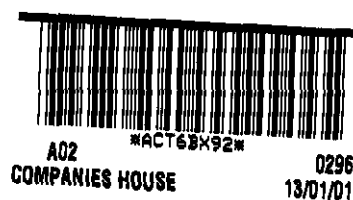


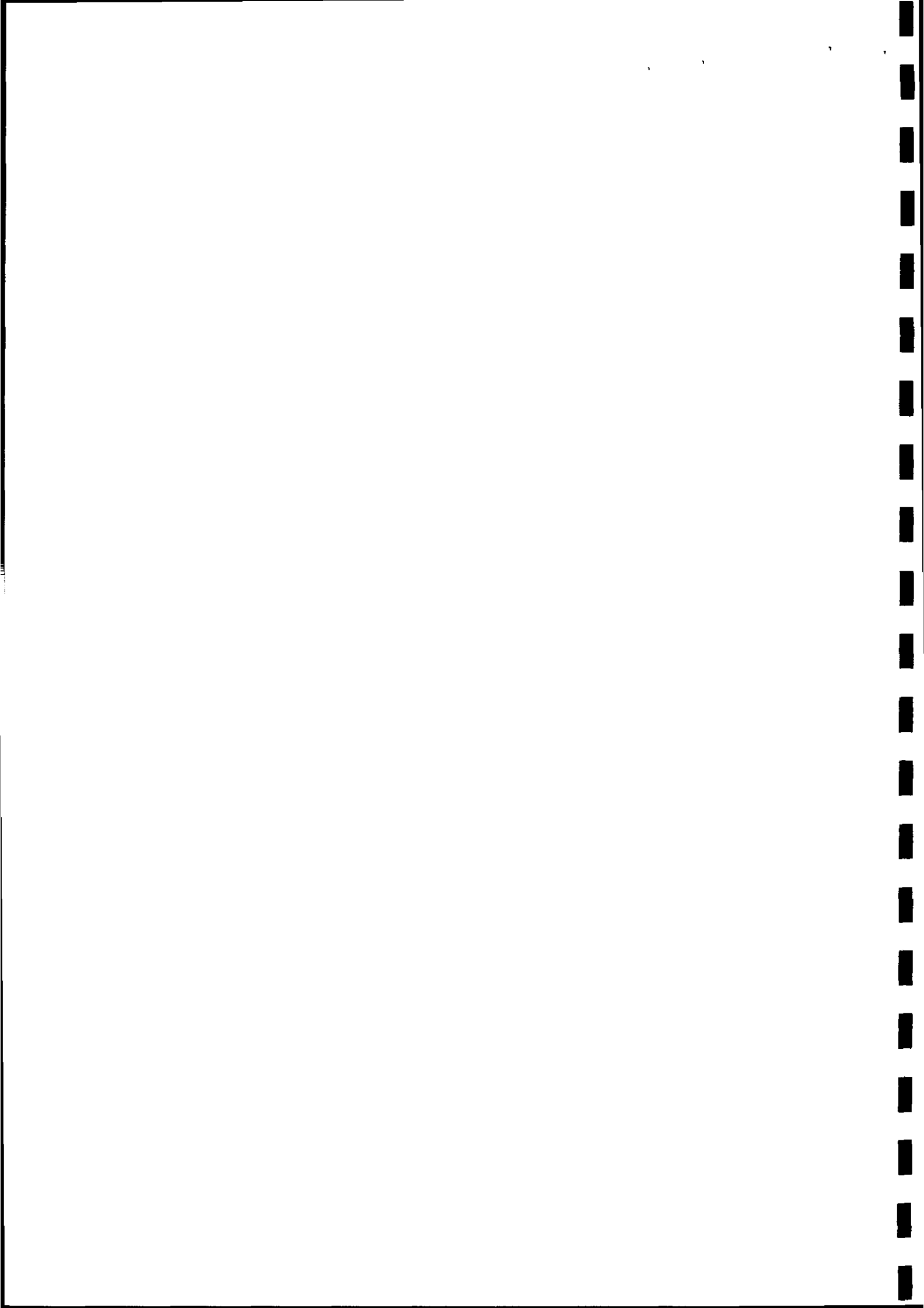
CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

FINANCIAL STATEMENTS
FOR THE 10 MONTH PERIOD
ENDED 30 APRIL 2000

Registered Number: 3526126

Ref: CWS A/CS 2000





CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

**Contents of the Financial Statements
for the 10 Month Period Ended 30 April 2000**

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Page 12 does not form part of the statutory financial statements.

CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

COMPANY INFORMATION

DIRECTORS

Mr S. A. Wingate
Mr P. E. Palmer
Mr M.J. Woolley

SECRETARY

Mr M.J. Woolley

REGISTERED OFFICE

10 Grosvenor Gardens
London SW1W 0DQ

AUDITORS

Monahans Ledbury Martin
1 St Johns Square
Glastonbury
Somerset
BA6 9LJ

SOLICITORS

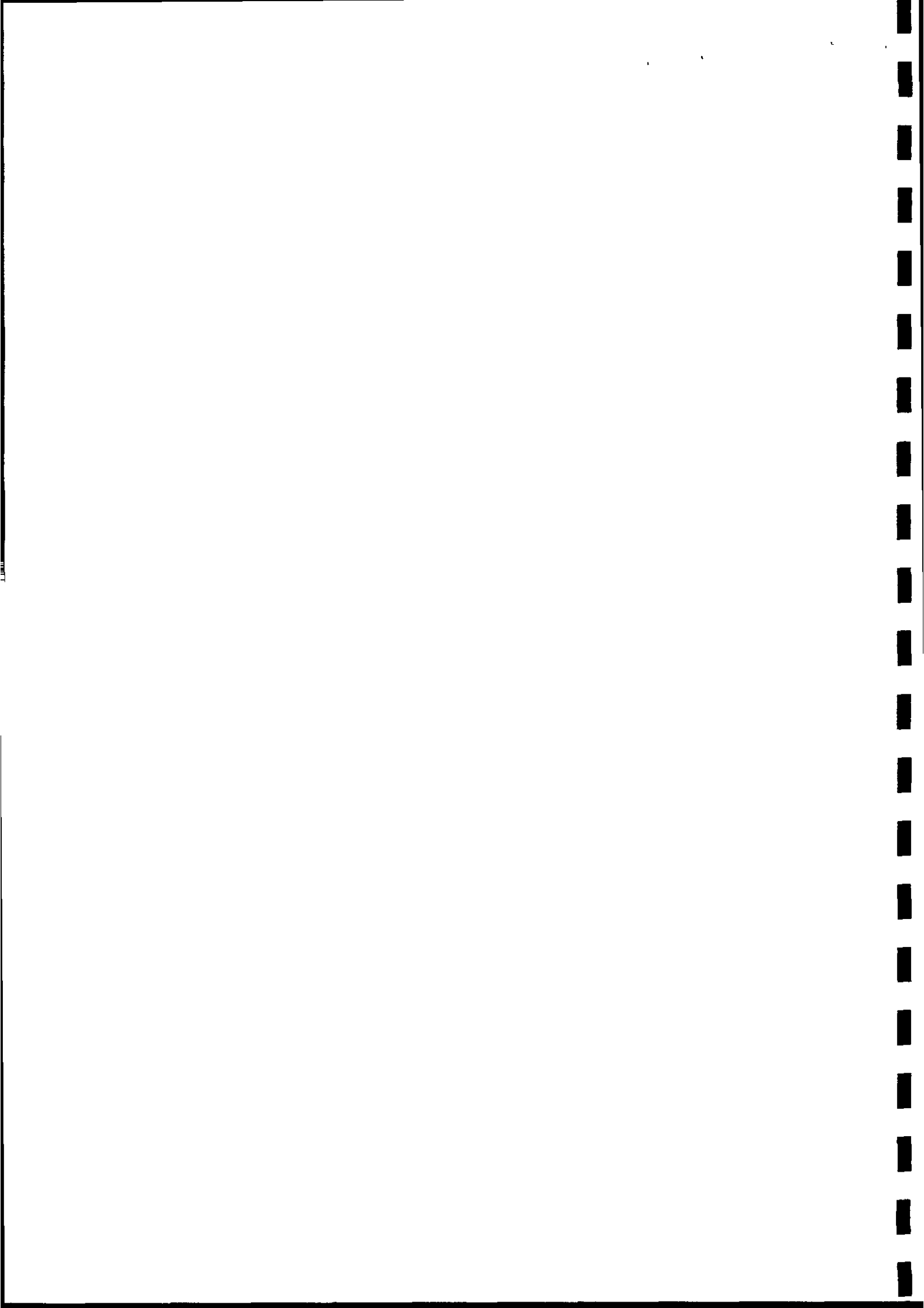
B.P. Collins
Collins House
32-38 Station Road
Gerrards Cross
BUCKS SL9 8EL

BANKERS

Lloyds TSB
13 High Street
High Wycombe
Bucks HP11 2BD

REGISTRATION

Registered in England and Wales No. 3526126



CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

DIRECTORS' REPORT

The directors present their report and the financial statements for the 10 month period ended 30 April 2000.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity is that of a non-trading investment holding company.

On 24 July 1998, the company acquired a 95% holding of the issued share capital in Cliniserve Limited formerly known as Lifestyle Clinical Waste Limited. The acquisition cost of £1,491,000 was financed through a mixture of new share issues and the issue of Unsecured Loan Stock and Secured Loan Notes.

Cliniserve Limited is a trading company that deals in the collection and disposal of clinical waste.

The directors consider the state of the company's affairs as satisfactory at this stage of its business development.

DIVIDEND

No dividend is recommended.

RESULT FOR THE 10 MONTH PERIOD

It is proposed that the retained loss of £112,575 (1999 Loss £167,698) is transferred to reserves.

DIRECTORS & DIRECTORS' INTERESTS

The directors at the balance sheet date and their beneficial interests in the share capital of the company at that date were as follows:

| | Class of Share | Number of Shares At 30 April 2000 & 1 May 1999 |
|------------------|----------------------|---|
| Mr P. E. Palmer | Ordinary 'A' Shares | 7,500 |
| Mr M. J. Woolley | Ordinary 'A' Shares | 1,500 |
| Mr S. A. Wingate | Ordinary 'B' Shares* | 2,000 |

* Registered to Belgravia Securities Limited, a company beneficially owned by Mr S A Wingate

CLINISERVE HOLDINGS LIMITED

(FORMERLY CLINICAL WASTE SERVICES LIMITED)

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 the group and of the profit or loss of the group for that period. In preparing the accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

AUDITORS

The auditors, Monahans Ledbury Martin, will be proposed for reappointment in accordance with section 383 of the Companies Act 1985.

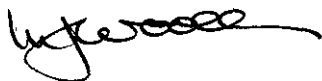
SMALL COMPANY RULES

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

On behalf of the Board:



M.J. WOOLLEY
Secretary

16 October 2000

CLINISERVE HOLDINGS LIMITED

(FORMERLY CLINICAL WASTE SERVICES LIMITED)

AUDITORS' REPORT TO THE SHAREHOLDERS OF CLINICAL WASTE SERVICES LIMITED

We have audited the financial statements on pages 6 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention.

Respective Responsibilities of Directors and Auditors.

As described on page 4, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

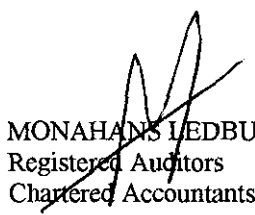
BASIS OF OPINION

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 group'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 true and fair view of the state of affairs of the company as at 30 April 2000 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



MONAHAN LEDBURY MARTIN
Registered Auditors
Chartered Accountants

1 St Johns Square, Glastonbury
Somerset BA6 9LJ

16 October 2000

CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

PROFIT AND LOSS ACCOUNT

FOR THE 10 MONTH PERIOD ENDED 30 APRIL 2000

| | <u>Notes</u> | <u>2000</u> | <u>12.03.98 - 30.06.99</u> |
|--|--------------|-------------|----------------------------|
| | | £ | £ |
| TURNOVER | | - | - |
| Cost of sales | | - | - |
| | | ----- | ----- |
| GROSS PROFIT | | - | - |
| Administration expenses | | (5,555) | (36,716) |
| | | ----- | ----- |
| OPERATING LOSS | 2 | (5,555) | (36,716) |
| Interest receivable | 3 | 6 | 3,803 |
| Interest payable | 4 | (126,730) | (134,785) |
| | | ----- | ----- |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (132,279) | (167,698) |
| Tax recovered on profit on ordinary activities | 5 | 19,704 | - |
| | | ----- | ----- |
| LOSS FOR THE YEAR | | (112,575) | (167,698) |
| Retained loss brought forward | | (167,698) | - |
| | | ----- | ----- |
| RETAINED LOSS CARRIED FORWARD | | (280,273) | (167,698) |
| | | ===== | ===== |

There were no recognised gains or losses other than those shown above.

The notes on pages 8 to 11 form part of these financial statements.

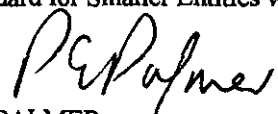
CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

BALANCE SHEET AT 30 APRIL 2000

| | <u>Notes</u> | <u>2000</u> | <u>30.06.99</u> |
|--|--------------|-----------------|-----------------|
| | | £ | £ |
| INVESTMENTS | | | |
| Investments (related undertakings) | 7 | 1,491,000 | 1,491,000 |
| Debtors | 8 | | 1,466 |
| Cash | | 1,040 | 519 |
| | | ----- | ----- |
| | | 1,040 | 1,985 |
| CREDITORS: AMOUNTS DUE WITHIN ONE YEAR | 9 | (172,313) | (60,683) |
| | | ----- | ----- |
| NET CURRENT LIABILITIES | | (171,273) | (58,698) |
| | | ----- | ----- |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,319,727 | 1,432,302 |
| | | ----- | ----- |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | 10 | (1,140,000) | (1,140,000) |
| | | ----- | ----- |
| | | 179,727 | 292,302 |
| | | ----- | ----- |
| NET ASSETS | | | |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 11 | 100,000 | 100,000 |
| Share Premium | 12 | 360,000 | 360,000 |
| Profit and Loss account | 12 | (280,273) | (167,698) |
| | | ----- | ----- |
| SHAREHOLDERS' FUNDS | | 179,727 | 292,302 |
| | | ===== | ===== |

The notes on pages 8 to 11 form part of these financial statements.

The financial statements, which have been prepared in accordance with the special provisions of part VII of the Companies Act 1985 applicable to small companies and in accordance with the Financial Reporting Standard for Smaller Entities were approved by the Board on 16 October 2000 and signed on its behalf by:


P E PALMER
Director

16 october 2000

CLINISERVE HOLDINGS LIMITED
(FORMERLY CLINICAL WASTE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

1. **ACCOUNTING POLICIES**

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

| | <u>2000</u> | <u>1999</u> |
|---|-------------|-------------|
| 2. <u>OPERATING LOSS</u> | £ | £ |
| The operating loss is stated after charging | | |
| Auditors Remuneration | 1,500 | 1,650 |
| | ===== | ===== |
| 3. <u>INTEREST RECEIVABLE</u> | | |
| Bank interest receivable | 6 | 3,803 |
| | ===== | ===== |
| 4. <u>INTEREST PAYABLE</u> | | |
| Convertible Loan Stock Interest | 46,026 | 50,449 |
| Secured Loan Interest | 80,704 | 84,336 |
| | ----- | ----- |
| | 126,730 | 134,785 |
| | ===== | ===== |
| 5. <u>TAXATION</u> | | |
| Tax refund. | (19,704) | - |
| | ===== | ===== |

The above tax repayment represents amounts recoverable by the subsidiary company in respect of its years ended 30 April 1999 & 2000. This has arisen by electing to relieve the losses arising for tax purposes in the holding company against profits arising in the subsidiary.

6. **DIRECTORS' REMUNERATION**

None of the directors received any remuneration or benefits during the period.

CLINISERVE HOLDINGS LIMITED

(FORMERLY CLINICAL WASTE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (cont.)

| | 2000 | 1999 |
|--|---|--------------------------------|
| | £ | £ |
| 7. <u>INVESTMENTS</u> | | |
| Investment in group undertakings | 1,491,000 | 1,491,000 |
| | ===== | ===== |
| (a) The company holds 95,000 Ordinary £1.00 shares fully paid at par in Cliniserve Ltd. a company involved in the collection and disposal of clinical waste. This holding represents 95% of the issued share capital. The results of this subsidiary undertaking at the end of its relevant financial year are as follows: | | |
| Name of subsidiary undertaking | Profit at the end of the financial year | Aggregate Capital and reserves |
| Cliniserve Limited | £29,481 | £162,817 |
| The company is exempt from the obligations to prepare group financial statements as the group qualifies as a small sized group as defined by Section 249 of the Companies Act of 1985. | | |
| (b) The Directors consider that the original cost continues to represent realisable value of this investment. | | |
| 8. <u>DEBTORS</u> | £ | £ |
| Amounts owed by group undertakings | - | 1,466 |
| | ===== | ===== |
| 9. <u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u> | £ | £ |
| Amounts owed to group undertakings | 25,413 | - |
| Bank Loans and overdraft | - | 21,539 |
| Other Creditors | 143,500 | 18,874 |
| Accruals and deferred Income | 3,400 | 20,270 |
| | ----- | ----- |
| | 172,313 | 60,683 |
| | ===== | ===== |
| 10. <u>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</u> | £ | £ |
| Secured Loan Notes | 600,000 | 600,000 |
| Convertible Loan Stock | 540,000 | 540,000 |
| | ----- | ----- |
| | 1,140,000 | 1,140,000 |
| | ===== | ===== |
| Payable by instalment, due in over 5 years | 202,500 | 405,000 |
| | ===== | ===== |

CLINISERVE HOLDINGS LIMITED

(FORMERLY CLINICAL WASTE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (cont.)

On the 24 July 1998 the company passed a resolution creating £540,000 of Convertible Loan Stock. Interest is payable at a rate of 10% per annum on the principal amount and is paid by the company on 30 June and 31 December in each year commencing on 30 June 1999.

The Loan Stock shall be repaid at par in eight quarterly instalments commencing on 31 March 2004 and ending on 31 December 2005 together with interest accrued to the date of each repayment instalment.

Loan Stock interest was last paid to 30 June 1999. Interest has subsequently been accrued.

The Loan Stock and any accrued interest is due in full upon the transfer of a majority of the issued shares in the Company.

If any Loan Stock remains unpaid within one month of the due date, such Loan Stock may be converted into B Ordinary £1 Shares in the company at par on the basis of 1 Ordinary share for each £1 of Loan Stock.

On 24 July 1998 the company issued three equal Loan Notes of £200,000 jointly and severally secured by a debenture with a nominal value of £600,000 at par all redeemable on 28 October 1998. Subsequently, the redemption date of these loans was deferred until 31 December 2001 and with interest accruing quarterly under a new agreement dated 4 May 2000 at a rate of 15% per annum commencing on 23 October 1998. Accrued interest is only payable prior to 31 December 2001 at the discretion of the Company. Under the terms of the new agreement, each of the Loan Note holders has the right to nominate a director, no such rights have been exercised at the date hereof.

The debenture becomes repayable to the debenture holders upon a change in control or once notice has been issued by the company following an advance to the company of £600,000 from a financial institution. Neither event has occurred at the date hereof. Security for the debenture has been provided by way of a fixed and floating charge over the company's assets and undertakings.

| | <u>2000</u> | <u>1999</u> |
|---|-------------|-------------|
| | £ | £ |
| 11. <u>SHARE CAPITAL</u> | | |
| Authorised | | |
| Equity interests: | | |
| 10,000 Ordinary 'A' shares of £1 each | 10,000 | 10,000 |
| 650,000 Ordinary 'B' shares of £1 each | 650,000 | 650,000 |
| 700,000 Ordinary 'C' shares of £1 each | 700,000 | 700,000 |
| | ----- | ----- |
| | 1,360,000 | 1,360,000 |
| | ===== | ===== |
| Allotted, called up and fully paid | | |
| Equity interests: | | |
| 10,000 Ordinary 'A' shares of £1 each | 10,000 | 10,000 |
| 90,000 Ordinary 'B' shares of £1 each | 90,000 | 90,000 |
| | ----- | ----- |
| | 100,000 | 100,000 |
| | ===== | ===== |

CLINISERVE HOLDINGS LIMITED

(FORMERLY CLINICAL WASTE SERVICES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (cont.)

During the period the company issued 10,000 £1 Ordinary "A" shares at par.

In addition, 90,000 £1 Ordinary 'B' shares were issued at £5 per share giving rise to a share premium reserve of £360,000.

These shares were issued to finance the purchase of the subsidiary undertaking and to provide general working capital.

All classes of shares hold the same rights and rank pari passu in all respects.

12. MOVEMENTS IN RESERVES

| | P&L Reserve | Share Premium Reserve |
|-------------------------|-------------|-----------------------|
| | £ | £ |
| Balance brought forward | (167,698) | 360,000 |
| Additions in year | (129,472) | - |
| | ----- | ----- |
| Balance carried forward | (297,170) | 360,000 |
| | ===== | ===== |

13. RELATED PARTIES

£200,000 of the Loan Notes and £31,556 of accrued interest are due to Belgravia Securities Limited, a company controlled by S Wingate, a director of the company. A further £1,203 of accrued interest is due to Belgravia Securities on account of £12,000 of Loan Stock held.

See note 5 for details of taxation refunds obtained in the subsidiary company.