

**SUMMIT PHARMACEUTICALS EUROPE
LIMITED**

Report and Financial Statements

31 December 2002



**Deloitte & Touche
London**

SUMMIT PHARMACEUTICALS EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Statement of total recognised gains and losses	6
Reconciliation of movements in shareholders' funds	6
Balance sheet	7
Notes to the accounts	8

SUMMIT PHARMACEUTICALS EUROPE LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Matsumoto
T Nakaoka
Y Takeuchi
T Yoshikawa

SECRETARY

G D Holman (resigned 16 May 2003)
Sumitomo Corporation Europe Plc (appointed 16 May 2003)

REGISTERED OFFICE

Vintners' Place
68 Upper Thames Street
London EC4V 3BJ

BANKERS

The Bank of Tokyo-Mitsubishi, Ltd
12-15 Finsbury Circus,
London EC2M 7BT

Citibank NA
336 Strand
London WC3R 1HB

SOLICITORS

Denton Wilde Sapte
One Fleet Place
London EC4M 7WS

AUDITORS

Deloitte & Touche
Chartered Accountants
London

SUMMIT PHARMACEUTICALS EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

The company trades in pharmaceutical products, selling to the United Kingdom, European and other markets. The company is based in London and has branches in Dusseldorf and Barcelona. The functional currency of the company for the majority of its transactions is the euro. Hence the financial statements have been prepared in euros.

REVIEW OF DEVELOPMENTS

The company made a loss of €447,000 in the year (loss of €338,000 in the period from incorporation on 16 May 2001 to the 31 December 2001). The directors consider this to be a satisfactory result in current market conditions. The directors do not recommend the payment of a dividend for the year (2001 € nil).

FUTURE PROSPECTS

The company will continue to grow by acquiring other Sumitomo European pharmaceutical businesses.

DIRECTORS AND THEIR INTERESTS

None of the directors had any interest in the share capital of the company or of any other group companies during the year.

DIRECTORS' AND OFFICERS' LIABILITY


Directors' and officers' liability insurance has been purchased by the company during the year.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the Company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

Approved by the Board of Directors
and signed on behalf of the Board



A Matsumoto

Director

9 July 2003

SUMMIT PHARMACEUTICALS EUROPE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. 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;
- state whether applicable accounting standards have been followed; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUMMIT PHARMACEUTICALS EUROPE LIMITED

We have audited the financial statements of Summit Pharmaceuticals Europe Limited for the year ended 31 December 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out in note 1.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

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 2002 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
London

9 July 2003

SUMMIT PHARMACEUTICALS EUROPE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 December 2002

		Year ended 31 December 2002 €'000	16 May 2001 to 31 December 2001 €'000
	Note		
TURNOVER: continuing operations	2	29,236	7,268
Cost of sales		(26,959)	(6,861)
Gross profit		2,277	407
Administrative expenses		(2,811)	(749)
Other operating expenses		-	(5)
OPERATING LOSS: continuing operations	4	(534)	(347)
Other interest receivable and similar income		74	10
Interest payable and similar charges		(17)	(1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(477)	(338)
Tax on loss on ordinary activities	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR/PERIOD TRANSFERRED FROM RESERVES		(477)	(338)

SUMMIT PHARMACEUTICALS EUROPE LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2002

	Year ended 31 December 2002 €'000	16 May 2001 to 31 December 2001 €'000
Loss for the year/period	(477)	(338)
Exchange profit	-	8
Total gains and losses recognised	<u>(477)</u>	<u>(330)</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS Year ended 31 December 2002

	Year ended 31 December 2002 €'000	16 May 2001 to 31 December 2001 €'000
Loss for the financial year/period	(477)	(338)
Exchange profit	-	8
Issue of share capital in the period	-	798
Net increase in shareholders' funds	<u>(477)</u>	<u>468</u>
Opening shareholders' funds	468	-
Closing shareholders' funds	<u>(9)</u>	<u>468</u>

SUMMIT PHARMACEUTICALS EUROPE LIMITED

BALANCE SHEET 31 December 2002

	Note	2002 €'000	2001 €'000
FIXED ASSETS			
Intangible assets	7	154	205
Tangible assets	8	7	-
		<u>161</u>	<u>205</u>
CURRENT ASSETS			
Stocks	9	127	213
Debtors	10	4,463	3,986
Cash at bank and in hand		<u>804</u>	<u>1,656</u>
		5,394	5,855
CREDITORS: amounts falling due within one year			
	11	<u>(5,564)</u>	<u>(5,592)</u>
NET CURRENT ASSETS			
		<u>(170)</u>	<u>263</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>(9)</u>	<u>468</u>
		<u>(9)</u>	<u>468</u>
CAPITAL AND RESERVES			
Called up share capital	13	798	798
Profit and loss account - deficit	14	<u>(807)</u>	<u>(330)</u>
SHAREHOLDERS' (DEFICIT)/FUNDS			
		<u>(9)</u>	<u>468</u>

These financial statements were approved by the Board of Directors on 9 July 2003.

Signed on behalf of the Board of Directors


 A Matsumoto
 Director

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

Intangible fixed assets

Goodwill is amortised on a straight line basis over a period of five years.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provisions for impairment. Depreciation is not provided on freehold land. On other assets depreciation is provided against cost in equal annual instalments over the estimated useful life of the asset. The rates of depreciation generally in use are as follows:

Plant and machinery, fixtures, fittings, tool and equipment: 10%-33% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents invoiced price together with, as appropriate, directly related overheads.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date or at the contractual rates at which the balance will be settled. Transactions are translated into sterling at the rates of exchange ruling at the dates of the transactions. Resulting differences on exchange are charged or credited to the profit and loss account.

Deferred taxation

Deferred tax is provided in full on timing differences result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Cash flow statement

As a subsidiary of a group preparing a group cash flow statement, the company has taken advantage of the exemption provided by FRS1 and has not prepared a cash flow statement for the year.

SUMMIT PHARMACEUTICALS EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

2. TURNOVER AND PROFITS

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the European Union, are attributable to one activity, the trading of chemicals. In the opinion of the directors, it is seriously prejudicial to the interests of the company and not meaningful to give an analysis of turnover by geographical area.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Emoluments calculated for disclosure purposes under the Companies Act 1985 are as follows:

	Year ended 31 December 2002 €'000	16 May to 31 December 2001 €'000
Directors' emoluments	<u>157</u>	<u>129</u>
Employee costs during the year/period (excluding directors):		
Wages and salaries	1,272	247
Social security costs	106	19
	<u>1,378</u>	<u>266</u>

The average number of persons employed by the company in the year was eleven (including directors), (2001:nine). Staff salaries are paid by Sumitomo Corporation Europe Limited, and are recharged to the company.

4. OPERATING LOSS

	Year ended 31 December 2002 €'000	16 May to 31 December 2001 €'000
Operating loss is after charging		
Amortisation of goodwill	51	5
Auditors' remuneration	21	12
Depreciation	<u>2</u>	<u>-</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2002 €'000	16 May to 31 December 2001 €'000
Bank interest paid	<u>17</u>	<u>1</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

i) Factors affecting tax charge for the current period

SUMMIT PHARMACEUTICALS EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

	Year ended 31 December 2002 €'000	16 May to 31 December 2001 €'000
Loss on ordinary activities before tax	<u>(477)</u>	<u>(337)</u>
Tax at 30% thereon	143	101
Effects of:		
Expenses not deductible for tax purposes	(40)	(3)
Capital allowances in period in excess of depreciation	1	-
Utilisation of tax losses	(103)	(96)
Movement in short-term timing differences	<u>(1)</u>	<u>(2)</u>
Current tax charge for year/period	<u>-</u>	<u>-</u>

ii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses and general bad debt provision, as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is €199,486. The asset would be recovered if suitable taxable profits arise in future periods.

7. INTANGIBLE FIXED ASSETS

	Goodwill €'000
Cost	
At 1 January 2002	210
Additions	<u>-</u>
At 31 December 2002	<u>210</u>
Accumulated amortisation	
At 1 January 2002	5
Charge for the year	<u>51</u>
At 31 December 2002	<u>56</u>
Net book value	
At 31 December 2002	<u>154</u>
At 31 December 2001	<u>205</u>

The goodwill relates to the consideration for the acquisition of the German branch from Summit Chemicals Europe GmbH. The book value and fair value of net assets acquired was €nil. Consideration was based on the estimated fair value of the trade going forward.

SUMMIT PHARMACEUTICALS EUROPE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2002

8. TANGIBLE FIXED ASSETS

	Plant and machinery €'000	Fixtures and fittings €'000	Total €'000
Cost			
At 1 January 2002	-	-	-
Transferred in from group	14	5	19
Additions	6	-	6
	<u>20</u>	<u>5</u>	<u>25</u>
At 31 December 2002	20	5	25
Accumulated depreciation			
At 1 January 2002	-	-	-
Transferred in from group	12	4	16
Charge for the year	2	-	2
	<u>14</u>	<u>4</u>	<u>18</u>
At 31 December 2002	14	4	18
Net book value			
At 31 December 2002	<u>6</u>	<u>1</u>	<u>7</u>
At 31 December 2001	<u>-</u>	<u>-</u>	<u>-</u>

9. STOCKS

	2002 €'000	2001 €'000
Finished goods and goods for resale	<u>127</u>	<u>213</u>

10. DEBTORS

	2002 €'000	2001 €'000
Trade debtors	3,627	3,527
Amounts owed by group undertakings	268	46
Other debtors	566	426
Prepayments and accrued income	2	(13)
	<u>4,463</u>	<u>3,986</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 €'000	2001 €'000
Bank loans and overdrafts (note 12)	-	210
Trade creditors	1,262	586
Amounts owed to group undertakings	3,505	4,375
Other creditors	797	403
Accruals and deferred income	-	18
	<u>5,564</u>	<u>5,592</u>

SUMMIT PHARMACEUTICALS EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

12. BANK LOANS AND OVERDRAFTS

	2002	2001
	€'000	€'000
Due within one year	-	210

13. CALLED UP SHARE CAPITAL

	2002	2001
	£	£
Authorised:		
3,000,000 ordinary shares of £1 each	3,000,000	3,000,000
Called up, allotted and fully paid:		
500,000 ordinary shares of £1 each	500,000	500,000
	€	€
Translated at historic rate of 1.5968	798,400	798,400

Share capital was issued at par, for cash consideration.

14. RESERVES

	Profit and loss account €'000
Balance at 1 January 2002	(330)
Loss for the year	(477)
Balance at 31 December 2002	(807)

SUMMIT PHARMACEUTICALS EUROPE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

15. ULTIMATE AND INTERMEDIATE PARENT COMPANIES

The immediate parent company is Sumitomo Corporation Europe Holding Limited, which owns 80% of the share capital. Sumitomo Corporation Europe Holding Limited heads the smallest group of which the company is a member and for which group accounts are prepared. The group accounts are available from the registered office, at Vintners' Place, 68 Upper Thames Street, London EC4V 3BJ.

The company's ultimate parent company and controlling party is Sumitomo Corporation, a company incorporated in Japan, which ultimately controls 100% of the share capital. Sumitomo Corporation heads the largest group of which the company is a member and for which group accounts are prepared.

The group accounts for Sumitomo Corporation are available at 8-11 Harumi, 1-chome, Chuo-ku, Tokyo, Japan.

16. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard 8, Related Party Disclosures, not to disclose transactions with Sumitomo Corporation group companies which are related parties.