

I.Q.A. a.s.

Financial Statements for the Year Ended 31 December 2005
together with Auditors' Report

(Translation of Financial Statements Originally Issued in Czech – See Note 2 to the Financial Statements)

 **ERNST & YOUNG**

Quality In Everything We Do



AUDITORS' REPORT

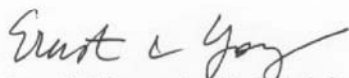
To the Board of Directors of I.Q.A., a.s.:

We have audited the financial statements of I.Q.A., a.s. as at 31 December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

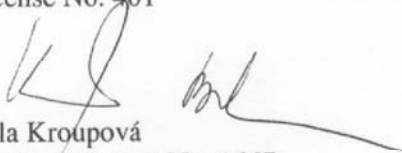
We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and implementation guidance of the Chamber of Auditors of the Czech Republic. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present, in all material respects, a true and fair view of the assets, liabilities, equity and financial position of I.Q.A., a.s. as at 31 December 2005 and the financial results for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

The prior year financial statements were audited by other auditors whose report dated 30 March 2005 expressed an unqualified opinion on those statements. We have relied on their audit opinion on the 2004 financial information.



Ernst & Young Audit & Advisory, s.r.o., člen koncernu
License No. 401


Běla Kroupová
Auditor, License No. 1667

24 February 2006
Prague, Czech Republic

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

As of 31 December 2004, 2003 and 2002

		Current year			Prior year 2004	Prior year 2003
		Gross	Provisions	Net	Net	Net
	TOTAL ASSETS	56 059	(6 831)	49 228	38 392	12 551
A.	STOCK SUBSCRIPTION RECEIVABLE					
B.	FIXED ASSETS	47 962	(6 023)	41 939	7 523	1 646
B. I.	Intangible assets	33 238	(1 184)	32 054	544	841
B. I. 1	Foundation and organization expenses					
2	Research and development	4 976	(618)	4 358	273	422
3	Software	911	(512)	399	271	419
4	Patents, royalties and similar rights					
5	Goodwill					
6	Other intangible assets	54	(54)			
7	Intangible assets in progress	27 297		27 297		
8	Advances granted for intangible assets					
B. II.	Tangible assets	14 724	(4 839)	9 885	6 979	805
B. II. 1	Land					
2	Constructions					
3	Separate movable items and groups of movable items	13 875	(4 784)	9 091	5 143	589
4	Perennial crops					
5	Livestock					
6	Other tangible assets	431	(55)	376	401	216
7	Tangible assets in progress	418		418	1 435	
8	Advances granted for tangible assets					
9	Gain or loss on revaluation of acquired property					
B. III.	Financial investments	0	0	0	0	0
B. III. 1	Subsidiaries					
2	Associates					
3	Other long-term securities and interests					
4	Loans to subsidiaries and associates					
5	Other long-term investments					
6	Long-term investments in progress					
7	Advances granted for long-term investments					
C.	CURRENT ASSETS	5 703	(62)	5 641	29 624	9 229
C. I.	Inventory	0	0	0	5 009	3 256
C. I. 1	Materials					
2	Work in progress and semi-finished production				5 009	3 256
3	Finished products					
4	Livestock					
5	Goods					
6	Advances granted for inventory					
C. II.	Long-term receivables	0	0	0	0	55
C. II. 1	Trade receivables					
2	Receivables to group companies with majority control					
3	Receivables to group companies with control of 20% - 50%					
4	Receivables from partners, co-operative members and participants in association					
5	Long-term advances granted					
6	Unbilled revenue					
7	Other receivables					
8	Deferred tax asset					55

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

As of 31 December 2004, 2003 and 2002

		Current year			Prior year 2004	Prior year 2003
		Gross	Provisions	Net	Net	Net
C. III.	Short-term receivables	5 402	(62)	5 340	9 362	5 419
C. III. 1	Trade receivables	3 641	(62)	3 579	7 924	5 402
2	Receivables to group companies with majority control					
3	Receivables to group companies with control of 20% - 50%					
4	Receivables from partners, co-operative members and participants in association					
5	Social security and health insurance					
6	Due from government - tax receivables	355		355	969	17
7	Short-term advances granted	244		244	398	
8	Unbilled revenue				8	
9	Other receivables	1 162		1 162	63	
C. IV.	Short-term financial assets	301	0	301	15 253	499
C. IV. 1	Cash	21		21	7	12
2	Bank accounts	280		280	15 246	487
3	Short-term securities and interests					
4	Short-term financial assets in progress					
D.	OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS	2 394	(746)	1 648	1 245	1 676
D. I.	Accrued assets and deferred liabilities	2 394	(746)	1 648	1 245	1 676
D. I. 1	Prepaid expenses	222		222	508	709
2	Prepaid expenses (specific-purpose expenses)	2 172	(746)	1 426	737	967
3	Unbilled revenue					

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM
As of 31 December 2004, 2003 and 2002

		Current year	Prior year 2004	Prior year 2003
TOTAL EQUITY & LIABILITIES		49 228	38 992	12 551
A.	EQUITY	11 062	17 774	2 360
A. I.	Basic capital	16 240	4 060	2 000
A. I. 1	Registered capital	16 240	2 320	2 000
2	Own shares and own ownership interests (-)		1 740	
3	Changes in basic capital			
A. II.	Capital funds	1 080	13 260	0
A. II. 1	Share premium (agio)	1 080	13 260	
2	Other capital funds			
3	Gain or loss on revaluation of assets and liabilities			
4	Gain or loss on revaluation of company transformations			
A. III.	Reserve funds and other funds created from profit	123	15	15
A. III. 1	Legal reserve fund	29	15	15
2	Statutory and other funds	94		
A. IV.	Profit (loss) for the previous years	275	245	264
IV. 1	Retained earnings for the previous years	275	245	264
2	Accumulated loss of previous years			
A. V.	Profit for the year (+ / -)	(6 656)	194	81
B.	LIABILITIES	38 166	20 582	10 191
B. I.	Reserves	495	454	239
B. I. 1	Reserves created under special legislation			
2	Reserve for pensions and similar obligations			
3	Reserve for corporate income tax	495	454	239
4	Other reserves			
B. II.	Long-term liabilities	109	33	4 293
B. II. 1	Trade payables			
2	Liabilities to group companies with majority control			
3	Liabilities to group companies with control of 20% - 50%			
4	Liabilities to partners, co-operative members and participants in association			
5	Advances received			
6	Bonds payable			
7	Notes payable			
8	Unbilled deliveries			4 293
9	Other liabilities			
10	Deferred tax liability	109	33	
B. III.	Current liabilities	14 098	9 365	3 173
B. III. 1	Trade payables	10 562	7 518	1 968
2	Liabilities to group companies with majority control			
3	Liabilities to group companies with control of 20% - 50%			
4	Liabilities to partners, co-operative members and participants in association			
5	Liabilities to employees	1 437	687	387
6	Liabilities arising from social security and health insurance	905	478	220
7	Due to government - taxes and subsidies	357	231	143
8	Advances received		137	
9	Bonds payable			
10	Unbilled deliveries	625	314	457
11	Other liabilities	212		
B. IV.	Bank loans and borrowings	23 464	10 730	2 486
B. IV. 1	Long-term bank loans			
2	Short-term bank loans	16 582	4 415	
3	Borrowings	6 882	6 315	2 486
C.	OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES	0	36	0
C. I.	Accrued liabilities and deferred assets	0	36	0
C. I. 1	Accruals		36	
2	Deferred income			

Prepared on:	Signature of accounting entity's statutory body:	Person responsible for accounting	Person responsible for financial statements
24. 2. 2006	RNDr. Xenia Svobodová, CSc.	Mgr. Martin Jelínek	Olga Haumerová tel. 420 257 321 254

The accompanying notes are an integral part of the financial statements.

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

For the Years Ended 31 December 2004, 2003 and 2002

		Current year	Prior year 2004	Prior year 2003
I. 1	Revenue from sale of goods			
A. 2	Cost of goods sold			
		0	0	0
+	Gross margin			
		66 389	39 895	24 214
II. 1	Production			
II. 1	Revenue from sale of finished products and services	39 918	38 142	21 385
2	Change in inventory produced internally		1 753	2 829
3	Own work capitalized	26 471		
B.	Production related consumption	44 482	23 316	14 899
B. 1	Consumption of material and energy	8 181	6 534	2 982
B. 2	Services	36 301	16 782	11 917
+	Value added	21 907	16 579	9 315
		25 456	12 569	8 252
C.	Personnel expenses			
C. 1	Wages and salaries	17 959	8 977	6 215
C. 2	Bonuses to members of company or cooperation bodies	375	535	
C. 3	Social security and health insurance	6 257	2 727	1 751
C. 4	Other social costs	865	330	286
D. 1	Taxes and charges	18	76	7
E. 1	Amortization and depreciation of intangible and tangible fixed assets	2 644	981	785
III. 1	Revenue from sale of intangible and tangible fixed assets and materials	20	50	0
III. 1	Revenues from sale of intangible and tangible fixed assets			
2	Revenue from sale of materials	20	50	
F.	Net book value of intangible and tangible fixed assets and materials sold	20	0	0
F. 1	Net book value of intangible and tangible fixed assets sold			
F. 2	Materials sold	20		
G. 1	Change in reserves and provisions relating to operations and in prepaid expenses (specific-purpose expenses)	(588)	446	(728)
IV. 1	Other operating revenues	1 496	114	93
H. 2	Other operating expenses	376	495	91
V. 1	Transfer of operating revenues			
I. 2	Transfer of operating expenses			
*	Profit or loss on operating activities	(4 503)	2 176	1 001
VI. 1	Revenue from sale of securities and interests			
J. 2	Securities and interests sold	0	0	0
VII.	Income from financial investments			
VII. 1	Income from subsidiaries and associates			
2	Income from other long-term securities and interests			
3	Income from other financial investments			
VIII. 1	Income from short-term financial assets			
K. 2	Expenses related to financial assets			
IX. 1	Gain on revaluation of securities and derivatives			
L. 2	Loss on revaluation of securities and derivatives			
M. 1	Change in reserves and provisions relating to financial activities			
X. 1	Interest income	4	4	
N. 2	Interest expense	1 290	552	341
XI. 1	Other finance income	617	100	81
O. 2	Other finance cost	1 408	1 383	721
XII. 1	Transfer of finance income			
P. 2	Transfer of finance cost			
*	Profit or loss on financial activities	(2 077)	(1 831)	(981)

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

		Current year	Prior year 2004	Prior year 2003
Q.	Tax on profit or loss on ordinary activities	76	88	(55)
Q. 1	- due			
Q. 2	- deferred	76	88	(55)
**	Profit or loss on ordinary activities after taxation	(6 656)	257	75
XIII. 1	Extraordinary gains			6
R. 2	Extraordinary losses		63	
S. 1	Tax on extraordinary profit or loss	0	0	0
S. 1	- due			
S. 2	- deferred			
*	Extraordinary profit or loss	0	(63)	6
T. 1	Transfer of share of profit or loss to partners (+/-)			
***	Profit or loss for the year (+/-)	(6 656)	194	81
****	Profit or loss before taxation	(6 580)	282	26

Prepared on:	Signature of accounting entity's statutory body:	Person responsible for accounting	Person responsible for financial statements
24. 2.2006	RNDr. Xenia Svobodová, CSc.	Mgr. Martin Jelínek	Olga Hrauerová tel. 420 257 321 254

I.Q.A. a.s.

Financial Statements for the Year Ended 31 December 2005

1. DESCRIPTION OF THE COMPANY

I.Q.A., a.s. (hereinafter "the Company") is a joint stock company which was established on 5 May 1993. The Company's registered address is in Prague 5, Jindřicha Plachty 535/16, Postal Code 150 00, Czech Republic, business registration number 49357611. The Company is primarily engaged in research and development in the area of natural and technical sciences. The following significant changes were made to the Commercial Register entry in 2005: The Company's basic capital was increased from share premium in the form of an increase of the nominal value of the existing shares.

Shareholders who hold a 10% or greater interest in the Company's basic capital are as follows:

Cash Reform Group, s.r.o.	29.56 %
Jan Kudera	20.00 %
Přemysl Okáč	11.43 %
Milan Skoupý	11.43 %

The Company has no parent company.

Members of statutory bodies as at 31 December 2005 were as follows:

Board of Directors	
Chair:	RNDr. Xenia Svobodová, CSc.
Member:	RNDr. Michal Svoboda, CSc.
Member:	Ing. Jan Kudera

Supervisory Board	
Chair:	Mgr. Petr Sedlák
Member:	Mgr. Hana Kekulová
Member:	Ing. Petr Polách

Financial Statements for the Year Ended 31 December 2005

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the relevant executive regulation as applicable for 2005, 2004 and 2003.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the 2005, 2004 and 2003 financial statements are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are valued at their acquisition cost and related expenses. Internally developed intangible assets are recorded at their accumulated cost that consists of direct material and labour costs and production overhead.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their estimated useful lives. Software is amortised over 72 months, research and development over 36 months.

The Company changed the accounting policy for research and development costs in 2005. Costs of the research and development activities intended for further trading are presented as long term intangible assets since 1 January 2005. In previous years these costs were presented as inventories, particularly work in progress. The balance of work in progress was transferred to intangibles in progress as of 1 January 2005.

b) Tangible Fixed Assets

Purchased tangible fixed assets with cost exceeding CZK 40 thousand are recorded at their acquisition cost that consists of purchase price, freight, customs duties and other related costs. Internally developed tangible fixed assets are recorded at their accumulated cost that consists of direct material and labour costs and production overhead. Interest and other financial expenses incurred in the construction of tangible fixed assets are not capitalized.

Government subsidies are not deducted from the cost of related assets. The amount of subsidy is accounted for as deferred revenue and released to the income statement over the useful life of the relevant asset.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

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Financial Statements for the Year Ended 31 December 2005

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The estimated useful lives are as follows:

	Number of years
Machinery and equipment	2 – 9
Fixture and fittings	2 – 5

c) Financial Assets

Short-term financial assets consist of liquid valuables, cash on hand and in bank.

d) Inventories

The Company changed the accounting policy for research and development in 2005. Costs of research and development activities intended for further trading are presented as long term intangible assets since 1 January 2005. In previous years these costs were presented as inventories, particularly work in progress. The balance of work in progress was transferred to intangibles in progress as of 1 January 2005.

e) Receivables

Both long- and short-term receivables are carried at their realizable value after provision for doubtful accounts. Additions to the provision account are charged to income.

f) Equity

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting, which was not entered in the Commercial Register as of the financial statements date, is recorded through changes in basic capital. Contributions in excess of basic capital are recorded as share premium. Other capital funds are not created.

In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by partners above their contributions.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until it reaches 20 % of basic capital. These funds can only be used to offset losses.

g) Reserves and Liabilities

The Company creates legal reserves within the meaning of the Act on Reserves and reserves for losses and risks if the related purpose, amount and timing can be reliably estimated and the accrual and matching principles are observed.

Long-term liabilities and current liabilities are carried at their nominal values.

Financial Statements for the Year Ended 31 December 2005

Short-term and long-term loans are recorded at their nominal values. Any portion of long-term debt, which is due within one year of the balance sheet date, is regarded as short-term debt.

h) Financial Leases

The Company records leased assets by expensing the lease payments and capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate existing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates published by the Czech National Bank at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

j) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

The Company recognizes as an expense any additions to reserves for or provisions against risks, losses or physical damage that are known as at the financial statements date.

k) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible reserves and provisions, entertainment expenses, differences between book and tax depreciation, etc.).

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

l) Subsidies/Investment Incentives

The Company is a receiver of grants from the Ministry of Industry and Trade for its research and development projects. A revenue from subsidy is recorded when it is virtually certain that a subsidy will be received and all the binding conditions are met. Revenue from subsidies is deferred in cases of subsidies for non-current assets which is recognized in the income statement consistently with the depreciation of the related non-current asset.

The Company has filed a petition for an investment subsidy from Czechinvest which should be received in the course of 2006.

Financial Statements for the Year Ended 31 December 2005

4. FIXED ASSETS**a) Intangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	Transfers	At end of year
Software	615	-	296	911
Research and development	621	-	4,355	4,976
Intangibles in progress	-	26,939	358	27,297
Policy change impact	-	5,009	-5,009	
Other intangible fixed assets	54	-	-	54
2005 Total	1,290	31,948	-	33,238
2004 Total	1,290	-	-	1,290
2003 Total	1,290	-	-	1,290

ACCUMULATED AMORTIZATION

	At beginning of year	Amortiz- ation during year	At end of year	Net book value
Software	344	168	512	399
Research and development	348	269	618	4,358
Intangibles in progress	-	-	-	27,297
Other intangible fixed assets	54	-	54	-
2005 Total	746	437	1,184	32,054
2004 Total	449	297	746	544
2003 Total	153	296	449	841

Research and development represents the cost of research and development the outcome of which is expected to be traded or sold, and is specifically itemized by project. Management has reasonable certainty that the projects are technically feasible and commercially viable. These costs include direct material costs, direct labour costs and production overhead included in the calculation of worker hourly rate.

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Financial Statements for the Year Ended 31 December 2005

Intangibles in progress represent the cost of research and development projects which have not yet been completed.

Software is amortized on a straight-line basis over 36 months.

The total value of small intangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 212 thousand, CZK 157 thousand and CZK 0 thousand at acquisition cost as at 31 December 2005, 2004 and 2003, respectively.

The policy change impact is described in the note 3 a).

b) Tangible Fixed Assets (in CZK thousands)

COST

	At beginning of year	Additions	Disposals	Transfers	At end of year
Constructions	-	-	-	-	-
Machinery and equipment	7,565	-	598	6,431	13,398
Furniture and fixtures	576	-	99	-	477
Other tangible fixed assets	431	-	-	-	431
Tangibles in progress and advances	1,435	5,414	-	-6,431	418
2005 Total	10,007	5,414	697	-	14,724
2004 Total	3,149	12,281	-	-5,423	10,007
2003 Total	3,107	84	-	-42	3,149

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ACCUMULATED DEPRECIATION

	At beginning of year	Depreciation during year	Cost of sales or liquidation	Disposals	Transfers	At end of year	Provisions	Net book value
Constructions	-	-	-	-	-	-	-	-
Machinery and equipment	2,913	2,027	21	297	-	4,664	-	8,734
Furniture and fixtures	85	122	12	99	-	120	-	357
Other tangible fixed assets	30	25	-	-	-	55	-	376
Tangibles in progress and advances	-	-	-	-	-	-	-	418
2005 Total	3,028	2,174	33	396	-	4,839	-	9,885
2004 Total	2,344	684	-	-	-	3,028	-	6,979
2003 Total	1,855	489	-	-	-	2,344	-	805

The total value of small tangible fixed assets, which are not reflected in the accompanying balance sheet, was CZK 1,909 thousand, CZK 1,435 thousand and CZK 475 thousand at acquisition cost as at 31 December 2005, 2004 and 2003, respectively.

The Company does not establish reserves for major repairs relating to extraordinary overhauls or repairs of tangible fixed assets.

The Company has neither easements, nor any assets pledged as security.

5. RECEIVABLES

Receivables overdue for more than 183 days totalled CZK 87 thousand, CZK 68 thousand and CZK 1,032 thousand as at 31 December 2005, 2004 and 2003, respectively.

Other Receivables include particularly factoring receivables in the amount of CZK 1,117 thousand originating in the factoring contracts with the company Cash Reform, a.s.

Receivables from related parties (see Note 18).

Financial Statements for the Year Ended 31 December 2005

6. PROVISIONS

The Company creates provisions for receivables overdue for more than 365 days at 100% of the receivable nominal value. In 2005, the Company created provisions totalling CZK 62 thousand for three receivables from the years 2003 and 2004.

The Company created a valuation allowance for prepaid expenses (specific purpose expenses) in the amount of CZK 746 thousand to reduce them to the value that management estimates to be recoverable in future periods.

7. SHORT-TERM FINANCIAL ASSETS

The Company has an overdraft facility with Živnostenská banka, a.s. that allows to draw-down a credit up to CZK 21,000 thousand. As at 31 December 2005 and 2004, the drawn down element of the overdraft was, in accordance with the approved credit line of CZK 21,000 thousand, CZK 16,582 thousand and CZK 4,415 thousand, respectively and is shown as short-term bank loan in the accompanying balance sheet (see Note 12).

8. OTHER ASSETS

Prepaid expenses include in particular accrued insurance payments and are charged to income for the year in which they were incurred.

Prepaid expenses (specific purpose expenses) include in particular costs related to setup of new laboratory sites and are charged to the income statement over a period of four years.

9. EQUITY

The basic capital of the Company consists of 200 shares with a nominal value of CZK 40 thousand and 2,060 shares with a nominal value of CZK 4 thousand fully subscribed and paid.

The movements in the capital accounts during 2005, 2004 and 2003 were as follows (in CZK thousands):

	Balance as at 31/ 12/ 2003	Increase	Decrease	Balance as at 31/ 12/ 2004	Increase	Decrease	Balance as at 31/ 12/ 2005
Number of shares	2,000	260	-	2,260	-	-	2,260
Basic capital	2,000	2,060	-	4,060	12,180	-	16,240
Share premium	-	13,260	-	13,260	-	12,180	1,080
Legal reserve fund	15	-	-	15	14	-	29
Other funds	-	-	-	-	150	56	94

Financial Statements for the Year Ended 31 December 2005

The Company's General Meeting of Shareholders held on 28 May 2005 decided on a basic capital increase of CZK 12,180 thousand in the form of an increase of the nominal value of the existing shares. The nominal value of shares was increased as follows: - 200 shares with the original nominal value of CZK 10,000 now have a nominal value of CZK 40,000 and 2,060 shares with the original nominal value of CZK 1,000 now have a nominal value of CZK 4,000.

The Company further allocated CZK 14 thousand to legal reserve fund in order to meet the obligations of the Commercial Code.

Other funds from profit are restricted for covering employee social needs.

The Annual General Meetings held on 30 June 2003, 30 June 2004, 14 October 2004 and 26 May 2005, respectively approved the following profit distribution for 2004, 2003 and 2002 (in CZK thousands):

Profit (Loss) for 2002	237	Profit (Loss) for 2003	81	Profit (Loss) for 2004	194
Allocation to -		Allocation to -		Allocation to -	
legal reserve fund	-	legal reserve fund	-	legal reserve fund	14
other funds	-	other funds	-	other funds	150
Undistributed profits added to retained earnings	237	Undistributed profits added to retained earnings	81	Undistributed profits added to retained earnings	30
-	-	Retained earnings distribution to other funds	-100	-	-
Retained earnings at 31/ 12/ 2003	264	Retained earnings at 31/ 12/ 2004	245	Retained earnings at 31/ 12/ 2005	275

The Annual General Meeting of the Company decided not to pay dividends from the 2004 and 2003 profits.

10. RESERVES

The Company creates a reserve for untaken vacation at an amount of estimated gross salaries, based on average salaries in the last quarter. The reserve balance was CZK 495 thousand, CZK 454 thousand and CZK 239 thousand in 2005, 2004 and 2003, respectively.

11. CURRENT LIABILITIES

As at 31 December 2005, 2004 and 2003, the Company had overdue current payables (for more than 183 days) totalling CZK 24 thousand, CZK 36 thousand and CZK 7 thousand, respectively.

Unbilled deliveries represent in particular accrued items with respect to consumed energy, financial statements and audit.

Payables to related parties (see Note 18).

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Financial Statements for the Year Ended 31 December 2005

12. BANK LOANS AND BORROWINGS

Bank	Terms/ Conditions	Interest rate	Total limit	2005 Amount in CZK thousands	2004 Amount in CZK thousands	2003 Amount in CZK thousands
Overdraft with ZB	Due in 2006	3.1 % over the total of monthly Prime overdraft lending rate	CZK 21 million	16,582	4,415	-
Borrowings Cash Reform, a.s. – assumed debt	Due in 2006	0.54 % for each commenced 15 days + 1.05 % p.a. from nominal value	-	6,882	6,315	-
Borrowings Cash Reform, a.s. – short-term loan	-	-	-	-	-	2,486

13. INCOME TAX

	2005 Amount in CZK thousands	2004 Amount in CZK thousands	2003 Amount in CZK thousands
Profit (Loss) before taxes	-6,580	282	26
Non-taxable revenues	-	-	-
Amounts reducing/increasing profit/loss			
Differences between book and tax depreciation	-1,053	-529	99
Creation of provisions	795	-	-
Creation of reserves	40	-	-
Other (e.g. entertainment expenses, shortages and losses)	1,065	982	571
10% relief on tangibles	-	-735	-696
Taxable income	-5,733	-	-
Current income tax rate	26 %	28 %	31 %
Current tax expense	-	-	-

Unclaimed 10% deduction for the acquisition of tangible fixed assets was CZK 190 thousand as at 31 December 2005. Unclaimed research and development deduction was CZK 14,271 thousand for the year 2005. Both can be carried forward to future years.

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Financial Statements for the Year Ended 31 December 2005

The Company quantified deferred taxes as follows (in CZK thousands):

Deferred tax items	2005		2004		2003	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	240	-	151	-	12
Other temporary differences:						
Provision against receivables	12	-	-	-	-	-
Reserves	119	-	118	-	67	-
Total	131	240	118	151	67	12
Net		109	-	33	55	-

14. LEASES

The Company leases fixed assets, which are not recorded on balance sheet (see Note 3 h).

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as at 31 December 2005, 2004 and 2003 consist of the following (in CZK thousands):

Description	Total lease	Payments made as at 31 December 2005	Payments made as at 31 December 2004	Payments made as at 31 December 2003	Remaining payments as at 31 December 2005	
					Due within one year	Due over one year
Škoda Superb car	987	441	212	-	229	317
HPST – analyzer	1,228	1,150	838	526	78	-
Analytical weights	595	595	492	317	-	-
Computer technology package	639	639	517	334	-	-
Laboratory equipment	9,990	9,990	7,038	4,813	-	-

15. COMMITMENTS AND CONTINGENCIES

The Company has no other liabilities not recorded in the balance sheet.

Financial Statements for the Year Ended 31 December 2005

16. REVENUES

The breakdown of revenues on ordinary activities is as follows (in CZK thousands):

	2005		2004		2003	
	Domestic	Foreign	Domestic	Foreign	Domestic	Foreign
Research and development	7,488	32,429	8,647	29,495	6,571	14,814
Total revenues	7,488	32,429	8,647	29,495	6,571	14,814

In 2005 the revenues of the Company were concentrated primarily with 4 main customers in the pharmaceutical industry.

Subsidies received from the government for maintaining the Company's operations (Grant No. FT-TA/027) in 2005 and 2004 were CZK 1,480 thousand and CZK 1,200 thousand, respectively and were recorded as other operating revenues and revenue from services, respectively.

17. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	2005		2004		2003	
	Total personnel	Members of managerial bodies	Total personnel	Members of managerial bodies	Total personnel	Members of managerial bodies
Average number of employees	38	3	20	3	17	2
Wages and salaries	17,959	2,547	8,977	2,065	6,215	1,319
Social security and health insurance	6,257	891	2,727	722	1,751	462
Social cost	865	-	330	-	286	-
Total personnel expenses	25,081	3,438	12,034	2,787	8,252	1,781

The members and former members of statutory and supervisory bodies received total bonuses and other remuneration of CZK 375 thousand, CZK 535 thousand and CZK 0 thousand in 2005, 2004 and 2003, respectively.

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18. RELATED PARTY INFORMATION

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees or advances in 2005, 2004 and 2003.

As at 31 December 2005, 2004 and 2003, the members of statutory and supervisory bodies, directors and executive officers owned 1,152, 1,152 and 57, respectively of shares/interests of the Company.

Short-term receivables from related parties as at 31 December 2005 were as follows (in CZK thousands):

Related party	Terms/Due dates	2005	2004	2003
CASH REFORM, a.s. – business relations	Due in 2006	1,117	-	-

Short-term payables to related parties (recorded as Borrowings in the attached Balance sheet) as at 31 December 2005 were as follows (in CZK thousands):

Related party	Terms/Due dates	2005	2004	2003
CASH REFORM, a.s. – business relations	Due in 2006	384	163	63
CASH REFORM, a.s.– assumed payables	Due in 2006	6,882	6,315	-
CASH REFORM, a.s.– assumed payables	Due in 2004	-	-	2,486

Long-term payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	Terms/Due dates	2005	2004	2003
Cash Reform Group, s.r.o.– a loan		-	-	4,293

19. RESEARCH AND DEVELOPMENT COSTS

Capitalized research and development costs amounted to CZK 26,471 thousand and CZK 5,009 thousand in 2005 and 2004, respectively.


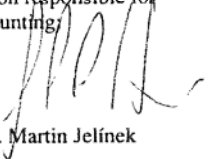
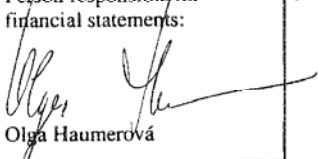
20. STATEMENT OF CASH FLOWS (SEE SCHEDULE)

Cash flow statement was prepared under the indirect method.

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Financial Statements for the Year Ended 31 December 2005

21. STATEMENT OF CHANGES IN EQUITY (SEE NOTE 9)

Prepared on:	Signature of accounting unit's statutory body:	Person responsible for accounting:	Person responsible for financial statements:
24 February 2006	 RNDr. Xenia Svobodová, CSc.	 Mgr. Martin Jelínek	 Olga Haumerová