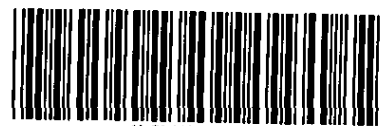


Company Registration No 3006674 (England and Wales)

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

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# **XENOVA KS 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>	3006674
<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 KS LIMITED**

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# **XENOVA KS LIMITED**

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

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

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

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

The company disposed of its joint venture interest in Discerna Limited for the sum of £40,000 but otherwise 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 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

S B Parker

S Evans-Freke

J C Mayo

(Appointed 2 February 2007)

### **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 KS 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,
- 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

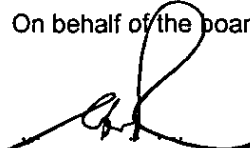
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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

13/1/2007

# **XENOVA KS LIMITED**

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

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We have audited the financial statements of Xenova KS 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 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.

# XENOVA KS LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF XENOVA KS 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 profit 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 KS LIMITED

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

	Notes	2006 £000	2005 £000
Administrative expenses		40	(870)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2</b>	<b>40</b>	<b>(870)</b>
Tax on profit/(loss) on ordinary activities	3	-	-
<b>Retained profit/(loss) for the year</b>	<b>7</b>	<b>40</b>	<b>(870)</b>

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

There are no recognised gains and losses other than those passing through the profit and loss account

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



# XENOVA KS LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £000	2006 £000	2005 £000	2005 £000
<b>Fixed assets</b>					
Investments	4		-		-
<b>Current assets</b>					
Debtors	5	40		-	
<b>Net current assets</b>			40		-
<b>Net assets</b>			40		-
<b>Capital and reserves</b>					
Called up share capital	6		1,295		1,295
Share premium account	7		70,530		70,530
Profit and loss account - deficit	7		(71,785)		(71,825)
<b>Equity shareholders' deficit</b>	8		40		-

The financial statements were approved by the Board on 13/7/2007 and signed on its behalf by

  
S B Parker  
Director

# XENOVA KS LIMITED

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

### 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 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

#### 1.3 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

#### 1.4 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 with the publicly available financial statements prepared by Celtic Pharma Development UK plc

#### 1.6 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

2 Profit/(loss) on ordinary activities before taxation	2006	2005
	£000	£000
Profit/(loss) on ordinary activities is stated after charging		
Provisions against fixed asset investments	-	870
and after crediting		
Profit on sale of interest in joint venture	(40)	-

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

# XENOVA KS LIMITED

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

3	Tax on profit/(loss) on ordinary activities	2006	2005
		£000	£000
	Current tax charge	-	-
	<b>Factors affecting the tax charge for the year</b>		
	Profit/(loss) on ordinary activities before taxation	40	(870)
	Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005: 30.00%)	12	(261)
	Effects of		
	Non deductible expenses	-	261
	Chargeable disposals	(12)	-
		(12)	261
	<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 (2005: £159,000).

# XENOVA KS LIMITED

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

### 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 2006	815	33,724	36,602	71,141
Disposals	(815)	-	-	(815)
At 31 December 2006	-	33,724	36,602	70,326
<b>Provisions for diminution in value</b>				
At 1 January 2006	815	33,724	36,602	71,141
On disposals	(815)	-	-	(815)
At 31 December 2006	-	33,724	36,602	70,326
<b>Net book value</b>				
At 31 December 2006	-	-	-	-
At 31 December 2005	-	-	-	-

### 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

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	Profit for the year
	Principal activity	2006 £000	2006 £000
Xenova Biomedix Limited	Dormant company	(32,490)	(22,042)
KS Canada Holdings Inc	Holding company	-	-
KS Canada Inc (held indirectly)	Holding company	-	-
KS Avicenna Inc (held indirectly)	Production of pharmaceuticals	-	-

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

# XENOVA KS LIMITED

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

<b>5 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	40	-
Amounts owed by group undertakings are unsecured, interest free and have no fixed repayment date		
<b>6 Share capital</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
100,000,000 ordinary shares of 2p each	2,000	2,000
<b>Allotted, called up and fully paid</b>		
64,767,095 of 2p each	1,295	1,295
<b>7 Statement of movements on reserves</b>	<b>Share premium account</b>	<b>Profit and loss account</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January 2006	70,530	(71,825)
Retained profit for the year	-	40
Balance at 31 December 2006	70,530	(71,785)
<b>8 Reconciliation of movements in shareholders' funds</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Profit/(Loss) for the financial year	40	(870)
Net addition/(reduction) to shareholders' funds	40	(870)
Opening shareholders' funds	-	870
Closing shareholders' funds	40	-
<b>9 Directors' emoluments</b>		

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 KS LIMITED**

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

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### **10 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 42-44 Portman Road, Reading, Berkshire, RG30 1EA.

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