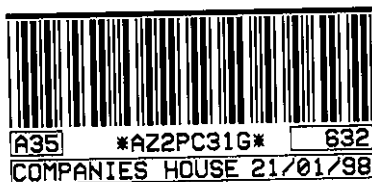


MORNINGSIDE PHARMACEUTICALS LIMITED

REGISTERED NUMBER 2672877

FINANCIAL ACCOUNTS FOR THE
YEAR ENDED 31 AUGUST 1997

MODI & MODI
ACCOUNTANTS & REGISTERED AUDITORS



MORNINGSIDE PHARMACEUTICALS LIMITED

DIRECTORS:

D V Gadhia
Mrs T K Gadhia
Dr N R Kotecha

SECRETARY:

Mrs T K Gadhia

REGISTERED OFFICE:

216 Melton Road
Leicester
LE4 7PG

REGISTERED NUMBER:

2672877

BANKERS:

Midland Bank Plc
6 Victoria Street
Nottingham
NG1 2FF

AUDITORS:

Modi & Modi
Accountants & Registered Auditors
216 Melton Road
Leicester
LE4 7PG

MORNINGSIDE PHARMACEUTICALS LIMITED

FINANCIAL ACCOUNTS FOR THE
YEAR ENDED 31 AUGUST 1997

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1	Report of the Directors
2	Statement of Directors Responsibilities
3	Report of the Auditors
4	Profit and Loss Account
5	Balance Sheet
6	Notes

The following page does not form part of the statutory accounts

7	Detailed Trading and Profit and Loss Account
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MORNINGSIDE PHARMACEUTICALS LIMITEDREPORT OF THE DIRECTORS

The directors present their report and audited accounts for the year ended 31 August 1997.

PRINCIPAL ACTIVITY

The principle activity of the company in the year under review was the purchase and wholesale of pharmaceutical products.

REVIEW OF THE BUSINESS

A summary of the results of the trading for the year is given on page 4 of the accounts. The directors consider the state of affairs to be good and continue to make progress in overseas markets.

RESULTS AND DIVIDENDS

The retained profit of the company for the year was £22,407, (1996 - £17,881 profit).

The Directors recommend that this be added to the retained earnings at the beginning of the year and the balance of £48,670 be carried forward.

A dividend of £600 per share was declared and paid during the year.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	<u>Ordinary shares of £1 each</u>	
	<u>31 August 1997</u>	<u>31 August 1996</u>
Mrs T K Gadhia	60	60
Dr N R Kotecha (Wife's Shares)	40	40

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations of £301 to various charities were made during the year.

AUDITORS

The auditors, Modi & Modi, are deemed to be re-appointed on accordance with Section 386 of the Companies Act 1985.

Signed on behalf of the board of directors:

T. K. Gadhia
Mrs T K Gadhia
Secretary

Approved by the board: 19 December 1997

MORNINGSIDE PHARMACEUTICALS LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial 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 financial accounts 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.

MORNINGSIDE PHARMACEUTICALS LIMITEDAUDITORS' REPORTAUDITORS' REPORT TO THE SHAREHOLDERS OFMORNINGSIDE PHARMACEUTICALS LIMITED

We have audited the financial accounts on pages 4 to 6 which have been prepared under the historical cost convention and the accounting policies set out on page 6a.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial 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 financial accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial 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 financial accounts are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial accounts.

Opinion

In our opinion the financial accounts give a true and fair view of the state of the company's affairs as at 31 August 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Modi & Modi

Modi & Modi
Accountants & Registered Auditors
216 Melton Road
Leicester
LE4 7PG

19 December 1997

MORNINGSIDE PHARMACEUTICALS LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 1997

	Note	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	1,706,433	1,406,052
COST OF SALES		(1,455,942)	(1,215,141)
<u>GROSS PROFIT</u>		<u>250,491</u>	<u>190,911</u>
NET OPERATING EXPENSES			
Administrative Expenses		(144,001)	(97,877)
Other Operating Income	5	-	1,668
<u>OPERATING PROFIT</u>	3	<u>106,490</u>	<u>94,702</u>
Interest Payable	7	-	(877)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		<u>106,490</u>	<u>93,825</u>
Taxation	6	(24,083)	(22,944)
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		<u>82,407</u>	<u>70,881</u>
Dividends		(60,000)	(53,000)
<u>RETAINED PROFIT FOR THE YEAR</u>	14	<u><u>22,407</u></u>	<u><u>17,881</u></u>

Movements in reserves are shown in note 14.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1997 or 1996 other than the profit for the year.

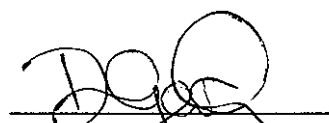
The notes on pages 6a to 6e form part of these accounts.

MORNINGSIDE PHARMACEUTICALS LIMITEDBALANCE SHEET
AS AT 31 AUGUST 1997

	Note	£	<u>1997</u>	£	£	<u>1996</u>	£
FIXED ASSETS							
Tangible Assets	8		10,859			5,809	
CURRENT ASSETS							
Stock	9	227,866			108,904		
Debtors	10	435,858			356,028		
Cash at Bank and in Hand		180,148			120,971		
			843,872		585,903		
CREDITORS: Amounts Falling Due Within One Year	11	805,961			565,350		
NET CURRENT ASSETS			37,911		20,554		
			<u>£ 48,770</u>		<u>£ 26,363</u>		
CAPITAL AND RESERVES							
Called Up Share Capital	13	100			100		
Profit and Loss Account	14	48,670			26,263		
<u>TOTAL SHAREHOLDERS' FUNDS</u>	12	<u>£ 48,770</u>			<u>£ 26,363</u>		

These accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the
board of directors


D V Gadhia
Director

Approved by the board: 19 December 1997

The notes on pages 6a to 6e form part of these accounts.

MORNINGSIDE PHARMACEUTICALS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 1997**1. ACCOUNTING POLICIES****Basis of Accounting**

These financial accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of trade discounts and 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:

Motor Vehicle	25% on net Value
Plant and Machinery	15% on net value
Fixtures and Fittings	10% on net value

Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred Taxation

No provision for deferred tax has been made as the directors are of the opinion that there is no immediate liability. All such potential liabilities are shown in note 16.

Foreign Currencies

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

2. TURNOVER

The turnover and profit before taxation is attributable to the principal activity of the company.

The turnover has not been analysed by geographical market, as this would be prejudicial to the business.

MORNINGSIDE PHARMACEUTICALS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 19973. OPERATING PROFIT

	<u>1997</u>	<u>1996</u>
	£	£
Operating Profit is stated after charging:		
Depreciation of Tangible Assets	1,792	969
Auditors' Remuneration	2,250	1,850
	<u> </u>	<u> </u>

4. STAFF COSTS

	<u>1997</u>	<u>1996</u>
	£	£
Apart from the directors there were no staff employed.		
Directors Remuneration comprised:		
Dr N R Kotecha	3,000	1,000
	<u> </u>	<u> </u>

5. OTHER OPERATING INCOME

	<u>1997</u>	<u>1996</u>
	£	£
Bank Deposit Interest	-	1,668
	<u> </u>	<u> </u>
	-	1,668
	<u> </u>	<u> </u>

6. TAXATION

	<u>1997</u>	<u>1996</u>
	£	£
Taxation is based on the Profit for the year and comprises:		
U.K. Corporation Taxation at 22.75% (1996 24.6%)	24,083	22,944
	<u> </u>	<u> </u>

7. INTEREST PAYABLE

	<u>1997</u>	<u>1996</u>
	£	£
Bank Interest	-	877
	<u> </u>	<u> </u>
	-	877
	<u> </u>	<u> </u>

MORNINGSIDE PHARMACEUTICALS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 19978. TANGIBLE FIXED ASSETS

	Plant and Equipment £	Fixtures and Fittings £	Total £
COST			
1 September 1996	5,987	952	6,939
Additions	5,585	1,257	6,842
31 August 1997	<u>11,572</u>	<u>2,209</u>	<u>13,781</u>
DEPRECIATION			
1 September 1996	1,035	95	1,130
Charge for the year	1,581	211	1,792
31 August 1997	<u>2,616</u>	<u>306</u>	<u>2,922</u>
NET BOOK VALUE			
31 August 1997	<u>8,956</u>	<u>1,903</u>	<u>10,859</u>
31 August 1996	<u>4,952</u>	<u>857</u>	<u>5,809</u>

9. STOCKS

	<u>1997</u> £	<u>1996</u> £
Goods for resale	227,866	108,904
	<u>227,866</u>	<u>108,904</u>

10. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Amounts falling due within one year:		
Trade Debtors	395,176	330,493
Value Added Tax	40,682	25,535
	<u>435,858</u>	<u>356,028</u>

MORNINGSIDE PHARMACEUTICALS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 199711. CREDITORS - Amounts Falling Due
Within One Year

	<u>1997</u> £	<u>1996</u> £
Bank Loans and Overdrafts	-	27,356
Trade Creditors	777,092	481,002
Advance Corporation Tax	15,000	13,250
Corporation Tax	9,083	9,694
Directors Current Account	69	216
Accruals	4,717	33,832
	<u>805,961</u>	<u>565,350</u>

Trade creditors includes £254,797 owing to Morningside (Leicester) Limited, a company where D V Gadhia and Mrs T K Gadhia are directors.

Bank overdraft facilities exist and are secured by a fixed charge over book debts and a floating charge over all other assets.

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u> £	<u>1996</u> £
PROFIT FOR THE FINANCIAL YEAR	82,407	70,881
Dividends	(60,000)	(53,000)
	<u>22,407</u>	<u>17,881</u>
Opening shareholders' funds	26,363	8,482
<u>CLOSING SHAREHOLDERS' FUNDS</u>	<u>48,770</u>	<u>26,363</u>

13. SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised Ordinary Shares of £1 each	1,000	1,000
Allocated, Issued and Fully Paid £1 Shares	<u>100</u>	<u>100</u>

14. RESERVES

	Profit and Loss Account £
Balance at 1 September 1996	26,263
Retained Profit for the Year	22,407
Balance at 31 August 1997	<u>48,670</u>

MORNINGSIDE PHARMACEUTICALS LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 AUGUST 199715. FINANCIAL COMMITMENTS

	<u>1997</u>	<u>1996</u>
	£	£
Authorised, but not contracted for	Nil	Nil
Contracted, but not provided for	Nil	Nil
	<u> </u>	<u> </u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

As explained in note 1, provision is not made for deferred taxation where the liability is not anticipated to arise in the foreseeable future.

The amount not so provided is estimated as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Accelerated Capital Allowances	410	178
	<u> </u>	<u> </u>
	<u>410</u>	<u>178</u>