

Company Number 3125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

ACCOUNTS

FOR THE YEAR ENDED

31 OCTOBER 1998



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PHARM-OLAM INTERNATIONAL (UK) LIMITEDDIRECTORS' REPORT

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

Principal Activities

The principal activity maintained by the Company throughout the year was Clinical Research.

Results and Dividends

The trading loss for the year was £76,988. No dividend payment is recommended by the board on its ordinary shares. The surplus on the Profit and Loss Account at 31 October 1998 was £61,234.

Review of the Business and Future Development

Turnover has increased to £1,812,485 during the year.

The loss before taxation amounted to £98,131 (1997 Profit £203,216).

The directors believe that the increase in turnover can be maintained and that the Company is in a good position to take advantage of any improvements in trading conditions and opportunities that may arise in the future.

Fixed Assets

Changes in fixed assets during the year are as shown in the notes to the financial statements.

Directors

The directors holding office at the date of the Balance Sheet were:

Dr Z M Munk, MD FRCP
Dr B L Natorff MD
Mrs S Munk

The interests of the directors, including family interests, in the Share Capital of the Company were as follows:

<u>Director</u>	<u>Description of Shares</u>	<u>31.10.98</u>	<u>31.10.97</u>
Dr Z M Munk	Ordinary Shares of £1 each	50,000	50,000

Statement of 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 and loss of the Company for that period. 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.

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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution proposing Martin & Fahy as Auditors of the Company will be put forward at the Annual General Meeting.

By Order of the Board

.....
Date

26 38/99

.....
Director: Dr B L Natorff, MD

AUDITOR'S REPORT TO THE SHAREHOLDERS OF
PHARM-OLAM INTERNATIONAL (UK) LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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


MARTIN & FAHY
Registered Auditor
Chartered Certified Accountants

Dudley House
Bracknell
Berks
RG12 1LL

27 August 1999

PHARM-OLAM INTERNATIONAL (UK) LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 OCTOBER 1998

	<u>Notes</u>	<u>31.10.97</u>
Turnover	2 1,812,485	1,705,448
Cost of Sales	(1,096,941)	(933,554)
Gross Profit	715,544	771,894
Administrative Expenses	(817,605)	(571,452)
	(102,061)	200,442
Interest Payable	(448)	-
Interest Receivable	4,378	2,774
Profit/(Loss) on Ordinary Activities before Taxation	4 (98,131)	203,216
Tax on Profit on Ordinary Activities	5 (21,143)	40,336
Profit/(Loss) on Ordinary Activities after Taxation for the Financial year	(76,988)	162,880
Deficit brought forward (as previously reported)	(-)	(8,965)
Prior Year Adjustments	(-)	(15,693)
Profit and Loss Account brought forward	138,222	-
Profit and Loss Account carried forward	£ 61,234 =====	£138,222 =====

CONTINUING OPERATIONS

None of the Company's activities were discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the Profit/(Loss) for the above two financial years.

PHARM-OLAM INTERNATIONAL (UK) LIMITEDBALANCE SHEET - AS AT 31 OCTOBER 1998

	<u>Notes</u>		<u>1997</u>
<u>Fixed Assets</u>			
Tangible Assets	6	109,462	64,946
<u>Current Assets</u>			
Stocks	7	361,032	39,788
Debtors	8	312,652	397,694
Cash at Bank and in Hand		<u>150,535</u>	<u>283,992</u>
		824,219	721,474
<u>Creditors: amounts falling</u>			
<u>due within one year</u>	9	(822,447)	(596,862)
<u>Net Current Assets</u>			
<u>(Liabilities)</u>		<u>1,772</u>	<u>124,612</u>
<u>Total Assets less Current</u>			
<u>Liabilities</u>		111,234	189,558
<u>Provision for Liabilities</u>			
<u>and Charges</u>	12	<u>(-)</u>	<u>(1,336)</u>
		£111,234	£188,222
		=====	=====
<u>Capital and Reserves</u>			
Called up Share Capital	13	50,000	50,000
Profit and Loss Account		<u>61,234</u>	<u>138,222</u>
		£111,234	£188,222
		=====	=====

..... 26/08/99
 Director: Dr B L Natorff, MD

PHARM-OLAM INTERNATIONAL (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTSYEAR ENDED 31 OCTOBER 19981. Accounting Policies

(a) Basis of Accounting:

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

(b) Depreciation:

Depreciation has been provided as follows:

Computer Equipment	-	33% pa on straight line basis
Furniture and Fittings	-	15% pa on straight line basis
Motor Vehicles	-	25% pa on reducing balance basis

(c) Stocks and Work in Progress

These are valued at the lower of cost and net realisable value. In respect of work in progress and finished goods, cost includes all production overheads and the attributable proportion of indirect overhead expenses.

(d) Deferred Taxation

Deferred taxation is provided using the liability method on the taxation effect of all timing differences other than for those which are expected, with reasonable probability, to continue in the foreseeable future.

(e) The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from producing a cash flow statement on the grounds that it is a small Company.

(f) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

2. Turnover

Turnover represents amounts invoiced in respect of goods and services provided during the year, excluding value added tax. The turnover is all attributable to the activity of Clinical Research and was earned outside the United Kingdom.

PHARM-OLAM INTERNATIONAL (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 OCTOBER 19983. Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the year was as follows:

Management	1
Administration	6
Production and Selling	<u>10</u>
	17
	<u>==</u>

The aggregate payroll costs of these persons were as follows:

	31 October <u>1998</u>	31 October <u>1997</u>
Wages and Salaries	£635,820 =====	£409,386 =====

4. Profit/(Loss) before Taxation

Profit/(Loss) before Taxation is after Charging (or Crediting):

Bank Deposit Interest	(4,378)	(2,774)
Depreciation and Loss on Sale	26,943	20,806
Auditors Remuneration	3,600	5,000
Directors Emoluments	136,821	113,003
	<u>=====</u>	<u>=====</u>

5. Taxation

Taxation based on Profit for the Year:

UK Corporation Tax	(19,807)	39,000
Deferred Taxation	<u>(1,336)</u>	<u>1,336</u>
	£(21,143) =====	£40,336 =====

PHARM-OLAM INTERNATIONAL (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 OCTOBER 19986. Tangible Fixed Assets

	Fixtures and Equipment	Motors Vehicles	Computers	Total
Cost				
At 1 November 1997	42,076	17,395	30,745	90,216
Additions	37,743	7,456	26,260	71,459
Disposals	(-)	(-)	(-)	(-)
At 31 October 1998	79,819	24,851	57,005	161,675
Depreciation				
At 1 November 1997	7,661	4,349	13,260	25,270
Charge for the Year	9,968	3,883	13,092	26,943
Eliminated on Disposals	(-)	(-)	(-)	(-)
At 31 October 1998	17,629	8,232	26,352	52,213
Net Book Value				
At 31 October 1998	£62,190	£16,619	£30,653	£109,462
At 31 October 1997	£34,415	£13,046	£17,485	£64,946

7. Stocks

	31 October 1998	31 October 1997
Work in Progress	£361,032 =====	£39,788 =====

8. Debtors

Trade Debtors	260,450	356,759
Prepayments	11,067	15,254
Other Debtors	21,328	25,681
Corporation Tax	19,807	-
	£312,652 =====	£397,694 =====

PHARM-OLAM INTERNATIONAL (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 OCTOBER 19989. Creditors: amounts falling due within one year

	<u>31 October</u> <u>1998</u>	<u>31 October</u> <u>1997</u>
Loan Account (Note 11 and 15)	183,023	181,979
Bank Loan and Overdraft	-	28,946
Payments received on Account	159,466	176,444
Trade Creditors	70,310	382
Other Creditors including Taxation and Social Security (Note 10)	77,002	42,162
Accruals and Deferred Income	<u>332,646</u>	<u>166,949</u>
	£822,447	£596,862
	=====	=====

10. Other Creditors including Taxation and Social Security

Value Added Tax	32,267	-
Corporation Tax	15,000	39,000
Social Security	<u>29,735</u>	<u>3,162</u>
	£77,002	£42,162
	=====	=====

11. Transactions with Directors

Creditors include £183,023 due to overseas entities in which a director, Dr Z M Munk has a controlling interest. The loans which are unsecured and repayable on demand, are subject to interest at the rate per annum of 4% over the National Westminster Bank plc base rate.

12. Provisions for Liabilities and ChargesDeferred Taxation

Balance at 1 November 1997	1,336
Transfer for the Year	<u>(1,336)</u>
Balance at 31 October 1998	£ -
	=====

The provision for Deferred Taxation is set out below

Capital Allowances

PHARM-OLAM INTERNATIONAL (UK) LIMITEDNOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 OCTOBER 199813. Share Capital

	<u>31 October</u> <u>1998</u>	<u>31 October</u> <u>1997</u>
<u>Authorised</u>		
Shares of £1 each	£100,000 =====	£100,000 =====
<u>Issued and Fully Paid</u>		
Ordinary Shares of £1 each	£ 50,000 =====	£ 50,000 =====

The Shares are all Equity Shares.

14. Reconciliation of Movements in Reserve and Shareholders Funds

	<u>Profit</u> <u>and Loss</u> <u>Account</u>	<u>Total</u> <u>Reserves</u>	<u>Share</u> <u>Capital</u>	<u>Total</u> <u>Shareholders</u> <u>Funds</u>	<u>31 October</u> <u>1997</u>
At 1 November 1997	138,222	138,222	50,000	188,222	25,342
Profit/(Loss) on Ordinary Activities after Taxation	(76,988)	(76,988)	-	(76,988)	162,880
At 31 October 1998	£61,234	£61,234	£50,000	£111,234	£188,222 =====

15. Loan Account

Balance Brought Forward 1.11.97	181,979	159,209
Less repayments made	(89,581)	(94,075)
Add Management Charge	90,625	116,845
Balance Carried Forward 31.10.98	£183,023 =====	£181,979 =====

16. These financial statements were approved by the Board of Directors on 26/03/99