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Phase 1 Clinical Trials Unit Limited
Financial Statements
For
31 December 2002

Company Registration Number 2970970



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COMPANIES HOUSE 31/10/03

BISHOP FLEMING
Chartered Accountants & Registered Auditors
Cobourg House
Mayflower Street
Plymouth
PL1 1LG

Phase 1 Clinical Trials Unit Limited

Financial Statements

Year Ended 31 December 2002

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Phase 1 Clinical Trials Unit Limited

Officers and Professional Advisers

The Board of Directors	Raymond Stringer (appointed 10 July 2002) Paul Morrison
Company Secretary	David Searle
Registered Office	Old Convent of Notre Dame 119 Looseleigh Lane Derriford Plymouth PL6 5HH
Auditors	Bishop Fleming Chartered Accountants & Registered Auditors Cobourg House Mayflower Street Plymouth PL1 1LG
Bankers	Lloyds TSB Bank plc Moorgate London EC2R 6DN

Phase 1 Clinical Trials Unit Limited

The Directors' Report *(continued)*

Year Ended 31 December 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the company during the year was the operation of a phase 1 clinical testing facility for pharmaceutical companies.

As considered last year, 2002 was a year that saw a significant reduction in workload but also saw a notable improvement made to efficiency within the unit in response. Turnover reduced from £3,604,000 to £3,219,000 whilst post-tax profits available for distribution increased slightly. There was a profit for the year after taxation amounting to £25,585 (2001: £21,154). The directors recommend payment of a dividend amounting to £23,356 (2001: £24,102).

The company continues to develop its service offering and has made major improvements in the consistency of quality delivered. Further investment in new technology has ensured that productivity also progresses. Staff will be developed further within a competency and assessment process that should enable individuals to maximize their potential. The attainment of the Investors in People award will hopefully reinforce the commitment to staff within the company.

2003 promises to be a good year for the company and the board looks forward with optimism.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2002 £	2001 £
Proposed dividends on ordinary shares	7,676	262
Dividends paid on ordinary shares	—	4,800
Proposed dividends on preference shares	3,545	4,640
Dividends paid on preference shares	12,135	14,400
	<u>23,356</u>	<u>24,102</u>

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	At 31 December 2002	At 1 January 2002 or later date of appointment
Raymond Stringer	—	—
Paul Morrison	—	—

Raymond Stringer was appointed as a director on 10 July 2002.

Phase 1 Clinical Trials Unit Limited

The Directors' Report *(continued)*

Year Ended 31 December 2002

Fixed assets

The directors are of the opinion that the market value of land and buildings exceeds its book value.

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 9 and 10, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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. The directors 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.

Donations

During the year the company made the following contributions:

	2002	2001
	£	£
Charitable	<u>20,087</u>	<u>15,123</u>

Purchase of own shares

During the year the company redeemed 38,400 (of the 172,800 in issue at start of year) 1p preference shares for consideration totalling £38,400. This was in accordance with the terms and conditions detailed upon issue of these shares.

Auditors

A resolution to re-appoint Bishop Fleming as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Old Convent of Notre Dame
119 Looseleigh Lane
Derriford
Plymouth
PL6 5HH

Signed on behalf of the directors



Mr R Stringer
Director

Approved by the directors on 9th Sep 2003

Phase 1 Clinical Trials Unit Limited

Independent Auditors' Report to the Shareholders

Year Ended 31 December 2002

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 the directors and the auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

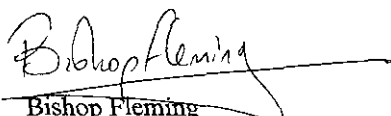
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Bishop Fleming
Chartered Accountant
Registered Auditors
Cobourg House
Mayflower Street
Plymouth

29 October 2003

Phase 1 Clinical Trials Unit Limited**Profit and Loss Account****Year Ended 31 December 2002**

	Note	2002 £	2001 £
Turnover	2	3,219,188	3,603,867
Cost of sales		2,066,242	2,414,729
Gross profit		1,152,946	1,189,138
Administrative expenses		1,061,886	1,068,302
Other operating income	3	—	(3,018)
Operating profit	4	91,060	123,854
Interest payable and similar charges	7	55,428	52,093
Profit on ordinary activities before taxation		35,632	71,761
Tax on profit on ordinary activities	8	10,047	50,607
Profit on ordinary activities after taxation		25,585	21,154
Dividends (including non-equity)	9	23,356	24,102
Retained profit/(loss) for the financial year		2,229	(2,948)

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

Phase 1 Clinical Trials Unit Limited

Balance Sheet

31 December 2002

	Note	2002 £	£	2001 £	£
Fixed assets					
Intangible assets	10		—		—
Tangible assets	11		1,898,985		1,494,611
Investments	12		14,259		14,259
			<u>1,913,244</u>		<u>1,508,870</u>
Current assets					
Stocks	13	38,642		19,400	
Debtors	14	397,221		443,955	
Cash at bank		413		411	
		<u>437,276</u>		<u>463,766</u>	
Creditors: Amounts falling due within one year	15	<u>639,703</u>		<u>646,470</u>	
Net current liabilities			<u>(203,427)</u>		<u>(182,704)</u>
Total assets less current liabilities			<u>1,709,817</u>		<u>1,326,166</u>
Creditors: Amounts falling due after more than one year	16		<u>679,650</u>		<u>269,875</u>
			<u>1,030,167</u>		<u>1,056,291</u>
Provisions for liabilities and charges					
Deferred taxation	19		<u>213,687</u>		<u>203,640</u>
			<u>816,480</u>		<u>852,651</u>

The balance sheet continues on the following page.

The notes on pages 9 to 22 form part of these financial statements.

Phase 1 Clinical Trials Unit Limited

Balance Sheet *(continued)*

31 December 2002

	Note	2002 £	2001 £
Capital and reserves			
Called-up share capital	22	17,141	17,525
Share premium account	23	581,380	581,380
Other reserves	23	576	192
Profit and loss account	23	217,383	253,554
		<u>816,480</u>	<u>852,651</u>
Shareholders' funds:	24		
Equity		815,136	850,923
Non-equity		1,344	1,728
		<u>816,480</u>	<u>852,651</u>

These financial statements were approved by the directors on the 9th Sep 2003 and are signed on their behalf by:



Mr R Stringer
Director

Phase 1 Clinical Trials Unit Limited

Cash Flow Statement

Year Ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	27	341,276	251,463
Returns on investments and servicing of finance			
Interest received		—	11
Interest paid		(50,950)	(54,334)
Interest element of hire purchase		(4,478)	(1,170)
Non-equity dividends paid		(16,775)	(33,600)
Net cash outflow from returns on investments and servicing of finance		(72,203)	(89,093)
Taxation		—	(200)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(319,066)	(100,753)
Receipts from sale of fixed assets		663	—
Net cash outflow for capital expenditure and financial investment		(318,403)	(100,753)
Acquisitions and disposals			
Equity dividends paid		—	(16,430)
Cash (outflow)/inflow before financing		(49,330)	44,987
Financing			
Purchase of own non-equity shares		(38,400)	(19,200)
New bank loans		400,000	—
Repayment of bank loans		(108,500)	(93,500)
Capital element of hire purchase		(24,405)	(1,888)
Net cash inflow/(outflow) from financing		228,695	(114,588)
Increase/(decrease) in cash	28	179,365	(69,601)

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

1. Accounting policies

(a) Basis of accounting

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

(b) Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

(c) Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

(d) Amortisation

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Goodwill - 5 years straight line

(e) Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Freehold Buildings	- 2% straight line
Plant & Machinery	- 25% reducing balance
Fixtures & Fittings	- 25% reducing balance or 50% straight line

(f) Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

(g) Work in progress

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the contract.

Costs associated with long term contracts are included in work in progress to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in work in progress are stated at cost, after provision has been made for foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

(h) Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

1. Accounting policies *(continued)*

(i) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(j) Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

(k) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(l) 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 the transaction. Exchange differences are taken into account in arriving at the operating profit.

(m) Investments

Investments are included at cost. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	2,168,397	3,046,242
Other EU Countries	432,951	125,923
United States of America	322,569	59,805
Asia	295,271	371,897
	<u>3,219,188</u>	<u>3,603,867</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

3. Other operating income

	2002	2001
	£	£
Rent receivable	<u>—</u>	<u>3,018</u>

4. Operating profit

Operating profit is stated after charging:

	2002	2001
	£	£
Depreciation of owned assets	88,505	81,232
Depreciation of assets held under hire purchase agreements	34,933	—
Loss on disposal of fixed assets	191	—
Auditors' remuneration		
- as auditors	7,050	7,050
Operating lease costs:		
Plant and equipment	<u>15,198</u>	<u>23,737</u>

5. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of employees	<u>76</u>	<u>76</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	1,337,209	1,288,838
Social security costs	111,957	96,007
Other pension costs	71,507	70,710
	<u>1,520,673</u>	<u>1,455,555</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2002 £	2001 £
Emoluments and fees receivable	56,295	93,504
Value of company pension contributions to money purchase schemes	1,897	612
Compensation for loss of directorship	—	27,977
	<u>58,192</u>	<u>122,093</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2002 No.	2001 No.
Money purchase schemes	<u>1</u>	<u>1</u>

7. Interest payable and similar charges

	2002 £	2001 £
Interest payable on bank borrowing	50,567	50,923
Finance charges	4,478	1,170
Other similar charges payable	383	—
	<u>55,428</u>	<u>52,093</u>

8. Tax on profit on ordinary activities

(a) Taxation

	2002 £	2001 £
Current tax:		
UK corporation tax (note 8(b))	—	—
Irrecoverable ACT written off	—	34,743
Total current tax	—	34,743
Deferred tax:		
Origination and reversal of timing differences	10,047	14,439
Effect of changed tax rate on opening balance	—	1,425
Total deferred tax (note 19)	<u>10,047</u>	<u>15,864</u>
Tax on profit on ordinary activities	<u>10,047</u>	<u>50,607</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

8. Tax on profit on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>35,632</u>	<u>71,761</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 19% (2001:20%)	6,770	14,352
Expenses not deductible for tax purposes	3,277	847
Capital allowances for period in excess of depreciation	(67,289)	(15,643)
Increase in tax losses carried forward	58,446	—
Other timing differences	<u>(1,204)</u>	<u>444</u>
Total current tax (note 8(a))	<u>—</u>	<u>—</u>

9. Dividends

The following dividends have been paid or proposed in respect of the year:

	2002 £	2001 £
Proposed dividend on ordinary shares	7,676	262
Dividend paid on ordinary "C" shares	—	4,800
Proposed dividend on preference shares	3,545	4,640
Dividend paid on preference shares	12,135	14,400
	<u>23,356</u>	<u>24,102</u>

10. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2002 and 31 December 2002	<u>30,000</u>
Amortisation	
At 1 January 2002 and 31 December 2002	<u>30,000</u>
Net book value	
At 31 December 2002	—
At 31 December 2001	—

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

11. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2002	1,464,425	228,114	231,836	1,924,375
Additions	183,708	259,173	85,785	528,666
Disposals	—	(9,437)	(2,702)	(12,139)
At 31 December 2002	1,648,133	477,850	314,919	2,440,902
Depreciation				
At 1 January 2002	88,259	172,436	169,069	429,764
Charge for the year	30,740	57,003	35,695	123,438
On disposals	—	(9,437)	(1,848)	(11,285)
At 31 December 2002	118,999	220,002	202,916	541,917
Net book value				
At 31 December 2002	1,529,134	257,848	112,003	1,898,985
At 31 December 2001	1,376,166	55,678	62,767	1,494,611

The gross amount of land and buildings on which depreciation is being provided is £1,398,133 (2001: £1,214,425).

The value of land included within freehold land and buildings is £250,000 (2001: £250,000).

Hire purchase agreements

Included within the net book value of £1,898,985 is £174,667 (2001 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £34,933 (2001 - £Nil).

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

12. Investments

	Shares in Group Undertakings £
Cost	
At 1 January 2002 and 31 December 2002	<u>14,259</u>
Net book value	
At 31 December 2002	<u>14,259</u>
At 31 December 2001	<u>14,259</u>

The company owns 100% of the issued share capital of the companies listed below both of which were registered in England.

	2002 Capital and Reserves £	2002 Loss for the Year £	2001 Capital and Reserves £	2001 Profit for the Year £
Partners in Clinical Research Limited (Clinical Research)	40,482	(41,273)	81,755	50,277
Peninsula Clinical Development Limited (Clinical Research)	(26)	—	(26)	12,300

13. Stocks

	2002 £	2001 £
Work in progress	28,100	7,075
Consumable stores	<u>10,542</u>	<u>12,325</u>
	<u>38,642</u>	<u>19,400</u>

14. Debtors

	2002 £	2001 £
Trade debtors	281,274	152,076
Amounts owed by group undertakings	64	—
Amounts recoverable on contracts	27,325	191,599
Taxation recoverable	14,772	14,953
Other debtors	45,187	57,187
Prepayments and accrued income	<u>28,599</u>	<u>28,140</u>
	<u>397,221</u>	<u>443,955</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

15. Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	104,518	258,881
Payments received on account	137,640	39,729
Trade creditors	66,120	143,206
Amounts owed to group undertakings	43,233	55,203
Taxation and social security	154,353	103,825
Hire purchase agreements	41,920	—
Dividends payable	11,483	4,902
Accruals and deferred income	80,436	40,724
	<u>639,703</u>	<u>646,470</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company (see note 16):

	2002 £	2001 £
Bank loans and overdrafts	104,518	258,881
Hire purchase agreements	41,920	—
	<u>146,438</u>	<u>258,881</u>

16. Creditors: Amounts falling due after more than one year

	2002 £	2001 £
Bank loans and overdrafts	536,375	269,875
Hire purchase agreements	143,275	—
	<u>679,650</u>	<u>269,875</u>

The bank loans and overdraft are secured by a fixed charge over the Company's freehold land and buildings and by floating charge over the other assets of the Company. Hire purchase agreements are secured over the assets to which they relate.

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2002 £	2001 £
Bank loans and overdrafts	<u>170,000</u>	<u>15,875</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

17. Creditors - bank loans and overdrafts

Creditors include bank loans and overdrafts which are due for repayment in equal installments as follows:

	2002 £	2001 £
In one year or less, or on demand	104,518	258,881
Between one and two years	103,500	63,500
Between two and five years	262,875	190,500
In five years or more	170,000	15,875
	<u>640,893</u>	<u>528,756</u>

18. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2002 £	2001 £
Amounts payable within one year	41,920	—
Amounts payable between one and two years	41,920	—
Amounts payable between two and five years	101,355	—
	<u>185,195</u>	<u>—</u>

19. Deferred taxation

The movement in the deferred taxation provision during the year was:	£
Provision at 1 January 2002	203,640
Profit and loss account movement arising during the year	10,047
Provision at 31 December 2002	<u>213,687</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	278,690	211,402
Other timing differences	(65,003)	(7,762)
	<u>213,687</u>	<u>203,640</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

20. Commitments under operating leases

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within one year	—	19,940
Within two to five years	4,990	2,310
	<u>4,990</u>	<u>22,250</u>

21. Related party transactions

Due to the spread of share ownership, there is no one controlling party.

During the year the company purchased goods and services amounting to £341,978 (2001: £647,802) from Partners In Clinical Research Ltd (subsidiary company). At the year end the company owed PICR Ltd £15,133 (2001: £55,086).

Included within amounts owed to group undertakings is £28,100 (2001: £nil) in respect of work done for Phase 1 Clinical Trials Unit Limited by Partners in Clinical Research Limited which was billed after the year end.

At the year-end the company was owed £64 by Peninsular Clinical Development Limited a subsidiary company (2001: creditor of £117).

The following shareholders had transactions with the company:

1. Phase Solutions Limited, a company controlled by Dr M Cross (whose family trust holds shares in Phase 1) invoiced £48,250 for marketing consultancy work carried out during the year. In 2001 Phase 0 Limited a company controlled by Dr M Cross, invoiced the company £72,289.
2. Additionally Phase 1 carried out work for Phase Solutions amounting to £19,900 (2001:£nil). This amount is outstanding at the year end.
3. Dr M Cross owes the company £45,187 (2001: £57,187).
4. Dr P Bryson (shareholder) and Mrs D Bryson (wife of shareholder) invoiced the company £nil and £22,850 respectively (2001: Dr P Bryson £8,545 and Mrs D Bryson £8,300).

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

22. Share capital

Authorised share capital:

	2002	2001
	£	£
1,778,000 Ordinary shares of £0.01 each	17,780	17,780
100 Ordinary Class A shares of £1 each	100	100
100 Ordinary Class B shares of £1 each	100	100
100 Ordinary Class C shares of £1 each	100	100
192,000 Preference shares of £0.01 each	1,920	1,920
	<u>20,000</u>	<u>20,000</u>

Allotted, called up and fully paid:

	2002		2001	
	No.	£	No.	£
Ordinary shares	1,575,600	15,756	1,575,600	15,756
Ordinary Class A shares	1	1	1	1
Ordinary Class B shares	17	17	17	17
Ordinary Class C shares	23	23	23	23
Preference shares	134,400	1,344	172,800	1,728
	<u>1,710,041</u>	<u>17,141</u>	<u>1,748,441</u>	<u>17,525</u>

Preference shares

The fixed cumulative preference shares are non-equity shares which carry an entitlement to a dividend at a rate of 10p per share per annum. They are redeemed at £1 per share biannually following the fifth anniversary of their issue. This year 38,400 shares have been redeemed at £1 per share. Holders of preference shares have no voting rights. Preference shares have the right on a winding up to receive, in priority to any other class of shares, the sum of 1p per share together with any arrears of dividends.

Ordinary shares

These are equity shares with full voting rights.

Ordinary "A", "B" and "C" shares

These are equity shares with no entitlement to voting rights.

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2002

23. Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £
At 1 January 2002	581,380	192	253,554
Profit for the year	—	—	25,585
Dividends	—	—	(23,356)
Redemption of preference shares	—	384	(38,400)
Balance carried forward	<u>581,380</u>	<u>576</u>	<u>217,383</u>

24. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	25,585	21,154
Dividends	(23,356)	(24,102)
	<u>2,229</u>	<u>(2,948)</u>
Redemption of preference shares	(38,400)	(19,200)
Net reduction to funds	(36,171)	(22,148)
Opening shareholders' funds	852,651	874,799
Closing shareholders' funds	<u>816,480</u>	<u>852,651</u>

25. Pensions

The company operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The pension cost charge for the year was £71,507 (2001: £70,710).

26. Capital Commitments

There were no capital commitments during the year (2001: £310,600).

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Notes to the Financial Statements

Year Ended 31 December 2002

27. Reconciliation of operating profit to Net cash inflow from operating activities

	2002	2001
	£	£
Operating profit	91,060	123,854
Depreciation	123,438	81,232
Loss on disposal of fixed assets	191	—
(Increase)/Decrease in stocks	(19,242)	37,107
Decrease in debtors	46,734	326,239
Increase/(Decrease) in creditors	99,095	(316,969)
Net cash inflow from operating activities	<u>341,276</u>	<u>251,463</u>

28. Reconciliation of net cash flow to movement in net debt

	2002	2001
	£	£
Increase/(Decrease) in cash in the period	179,365	(69,601)
Net cash (inflow) from/outflow from bank loans	(291,500)	93,500
Cash outflow in respect of hire purchase	<u>24,405</u>	<u>1,888</u>
Change in net debt resulting from cash flows	(87,730)	25,787
New finance leases	(209,600)	—
Movement in net debt in the period	(297,330)	25,787
Net debt at 1 January 2002	(528,345)	(554,132)
Net debt at 31 December 2002	<u>(825,675)</u>	<u>(528,345)</u>

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Notes to the Financial Statements

Year Ended 31 December 2002

29. Analysis of changes in net debt

	At 1 Jan 2002 £	Cash flows £	Other changes £	At 31 Dec 2002 £
Net cash:				
Cash in hand and at bank	411	2	—	413
Overdrafts	(180,381)	179,363	—	(1,018)
	<u>(179,970)</u>	<u>179,365</u>	<u>—</u>	<u>(605)</u>
Debt:				
Debt due within 1 year	(78,500)	(25,000)	—	(103,500)
Debt due after 1 year	(269,875)	(266,500)	—	(536,375)
Hire purchase agreements	—	24,405	(209,600)	(185,195)
	<u>(348,375)</u>	<u>(267,095)</u>	<u>(209,600)</u>	<u>(825,070)</u>
Net debt	<u>(528,345)</u>	<u>(87,730)</u>	<u>(209,600)</u>	<u>(825,675)</u>