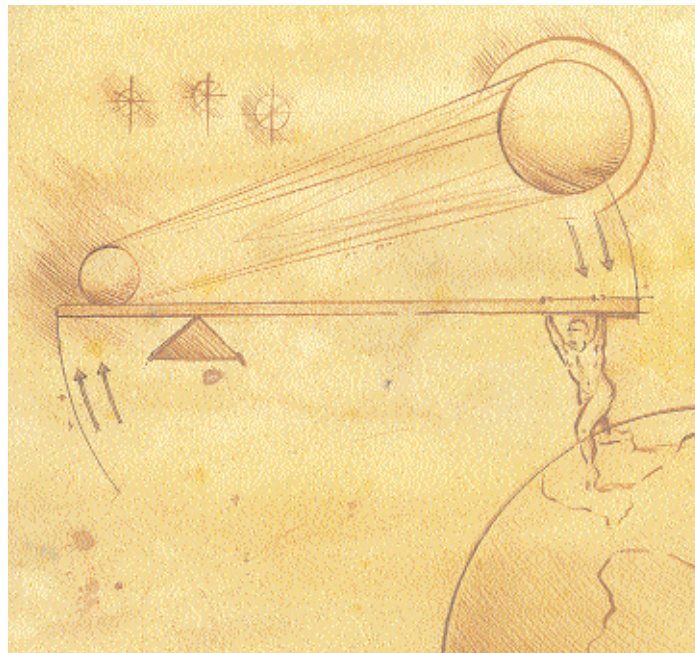


Fulcrum Pharma PLC
Report and Accounts
Period ended 31 August 2000



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directors and advisers

Directors

Professor Sir C F George
Dr J P Court
Dr J A Devlin
Dr R M Miller
Mr N G Oughton
Dr G E Walters
Dr D P Clough

Secretary

Mr N G Oughton

Registered office

Hamilton House
111 Marlowes
Hemel Hempstead
Hertfordshire
HP1 1BB

Auditors

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

Solicitors

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

Nominated adviser and nominated broker

Seymour Pierce Limited
29/30 Cornhill
London
EC3V 3NF

Registrars

Northern Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Chairman's statement

I have great pleasure in presenting your Company's first Report and Accounts and can report a successful first year of trading.

Fulcrum has exceeded expectations and is in profit in its first year

Since the start of operations in September 1999, your Company has more than fulfilled expectations. Turnover of £1,804,000 exceeded internal forecasts by a significant margin and a small profit before tax of £24,000 was achieved.

Aim flotation

The Placing and Admission to AIM in March raised funds of £740,000 after expenses allowing the Group to pursue its strategy for growing the business and to raise Fulcrum's profile in the UK and overseas, especially Japan. Your Board has been able to use the Company's quoted shares to motivate its employees through equity participation, which has also enabled the Company to attract and retain high quality and committed staff.

Operational review

The management has won, and continues to negotiate, an increasing number of short, medium and long-term contracts with Japan, Europe and US based customers. These contracts represent annual turnovers in the range of £50,000 to £2,000,000 per contract. A significant contract has recently been signed with the UK based pharmaceutical company, Xenova plc. Fulcrum will provide the infrastructure and expertise to develop a novel anticancer agent on behalf of Xenova.

The contracts won are based on Fulcrum's key products and services, which are:

Design and planning of drug development programmes and plans:

Fulcrum uses its skills to design and produce complex drug development plans which can last for between one and six years and involve total costs of up to £150 million.

Implementation and management of programmes and plans through tailor-made teams:

Drug development programmes are executed and co-ordinated by Fulcrum on behalf of its client through tailor-made teams, made up of various service suppliers. Fulcrum brings together, leads and manages people, processes and expertise to enable its clients to save time, reduce cost and increase productivity. Fulcrum's processes are designed to ensure the drug development programmes meet the extensive regulatory requirements needed to bring new medicines to market.

Assembly and assessment of product information and knowledge for registration and marketing:

Fulcrum uses knowledge management processes and tools (including internet and intranet based systems) to manage the huge quantities of information generated during development which are required for product registration.

Future prospects

We expect that revenues and profit will be enhanced in the forthcoming period based on contracts already in place, on bids submitted and from our global business development activities. Plans are in place to expand our customer network in the US, Europe and Japan.

Directors

I would like to express my appreciation of the support and dedication of the Directors, consultants and members of the staff which has made possible the progress and success which your Company has already achieved. I look forward to the future with confidence.

Professor Sir C F George

Chairman

13 October 2000

Chief Executive Officer's report

Fulcrum has exceeded expectations

In our first year of operation we have worked with a broad range of customers and achieved a turnover of £1,804,000. This financial performance has enabled us to take on further staff, expand our Japanese Office and update our information systems while still retaining sufficient working capital for the immediate future. This is a successful start to Fulcrum and a smooth transition by the management team from Fulcrum's predecessor company, Protodigm Ltd, a wholly owned subsidiary of the large pharmaceutical company Roche.

We have won and are negotiating major contracts

The management team has won significant contracts. It has been encouraging that Fulcrum's services have proven attractive to a broad spectrum of customers. These have included emerging, medium and large pharmaceutical companies from Europe, US and Japan. The flexibility of Fulcrum's virtual business model has enabled us to tailor our services to meet our clients' needs. The Xenova contract described in the Chairman's Statement illustrates this point. Other clients have recognised that our services can add value to their businesses in the following ways:

1. Reduce dependence on internal fixed resources and therefore reduce overheads;
2. Gain access to our global development skills immediately and as needed;
3. Increase productivity by reducing the cost and time to "go/no go" decisions relating to new products; and
4. Shorten overall development time, reduce time to market and therefore potentially extend the period of market exclusivity.

Global operations with a branch office established in Japan

Through marketing of the key services, the Company as well as winning contracts during the year, is continually bidding on new work. Expansion of our operation in Tokyo has enhanced Fulcrum's Global Drug Development Services and has proven attractive to customers both within and outside of Japan. With this in mind, the Company employed a representative in Tokyo to develop the Company's presence in Japan and subsequently has registered a Japanese Branch Office, which became operational from September 2000. This is an area where we see future growth and sales and is an important part of Fulcrum's marketing to new and existing clients.

Fulcrum's services and products enable Japanese pharmaceutical companies to get their products into the global market-place earlier. Changes in the Japanese law governing clinical development have had the effect of creating new opportunities for Fulcrum to offer specialist development services to Japanese companies inside and outside Japan.

Resources and operating capital in place

In the year the Company raised £740,000 (after expenses) by way of placing of 33,333,333 ordinary 1p shares at 3p each. The Company remains in a healthy cash position with a net balance at 31 August 2000 of £716,000.

The management team has been expanded in the UK and in Japan to service existing clients, market the Group's services and to continue increasing the profile of the Group. Options under the Company's approved and unapproved share options schemes have been and will be granted to aid recruitment and retention of further high quality staff. Since the start of operations in September 1999 the Company has recruited four new employees, two in Japan and two in the UK. All four of the new employees bring a wealth of experience in drug development.

Current trading and prospects

The current year has started well with growing interest in our services from most sectors in the market and your Board views the future with confidence. Through our business development activities we will continue to expand our client base in Europe, US and Japan.

Dr J P Court
Chief Executive Officer
13 October 2000

Directors' report

The Directors present their first report and accounts for the period ended 31 August 2000. Fulcrum Pharma PLC (the "Company") was incorporated on 17 February 2000 and commenced trading on 7 March 2000 following the acquisition of Fulcrum Pharma Developments Limited ("FPDL"). FPDL was incorporated on 18 March 1999 and commenced trading on 1 September 1999. The Group accounts consolidate the results of Fulcrum Pharma PLC and its subsidiary FPDL (together the "Group") drawn up to 31 August 2000. The accounts, which are prepared using merger accounting principles, present the results of the Group as if Fulcrum Pharma PLC had been in existence and owned FPDL throughout the period under review, namely since 18 March 1999.

Results and dividends

The retained profit for the year after taxation amounted to £17,000.

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. A review of the business during the period ended 31 August 2000 and future developments are set out in the Chairman's Statement and the Chief Executive's Report on pages 2 and 3.

Directors, Officers and Directors' interests

The Directors, who served during the period, are as set out below:

Professor Sir C F George	(appointed 7 March 2000)
Dr J P Court	(appointed 7 March 2000)
Dr J A Devlin	(appointed 7 March 2000)
Dr R M Miller	(appointed 7 March 2000)
Mr N G Oughton	(appointed 7 March 2000)
Dr G E Walters	(appointed 7 March 2000)
Dr D P Clough	(appointed 7 March 2000)

Biographies of the Directors and senior employees are set out on pages 21 to 23.

The Company Secretary during the period was Mr N G Oughton.

Certain shareholders, including directors, of the Company are entitled to be allotted additional ordinary shares in the Company by reference to the consolidated profits before tax of the Group for the twelve months ending 31 August 2001 on a sliding scale. If the profits before tax are less than £200,000, no additional consideration will be payable and up to a maximum of 56,666,666 ordinary shares of 1p will be allotted if profits before tax exceed £900,000.

The interests of the Directors in the Company's ordinary shares of 1p each, including those shares which may be allotted to Directors by reference to profits of the Group, are set out below:

Share capital	As at 31 August 2000	Maximum potential additional allotment
Dr J P Court	2,633,333*	9,367,000
Dr J A Devlin	2,133,333	9,367,000
Dr R M Miller	2,133,333	9,367,000
Mr N G Oughton	2,133,333	9,367,000
Dr G E Walters	2,133,333	9,367,000
Professor Sir C F George	250,000	–
Dr D P Clough	166,667	–

* Includes 500,000 shares held by Dr Court's wife.

Directors' report

continued

The interests of the Directors in options to purchase shares in the Company are shown in note 12. As at 31 August 2000, the Directors held in aggregate 11,583,332 shares, representing 25% of the current issued ordinary capital.

None of the Directors had an interest in a contract of significance to which the Company was party during the period ended 31 August 2000.

Political and charitable contributions

The Company made no political or charitable contributions during the period.

Employees

Fulcrum involves all its employees in its corporate objectives, plans, performance and on other relevant matters of interest to employees through various communication methods and regular Company meetings. The Company is an equal opportunity employer and does not discriminate in the recruitment and promotion of staff. All employees are included in the Company's bonus incentive plan and also, if qualified, are entitled to receive share options within the Company's share option scheme.

Substantial shareholdings

The Company had the following shareholdings amounting to 3% or more of the ordinary share capital of the Company as at 31 August 2000.

	Number of shares held	Percentage
Cheapside Nominees Limited	3,269,666	7.01%
Dr J P Court	2,633,333*	5.64%
Dr J A Devlin	2,133,333	4.57%
Dr R M Miller	2,133,333	4.57%
Mr N G Oughton	2,133,333	4.57%
Dr G E Walters	2,133,333	4.57%
Chase Nominees Limited	1,573,976	3.37%

* Includes 500,000 shares held by Dr J P Court's wife.

The substantial shareholdings were unchanged as at 4 October 2000, except Cheapside Nominees Limited, which had decreased its holding to 2,147,500 (4.60%).

Safety, health and environment

Fulcrum is committed to maintaining high standards of safety, health and environment protection by conducting itself in a responsible manner to protect people and the environment. In pursuit of this, the Company has established Health and Safety procedures and policies under the control of a manager responsible. Consultants have been appointed to help monitor and train the staff of the Company.

Treasury policy

The Company's treasury policy is one of conservatism approved by the Board. Cash balances are managed as described in note 15. As a matter of policy, Fulcrum does not undertake speculative transactions, which would increase its currency or interest rate exposure.

Auditors

During the year, Ernst & Young were appointed as auditors. A resolution to reappoint them, as auditors will be put before the members at the Annual General Meeting.

By order of the Board:
N G Oughton
Company Secretary
 13 October 2000

Directors' report

continued

Corporate Governance

The Board aims to achieve the highest possible standards in corporate governance but the Directors are of the view that compliance with the revised Combined Code and recommendations of Turnbull would be too onerous for a company of this size. As a member of AIM the company does not have to comply with the Combined Code. However, the Board of Directors believe in providing a framework for establishing good corporate governance and accountability. Therefore, the Board has set out below certain of the Company's procedures which provide its framework for Corporate Governance.

The Board

The Board currently comprises the Executive and Non-executive Directors. Given the current small size of the Company it is not felt appropriate to appoint more than two Non-executive Directors; namely Professor Sir Charles George and Dr David Clough. A minimum of six board meetings is held annually. The Board is responsible for overall strategy, major finance matters and internal financial control. It also monitors executive management in the business through its review of financial, strategic and operational matters. All Directors are subject to retirement by rotation.

Board committees

The Board has established both Audit and Compensation Committees each with defined terms of reference.

An Audit Committee has been established which consists of the Non-executive Directors and Neil Oughton. It meets at least twice each year and is responsible for ensuring the financial performance of the Group is properly reported on and monitored, for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal financial control systems.

A Compensation Committee has been established which consists of the Non-executive Directors and Alastair Devlin. It meets at least twice each year and reviews the performance of Executive Directors and sets the scale and structure of their remuneration having due regard to the interests of the shareholders. The Committee also administers the Share Option Scheme.

Internal financial control

The Directors are responsible for ensuring that the Group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that the assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The Group, in administering its business, has put in place strict authorisation, approval and control levels within which senior management operates. These controls reflect the Group's organisational structure and business objectives. This control system includes clear lines of accountability to cover all areas of the organisation. The Board has established key procedures which include an appropriate control environment through the definition of the above organisation structure and authority levels, the identification of the major business risks facing the Group and the development of appropriate procedures and controls to manage those risks and a budgeting and reporting system with results compared with budget and variance analysis and re-forecasting of projected results.

Going concern

The Directors have reviewed the Group's budgets and forecasts with respect to its financial position as at 31 August 2000. After taking into consideration the cash flow implications of these plans, the Directors are satisfied that it is appropriate to produce the Group accounts on a going concern basis.

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 Group 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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 PLC

We have audited the accounts on pages 9 to 20, which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of Directors and Auditors

As described on page 7 the 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.

We read the other information contained in the accounts and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit 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 circumstances of the Group and of the Company, 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 affairs of the Group and of the Company as at 31 August 2000 and of the profit of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Registered Auditor
Cambridge
13 October 2000

Consolidated Profit and Loss Account

for the period ended 31 August 2000

	Notes	Period to 31 August 2000 £000
Turnover	2	1,804
Cost of sales		(987)
Gross profit		817
Selling expenses		(86)
Administration expenses		(720)
Operating profit	3	11
Interest receivable and similar income	5	13
Profit on ordinary activities before taxation		24
Tax on profit on ordinary activities	6	(7)
Retained profit for the period	13	17
Earnings per share (pence)		
Basic	7	0.07p
Diluted	7	0.07p

Statement of Total Recognised Gains and Losses

There were no recognised gains and losses other than the profit for the period ended 31 August 2000 of £17,000.

Consolidated Balance Sheet

at 31 August 2000

	Notes	2000 £000
Fixed assets		
Tangible assets	8	13
<hr/>		
Current assets		
Debtors	10	892
Cash at bank and in hand		716
		<hr/> 1,608
Creditors: amounts falling due within one year	11	(849)
		<hr/>
Net current assets		759
		<hr/>
Total assets less current liabilities		772
		<hr/>
Capital and reserves		
Called up share capital	12, 13	467
Share premium	13	421
Profit and loss account	13	(133)
Merger reserve	13	17
Equity shareholders' funds:		<hr/> 772

Jon Court
 Neil Oughton
Directors

13 October 2000

Company Balance Sheet

at 31 August 2000

	Notes	2000 £000
Fixed assets		
Investment in subsidiaries	9	133
<hr/>		
Current assets		
Debtors	10	713
Cash at bank and in hand		18
		<hr/> 731
Creditors: amounts falling due within one year	11	(10)
		<hr/> 721
Net current assets		721
		<hr/>
Total assets less current liabilities		854
<hr/>		
Capital and reserves		
Called up share capital	12, 13	467
Share premium	13	421
Profit and loss account	13	(34)
		<hr/> 854
Equity shareholders' funds		854
<hr/>		

Jon Court
 Neil Oughton
Directors

13 October 2000

Consolidated Statement of Cash Flows

for the period ended 31 August 2000

	Notes	2000 £000
Net cash outflow from operating activities	14(a)	(29)
Returns on investments and servicing of finance		
Interest received		13
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(23)
Net cash outflow before management of liquid resources and financing		(39)
Financing		
Issue of ordinary share capital		
Share issue costs		1,000
		755
Increase in cash		716

Reconciliation of Net Cash Flow to Movement in Net Funds

	Notes	2000 £000
Increase in cash		716
Net debt at incorporation		–
Net funds at 13 August 2000	14(b)	716

Notes to the Accounts

at 31 August 2000

1. ACCOUNTING POLICIES

(a) Basis of preparation

On 7 March 2000 the Company acquired 100% of the ordinary shares (and all of the voting rights) of Fulcrum Pharma Developments Limited in an exchange of shares, which resulted in the former shareholders of Fulcrum Pharma Developments Limited holding the same proportion of the issued share capital of Fulcrum Pharma PLC as they had held in Fulcrum Pharma Developments Limited. In connection with the share exchanges the Company issued 13,333,332 ordinary shares of 1p each with a nominal value of £133,333 credited as fully paid in exchange for 375 ordinary shares of £1 each in Fulcrum Pharma Developments Limited.

The Group accounts consolidate the results of Fulcrum Pharma PLC and its subsidiary Fulcrum Pharma Developments Limited drawn up to 31 August 2000. The accounts, which were prepared using merger accounting principles, present the results of the Group as if Fulcrum Pharma PLC had been in existence and owned Fulcrum Pharma Developments Limited throughout the period under review. No profit and loss account is presented for Fulcrum Pharma PLC, as permitted by section 280 of the Companies Act 1985. The result of Fulcrum Pharma PLC Company only for the year ended 31 August 2000 amounted to a loss of £34,000.

(b) Investments

Fixed asset investments are shown at cost less provision for impairment.

(c) Tangible 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 3 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.

(d) Leasing Commitments

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

(e) Pensions

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

(f) 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.

Notes to the Accounts

continued

1. ACCOUNTING POLICIES continued

(g) 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. Revenues 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 contractual relationships are recorded to revenue when all work related to the milestone is completed.

(h) 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.

(i) Employee share options

The Company grants share options to employees and, in accordance with Urgent Issues Task Force Pronouncement Number 17 ('UITF17'), records a non-cash charge to the profit and loss account for the difference between the exercise price of the option and fair value of the underlying shares on the date of grant. The profit and loss charge is recognised over the period during which the incentive benefits of the option relate.

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:

	Period to 31 August 2000 £000
United Kingdom	312
Rest of Europe	367
United States of America	824
Japan	301
	1,804

3. OPERATING PROFIT

This is stated after charging:

	Period to 31 August 2000 £000
Auditors' remuneration – audit services	12
– non audit services	39
Depreciation of tangible assets	10
Operating lease rentals on land and buildings	20
	81

Notes to the Accounts

continued

4. STAFF COSTS AND DIRECTORS' EMOLUMENTS

(a) Staff costs (including Executive Directors):

	Period to 31 August 2000 £000
Wages and salaries	440
Social security costs	40
Pension costs	18
	498

(b) The average monthly number of employees during the period ended 31 August was:

	Period to 31 August 2000 No.
Management and administration	7

(c) Directors' emoluments

The total emoluments of the Directors for the period ended 31 August 2000 was £287,000 and comprising company salaries, pension contributions and Non-executive Directors' fees. The emoluments of each Director during the period was as follows:

	Basic Salary and fees £000	Pension contributions £000	Period to 31 August 2000 Total £000
Executive			
Dr J P Court	53	2	55
Dr J A Devlin	53	2	55
Dr R M Miller	53	2	55
Mr N G Oughton	53	2	55
Dr G E Walters	53	2	55
	265	10	275
Non-executive			
Professor Sir C F George	7	–	7
Dr D P Clough	5	–	5
	12	–	12
	277	10	287

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	Period to 31 August 2000 £000
Bank interest receivable	13

Notes to the Accounts

continued

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Period to
31 August 2000
£000

UK Corporation tax at 20%	7
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The effective tax rate is lower than the UK corporate rate due to the existence of permanent disallowables.

7. EARNINGS PER SHARE

The basic earnings per ordinary share is based upon the Group's profit for the period of £17,000 divided by the weighted average number of ordinary shares in issue, calculated using merger accounting principles, of 24,423,559. The diluted earnings per share are the same as the basic earnings per share the effect from options issued during the period is non-dilutive.

8. TANGIBLE FIXED ASSETS

Computers and office
Fixtures and Fittings
£000

Group	
Cost:	
At incorporation	–
Additions during the period	23
At 31 August 2000	23
Depreciation:	
At incorporation	–
Provided during the period	10
At 31 August 2000	10
Net book value:	
At 31 August 2000	13
At incorporation	–

9. INVESTMENTS

£000

Company	
Cost:	
At incorporation	–
Additions	133
At 31 August 2000	133

The Company holds the entire issued share capital of Fulcrum Pharma Developments Limited a company incorporated in the UK. The Company's principal activity is to offer global virtual drug development and strategic outsourcing services to the pharmaceutical industry. The aggregate amount of Capital & Reserves of Fulcrum Pharma Developments Limited at 31 August 2000 amounted to £52,000, and its profit for the period after tax was £51,000.

Notes to the Accounts

continued

9. INVESTMENTS continued

The Company also holds the entire issued share capital of Fulcrum Pharma Developments International Ltd, a company incorporated in the UK. This company has not traded during the period to 31 August 2000. The Company has commenced trading since the period end and its principal activity is to operate the branch office in Japan.

10. DEBTORS

	Group 2000 £000	Company 2000 £000
Trade debtors	845	–
Amounts owed by subsidiary undertaking	–	705
Other debtors	41	8
VAT receivable	6	–
	892	713

Included in Company only debtors is an amount of £28,000 due after more than one year.

11. CREDITORS: amounts falling due within one year

	Group 2000 £000	Company 2000 £000
Trade creditors	110	–
Corporation Tax	7	–
Other taxes and social security costs	59	–
Other creditors	31	–
Accruals and deferred income	642	10
	849	10

12. SHARE CAPITAL

As at 31 August 2000 the authorised and issued share capital of the Company was as follows:

	2000 No.	2000 £000
Authorised		
Ordinary shares of 1p each	150,000,000	1,500
Allotted, called up and fully paid		
	2000 No.	2000 £000
Ordinary shares of 1p each	46,666,667	467

Notes to the Accounts

continued

12. SHARE CAPITAL continued

Movements during the year

The Company was incorporated with an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1p each of which two shares were issued and fully paid.

On 7 March 2000, the authorised share capital of the Company was increased from £1,000,000 to £1,500,000 by the creation of 50,000,000 ordinary shares.

On 7 March 2000, the Company issued a total of 13,333,332 ordinary shares in consideration for the acquisition of the entire issued share capital of Fulcrum Pharma Developments Limited on the basis of 35,555.55 ordinary shares for every ordinary share of £1 each issued in Fulcrum Pharma Development Limited.

On 15 March 2000, the Company undertook a placing on AIM and issued a total of 33,333,333 ordinary shares of 1p each for a cash consideration of £1,000,000 being share capital of £333,333 and share premium of £666,667.

Contingent allotment of shares

Certain shareholders, including Directors, of the Company are entitled to be allotted additional ordinary shares in the Company by reference to the consolidated profits before tax of the Group for the twelve months ending 31 August 2001 on a sliding scale. If the profits before tax are less than £200,000, no additional consideration will be payable and up to a maximum of 56,666,666 ordinary shares of 1p will be allotted if profits before tax exceed £900,000.

Warrants

During the period the Company granted warrants to subscribe for 2,333,333 ordinary shares each (being 5% of the issued share capital of the Company on Admission on 15 March 2000) at 3p per ordinary share exercisable at any time up to 7 March 2005.

Share options

Directors, employees and consultants

Options over ordinary shares of 1p each have been granted to Directors and employees under an unapproved share option scheme. The Company has issued options as follows:

	Granted/ (lapsed) No.	Exercised No.	Held at 31 August 2000 No.	Weighted average exercise price	Earliest and latest date of exercise
Prof. Sir C F George	100,000	–	100,000	3.00p	7/3/03-7/3/10
Dr D P Clough	100,000	–	100,000	3.00p	7/3/03-7/3/10
Employees					
– Approved scheme	444,444	–	444,444	6.75p	4/7/03-4/7/10
– Unapproved scheme	3,414,816	–	3,414,816	6.75p	4/7/03-4/7/10
Consultants	300,000	–	300,000	3.00p	31/8/01-7/3/10
	<u>4,359,260</u>	<u>–</u>	<u>4,359,260</u>		

Notes to the Accounts

continued

13. RECONCILIATION OF MOVEMENTS ON RESERVES AND SHAREHOLDERS' FUNDS

	Called up share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Group					
At incorporation	-	-	-	-	-
Issue of share capital	467	666	-	-	1,133
Admission costs	-	(245)	-	-	(245)
Profit for the period	-	-	-	17	17
Equity elimination upon consolidation	-	-	(133)	-	(133)
At 31 August 2000	467	421	(133)	17	772

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total £000
Company				
At incorporation	-	-	-	-
Issue of share capital	467	666	-	1,133
Admission costs	-	(245)	-	(245)
Loss for the period	-	-	(34)	(34)
At 31 August 2000	467	421	(34)	854

14. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of the operating profit to net cash outflow from operating activities

	2000 £000
Operating profit	11
Depreciation	10
Increase in debtors	(892)
Increase in creditors	842
Net cash outflow from operating activities	(29)

(b) Analysis of net funds

	At 31 August 2000 £000
Cash at bank and in hand	716

Notes to the Accounts

continued

15. FINANCIAL INSTRUMENTS

Surplus funds are placed on deposit for either short term or on longer terms depending on the forecast utilisation. The Group has not used any financial derivatives.

Interest rate risk profile

The Group's only financial instruments are cash balances.

Currency exposures

At 31 August 2000 the Group's currency exposures comprised foreign currency bank accounts held in the UK of £387,000.

Fair values of financial assets and liabilities

The disclosure below excludes short term debtors and creditors.

	Book value 2000 £000	Fair value 2000 £000
Current assets		
Cash at bank	716	716

All funds earn interest at rates based on LIBOR. The principal currencies are sterling and US Dollar.

16. OPERATING LEASES

At 31 August 2000 the Group had annual commitments under operating leases, as set out below:

	Land and buildings 2000 £000
More than five years	40

Biographies of Directors and senior employees

Executive Directors

Chief Executive Officer

Dr Jon Court, age 47

Dr Court is a founder of Fulcrum. Prior to establishing Fulcrum, Dr Court was Managing Director and a Board member of Protodigm Ltd, a wholly owned subsidiary of the large pharmaceutical company Roche. He was responsible for establishing the company and assembling the management team. In the three years of operating Protodigm as a virtual drug development company, Dr Court and the management team developed the supplier contacts, skills and processes necessary to develop drugs in a virtual environment with significant speed and cost savings against industry benchmarks. Previously, Dr Court was head of Project Management for Roche in the UK having led the development of Invirase, from discovery through to global registration in less than 5 years, which was recognised by the 1995 UK Prix Galien for Research and in 1999 by the International Prix Galien. Prior to Roche, Dr Court held scientific and management positions at Wellcome Plc. Dr Court holds a PhD in Parasitology and Immunology from Salford University.

Chief Operating Officer and Director of Technical Development

Dr Alastair Devlin, age 44

In addition to being Chief Operating Officer, Dr Devlin leads technical development - a role he undertook as a founder member of Protodigm. In this position he is responsible for all of the activities of drug manufacture and formulation development, including clinical trial supply and establishment of commercial manufacturing. At Protodigm, Dr Devlin also assembled and led a virtual development team responsible for taking an oncology product from pre-clinical development to the end of phase II.

In 13 years in the healthcare industry prior to joining Protodigm, Dr Devlin held positions in quality assurance and process development in line and corporate management at Director and vice president level in the UK, Switzerland, Italy and the USA. In these roles he was closely involved in the filing and subsequent approval of a number of recombinant and traditional drugs. Dr Devlin has a B.Sc. (Hons) and PhD degrees from the university of Glasgow.

Medical Director

Dr Robert Miller, age 48

Dr Miller is responsible for the medical and clinical aspects of the Group's business. As Medical Director in Fulcrum Dr Miller has continued to lead projects and has run several Advisory Boards in different therapeutic areas. He provides the clinical input to all clinical development proposals and plans.

Prior to Fulcrum Dr Miller joined Protodigm at the outset as a founder member with the role of Director of Clinical Development. As the leader for one of Protodigm's projects, he was responsible for the entire drug development process. He also led a specific phase III project aimed at providing pivotal regulatory safety data.

Prior to Protodigm, Dr Miller worked at Zeneca Plc, where he gained UK and international experience in various positions, including the world-wide clinical development and medical marketing of two cardiovascular products and in intensive care unit sedation. In addition, Dr Miller had a leading role in the gynaecology area for commercialisation, registration and the development of new indications as well as new formulations for two existing chemical entities. Dr Miller's qualifications are FRCS, MBBS, LRCP, MRCS, Dip Pharm Med and MFPM.

Business Development Director and Company Secretary

Mr Neil Oughton, age 43

Mr Oughton is responsible for the business development (including sales and marketing) activities of the Group. He also brings pharmaceutical marketing expertise to Fulcrum's drug development programmes. Mr Oughton joined Protodigm as Director of Business Development in January 1997. He was responsible for the business input into the product development strategy, the assessment of new product opportunities and the commercial relationships with Roche and with suppliers of non-development services

Biographies of Directors and senior employees *continued*

Prior to Protodigm, Mr Oughton held senior management positions in Roche in strategic planning and business development before becoming head of business development and market research for Roche in Japan in 1996. He previously held positions in pharmaceutical sales and marketing at Upjohn and Napp Laboratories. Mr Oughton gained a BSc in Pharmacology at the University of London.

Regulatory Affairs and Knowledge Management Director

Dr Gareth Walters, age 41

Dr Walters is a founder member of Fulcrum and is responsible for the global regulatory strategy for all Fulcrum projects. In addition, he manages the development and application of state-of-the-art knowledge management systems to maximise the efficiency of virtual teams and, in particular, to ensure high quality interactions with Health Authorities and customers.

Prior to Fulcrum, Dr Walters was a Founder member of the virtual drug development company, Protodigm Ltd, where he was responsible for regulatory affairs and communication. In this role, he was responsible for setting and implementing the global regulatory strategy for all Protodigm projects. Dr Walters managed teams of regulatory professionals as part of the virtual teams, and sponsored team-based writing and communication processes supported by state-of-the-art document management and dossier submission systems.

Prior to joining Protodigm, Dr Walters worked for Roche for 10 years in the UK and at corporate headquarters in Switzerland, in Regulatory Affairs, Product Management, Clinical Documentation and Clinical Pharmacology. Dr Walters has a BSc (Hons) and PhD in Physiology from University of Leeds.

Non-executive Directors

Non-executive Chairman

Professor Sir Charles George, age 59

Professor Sir Charles George is Medical Director of the British Heart Foundation and formerly Chairman of the Joint Formulatory Committee, responsible for overseeing the production of the British National Formulary. He is Emeritus Professor of Clinical Pharmacology at the University of Southampton where he has also served as Dean since 1990. He has been a Director of Southampton Innovations Ltd, the company responsible for capitalising on the intellectual property rights of innovations arising from within Southampton University.

Sir Charles has served on numerous Department of Health committees and the Committee on Review of Medicines. He has been a consultant to several major pharmaceutical companies. His distinguished career in medicine was recognised with a Knighthood in 1998. His other honours include FFPM, FRSA and FmedSci.

Non-executive Director

Dr David Clough, age 53

Dr Clough was Research Director of Roche in the UK between 1986 and 1999, where he was responsible for over 300 staff with departments covering biology, chemistry and preclinical development. During this period two products discovered by staff in the research group under Dr Clough progressed through to the marketplace, namely Inhibace® and Invirase®. Dr Clough has received several national and international awards for his role in the development of Invirase®, including the International Prix Galien, PhRMA discoverers Award and the Millennium Product Award in 1999.

Dr Clough has served on the Board of The Association of the British Pharmaceutical Industry R&D committee and is a member of the scientific advisory board for Cambridge Antibody Group plc. Dr Clough holds a PhD from the University of Glasgow.

Senior employees

Director of Business Operations

Dr Sarah Arbe-Barnes, age 40

Dr Arbe-Barnes joined Fulcrum Pharma Developments Ltd in March 2000. Her role is to lead and manage project teams and provide operational support to Business Development including bid development and

Biographies of Directors and senior employees *continued*

defence. Dr Arbe-Barnes is an experienced Project Leader who, prior to joining Fulcrum, acted as Programme Manager for two of the virtual development projects run by Fulcrum and its predecessor company, Protodigm. Dr Arbe-Barnes has 13 years experience in drug development, having been involved in phase I to IIIb global programmes in CNS, cardiovascular, immunology, ICU and transplantation. Dr Arbe-Barnes has worked both within the CRO and pharmaceutical environments, providing leadership to both project and business development teams.

Dr Arbe-Barnes has a PhD in Biochemistry from the University of Bath and is completing an MBA through the Open University Business School

Director of Programme Management

Ms Leanne Drummond, age 41

Ms Drummond joined Fulcrum Pharma Developments Ltd in May 2000. Her role is to lead and manage project teams, provide therapeutic and clinical development support for bids, as well as support coordination of operations and supplier management.

Before joining Fulcrum Ms Drummond worked for Pharmaco/PPD Development as a project and programme manager for 8 years. Her responsibilities included design, implementation and management of trials and programmes. Areas of experience include: oncology, trauma, stroke, wound healing, women's health, and infectious diseases.

Prior to working in clinical research Ms Drummond worked for the University of North Texas, managing pesticide trials.

Ms Drummond holds a BS Marb from Texas A&M University.

General Manager of Japan office

Mr Teruyoshi Okuda, age 42

Mr Okuda joined Fulcrum in January 2000. He is responsible for the business development (including marketing) activities of Fulcrum in Japan. In addition he provides specific Japanese development input into Fulcrum's global drug development plans and managing any Japanese development activities.

Prior to joining Fulcrum, Mr Okuda held senior positions in drug development, medical affairs and clinical research in Japanese affiliates of Roche and Rhone-Poulenc Rorer. Most recently, he was project leader for the Japanese development of 2 novel oncology agents (Xeloda® and Herceptin®), which took advantage of the changing regulatory environment in Japan to accelerate their development. He also managed the development and remarketing activities for another oncology agent in Japan, Taxotere®, as well as having responsibility for development of medical support for agents in other therapeutic areas (malaria, haematology, antibiotics and asthma). Mr Okuda has a degree and MSc in pharmaceutical Sciences from the Science University of Tokyo.

Deputy General Manager of Japan office

Mr Shinjiro Nemoto, age 39

Mr Nemoto joined Fulcrum in June 2000. He assists the General Manager of Japan Office in the management of the operational activities of Fulcrum in Japan. He also leads and manages Fulcrum virtual and specified development team in Japan, which includes Japanese CROs.

Prior to joining Fulcrum, Mr Nemoto held senior positions in clinical drug development in the Japanese Grelan Co. Ltd. Most recently, he has been Assistant Project Leader for the Japanese development of an anti-obesity agent (Xenical®). He has also managed the clinical development of oncology agents in Japan (Herceptin® and DMDC), as well as having responsibility for clinical development support for agents in other therapeutic areas (anti-viral, drug-delivery system of hormone, anti-hypertension and antibiotics). Mr Nemoto gained a BSc in Pharmacology at Tokyo College of Pharmacy.

Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of Fulcrum Pharma PLC (“the Company”) will be held at the offices of Buchanans at 107 Cheapside, London EC2V 6DN at 3.00pm on Thursday 16 November 2000.

Ordinary resolutions

1. To receive and consider the Reports of the Directors and financial statements for the year ended 31 August 2000 and the Auditors’ Report thereon.
2. To re-appoint Professor Sir Charles F George as a Non-executive Director of the Company.
3. To re-appoint Dr Jonathan Peter Court as a Director of the Company.
4. To re-appoint Dr James Alastair Devlin, as a Director of the Company.
5. To re-appoint Dr Robert Matthew Miller as a Director of the Company.
6. To re-appoint Neil Graham Oughton as a Director of the Company.
7. To re-appoint Dr Gareth Elphinstone Walters, as a Director of the Company.
8. To re-appoint Dr David Peter Clough, as a Non-executive Director of the Company.
9. To re-appoint Ernst & Young as Auditors and to authorise the Directors to fix their remuneration.

Special resolution

By order of the Board:
Mr N G Oughton
Secretary

Registered office:
Hamilton House
111 Marlowes
Hemel Hempstead
Hertfordshire
HP1 1BB

13 October 2000