


FULCRUM PHARMA DEVELOPMENTS LIMITED

Report and Accounts

31 August 2001

 ERNST & YOUNG



Fulcrum Pharma Developments Limited

Registered No. 03735819

DIRECTORS

Dr J P Court
Dr J A Devlin
Dr R M Miller
Mr N G Oughton
Dr G E Walters

SECRETARY

Mr N G Oughton

REGISTERED OFFICE

Hamilton House
111 Marlowes
Hemel Hempstead
Hertfordshire
HP1 1BB

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

SOLICITORS

Pinsent Curtis
Dashwood House
69 Old Broad Street
London
EC2M 1NR

Fulcrum Pharma Developments Limited

DIRECTORS' REPORT

The Directors present their report and accounts for the year ended 31 August 2001. The comparative figures cover the 76 week period from incorporation to 31 August 2000.

RESULTS AND DIVIDENDS

The retained profit for the year amounted to £334,326 (2000: £51,812), which will be taken to reserves. The Directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND PRINCIPAL ACTIVITIES

The Company's principal activity is to offer global virtual drug development and strategic outsourcing services to the pharmaceutical industry.

DIRECTORS, OFFICERS AND DIRECTORS' INTERESTS

The Directors who served during the year are set out below:

Dr J P Court
Dr J A Devlin
Dr R M Miller
Mr N G Oughton
Dr G E Walters

None of the Directors who held office at the year end had any interest in the shares of the company at any time during the year.

The interests of Directors in the shares of Fulcrum Pharma PLC, the Company's parent company, are disclosed in the accounts of that company.

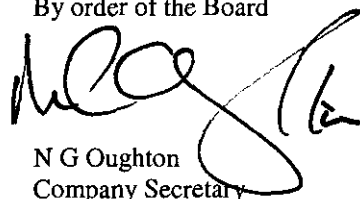
SHARE CAPITAL

Movements in share capital in the period are set out in note 13.

AUDITORS

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board



N G Oughton
Company Secretary

19th November 2001

Fulcrum Pharma Developments Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 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.

REPORT OF THE AUDITORS

to the members of Fulcrum Pharma Developments Limited

We have audited the accounts on pages 5 to 13, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3 the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

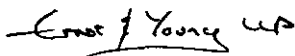
BASIS OF OPINION

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

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

OPINION

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 August 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Cambridge

19th November 2001

Fulcrum Pharma Developments Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 August 2001

	Notes	52 weeks to 31 August 2001 £	76 weeks to 31 August 2000 £
TURNOVER	2	5,539,427	1,804,636
Cost of Sales		(4,066,014)	(987,331)
GROSS PROFIT		1,473,413	817,305
Selling Costs		(101,340)	(86,033)
Administration Costs		(883,843)	(685,416)
OPERATING PROFIT	3	488,230	45,856
Interest receivable and similar income	6	59,514	12,786
Interest payable	7	(70,775)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		476,969	58,642
Tax on profit on ordinary activities	8	(142,643)	(6,830)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	15	334,326	51,812

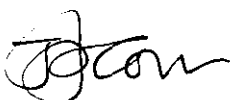
There were no recognised gains and losses other than the profit for the year ended 31 August 2001 of £334,326 (2000: £51,812).

Fulcrum Pharma Developments Limited

BALANCE SHEET

At 31 August 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	41,969	13,527
CURRENT ASSETS			
Debtors	10	1,117,797	884,552
Cash at bank and in hand		1,665,106	697,920
		<u>2,782,903</u>	<u>1,582,472</u>
CREDITORS: amounts falling due within one year	11	(452,001)	(858,812)
NET CURRENT ASSETS		<u>2,330,902</u>	<u>723,660</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,372,871</u>	<u>737,187</u>
CREDITORS: amounts falling due after more than one year	12	(1,976,862)	(685,000)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	13	(9,496)	-
		<u>386,513</u>	<u>52,187</u>
CAPITAL AND RESERVES			
Share capital	14	375	375
Profit and loss account	15	386,138	51,812
EQUITY SHAREHOLDERS' FUNDS		<u>386,513</u>	<u>52,187</u>



Jon Court



Neil Oughton

) Directors

19/6 November 2001

NOTES TO THE ACCOUNTS

At 31 August 2001

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Fixed Assets

All fixed assets are initially recorded at cost. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	- over 5 years
Computer Equipment	- over 2 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or circumstances indicate the carrying value may not be recoverable.

(c) Leasing Commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(d) Pensions

The company makes contributions to individual Personal Pension plans. The contributions are charged to the profit and loss account as they become payable.

(e) Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

(f) Long-term Contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, on a contract by contract basis by recording turnover and related costs as contract activity progresses. Revenue derived from variations on contracts is recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Milestone payments due under contracted relationships are recorded to revenue when all work related to the milestone is completed.

(g) Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Analysis of turnover by geographical market is given below:

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
United Kingdom	3,519,412	311,702
Rest of Europe	148,218	367,769
United States of America and Canada	1,527,430	823,842
Japan	344,367	301,323
	<u>5,539,427</u>	<u>1,804,636</u>

3. OPERATING PROFIT

This is stated after charging:

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
Auditors' remuneration	6,000	9,925
Depreciation of tangible fixed assets	34,351	9,401
Operating lease rentals: Land and buildings	40,000	20,018
	<u></u>	<u></u>

4. DIRECTORS' EMOLUMENTS

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
Emoluments	400,000	265,000
	<u></u>	<u></u>
Company contributions paid to money purchase pension schemes	20,000	10,000
	<u></u>	<u></u>
	<i>52 weeks to 31 August 2001 No.</i>	<i>76 weeks to 31 August 2000 No.</i>
Members of money purchase pension schemes	5	5
	<u></u>	<u></u>

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

4. DIRECTORS' EMOLUMENTS (continued)

All directors were paid equal amounts as follows:

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
Emoluments	80,000	53,000
Company contributions to money purchase pension schemes	4,000	2,000

5. STAFF COSTS

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
Wages and salaries	585,500	440,555
Social security costs	66,401	40,059
Pension costs	27,608	17,677
	679,509	498,291

The average monthly number of employees during the year was:

	<i>52 weeks to 31 August 2001</i>	<i>76 weeks to 31 August 2000</i>
Management and administration	8	7

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>52 weeks to 31 August 2001 £</i>	<i>76 weeks to 31 August 2000 £</i>
Bank interest receivable	47,514	12,786
Other interest receivable	12,000	-
	59,514	12,786

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

7. INTEREST PAYABLE

52 weeks to 31 August 2001 £	76 weeks to 31 August 2000 £
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Other interest payable

70,775

—

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

52 weeks to 31 August 2001 £	76 weeks to 31 August 2000 £
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UK Corporation tax at 30%
Deferred taxation

133,147
9,496

6,830
—

142,643

6,830

9. TANGIBLE FIXED ASSETS

*Computers
and office
fixtures &
fittings
£*

Cost:

At 1 September 2000

22,928

Additions during the period

62,793

At 31 August 2001

85,721

Depreciation:

At 1 September 2000

9,401

Provided during the period

34,351

At 31 August 2001

43,752

Net book value:

At 31 August 2001

41,969

At 1 September 2000

13,527

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

10. DEBTORS

	2001	2000
	£	£
Trade debtors	378,933	844,731
Amount owed by group undertaking	371,617	—
Other debtors	10,000	39,821
Prepayments and accrued income	357,247	—
	<u>1,117,797</u>	<u>884,552</u>

11. CREDITORS: amounts falling due within one year

	2001	2000
	£	£
Trade creditors	111,554	110,608
Amounts owed to group undertaking	19,233	20,000
Corporation tax	133,160	6,830
Other taxes and social security costs	98,409	58,618
Other creditors	649	20,681
Accruals and deferred income	88,996	642,075
	<u>452,001</u>	<u>858,812</u>

12. CREDITORS: amounts falling due after more than one year

	2001	2000
	£	£
Amounts owed to parent undertaking	<u>1,976,862</u>	<u>685,000</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	2001	2000
	£	£
At 1 September	—	—
Charge for the year (note 8)	<u>9,496</u>	<u>—</u>
At 31 August	<u>9,496</u>	<u>—</u>

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Capital allowances in advance of depreciation	9,496	—	—	—
Other timing differences	—	—	—	—
	<u>9,496</u>	<u>—</u>	<u>—</u>	<u>—</u>

14. SHARE CAPITAL

	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2000</i>
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Authorised				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<i>2001</i>	<i>2001</i>	<i>2000</i>	<i>2000</i>
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Allotted, called up and fully paid				
Ordinary shares of £1 each	375	375	375	375
	<u>375</u>	<u>375</u>	<u>375</u>	<u>375</u>

15. RECONCILIATION OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS

	<i>Called up</i>	<i>Profit</i>	
	<i>share capital</i>	<i>& loss</i>	<i>Total</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At incorporation	—	—	—
Issue of share capital	375	—	375
Profit for the period	—	51,812	51,812
At 31 August 2000	<u>375</u>	<u>51,812</u>	<u>52,187</u>
Profit for the year	—	334,326	334,326
At 31 August 2001	<u>375</u>	<u>386,138</u>	<u>386,513</u>

Fulcrum Pharma Developments Limited

NOTES TO THE ACCOUNTS

At 31 August 2001

16. OPERATING LEASES

At 31 August 2001 the Company had annual commitments under operating leases expiring as set out below:

	<i>Land and buildings</i>	
	<i>2001</i>	<i>2000</i>
	<i>£</i>	<i>£</i>
More than five years	40,000	40,000

17. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary of Fulcrum Pharma PLC. Fulcrum Pharma PLC has included the Company in its group accounts which may be obtained from Hamilton House, 111 Marlowes, Hemel Hempstead, Hertfordshire, HP1 1BB.