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MANX HEALTHCARE GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

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MANX HEALTHCARE GROUP LIMITED

COMPANY PARTICULARS

INCORPORATION:	INCORPORATED IN ENGLAND AND WALES COMPANY NUMBER: 04156583
DIRECTORS:	R. J. TAYLOR S. E. TAYLOR D. C. LITTON
SECRETARY:	R. J. TAYLOR
REGISTERED OFFICE:	TAYLOR GROUP HOUSE, WEDGNOCK LANE, WARWICK, CV34 5YA.
ACCOUNTANTS:	MCCRANOR KIRBY HILL LIMITED, CHARTERED ACCOUNTANTS, CLIFFORD HOUSE, 38-44 BINLEY ROAD, COVENTRY, CV3 1JA.
BANKERS:	HSBC BANK PLC., CITY BRANCH, 55 CORPORATION STREET, COVENTRY, CV1 1GG.

MANX HEALTHCARE GROUP LIMITED

DIRECTORS' REPORT

The directors present their Report and the audited financial statements for the year ended 30th April 2006.

PRINCIPAL ACTIVITY:

The principal activity of the company is that of a holding company for a group of pharmaceutical wholesalers and manufacturers.

DIRECTORS:

The directors of the company during the year and their beneficial interests in the shares of the company were as follows:-

	1,000 Ordinary Shares of £1 each	
	30.4.06	30.4.05
R. J. Taylor	-	-
S. Taylor	-	-
D. C. Litton	-	-

As disclosed in note 18 Mr R. J. Taylor owns a controlling interest in the share capital of Manx Investments Limited, the ultimate holding company. None of the other current directors hold shares in any other group company.

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 group and company and of the profit of the group and company for the year. In preparing those financial statements the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgments and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS:

The auditors, McCranor Kirby Smale Limited, Chartered Accountants, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small groups.

On behalf of the Board,



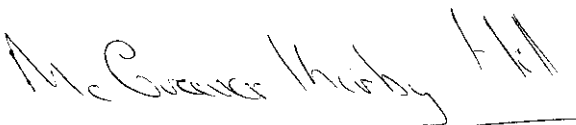
R. J. TAYLOR - Director

Dated: 19th February 2007

MANX HEALTHCARE GROUP LIMITED
REPORT OF THE ACCOUNTANTS TO THE DIRECTORS OF
MANX HEALTHCARE GROUP LIMITED

As described on the balance sheet you are responsible for the preparation of the financial statements for the year ended 30th April 2006 set out on pages four to sixteen and you consider that the group is exempt from an audit.

In accordance with your instructions, we have compiled these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.



McCranor Kirby Hill Limited
Clifford House
38-44 Binley Road
Coventry
CV3 1JA

Date: 20th February 2007

MANX HEALTHCARE GROUP LIMITED
GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH APRIL 2006

	NOTE	£	2006 £	£	2005 £
Turnover	[2]		2,247,321		2,778,293
Cost of sales			1,416,355		2,243,259
			<hr/>		<hr/>
GROSS PROFIT			830,966		535,034
Distribution and selling expenses		525,990		564,483	
Administrative expenses		1,042,719		670,719	
Other operating charges		53,740		19,535	
		<hr/>	1,622,449	<hr/>	1,254,737
			<hr/>		<hr/>
Other operating income			(791,483)		(719,703)
			-		161,721
			<hr/>		<hr/>
OPERATING LOSS	[3]		(791,483)		(557,982)
Interest receivable and similar income		2,569		-	
Interest payable and similar charges		976		589	
		<hr/>	(1,593)	<hr/>	589
			<hr/>		<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(789,890)		(558,571)
Tax on loss on ordinary activities	[4]		(72,408)		(64,572)
			<hr/>		<hr/>
RETAINED LOSS FOR THE YEAR			£(717,482)		£(493,999)
			<hr/>		<hr/>

The annexed notes form part of these financial statements.

The group has not discontinued any operations within the meaning of Financial Reporting Standard 3 during the year, therefore turnover and operating (loss)/profit derive entirely from continuing operations.

The group has no recognised gains or losses other than the profit for the year.

MANX HEALTHCARE GROUP LIMITED

GROUP BALANCE SHEET

AS AT 30TH APRIL 2006

	NOTE	2006		2005	
		£	£	£	£
FIXED ASSETS:					
Intangible assets	[5]				
Goodwill		810,900		1,398,293	
Negative goodwill		(59,861)		(63,850)	
		<hr/>		<hr/>	
		751,039		1,334,443	
Other		927,098		927,098	
		<hr/>	1,678,137	<hr/>	2,261,541
Tangible assets	[6]		8,803		11,202
			<hr/>		<hr/>
			1,686,940		2,272,743
CURRENT ASSETS:					
Stocks	[8]	626,079		624,444	
Debtors	[9]	802,519		1,510,656	
Cash at bank and in hand		185,069		84,483	
		<hr/>		<hr/>	
		1,613,667		2,219,583	
CURRENT LIABILITIES:					
Creditors: due within one year	[10]	3,996,624		4,470,861	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(2,382,957)		(2,251,278)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			(696,017)		21,465
Provisions for liabilities and charges	[12]		-		-
			<hr/>		<hr/>
NET ASSETS			£(696,017)		£21,465
			<hr/>		<hr/>
CAPITAL AND RESERVES:					
Called up share capital	[13]		1,000		1,000
Profit and Loss Account			(697,017)		20,465
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	[14]		£(696,017)		£21,465
			<hr/>		<hr/>

MANX HEALTHCARE GROUP LIMITED

GROUP BALANCE SHEET - continued

AS AT 30TH APRIL 2006

The group is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 30th April 2006.


The members have not required the group to obtain an audit of its financial statements for the year ended 30th April 2006 in accordance with Section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the group as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the Board of Directors on 19th February 2007 and were signed on its behalf by:



Mr R. J. Taylor - Director

MANX HEALTHCARE GROUP LIMITED

COMPANY BALANCE SHEET

AS AT 30TH APRIL 2006

	NOTE	2006		2005	
		£	£	£	£
Investments	[7]		9		9
CURRENT ASSETS:					
Debtors	[9]	449,174		13,012	
CURRENT LIABILITIES:					
Creditors: due within one year	[10]	80		-	
		<hr/>		<hr/>	
NET CURRENT ASSETS			449,094		13,012
			<hr/>		<hr/>
NET ASSETS			£449,103		£13,021
			<hr/>		<hr/>
CAPITAL AND RESERVES:					
Called up share capital	[13]		1,000		1,000
Profit and Loss Account			448,103		12,021
			<hr/>		<hr/>
SHAREHOLDERS' FUNDS	[14]		£449,103		£13,021
			<hr/>		<hr/>

MANX HEALTHCARE GROUP LIMITED
COMPANY BALANCE SHEET - continued
AS AT 30TH APRIL 2006

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the year ended 30th April 2006.

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Mr R. J. Taylor - Director

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

COMPLIANCE WITH ACCOUNTING STANDARDS:

The accounts have been prepared in accordance with applicable accounting standards. There were no material departures from those standards.

1. ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied within the same accounts.

a) **Accounting Convention:**

The financial statements have been prepared under the historical cost convention.

Basis of preparing the financial statements:

The group meets its day to day working capital requirements through inter-company loan facilities and the support of its parent company, such facilities are repayable on demand.

The company is reliant on its fellow group members and, in particular, its parent company for the continuation of these facilities. However, on the basis of discussions with the directors of the ultimate holding company and the Group's creditors, the directors are of the opinion that the Group will continue within the facilities agreed.

It is anticipated that there will be further restructuring within the Group which will further enhance the profitability of the Group in the future. In these circumstances the financial statements do not include any adjustments that would result from a withdrawal of the facilities by any fellow group member or its parent company.

b) **Basis of Consolidation:**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the financial year.

In accordance with Section 230 of the Companies Act 1985, a separate Profit and Loss Account of the company is not presented.

c) **Acquisitions:**

On the acquisition of a business, fair values are attributed to the group's share of separable net assets. Where the cost of acquisition exceeds the fair values attributable to such net assets the difference is treated as purchased goodwill and capitalised in the balance sheet in the year in which it arises and amortised over its estimated useful life.

The results relating to a business are included in the consolidated profit and loss account from the date of acquisition.

d) **Depreciation:**

Depreciation has been provided to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Fixtures and fittings	15% per annum of net book value
Motor vehicles	25% per annum of cost

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

1. ACCOUNTING POLICIES: (continued)

- e) **Stocks:**
Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.
- f) **Deferred Taxation:**
Deferred taxation is provided to the extent that it is probable that a tax liability will become payable in the foreseeable future.
- g) **Finance and Operating Leases:**
Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as fixed assets. The related obligations, net of future finance charges, are included in creditors. Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the year of the lease.
- h) **Goodwill:**
 - (i) Goodwill arising on acquisition is capitalised and amortised in equal instalments over 20 years being the directors' estimate of its useful economic life.
 - (ii) Negative goodwill arising on acquisition is similarly capitalised and written back in the Profit and Loss Account in equal instalments over 20 years.
- i) **Patents and Licences:**
Product licences are valued at cost. They have not been amortised as they are regarded by the directors as having an indefinite useful economic life and the difference between cost and residual value would be negligible. If an impairment review indicates that this is not the case then a provision is made in the financial statements.
- j) **Research and Development:**
Expenditure on research and development is written off in the year in which it is incurred.
- k) **Impairment Review:**
In addition to systematic depreciation or amortisation, the book value of fixed assets or goodwill should be written down to estimated recoverable amounts should any impairment in the respective company values be identified.

2. TURNOVER:

Turnover represents the value of goods and services supplied to customers during the year, excluding value added tax, trade discounts and other allowances.

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

3. OPERATING LOSS:	2006	2005
	£	£
This is stated after charging:		
Directors' emoluments (including estimated benefits)	Nil	Nil
Auditors' remuneration and expenses: Audit fee	Nil	5,600
Depreciation of owned assets	4,056	298
Amortisation of goodwill	87,394	87,394
Loss on sale of fixed assets	258	-
Research and development	194,283	198,870
	<hr/>	<hr/>
and after crediting:		
Write back of negative goodwill	3,989	3,989
	<hr/>	<hr/>
 4. TAX ON LOSS ON ORDINARY ACTIVITIES:	 2006	 2005
	£	£
Current year:		
Corporation tax at 28.67% (2005 - 30%)	(72,408)	(44,097)
Deferred tax:		
Charge for the year	-	(10,988)
	<hr/>	<hr/>
	(72,408)	(55,085)
Corporation tax over provided in previous year	-	(9,487)
	<hr/>	<hr/>
	£(72,408)	£(64,572)
	<hr/>	<hr/>

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

5. INTANGIBLE FIXED ASSETS:	Patents and Licences £	Goodwill £	Negative Goodwill £	Total £
Cost:				
At 1st May 2005	927,098	1,747,869	(79,788)	2,595,179
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2006	£927,098	£1,747,869	£(79,788)	£2,595,179
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation:				
At 1st May 2005	-	349,576	(15,938)	333,638
Charge for the year	-	87,393	(3,989)	83,404
Impairments	-	500,000	-	500,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2006	-	£936,969	£(19,927)	£917,042
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:				
At 30th April 2006	£927,098	£810,900	£(59,861)	£1,678,137
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2005	£927,098	£1,398,293	£(63,850)	£2,261,541
	<hr/>	<hr/>	<hr/>	<hr/>

The purchased goodwill arises from the acquisition of subsidiary undertakings during earlier periods.

6. TANGIBLE FIXED ASSETS:	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost:				
At 1st May 2005	7,000	4,500	-	11,500
Additions	-	-	4,915	4,915
Disposals	(4,600)	-	-	(4,600)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2006	£2,400	£4,500	£4,915	£11,815
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:				
At 1st May 2005	242	56	-	298
Charge for the year	1,750	669	1,637	4,056
Eliminated on disposal	(1,342)	-	-	(1,342)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2006	£650	£725	£1,637	£3,012
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:				
At 30th April 2006	£1,750	£3,775	£3,278	£8,803
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 2005	£6,758	£4,444	-	£11,202
	<hr/>	<hr/>	<hr/>	<hr/>

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

7. INVESTMENTS:

	2006 Unlisted £	2005 Unlisted £
Cost or valuation at 1st May 2005 and 30th April 2006	£9	£9
	—	—

Investment in Group Undertakings comprises:

Company and Principal Activities	Country of Incorporation	Class of Shares held	Proportion of class held	Cost £
Manx Pharma Limited Pharmaceutical manufacture and wholesale	England and Wales	Ordinary	100%	4
Schonbrunn Management Limited Management company	England and Wales	Ordinary	100%	2
Futuna Limited Pharmaceutical wholesale	England and Wales	Ordinary	100%	1
Akita Pharmaceuticals Limited Pharmaceutical wholesale	England and Wales	Ordinary	100%	1
Manx Healthcare Limited Pharmaceutical wholesale	England and Wales	Ordinary	100%	1
				—
				£9
				—

8. STOCKS:

	2006 £	2005 £
Finished goods and goods for resale	£626,079	£624,444
	—	—

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

9. DEBTORS - all receivable within one year:	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Trade debtors	707,965	918,768	-	-
Amounts owed by group undertakings	-	-	436,162	-
Other debtors	42,500	537,514	13,012	13,012
Prepayments	52,054	54,374	-	-
	<u>£802,519</u>	<u>£1,510,656</u>	<u>£449,174</u>	<u>£13,012</u>

10. CREDITORS - due within one year:	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Bank overdraft	-	112,303	-	-
Trade creditors	671,271	744,348	-	-
Amounts owed to group undertakings	2,228,961	2,256,567	80	-
Loan accounts	1,042,900	948,500	-	-
Directors' loan accounts	33,212	143,710	-	-
Social security and other taxes	7,755	44,744	-	-
Accruals and deferred income	10,520	36,383	-	-
Other creditors	2,005	184,306	-	-
	<u>£3,996,624</u>	<u>£4,470,861</u>	<u>£80</u>	<u>-</u>

Company creditors of £80 (2005 - £Nil) relate to amounts owed to group undertakings all payable within one year.

11. BORROWINGS	2006 £	2005 £
Analysis of maturity of debt:		
Bank overdraft:		
Within one year or on demand	-	£112,303
	<u>-</u>	<u>£112,303</u>
 12. PROVISIONS FOR LIABILITIES AND CHARGES:	 2006 £	 2005 £
Deferred taxation:		
At 1st May 2005	-	10,988
Charge for the year	-	(10,988)
	<u>-</u>	<u>-</u>
At 30th April 2006	-	-
	<u>-</u>	<u>-</u>

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

13. SHARE CAPITAL:	2006		2005	
	Group £	Company £	Group £	Company £
Authorised:				
1,000 Ordinary Shares of £1 each	£1,000	£1,000	£1,000	£1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, Called Up and Fully Paid:				
1,000 Ordinary Shares of £1 each	£1,000	£1,000	£1,000	£1,000
	<hr/>	<hr/>	<hr/>	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS:

GROUP:	Share Capital £	Profit & Loss Account £	Total Shareholders' Funds £
Opening shareholders' funds	1,000	20,465	21,465
Loss for the year	-	(717,482)	(717,482)
	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	£1,000	£(697,017)	£(696,017)
	<hr/>	<hr/>	<hr/>
COMPANY:	Share Capital £	Profit & Loss Account £	Total Shareholders' Funds £
Opening shareholders' funds	1,000	12,021	13,021
Profit for the year	-	436,082	436,082
	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	£1,000	£448,103	£449,103
	<hr/>	<hr/>	<hr/>

15. FINANCIAL COMMITMENTS:

Capital commitments:	
Contracted for, but not provided, in the financial statements	Nil
	<hr/>
Authorised, but not contracted for	Nil
	<hr/>

MANX HEALTHCARE GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH APRIL 2006

16. RELATED PARTY DISCLOSURES:

A proportion of turnover derives from sales on an arms length basis to companies in which the directors and/or other members of The Taylor Family have an interest.

The company claims exemption under FRS8 not to disclose transactions with other companies where 90% or more of the voting rights are controlled within the group.

During the year Manx Healthcare Limited rented premises from Manx Investments Limited at a cost of £48,000.

At the year end the following monies were due to a company where less than 90% of the voting rights are held within the group:

	Due to £
Richard's Pharma Limited	94,400
Manx Investments Limited	2,228,961

17. ULTIMATE HOLDING COMPANY:

Manx Investments Limited (Company No. 5326961) is the ultimate holding company which is registered in England and Wales.

18. CONTROLLING PARTY:

Mr R. J. Taylor has a controlling interest in Manx Investments Limited, the ultimate holding company.