair value of the assets in the scheme, and the present value of the liabilities in the scheme, at the balance sheet date were:

<b>Group</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Total fair value of assets:			
Equities	17,841	13,602	17,008
Property	431	425	446
Bonds	2,897	3,860	3,684
Cash	<u>1,283</u>	<u>716</u>	<u>1,201</u>
Total market value of assets	22,452	18,603	22,339
Present value of scheme liabilities	<u>(31,701)</u>	<u>(24,511)</u>	<u>(22,317)</u>
(Deficit) in the scheme	(9,249)	(5,908)	22
Related deferred tax asset	<u>2,219</u>	<u>1,374</u>	<u>49</u>
Net pension (liability)/asset	<u>(7,030)</u>	<u>(4,534)</u>	<u>71</u>

<b>Company</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Total fair value of assets:			
Equities	6,800	4,666	6,164
Property	431	425	446
Bonds	1,625	1,653	1,648
Cash	<u>321</u>	<u>347</u>	<u>327</u>
Total market value of assets	9,177	7,091	8,585
Present value of scheme liabilities	<u>(11,956)</u>	<u>(9,083)</u>	<u>(8,041)</u>
(Deficit) in the scheme	(2,779)	(1,992)	544
Related deferred tax asset	<u>278</u>	<u>199</u>	<u>(54)</u>
Net pension (liability)/asset	<u>(2,501)</u>	<u>(1,793)</u>	<u>490</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

25. Guarantees and other financial commitments (continued)

b) Pension obligations (continued)

The following amounts have been recognised in the Group profit and loss account in respect of defined benefit schemes:

	2004	2003
	€000	€000
<i>Charged to operating profit:</i>		
Current service cost	<u>1,609</u>	<u>1,429</u>
<i>(Credited) charged to other finance income:</i>		
Interest on scheme liabilities	1,379	1,352
Expected return on scheme assets	<u>(1,198)</u>	<u>(1,485)</u>
Expected Net Cost	<u>181</u>	<u>(133)</u>

The following amounts would have been recognised in the Group Statement of Total Recognised Gains and Losses:

	2004	2003
	€000	€000
Actual return less expected return on scheme assets	2,732	(5,769)
Experience gains and losses on scheme liabilities	(2,491)	480
Changes in demographic and financial assumptions	<u>(3,496)</u>	<u>(545)</u>
Actuarial loss recognised in Group STRGL	<u>(3,255)</u>	<u>(5,834)</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

25. Guarantees and other financial commitments (continued)

b) Pension obligations

	2004	2003
	€000	€000
<b>Movement in deficit during the year:</b>		
(Deficit) in scheme at 1 April	(5,908)	43
<i>Movement in year:</i>		
Current service cost	(1,609)	(1,430)
Contributions	1,319	1,180
Other finance income	(181)	133
Translation adjustment	385	-
Actuarial Loss	<u>(3,255)</u>	<u>(5,834)</u>
Surplus/(deficit) at 31 March	<u>(9,249)</u>	<u>(5,908)</u>
	2004	2003
	€000	€000
<b>History of experience gains and losses</b>		
Difference between expected and actual return on assets		
Amount (€'000)	2,732	(5,769)
% of scheme assets	(12.2%)	(31.0%)
Experience gains and losses on scheme liabilities		
Amount (€'000)	(2,491)	480
% of scheme liabilities	(7.9%)	(2.0%)
Effects of changes in the demographic and financial assumption underlying the present value of the scheme liabilities		
Amount (€'000)	(3,496)	(545)
% of scheme liabilities	11.0%	2.2%
Total actuarial loss recognised in STRGL		
Amount (€'000)	(3,255)	(5,834)
% of scheme assets	14.5%	31.4%

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

26. Capital commitments

Future capital expenditure:

	2004	2003
	€000	€000
Authorised by the directors but not contracted for	<u>2,218</u>	<u>1,455</u>

27. Principal activities, ultimate holding company and related party transactions

The principal activities of the Company are the development, manufacture and sale of pharmaceutical and medicinal preparations. The Company's ultimate holding company is Stiefel Laboratories, Inc., incorporated in the USA. The Company's immediate parent undertaking is Stiefel Canada Inc., incorporated in Canada. Both the immediate and ultimate controlling party is Stiefel Laboratories, Inc., incorporated in the USA.

The results of the Company are consolidated in the group accounts prepared by Stiefel Laboratories, Inc.

Material transactions with related companies are as follows:

A proportion of sales and purchase transactions occurred with wholly owned subsidiaries of the Company's ultimate parent as follows:

	2004	2003
	€000	€000
Sales to fellow group and related undertakings	<u>8,816</u>	<u>10,528</u>
Purchases from fellow group and related undertakings	<u>4,740</u>	<u>4,182</u>

Dividends paid during the year were as follows (Note 10):

	2004	2003
	€000	€000
Stiefel USA	7	483
Stiefel Canada	<u>14,356</u>	<u>11,981</u>
	<u>14,363</u>	<u>12,464</u>

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

27. Principal activities, ultimate holding company and related party transactions (continued)

At the balance sheet date balances with companies within the Stiefel Laboratories, Inc. group are as follows:

	2004	2003
	€000	€000
<i>Amounts owed by fellow group undertakings (Note 15)</i>		
Stiefel USA	233	481
Stiefel Canada	3	63
Stiefel Czech Republic	130	128
Stiefel India	91	100
	<u>457</u>	<u>772</u>

	2004	2003
	€000	€000
<i>Amounts owed by related companies (Note 15):</i>		
Stiefel Mexico	412	382
Stiefel Germany	2,352	3,391
Stiefel Thailand	43	325
	<u>2,807</u>	<u>4,098</u>

	2004	2003
	€000	€000
<i>Loans owed by fellow group undertakings (Note 15):</i>		
Stiefel USA	2,739	-
Stiefel India	-	97
Stiefel Czech Republic	47	56
	<u>2,786</u>	<u>153</u>

	2004	2003
	€000	€000
<i>Loans owed by related companies (Note 15):</i>		
Stiefel Mexico	-	672

Stiefel Laboratories (Ireland) Limited

Notes to the financial statements (continued)

31 March 2004

27. Principal activities, ultimate holding company and related party transactions (continued)

	2004	2003
	€000	€000
<i>Amounts owed to fellow group undertakings (Note 16):</i>		
Stiefel USA	1,518	1,043
Stiefel Canada	34	31
	<u>1,552</u>	<u>1,074</u>

	2004	2003
	€000	€000
<i>Amounts owed to related companies (Note 16):</i>		
Stiefel Germany	1	-
Stiefel Mexico	-	31
Stiefel Thailand	19	15
	<u>20</u>	<u>46</u>

Investments in related companies at cost are as follows:

	2004	2003
	€000	€000
<i>Financial fixed assets (Note 13):</i>		
Stiefel Germany	356	356
Stiefel Mexico	2,024	2,024
Stiefel Thailand	746	746
	<u>3,126</u>	<u>3,126</u>