

REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2005
FOR
PHARM-OLAM INTERNATIONAL (UK) LIMITED

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PHARM-OLAM INTERNATIONAL (UK) LIMITED

CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2005

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	9

PHARM-OLAM INTERNATIONAL (UK) LIMITED

COMPANY INFORMATION
for the year ended 31 December 2005

DIRECTORS:	Dr Z.M. Munk S. Munk
SECRETARY:	S. Munk
REGISTERED OFFICE:	The Brackens London Road Ascot Berkshire SL5 8BG
REGISTERED NUMBER:	3125708 (England and Wales)
AUDITORS:	Langley Group LLP Registered Auditors Langley House Park Road London N2 8EX

PHARM-OLAM INTERNATIONAL (UK) LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2005

The directors present their report with the financial statements of the company for the year ended 31 December 2005.

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 2005.

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
S. Munk

The directors holding office at 31 December 2005 did not hold any beneficial interest in the issued share capital of the company at 1 January 2005 or 31 December 2005.

FINANCIAL INSTRUMENTS

Information on financial risks and other risks is set out below:

Treasury activities take place under procedures and policies monitored by the directors. They are designed to minimise the financial risks faced by the company which primarily arise from interest rate, credit and liquidity risks. It is not the policy of the company to enter into speculative transactions.

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and loans to the company. The purpose of these instruments is to raise funds for and finance the company's operations.

FINANCIAL INSTRUMENTS - RISK MANAGEMENT

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of bank balances liquidity risk has been managed through continual review of the funding status of the company and its exposure to liquidity risk. The company makes use of money market facilities where funds are available.

In respect of loans these comprise loans from related companies, which are interest free and payable on demand. The directors are aware of the company's required finance and have determined that these will only be repaid when finance is available.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

The company has no financial instruments to hedge foreign exchange exposure and does not enter into derivative transactions.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

REPORT OF THE DIRECTORS
for the year ended 31 December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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.

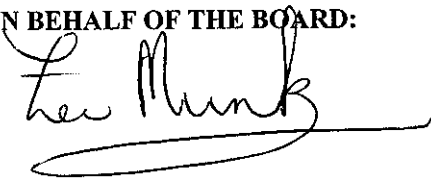
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Langley Group LLP, 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

21 December 2006

PHARM-OLAM INTERNATIONAL (UK) LIMITED

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 2005 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 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Langley Group LLP
Registered Auditors
Langley House
Park Road
London
N2 8EX

Langley Group LLP

21 December 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 2005

	Notes	31.12.05 £	£	31.12.04 £	£
TURNOVER	2		10,918,214		7,907,717
Cost of sales			<u>7,932,776</u>		<u>6,448,602</u>
GROSS PROFIT			2,985,438		1,459,115
Distribution costs		61,033		103,408	
Administrative expenses		<u>2,589,625</u>		<u>1,655,552</u>	
			<u>2,650,658</u>		<u>1,758,960</u>
OPERATING PROFIT/(LOSS)	4		334,780		(299,845)
Interest receivable and similar income			<u>6,948</u>		<u>5,877</u>
			341,728		(293,968)
Interest payable and similar charges	5		<u>5,235</u>		<u>655</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			336,493		(294,623)
Tax on profit/(loss) on ordinary activities	6		<u>(32,447)</u>		<u>5,942</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION			<u>368,940</u>		<u>(300,565)</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

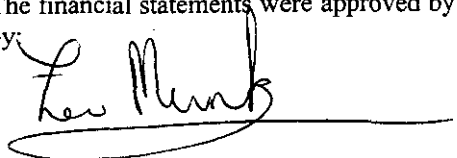
The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

BALANCE SHEET
31 December 2005

	Notes	31.12.05 £	31.12.04 £
FIXED ASSETS			
Tangible assets	7	110,768	122,184
Investments	8	<u>42,785</u>	<u>28,085</u>
		153,553	150,269
CURRENT ASSETS			
Debtors	9	1,910,999	1,630,548
Cash at bank and in hand		<u>1,473,039</u>	<u>1,405,192</u>
		3,384,038	3,035,740
CREDITORS			
Amounts falling due within one year	10	<u>3,292,235</u>	<u>3,309,593</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>91,803</u>	<u>(273,853)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>245,356</u>	<u>(123,584)</u>
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Profit and loss account	14	<u>195,356</u>	<u>(173,584)</u>
SHAREHOLDERS' FUNDS	18	<u>245,356</u>	<u>(123,584)</u>

The financial statements were approved by the Board of Directors on 21 December 2006 and were signed on its behalf by:



Dr Z.M. Munk - Director

PHARM-OLAM INTERNATIONAL (UK) LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 2005

	Notes	31.12.05 £	31.12.04 £
Net cash inflow from operating activities	1	118,162	761,397
Returns on investments and servicing of finance	2	1,713	5,222
Taxation		34,746	(112,658)
Capital expenditure and financial investment	2	<u>(86,774)</u>	<u>(56,652)</u>
Increase in cash in the period		<u>67,847</u>	<u>597,309</u>
Reconciliation of net cash flow to movement in net funds	3		
Increase in cash in the period		<u>67,847</u>	<u>597,309</u>
Change in net funds resulting from cash flows		<u>67,847</u>	<u>597,309</u>
Movement in net funds in the period		67,847	597,309
Net funds at 1 January		<u>1,405,192</u>	<u>807,883</u>
Net funds at 31 December		<u>1,473,039</u>	<u>1,405,192</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 2005

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

	31.12.05	31.12.04
	£	£
Operating profit/(loss)	334,780	(299,845)
Depreciation charges	83,533	60,659
Profit on disposal of fixed assets	(43)	-
Decrease in stocks	-	34,021
(Increase)/Decrease in debtors	(280,451)	541,429
(Decrease)/Increase in creditors	<u>(19,657)</u>	<u>425,133</u>
Net cash inflow from operating activities	<u>118,162</u>	<u>761,397</u>

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

	31.12.05	31.12.04
	£	£
Returns on investments and servicing of finance		
Interest received	6,948	5,877
Interest paid	<u>(5,235)</u>	<u>(655)</u>
Net cash inflow for returns on investments and servicing of finance	<u>1,713</u>	<u>5,222</u>
 Capital expenditure and financial investment		
Purchase of tangible fixed assets	(72,117)	(52,492)
Purchase of fixed asset investments	(14,700)	(4,160)
Sale of tangible fixed assets	<u>43</u>	<u>-</u>
Net cash outflow for capital expenditure and financial investment	<u>(86,774)</u>	<u>(56,652)</u>

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.05	Cash flow	At
	£	£	31.12.05
			£
Net cash:			
Cash at bank and in hand	<u>1,405,192</u>	<u>67,847</u>	<u>1,473,039</u>
	<u>1,405,192</u>	<u>67,847</u>	<u>1,473,039</u>
 Total	<u>1,405,192</u>	<u>67,847</u>	<u>1,473,039</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

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 on a straight line basis over the period of the lease.

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.

Change of accounting policy

The company policies for revenue recognition were changed during the year in order to comply with FRS 5 Application Note G and UITF40. Comparative figures in the financial statements for the prior year have been restated to reflect these new policies. A prior year adjustment has not been required as the restatement did not have any effect on the profit in the prior year. The company recognises contract revenue as the activity progresses to reflect the partial performance of contractual obligations.

2. TURNOVER

The turnover and profit (2004 - loss) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.05	31.12.04
	£	£
Sales - United Kingdom	3,856,134	3,198,565
Sales - Rest of the world	<u>7,062,080</u>	<u>4,709,152</u>
	<u>10,918,214</u>	<u>7,907,717</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3. STAFF COSTS

	31.12.05	31.12.04
	£	£
Wages and salaries	2,283,235	2,022,378
Social security costs	132,326	123,918
Other pension costs	<u>45,392</u>	<u>50,114</u>
	<u><u>2,460,953</u></u>	<u><u>2,196,410</u></u>

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

	31.12.05	31.12.04
Clinical	17	19
Business development	3	7
Administration	10	7
Quality assurance	<u>4</u>	<u>4</u>
	<u><u>34</u></u>	<u><u>37</u></u>

4. OPERATING PROFIT/(LOSS)

The operating profit (2004 - operating loss) is stated after charging/(crediting):

	31.12.05	31.12.04
	£	£
Hire of plant and machinery	5,473	4,823
Depreciation - owned assets	83,533	60,659
Profit on disposal of fixed assets	(43)	-
Auditors' remuneration	<u>21,000</u>	<u>11,565</u>
Directors' emoluments	<u>-</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.05	31.12.04
	£	£
Bank interest	5,235	14
Bank loan interest	<u>-</u>	<u>641</u>
	<u><u>5,235</u></u>	<u><u>655</u></u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION

Analysis of the tax (credit)/charge

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

	31.12.05 £	31.12.04 £
Current tax:		
UK corporation tax	2,299	-
Under/(Over) provision prior year	(34,746)	-
Interest on corporation tax	-	<u>13,524</u>
Total current tax	(32,447)	13,524
Deferred tax:		
Origination and reversal of timing differences	-	<u>(7,582)</u>
Tax on profit/(loss) on ordinary activities	<u>(32,447)</u>	<u>5,942</u>

7. TANGIBLE FIXED ASSETS

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1 January 2005	27,458	223,741	182,745	433,944
Additions	-	65,676	6,441	72,117
Disposals	-	<u>(800)</u>	-	<u>(800)</u>
At 31 December 2005	<u>27,458</u>	<u>288,617</u>	<u>189,186</u>	<u>505,261</u>
DEPRECIATION				
At 1 January 2005	9,161	162,534	140,065	311,760
Charge for year	4,576	53,462	25,495	83,533
Eliminated on disposal	-	<u>(800)</u>	-	<u>(800)</u>
At 31 December 2005	<u>13,737</u>	<u>215,196</u>	<u>165,560</u>	<u>394,493</u>
NET BOOK VALUE				
At 31 December 2005	<u>13,721</u>	<u>73,421</u>	<u>23,626</u>	<u>110,768</u>
At 31 December 2004	<u>18,297</u>	<u>61,207</u>	<u>42,680</u>	<u>122,184</u>

8. FIXED ASSET INVESTMENTS

	Unlisted investments £
COST	
At 1 January 2005	28,085
Additions	<u>14,700</u>
At 31 December 2005	<u>42,785</u>
NET BOOK VALUE	
At 31 December 2005	<u>42,785</u>
At 31 December 2004	<u>28,085</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. FIXED ASSET INVESTMENTS - continued

The company's investments at the balance sheet date in the share capital of 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	31.12.05	31.12.04
		£	£
Aggregate capital and reserves		69,859	87,760
(Loss)/Profit for the year		<u>(34,272)</u>	<u>47,206</u>

Pharm-Olam International Deutschland GmbH

Country of incorporation: Germany

Nature of business: Clinical research

	%		
Class of shares:	holding		
Ordinary	100.00	31.12.05	31.12.04
		£	£
Aggregate capital and reserves		778,514	38,153
Profit/(Loss) for the year		<u>36,324</u>	<u>(13,055)</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	31.12.05	
		£	
Aggregate capital and reserves		(41,119)	
Loss for the year		<u>(43,465)</u>	

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.05	31.12.04
	£	£
Trade debtors	1,119,548	815,864
Other debtors	246,318	113,076
Amount receivable on contracts	282,080	324,786
Amount owed by group companies	224,601	179,714
Amount owed by connected companies	29,196	43,496
Corporation tax	-	128,016
Prepayments	<u>9,256</u>	<u>25,596</u>
	<u>1,910,999</u>	<u>1,630,548</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.05	31.12.04
	£	£
Trade creditors	250,826	311,562
Tax	2,299	-
Social security and other taxes	103,867	50,217
VAT	160,131	156,042
Payment on account	-	93,048
Amount owed to group company	36,664	63,562
Amount owed to connected company	1,489,861	1,098,457
Deferred income	563,083	1,061,601
Pensions contribution	25,032	14,478
Accrued expenses	<u>660,472</u>	<u>460,626</u>
	<u><u>3,292,235</u></u>	<u><u>3,309,593</u></u>

11. OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other operating leases	
	31.12.05	31.12.04	31.12.05	31.12.04
	£	£	£	£
Expiring:				
Within one year	165,660	150,864	-	-
Between one and five years	<u>-</u>	<u>-</u>	<u>64,013</u>	<u>32,265</u>
	<u><u>165,660</u></u>	<u><u>150,864</u></u>	<u><u>64,013</u></u>	<u><u>32,265</u></u>

12. SECURED DEBTS

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

13. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.12.05	31.12.04
			£	£
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.05	31.12.04
			£	£
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. RESERVES

	Profit and loss account £
At 1 January 2005	(173,584)
Profit for the year	<u>368,940</u>
At 31 December 2005	<u>195,356</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 £45,392 (2004: £50,114) for the period under review. An amount of £25,032 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. RELATED PARTY DISCLOSURES

Included in debtors falling due within one year is an amount of £224,601 (2004: £179,714) owed by group companies. Included is a balance of £18,468 (2004: £18,468) owed by Pharm-Olam Group Limited, the parent company.

Also included is an amount of £26,798 (2004: £19,607 creditor) owed by 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 £1,523,057 (2004: £1,311,463) by Pharm-Olam (Polska) Sp.zo.o. in respect of various work and services rendered. During the year the company repaid a total of £1,567,178 in this respect.

Also included is a balance of £102,552 (2004: £116,421) 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 £260,618 (2003: £211,060) 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 £nil (2004: £109,546) during the year under review.

An additional amount of £51,281 (2004: £44,825) is owed by Pharm-Olam International (Belgium) Private Limited Liability Company. During the year the company was charged an amount of £256,824 (2004: £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 £12,422 during the year under review.

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

An amount of £25,503 is owed by Pharm-Olam International (Italy) S.R.L. During the year the company was charged an amount of £115,086 in respect of monitoring and research services rendered. During the year the company repaid a total of £132,194 in this respect.

PHARM-OLAM INTERNATIONAL (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY DISCLOSURES continued

Included in debtors falling due within one year is an amount of £29,196 (2004: £43,496) owed by connected undertakings. Included is a balance of £nil (2004: £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 £29,196 (2004: £38,897) 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 £nil (2004: £13,493). Also, the company was charged an amount of £527,382 (2004: £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 £36,664 (2004: £63,562) owed to group companies.

At the balance sheet date £36,664 (2004: £43,995) owed to Pharm-Olam International Deutschland GmbH, a subsidiary company incorporated in Germany. During the year, the company was charged an amount of £337,798 (2004: £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.

Included in creditors falling due within one year is an amount of £1,489,861 (2004: £1,098,457) owed to connected undertakings. An amount of £1,428,290 (2004: £622,010) 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 £1,428,290 (2004: £622,010). The companies are connected by virtue of being under the control of Dr Z.M. Munk.

Also included is an amount of £61,572 (2004: £117,301) owed to Pharm-Olam International Limited, a partnership in the United States of America. During the year under review management fees were charged by Pharm-Olam International Limited to the value of £686,091 (2004: £nil). The entities are connected by virtue of being under the control of Dr Z.M. Munk.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.05	31.12.04
	£	£
Profit/(Loss) for the financial year	<u>368,940</u>	<u>(300,565)</u>
Net addition/(reduction) to shareholders' funds	368,940	(300,565)
Opening shareholders' funds	<u>(123,584)</u>	<u>176,981</u>
Closing shareholders' funds	<u>245,356</u>	<u>(123,584)</u>
 Equity interests	 <u>245,356</u>	 <u>(123,584)</u>

19. SUBSIDIARIES NOT CONSOLIDATED

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.