

Company Registration No. 3006674 (England and Wales)

**XENOVA KS LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**



# **XENOVA KS LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	S Parker	(Appointed 1 September 2005)
	J Mayo	(Appointed 1 September 2005)

<b>Secretary</b>	Throgmorton Secretaries Limited
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<b>Company number</b>	3006674
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<b>Registered office</b>	42 Portman Road Reading Berkshire RG30 1EA
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<b>Auditors</b>	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN
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# XENOVA KS LIMITED

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# **XENOVA KS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005**

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The directors present their report and financial statements for the year ended 31 December 2005.

### **Principal activities and review of the business**

Xenova KS Limited is the holding company for Xenova Biomedix Limited and KS Avicenna Inc.

The company did not trade in the year. The directors expect the company to continue its present activity, but not to trade for the foreseeable future.

### **Results and dividends**

The results for the year are set out on page 4.

### **Directors**

The following directors have held office since 1 January 2005:

S Parker	(Appointed 1 September 2005)
D Oxlade	(Resigned 1 September 2005)
D Abrams	(Resigned 1 September 2005)
J Rennocks	(Resigned 1 September 2005)
Dr M Young	(Resigned 1 September 2005)
J Mayo	(Appointed 1 September 2005)

### **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**

In accordance with section 385 of the Companies Act 1985, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

# **XENOVA KS LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005**

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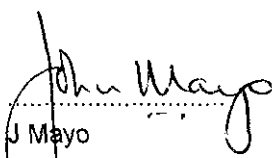
### **Directors' responsibilities**

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;
- 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 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.

On behalf of the board

  
J Mayo  
Director  
27/10/06

# XENOVA KS LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF XENOVA KS LIMITED

We have audited the financial statements of Xenova KS Limited for the year ended 31 December 2005 set out on pages 4 to 11. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or 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

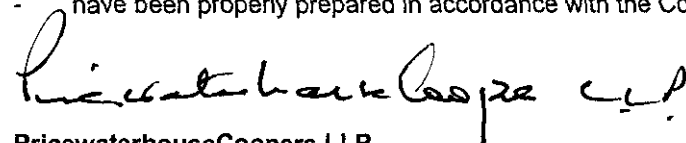
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the year then ended ; and
- have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

27/10/06

Chartered Accountants and  
Registered Auditor  
Cambridge

# XENOVA KS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

		2005 £000	2004 £000
	Notes		
Administrative expenses		(870)	(970)
Loss on ordinary activities before taxation	2	(870)	(970)
Tax on loss on ordinary activities	3	-	-
Loss for the financial year	6	(870)	(970)

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

# **XENOVA KS LIMITED**

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2005**

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	2005	2004
Notes	£000	£000
Loss for the financial year	(870)	(970)
Unrealised (deficit)/surplus on trade investment	-	392
Total recognised gains and losses relating to the year	<u>(870)</u>	<u>(578)</u>

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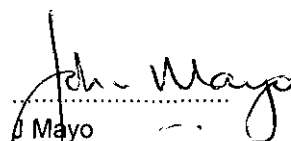


# XENOVA KS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
<b>Fixed assets</b>			
Investments	4	-	870
<b>Current assets</b>			
<b>Net current assets</b>		-	-
<b>Total assets less current liabilities</b>		-	870
<b>Capital and reserves</b>			
Called up share capital	5	1,295	1,295
Share premium account	6	70,530	70,530
Profit and loss account	6	(71,825)	(70,955)
<b>Shareholders' funds - equity interests</b>	7	-	870

The financial statements were approved by the Board on 27<sup>th</sup> October 2006

  
John Mayo  
Director

# **XENOVA KS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005**

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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 Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

#### **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 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

#### **1.5 Group accounts**

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking whose results are included within the publicly available financial statements prepared by Celtic Pharma Development UK plc.

#### **1.6 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.

#### **1.7 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 with the publicly available financial statements prepared by Celtic Pharma Development UK plc.

#### **1.8 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 2005.

# XENOVA KS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

<b>2</b>	<b>Loss on ordinary activities before taxation</b>	<b>2005</b>	<b>2004</b>
		<b>£000</b>	<b>£000</b>
	Operating loss is stated after charging:		
	Provisions against fixed asset investments	870	1,037
	and after crediting:		
	Profit on foreign exchange transactions	-	(85)

Operating lease costs are borne by Xenova Limited, a fellow group company. Audit fees incurred for the year were paid by Xenova Limited and are not recharged.

<b>3</b>	<b>Tax on loss on ordinary activities</b>	<b>2005</b>	<b>2004</b>
	<b>Current tax charge</b>	-	-
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(870)	(970)
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	(261)	(291)
	Effects of:		
	Non deductible expenses	261	291
		261	291
	<b>Current tax charge</b>	-	-

A deferred tax asset has not been recognised in respect of timing differences relating to losses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £159,000 (2004-£159,000).

# XENOVA KS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

### 4 Fixed asset investments

	Joint venture	Shares in group undertakings	Loans to group undertakings	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 1 January 2005 & at 31 December 2005	815	33,724	36,602	71,141
<b>Provisions for diminution in value</b>				
At 1 January 2005	815	33,724	35,732	70,271
Charge for the year	-	-	870	870
At 31 December 2005	815	33,724	36,602	71,141
<b>Net book value</b>				
At 31 December 2005	-	-	-	-
At 31 December 2004	-	-	870	870

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
<b>Subsidiary undertakings</b>			
Xenova Biomedix Limited	England and Wales	Ordinary	100.00
KS Canada Holdings Inc.	Canada	Common stock	100.00
KS Canada Inc. (held indirectly)	Canada	Common stock	100.00
KS Avicenna Inc.(held indirectly)	Canada	Common stock	100.00
<b>Participating interests</b>			
Discerna Limited	England and Wales	ordinary	50.00

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2005 £000	Profit for the year 2005 £000
	<b>Principal activity</b>		
Xenova Biomedix Limited	Dormant company	(10,448)	-
KS Canada Holdings Inc.	Holding company	-	-
KS Canada Inc. (held indirectly)	Holding company	-	-
KS Avicenna Inc.(held indirectly)	Production of pharmaceuticals	(4,700)	-
Discerna Limited	Research and development	23	(18)

# XENOVA KS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

Consolidated accounts have 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.

<b>5 Share capital</b>	<b>2005 £000</b>	<b>2004 £000</b>
<b>Authorised</b>		
100,000,000 ordinary shares of 2p each	2,000	2,000
1 special voting share of 2p each	-	-
	<u>2,000</u>	<u>2,000</u>
<b>Allotted, called up and fully paid</b>		
64,767,095 of 2p each	1,295	1,295
NIL special voting shares of 2p each	-	-
	<u>1,295</u>	<u>1,295</u>

During the year under review the special share of 2p ceased to exist and the company's articles of association were updated accordingly.

<b>6 Statement of movements on reserves</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>
Balance at 1 January 2005	70,530	(70,955)
Loss for the year	-	(870)
	<u>70,530</u>	<u>(71,825)</u>
Balance at 31 December 2005		
	<u>70,530</u>	<u>(71,825)</u>
<b>7 Reconciliation of movements in shareholders' funds</b>	<b>2005 £000</b>	<b>2004 £000</b>
Loss for the financial year	(870)	(970)
Other recognised gains and losses	-	392
	<u>(870)</u>	<u>(578)</u>
Net addition to shareholders' funds	870	1,448
Opening shareholders' funds		
	<u>870</u>	<u>1,448</u>
Closing shareholders' funds	-	870

# **XENOVA KS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 DECEMBER 2005**

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### **8 Ultimate and immediate parent undertakings**

The directors regard Xenova Group Limited, a company registered in England and Wales, as the immediate parent company. On 1 September 2005 the shares in Xenova Group Limited were acquired by Celtic Pharma Development UK plc and this is now regarded as the ultimate parent company within the UK.

Copies of the consolidated financial statements for Celtic Pharma Development UK plc can be obtained from the secretary at the registered office of this company.