PHYSIOMICS PLC

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

31 DECEMBER 2001

Company no 4225086

PHYSIOMICS PLC

FINANCIAL STATEMENTS

For the period ended 31 December 2001

Company registration number:	4225086
Registered office:	24-26 Baltic Street West London EC1Y 0UR
Directors:	Prof D A Fell J Savin G S Morris
Secretary:	Pinsent Curtis Biddle Company Services Limited
Bankers:	National Westminster Bank plc
Solicitors:	Pinsent Curtis Biddle
Auditors:	Grant Thornton Registered Auditors Chartered Accountants

PHYSIOMICS PLC

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For the period ended 31 December 2001

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REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the period ended 31 December 2001.

Principal activity

The company is principally engaged in building mathematical models for pharmaceutical companies.

Incorporation

The company was incorporated on 29 May 2001 and commenced trading on 26 July 2001.

Business review and future developments

There was a loss for the period after taxation of £141,906. The directors do not recommend the payment of a dividend.

The directors intend to continue the company along the lines of its principal activity.

Directors

The present membership of the Board is set out below. All directors served throughout the period, except where stated.

	At 31 December 2001 Number of shares	At 29 May 2001 Number of shares
Prof D A Fell (appointed 26 July 2001)	-	-
J Savin (appointed 26 July 2001)	400,000	-
G S Morris (appointed 18 December 2001)	-	-
Pinsent Curtis Biddle Director Limited (appointed 29 May 2001, resigned 26 July 2001)	-	1
Pinsent Curtis Biddle Company Services Limited (appointed 29 May 2001, resigned 26 July 2001)	-	1

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 and of the profit or loss of the company for that period. In preparing those financial statements, 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 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payment policy

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of transaction, to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the period end amount to 30 days of average supplies for the period.

Post balance sheet event

On 7 March 2002 the company capitalised £44,780, credited to the share premium account by the allotment of two ordinary shares of 1 pence each for every one ordinary share currently held by each member.

Auditors

Grant Thornton were appointed as auditors during the period and offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

J Savin
Director
26 July 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

PHYSIOMICS PLC

We have audited the financial statements of Physiomics plc for the period ended 31 December 2001 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 2001 and of the loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SHEFFIELD
26 July 2002

BASIS OF PREPARATION

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

The company has not prepared consolidated financial statements on the grounds that the results of its subsidiary are not material. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company are set out below.

INVESTMENTS

Investments are included at cost less amounts written off.

INTANGIBLE FIXED ASSETS

Patents and trademarks purchased are included at market value and amortised over their useful economic lives of 15 years.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated economic lives. The rates generally applicable are:

Fixtures and fittings	33½%
Computer equipment	33½%

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and development expenditure is charged to profits in the period in which it is incurred. Development costs incurred on specific projects are capitalised when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales use arising from the projects. All other development costs are written off in the year of expenditure.

PHYSIOMICS PLC

PROFIT AND LOSS ACCOUNT

For the period ended 31 December 2001

	Note	7 month period ended 31 December 2001 £
Administrative expenses		(137,419)
Operating loss	1	(137,419)
Amounts written off investments	5	(4,487)
Loss on ordinary activities before taxation		(141,906)
Tax on loss on ordinary activities		-
Loss transferred from reserves	9	(141,906)

There were no recognised gains or losses other than the loss for the financial period.

The accompanying accounting policies and notes form an integral part of these financial statements.

PHYSIOMICS PLC

BALANCE SHEET AT 31 DECEMBER 2001

	Note	2001 £
Fixed assets		
Intangible assets	3	65,228
Tangible assets	4	823
Investments	5	1
		66,052
Current assets		
Debtors	6	24,971
Cash at bank and in hand		48,292
		73,263
Creditors: amounts falling due within one year	7	(8,794)
Net current assets		64,469
Total assets less current liabilities		130,521
Capital and reserves		
Called up share capital	8	22,380
Share premium account	9	250,047
Profit and loss account	9	(141,906)
Shareholders' funds	10	130,521

The financial statements were approved by the Board of Directors on 26 July 2002.

J Savin **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

1 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after:

	7 month period ended 31 December 2001 £
Research and development:	
Current year expenditure	53,243
Auditors' remuneration:	
Audit services	2,000

2 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	7 month period ended 31 December 2001 £
Wages and salaries	32,404
Social security costs	3,192
	35,596

The average number of employees of the company during the period was 2.

Remuneration in respect of directors was as follows:

	7 month period ended 31 December 2001 £
Emoluments	32,404

During the period no directors participated in either money purchase or defined benefit pension schemes.

3 INTANGIBLE FIXED ASSETS

	Patents and trademarks £
Cost	
Additions and at 31 December 2001	65,228
Net book amount at 31 December 2001	65,228

Software

The cost of developing the software is estimated to have been c. £4,135,364 at 31 December 2001.

4 **TANGIBLE FIXED ASSETS**

	Fixtures & fittings £	Computer equipment £	Total £
Cost			
Additions and at 31 December 2001	140	683	823
Net book amount at 31 December 2001	**140**	**683**	**823**

5 **FIXED ASSET INVESTMENTS**

	Investment in group undertaking £	Total £
Cost		
Additions and at 31 December 2001	4,488	4,488
Amounts written off		
Provided in the period	4,487	4,487
Net book amount at 31 December 2001	1	1

At 31 December 2001 the company held 20% or more of the allotted share capital of the following:

	Class of share capital held	Proportion held	Nature of business
E-phen Limited	Ordinary	100%	Consultancy

The aggregate amount of capital and reserves of E-phen Limited at 31 March 2001 was £969. The profit for the year ended 31 March 2001 was £169.

6 **DEBTORS**

	2001 £
Other debtors	23,549
Prepayments and accrued income	1,422
	24,971

7 **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2001 £
Trade creditors	749
Social security and other taxes	2,808
Accruals	5,237
	8,794

8 SHARE CAPITAL

	2001 £
Authorised	
1,000,000,000 ordinary shares of 1p each	**100,000**
Allotted, called up and fully paid	
2,238,012 ordinary shares of 1p each	**22,380**

Allotments during the period

The company made an allotment of 2 ordinary shares at £1 each upon incorporation of the company.

On 26 July 2001 the nominal value of the authorised and issued ordinary share capital was changed from £1 to 1 pence and the authorised share capital was increased by £9,950,000.

On 26 July 2001 1,319,800 ordinary 1 pence shares were issued at 4 pence each and 440,000 1 pence ordinary shares were issued at 4 pence each. On 10 September 2001 33,570 ordinary shares of 1 pence each were issued as a consideration for the intangible asset and valued at 45 pence each and 444,442 ordinary 1 pence shares were issued at 45 pence each.

All of these injections of cash into the company were considered necessary to develop Physiomics plc in the future.

The difference between the total consideration of £272,427 and the total nominal value of £22,380, has been credited to the share premium account.

Post balance sheet event

On 7 March 2002 the company capitalised £44,780, credited to the share premium account by the allotment of two ordinary shares of 1 pence each for every one ordinary share currently held by each member.

9 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Profit and loss account £
Retained loss for the period	-	(141,906)
Premium on allotment during the period	250,047	-
At 31 December 2001	**250,047**	**(141,906)**

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £
Loss for the financial period	(141,906)
Issue of shares	272,427
Net increase and shareholders' funds at 31 December 2001	**130,521**

11 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2001.

12 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2001.

13 ACQUISITIONS

On 26 July 2001 the company acquired 440,000 ordinary shares of 1 pence each in E-phen Limited, being 100% of its nominal share capital for a consideration, including stamp duty, of £17,688, satisfied by the issue of 440,000 ordinary shares of 1 pence each. Advantage has been taken of section 131 of the Companies Act 1985 on merger relief in respect of the premium on the issue of shares to finance the acquisition.