Lafayette Healthcare Limited

Report and accounts

for the year ended 31 December 1998

Registered number: 3122084

Lafayette Healthcare Limited

Contents

Lafayette Healthcare Limited

Directors and advisers

Directors

H Hoebel
Mrs L E Hamilton-Lang
H Sandhu

Auditors

PricewaterhouseCoopers
Melrose House
42 Dingwall Road
Croydon
CR0 2NE

Bankers

Natwest plc
Hull City Centre Branch
Hull
HU1 3YN

Registered office

1 King Street
Bridgwater
Somerset
TA6 3DG

Directors' report
for the year ended 31 December 1998

The directors present their report and audited financial statements of the company for the year ended 31 December 1998.

Results and dividends

The loss for the year after taxation amounts to £290,047 (1997: loss of £48,811). The directors do not recommend the payment of a dividend (1997: £nil).

Principal activities

The company's principal activity during the year was the marketing and selling of radiological products.

Directors and their interests

The directors of the company during the year were H Hoebel, Mrs L E Hamilton-Lang and Z Ziv. Mr Ziv resigned as director on 30 June 1999 and Mr H Sandhu was appointed on 1 July 1999.

There are no directors' interests requiring disclosure under the Companies Act 1985.

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 and of the profit or loss of the company for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps 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 also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Ernst & Young resigned as auditors of the company and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation.

A resolution to re-appoint PricewaterhouseCoopers as auditors will be proposed at the Annual General Meeting.

Special provisions relating to small companies

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

On behalf of the board

~~**Z Ziv**~~ H Hoebel
Director

5 November 1999

Auditors' report to the members of Lafayette Healthcare Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 31 December 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Maidstone
12 November 1999

Profit and loss account for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover – continuing operations	2	**1,035,450**	925,213
Cost of sales		**(855,608)**	(611,589)
Gross Profit		**179,842**	313,624
Distribution costs		**(188,428)**	(120,434)
Administrative expenses		**(275,729)**	(236,569)
Operating (loss) – continuing operations	3	**(284,315)**	(43,379)
Interest payable		**(5,732)**	(5,432)
(Loss) on ordinary activities before taxation		**(290,047)**	(48,811)
Tax on (loss) on ordinary activities		-	-
(Loss) for the financial year		(290,047)	(48,811)

There are no recognised gains or losses other than the loss for the financial year of £290,047 (1997: loss of £48,811) and therefore, no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

Balance sheet
at 31 December 1998

	Notes	1998	1997
		£	£
Fixed assets			
Intangible fixed assets	6	**41,503**	50,098
Tangible fixed assets	7	**8,079**	9,599
		49,582	59,697
Current assets			
Stock		**159,641**	175,263
Debtors	8	**136,940**	257,119
Cash at bank and in hand		**213,930**	42,156
		510,511	474,538
Creditors: amounts falling due within one year	9	**(755,300)**	(439,395)
Net current (liabilities)/assets		**(244,789)**	35,143
Total assets less current liabilities		**(195,207)**	94,840
Creditors: amounts falling due after more than one year	10	**(75,000)**	(75,000)
Net (liabilities)/assets		**(270,207)**	19,840
Called up share capital and reserves			
Equity share capital	11	**90,000**	90,000
Profit and loss account	12	**(360,207)**	(70,160)
Equity shareholders' (deficit)/funds	12	**(270,207)**	19,840

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 5 to 11 were approved by the board of directors on 5 November 1999.

~~Z Ziv~~ H Hoebel
Director

Notes to the financial statements for the year ended 31 December 1998

1 Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The financial statements have been prepared on the going concern basis as the ultimate parent company has agreed to make sufficient financial resources available, if required, to enable the company to trade for the next 12 months.

Trademarks and patents

The cost of trademarks and patents is amortised through the profit and loss account over the estimated economic life of seven years.

Depreciation

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

Plant and machinery - Over 7 years

Stocks

Stocks, comprising finished goods, are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. Differences on exchange transactions are taken to the profit and loss account in the year in which they arise.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Lafayette Pharmaceuticals Inc. and is included in the consolidated financial statements of Lafayette Pharmaceuticals Inc., which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996). The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the group.

2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and arises from the continuing principal activity.

3 Operating loss

Operating loss is stated after charging/(crediting):

	1998	1997
	£	£
Amortisation of intangible fixed assets	**8,595**	8,662
Depreciation of tangible fixed assets	**2,020**	-
Operating lease rentals	**8,697**	-
Directors' remuneration	-	-
Auditors' remuneration	**4,000**	3,000

4 Directors' emoluments

	1998	1997
	£	£
Aggregate emoluments	-	-

5 Tax on loss on ordinary activities

No tax charge arises because of the loss in the year.

6 Intangible fixed assets

	Trademarks and patents £
Cost	
At 1 January 1998 and 31 December 1998	65,000
Amortisation	
At 1 January 1998	14,902
Provided during the year	8,595
At 31 December 1998	**23,497**
Net book value	
At 31 December 1998	**41,503**
At 31 December 1997	50,098

7 Tangible fixed assets

	Plant and machinery £
Cost	
At 1 January 1998	9,599
Additions	500
At 31 December 1998	10,099
Accumulated depreciation	
At 1 January 1998	-
Charge for year	2,020
At 31 December 1998	2,020
Net book value	
At 31 December 1998	**8,079**
At 31 December 1997	9,599

8 Debtors

	1998	1997
	£	£
Trade debtors	126,893	240,254
Other taxation and social security	9,497	16,315
Other debtors	550	550
	136,940	257,119

9 Creditors: amounts falling due within one year

	1998	1997
	£	£
Trade creditors	255,157	364,876
Due to immediate parent undertaking	486,718	71,219
Other taxation and social security	-	-
Accruals	13,425	3,300
	755,300	439,395

10 Creditors: amounts due after more than one year

	1998	1997
	£	£
Due to immediate parent undertaking	75,000	75,000

11 Share capital

	Authorised 1998 and 1997	Allotted, called-up and fully paid 1998 and 1997
	Number	£
Ordinary shares of £1 each	90,000	90,000

12 Reconciliation of movements in equity shareholders' funds

	Profit and loss account	Share capital	Total
	£	£	£
At 31 December 1997	(70,160)	90,000	19,840
Loss for the year	(290,047)	-	(290,047)
At 31 December 1998	**(360,207)**	**90,000**	**(270,207)**

13 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases expiring as follows:

	1998	1997
	£	£
Within two to five years	**21,388**	-

14 Ultimate parent company

The company's immediate and ultimate parent undertaking is Lafayette Pharmaceuticals Inc., a company incorporated in the USA. Copies of the company's accounts are available from 22699 Old Canal Road, Yorba Linda, CA92887.