

Company Registration No 05577225 (England and Wales)

**CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD**  
**FROM 28 SEPTEMBER 2005 (DATE OF INCORPORATION)**  
**TO 31 DECEMBER 2006**

MONDAY



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## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **COMPANY INFORMATION**

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Directors	S Evans-Freke J C Mayo S B Parker
Secretary	S B Parker
Company number	05577225
Registered office	42 Portman Road Reading Berkshire RG30 1EA
Auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Cambridge CB3 0AN

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## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

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## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **DIRECTORS' REPORT**

**FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006**

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The directors present their report and the audited financial statements of the company for the period from 28<sup>th</sup> September 2005 (date of incorporation) to 31 December 2006

#### **Principal activity**

The company was incorporated on 28 September 2005 and commenced trading on 1 January 2006. The principal activity of the company is the provision of professional investment consultancy to companies in the pharmaceutical industry.

#### **Results and dividends**

The results for the period are set out on page 5. The directors do not propose payment of a dividend.

#### **Review of business**

The company was incorporated on 28 September 2005 and has built up its professional investment consultancy business in the period to 31 December 2006. The company recharges qualifying expenditure to Celtic Pharma Management LP, a company incorporated in Bermuda, under the terms agreed in the Investment Management Agreement. The directors expect that this consultancy will continue to grow in 2007 as the Company continues to develop its business.

#### **Directors**

The following directors have held office since incorporation:

Mawlaw Corporate Services Ltd	(Appointed 28 September 2005, Resigned 11 October 2005)
S Evans-Freke	(Appointed 11 October 2005)
J C Mayo	(Appointed 11 October 2005)
S B Parker	(Appointed 11 October 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 Management Limited.

#### **Auditors**

PricewaterhouseCoopers LLP were appointed as auditors of the Company on incorporation. 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 year.

#### **Financial risk management**

The company has taken advantage of the exemption available for small companies under schedule 7 (5A) of the Companies Act 1985 from making these disclosures.

## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **DIRECTORS' REPORT (CONTINUED)**

**FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 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 judgments and estimates that are reasonable and prudent,
- apply applicable accounting standards,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

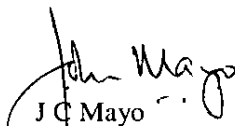
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

#### **Statement of disclosure of information to 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.

This report has been prepared in accordance with the special provisions of Schedule VII of the Companies Act 1985 relating to small companies.

On behalf of the board

  
J C Mayo  
Director  
12/9/07

## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

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We have audited the financial statements of Celtic Pharma Management Services Europe Limited for the period from 28 September 2005 to 31 December 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (Effective January 2005).

#### **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.

#### **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.

## CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

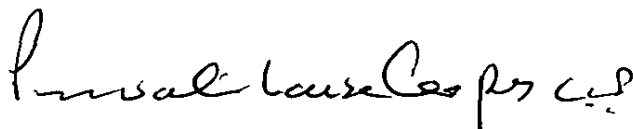
### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED (CONTINUED)

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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 applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2006 and of its profit for the period 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

19/9/07

## CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

### PROFIT AND LOSS ACCOUNT

FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006

	Notes	Period from 28 September 2005 to 31 December 2006
	•	£
Turnover and gross profit	2	686,681
Administrative expenses		(638,779)
<b>Operating profit</b>	3	<u>47,902</u>
Interest receivable		880
<b>Profit on ordinary activities before taxation</b>		<u>48,782</u>
Tax on profit on ordinary activities	5	(15,493)
<b>Retained profit for the financial period</b>		<u><u>33,289</u></u>

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 and therefore no separate statement of total recognised gains and losses has been prepared

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



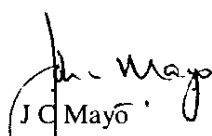
# **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

## **BALANCE SHEET AS AT 31 DECEMBER 2006**

	Notes	31 December 2006	
		£	£
<b>Fixed assets</b>			
Tangible assets	6		21,963
<b>Current assets</b>			
Debtors	7	220,616	
Cash at bank and in hand		40,086	
		<u>260,702</u>	
<b>Creditors: amounts falling due within one year</b>	8	249,276	
		<u></u>	
<b>Net current assets</b>			11,426
<b>Total assets less current liabilities</b>			<u>33,389</u>
<b>Capital and reserves</b>			
Called up share capital	9		100
Profit and loss reserve	10		33,289
<b>Shareholders' funds – equity interests</b>	11		<u>33,389</u>

The financial statements have been prepared in accordance with the special provisions of Schedule VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005)

Approved by the Board on 12 September 2007 and signed on their behalf by

  
 J C Mayo  
 Director  
 12/9/07

## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006**

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#### **1 Accounting policies**

##### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention, on the going concern basis and in accordance with the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2005) which have been applied consistently

##### **1.2 Turnover**

Turnover represents service fees receivable from Celtic Pharma Management LP, the Bermudian parent company of Celtic Pharma Management Services Europe Limited, in respect of the professional investment consultancy provided to pharmaceutical companies in Europe and North America in which the parent company has an interest

##### **1.3 Tangible assets**

Tangible assets are stated at historical purchase price net of accumulated depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over a straight line basis of period of lease as follows

Leasehold improvements	period of the lease
Computer equipment	3 years
Fixtures & fittings	5 years

##### **1.4 Deferred tax**

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

#### **2 Turnover**

All the company's turnover is generated under the Investment Management Agreement with its parent company from Bermuda

#### **3 Operating profit**

**Period from  
28 September 2005 to  
31 December 2006**

**£**

##### **Operating profit is stated after charging:**

Depreciation of tangible assets	1,848
Operating lease rentals – land and buildings	35,301
Directors' emoluments	185,499
Auditors' remuneration	5,875

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## **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006**

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#### **4 Employee information**

##### **Number of employees**

The average monthly number of persons employed (including executive directors) during the year was 5

The costs of these employees were as follows

	<b>Period from 28 September 2005 to 31 December 2006</b>
	<b>£</b>
<b>Employment costs</b>	
Wages and salaries	439,061
Social security costs	<u>54,279</u>
	<u><b>493,340</b></u>

#### **5 Taxation**

	<b>Period from 28 September 2005 to 31 December 2006</b>
	<b>£</b>
Current tax charge	<u>15,493</u>

#### **6 Tangible assets**

	<b>Leasehold Improvements</b>
	<b>£</b>
<b>Cost</b>	
Additions	<u>23,811</u>
At 31 December 2006	<u>23,811</u>
<b>Accumulated depreciation</b>	
Charge for the period	<u>1,848</u>
At 31 December 2006	<u>1,848</u>
<b>Net book amount</b>	
At 31 December 2006	<u><u><b>21,963</b></u></u>

## CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006

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<b>7 Debtors</b>	<b>2006</b>
	£
Amounts due from group undertakings	169,407
Trade debtors	47,564
Prepayments	<u>3,645</u>
	<u>220,616</u>

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

<b>8 Creditors: amounts falling due within one year</b>	<b>2006</b>
	£
Trade creditors	28,482
Amounts due to group undertakings	26,453
Corporation tax	15,493
Other taxes and social security	13,244
Other creditors	1,004
Accruals and deferred income	164,600
	<u>249,276</u>

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

<b>9 Share capital</b>	<b>2006</b>
	£
<b>Authorised</b>	
100,000 ordinary shares of £1 each	100,000
<b>Allotted, called up and fully paid</b>	
100 ordinary shares of £1 each	<u>100</u>

One share was issued at par upon subscription. On 20 October 2005 the share was transferred to Celtic Pharma Management LP, Bermuda, and a further 99 shares were allotted to this company at par

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006

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## 10 Statement of movement on reserves

Profit and  
Loss  
Reserve

2006  
£

Retained profit for the financial period 33,289

Balance at 31 December 2006 33,289

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## 11 Reconciliation of movements in shareholders' funds

2006  
£

Proceeds from issue of shares 100

Retained profit for the financial period 33,289

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Closing shareholder's funds 33,389

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## 12 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

Land and  
Buildings  
2006  
£

Operating leases which expire  
Between two and five years 34,897

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34,897

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## CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD FROM 28 SEPTEMBER 2005 TO 31 DECEMBER 2006

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#### 13 Controlling party and related party transactions

At 31 December 2006 the immediate parent organisation is Celtic Pharma Management LP, a limited liability partnership registered in Bermuda. During the period under review management fees of £686,681 were charged to Celtic Pharma Management LP. At the period end included within intercompany debtors is an amount of £169,407 due from this organisation.

The ultimate parent company is Celtic Pharma Management Limited, a company incorporated in Bermuda.

As J C Mayo is a designated member of Beehive Capital LLP (formerly the Strategic Financial Advice Co LLP), a limited liability partnership registered in England and Wales, it is considered a related party to the company. Accordingly transactions between the company and this organisation are disclosed as follows:

Administrative expenses incurred in period	£46,893
Trade debtors at period end	£23,317
Trade creditors at period end	£28,482

#### 14 Directors' emoluments

Period from  
28 September 2005 to  
31 December 2006  
£

The remuneration of the directors was as follows:

Emoluments	<u>185,499</u>
	<u>185,499</u>

No directors have received any pension contributions, shares or share options by virtue of their directorship of Celtic Pharma Management Services Europe Limited in the period under review.

The directors' emoluments above represent payment to one director and therefore also show the value of the highest paid directors' emoluments.

Certain directors of the company are also directors or officers of other companies within the related group. These directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they receive any remuneration for their services to the company.