

Registered no. 3125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 1999

**MARTIN & FAHY
CHARTERED CERTIFIED ACCOUNTANTS
DUDLEY HOUSE
HIGH STREET
BRACKNELL
BERKSHIRE
RG12 1LL**



PHARM-OLAM INTERNATIONAL (UK) LIMITED

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PHARM-OLAM INTERNATIONAL (UK) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Dr Z M Munk MD FRCP Dr B L Natorff MD Mrs S Munk
SECRETARY:	Mrs S Munk
REGISTERED OFFICE:	The Brackens London Road Ascot Berkshire SL5 8BG
REGISTERED NUMBER:	3125708
AUDITORS:	MARTIN & FAHY DUDLEY HOUSE HIGH STREET BRACKNELL RG12 1LL
BANKERS:	NATIONAL WESTMINSTER BANK PLC
SOLICITORS:	TEACHER STERN SELBY

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 1999

The directors present their report and the financial statements of the company for the year ended 31 October 1999.

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 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;
- prepare the financial statements on a 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.

Principal Activity

The principal activity of the company throughout the year was that of clinical research.

Branches

The company has branches in existence outside the United Kingdom.

Review of Business

The results for the year and the financial position at the year end were considered satisfactory by the directors, who expect continued growth in the foreseeable future.

Future Developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They consider that the current year will show a further significant growth in sales.

Results and Dividends

The results of the year's trading and the financial position of the company are shown in the annexed accounts.

The company's loss for the year, after taxation, amounted to £6,876 (1998 - £76,988).

The directors recommend that no dividend be paid.

Directors

The present directors are as shown on page 1. All served on the board throughout the year.

The company's Articles of Association do not require directors to retire by rotation.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

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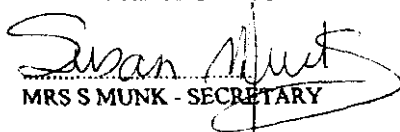
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Auditors

The auditors, MARTIN & FAHY, have indicated their willingness to accept re-appointment under Section 385(2) of the Companies Act 1985.

ON BEHALF OF THE BOARD


MRS S MUNK - SECRETARY

Date: October 24, 2000

PHARM-OLAM INTERNATIONAL (UK) LIMITED

AUDITORS' REPORT TO THE MEMBERS OF PHARM-OLAM INTERNATIONAL (UK) LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described in the directors' report, 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Martin & Fahy

MARTIN & FAHY
Registered Auditors

Date: 1 November 2000

DUDLEY HOUSE
HIGH STREET
BRACKNELL
RG12 1LL

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1999

	Note	1999 £	1998 £
TURNOVER	2	2,073,186	1,812,485
Cost of sales		(1,282,698)	(1,096,941)
GROSS PROFIT		790,488	715,544
Net operating expenses	3	(802,683)	(818,053)
OPERATING LOSS	4	(12,195)	(102,509)
Loss on sale of fixed assets		(1,899)	-
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(14,094)	(102,509)
Other interest receivable and similar income		434	4,378
Interest payable and similar charges	6	(53)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(13,713)	(98,131)
Tax on loss on ordinary activities	7	6,837	21,143
RETAINED LOSS FOR THE FINANCIAL YEAR		(6,876)	(76,988)
Retained profit brought forward		61,234	138,222
RETAINED PROFIT CARRIED FORWARD		54,358	61,234

The company's turnover and expenses all relate to continuing operations.

The annexed notes form part of these financial statements.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 OCTOBER 1999

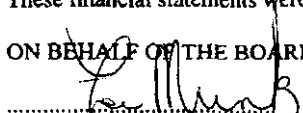
	1999 £	1998 £
Loss for the financial year	(6,876)	(76,988)
Total recognised gains and losses relating to the year	<u>(6,876)</u>	<u>(76,988)</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED**BALANCE SHEET AT 31 OCTOBER 1999**

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	8	100,759	109,462
CURRENT ASSETS			
Stocks	9	82,695	361,032
Debtors	10	518,013	312,652
Cash at bank and in hand		13,578	150,535
		<u>614,286</u>	<u>824,219</u>
CREDITORS			
Amounts falling due within one year	11	<u>(610,687)</u>	<u>(822,447)</u>
NET CURRENT ASSETS		3,599	1,772
NET ASSETS		<u>104,358</u>	<u>111,234</u>
CAPITAL AND RESERVES			
Called up share capital	12	50,000	50,000
Profit and loss account		54,358	61,234
SHAREHOLDERS' FUNDS	13	<u>104,358</u>	<u>111,234</u>

These financial statements were approved by the board on October 24, 2000

ON BEHALF OF THE BOARD


DR Z M MUNK MD FRCP DIRECTOR

The audited notes form part of these financial statements.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below and have remained unchanged from the previous year, and also have been consistently applied within the same accounts.

Basis of Preparation of Financial Statements

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

The effect of events in relation to the year ended 31 October 1999 which occurred before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 31 October 1999 and of the results for the year ended on that date.

Depreciation

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

Plant and machinery	- 33% per annum of cost
Fixtures and fittings	- 15% reducing balance
Motor vehicles	- 25% reducing balance

Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value; in respect of work in progress and finished goods cost includes a relevant proportion of overheads according to the stage of manufacturing/completion.

Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension Costs

The company operates a pension scheme for the benefit of all its employees. The scheme is a defined contribution scheme, and the contributions are charged against profits as they are paid.

2. TURNOVER

The company's turnover represents the value, excluding Value Added Tax, of clinical research invoiced during the year.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

3. NET OPERATING EXPENSES

	1999 £	1998 £
Distribution costs	179,322	185,080
Administrative expenses	623,361	632,973
	<u>802,683</u>	<u>818,053</u>

4. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	1999 £	1998 £
Directors' emoluments	141,626	136,821
Directors' pension contributions in respect of money purchase benefits	5,932	1,642
Total directors' emoluments	<u>147,558</u>	<u>138,463</u>
Hire of office equipment	700	-
Hire of other assets - operating leases	91,385	65,479
Depreciation and amortisation of owned assets	41,228	26,943
Auditors' remuneration	3,600	5,065

5. STAFF COSTS

The average number of persons employed by the company, including directors, during the year was as follows:

	1999 Number	1998 Number
Management and administration	1	1
Production	10	10
Sales	6	6
	<u>17</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	1999 £	1998 £
Wages and salaries	817,838	623,850
Other pension costs	22,573	11,970
	<u>840,411</u>	<u>635,820</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Bank loans and overdrafts	53	-
	<u> </u>	<u> </u>

7. TAXATION ON ORDINARY ACTIVITIES

	1999 £	1998 £
Current year		
Corporation tax at 20% (1998 -%)	-	(21,143)
Prior year		
Corporation tax under(over) provided	(6,837)	-
	<u>(6,837)</u>	<u>(21,143)</u>
	<u> </u>	<u> </u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 November 1998	57,004	79,819	24,851	161,674
Additions	15,091	22,344	-	37,435
Revaluations	-	-	-	-
Intra-group transfers	-	-	-	-
Disposals	-	-	(8,709)	(8,709)
At 31 October 1999	<u>72,095</u>	<u>102,163</u>	<u>16,142</u>	<u>190,400</u>
Depreciation				
At 1 November 1998	26,352	17,640	8,232	52,224
Charge for the year	22,837	15,461	2,930	41,228
Revaluations	-	-	-	-
Intra-group transfers	-	-	-	-
Elimination on disposals	-	-	(3,811)	(3,811)
At 31 October 1999	<u>49,189</u>	<u>33,101</u>	<u>7,351</u>	<u>89,641</u>
Net book value				
At 31 October 1999	<u>22,906</u>	<u>69,062</u>	<u>8,791</u>	<u>100,759</u>
At 31 October 1998	<u>30,653</u>	<u>62,190</u>	<u>16,619</u>	<u>109,462</u>

9. STOCKS AND WORK IN PROGRESS

	1999 £	1998 £
Work in progress	<u>82,695</u>	<u>361,032</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

10. DEBTORS

Receivable within one year:

	1999 £	1998 £
Trade debtors	462,025	260,450
Other debtors	16,981	21,328
Prepayments and accrued income	12,364	11,067
Corporation tax recoverable	26,643	19,807
	<u>518,013</u>	<u>312,652</u>

11. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	1999 £	1998 £
Bank loans and overdrafts	51,886	-
Payments received on account	158,318	159,466
Trade creditors	105,914	70,310
Loan account (note 15)	19,131	183,023
Social security and other taxes	56,981	62,002
Corporation tax payable	-	15,000
Accruals and deferred income	207,971	332,646
Pension contributions	10,486	-
	<u>610,687</u>	<u>822,447</u>

12. SHARE CAPITAL

	1999 £	1998 £
Authorised 100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Loss for the financial year	(6,876)	(76,988)
Net addition to shareholders' funds	<u>(6,876)</u>	<u>61,234</u>
Opening shareholders' funds	111,234	50,000
Closing shareholders' funds	<u>104,358</u>	<u>111,234</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 1999 (CONT)

14. PENSION COSTS

The company operates a contributory pension scheme. It is a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £22,573 (1998 - £11,970).

15. RELATED PARTIES

Creditors include £19,131 (1998 creditor £183,023) due to overseas entities in which a director Dr Z M Munk has a controlling interest. The loan is unsecured and refundable / repayable on demand.

16. PARENT UNDERTAKINGS

The ultimate parent company is Shomer XV Limited, a company incorporated in the United States of America.