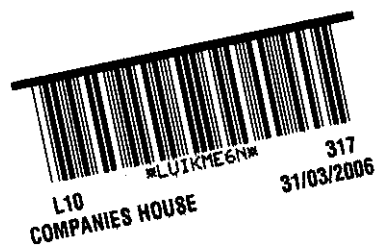


REGISTERED NUMBER: 3125708 (England and Wales)

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2004
FOR
PHARM-OLAM INTERNATIONAL (UK) LIMITED



PHARM-OLAM INTERNATIONAL (UK) LIMITED

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for the year ended 31 December 2004

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PHARM-OLAM INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2004

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 2004

The directors present their report with the financial statements of the company for the year ended 31 December 2004.

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 2004.

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 2004 did not hold any beneficial interest in the issued share capital of the company at 1 January 2004 or 31 December 2004.

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.

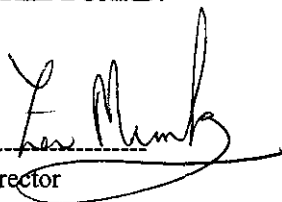
PHARM-OLAM INTERNATIONAL (UK) LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2004

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:

A handwritten signature in black ink, appearing to read 'Z.M. Munk', is written over a horizontal dashed line.

Dr Z.M. Munk - Director

16 March 2006

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 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement 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.

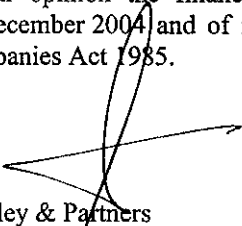
Going concern

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of their preparation. The financial statements have been prepared on a going concern basis, the applicability of which is dependent upon the support of the company's creditors. This basis may not be appropriate because at the balance sheet date the company's liabilities exceeded its assets by £123,584 and it reported a loss for the year of £300,565. The financial statements do not include any adjustments that would result from a failure to obtain a continuation of such support. Our opinion is not qualified in this respect.

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

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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Langley & Partners
Registered Auditors
Langley House
Park Road
London
N2 8EX

16 March 2006

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 2004

		<u>31.12.04</u>		<u>31.12.03</u>	
	Notes	£	£	£	£
TURNOVER	2		7,907,717		7,783,373
Cost of sales			<u>6,448,602</u>		<u>5,565,410</u>
GROSS PROFIT			1,459,115		2,217,963
Distribution costs		103,408		85,671	
Administrative expenses		<u>1,655,552</u>		<u>2,714,677</u>	
			<u>1,758,960</u>		<u>2,800,348</u>
OPERATING LOSS	4		(299,845)		(582,385)
Interest receivable and similar income			<u>5,877</u>		<u>2,036</u>
			(293,968)		(580,349)
Interest payable and similar charges	5		<u>655</u>		<u>7,345</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(294,623)		(587,694)
Tax on loss on ordinary activities	6		<u>5,942</u>		<u>(122,280)</u>
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION			<u>(300,565)</u>		<u>(465,414)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET

31 December 2004

		<u>31.12.04</u>		<u>31.12.03</u>	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		122,184		130,351
Investments	8		<u>28,085</u>		<u>23,925</u>
			150,269		154,276
CURRENT ASSETS:					
Stocks	9	25,000		34,021	
Debtors	10	1,605,548		2,171,977	
Cash at bank and in hand		<u>1,405,192</u>		<u>807,883</u>	
		3,035,740		3,013,881	
CREDITORS: Amounts falling due within one year	11	<u>3,309,593</u>		<u>2,983,594</u>	
NET CURRENT (LIABILITIES)/ASSETS:			<u>(273,853)</u>		<u>30,287</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			(123,584)		184,563
PROVISIONS FOR LIABILITIES AND CHARGES:	14		-		7,582
			<u>£(123,584)</u>		<u>£176,981</u>
CAPITAL AND RESERVES:					
Called up share capital	15		50,000		50,000
Profit and loss account	18		<u>(173,584)</u>		<u>126,981</u>
SHAREHOLDERS' FUNDS:	20		<u>£(123,584)</u>		<u>£176,981</u>

ON BEHALF OF THE BOARD:



 Dr Z.M. Munk - Director

Approved by the Board on 16 March 2006

PHARM-OLAM INTERNATIONAL (UK) LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2004

		<u>31.12.04</u>	<u>31.12.03</u>
	Notes	£	£
Net cash inflow from operating activities	1	761,397	212,158
Returns on investments and servicing of finance	2	5,222	(5,309)
Taxation		(112,658)	77,815
Capital expenditure	2	(52,492)	(89,873)
Acquisitions and disposals	2	(4,160)	-
Increase in cash in the period		<u>£597,309</u>	<u>£194,791</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>597,309</u>	<u>194,791</u>
Change in net funds resulting from cash flows		<u>597,309</u>	<u>194,791</u>
Movement in net funds in the period		597,309	194,791
Net funds at 1 January		<u>807,883</u>	<u>613,092</u>
Net funds at 31 December		<u>£1,405,192</u>	<u>£807,883</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 2004

1. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.12.04 £	31.12.03 £
Operating loss	(299,845)	(582,385)
Depreciation charges	60,659	41,859
Profit on sale of fixed assets	-	(500)
Decrease/(Increase) in stocks	9,021	(34,021)
Decrease/(Increase) in debtors	566,429	(815,975)
Increase in creditors	<u>425,133</u>	<u>1,603,180</u>
Net cash inflow from operating activities	<u><u>761,397</u></u>	<u><u>212,158</u></u>

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

	31.12.04 £	31.12.03 £
Returns on investments and servicing of finance		
Interest received	5,877	2,036
Interest paid	<u>(655)</u>	<u>(7,345)</u>
Net cash inflow/(outflow) for returns on investments and servicing of finance	<u><u>5,222</u></u>	<u><u>(5,309)</u></u>
Capital expenditure		
Purchase of tangible fixed assets	(52,492)	(90,373)
Sale of tangible fixed assets	<u>-</u>	<u>500</u>
Net cash outflow for capital expenditure	<u><u>(52,492)</u></u>	<u><u>(89,873)</u></u>
Acquisitions and disposals		
Purchase of investments in subsidiary	<u>(4,160)</u>	<u>-</u>
Net cash outflow for acquisitions and disposals	<u><u>(4,160)</u></u>	<u><u>-</u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the year ended 31 December 2004

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

	At 1.1.04 £	Cash flow £	At 31.12.04 £
Net cash:			
Cash at bank and in hand	<u>807,883</u>	<u>597,309</u>	<u>1,405,192</u>
	<u>807,883</u>	<u>597,309</u>	<u>1,405,192</u>
 Total	 <u>807,883</u>	 <u>597,309</u>	 <u>1,405,192</u>
 Analysed in Balance Sheet			
 Cash at bank and in hand	 <u>807,883</u>		 <u>1,405,192</u>
	<u>807,883</u>		<u>1,405,192</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared on a going concern basis, the applicability of which is dependent upon the continued support of the company's creditors.

Accounting convention

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

Turnover

Turnover represents net invoiced sales of services, 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.

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 2004

2. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.04	31.12.03
	£	£
Sales - United Kingdom	3,198,565	924,524
Sales - rest of the world	<u>4,709,152</u>	<u>6,858,849</u>
	<u><u>7,907,717</u></u>	<u><u>7,783,373</u></u>

3. STAFF COSTS

	31.12.04	31.12.03
	£	£
Wages and salaries	2,022,378	1,763,940
Social security costs	123,918	97,273
Other pension costs	<u>50,114</u>	<u>40,720</u>
	<u><u>2,196,410</u></u>	<u><u>1,901,933</u></u>

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

	31.12.04	31.12.03
Clinical	19	17
Business developments	7	6
Administration	7	6
Quality assurance	<u>4</u>	<u>2</u>
	<u><u>37</u></u>	<u><u>31</u></u>

4. OPERATING LOSS

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

	31.12.04	31.12.03
	£	£
Hire of plant and machinery	4,823	3,916
Depreciation - owned assets	60,659	41,859
Profit on disposal of fixed assets	-	(500)
Auditors' remuneration	<u>11,565</u>	<u>20,832</u>
Directors' emoluments	<u>-</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.04	31.12.03
	£	£
Bank interest	14	5,696
Bank loan interest	<u>641</u>	<u>1,649</u>
	<u><u>655</u></u>	<u><u>7,345</u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

6. TAXATION

Analysis of the tax charge/(credit)

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

	31.12.04	31.12.03
	£	£
Current tax:		
Over/under provision for tax	-	(122,891)
Interest on corporation tax	<u>13,524</u>	<u>-</u>
Total current tax	13,524	(122,891)
Deferred tax:		
Origination and reversal of timing differences	<u>(7,582)</u>	<u>611</u>
Tax on loss on ordinary activities	<u><u>5,942</u></u>	<u><u>(122,280)</u></u>

7. TANGIBLE FIXED ASSETS

	<u>Improvements to property</u>	<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Totals</u>
	£	£	£	£
COST:				
At 1 January 2004	27,458	195,351	158,643	381,452
Additions	<u>-</u>	<u>28,390</u>	<u>24,102</u>	<u>52,492</u>
At 31 December 2004	<u>27,458</u>	<u>223,741</u>	<u>182,745</u>	<u>433,944</u>
DEPRECIATION:				
At 1 January 2004	4,576	124,521	122,004	251,101
Charge for year	<u>4,585</u>	<u>38,013</u>	<u>18,061</u>	<u>60,659</u>
At 31 December 2004	<u>9,161</u>	<u>162,534</u>	<u>140,065</u>	<u>311,760</u>
NET BOOK VALUE:				
At 31 December 2004	<u><u>18,297</u></u>	<u><u>61,207</u></u>	<u><u>42,680</u></u>	<u><u>122,184</u></u>
At 31 December 2003	<u><u>22,882</u></u>	<u><u>70,830</u></u>	<u><u>36,639</u></u>	<u><u>130,351</u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 2004	23,925
Additions	<u>4,160</u>
At 31 December 2004	<u>28,085</u>
NET BOOK VALUE:	
At 31 December 2004	<u>28,085</u>
At 31 December 2003	<u>23,925</u>
	31.12.04 31.12.03
	£ £
Unlisted investments	<u>28,085</u> <u>23,925</u>

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

	31.12.04	31.12.03
	£	£
Aggregate capital and reserves	87,760	34,410
Profit for the year	<u>47,206</u>	<u>32,993</u>

Pharm-Olam International Deutschland GmbH

Country of incorporation: Germany

Nature of business: Clinical research

	%
Class of shares:	holding
Ordinary	100.00

	31.12.04	31.12.03
	£	£
Aggregate capital and reserves	38,153	51,049
(Loss)/Profit for the year	<u>(13,055)</u>	<u>22,795</u>

Pharm-Olam International (Belgium) Private Limited Liability Company

Country of incorporation: Belgium

Nature of business: Clinical trials of new drugs

	%
Class of shares:	holding
Ordinary	99.90

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2004

9. STOCKS

	31.12.04	31.12.03
	£	£
Work in progress	<u>25,000</u>	<u>34,021</u>

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.12.04	31.12.03
	£	£
Trade debtors	815,864	1,255,993
Other debtors	113,076	63,164
Prepayments	25,596	23,258
Amount receivable on contracts	299,786	560,637
Amount owed by group companies	179,714	66,638
Amount owed by connected companies	43,496	74,371
Corporation tax	<u>128,016</u>	<u>127,916</u>
	<u>1,605,548</u>	<u>2,171,977</u>

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

	31.12.04	31.12.03
	£	£
Trade creditors	311,562	502,940
Amount owed to group company	63,562	78,007
Payment on account	93,048	52,402
Amount owed to connected companies	1,098,457	1,363,982
Deferred income	1,061,601	-
V.A.T.	156,042	4,193
Social security and other taxes	50,217	37,196
Pensions contribution	14,478	10,674
Taxation re previous years	-	99,134
Accrued expenses	<u>460,626</u>	<u>835,066</u>
	<u>3,309,593</u>	<u>2,983,594</u>

12. OPERATING LEASE COMMITMENTS

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

	Operating leases	
	31.12.04	31.12.03
	£	£
Expiring:		
Within one year	150,864	85,560
Between one and five years	<u>32,265</u>	<u>24,705</u>
	<u>183,129</u>	<u>110,265</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

13. SECURED DEBTS

The company bankers hold an unscheduled mortgage debenture incorporating a fixed and floating charge over all the current and future assets of the company.

14. PROVISIONS FOR LIABILITIES AND CHARGES

	31.12.04	31.12.03
	£	£
Deferred tax	<u>-</u>	<u>7,582</u>

	Deferred tax
	£
Balance at 1 January 2004	7,582
Profit and loss account credit for the year	<u>(7,582)</u>
Balance at 31 December 2004	<u>-</u>

Deferred tax provision	31.12.04	31.12.03
	£	£
Accelerated capital allowances	<u>-</u>	<u>7,582</u>
	<u>-</u>	<u>7,582</u>

15. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal	31.12.04	31.12.03
		value:	£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal	31.12.04	31.12.03
		value:	£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

16. 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 £50,114 (2003: £40,720) for the period under review. An amount of £14,478 remained outstanding as at the balance sheet date and this is included in creditors falling due within one year.

17. 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.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

18. RESERVES

	Profit & Loss account
	£
At 1 January 2004	126,981
Loss for the year	<u>(300,565)</u>
At 31 December 2004	<u>(173,584)</u>

19. RELATED PARTY DISCLOSURES

Included in debtors falling due within one year is an amount of £179,714 (2003: £66,638) owed by group companies. Included is a balance of £18,468 (2003: £10,217) owed by Pharm-Olam Group Limited, the parent company. This balance arose as a result of financing transactions in the year amounting to £8,251.

Also included is a balance of £116,421 (2003: £6,875) owed by Pharm-Olam (Hungary) Medical Research Limited Liability Company, a company incorporated in Hungary. During the year under review the company was charged an amount of £211,060 (2003: £274,287) in respect of monitoring and research services rendered and this amount has been fully paid. The companies also entered into financing transactions to the value of £109,546 during the year under review.

An additional amount of £44,825 is owed by Pharm-Olam International (Belgium) Private Limited Liability Company. During the year the company was charged an amount of £18,317 in respect of monitoring and research services rendered and this amount has been fully paid. The companies also entered into financing transactions to the value of £44,825 during the year under review.

The above companies are connected by virtue of being subsidiaries of the company.

Included in debtors falling due within one year is an amount of £43,496 (2003: £74,371) owed by connected undertakings. Included is a balance of £4,599 (2003: £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.

Also included is a balance of £38,897 (2003: £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 £13,493. Also, the company was charged an amount of £130,078 in respect of monitoring and research services rendered.

The above companies are connected by virtue of being under the control of Dr Z.M. Munk.

Included in creditors falling due within one year is an amount of £63,562 (2003: £78,007) owed to group companies. At the balance sheet date an amount of £19,607 (2003: £49,546 debtor) was owed to Pharm-Olam (Polska) Sp.zo.o., a subsidiary company incorporated in Poland. During the year under review the company was charged to the value of £1,311,463 (2003: £925,553) by Pharm-Olam (Polska) Sp.zo.o. in respect of various work and services rendered. During the year the company repaid a total of £1,242,310 in this respect.

Also included in creditors falling due within in one year is an amount of £43,955 (2003: £78,007) owed to Pharm-Olam International Deutschland GmbH, a subsidiary company incorporated in Germany. During the year, the company was charged an amount of £227,318 in respect of various work and services rendered.

The above companies are connected by virtue of having Pharm-Olam Group Limited as parent company.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2004

19. RELATED PARTY DISCLOSURES continued

Also included in creditors falling due within one year is an amount of £739,311 (2003: £1,363,982) owed to connected undertakings. An amount of £622,010 (2003: £471,183) 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 £622,010 (2003: £468,843). In addition, an amount of £359,147 is included within trade creditors in the balance sheet. The companies are connected by virtue of being under the control of Dr Z.M. Munk.

Also included is an amount of £117,301 (2003: £829,798) owed to Pharm-Olam International Limited, a partnership in the United States of America. During the year under review no management fees were charged by Pharm-Olam International Limited in respect of management fees (2004: £920,782). The entities are connected by virtue of being under the control of Dr Z.M. Munk.

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.04	31.12.03
	£	£
Loss for the financial year	<u>(300,565)</u>	<u>(465,414)</u>
Net reduction of shareholders' funds	(300,565)	(465,414)
Opening shareholders' funds	<u>176,981</u>	<u>642,395</u>
Closing shareholders' funds	<u>(123,584)</u>	<u>176,981</u>
 Equity interests	 <u>(123,584)</u>	 <u>176,981</u>

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.

The financial statements have been prepared on a going concern basis, the applicability of which is dependent upon the continued support of the company's creditors. At the balance sheet date the company's liabilities exceeded its assets by £123,584 and it reported a loss for the year of £300,565. In the opinion of the director the company has the support of its creditors for the foreseeable future, and it is therefore considered appropriate to adopt the going concern policy.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	<u>31.12.04</u>		<u>31.12.03</u>	
	£	£	£	£
Income:				
Sales	3,198,565		924,524	
Sales - rest of the world	<u>4,709,152</u>		<u>6,858,849</u>	
		7,907,717		7,783,373
Cost of sales:				
Pass through costs	1,176,097		593,063	
Investigators cost	1,305,665		1,917,309	
Monitoring and research fees	2,592,092		1,902,831	
Wages	<u>1,374,748</u>		<u>1,152,207</u>	
		<u>6,448,602</u>		<u>5,565,410</u>
GROSS PROFIT		1,459,115		2,217,963
Other income:				
Deposit account interest		<u>5,877</u>		<u>2,036</u>
		1,464,992		2,219,999
Expenditure:				
Commissions	64,775		31,698	
Advertising costs	25,297		47,754	
Entertaining	13,336		6,219	
Wages	647,630		611,733	
Social security	123,918		97,273	
Pensions	50,114		40,720	
Staff welfare	27,151		28,585	
Telephone	65,714		50,977	
Post and stationery	42,317		43,016	
Travelling	98,540		120,379	
Conference costs	17,647		22,942	
Training costs	48,444		39,558	
Hire of equipment	4,823		3,916	
Repairs and renewals	17,910		18,835	
Household and cleaning	3,013		1,050	
Recruitment fees	60,625		49,166	
Sundry expenses	14,429		14,482	
Auditors remuneration	11,565		20,832	
Accountancy	21,868		6,035	
Legal fees	23,908		23,768	
Courier charges	11,683		10,801	
Provision for bad debts	-		225,816	
Management charges	-		920,782	
Security expenses	3,072		4,309	
Computer costs	38,880		35,962	
Relocation expenses	8,466		8,288	
Foreign exchange loss	(25,782)		42,734	
Rent, lighting and heating	200,832		148,883	
Insurance	<u>42,533</u>		<u>55,851</u>	
		<u>1,662,708</u>		<u>2,732,364</u>
Carried forward		(197,716)		(512,365)

This page does not form part of the statutory financial statements

PHARM-OLAM INTERNATIONAL (UK) LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2004

	<u>31.12.04</u>		<u>31.12.03</u>	
	£	£	£	£
Brought forward		(197,716)		(512,365)
Finance costs:				
Bank interest	14		5,696	
Bank loan interest	641		1,649	
Bank charges	<u>35,555</u>		<u>26,625</u>	
		<u>36,210</u>		<u>33,970</u>
		(233,926)		(546,335)
Depreciation:				
Improvements to property	4,585		4,576	
Plant and machinery	38,013		24,736	
Fixtures and fittings	<u>18,099</u>		<u>12,547</u>	
		<u>60,697</u>		<u>41,859</u>
		(294,623)		(588,194)
Profit on disposal of fixed assets:				
Plant and machinery		-		<u>500</u>
NET LOSS		<u>£(294,623)</u>		<u>£(587,694)</u>