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28 MAR 1989  
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APPROVED PRESCRIPTION SERVICES LIMITED

Group Financial Statements  
31st December 1988

APPROVED PRESCRIPTION SERVICES LIMITED  
and SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors present their annual report together with financial statements for the year ended 31st December 1988.

1. Results and dividends

The loss after taxation was	142388
The directors recommend: a transfer to loan redemption reserve of	2000
a dividend of	655000
	<hr/>
	799388
From which is deducted the balance brought forward of	1027869
less goodwill and legal costs written off on acquisition	
of subsidiary company	134189
	<hr/>
	893680
Leaving a balance to carry forward of	<hr/> <hr/> £94292

2. Review of the business

The company's principal activities during the year were the manufacture and distribution of pharmaceutical products. The results for 1988 are shown on page 3 of the attached accounts.

The results for 1989 are expected to show an improvement although research and development expenditure may continue to depress group performance.

Following the change in control of the Company which took place after the end of the financial year, further consideration has been given to the claim made against the Company by the Department of Health under the terms of the Pharmaceutical Price Regulation Scheme which is referred to in note 19 to the Accounts, and the matter has now been resolved between the Parent Company and the Department of Health without cost to this company.

3. Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

4. Directors

The directors since 1st January 1988 and their interests in the share capital of the company (all beneficially held except those marked with an asterisk) were as follows:

	<u>Ordinary Shares</u>		
	<u>8/2/89</u>	<u>31/12/88</u>	<u>1/1/88</u>
S. North (including wife's holdings) (resigned 8.2.89)	None	8496	19496
K.B. Hemingway	None	10500	10500
F.N. Woolley	None	-	-
J.W. Hemingway (resigned 8.2.89)	None	9250	9250
J.W. Hemingway - as first named trustee	None	1250 *	1250 *
J H Davies (including wife's holdings) (resigned 8.2.89)	None	3889	3889
J H Davies - wife as first named trustee	None	1666 *	1666 *
A.E. Pinder (resigned 8.2.89)	None	None	None
H.B. Guerin (appointed 8.2.89 resigned 2.6.89)	None	-	-
G. Proctor (appointed 8.2.89 resigned 15.5.89)	None	-	-

APPROVED PRESCRIPTION SERVICES LIMITED  
and SUBSIDIARIES

REPORT OF THE DIRECTORS

5. Auditors

Rhodes & Co will not seek re-appointment as Auditors at the forthcoming Annual General Meeting.

Registered Office  
Whitcliffe House  
Whitcliffe Road  
Cleckheaton BD19 3BB

Co. No. 302461

29th January 1990

By Order of the Board



F.N. Woolley

Secretary

REPORT OF THE AUDITORS

TO THE MEMBERS OF APPROVED PRESCRIPTION SERVICES LIMITED

We have audited the financial statements on pages 3 to 14, in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31st December 1988 and of the loss and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Rhodes & Co.*

Royd House  
286 Manningham Lane  
Bradford BD8 7BP

Rhodes & Co  
Chartered Accountants

29th January 1990

**APPROVED PRESCRIPTION SERVICES LIMITED**  
**AND SUBSIDIARIES**

**GROUP PROFIT AND LOSS ACCOUNT**  
**For the year ended 31st December 1988**

	<u>Notes</u>	<u>1986</u>	<u>1987</u>
		£	£
<u>Turnover</u>	2	12416771	9281779
<u>Cost of sales</u>		(8783962)	(6611627)
<u>Gross profit</u>		3632809	2670152
Distribution costs	(1993266)	(1713411)	
Administrative expenses	(1595596)	(1030255)	
		(3588862)	(2763666)
<u>Operating profit/(loss)</u>	3	43947	(93514)
Interest receivable	4	-	397
Interest payable and similar charges	5	(218057)	(95444)
<u>(Loss) on ordinary activities before taxation</u>		(174110)	(188561)
Tax credit on ordinary activities	6	31722	61357
<u>(Loss) on ordinary activities after taxation</u>		(142388)	(127204)
Minority interests		-	-
<u>(Loss) for the financial year attributable to the Members of Approved Prescription Services Limited</u>	7	(142388)	(127204)
Loan redemption reserve	(2000)	(2000)	
Dividend proposed	8	(655000)	-
		(657000)	(2000)
<u>Retained (loss) for the year</u>	17	£(799388)	£(129204)

The notes on pages 6 to 14 form part of these accounts

**APPROVED PRESCRIPTION SERVICES LIMITED**  
**AND SUBSIDIARIES**

**BALANCE SHEETS**  
**As at 31st December 1988**

	<u>NOTES</u>	<u>1988</u>	<u>GROUP</u>	<u>1987</u>	<u>PARENT COMPANY</u>
		<u>£</u>		<u>£</u>	<u>1988</u> <u>1987</u>
<u>Fixed assets</u>					
Intangible assets	1	96540	76703	62000	62000
Tangible assets	9	1260428	920934	1258965	918550
Investment in subsidiaries	10	-	-	5555	5555
		<u>1356968</u>	<u>997637</u>	<u>1326520</u>	<u>986105</u>
<u>Current assets</u>					
Stocks	11	2212272	1494425	2212272	1494425
Debtors	12	2232646	2076640	2223056	2079926
Bank and cash balances		6172	8010	5730	6100
		<u>4451090</u>	<u>3579075</u>	<u>4441058</u>	<u>3580451</u>
<u>Creditors: Amounts falling due within one year</u>	13	<u>(5211872)</u>	<u>(3132325)</u>	<u>(5174314)</u>	<u>(3117052)</u>
<u>Net current assets</u>		<u>(760782)</u>	<u>446750</u>	<u>(733256)</u>	<u>463399</u>
<u>Total assets less current liabilities</u>		<u>596186</u>	<u>1444387</u>	<u>593264</u>	<u>1449504</u>
<u>Creditors: Amounts falling due after more than one year</u>	14	<u>(163633)</u>	<u>(211819)</u>	<u>(163633)</u>	<u>(211819)</u>
<u>Provisions for liabilities and charges</u>					
Deferred taxation	15	<u>(8000)</u>	<u>(39781)</u>	<u>-</u>	<u>(39781)</u>
<u>Net assets</u>		<u>£424553</u>	<u>£1192787</u>	<u>£429631</u>	<u>£1197904</u>
<u>Capital and reserves</u>					
Called up share capital	16	55555	55555	55555	55555
Revaluation reserve	17	242241	78898	242241	78898
Capital redemption reserve	17	31000	29000	31000	29000
Reserve arising on consolidation	17	1445	1445	-	-
Profit and Loss Account	17	94292	1027869	100835	1034451
		<u>424533</u>	<u>1192767</u>	<u>429631</u>	<u>1197904</u>
<u>Shareholders Funds</u>		<u>424533</u>	<u>1192767</u>	<u>429631</u>	<u>1197904</u>
<u>Minority interests</u>		<u>20</u>	<u>20</u>	<u>-</u>	<u>-</u>
		<u>£424553</u>	<u>£1192787</u>	<u>£429631</u>	<u>£1197904</u>

  
K B Hemingway

Directors

  
R D Woolley

The financial statements were approved by the directors on 29th January 1990.

The notes on pages 6 to 14 form part of these accounts

**APPROVED PRESCRIPTION SERVICES LIMITED**  
**AND SUBSIDIARIES**

**STATEMENT OF SOURCE AND APPLICATION OF GROUP FUNDS**  
**For the year ended 31st December 1988**

	<u>1988</u>		<u>1987</u>
	£	£	£
<u>Source of funds</u>			
(Loss) on ordinary activities before taxation	(174110)		(188561)
Adjustment for items not involving the movement of funds:			
Depreciation	199559		125786
(Profit) Loss on sale of tangible fixed assets	(4002)		4171
Release from deferred government grants	-		(2490)
	<hr/>		<hr/>
Total generated by operations	21447		(61094)
<u>Funds from other sources</u>			
Proceeds of disposal of tangible fixed assets	32818		43950
Hire purchase advances	175507		343488
	<hr/>		<hr/>
	229772		326344
<u>Application of funds</u>			
Dividends paid	22222	-	-
Additions to intangible fixed assets	19837	76703	-
Additions to tangible fixed assets	374526	673193	-
Hire purchase repayments	154105	141397	-
Current instalment due on loan	-	2000	-
Tax paid	-	41649	-
Cost of shares in subsidiary (see note)	134631	-	-
	<hr/>	<hr/>	<hr/>
	(705321)		(934942)
<u>Increase/(decrease) in working capital</u>	<hr/>		<hr/>
	£(475549)		£(608598)
	<hr/>		<hr/>
<u>Components of increase/(decrease) in working capital</u>			
Stock	717847		19672
Debtors	(154746)		49978
Creditors	(1267737)		(656710)
	<hr/>		<hr/>
	(704636)		(587060)
Movement in net liquid funds:			
Bank balance	229087		(21538)
	<hr/>		<hr/>
	£(475549)		£(608598)
	<hr/>		<hr/>
<u>Note</u>			
Subsidiary company assets acquired			
Cash at bank	442		
Goodwill and costs of acquisition	134189		
	<hr/>		
	£134631		
	<hr/>		

The notes on pages 6 to 14 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS1. Accounting policiesAccounting convention

Freehold land and buildings are stated at revalued amounts; all other items are stated in the accounts under the historical cost convention.

Basia of consolidation

The group accounts consolidate the accounts of the parent company and its three subsidiaries, APS Health Limited (Formerly Tridas (Sales and Marketing Consultants) Limited), APS Research Limited and OSAT Limited. OSAT Limited was acquired in March 1988 and has not traded since acquisition. APS pharm (Ireland) Limited was incorporated in 1986 but it has never traded and no accounts have been presented for consolidation.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost (less estimated residual value), of each asset evenly over its expected useful life, as follows:

Land and buildings	Over 25 years
Plant and Fixtures	Over 5 to 10 years

Stocks

These are valued generally at the lower of cost and net realisable value (including production overheads) but include an estimated value of containers in packed stock.

Research and development/Intangible assets

Research and development expenditure is written off in the year in which it is incurred, except for expenditure incurred on activities leading to applications for patents licences and trade marks (£19837) (1987 £76703) which has been capitalised. As the patents licences and trade marks had not been granted by the year end, the expenditure has not been amortised in 1988. It is intended that such expenditure will be amortised over 5 years from the date on which the patents licences and trade marks are granted.

Deferred taxation

A full provision is made for all timing differences except for any liability which could arise on the disposal of land and buildings at the revalued amounts.

Leasing and hire purchase commitments

Assets obtained under leasing and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Interest on leasing and hire purchase contracts is charged quarterly on the outstanding balance at a rate geared to Finance Houses Base Rate.

Pensions

The group subscribes to pension schemes for its employees, the assets of which are held independently from those of the company.



NOTES TO THE FINANCIAL STATEMENTS**2. Turnover**

Turnover represents the invoiced amount of goods sold and services provided (stated net of trade discounts and valued added tax).

The turnover and pre-tax loss is attributable to the sale of pharmaceutical products technical know-how and sales and marketing consultancy.

An analysis of group turnover by geographical market is given below:

	<u>1988</u>	<u>1987</u>
U K	12245401	9146107
Other E E C	139435	98662
Rest of Europe	3812	435
Middle East	3267	507
S America	-	18663
Far East	24603	17265
Africa	253	-
	<u>£12416771</u>	<u>£9281779</u>

**3. Operating profit (loss)**

a) The group operating profit is stated after charging (or crediting):

Directors' remuneration (see below)	191952	177681
Auditors' remuneration	12500	9000
Depreciation	199559	125786
(Profit)/Loss on sale of fixed assets	(4002)	4171
Government grants credited	-	(2490)
Increase (Reduction) in bad debt provision	28000	(50000)
	<u>£191952</u>	<u>£177681</u>

b) Directors' remuneration

Emoluments	180527	170355
Pension scheme contributions	11425	7326
	<u>£191952</u>	<u>£177681</u>

c) The emoluments of the chairman, excluding pension contributions, were £8506 (1987 £8660) and of the highest paid director, excluding pension contributions, £61472 (1987 £58456). Other directors' emoluments excluding pension contributions, fell within the following ranges:

	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	1	1
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-

NOTES TO THE FINANCIAL STATEMENTS

	<u>1988</u>	<u>1987</u>
	£	£
d) Staff costs		
Wages and salaries	1739600	1024841
Social security costs	139866	102845
Other pension costs	101615	22080
	<u>£1981081</u>	<u>£1149766</u>

The average weekly number of employees during the year was made up as follows:

Office and management	73	34
Manufacturing	59	60
	<u>132</u>	<u>94</u>

4. Interest receivable

Bank deposit interest	£ -	£397
	<u>£ -</u>	<u>£397</u>

5. Interest payable and similar charges

Bank loans and overdrafts	89670	66879
Other loans wholly repayable within 5 years	128387	28565
	<u>£218057</u>	<u>£95444</u>

6. Tax on profit on ordinary activities

Based on the taxable group profit for the year:

Corporation tax recoverable	(35181)	(79000)
Deferred taxation	8000	11494
	<u>(27181)</u>	<u>(67506)</u>

Taxation over/under provided in previous years:

Corporation tax	(46741)	549
Deferred taxation	16200	5600
Interest on overdue tax	26000	-
	<u>£(31722)</u>	<u>£(61357)</u>

NOTES TO THE FINANCIAL STATEMENTS

	<u>1988</u> £	<u>1987</u> £
7. <u>(Loss) for the financial year attributable to the Members of Approved Prescription Services Limited</u> Dealt with in the Accounts of the holding company	(139592)	(127240)
add: Provision against indebtedness of subsidiary	(2835)	(952)
	<u>(142427)</u>	<u>(128192)</u>
 Subsidiary Companies		
(Losses) Profits for the year	(2796)	36
Provided for by parent company	2835	952
	<u>39</u>	<u>988</u>
	<u>£(142388)</u>	<u>£(127204)</u>

The Company has taken advantage of S 228(7) of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented.

8. Dividends

Ordinary - final proposed	£655000	£ -
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9. Tangible fixed assets  
Group

	<u>Freehold land &amp; buildings</u> £	<u>Plant &amp; Fixtures</u> £	<u>Total</u> £
Cost or valuation at 31st December 1987	330207	1018301	1348508
Additions	56834	317692	374526
Disposals	-	(62441)	(62441)
Revaluation surplus	167959	-	167959
Cost or valuation at 31st December 1988	<u>£555000</u>	<u>£1273552</u>	<u>£1828552</u>
Depreciation:			
At 31st December 1987	9902	417672	427574
Provided during the year	15482	184077	199559
Disposals	-	(33625)	(33625)
Transfer on revaluation	(25384)	-	(25384)
At 31st December 1988	<u>£ 568124</u>	<u>£568124</u>	<u>£568124</u>
Net book values:			
31st December 1988	<u>£555000</u>	<u>£705428</u>	<u>£1260428</u>
31st December 1987	<u>£320305</u>	<u>£600629</u>	<u>£920934</u>

NOTES TO THE FINANCIAL STATEMENTS9. Tangible fixed assets (continued)

<u>Company</u>	<u>Freehold land &amp; buildings</u> £	<u>Plant &amp; Fixtures</u> £	<u>Total</u> £
Cost or valuation: at 31st December 1987	330207	1012163	1342370
Additions	56834	317692	374526
Disposals	-	(62441)	(62441)
Revaluation surplus	167959	-	167959
Cost or valuation at 31st December 1988	£555000	£1267414	£1822414
Depreciation:			
At 31st December 1987	9902	413918	423820
Provided during the year	15482	183156	198638
Disposals	-	(33625)	(33625)
Transfer on revaluation	(25384)	-	(25384)
At 31st December 1988	£ -	£563449	£563449
Net book values:			
31st December 1988	£555000	£703965	£1258965
31st December 1987	£320305	£598245	£918550
Freehold land and buildings	1988		1987
<u>Group and Company</u>			
At cost	-		205207
At valuation 31st May 1987	-		125000
31st December 1988	555000		-
	£555000		£330207
If stated under historical cost principles the total of freehold land and buildings would be			
Cost	351642		294808
Depreciation	-		53401
Net book value	£351642		£241407

The Company's freehold properties were re-valued by Eddisons, Chartered Surveyors as at 31st December 1988. The industrial properties were valued at market value for existing use and land was valued at open market value with vacant possession.

No provision has been made for corporation tax (estimated at £35000) on the chargeable gain which could arise on a disposal of the revalued industrial properties at net book value.

NOTES TO THE FINANCIAL STATEMENTS

10. <u>Investments in subsidiaries</u>	1988	1987
Brought forward at cost	5635	5635
Amounts written off in former years	(80)	(80)
	<u>£5555</u>	<u>£5555</u>

The company owns all the share capital of A P S Health Limited formerly Tridas (Sales and Marketing Consultants) Limited and 80% of the share capital of APS Research Limited. Both companies are incorporated in the United Kingdom and registered in England.

11. <u>Stocks</u>		
<u>Group and Company</u>		
Raw materials and consumables	487477	196285
Work in progress	211076	195084
Finished goods and goods for resale	1513719	1103056
	<u>£2212272</u>	<u>£1494425</u>

The replacement cost does not differ materially from the balance sheet value.

12. <u>Debtors</u>	<u>Group</u>		<u>Company</u>	
	1988	1987	1988	1987
	£	£	£	£
Trade debtors (see below)	1870699	2004167	1858259	1991727
Due from subsidiaries	-	-	15517	33516
Other debtors	16830	10371	10418	-
Prepayments and accrued income	34365	62102	28110	54683
Taxation recoverable after more than one year	310752	-	310752	-
	<u>£2232646</u>	<u>£2076640</u>	<u>£2223056</u>	<u>£2079926</u>

Trade Debtors are stated net of cash received from a factoring company £1263398 (1987 : Nil) for which the factoring company had not received payment at the balance sheet date.

13. Creditors - amounts falling due within one year

Current instalment due on secured loan	-	2000	-	2000
Bank advances (see note a below)	334573	565940	313682	565042
Obligations under leasing and hire purchase contracts	203453	133865	203453	133865
Trade creditors	2279729	1760378	2279729	1758863
Due to subsidiaries	-	-	20928	-
Current corporation tax	455493	114682	450771	109960
Other taxes and social security costs	245779	169077	244660	167958
Other creditors (see note b below)	29846	30403	27295	24784
Accruals	1007999	333758	978796	332358
Proposed dividend	655000	22222	655000	22222
	<u>£5211872</u>	<u>£3132325</u>	<u>£5174314</u>	<u>£3117052</u>

a. Liabilities of the group to its bankers are secured by a debenture giving fixed and floating charges over the assets of Approved Prescription Services Limited and its subsidiaries and by cross guarantees of Approved Prescription Services Limited and subsidiary companies.

b. Other creditors include loans from shareholders of £24784 (1987 £24784) at 15% p.a. repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS14. Creditors - amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	£	£	£	£
Obligations under leasing and hire purchase contracts	£163633	£211819	£163633	£211819

15. Deferred Taxation

Deferred taxation is provided in the accounts as follows:

Capital allowances in advance of depreciation,	52000	48000	52000	48000
Corporation tax on potential capital gain	30000	-	30000	-
Less advance corporation tax	-	(8219)	-	(8219)
other timing differences	(158200)	-	(166200)	-
	(76200)	39781	(84200)	39781
Included in debtors (taxation recoverable)	84200	-	84200	-
	£8000	£39781	-	£39781

The total potential liability of £35000 (being the estimated tax payable on the sale of industrial properties at their revalued amount) has not been provided for.

16. Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1988</u>	<u>1987</u>	<u>1988</u>	<u>1987</u>
	Number	Number	£	£
Ordinary shares of £1 each	100000	100000	55555	55555

17. Reserves

	<u>Revaluation</u>	<u>Capital Redemption</u>	<u>Consolidation</u>	<u>Profit &amp; Loss A/C</u>
<u>Group</u>				
At 31st December 1987	78898	29000	1445	1027869
Appropriation/(loss) for year	-	2000	-	(799388)
Revaluation surplus	193343	-	-	-
Deferred provision for corporation tax on capital gains	(30000)	-	-	-
Goodwill and legal costs written off on acquisition of subsidiary company	-	-	-	(134189)
At 31st December 1988	£242241	£31000	£1445	£94292
<u>Company</u>				
At 31st December 1987	78898	29000	-	1034451
Appropriation/(loss) for year	-	2000	-	(799427)
Revaluation surplus	193343	-	-	-
Deferred provision for corporation tax on capital gains	(30000)	-	-	-
Goodwill and legal costs written off on acquisition of subsidiary company	-	-	-	(134189)
At 31st December 1988	£242241	£31000	-	£100835

NOTES TO THE FINANCIAL STATEMENTS18. Capital commitments

<u>Group and Company</u>	<u>1988</u>	<u>1987</u>
Contracted - Freehold property	5000	-
- Plant and fixtures	7000	-
	<u>12000</u>	<u>-</u>
Authorised by the directors but not yet contracted for	400000	-
	<u>£412000</u>	<u>£ -</u>

19. Contingent liabilities

<u>Group and Company</u>	<u>1988</u>	<u>1987</u>
1. <u>Guarantees</u>	<u>£21000</u>	<u>£6000</u>

2. Pharmaceutical Price Regulation Scheme

No provision has been made in these accounts for any liability which may arise under the terms of the voluntary Pharmaceutical Price Regulation Scheme for any period up to 30th September 1986, when it ceased to apply to the Company.

The Department of Health have indicated a liability of £478000 for 1985 but as the scheme is voluntary and the Directors have obtained advice that any claim can be resisted and that no material liability will arise, no provision has therefore been made.

20. Ultimate holding company

From 8th February 1989 the ultimate holding company became Rhone-Poulenc S.A., a company incorporated and registered in France.