

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2003
FOR
PHARM-OLAM INTERNATIONAL (UK) LIMITED



PHARM-OLAM INTERNATIONAL (UK) LIMITED

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for the year ended 31 December 2003

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PHARM-OLAM INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2003

DIRECTORS: Dr Z.M. Munk
Mrs S. Munk

SECRETARY: Mrs S. Munk

REGISTERED OFFICE: The Brackens
London Road
Ascot
Berkshire
SL5 8BG

REGISTERED NUMBER: 3125708 (England and Wales)

AUDITORS: Langley & Partners
Langley House
Park Road
London
N2 8EX

PHARM-OLAM INTERNATIONAL (UK) LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2003

The directors present their report with the financial statements of the company for the year ended 31 December 2003.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of management and consulting of clinical research trials.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

The directors are satisfied with the increase in turnover of the group and are satisfied that the company and subsidiaries will maintain and improve this level of performance for the foreseeable future.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2003.

FUTURE DEVELOPMENTS

The director anticipates that the company will maintain its level of performance for the foreseeable future.

DIRECTORS

The directors during the year under review were:

Dr Z.M. Munk
Mrs S. Munk

The directors holding office at 31 December 2003 did not hold any beneficial interest in the issued share capital of the company at 1 January 2003 or 31 December 2003.

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 or loss of the company for that period. In preparing those financial statements, the directors are required to

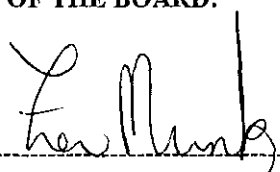
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The auditors, Langley & Partners, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Dr Z.M. Munk - Director

23 December 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF
PHARM-OLAM INTERNATIONAL (UK) LIMITED

We have audited the financial statements of Pharm-olam International (UK) Limited for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

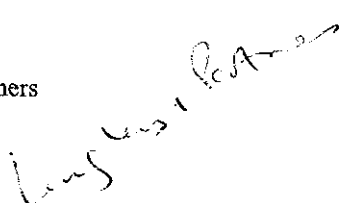
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Langley & Partners
Langley House
Park Road
London
N2 8EX



23 December 2004

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2003

		<u>Year Ended</u> <u>31.12.03</u>		<u>Period</u> <u>1.11.01 to 31.12.02</u>	
	Notes	£	£	£	£
TURNOVER	2		7,783,373		7,406,706
Cost of sales			<u>5,565,410</u>		<u>3,621,927</u>
GROSS PROFIT			2,217,963		3,784,779
Distribution costs		85,671		76,689	
Administrative expenses		<u>2,714,677</u>		<u>2,528,096</u>	
			<u>2,800,348</u>		<u>2,604,785</u>
			(582,385)		1,179,994
Other operating income			-		<u>42,249</u>
OPERATING (LOSS)/PROFIT	4		(582,385)		1,222,243
Interest receivable and similar income			<u>2,036</u>		<u>2,033</u>
			(580,349)		1,224,276
Interest payable and similar charges	5		<u>7,345</u>		<u>1,116</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			(587,694)		1,223,160
Tax on (loss)/profit on ordinary activities	6		<u>(122,280)</u>		<u>147,481</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			(465,414)		1,075,679
Retained profit/(deficit) brought forward:					
As previously reported		592,395		(86,106)	
Prior year adjustments		-		<u>(397,178)</u>	
As restated			<u>592,395</u>		<u>(483,284)</u>
RETAINED PROFIT CARRIED FORWARD			<u>£126,981</u>		<u>£592,395</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous period.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2003

	Year Ended 31.12.03	Period 1.11.01 to 31.12.02
	£	£
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	(465,414)	1,075,679
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	<u>£(465,414)</u>	1,075,679
Prior year adjustment		<u>(397,178)</u>
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		<u>£678,501</u>

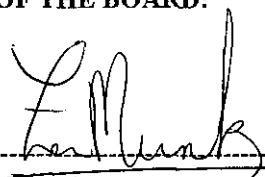
PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET

31 December 2003

		<u>31.12.03</u>		<u>31.12.02</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		130,351		81,838
Investments	8		<u>23,925</u>		<u>23,925</u>
			154,276		105,763
CURRENT ASSETS:					
Stocks	9	34,021		-	
Debtors	10	2,171,977		1,356,001	
Cash at bank and in hand		<u>807,883</u>		<u>613,092</u>	
		3,013,881		1,969,093	
CREDITORS: Amounts falling due within one year	11	<u>2,983,594</u>		<u>1,425,490</u>	
NET CURRENT ASSETS:			<u>30,287</u>		<u>543,603</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			184,563		649,366
PROVISIONS FOR LIABILITIES AND CHARGES:	13		<u>7,582</u>		<u>6,971</u>
			<u>£176,981</u>		<u>£642,395</u>
CAPITAL AND RESERVES:					
Called up share capital	14		50,000		50,000
Profit and loss account			<u>126,981</u>		<u>592,395</u>
SHAREHOLDERS' FUNDS:	19		<u>£176,981</u>		<u>£642,395</u>

ON BEHALF OF THE BOARD:



 Dr Z.M. Munk - Director

Approved by the Board on 23 December 2004

PHARM-OLAM INTERNATIONAL (UK) LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2003

		<u>Year Ended</u> <u>31.12.03</u>		<u>Period</u> <u>1.11.01 to 31.12.02</u>	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		212,158		298,648
Returns on investments and servicing of finance	2		(5,309)		917
Taxation			77,815		(101)
Capital expenditure and financial investment	2		<u>(89,873)</u>		<u>(85,058)</u>
			194,791		214,406
Financing	2		<u>-</u>		<u>(1,493)</u>
Increase in cash in the period			<u>£194,791</u>		<u>£212,913</u>
Reconciliation of net cash flow to movement in net funds	3				
Increase in cash in the period		194,791		212,913	
Cash outflow from decrease in debt and lease financing		<u>-</u>		<u>1,493</u>	
Change in net funds resulting from cash flows			<u>194,791</u>		<u>214,406</u>
Movement in net funds in the period			194,791		214,406
Net funds at 1 January			<u>613,092</u>		<u>398,686</u>
Net funds at 31 December			<u>£807,883</u>		<u>£613,092</u>

The notes form part of these financial statements

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 2003

1. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Operating (loss)/profit	(582,385)	1,222,243
Depreciation charges	41,859	63,888
Profit on sale of fixed assets	(500)	-
Increase in stocks	(34,021)	-
Increase in debtors	(815,975)	(665,887)
Increase/(Decrease) in creditors	<u>1,603,180</u>	<u>(321,596)</u>
Net cash inflow from operating activities	<u><u>212,158</u></u>	<u><u>298,648</u></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Returns on investments and servicing of finance		
Interest received	2,036	2,033
Interest paid	(7,345)	(726)
Interest element of hire purchase or finance lease rentals payments	<u>-</u>	<u>(390)</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u><u>(5,309)</u></u>	<u><u>917</u></u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(90,373)	(69,583)
Cash payments - investment purchase	-	(15,475)
Sale of tangible fixed assets	<u>500</u>	<u>-</u>
Net cash outflow for capital expenditure and financial investment	<u><u>(89,873)</u></u>	<u><u>(85,058)</u></u>
Financing		
Hire purchase repayments	<u>-</u>	<u>(1,493)</u>
Net cash outflow from financing	<u><u>-</u></u>	<u><u>(1,493)</u></u>

The notes form part of these financial statements

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 2003

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.03 £	Cash flow £	At 31.12.03 £
Net cash:			
Cash at bank and in hand	<u>613,092</u>	<u>194,791</u>	<u>807,883</u>
	<u>613,092</u>	<u>194,791</u>	<u>807,883</u>
 Total	 <u>613,092</u>	 <u>194,791</u>	 <u>807,883</u>
 Analysed in Balance Sheet			
Cash at bank and in hand	<u>613,092</u>		<u>807,883</u>
	<u>613,092</u>		<u>807,883</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 33% on cost
Fixtures and fittings	- 25% on cost

Stocks

Work in progress is valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Comparative amounts

These financial statements include adjustments made to the comparative amounts where necessary in order to make the current and previous period figures comparable.

Long term contracts

Profit on long term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is recognised based upon the appropriate stage of completion of contracts.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

2. TURNOVER

The turnover and loss (2002 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Sales - United Kingdom	924,524	2,378,343
Sales - Rest of the world	<u>6,858,849</u>	<u>5,028,363</u>
	<u>7,783,373</u>	<u>7,406,706</u>

3. STAFF COSTS

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Wages and salaries	1,763,940	1,717,310
Social security costs	97,273	112,656
Other pension costs	<u>40,720</u>	<u>169,362</u>
	<u>1,901,933</u>	<u>1,999,328</u>

The average monthly number of employees during the year was as follows:

	Year Ended 31.12.03	Period 1.11.01 to 31.12.02
Clinical	17	17
Business Developments	6	6
Administration	6	2
Quality assurance	<u>2</u>	<u>2</u>
	<u>31</u>	<u>27</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

4. OPERATING (LOSS)/PROFIT

The operating loss (2002 - operating profit) is stated after charging/(crediting):

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Hire of plant and machinery	3,916	2,232
Depreciation - owned assets	41,859	63,888
Profit on disposal of fixed assets	(500)	-
Auditors' remuneration	<u>20,832</u>	<u>21,050</u>
Directors' emoluments	<u>-</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Bank interest	5,696	590
Bank loan interest	1,649	136
Hire purchase interest	<u>-</u>	<u>390</u>
	<u>7,345</u>	<u>1,116</u>

6. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss on ordinary activities for the year was as follows:

	Year Ended 31.12.03 £	Period 1.11.01 to 31.12.02 £
Current tax:		
UK corporation tax	-	142,970
Over/under provision for tax	(122,891)	-
Interest on corporation tax	<u>-</u>	<u>1,240</u>
Total current tax	(122,891)	144,210
Deferred tax:		
Origination and reversal of timing differences	<u>611</u>	<u>3,271</u>
Tax on (loss)/profit on ordinary activities	<u>(122,280)</u>	<u>147,481</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

7. TANGIBLE FIXED ASSETS

	Improvements to property	Plant and machinery	Fixtures and fittings	Totals
	£	£	£	£
COST:				
At 1 January 2003	-	151,967	144,648	296,615
Additions	27,458	48,920	13,995	90,373
Disposals	-	(5,536)	-	(5,536)
At 31 December 2003	<u>27,458</u>	<u>195,351</u>	<u>158,643</u>	<u>381,452</u>
DEPRECIATION:				
At 1 January 2003	-	105,321	109,457	214,778
Charge for year	4,576	24,736	12,547	41,859
Eliminated on disposals	-	(5,536)	-	(5,536)
At 31 December 2003	<u>4,576</u>	<u>124,521</u>	<u>122,004</u>	<u>251,101</u>
NET BOOK VALUE:				
At 31 December 2003	<u>22,882</u>	<u>70,830</u>	<u>36,639</u>	<u>130,351</u>
At 31 December 2002	<u>-</u>	<u>46,646</u>	<u>35,192</u>	<u>81,838</u>

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2003	
and 31 December 2003	<u>23,925</u>
NET BOOK VALUE:	
At 31 December 2003	<u>23,925</u>
At 31 December 2002	<u>23,925</u>
	31.12.03
	£
Unlisted investments	<u>23,925</u>
	31.12.02
	£
	<u>23,925</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

8. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

Pharm-Olam (Polska) Sp.zo.o.

Country of incorporation: Poland

Nature of business: Clinical trials of new drugs

	%
Class of shares:	holding
Ordinary	99.00

	31.12.03	31.12.02
	£	£
Aggregate capital and reserves	34,410	27,054
Profit for the year/period	<u>9,387</u>	<u>24,448</u>

Pharm-Olam International Deutschland GmbH

Country of incorporation: Germany

Nature of business: Clinical research

	%
Class of shares:	holding
Ordinary	100.00

	31.12.03	31.12.02
	£	£
Aggregate capital and reserves	51,049	25,998
Profit for the year/period	<u>22,795</u>	<u>11,850</u>

9. STOCKS

	31.12.03	31.12.02
	£	£
Work in progress	<u>34,021</u>	<u>-</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.03	31.12.02
	£	£
Trade debtors	1,255,993	543,365
Other debtors	63,164	85,568
Prepayments	23,258	38,435
Amount receivable on contracts	560,637	568,042
Amount owed by group company	66,638	66,684
Amount owed by connected company	74,371	53,806
Corporation tax	<u>127,916</u>	<u>101</u>
	<u>2,171,977</u>	<u>1,356,001</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.03	31.12.02
	£	£
Trade creditors	502,940	188,159
Amount owed to group company	78,007	34,036
Payment on account	52,402	40,732
Amount owed to connected company	1,363,982	507,738
Deferred income	-	90,038
V.A.T.	4,193	10,836
Social security and other taxes	37,196	75,813
Pensions contribution	10,674	57,888
Taxation	-	144,210
Taxation re previous years	99,134	-
Accrued expenses	<u>835,066</u>	<u>276,040</u>
	<u>2,983,594</u>	<u>1,425,490</u>

12. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	Operating leases	31.12.02
	31.12.03	£
	£	
Expiring:		
Within one year	85,560	77,220
Between one and five years	<u>24,705</u>	<u>30,680</u>
	<u>110,265</u>	<u>107,900</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

	31.12.03	31.12.02
	£	£
Deferred tax	<u>7,582</u>	<u>6,971</u>
	Deferred tax	
	£	
Balance at 1 January 2003	6,971	
Profit and loss account charge for the year	<u>611</u>	
Balance at 31 December 2003	<u>7,582</u>	

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

13. PROVISIONS FOR LIABILITIES AND CHARGES - continued

Deferred tax provision		31.12.03	31.12.02
		£	£
Accelerated capital allowances		<u>7,582</u>	<u>6,971</u>
		<u>7,582</u>	<u>6,971</u>

14. CALLED UP SHARE CAPITAL

Authorised:					
Number:	Class:	Nominal	31.12.03	31.12.02	
		value:	£	£	
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>	
Allotted, issued and fully paid:					
Number:	Class:	Nominal	31.12.03	31.12.02	
		value:	£	£	
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>	

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for the benefit of its employees. The costs of the scheme are recognised in the year in which contributions are payable and total £40,720 (2002: £169,362) for the period under review. An amount of £10,674 remained outstanding as at the balance sheet date and this is included in creditors falling due within one year.

16. ULTIMATE PARENT COMPANY

Pharm-Olam International (UK) Limited is a wholly owed subsidiary of Pharm-Olam Group Limited, a company registered in England and Wales. Pharm-Olam Group Limited is a wholly owned subsidiary of Shomer XV Limited, a partnership in the United States of America. Shomer XV Limited is under the control of Dr Z.M. Munk.

17. CONTINGENT LIABILITIES

The company is currently in negotiation with the Inland Revenue in order to agree a fair market value in relation to services rendered by Pharm-Olam International Limited, a US entity owned wholly by the company's director, Dr Z.M. Munk.

The director maintains that the current charges rendered do not adequately reflect sums due to Pharm-Olam International (UK) Limited in respect of work performed since inception and it is possible therefore that upon agreement with the Inland Revenue a further charge will be rendered in respect of prior years.

It is not considered likely, however, that such charge, if rendered, would make the company insolvent, neither would such charge be taken in preference to the company's other creditors.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

18. RELATED PARTY DISCLOSURES

Included in debtors falling due within one year is an amount of £66,638 (2002: £66,684) owed by group companies. At the balance sheet date an amount of £49,546 (2002: £42,919) was owed by Pharm-Olam (Polska) Sp. z o.o., a subsidiary company incorporated in Poland. This balance arose as a result of financing transactions in the year amounting to £6,627. During the year under review the company was charged to the value of £925,553 (2002: £648,754) by Pharm-Olam (Polska) Sp. z o.o. in respect of various work and services rendered. During the year the company repaid a total of £925,553 in this respect.

Also included is a balance of £10,217 (2002: £7,895) owed by Pharm-Olam Group Limited, the parent company. This balance arose as a result of financing transactions in the year amounting to £2,322.

Also included is a balance of £6,875 (2002: £15,870) owed by Pharm-Olam (Hungary) Medical Research Limited Liability Company. During the year under review the company was charged £274,287 (2002: £46,999) in respect of monitoring and research services rendered, of which an amount of £265,292 was repaid. The companies are connected by virtue of having Pharm-Olam Group Limited as parent company.

Included in debtors falling due within one year is an amount of £74,371 (2002: £53,806) owed by connected undertakings. Of this, an amount of £44,368 (2002: £49,207) owed by Breco Research Limited, a partnership in the United States of America. This balance arose as a result of financing transactions in previous years. The movement during the year under review is due to foreign exchange movement in the year. The entities are connected by virtue of being under the control of Dr Z.M. Munk.

Also included is a balance of £4,599 (2002: £4,599) owed by Pharm-Olam (India) Limited Liability Company, a company incorporated in the United States of America. This balance arose as a result of financing transactions in previous years. The companies are connected by virtue of being under the control of Dr Z.M. Munk.

Also included is a balance of £25,404 owed by Pharm-Olam International (India) Private Limited, a company incorporated in India. During the year under review, the company entered into financing transactions amounting to £25,404. Also, the company was paid an amount of £32,899 in respect of monitoring and research services rendered. The companies are connected by virtue of being under the control of Dr Z.M. Munk.

During the period under review the company was charged amounts of £9,946 and £295,157 (2002: £3,376 and £132,974) for pass through costs and monitoring and research services rendered respectively by Pharm-Olam International Deutschland GmbH, a subsidiary company incorporated in Germany. Of this, an amount of £78,007 (2002: £34,036) was outstanding at the balance sheet date, and this is included in amounts owed to group companies in creditors falling due within one year.

Also included in creditors falling due within one year is an amount of £1,363,982 (2002: £507,738) owed to connected undertakings. An amount of £471,183 (2002: £121,550) was owed to MB Quest Inc., a company incorporated in the United States of America. This balance arose as a result of monitoring and research services rendered to Pharm-Olam International (UK) Limited during the year under review to the value of £468,843 (2002: £203,928). An amount of £119,210 has been paid in respect of previous year as at the balance sheet date. The companies are connected by virtue of being under the control of Dr Z.M. Munk.

Also included is an amount of £829,798 (2002: £386,188) owed to Pharm-Olam International Limited, a partnership in the United States of America. During the year under review the company was charged a total of £920,782 (2002: £792,179) as management charges of which an amount of £199,617 has been paid as at the balance sheet date. The companies also entered into financing transactions amounting to £45,054. The entities are connected by virtue of being under the control of Dr Z.M. Munk.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.03	31.12.02
	£	£
(Loss)/Profit for the financial year	<u>(465,414)</u>	<u>1,075,679</u>
Net (reduction)/addition to shareholders' funds	(465,414)	1,075,679
Opening shareholders' funds	<u>642,395</u>	<u>(433,284)</u>
Closing shareholders' funds	<u>176,981</u>	<u>642,395</u>
 Equity interests	 <u>176,981</u>	 <u>642,395</u>

20. COMPARATIVE AMOUNTS

The financial statements include adjustments made to the comparative amounts for the year ended 31 December 2002 as follows:

An amount of £22,655 has been transferred from wages in administrative expenses to recruitment expenses within the profit and loss account. This has been done in order to make the 31 December 2002 and 31 December 2003 amounts comparable following a reclassification of the expense.

An amount of £81,707 has been transferred from wages in administration expenses to wages in cost of sales in the profit and loss account. This has been done in order to make the 31 December 2002 and 31 December 2003 amounts comparable following a reclassification of the expense.

21. BASIS OF PREPARATION

These financial statements present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption under section 248 of the Companies Act 1985, and has not consolidated the results of its subsidiaries on the basis that it qualifies as a medium size group. Details of the company's active subsidiaries are given in the notes to these financial statements.