

Registered no. 3125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2000



**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 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:	Dr Z M Munk MD FRCP 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 2000

The directors present their report and the financial statements of the company for the year ended 31 October 2000.

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.

We are pleased to report that we have experienced significant revenue growth during the current financial year. This has led to a stronger financial position which will be reported in the financial results for this current year. We are very confident that this revenue growth will continue in the succeeding years.

Over the last six years Pharm-Olam International (UK) Limited has developed a reputation for quality while meeting or exceeding our clients needs. This reputation is evidenced by the high percentage of Pharm-Olam's business which derives from new clinical trials for existing clients. Pharm-Olam has conducted more than 50 clinical trials across most therapeutic areas.

Building on its core strengths of local country clinical monitoring in Central and Eastern Europe with UK-based project management, the company has now expanded its operations into Western Europe where it is poised to open its own offices in the very near future. Pharm-Olam's reputation for quality of data allied to rapidity of patient recruitment in Central and Eastern Europe has been acknowledged by its Sponsors and have given the Company the opportunity to bring the same high level of performance to clinical trials in Western Europe.

As at August 2001, Pharm-Olam has a work force of more than 50 FTE employees with a strong order book and client base including many major pharmaceutical and biotechnology companies.

We look forward to a very successful next year.

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.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

Research and Development

The company will continue its policy of investment in research and development in order to retain a competitive position in the market.

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 profit for the year, after taxation, amounted to £13,242 (1999 - loss £6,876).

The directors recommend that no dividend be paid.

Directors

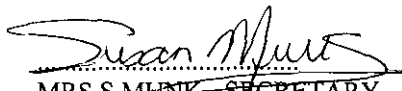
The present directors are as shown on page 1. All served on the board throughout the year.

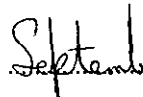
The company's Articles of Association do not require directors to retire by rotation.

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 MUIR - SECRETARY

Date:  24, 2001

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 14 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MARTIN & FAHY
Registered Auditors

Date: 15 October 2001

DUDLEY HOUSE
HIGH STREET
BRACKNELL
RG12 1LL

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2000

	Note	2000 £	1999 £
TURNOVER	2	1,988,383	2,073,186
Cost of sales		(1,266,123)	(1,282,698)
GROSS PROFIT		722,260	790,488
Net operating expenses	3	(748,972)	(802,683)
OPERATING LOSS	4	(26,712)	(12,195)
Profit on sale of fixed assets		-	(1,899)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(26,712)	(14,094)
Other interest receivable and similar income		789	434
Interest payable and similar charges	6	(369)	(53)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(26,292)	(13,713)
Tax on loss on ordinary activities		39,534	6,837
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		13,242	(6,876)
Retained profit brought forward		54,360	61,234
RETAINED PROFIT CARRIED FORWARD		67,602	54,358

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 2000

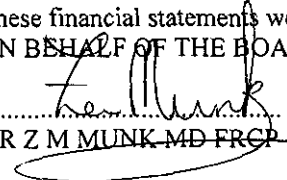
	2000 £	1999 £
Profit for the financial year	13,242	(6,876)
Total recognised gains and losses relating to the year	<u>13,242</u>	<u>(6,876)</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET AT 31 OCTOBER 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Intangible assets	7	164,725	-
Tangible assets	8	95,690	100,759
		<u>260,415</u>	<u>100,759</u>
CURRENT ASSETS			
Stocks	9	83,302	82,695
Debtors	10	295,283	518,013
Cash at bank and in hand		9,518	13,578
		<u>388,103</u>	<u>614,286</u>
CREDITORS			
Amounts falling due within one year	11	<u>(529,423)</u>	<u>(610,687)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(141,320)</u>	<u>3,599</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>119,095</u>	<u>104,358</u>
CREDITORS			
Amounts falling due after more than one year	12	<u>(1,493)</u>	<u>-</u>
NET ASSETS		<u><u>117,602</u></u>	<u><u>104,358</u></u>
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Profit and loss account		67,602	54,358
SHAREHOLDERS' FUNDS	14	<u><u>117,602</u></u>	<u><u>104,358</u></u>

These financial statements were approved by the board on
ON BEHALF OF THE BOARD


DR Z M MUNK MD FRCP DIRECTOR

24 September 2001

The annexed notes form part of these financial statements.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000

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 2000 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 2000 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

Intangible Fixed Assets

Research and development is amortised through the profit and loss account in equal annual instalments over a period of 5 years starting in 2001.

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.

Foreign Exchange

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

Leasing

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible 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 period of the lease.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

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 goods and services supplied to customers during the year. The analysis of turnover by activity and geographical area is as follows:

	2000 £	1999 £
Turnover United Kingdom	981,384	1,136,403
Turnover outside United Kingdom	1,006,999	936,783
Turnover - total by geographical area	<u>1,988,383</u>	<u>2,073,186</u>

3. NET OPERATING EXPENSES

	2000 £	1999 £
Distribution costs	156,415	179,322
Administrative expenses	592,557	623,361
	<u>748,972</u>	<u>802,683</u>

4. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	2000 £	1999 £
Directors' emoluments	126,426	141,626
Directors' pension contributions in respect of money purchase benefits	6,071	5,932
Total directors' emoluments	<u>132,497</u>	<u>147,558</u>
Hire of office equipment	4,152	700
Hire of other assets - operating leases	102,055	91,385
Depreciation and amortisation of owned assets	41,754	41,228
Auditors' remuneration	4,642	3,600
Foreign currency exchange gain	4	-
	<u></u>	<u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

5. STAFF COSTS

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

	2000 Number	1999 Number
Management and administration	2	1
Production	14	10
Sales	6	6
	<u>22</u>	<u>17</u>

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	685,015	752,827
Social security	68,084	65,011
Other pension costs	36,341	22,573
	<u>789,440</u>	<u>840,411</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
Bank loans and overdrafts	-	53
Finance charges payable - finance leases and hire purchase	369	-
	<u>369</u>	<u>53</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

7. INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 November 1999	-
Additions	164,725
Revaluations	-
Intra-group transfers	-
Disposals	-
At 31 October 2000	<u>164,725</u>
Amortisation	
At 1 November 1999	-
Charge for the year	-
Revaluations	-
Intra-group transfers	-
Eliminated on disposals	-
At 31 October 2000	<u>-</u>
Net book value	
At 31 October 2000	<u><u>164,725</u></u>
At 31 October 1999	<u><u>-</u></u>

Research and development costs to improve study techniques for medical trials have been capitalised. They are to be written off over a period of five years.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

8. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 November 1999	72,095	102,165	16,142	190,402
Additions	21,206	5,043	10,435	36,684
At 31 October 2000	<u>93,301</u>	<u>107,208</u>	<u>26,577</u>	<u>227,086</u>
Depreciation				
At 1 November 1999	49,189	33,101	7,352	89,642
Charge for the year	20,852	16,096	4,806	41,754
At 31 October 2000	<u>70,041</u>	<u>49,197</u>	<u>12,158</u>	<u>131,396</u>
Net book value				
At 31 October 2000	<u>23,260</u>	<u>58,011</u>	<u>14,419</u>	<u>95,690</u>
At 31 October 1999	<u>22,906</u>	<u>69,062</u>	<u>8,791</u>	<u>100,759</u>

Included in the total net book value of tangible fixed assets held at 31 October 2000 was £7,023 (1999 - £-) in respect of assets held under finance leases and hire purchase contracts.

9. STOCKS AND WORK IN PROGRESS

	2000 £	1999 £
Work in progress	<u>83,302</u>	<u>82,695</u>

10. DEBTORS

Receivable within one year:

	2000 £	1999 £
Trade debtors	234,751	462,025
Other debtors	6,611	16,981
Prepayments and accrued income	14,387	12,364
Corporation tax recoverable	39,534	26,643
	<u>295,283</u>	<u>518,013</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

11. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	51,935	51,886
Payments received on account	-	158,318
Obligations under finance leases and hire purchase contracts	4,741	-
Trade creditors	185,728	105,914
Loan account (note 15)	-	19,131
Social security and other taxes	82,125	56,981
Accruals and deferred income	191,336	207,971
Pension contributions	13,558	10,486
	<u>529,423</u>	<u>610,687</u>

12. CREDITORS - AMOUNTS DUE AFTER ONE YEAR

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	1,493	-
	<u>1,493</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts are secured by related assets.

Obligations under finance leases and hire purchase contracts

	2000 £	1999 £
Amounts payable:		
Within two to five years	1,493	-
After five years	-	-
	<u>1,493</u>	<u>-</u>

13. SHARE CAPITAL

	2000 £	1999 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000
	<u>50,000</u>	<u>50,000</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2000 (CONT)

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit/(loss) for the financial year	13,242	(6,876)
Opening shareholders' funds	104,358	50,000
Closing shareholders' funds	<u>117,602</u>	<u>104,358</u>

15. 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 £36,341 (1999 - £22,573).

16. RELATED PARTIES

In 1999 creditors included £19,181 due from overseas entities in which a director Dr Z M Munk has a controlling interest. The loan was unsecured and refundable / repayable on demand.

17. PARENT UNDERTAKINGS

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