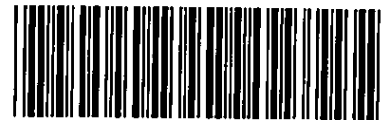


Company Registration No. 2270217 (England and Wales)

**XENOVA RESEARCH LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

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# **XENOVA RESEARCH LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	S B Parker S Evans-Freke (Appointed 2 February 2007) J C Mayo
<b>Secretary</b>	Throgmorton Secretaries Limited
<b>Company number</b>	2270217
<b>Registered office</b>	42 Portman Road Reading Berkshire RG30 1EA
<b>Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN

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# **XENOVA RESEARCH LIMITED**

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# **XENOVA RESEARCH LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006**

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The directors present their report and the audited financial statements for the company for the year ended 31 December 2006

### **Principal activities, review of the business and future developments**

The company's principal activity, the development of novel pharmaceutical products with a focus on the area of oncology and addiction, ceased on 1 July 2004 following the transfer of its business, assets and employees to Xenova Limited, another group company. At this point the company ceased to trade. The directors expect the company to be dormant for the foreseeable future.

The loss in the year arises solely as a result of full provision being made against the debtor owed by Xenova Limited, another group company.

### **Results and dividends**

The results for the year are set out on page 5.

No dividends are proposed in respect of the year under review (2005 nil).

### **Directors**

The following directors have held office since 1 January 2006:

J Waterfall	(Resigned 12 September 2006)
S B Parker	
S Evans-Freke	(Appointed 2 February 2007)
J C Mayo	

### **Directors' interests**

No director had any interest in the share capital of the company and no director had any beneficial interest required to be disclosed under Schedule 7 of the Companies Act 1985. The beneficial interests of the directors in the share capital of the parent company are detailed in the financial statements of Celtic Pharma Development UK plc.

### **Auditors**

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, PricewaterhouseCoopers LLP, will be deemed to be reappointed for each succeeding financial year.

# **XENOVA RESEARCH LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006**

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### **Directors' responsibilities**

Company law requires the directors to confirm that they have prepared financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

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

### **Statement of disclosure to the auditors**

(a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



S B Parker

Director

13/7/2007

# **XENOVA RESEARCH LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF XENOVA RESEARCH LIMITED**

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We have audited the financial statements of Xenova Research Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of the directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

# **XENOVA RESEARCH LIMITED**

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

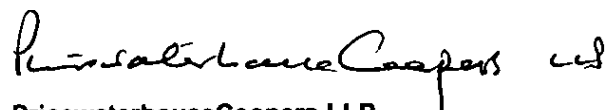
### **TO THE MEMBERS OF XENOVA RESEARCH LIMITED**

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#### **Opinion**

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



**PricewaterhouseCoopers LLP**

**Chartered Accountants and Registered Auditors  
Cambridge**

20 July 2007

# XENOVA RESEARCH LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
Administrative expenses		(24,300)	-
<b>Loss on ordinary activities before taxation</b>	<b>2</b>	<b>(24,300)</b>	<b>-</b>
Tax on loss on ordinary activities	3	-	-
<b>Loss for the year</b>	<b>8</b>	<b>(24,300)</b>	<b>-</b>

The profit and loss account has been prepared on the basis that all operations are discontinued operations

There are no recognised gains and losses other than those passing through the profit and loss account therefore no statement of total recognised gains and losses has been prepared

There are no material differences between the loss on ordinary activities before taxation and the loss for the year stated above and their historical equivalents



# XENOVA RESEARCH LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2006

		2006		2005	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Investments	4		-		-
<b>Current assets</b>					
Debtors	5	-		24,300	
Creditors, amounts falling due within one year	6	(93,542)		(93,542)	
<b>Total assets less current liabilities</b>			(93,542)		(69,242)
<b>Net liabilities</b>			(93,542)		(69,242)
<b>Capital and reserves</b>					
Called up share capital	7		247		247
Share premium account	8		4,764		4,764
Profit and loss account - deficit	8		(98,553)		(74,253)
<b>Equity shareholders' deficit</b>	9		(93,542)		(69,242)

The financial statements were approved by the Board on 12/1/2007 and signed on its behalf by

  
S B Parker  
Director

# **XENOVA RESEARCH LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and with applicable accounting standards in the United Kingdom

#### **1.2 Going concern**

As the company does not trade, it is reliant on funding from its ultimate UK parent company, Celtic Pharma Development UK plc to enable it to continue as a going concern. The financial statements do not contain any adjustments that would arise if the financial information was not drawn up on a going concern basis.

#### **1.3 Deferred taxation**

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

#### **1.4 Joint venture undertaking**

Joint venture undertakings are included in the balance sheet at cost.

#### **1.5 Cash flow statement**

In accordance with the exemption available under FRS 1 (revised), 'Cash flow statements', a cash flow statement has not been prepared, as the Company is a wholly owned subsidiary whose results are included in the consolidated accounts of Celtic Pharma Development UK plc, its ultimate UK parent company.

#### **1.6 Related party disclosures**

FRS 8, 'Related party disclosures', requires the disclosure of the details of material transactions between the reporting entity and any related parties. The company has taken advantage of the exemption from providing such information on group transactions as it is a wholly owned subsidiary and its results are included within the publicly available financial statements prepared by Celtic Pharma Development UK plc.

#### **1.7 Financial Instruments: Disclosure and Presentation**

FRS 25 has been adopted, the allowed exemptions from restating comparative information and the exclusion of disclosures in relation to short term debtors and creditor balances have been applied. Application of the presentation requirements in FRS 25 had no impact for the company for the year ended 31 December 2006.

# XENOVA RESEARCH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

### 2 Loss on ordinary activities

The charge of £24,300,000 within administrative expenses for the current year represents an increase in the bad debt provision in respect of the monies owed to the company by Xenova Limited, a fellow group company

Audit fees incurred for the year were paid by Xenova Limited and were not recharged

3 Taxation	2006 £000	2005 £000
Current tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(24,300)	-
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	(7,290)	-
Effects of Non deductible expenses	7,290	-
Current tax charge	-	-

The company has no UK tax losses available for carry forward against future profits. All tax losses were transferred to Xenova Limited with the transfer of business on 1 July 2004.

### 4 Fixed asset investments

The company has a 45% interest in the ordinary shares and 50% of the voting rights of Phogen Limited, a company incorporated in England and Wales. The company's investment at cost and net book value at 31 December 2006 was £45 (2005 - £45).

The principal business of Phogen Limited (a joint venture company established between Marie Curie Cancer Care (MCCC) and the company) is to develop and commercialise drug delivery and gene therapy technology based on the cellular trafficking properties of the protein VP22.

5 Debtors	2006 £000	2005 £000
Amounts owed by parent and fellow subsidiary undertakings	-	24,300
Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date		

# XENOVA RESEARCH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

6	Creditors: amounts falling due within one year	2006 £000	2005 £000
	Amounts owed to parent and fellow subsidiary undertakings	93,542	93,542

Amounts owed to group undertakings are unsecured, interest free and have no fixed repayment date

7	Share capital	2006 £000	2005 £000
	<b>Authorised</b> 22,600,000 of 5p each	1,130	1,130
	<b>Allotted, called up and fully paid</b> 4,951,000 ordinary shares of 5p each	247	247

8	Statement of movements on reserves	Share premium account £000	Profit and loss account - deficit £000
	Balance at 1 January 2006	4,764	(74,253)
	Loss for the year	-	(24,300)
	Balance at 31 December 2006	4,764	(98,553)

9	Reconciliation of movements in shareholders' deficit	2006 £000	2005 £000
	Loss for the financial year	(24,300)	-
	Opening shareholders' deficit	(69,242)	(69,242)
	Closing shareholders' deficit	(93,542)	(69,242)

### 10 Directors' emoluments

The directors were not paid for their services to the company for either year as these services were incidental to their services to other group companies

# **XENOVA RESEARCH LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006**

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### **11 Ultimate and immediate parent undertakings**

The directors regard Oncocene Limited, a company registered in England and Wales, as the immediate parent company. Oncocene Limited holds 100% of the issued share capital of Xenova Research Limited and Celtic Pharma Development UK plc indirectly holds 100% of the issued share capital of Oncocene Limited through its subsidiary Xenova Group Limited (formerly Xenova Group plc) which it acquired on 1 September 2005. As a result Celtic Pharma Development UK plc is now regarded as the ultimate parent company within the UK.

Copies of the consolidated financial statements of Celtic Pharma Development UK plc can be obtained from the Secretary at 42-44 Portman Road, Reading, Berkshire, RG30 1EA.

In the opinion of the directors there is no ultimate controlling party.

### **12 Related party transactions**

As stated in note 4 Xenova Research Limited owns 45% of the issued share capital of Phogen Limited. During the year, Xenova Limited, a fellow group company, recharged expenses of £32,159 (2005 - £23,186) to Phogen Limited. At the balance sheet date Xenova Limited was owed £3,823 (2005 £6,189) by Phogen Limited.