

Registered no. 3125708

PHARM-OLAM INTERNATIONAL (UK) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2001



**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 2001

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 151 HIGH STREET GUILDFORD SURREY GU1 3AH
SOLICITORS:	TEACHER STERN SELBY 37-41 BEDFORD ROW LONDON WC1R 4JH

PHARM-OLAM INTERNATIONAL (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2001

The directors present their report and the financial statements of the company for the year ended 31 October 2001.

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 last year's expectation of significant revenue growth and a stronger balance sheet has been achieved.

We anticipate a further year of rapid growth and financial consolidation based on a strong marketing campaign, bringing to the marketplace a greater awareness of Pharm-Olam International (UK) Limited and its strengths, and on further repeat business from existing customers.

Pharm-Olam International (UK) Limited has now conducted more than 70 clinical trials across a wide range of therapeutic areas. In the current year, the Company has expanded its operations by opening new offices in Germany, Hungary and Serbia. We are currently planning the opening of our own offices in 5 more European locations.

Pharm-Olam International (UK) Limited is committed to retaining its reputation for quality service data by its continued investment in training and quality control.

As of May 2002 Pharm-Olam International (UK) Limited has a workforce of 90 people with a strong order book.

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 2001 (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 £218,105 (2000 - £13,242).

The directors recommend that no dividend be paid.

Directors

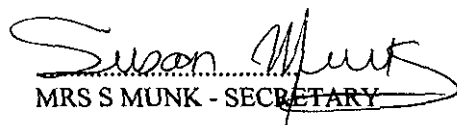
The present directors are as shown on page 1. All served on the board throughout the year.

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 MUNK - SECRETARY

Date:

June 9/02

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 16 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.

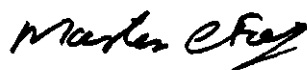
Basis of opinion

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 2001 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: 25/6/02

DUDLEY HOUSE
HIGH STREET
BRACKNELL
RG12 1LL

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2001

	Note	2001 £	2000 £
TURNOVER	2	3,287,651	1,988,383
Cost of sales		(1,269,245)	(828,951)
GROSS PROFIT		2,018,406	1,159,432
Distribution costs		(21,519)	(156,415)
Administrative costs		(1,734,050)	(1,029,729)
OPERATING PROFIT/(LOSS)	4	262,837	(26,712)
Other interest receivable and similar income		793	789
Interest payable and similar charges	6	(2,190)	(369)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		261,440	(26,292)
Tax on profit/(loss) on ordinary activities	7	(43,335)	39,534
RETAINED PROFIT FOR THE FINANCIAL YEAR		218,105	13,242
Retained profit brought forward		67,601	54,358
RETAINED PROFIT CARRIED FORWARD		285,706	67,600

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 2001

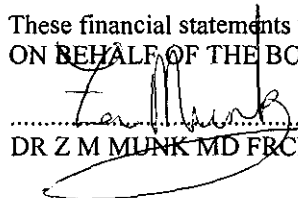
	2001 £	2000 £
Profit for the financial year	218,105	13,242
Total recognised gains and losses relating to the year	<u>218,105</u>	<u>13,242</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET AT 31 OCTOBER 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Intangible assets	8	131,781	164,725
Tangible assets	9	76,143	95,690
Investments	10	8,450	-
		<u>216,374</u>	<u>260,415</u>
CURRENT ASSETS			
Stocks	11	4,991	83,302
Debtors	12	790,744	295,283
Cash at bank and in hand		400,180	9,518
		<u>1,195,915</u>	<u>388,103</u>
CREDITORS			
Amounts falling due within one year	13	<u>(1,072,883)</u>	<u>(529,423)</u>
NET CURRENT ASSETS/(LIABILITIES)		123,032	(141,320)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>339,406</u>	<u>119,095</u>
CREDITORS			
Amounts falling due after more than one year	14	-	(1,495)
PROVISIONS FOR LIABILITIES AND CHARGES			
	15	(3,700)	-
NET ASSETS		<u>335,706</u>	<u>117,600</u>
CAPITAL AND RESERVES			
Called up share capital	16	50,000	50,000
Profit and loss account		285,706	67,600
SHAREHOLDERS' FUNDS		<u>335,706</u>	<u>117,600</u>

These financial statements were approved by the board on 9/16/02
ON BEHALF OF THE BOARD


DR Z M MUNK MD FRCP - DIRECTOR

The annexed notes form part of these financial statements.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001

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 2001 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 2001 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 2001 (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:

	2001 £	2000 £
Turnover United Kingdom	1,342,478	981,384
Turnover outside United Kingdom	1,945,173	1,006,999
Turnover - total by geographical area	<u>3,287,651</u>	<u>1,988,383</u>

3. NET OPERATING EXPENSES

	2001 £	2000 £
Distribution costs	21,519	156,415
Administrative expenses	1,734,050	1,029,729
	<u>1,755,569</u>	<u>1,186,144</u>

4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2001 £	2000 £
Directors' emoluments	-	126,426
Directors' pension contributions in respect of money purchase benefits	-	6,071
Total directors' emoluments	<u>-</u>	<u>132,497</u>
Hire of office equipment	2,460	4,152
Hire of other assets - operating leases	90,036	102,055
Depreciation and amortisation of owned assets	82,326	41,754
Auditors' remuneration	3,452	4,642
Foreign currency exchange gain	3,926	4
Profit on sale of fixed assets	(5,848)	-
	<u></u>	<u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

5. STAFF COSTS

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

	2001 Number	2000 Number
Management and administration	2	2
Production	12	14
Sales	4	6
	<u>18</u>	<u>22</u>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	938,179	685,015
Social security	98,750	68,084
Other pension costs	28,222	36,341
	<u>1,065,151</u>	<u>789,440</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans and overdrafts	1,070	-
Other loans	120	-
Finance charges payable - finance leases and hire purchase	1,000	369
	<u>2,190</u>	<u>369</u>

7. TAXATION ON ORDINARY ACTIVITIES

	2001 £	2000 £
Current year		
Corporation tax at 20% (2000 20%)	39,635	(39,534)
Deferred tax at 20%	3,700	-
	<u>43,335</u>	<u>(39,534)</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

8. INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 November 2000	164,725
Additions	-
Revaluations	-
Intra-group transfers	-
Disposals	-
At 31 October 2001	<u>164,725</u>
Amortisation	
At 1 November 2000	-
Charge for the year	32,944
Revaluations	-
Intra-group transfers	-
Eliminated on disposals	-
At 31 October 2001	<u>32,944</u>
Net book value	
At 31 October 2001	<u><u>131,781</u></u>
<i>At 31 October 2000</i>	<u><u>164,725</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 2001 (CONT)

9. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 November 2000	93,301	107,207	26,577	227,085
Additions	41,602	21,937	-	63,539
Disposals	(25,578)	(11,437)	(26,577)	(63,592)
At 31 October 2001	<u>109,325</u>	<u>117,707</u>	<u>-</u>	<u>227,032</u>
Depreciation				
At 1 November 2000	70,041	49,197	12,152	131,390
Charge for the year	22,001	20,730	6,650	49,381
Elimination on disposals	(6,023)	(5,057)	(18,802)	(29,882)
At 31 October 2001	<u>86,019</u>	<u>64,870</u>	<u>-</u>	<u>150,889</u>
Net book value				
At 31 October 2001	<u>23,306</u>	<u>52,837</u>	<u>-</u>	<u>76,143</u>
At 31 October 2000	<u>23,260</u>	<u>58,011</u>	<u>14,419</u>	<u>95,690</u>

Included in the total net book value of tangible fixed assets held at 31 October 2001 was £5,267 (2000 - £7,023) in respect of assets held under finance leases and hire purchase contracts.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

10. INVESTMENTS

Shares in group undertakings

	2001 £
Cost	
At 1 November 2000	-
Additions	8,450
Revaluations	-
Disposals	-
Intra-group transfers	-
At 31 October 2001	<u>8,450</u>
Provision	
At 1 November 2000	-
During the year	-
At 31 October 2001	<u>-</u>
Net cost or valuation	<u><u>8,450</u></u>

The company owns more than 20% of the issued share capital of the following company:

Name	Nature of business	Country of registration	Shares held, class/percentage
Pharm-Olam International (Polska) Spz.o.o.	Clinical monitoring	Poland	100%

11. STOCKS AND WORK IN PROGRESS

	2001 £	2000 £
Work in progress	<u>4,991</u>	<u>83,302</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

12. DEBTORS

Receivable within one year:

	2001 £	2000 £
Trade debtors	559,400	234,751
Amounts owed by group undertakings	53,387	-
Loan account (note 19)	120,838	-
Other debtors	16,186	6,611
Prepayments and accrued income	40,933	14,387
Corporation tax recoverable	-	39,534
	<u>790,744</u>	<u>295,283</u>

13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	-	51,935
Obligations under finance leases and hire purchase contracts	1,493	4,741
Trade creditors	149,809	185,728
Social security and other taxes	90,097	82,125
Corporation tax payable	101	-
Accruals and deferred income	828,309	191,336
Pension contributions	3,074	13,558
	<u>1,072,883</u>	<u>529,423</u>

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

14. CREDITORS - AMOUNTS DUE AFTER ONE YEAR

	2001 £	2000 £
Obligations under finance leases and hire purchase contracts	-	1,495
	<u>-</u>	<u>1,495</u>
Obligations under finance leases and hire purchase contracts		
	2001 £	2000 £
Amounts payable:		
Within two to five years	-	1,495
After five years	-	-
	<u>-</u>	<u>1,495</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
Balance at 1 November 2000	-
Utilised during the year	-
Provided for the year	3,700
Adjustment to advance corporation tax	-
Other movements	-
Balance at 31 October 2001	<u>3,700</u>

16. SHARE CAPITAL

	2001 £	2000 £
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>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	218,105	13,242
Opening shareholders' funds	<u>117,600</u>	<u>50,000</u>
Closing shareholders' funds	<u>335,706</u>	<u>117,600</u>

18. 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 £28,222 (2000 - £36,341).

19. RELATED PARTIES

In 2001 debtors included £120,838 due from overseas entities in which a director Dr Z M Munk has a controlling interest. The loan is unsecured and refundable / repayable on demand.

20. PARENT UNDERTAKINGS

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

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 OCTOBER 2001 (CONT)

21. SUBSIDIARY COMPANIES

The accounts do not include the figures of Pharm-Olam International (Polska) S p z.o.o., a wholly owned subsidiary company, as the directors consider that the net effect to the accounts would be immaterial.