

2011 PD-Rx Pharmaceuticals

Fiscal Year End Report

PD-Rx offers a year in review of its financial strength and continues to demonstrate its cornerstones of business development





December 28, 2011

To Our Shareholders,

It is that time of the year again! A time for us all to be thankful for our blessings and make New Year resolutions. As a company we are thankful as well, especially in these economic times, as we take time to analyze the year. We look at the things we have done well and not so well and strive to improve. I am happy to report to you that we have done things well this year and despite a dismal economy with little good news our sales and profits have increased over last year's results.

Last year I told you about the poor economy having a negative impact on PD-Rx's sales with a decrease in sales over the year before of over \$7.5 million, a 28% drop, yet we had remained profitable. I told you we had become leaner, stronger, and more innovative and were positioned to take advantage of profitable growth opportunities as the industry and economy recovered. Well, the results are in and in fiscal 2011 we regained much of the lost sales, increasing from \$19,358,270 to \$23,887,231. That is a \$4,528,961 increase over the 2010 sales. We are in fact now leaner, stronger and more innovative, but unfortunately the economy is still in the tank and we as well as our customer base are making the best of a bad situation. Once again, I can report to you that we remain profitable with net earnings of \$1,131,019 this year compared to the 2010 earnings of \$242,472. This is a significant increase in earnings and mainly attributable to the leaner approach to our business operation and less to the increase in sales. In fact, our 2009 fiscal sales were \$26,919,498 with net earnings of \$912,952. So, as you can see we have yet to reach our record year of sales but profits are up never-the-less. Elsewhere in this annual report you can find our complete financials and I encourage you to review them in detail.

Our technology approach to all aspects of our business continue to keep us in the hunt; both in controlling our operational expenses and in our offerings to customers. We have made significant advances to become paperless both in our operation and as we do business with our customers. Feedback from our customers has been positive as we continue to move into the 21st century. E-pedigrees, E-invoices, and E-Statements are just a few of the ways we are streamlining our business. Our "cloud" dispensing software has been an overwhelming success and even our oldest customers are switching to the "cloud" to improve their software performance.

TriMarc Laboratories division continues to grow in both sales and product offerings. I told you last year about the Right Step[™] Prenatal vitamin's success as a top seller with most wholesalers and Osteo-Poretical[™], a calcium and vitamin D supplement, aimed at the growing demand for osteoporosis prevention and treatment has been our top dollar sales item. This coming year we expect to launch two additional dermatologic products to round out the 23 other TriMarc Laboratories division offerings.

In closing, although 2011 was a rebound year, we still remain below historical sales levels. It remains difficult to see much improvement in the economy. With that said, we expect to continue to have sales instability and profits that reflect sales revenues. We intend to do what it takes to remain profitable in a very unstable environment. We have improved our ability to quickly adjust our operations based on market demand and have the financial flexibility to take advantage of an upswing in production as opportunities arise.

I would like to express my sincere appreciation for your support, as we both look to the future with continued growth in mind.

Sincerely,

Robert D. Holsey, D.Ph., D.O.

President and Chief Executive Officer

Corporate Overview



PD-Rx/TriMarc is a publicly traded corporation (Symbol: PDRX.PK) that is audited each year by one of the top-auditing firms in the country. The company maintains its own accounting and controller staff, along with Regulatory Affairs experts, Chief Pharmacist of Operations, Staffed Physician, FDA & DEA Compliance Officers, Quality Assurance Teams and Quality Control Production Teams. We maintain over 173 checks and balances in each production run, to make sure we provide the best quality products on the market. **Representing PD-Rx/TriMarc is team of over 25 sales experts throughout the** United States, where PD-Rx maintains all 50 state boards of pharmacy and controlled substance distribution licenses. PD-Rx/TriMarc maintains a liability insurance policy of 1 Million in general coverage and a 2 Million-Dollar Umbrella Policy as additional insurance over and above the original manufacturer's liability coverage. The Board of Directors brings with them over 100 years of experience in pharmaceuticals practice and/or business relations. PD-Rx was originally incorporated on September 1986 in the State of Oklahoma, and on February 5th, 1988, PD-Rx merged with Buckingham Venture Corp and re-incorporated in the State of Colorado, where they raised additional funds through a public offering and continued to raise additional capital for the next several years. PD-Rx Pharmaceuticals re-incorporated back into the State of Oklahoma on December 26th, 1990.

State of the Art Facility

PD-Rx/TriMarc owns and operates a production and warehouse facility consisting of 27,600 square feet. The production facility has 4 separate clean rooms each with their own controlled environment. We provide 24 hour monitoring of relative humidity and temperature in our storage areas. Each production room is equipped with a Class 1 Micron Filtration Systems that can filter down to 3.0 Microns. The facility is equipped with a freestanding generator system that is capable of producing over 430 AMP of electricity, enough to power the whole plant without additional electricity from outside sources. The plant has been outfitted with the best security system available, consisting of motion detectors, glass break sensors, keypad entry, roll down steel doors, and internet networked cameras for 24 hours surveillance and security cages and vaults throughout the building. PD-Rx maintains its own staff of computer programmers and IT support personnel necessary to computerize our account on a national scale with a web base system. We maintain our own websites and internet portal systems for ordering and reporting requirements in the pharmaceutical industry. In 2009 PD-Rx completed the requirements to be VAWD certified.

Quality Production

The packaging operations at PD-Rx are completely automated with state of the art pharmaceutical packaging and manufacturing equipment. Our automated production lines start with a bottle orientator and ends with the finished product bar coded and shrunk wrapped into 10 bottle tray packs. FDA guidelines require that a retention sample of each production run be kept on-site and made available to the FDA for inspection. PD-Rx photographs each product from each production run and stores that photo with each lot number so assigned for future clarifications. Every production run is given a new lot number that is linked to the retention sample and the original manufacturer and its pedigrees. Of the 4 production rooms, and 4 automated lines, each line is capable of manufacturing 1500-2000 bottles per hour. In addition to the automated lines, PD-Rx maintains 4 semi-automated tablet counting machine and production areas to handle smaller production runs.

PD-Rx Pharmaceuticals, Inc.

BALANCE SHEETS

June 30,

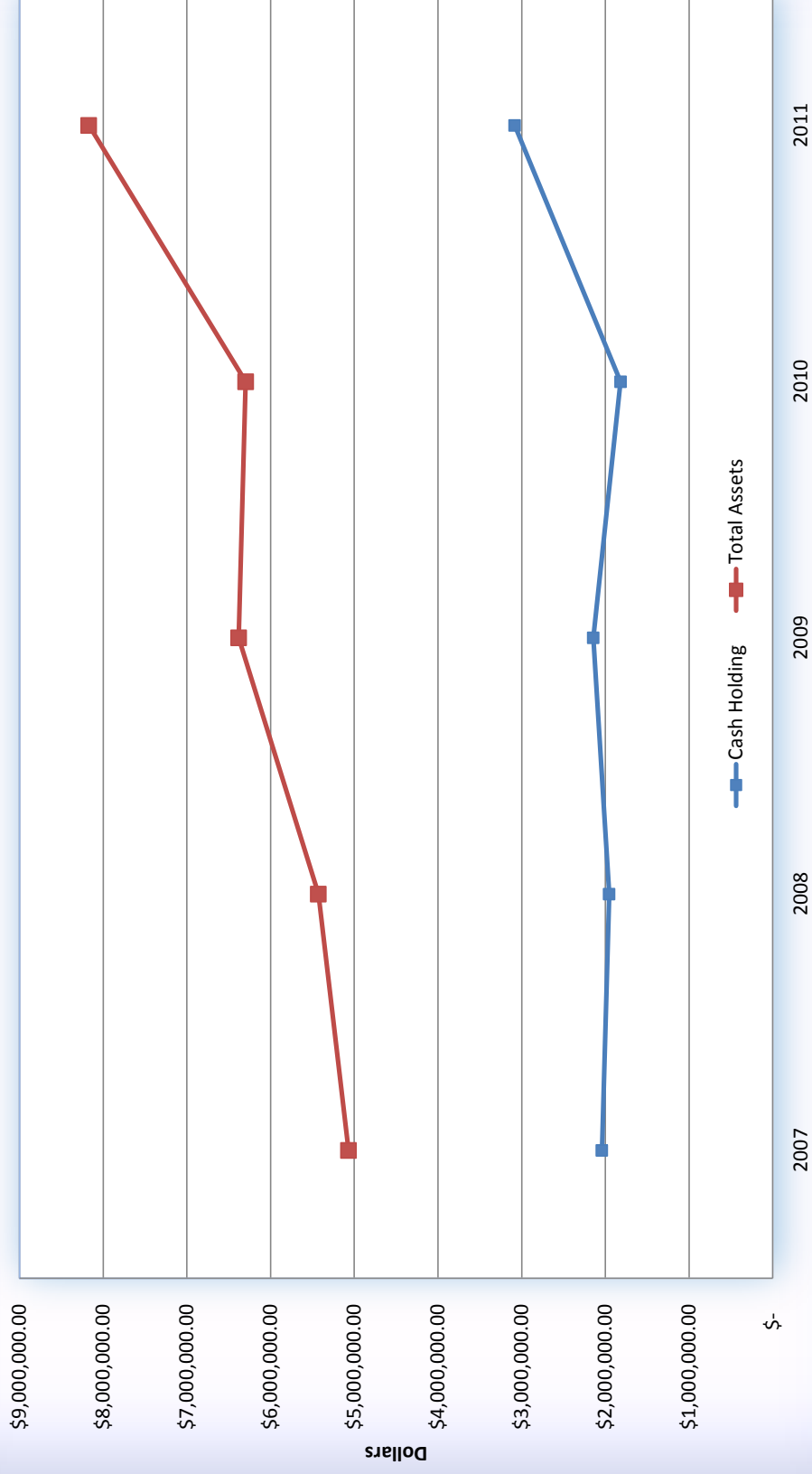
ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,083,988	\$ 1,818,320
Accounts receivable (net of allowance for doubtful accounts of \$40,000 in 2011 and 2010)	1,984,697	1,603,028
Inventories	1,924,072	1,673,621
Deferred income taxes	72,352	71,600
Income taxes receivable	-	999
Other	<u>150,418</u>	<u>163,299</u>
Total current assets	7,215,527	5,330,867
PROPERTY AND EQUIPMENT, net	<u>956,182</u>	<u>966,404</u>
	\$ 8,171,709	\$ 6,297,271
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 873,181	\$ 272,719
Accrued and other current liabilities	709,519	488,295
Current portion of notes payable	66,776	93,681
Income taxes payable	<u>21,979</u>	<u>-</u>
Total current liabilities	1,671,455	854,695
DEFERRED INCOME TAXES	55,176	61,106
LONG-TERM NOTES PAYABLE, net of current portion	<u>32,457</u>	<u>98,755</u>
Total liabilities	1,759,088	1,014,556
COMMITMENTS AND CONTINGENCIES (Note E)		
STOCKHOLDERS' EQUITY		
Preferred stock - \$.10 par value; authorized, 10,000,000 shares; issued and outstanding, none	-	-
Common stock - \$.01 par value; 3,000,000 authorized; 2,094,804 shares issued in 2011 and 2010, respectively	20,948	20,948
Additional paid-in capital	1,344,461	1,344,461
Retained earnings	<u>5,124,106</u>	<u>3,993,087</u>
	6,489,515	5,358,496
Less common stock in treasury - at cost; 325,478 shares in 2011 and 324,033 shares in 2010	<u>76,894</u>	<u>75,781</u>
	<u>6,412,621</u>	<u>5,282,715</u>
	\$ 8,171,709	\$ 6,297,271

PD-Rx Pharmaceuticals, Inc.

Balance Sheet
June 30, 2007 to 2011

	2007	2008	2009	2010	2011
Assets					
Cash	\$2,041,445.32	\$1,952,844.56	\$2,144,120.13	\$1,818,319.96	\$3,083,988.25
Accounts Receivable - net	\$1,518,295.83	\$1,532,611.81	\$1,862,260.12	\$1,603,028.43	\$1,984,697.36
Inventories, net	\$684,057.04	\$1,017,371.08	\$1,282,775.53	\$1,673,620.93	\$1,924,071.90
Deferred Tax Asset		\$73,168.00	\$73,339.00	\$71,600.00	\$72,352.00
Income Taxes Receivable				\$999.06	\$0.06
Other Assets	\$37,121.66	\$53,026.44	\$50,145.68	\$163,299.03	\$150,419.35
Total Current Assets	\$4,289,919.85	\$4,629,021.89	\$5,412,640.46	\$5,330,867.41	\$7,215,528.92
Property and Equipment - net	\$788,425.95	\$799,755.53	\$967,247.84	\$966,405.02	\$956,182.12
Total Assets	\$5,069,345.80	\$5,428,777.42	\$6,379,888.30	\$6,297,272.43	\$8,171,711.04
Liabilities					
Accounts Payable - Trade	\$433,679.89	\$680,974.68	\$612,979.65	\$272,719.32	\$873,181.00
Accrued and other current liabilities	\$492,791.23	\$414,490.76	\$384,958.71	\$488,295.45	\$709,518.66
Current portion of notes payable	\$84,380.38	\$94,164.96	\$87,562.73	\$93,680.90	\$66,776.06
Income Tax Payable	\$232,658.79	\$-200,002.95	\$5,591.60		\$21,979.02
Total Current Liabilities	\$1,243,510.29	\$989,627.45	\$1,091,092.69	\$854,695.67	\$1,671,454.74
Long Term Notes Payable	\$346,374.90	\$267,085.64	\$192,434.36	\$98,754.10	\$32,457.14
Total Long Term Liabilities	\$346,374.90	\$267,085.64	\$192,434.36	\$98,754.10	\$32,457.14
Deferred Income Tax	\$-12,918.00	\$54,771.00	\$66,116.00	\$61,105.00	\$55,176.00
Total Liabilities	\$1,576,967.19	\$1,311,484.09	\$1,349,643.05	\$1,014,554.77	\$1,759,087.88
Stockholders' Equity					
Issued Common Stock	\$18,547.13	\$20,547.13	\$20,547.13	\$20,947.13	\$20,947.13
Issued Preferred "A" Stock	\$1,500.00				
Issued Preferred "C" Stock	\$7,620.00				
Capital in Excess of Par - Common	\$1,362,942.00	\$1,334,862.00	\$1,334,862.00	\$1,344,462.00	\$1,344,462.00
Prior Year Retained Earnings	\$1,284,481.27	\$2,131,228.86	\$2,837,665.26	\$3,750,617.18	\$3,993,089.59
Current Yr Income	\$893,069.27	\$706,436.40	\$912,951.92	\$242,472.41	\$1,131,018.15
	\$3,568,159.67	\$4,193,074.39	\$5,106,026.31	\$5,358,498.72	\$6,489,516.87
Less common stock in treasury	\$-75,781.06	\$-75,781.06	\$-75,781.06	\$-75,781.06	\$-76,893.71
Total Equity	\$3,492,378.61	\$4,117,293.33	\$5,030,245.25	\$5,282,717.66	\$6,412,623.16
Total Liabilities and Equity	\$5,069,345.80	\$5,428,777.42	\$6,379,888.30	\$6,297,272.43	\$8,171,711.04

Fiscal Year End 2011 Assets



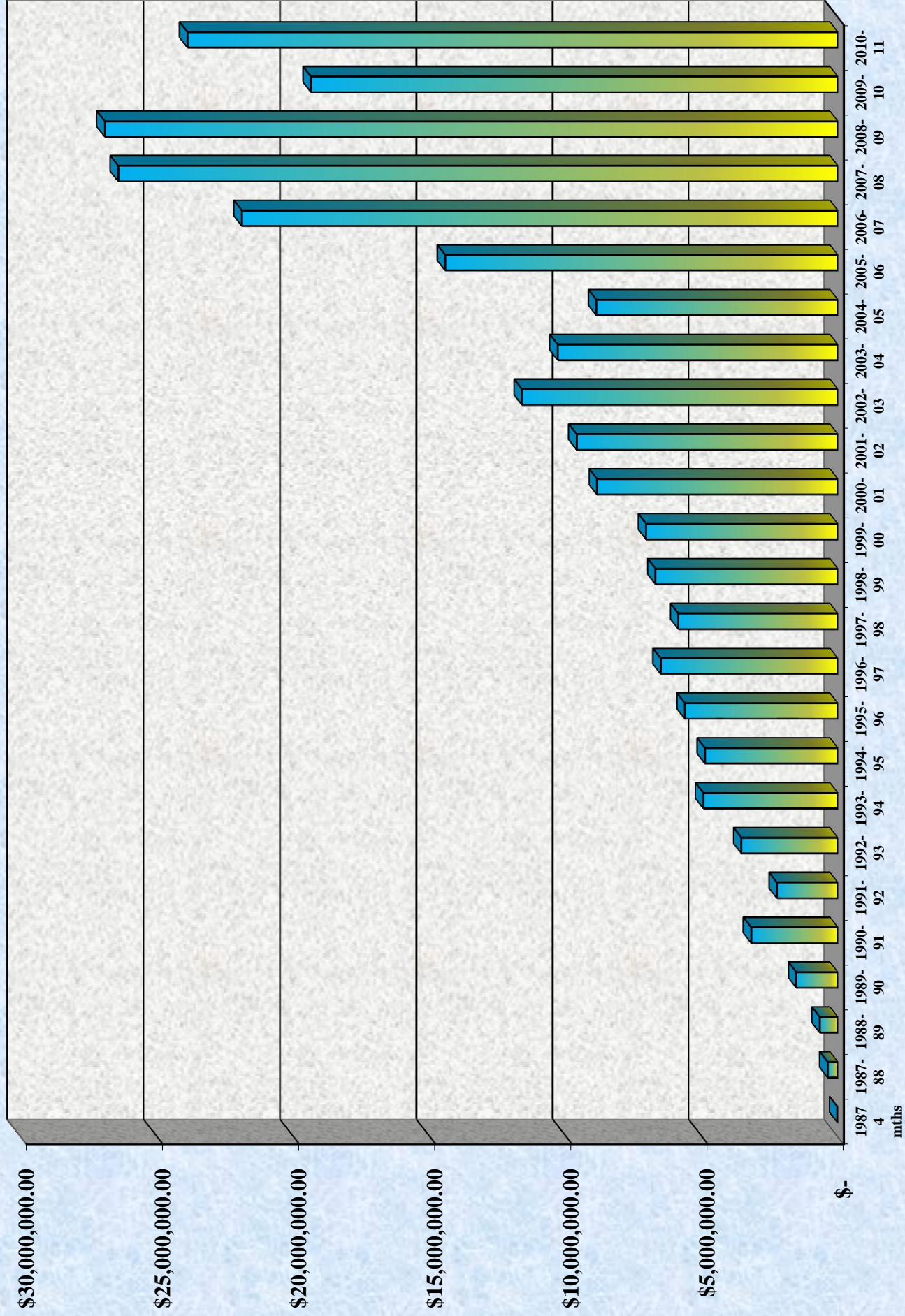
PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF EARNINGS

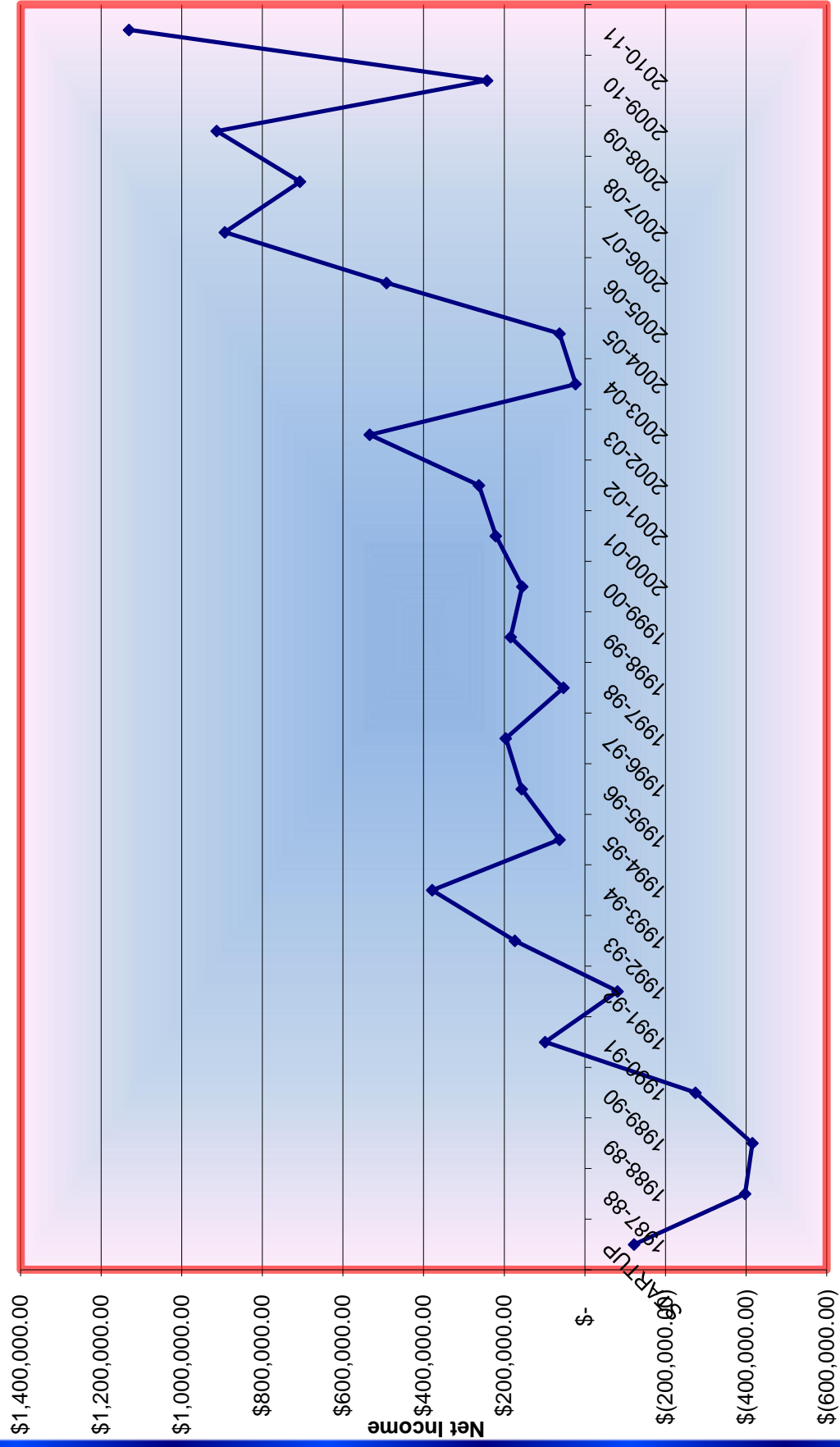
Year ended June 30,

	<u>2011</u>	<u>2010</u>
Net sales	\$ 23,887,231	\$ 19,358,270
Cost of sales	<u>15,720,995</u>	<u>13,752,311</u>
Gross profit	8,166,236	5,605,959
Selling, general and administrative expenses	<u>6,343,385</u>	<u>5,215,719</u>
Operating income	1,822,851	390,240
Other income (expense)		
Interest income and other	30,568	28,350
Interest expense	<u>(9,303)</u>	<u>(15,480)</u>
Other income, net	<u>21,265</u>	<u>12,870</u>
Earnings before income taxes	1,844,116	403,110
Income tax expense	<u>713,097</u>	<u>160,638</u>
NET EARNINGS	<u>\$ 1,131,019</u>	<u>\$ 242,472</u>
 EARNINGS PER COMMON SHARE - BASIC	 \$ <u>.64</u>	 \$ <u>.14</u>
EARNINGS PER COMMON SHARE - DILUTED	\$ <u>.64</u>	\$ <u>.14</u>

PD-Rx Annual Sales 2011

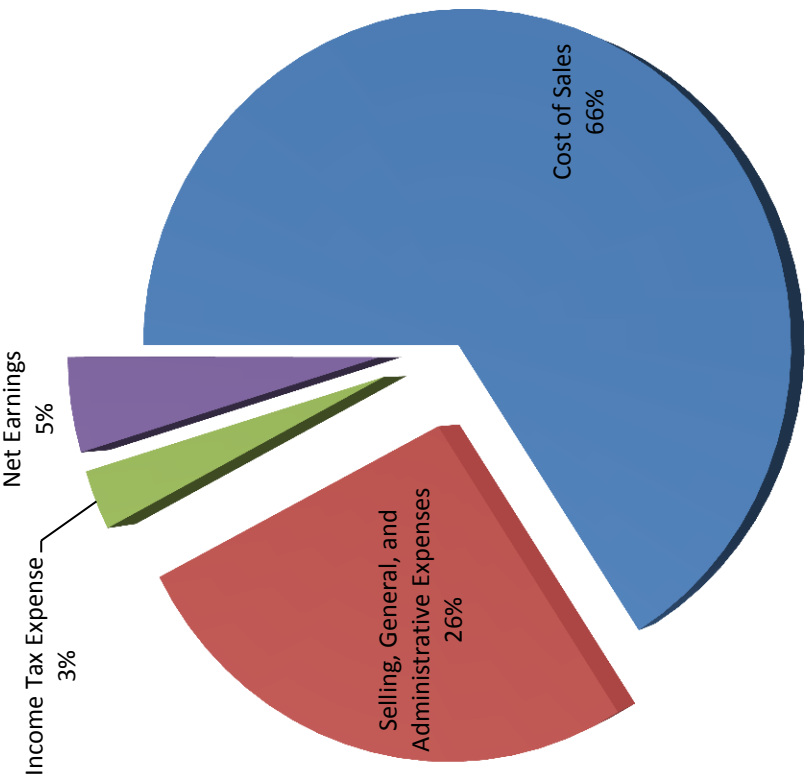


**Net Income Yearly Review
Ending 6/30/2011**



Fiscal Year End

Allocation of Income Fiscal 2011



PD-Rx Pharmaceuticals, Inc.

STATEMENT OF STOCKHOLDERS' EQUITY

Years ended June 30, 2011 and 2010

	Common stock			Additional	Retained	Common	Total
	Shares	Amount		paid-in capital	earnings	stock in treasury	stockholders' equity
Balance at July 1, 2009	2,054,804	\$ 20,548	\$	1,334,861	\$ 3,750,615	\$ (75,781)	\$ 5,030,243
Exercised stock options	40,000	400		9,600	-	-	10,000
Net earnings	-	-		-	242,472	-	242,472
Balance at June 30, 2010	2,094,804	20,948		1,344,461	3,993,087	(75,781)	5,282,715
Acquisition of common stock for treasury	-	-		-	-	(1,113)	(1,113)
Net earnings	-	-		-	1,131,019	-	1,131,019
Balance at June 30, 2011	2,094,804	\$ 20,948	\$	1,344,461	\$ 5,124,106	\$ (76,894)	\$ 6,412,621

PD-Rx Pharmaceuticals, Inc.

STATEMENTS OF CASH FLOWS

Year ended June 30,

	<u>2011</u>	<u>2010</u>
Increase (Decrease) in cash and cash equivalents		
Cash flows from operating activities		
Net earnings	\$ 1,131,019	\$ 242,472
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities		
Amortization of note payable discount	5,192	9,768
Provision for deferred income taxes	(6,682)	(3,273)
Depreciation and amortization	127,375	115,830
Gain on disposition of property and equipment	(1,205)	(10,204)
Changes in assets and liabilities		
Accounts receivable, net	(381,669)	259,232
Inventories	(250,451)	(390,845)
Income taxes receivable	999	(999)
Other assets	12,881	(113,153)
Accounts payable	600,462	(340,261)
Accrued and other current liabilities	221,224	103,336
Income taxes payable	21,979	(5,592)
Net cash provided by (used in) operating activities	1,481,124	(133,689)
Cash flows from investing activities		
Purchases of property and equipment	(117,947)	(110,686)
Proceeds from sale of property and equipment	1,999	5,905
Net cash used in investing activities	(115,948)	(104,781)
Cash flows from financing activities		
Principal payments on note payable	(98,395)	(97,330)
Exercised stock options	-	10,000
Acquisition of common stock for treasury	(1,113)	-
Net cash used in financing activities	(99,508)	(87,330)
NET INCREASE (DECREASE) IN CASH AND CASH CASH EQUIVALENTS	1,265,668	(325,800)
Cash and cash equivalents at beginning of year	1,818,320	2,144,120
Cash and cash equivalents at end of year	\$ 3,083,988	\$ 1,818,320
Cash paid during the year for interest	\$ 8,552	\$ 5,712
Cash paid during the year for income taxes, net	\$ 696,800	\$ 170,500
<u>Non-cash investing activities</u>		

During 2010, vehicles with a carrying value of \$17,464 were exchanged for a new vehicle and cash of \$5,905 resulting in a gain of \$10,204.



Acuity Health Management Systems is a new division of PD-Rx Pharmaceuticals, an avenue that will support our growing sales force and improve our business relationship with our current customer base that has developed over the last 24 years.

Acuity Health MBS (Medical Billing Service) provides each practice with professional, knowledgeable and experienced full-cycle billing services. We have perfected the steps needed to increase their revenues and get every collectible dollar. Our professional billing staff reviews all procedure and diagnostic codes, and will supply you with experts in the medical billing industry who will quickly and accurately file your claims for speedy payment.

Acuity Health EMR (Electronic Medical Record) is the premier quality, low-cost tool for physicians to maintain patient charts electronically.

The intuitive interface allows the physician and assistants to rapidly record visit notes and generate prescriptions. Acuity Health EMR computerizes patient records through the use of standard templates that can be edited on the fly.

The design philosophy streamlines the most important features—those that are used constantly during the day helping the physician with time management, documentation, and patient care. The software also allows you to eliminate time-consuming back office processes, such as transcription, chart pulling, and filing.

Acuity Health PMS (Practice Management System) Provides a simple office scheduler, stores patient demographic, and general billing information. This software platform will be interfaced with Acuity Health EMR.



*“A New Vision
in Healthcare
Information
Solutions”*


MEDICAL BILLING SYSTEM


ELECTRONIC MEDICAL RECORDS


PRACTICE MANAGEMENT SYSTEM

Corporate Information

Corporate Headquarters

727 North Ann Arbor
Oklahoma City, Oklahoma 73127
T - 1-405-942-3040
F – 1-405-942-5471

Common Stock

Stock Symbol: PDRX.PK
OTC Bulletin Board

Stock Transfer Agent

Computershare
350 Indiana Street
Suite 750
Golden, CO 80401
T - 1-303-262-0678
www.computershare.com

News and Press Information

Please visit our website at
www.pdrx.com

Independent Accountants

Grant Thornton
Oklahoma City, OK