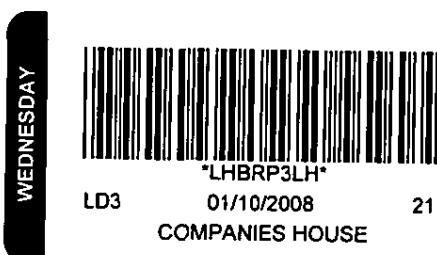


Company Registration No. 2270217 (England and Wales)

XENOVA RESEARCH LIMITED
DIRECTORS' REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007



XENOVA RESEARCH LIMITED

COMPANY INFORMATION

Directors

S B Parker
S R Evans- Freke
J C Mayo

Secretary

Throgmorton Secretaries LLP

Company number

2270217

Registered office

42-44 Portman Road
Reading
Berkshire
RG30 1EA

XENOVA RESEARCH LIMITED

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XENOVA RESEARCH LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and financial statements for the year ended 31 December 2007

Principal activities and review of the business

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 company has been dormant throughout 2007 and the directors expect the company to be dormant for the foreseeable future.

Results and dividends

The results for the year are set out on page 2.

No dividends are proposed in respect of the year under review (2006 nil).

Directors

The following directors have held office during the year and up to the date of signing the financial statements:

S B Parker

S R Evans-Freke

J C Mayo

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that 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.

On behalf of the board



S B Parker

Director

21/9/2008

XENOVA RESEARCH LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

| | Notes | 2007 £000 | 2006 £000 |
|--|-------|--------------|--------------|
| Administrative expenses | | - | (24,300) |
| Loss on ordinary activities before taxation | | - | (24,300) |
| Tax on loss on ordinary activities | 3 | - | - |
| Loss for the year | 7 | - | (24,300) |

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

XENOVA RESEARCH LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2007

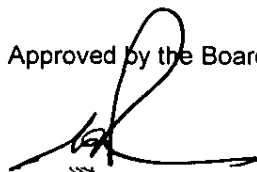
| | Notes | 2007 £000 | 2006 £000 |
|--|-------|--------------|--------------|
| Fixed assets | | | |
| Investments | 4 | - | - |
| Creditors amounts falling due within one year | 5 | (93,542,440) | (93,542) |
| Net liabilities | | (93,542,440) | (93,542) |
| Capital and reserves | | | |
| Called up share capital | 6 | 247,450 | 247 |
| Share premium account | 7 | 4,763,737 | 4,764 |
| Profit and loss account | 7 | (98,553,627) | (98,553) |
| Equity shareholders' deficit | | (93,542,440) | (93,542) |

In preparing these financial statements

- (a) The directors are of the opinion that the company is entitled to the exemption from audit conferred by Section 249AA(1) of the Companies Act 1985,
- (b) No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- (c) The directors acknowledge their responsibilities for
 - (i) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - (ii) preparing accounts 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 its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company

Approved by the Board and authorised for issue on

29/9/2008



S B Parker
Director

XENOVA RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 Joint venture undertaking

Joint venture undertakings are included in the balance sheet at cost

1.4 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

1.5 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

2 Loss on ordinary activities before taxation

The charge of £24,300,000 within administrative expenses for the comparative 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

XENOVA RESEARCH LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

| 3 | Taxation | 2007 | 2006 |
|---|--|------|----------|
| | 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 0.00% (2006 - 30.00%) | - | (7,290) |
| | Effects of Non deductible expenses | - | 7,290 |
| | Current tax charge | - | - |

On the basis of these financial statements no provision has been made for corporation tax

4 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 2007 was £45 (2006 - £45)

The principal business of Phogen Limited (a joint venture company established between Marie Curie Cancer Care) 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 | Creditors, amounts falling due within one year | 2007 £000 | 2006 £000 |
|---|---|--------------|--------------|
| | Amounts owed to group undertakings and undertakings in which the company has a participating interest | 93,542,439 | 93,542 |
| | Other creditors | 1 | - |
| | | 93,542,440 | 93,542 |

Amounts owed to 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 2007

| | | | |
|----------|---|------------------------------|--|
| 6 | Share capital | 2007 | 2006 |
| | | £000 | £000 |
| | Authorised | | |
| | 22,600,000 ordinary shares of 5p each | <u>22,600</u> | <u>22,600</u> |
| | Allotted, called up and fully paid | | |
| | 4,951,000 ordinary shares of 5p each | <u>247,450</u> | <u>247</u> |
| 7 | Statement of movements on reserves | | |
| | | Share premium account | Profit and loss account - deficit |
| | | £000 | £000 |
| | Balance at 1 January and 31 December 2007 | <u>4,763,737</u> | <u>(98,553,627)</u> |

8 Control

Oncocene Limited, a company registered in England and Wales, is the immediate parent company and Celtic Pharma Development UK plc is the ultimate parent company within the UK. The ultimate parent undertaking is Celtic Pharma GP Limited, a company incorporated in Bermuda.

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

Copies of the consolidated financial statements for Celtic Pharma GP Limited can be obtained from the Secretary at its registered office of Wessex House, 45 Reid Street, 4th Floor, Hamilton, HM12, Bermuda.

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

9 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 £12,436 (2006 - £32,159) to Phogen Limited. At the balance sheet date Xenova Limited was owed £6,584 (2006 - £3,823) by Phogen Limited.