

CHATTEM (UK) LIMITED
FINANCIAL STATEMENTS
30TH NOVEMBER 2005



COMPANY REGISTRATION NUMBER 1472031

CHATTEM (UK) LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the shareholders	4
Profit and loss account	5
Balance sheet	6
Accounting policies	7
Notes to the financial statements	9

CHATTEM (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	A Guerry III A A Taylor II (Resigned 01 September 2005) K Vivian C H Delafield R.E. Bosworth (Appointed 01 September 2005)
Company secretary	Mitre Secretaries Limited
Registered office	Mitre House 160 Aldersgate Street London EC1A 4DD
Auditors	Grant Thornton Chartered Accountants & Registered Auditors Mill House Henry Street Limerick
Bankers	National Westminster PO Box 2153 1 - 4 Berkeley Square House Berkeley Square London W1A 1SN
Solicitors	Kidd Rapinet 7 - 11 Cross Street Reading Berkshire RG1 1SQ

CHATTEM (UK) LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

The directors have pleasure in presenting their report and the financial statements of the company for the period from 1st November 2004 to 30th November 2005.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the sales and marketing of OTC and toiletry products.

RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

The directors do not recommend the payment of any dividends. Preference dividends were not paid nor proposed.

The retained profit for the period amounting to €180,213 will be added to reserves and carried forward to the following year.

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

Ordinary Shares	At 30 November 2005	At 1 November 2004
A Guery III	-	-
A A Taylor (Resigned 01 September 2005)	-	-
K Vivian	-	-
C H Delafield	-	-
R.E. Bosworth (Appointed 01 September 2005)	-	-

THE DIRECTORS AND SECRETARY AND THEIR INTERESTS IN THE SHARES OF THE ULTIMATE PARENT COMPANY

The directors and secretary who served the company during the period together with their beneficial interests in the shares of the ultimate parent company were as follows:

	Ordinary Shares	
	At 30 November 2005	At 1 November 2004
A Guery III	-	-
A A Taylor (Resigned 01 September 2005)	-	-
K Vivian	-	-
C H Delafield	-	-
R.E. Bosworth (Appointed 01 September 2005)	-	-

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the period and of the profit or loss for the period then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

CHATTEM (UK) LIMITED

THE DIRECTORS' REPORT

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

DIRECTORS' RESPONSIBILITIES *(continued)*

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

BOOKS AND RECORDS

The directors have appointed one of its members as financial director, who has the responsibility for ensuring that proper books of account are kept by the company. The books and records are maintained at the Mary Rosse, Centre, Holland Road, National Technology Park, Limerick, Ireland.

AUDITORS

Grant Thornton were appointed as auditors in accordance with section 385 of the Companies Act 1985.

Registered office:
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Signed by order of the directors



K Vivian
Company Director

Approved by the directors on 10th May 2006

CHATTEM (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHATTEM (UK) LIMITED

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

We have audited the financial statements of Chattem (UK) Limited for the period from 1st November 2004 to 30th November 2005 on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities on pages 2 to 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th November 2005 and of its profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

Mill House
Henry Street
Limerick


GRANT THORNTON
Chartered Accountants
& Registered Auditors

Date: 10th May 2006

CHATTEM (UK) LIMITED**PROFIT AND LOSS ACCOUNT****PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005**

	Note	30 Nov 05 €	Year to 31 Oct 04 €
TURNOVER	1	3,124,272	8,093,348
Cost of sales		(937,819)	(3,289,213)
GROSS PROFIT		2,186,453	4,804,135
Distribution costs		(280,636)	(188,461)
Administrative expenses		(2,463,166)	(3,951,392)
Other operating income		736,818	—
OPERATING PROFIT	2	179,469	664,282
Interest receivable	5	—	15,182
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		179,469	679,464
Tax on profit on ordinary activities	6	744	(211,012)
RETAINED PROFIT FOR THE FINANCIAL PERIOD		180,213	468,452
Balance brought forward		744,973	276,521
Balance carried forward		<u>925,186</u>	<u>744,973</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

CHATTEM (UK) LIMITED

BALANCE SHEET

30TH NOVEMBER 2005

	Note	30 Nov 05 €	€	31 Oct 04 €	€
FIXED ASSETS					
Tangible assets	7		118,480		155,110
CURRENT ASSETS					
Stocks		—		975,404	
Debtors	8	2,906,284		3,441,576	
Cash at bank		2,628,561		2,532,369	
		<u>5,534,845</u>		<u>6,949,349</u>	
CREDITORS: Amounts falling due within one year	9	<u>(459,519)</u>		<u>(2,090,866)</u>	
NET CURRENT ASSETS			<u>5,075,326</u>		<u>4,858,483</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,193,806</u>		<u>5,013,593</u>
CAPITAL AND RESERVES					
Called-up share capital	13		4,268,620		4,268,620
Profit and loss account			925,186		744,973
SHAREHOLDERS' FUNDS (including non-equity interests)	14		<u>5,193,806</u>		<u>5,013,593</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 10/5/06 and are signed on their behalf by:

K. H. B. Vivian

K Vivian
Director

CHATTEM (UK) LIMITED

ACCOUNTING POLICIES

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

Basis of accounting

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in England & Wales.

Cash flow statement

The directors have availed of the exemption in Financial Reporting Standard no 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly owned subsidiary and its parent publishes consolidated financial statements.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short Leasehold	-	25 years
Plant & Machinery	-	3-5 years
Fixtures & Fittings	-	10 years
Computers	-	3 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

CHATTEM (UK) LIMITED**ACCOUNTING POLICIES** *(continued)***PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005**

Deferred taxation

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 to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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 discounted/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.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

CHATTEM (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

1. TURNOVER

The turnover and profit before tax are attributable to the principal activities of the company.
An analysis of turnover is given below:

	Period from 01 Nov 04 to 30 Nov 05 €	Period from 14 Nov 03 to 31 Oct 04 €
United Kingdom	3,124,272	3,890,995
Overseas sales	-	4,202,353
	<u>3,124,272</u>	<u>8,093,348</u>

2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	Period from 01 Nov 04 to 30 Nov 05 €	Period from 14 Nov 03 to 31 Oct 04 €
Directors' emoluments	271,074	378,140
Staff pension contributions	27,120	59,319
Depreciation of owned fixed assets	36,630	58,374
Auditors' fees	14,820	51,687
Operating lease costs:		
Land and buildings	194,918	200,406
Net profit on foreign currency translation	<u>(85,100)</u>	<u>(140,531)</u>

3. PARTICULARS OF EMPLOYEES

The average number of employees employed by the company in the financial period was as follows:

	Period from 01 Nov 04 to 30 Nov 05	Period from 14 Nov 03 to 31 Oct 04
Distribution staff	-	10
Administration staff	3	8
Sales Staff	3	2
	<u>6</u>	<u>20</u>

The aggregate payroll costs of the above were:

	Period from 01 Nov 04 to 30 Nov 05 €	Period from 14 Nov 03 to 31 Oct 04 €
Wages and salaries	250,522	894,771
Social welfare costs	23,273	91,852
Pension costs	27,120	41,795
	<u>300,915</u>	<u>1,028,418</u>

CHATTEM (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	30 Nov 05	Year to 31 Oct 04
	€	€
Aggregate emoluments	254,052	362,131
Pension	17,022	16,009
	<u>271,074</u>	<u>378,140</u>

5. INTEREST RECEIVABLE

	30 Nov 05	Year to 31 Oct 04
	€	€
Bank interest receivable	—	15,182

6. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	30 Nov 05	Year to 31 Oct 04
	€	€
Current tax:		
UK Corporation tax based on the results for the period at 30% (2004 - 30%)	50,256	209,397
Over/under provision in prior year	(51,000)	1,615
Total current tax	<u>(744)</u>	<u>211,012</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is the same as the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	30 Nov 05	Year to 31 Oct 04
	€	€
Profit on ordinary activities before taxation	<u>179,469</u>	<u>679,464</u>
Profit/(loss) on ordinary activities by rate of tax	53,841	203,839
Disallowed expenses and non-taxable income	4,854	8,622
Accelerated capital allowances	(8,439)	(1,772)
Tax over/under provided in prior years	(51,000)	1,615
Other timing differences	—	(1,292)
Total current tax (note 4(a))	<u>(744)</u>	<u>211,012</u>

CHATTEM (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

7. TANGIBLE FIXED ASSETS

	Leasehold Property €	Plant & Machinery €	Fixtures & Fittings €	Computers €	Total €
COST					
At 1 November 2004 and 30 November 2005	<u>145,017</u>	<u>440,634</u>	<u>235,151</u>	<u>457,792</u>	<u>1,278,594</u>
DEPRECIATION					
At 1 November 2004	88,141	384,274	199,462	451,607	1,123,484
Charge for the period	<u>4,103</u>	<u>8,300</u>	<u>20,831</u>	<u>3,396</u>	<u>36,630</u>
At 30 November 2005	<u>92,244</u>	<u>392,574</u>	<u>220,293</u>	<u>455,003</u>	<u>1,160,114</u>
NET BOOK VALUE					
At 30 November 2005	<u>52,773</u>	<u>48,060</u>	<u>14,858</u>	<u>2,789</u>	<u>118,480</u>
At 31 October 2004	<u>56,876</u>	<u>56,360</u>	<u>35,689</u>	<u>6,185</u>	<u>155,110</u>

8. DEBTORS

	30 Nov 05 €	31 Oct 04 €
Trade debtors	546,424	2,867,177
Amounts owed by group undertakings	2,297,329	464,745
VAT recoverable	16,945	—
Other debtors	—	40,609
Prepayments and accrued income	45,586	69,045
	<u>2,906,284</u>	<u>3,441,576</u>

9. CREDITORS: Amounts falling due within one year

	30 Nov 05 €	31 Oct 04 €
Trade creditors	217,334	1,271,693
Other creditors including taxation and social security:		
Corporation tax	78,417	97,762
PAYE and social security	11,077	—
Other creditors	—	228,015
Accruals and deferred income	152,691	493,396
	<u>459,519</u>	<u>2,090,866</u>

CHATTEM (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

10. COMMITMENTS UNDER OPERATING LEASES

	30 Nov 05		31 Oct 04	
	Land & Buildings €	Other €	Land & Building €	Other €
Operating leases which expire:				
Within one year	133,400	—	76,095	—
In two to five years	—	32,013	—	13,930
In more than five years	—	—	127,064	—
	<u>133,400</u>	<u>32,013</u>	<u>203,159</u>	<u>20,000</u>

11. CONTINGENT LIABILITY

The company is party to a guarantee entered into by Chattem Inc. in respect of certain banking facilities of the group.

12. RELATED PARTY TRANSACTIONS

The company's ultimate parent company is Chattem Inc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the Chattem Inc. Group.

13. SHARE CAPITAL

Authorised share capital:

	30 Nov 05	31 Oct 04
	€	€
100,000 Ordinary shares at €1.43575 each	143,575	143,575
6,000,000 Preference shares at €1.43575 each	8,614,500	8,614,500
	<u>8,758,075</u>	<u>8,758,075</u>

Allotted and called up:

	30 Nov 05		31 Oct 04	
	No	€	No	€
Ordinary shares at €1.43575 each	20,000	28,715	20,000	28,715
Preference shares at €1.43575 each	2,953,094	4,239,905	2,953,094	4,239,905
	<u>2,973,094</u>	<u>4,268,620</u>	<u>2,973,094</u>	<u>4,268,620</u>

The 8% cumulative preference shares carry an entitlement to dividend at the rate of 11c per share per annum and may be redeemed at par at the holder's or the company's option. On a winding up of the company, holders of preference shares are entitled to receive repayment of the capital paid up in priority to any repayment to the holders of any other class of shares. Preference shareholders are not entitled to receive notice of, attend, speak, or vote at any General Meeting of the company unless it is in consideration of a resolution for winding up the company or for the appointment of an administrator. The holders of the 8% cumulative redeemable preference shares waived their rights to dividend payments in the current year.

CHATTEM (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

PERIOD FROM 1ST NOVEMBER 2004 TO 30TH NOVEMBER 2005

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	30 Nov 05	31 Oct 04
	€	€
Profit for the financial period	180,213	468,452
Opening shareholders' equity funds	773,688	305,236
Closing shareholders' equity funds	<u>953,901</u>	<u>773,688</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening and closing shareholders' non-equity funds	<u>4,239,905</u>	<u>4,239,905</u>
TOTAL SHAREHOLDERS' FUNDS	<u>5,193,806</u>	<u>5,013,593</u>

15. ULTIMATE PARENT COMPANY

On 17th December 2004, Chattem Global Consumer Products Limited of Limerick, Ireland, became the immediate parent company of Chattem (UK) Limited.

Chattem Global Consumer Products Limited is a wholly owned subsidiary of Chattem Inc., incorporated in the State of Tennessee, United States of America.

The smallest and largest group in which the company's results are consolidated is that headed by Chattem Inc. The consolidated accounts of Chattem Inc. are available to the public and may be obtained from Chattem Inc., 1715, West 38th Street, Chattanooga, Tennessee 37409.