

1008026

QUINTILES ENGLAND LIMITED

(formerly Toxicol Laboratories Limited)

REPORT and ACCOUNTS

31 December 1996



ERNST & YOUNG

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

DIRECTORS

D Gillings
L Reynders
M Wilson

SECRETARY

M Wilson

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

REGISTERED OFFICE

Quintiles England Limited
Bromyard Road
Ledbury
Herefordshire
HR8 1LH

REGISTERED IN ENGLAND

1008026

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1996.

RESULTS AND DIVIDENDS

The loss for the financial year after tax amounts to £787,161 (1995: loss of £799,383). The directors recommend that no dividend be paid.

REVIEW OF BUSINESS

The principal activity of the company continued to be that of contract research.

Turnover for the year increased to £5,269,165 (1995: £4,733,009) and expenditure has been contained. The company is in a good position to take advantage of an upturn in the market.

CHANGES IN FIXED ASSETS

The company has continued to modernise its existing facilities and is well placed to meet any upturn in demand. Details of the changes in tangible fixed assets are set out in note 10 to the accounts.

DIRECTORS' INTERESTS IN SHARES OF THE COMPANY

The directors who served throughout the year are listed on page 1. None of the directors has any beneficial or non-beneficial interests in the share capital of the company.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts comply with the Companies Act. 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

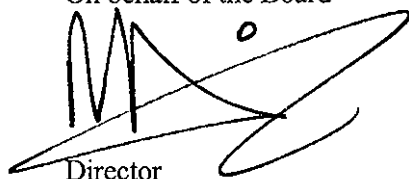
QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, consisting of a stylized 'M' followed by a large, sweeping flourish that extends to the right and loops back under the word 'Director'.

Director

REPORT OF THE AUDITORS

to the members of Quintiles England Limited

We have audited the accounts on pages 5 to 17 which have been prepared under the historical cost convention modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

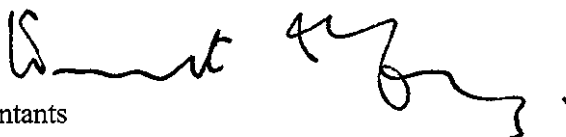
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled for the year ended 31 December 1996 to the exemption available under section 248 of the Companies Act 1985 from the requirement to prepare consolidated accounts.



Chartered Accountants
Registered Auditor
Reading

29.10.97

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1996

	<i>Note</i>	<i>1996</i> £	<i>1995</i> £
TURNOVER - continuing operations	2	5,269,165	4,733,009
Cost of sales		3,685,176	3,809,359
		<u>1,583,989</u>	<u>923,650</u>
Other operating expenses	3	2,074,006	2,048,837
OPERATING (LOSS) - continuing operations	4	(490,017)	(1,125,187)
Other income	7	30,000	75
Interest payable	8	335,648	290,520
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(795,665)</u>	<u>(1,415,632)</u>
Taxation	9	(8,504)	(616,249)
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(787,161)</u>	<u>(799,383)</u>
RETAINED (LOSS) FOR THE YEAR	17	<u>(787,161)</u>	<u>(799,383)</u>

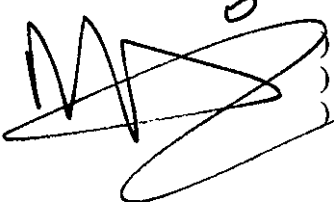
There have been no recognised gains and losses other than the result for the period.

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

BALANCE SHEET
at 31 December 1996

	Note	1996 £	1995 £
FIXED ASSETS			
Tangible fixed assets	10	6,457,629	6,710,295
Investments	11	1,000	1,000
		<u>6,458,629</u>	<u>6,711,295</u>
CURRENT ASSETS			
Stocks	12	950,148	193,695
Debtors	13	1,443,335	1,589,840
Cash at bank and in hand		700	533
		<u>2,394,183</u>	<u>1,784,068</u>
CREDITORS: amounts falling due within one year	14	8,548,726	7,404,116
NET CURRENT LIABILITIES		<u>(6,154,543)</u>	<u>(5,620,048)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>304,086</u>	<u>1,091,247</u>
Net assets		<u>304,086</u>	<u>1,091,247</u>
CAPITAL AND RESERVES			
Equity share capital	16	3,333	3,333
Share premium account		190,328	190,328
Revaluation reserve		569,378	569,378
Profit and loss account		(458,953)	328,208
Equity shareholders' funds	17	<u>304,086</u>	<u>1,091,247</u>

Approved by the board of directors on 24 Oct 97.

 Directors

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies is set out below.

Basis of Accounting

The financial statements have been prepared on the historical cost convention modified to include the revaluation of freehold land and buildings.

As permitted by section 248 of the Companies Act 1985, the accounts show the results of the company as a single entity, and do not incorporate the results of its subsidiary company.

The accounts have been prepared on a going concern basis as the company's parent undertaking has indicated its intention to continue to provide financial support to the company.

Cash flow statement

The company has not prepared a cash flow statement as it is included within the consolidated accounts of Quintiles Transnational Corporation.

Turnover

Turnover represents the amounts invoiced, excluding value added tax, in respect of services provided to customers during the year after adjustments for amounts billed in advance.

Tangible fixed assets

Fixtures and fittings and motor vehicles are stated in the balance sheet at cost less depreciation. Land and buildings are stated in the balance sheet at valuation less depreciation.

Depreciation

Depreciation is calculated so that tangible fixed assets are written off over their estimated useful lives as follows:

Freehold land	Nil	
Buildings	2% to 5%	Straight line basis
Fixtures and fittings	10% to 25%	Straight line basis
Motor vehicles	25%	Reducing Balance

Hire purchase and finance leases

Where assets are financed by hire purchase or finance lease agreements that give rights approximating to ownership the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum hire payments during the term of the contract. The corresponding hire commitments are shown as obligations to the hirer.

Operating leases

Charges under operating leases are made in the profit and loss account on a straight line basis over the lease term as they are incurred.

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

Stock and long term contracts

Turnover is recognised according to the stage reached in a contract by reference to the value of work done. Profit is recognised on a contract once the outcome of the contract can be assessed with reasonable certainty, by reference to the work done as a proportion of the total contract cost. The amount by which the turnover exceeds payments on account is shown under debtors as amounts recoverable on contracts. The costs on contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown as work in progress.

Pensions

The company makes payments to a defined contribution pension scheme. Payments are made to a separately administered, independent scheme and are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred taxation is provided using the liability method to take account of timing differences between the treatment of certain items for the purposes of the financial statements and their treatment for taxation purposes, to the extent that they are expected to crystallise in the foreseeable future.

Foreign currency assets and liabilities

Current assets and liabilities in foreign currencies are translated at the rate of exchange that rules at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are attributable to the one principal activity of the company. Exports for the year were £2,207,912 (1995: £2,671,097). The directors consider that the disclosure of exports by geographical market would be seriously prejudicial to the interests of the company.

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

3	OTHER OPERATING EXPENSES	1996 £	1995 £
	Distribution costs	176,182	218,415
	Administrative costs	479,778	417,019
	Other operating charges	1,418,046	1,413,403
		<u>2,074,006</u>	<u>2,048,837</u>
		=====	=====
4	OPERATING (LOSS)	1996 £	1995 £
	<i>This is stated after charging / (crediting):</i>		
	Staff costs (note 6)	2,433,372	2,851,191
	Depreciation charge for the year:	671,752	566,806
	Auditors' remuneration	21,000	19,500
	- non audit services	17,080	15,050
	Operating lease rentals		
	- Plant and machinery	34,642	38,292
	- Land and buildings	17,600	22,250
	Foreign exchange gain	(768)	862
		<u>=====</u>	<u>=====</u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE ACCOUNTS
at 31 December 1996

5 DIRECTORS' EMOLUMENTS

	1996	1995
	£	£
Fees	-	-
Other emoluments (including pension contributions and benefits in kind)	-	131,914
Compensation for loss of office paid to former director	90,000	80,000
	<u>90,000</u>	<u>211,914</u>
	=====	=====

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996	1995
	£	£
The Chairman	-	111,021
	<u>-</u>	<u>111,021</u>
The highest paid director	-	111,021
	<u>-</u>	<u>111,021</u>
	=====	=====

The number of directors (including the chairman and highest paid directors) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996	1995
	Number	Number
£0 to £ 5,000	3	3
£10,001 - £15,000	-	1
£110,001 to £115,000	-	1
	<u>-</u>	<u>1</u>
	=====	=====

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE ACCOUNTS
at 31 December 1996

6 EMPLOYEE INFORMATION

The average weekly number of persons (including executive directors) employed by the company during the year was:

	<i>1996</i> <i>Number</i>	<i>1995</i> <i>Number</i>
Office and administration	48	47
Laboratory and research	112	120
	<u>160</u>	<u>167</u>
	<u><u>1996</u></u>	<u><u>1995</u></u>
	<u>£</u>	<u>£</u>
Staff costs (for the above persons)		
Wages and salaries	2,136,615	2,536,831
Social security costs	230,323	239,891
Other pension costs	66,434	74,469
	<u>2,433,372</u>	<u>2,851,191</u>
	<u><u>1996</u></u>	<u><u>1995</u></u>
	<u>£</u>	<u>£</u>

7 OTHER INCOME

	<i>1996</i> <i>£</i>	<i>1995</i> <i>£</i>
Interest receivable	-	75
Refund of professional fees	30,000	-
	<u>30,000</u>	<u>75</u>
	<u><u>1996</u></u>	<u><u>1995</u></u>
	<u>£</u>	<u>£</u>

QUINTILES ENGLAND LIMITED
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NOTES TO THE ACCOUNTS
at 31 December 1996

8	INTEREST PAYABLE AND SIMILAR CHARGES	<i>1996</i>	<i>1995</i>
		£	£
	On bank loans, overdrafts and other loans:	31,571	109,916
	On group loans	304,077	180,604
		<u>335,648</u>	<u>290,520</u>
		<u><u>335,648</u></u>	<u><u>290,520</u></u>
 9	 TAXATION	 <i>1996</i>	 <i>1995</i>
		£	£
	United Kingdom corporation tax at 33%		
	Current	-	-
	Group relief receivable	(8,504)	(616,249)
		<u>(8,504)</u>	<u>(616,249)</u>
		<u><u>(8,504)</u></u>	<u><u>(616,249)</u></u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

10 TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£
Cost or valuation				
At 31 December 1995	4,596,791	4,923,060	295,530	9,815,381
Additions	104,965	346,003	-	450,968
Disposals	-	(8,132)	(74,300)	(82,432)
31 December 1996	4,701,756	5,260,931	221,230	10,183,917
Depreciation				
At 31 December 1995	262,814	2,752,030	90,242	3,105,086
Charge for the period	95,518	528,289	47,945	671,752
Disposals	-	(8,132)	(42,418)	(50,550)
At 31 December 1996	358,332	3,272,187	95,769	3,726,288
Net book value				
At 31 December 1996	4,343,424	1,988,744	125,461	6,457,629
At 31 December 1995	4,333,977	2,171,030	205,288	6,710,295

Land and buildings were revalued in 1992. Subsequent additions have been recorded at cost.

On a historical cost basis, freehold land and buildings would have been included as follows:

	<i>31 December 1996</i>
	£
Cost	4,638,652
Accumulated depreciation	(890,579)
	<u>3,748,073</u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

11 FIXED ASSET INVESTMENTS

	1996	1995
	£	£
Investment in subsidiary at cost	1,000	1,000
	<u> </u>	<u> </u>

The company owns 100% of the £1 ordinary share capital of Histological Services Limited, a dormant company incorporated in the UK and registered in England and Wales.

12 STOCKS

	1996	1995
	£	£
Raw materials and consumables	191,171	172,501
Long term contract balances	758,977	21,194
	<u> </u>	<u> </u>
	<u>950,148</u>	<u>193,695</u>

13 DEBTORS

	1996	1995
	£	£
<i>Amounts falling due within one year:</i>		
Trade debtors	824,474	715,318
Amounts recoverable on contracts	-	22,544
Other debtors	35,605	15,214
Prepayments and accrued income	106,025	220,515
Group relief receivable from fellow subsidiaries	8,504	616,249
Other amounts receivable from fellow subsidiaries	468,727	-
	<u> </u>	<u> </u>
	<u>1,443,335</u>	<u>1,589,840</u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 1996

**14 CREDITORS: AMOUNTS FALLING DUE
 WITHIN ONE YEAR**

	1996	1995
	£	£
Bank overdraft	879,742	107,416
Payments received on account	255,343	51,851
Trade creditors	203,338	418,663
Amounts owed to parent and fellow subsidiary undertaking	3,645,539	3,441,535
Amounts owed to subsidiary undertaking	135,539	135,539
Loan from fellow subsidiary undertaking	3,087,129	3,087,129
Other taxation & social security payable	65,125	74,337
Other creditors	95,358	44,780
Accruals & deferred income	181,613	42,866
	<u>8,548,726</u>	<u>7,404,116</u>

15 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation

Deferred taxation provided and not provided are as follows:

	31 Dec 1996	Provided 31 Dec 1995	31 Dec 1996	Not provided 31 Dec 1995
	£	£	£	£
Capital allowances in advance of depreciation	-	-	1,790,399	1,766,753
Other	-	-	(217,380)	(101,514)
Losses carried forward	-	-	(773,557)	(644,835)
	<u>-</u>	<u>-</u>	<u>799,462</u>	<u>1,020,404</u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE ACCOUNTS
at 31 December 1996

16 EQUITY SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>1996</i>	<i>1995</i>	<i>1996</i>	<i>1995</i>
	£	£	£	£
Ordinary shares of £1 each	10,000	10,000	3,333	3,333
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES

	<i>Equity shareholders' funds £</i>
At 1 January 1996	1,091,247
Retained loss for the period	(787,161)
	<u> </u>
At 31 December 1996	304,086
	<u> </u>

18 CAPITAL COMMITMENTS

	<i>1996</i>	<i>1995</i>
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	71,751	60,308
	<u> </u>	<u> </u>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	236,000	432,733
	<u> </u>	<u> </u>

QUINTILES ENGLAND LIMITED
(formerly Toxicol Laboratories Limited)

NOTES TO THE ACCOUNTS
at 31 December 1996

19 FINANCIAL COMMITMENTS

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	<i>Land and building 1996 £</i>	<i>Other 1996 £</i>	<i>Land and building 1995 £</i>	<i>Other 1995 £</i>
Expiring within one year	-	-	-	4,972
Expiring between two and five years inclusive	17,600	30,604	12,600	23,884
Expiring after more than five years	-	-	5,000	708
	<u>17,600</u>	<u>30,604</u>	<u>17,600</u>	<u>29,564</u>
	=====	=====	=====	=====

20 PENSION COMMITMENTS

The company operates a defined contribution money purchase pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

21 CONTINGENT LIABILITIES

At 31 December 1996 the company was party to an unlimited multi-lateral guarantee for the bank liabilities of certain Group companies (Quintiles Holdings Limited, Quintiles (UK) Limited and Quintiles England Limited [formerly Toxicol Laboratories Limited]) dated 3 February 1995.

22 ULTIMATE HOLDING COMPANY

The company is a wholly owned subsidiary of Quintiles Transnational Corporation, a company incorporated in the United States. Copies of the ultimate holding company's financial statements may be obtained from Quintiles Transnational Corporation, P O Box 13979, Research Triangle Park, North Carolina, USA, 27709-3979.

The immediate parent undertaking is Quintiles Holdings Limited, a company incorporated in England and Wales. Copies of its consolidated financial statements may be obtained from Quintiles Holdings Limited, Ringside, 79 High St, Bracknell, RG12 1DZ.