

COMPANY REGISTRATION NUMBER 2970970

Phase 1 Clinical Trials Unit Limited
Financial Statements
For
31 December 2003

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



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Phase 1 Clinical Trials Unit Limited

Financial Statements

Year Ended 31 December 2003

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Phase 1 Clinical Trials Unit Limited

Officers and Professional Advisers

The Board of Directors	Stephen Saltaire
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	Barclays Bank Plc 50 Cornwall Street Plymouth PL1 2HA

Phase 1 Clinical Trials Unit Limited

The Director's Report

Year Ended 31 December 2003

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31 December 2003.

Principal activities and review of the business

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

The lower levels of activity referred to in the previous year's accounts continued into the early part of 2003 but there was a marked improvement in the latter half of the year. Accordingly, the result for the year of a net profit before tax of £130,435 on turnover of £4,034,713 is satisfactory.

Although the current year started strongly, the uncertainty regarding the implementation of the new EU Directive relating to clinical trials on 1st May is expected to adversely affect the number of new trials being undertaken immediately after that date. The longer term impact of these changes (if any) will not be clearly identifiable for some time.

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 director has recommended the following dividends:

	2003 £	2002 £
Proposed dividends on ordinary shares	-	7,676
Proposed dividends on preference shares	2,400	3,545
Dividends paid on preference shares	9,171	12,135
	<u>11,571</u>	<u>23,356</u>

The directors and their interests in the shares of the company

None of the directors who served the company during the year together had beneficial interests in the shares of the company.

Stephen Saltaire was appointed as a director on 19 November 2003.

Raymond Stringer resigned as a director on 10 October 2003.

Paul Morrison resigned as a director on 19 November 2003.

Fixed assets

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

Director's 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 to 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.

Phase 1 Clinical Trials Unit Limited

The Director's Report *(continued)*

Year Ended 31 December 2003

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:

	2003	2002
	£	£
Charitable	<u>16,339</u>	<u>20,087</u>

Purchase of own shares

During the year the company redeemed 38,400 (of the 134,400 in issue at start of year or 29%) 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 by



Mr Stephen Saltaire
Director

Approved by the director on 24 December 2004

Phase 1 Clinical Trials Unit Limited

Independent Auditors' Report to the Shareholders of Phase 1 Clinical Trials Unit Limited

Year Ended 31 December 2003

We have audited the financial statements on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 Director's Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

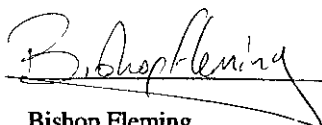
Phase 1 Clinical Trials Unit Limited

**Independent Auditors' Report to the Shareholders of
Phase 1 Clinical Trials Unit Limited *(continued)***

Year Ended 31 December 2003

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 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Bishop Fleming
Chartered Accountants
& Registered Auditors
Cobourg House
Mayflower Street
Plymouth
PL1 1LG

24 December 2004

Phase 1 Clinical Trials Unit Limited**Profit and Loss Account****Year Ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	2	4,034,713	3,219,188
Cost of sales		2,574,926	2,066,242
Gross profit		1,459,787	1,152,946
Administrative expenses		1,278,189	1,061,886
Operating profit	3	181,598	91,060
Interest payable and similar charges	6	51,163	55,428
Profit on ordinary activities before taxation		130,435	35,632
Tax on profit on ordinary activities	7	28,374	10,047
Profit on ordinary activities after taxation		102,061	25,585
Dividends (including non-equity)	8	11,571	23,356
Retained profit for the financial year		90,490	2,229

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

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

Phase 1 Clinical Trials Unit Limited

Balance Sheet

31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Intangible assets	9		—		—
Tangible assets	10		1,786,388		1,898,985
Investments	11		14,259		14,259
			<u>1,800,647</u>		<u>1,913,244</u>
Current assets					
Stocks	12	33,525		38,642	
Debtors	13	817,295		397,221	
Cash at bank		600		413	
		<u>851,420</u>		<u>436,276</u>	
Creditors: Amounts falling due within one year	14	<u>1,007,206</u>		<u>639,703</u>	
Net current liabilities			<u>(155,786)</u>		<u>(203,427)</u>
Total assets less current liabilities			<u>1,644,861</u>		<u>1,709,817</u>
Creditors: Amounts falling due after more than one year	15		534,230		679,650
			<u>1,110,631</u>		<u>1,030,167</u>
Provisions for liabilities and charges					
Deferred taxation	18		242,061		213,687
			<u>868,570</u>		<u>816,480</u>
Capital and reserves					
Called-up share capital	21		16,757		17,141
Share premium account	22		581,380		581,380
Other reserves	22		960		576
Profit and loss account	22		269,473		217,383
			<u>868,570</u>		<u>816,480</u>
Shareholders' funds:	23				
Equity			867,610		815,136
Non-equity			960		1,344
			<u>868,570</u>		<u>816,480</u>

These financial statements were approved and signed by the director on 24 December 2004

Mr Stephen Saltaire
Director

The notes on pages 9 to 20 form part of these financial statements.

Phase 1 Clinical Trials Unit Limited**Cash Flow Statement****Year Ended 31 December 2003**

	Note	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	24	(105,463)	341,276
Returns on investments and servicing of finance			
Interest paid		(43,483)	(50,950)
Interest element of hire purchase		(7,680)	(4,478)
Non-equity dividends paid		(12,716)	(16,775)
Net cash outflow from returns on investments and servicing of finance		(63,879)	(72,203)
Capital expenditure			
Payments to acquire tangible fixed assets		(31,955)	(319,066)
Receipts from sale of fixed assets		72	663
Net cash outflow from capital expenditure		(31,883)	(318,403)
Equity dividends paid		(7,938)	–
Cash outflow before financing		(209,163)	(49,330)
Financing			
Premium on purchase of own non-equity shares		(38,016)	(38,016)
Purchase of own non-equity shares		(384)	(384)
New bank loans		–	400,000
(Repayment) of bank loans		(103,500)	(108,500)
Capital element of hire purchase		(41,920)	(24,405)
Net cash (outflow)/inflow from financing		(183,820)	228,695
(Decrease)/increase in cash	25	(392,983)	179,365

The notes on pages 9 to 20 form part of these financial statements.

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

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 director, 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) Fixed assets

All fixed assets are initially recorded at cost.

(f) 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

(g) Stocks

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

(h) 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.

(i) 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.

(j) 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.

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

1. Accounting policies *(continued)*

(k) Pension costs

The company operates a defined contribution 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 and amount to £64,647 (2002: £71,507).

(l) 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.

(m) 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.

(n) Investments

Investments are included at cost. Profits or losses arising from disposal of fixed asset investments are treated as part of the results 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:

	2003 £	2002 £
United Kingdom	2,631,258	2,168,397
Other EU Countries	650,519	432,951
United States of America	592,812	322,569
Asia	160,124	295,271
	<u>4,034,713</u>	<u>3,219,188</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

3. Operating profit

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Depreciation of owned fixed assets	88,014	88,505
Depreciation of assets held under hire purchase agreements	43,667	34,933
Loss on disposal of fixed assets	12,799	191
Auditors' remuneration		
- as auditors	7,050	7,050
Operating lease costs:		
Plant and equipment	10,040	15,198

4. Particulars of employees

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

	2003	2002
	No	No
Number of employees	81	76

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,458,791	1,277,552
Social security costs	134,792	111,957
Other pension costs	64,647	71,507
	1,658,230	1,461,016

5. Director's emoluments

The director's aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments and fees receivable	67,761	56,295
Value of company pension contributions to money purchase schemes	3,097	1,897
	70,858	58,192

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

	2003	2002
	No	No
Money purchase schemes	1	1

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

6. Interest payable and similar charges

	2003 £	2002 £
Interest payable on bank borrowing	43,483	50,567
Finance charges	7,680	4,478
Other similar charges payable	—	383
	<u>51,163</u>	<u>55,428</u>

7. Taxation on ordinary activities

	2003 £	2002 £
Deferred tax:		
Origination and reversal of timing differences	<u>28,374</u>	<u>10,047</u>

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% (2002 - 19%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>144,211</u>	<u>35,632</u>
Profit/(loss) on ordinary activities by rate of tax	27,400	6,770
Expenses not deductible for tax purposes	21	3,277
Movement on accelerated capital allowances	20,409	(67,289)
Other timing differences	—	(1,204)
(Decrease)/increase in tax losses	<u>(47,830)</u>	<u>58,446</u>
Total current tax	<u>—</u>	<u>—</u>

8. Dividends

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

	2003 £	2002 £
Proposed dividend on ordinary shares	—	7,676
Proposed dividend on preference shares	2,400	3,545
Dividend paid on preference shares	<u>9,171</u>	<u>12,135</u>
	<u>11,571</u>	<u>23,356</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

9. Intangible fixed assets

	Goodwill £
Cost	
At 1 January 2003 and 31 December 2003	<u>30,000</u>
Amortisation	
At 1 January 2003	<u>30,000</u>
At 31 December 2003	<u>30,000</u>
Net book value	
At 31 December 2003	<u>—</u>
At 31 December 2002	<u>—</u>

10. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2003	1,648,133	477,850	314,919	2,440,902
Additions	2,958	1,145	27,852	31,955
Disposals	—	(43,784)	(7,208)	(50,992)
At 31 December 2003	<u>1,651,091</u>	<u>435,211</u>	<u>335,563</u>	<u>2,421,865</u>
Depreciation				
At 1 January 2003	118,999	220,002	202,916	541,917
Charge for the year	28,014	64,708	38,959	131,681
On disposals	—	(33,105)	(5,016)	(38,121)
At 31 December 2003	<u>147,013</u>	<u>251,605</u>	<u>236,859</u>	<u>635,477</u>
Net book value				
At 31 December 2003	<u>1,504,078</u>	<u>183,606</u>	<u>98,704</u>	<u>1,786,388</u>
At 31 December 2002	<u>1,529,134</u>	<u>257,848</u>	<u>112,003</u>	<u>1,898,985</u>

The gross amount of land and buildings on which depreciation is being provided is £1,401,091.

The value of land included within freehold land and buildings is £250,000.

Hire purchase agreements

Included within the net book value of £1,786,388 is £131,001 (2002 - £174,667) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £43,667 (2002 - £34,933).

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

11. Investments

	Shares in Group Undertakings £
Cost	
At 1 January 2003 and 31 December 2003	<u>14,259</u>
Net book value	
At 31 December 2003	<u>14,259</u>
At 31 December 2002	<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.

	2003 Capital and Reserves £	2003 Profit for the Year £	2002 Capital and Reserves £	2002 (Loss) for the Year £
Partners in Clinical Research Limited (Clinical Research)	86,402	45,921	40,481	(41,273)
Peninsula Clinical Development Limited (Clinical Research)	(26)	—	(26)	—

12. Stocks

	2003 £	2002 £
Work in progress	16,992	28,100
Consumable stores	16,533	10,542
	<u>33,525</u>	<u>38,642</u>

13. Debtors

	2003 £	2002 £
Trade debtors	517,447	281,274
Amounts owed by group undertakings	64	64
Amounts recoverable on contracts	210,280	27,325
Taxation recoverable	14,772	14,772
Other debtors	41,187	45,187
Prepayments and accrued income	33,545	28,599
	<u>817,295</u>	<u>397,221</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

14. Creditors: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	497,688	104,518
Payments received on account	23,293	137,640
Trade creditors	81,575	66,120
Amounts owed to group undertakings	122,629	15,133
Taxation and social security	144,333	154,353
Hire purchase agreements	41,920	41,920
Dividends payable	2,400	11,483
Other creditors	—	28,100
Accruals and deferred income	93,368	80,436
	<u>1,007,206</u>	<u>639,703</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2003	2002
	£	£
Bank loans and overdrafts	497,688	104,518
Hire purchase agreements	41,920	41,920
	<u>539,608</u>	<u>146,438</u>

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

	2003	2002
	£	£
Bank loans and overdrafts	432,875	536,375
Hire purchase agreements	101,355	143,275
	<u>534,230</u>	<u>679,650</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.

There are 2 bank loans originating in 1997 for £635,000 and 2002 for £400,000. They are both repayable over 10 years at quarterly instalments of £15,875 and £10,000 respectively.

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2003	2002
	£	£
Bank loans and overdrafts	432,875	536,375
Hire purchase agreements	101,355	143,275
	<u>534,230</u>	<u>679,650</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

16. Creditors - bank loans

Creditors include bank loans which are due for repayment in equal instalments as follows:

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand	103,500	103,500
In more than one year but not more than two years	103,500	103,500
In more than two years but not more than five years	239,375	262,875
In more than five years	90,000	170,000
	<u>536,375</u>	<u>639,875</u>

17. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	41,920	41,920
Amounts payable between 1 and 2 years	41,920	41,920
Amounts payable between 3 and 5 years	59,435	101,355
	<u>143,275</u>	<u>185,195</u>

18. Deferred taxation

	2003 £
The movement in the deferred taxation provision during the year was:	
Provision brought forward	213,687
Profit and loss account movement arising during the year	28,374
Provision carried forward	<u>242,061</u>

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

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	256,762	278,690
Other timing differences	(14,701)	(65,003)
	<u>242,061</u>	<u>213,687</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

19. Commitments under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	Assets Other Than Land & Buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	4,432	—
Within 2 to 5 years	—	4,990
	<u>4,432</u>	<u>4,990</u>

20. 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 £714,914 (2002: £341,978) from Partners In Clinical Research Ltd (subsidiary company). At the year end the company owed PICR Ltd £122,629 (2002: £15,133).

At the year end the company was owed £64 by Peninsular Clinical Development Limited a subsidiary company (2002: £64).

Mr P Morrison (director during the year) invoiced the company £29,453 (2002: £25,907) for management services rendered and expenses which includes a £nil creditor provided at the year end (2002 £2,000).

Mr S Saltaire (director) is owed £2,332, being the total amount of services rendered to the company in the year.

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 £12,000 for marketing consultancy work carried out during the year (2002: £48,250).
2. Additionally Phase 1 carried out work for Phase Solutions amounting to £137,461 (2002: £19,900). £19,900 (2002: £19,900) is owed by Phase Solutions at the year end although a provision for bad debts has been included for £19,900 in this respect.
3. Dr M Cross owes the company £41,187 (2002: £45,187). The balance has been reduced this year following a contra with amounts owed to Phase Solutions.

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

21. Share capital

Authorised share capital:

	2003	2002
	£	£
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:

	2003		2002	
	No	£	No	£
Ordinary shares of £0.01 each	1,575,600	15,756	1,575,600	15,756
Ordinary Class A shares of £1 each	1	1	1	1
Ordinary Class B shares of £1 each	17	17	17	17
Ordinary Class C shares of £1 each	23	23	23	23
Preference shares of £0.01 each	96,000	960	134,400	1,344
	<u>1,671,641</u>	<u>16,757</u>	<u>1,710,041</u>	<u>17,141</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. The company may redeem all or some of the preference shares in advance of their due date for redemption.

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.

22. Reserves

	Share premium account	Capital redemption reserve	Profit and loss account
	£	£	£
Balance brought forward	581,380	576	217,383
Retained profit for the year	—	—	90,490
Other movements	—	—	—
Redemption of preference shares	—	384	(38,400)
Balance carried forward	<u>581,380</u>	<u>960</u>	<u>269,473</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

23. Reconciliation of movements in shareholders' funds

Equity shareholders' funds

	2003 £	2002 £
Profit for the financial year	102,061	25,585
Dividends	(11,571)	(23,356)
	<u>90,490</u>	<u>2,229</u>
Less capitalised from reserves	(38,016)	(38,016)
Net addition/(reduction) to funds	<u>52,474</u>	<u>(35,787)</u>
Opening shareholders' equity funds	815,136	850,923
Closing shareholders' equity funds	<u>867,610</u>	<u>815,136</u>

Non-equity shareholders' funds

Opening shareholders' non-equity funds	1,344	1,728
Purchase of own non-equity shares	(384)	(384)
Closing shareholders' non-equity funds	<u>960</u>	<u>1,344</u>

Total shareholders' funds	<u>868,570</u>	<u>816,480</u>
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24. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2003 £	2002 £
Operating profit	181,598	91,060
Depreciation	131,681	123,438
Loss on disposal of fixed assets	12,799	191
Decrease/(increase) in stocks	5,117	(19,242)
(Increase)/decrease in debtors	(420,074)	46,734
(Decrease)/increase in creditors	(16,584)	99,095
Net cash (outflow)/inflow from operating activities	<u>(105,463)</u>	<u>341,276</u>

Phase 1 Clinical Trials Unit Limited

Notes to the Financial Statements

Year Ended 31 December 2003

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

	2003		2002	
	£	£	£	£
(Decrease)/increase in cash in the period	(392,983)		179,365	
Net cash outflow from/(inflow) from bank loans	103,500		(291,500)	
Cash outflow in respect of hire purchase	41,920		24,405	
Change in net debt resulting from cash flows		(247,563)		(87,730)
New finance leases		—		(209,600)
Movement in net debt in the period		(247,563)		(297,330)
Net debt at 1 January 2003		(825,675)		(528,345)
Net debt at 31 December 2003		(1,073,238)		(825,675)

26. Analysis of changes in net debt

	At 1 Jan 2003 £	Cash flows £	At 31 Dec 2003 £
Net cash:			
Cash in hand and at bank	413	187	600
Overdrafts	(1,018)	(393,170)	(394,188)
	(605)	(392,983)	(393,588)
Debt:			
Debt due within 1 year	(103,500)	—	(103,500)
Debt due after 1 year	(536,375)	103,500	(432,875)
Hire purchase agreements	(185,195)	41,920	(143,275)
	(825,070)	145,420	(679,650)
Net debt	(825,675)	(247,563)	(1,073,238)