

Company registration number: 05577225 (England and Wales)

**CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

FRIDAY



\*L1F7UU2\*

L13

28/09/2012

#116

COMPANIES HOUSE

---

# **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

## **CONTENTS**

---

	<b>Pages</b>
Company information	1
Directors' report	2 - 3
Independent auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 13

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## COMPANY INFORMATION

---

**Directors**

J C Mayo  
S Evans-Freke  
S B Parker

**Company secretary**

S B Parker

05577225

**Registered office**

4th Floor, Reading Bridge House  
George Street  
Reading  
Berkshire  
England  
RG1 8LS

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Abacus House  
Castle Park  
Gloucester Street  
Cambridge  
CB3 0AN

# **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2011***

---

The directors present their report and the audited financial statements of the company for the year ended 31 December 2011

#### **Principal activities**

The principal activity of the company continued to be that of providing professional investment consultancy services to companies in the pharmaceutical industry

#### **Results for the year**

The company's results for the year are set out in the profit and loss on page 6. The directors do not recommend the payment of a final dividend for 2011 (2010: £nil)

#### **Going concern**

The company is reliant on funding from its ultimate parent company, Celtic Pharmaceutical Holdings LP (the "Partnership"), a limited liability partnership incorporated in Bermuda. The accompanying financial statements have been prepared assuming the Partnership will continue as a going concern and therefore provide the funding necessary, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As of December 31, 2011, the Partnership has a projected working capital deficit of \$19m which raises significant doubt as of the reporting date about the Partnership's ability to continue as a going concern. The Partnership is currently proceeding with an unsecured debt offering to raise approximately \$20m by the end of 2012 (\$12m received 08 August 2012) which would allow the Partnership to meet remaining development, disposal costs and administrative expenses of the Partnership for at least the following 12 months.

In addition to the \$19m of external costs referred to above, individual subsidiaries of the Partnership including the Company, owe existing sums to other subsidiaries of the Partnership. These sums are the subject of agreement between the parties such that none of these will be required to be repaid within the following 12 months (though they may be repaid at the Company's determination). These agreements are relied upon by management. In the unlikely event of a change of control of one counterparty (but not the other) without the simultaneous settlement of these amounts, there is no certainty that these assurances would be refreshed.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

#### **Directors**

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

J C Mayo  
S Evans-Freke  
S B Parker

#### **Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company/Group/or otherwise also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

---

### Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- making judgements and accounting estimates that are reasonable and prudent, and
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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 auditors

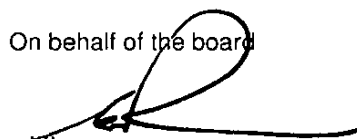
In accordance with Section 418 of the Companies Act 2006, the directors' report shall include a statement, in the case of each director in office at the date the directors' report is approved, that

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

(b) They have taken all the steps that they ought to have taken as a director 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 relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



S B Parker  
Director

19<sup>th</sup> September 2012

# **CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED**

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

---

We have audited the financial statements of Celtic Pharma Management Services Europe Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gain and Losses, the Reconciliation of Movements in Shareholders Funds, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities, effective April 2008, (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

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

As explained more fully in the Statement of Directors Responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

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

---

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare financial statements in accordance with the small company regime and take advantage of the small companies' exemption in preparing the Directors' Report

### Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue. Charged to the profit & loss account year and, in order to continue trading, will require additional funding from its parent company. The parent company itself needs to raise further funds, that are not yet committed, in order to provide additional funds to the Company. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the ability of the Company to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*Stuart Newman*

Stuart Newman (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

Date *21 September 2012*

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 31 DECEMBER 2011**

		2011	2010
	Note	£	£
<b>Turnover</b>		776,679	972,369
Administrative expenses		<u>(745,431)</u>	<u>(934,783)</u>
<b>Operating profit</b>	<b>2</b>	31,248	37,586
Interest receivable and similar income	<b>3</b>	<u>-</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		31,248	37,586
Tax on profit on ordinary activities	<b>5</b>	<u>(8,893)</u>	<u>(11,925)</u>
<b>Profit for the financial year</b>	<b>10,11</b>	<u><u>22,355</u></u>	<u><u>25,661</u></u>

The company's results are derived entirely from continuing activities

There is no differences between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical equivalents

The company has no recognised gains and losses other than those shown in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented



# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2011

Company registration number: 05577225

	Note	2011 £	2010 £
<b>Fixed assets</b>			
Tangible assets	6	-	2,913
Debtors	7	338,874	479,236
Cash at bank and in hand		162,817	42,322
		501,691	521,558
<b>Creditors: amounts falling due within one year</b>	8	(306,831)	(351,966)
<b>Net current assets</b>		194,860	169,592
<b>Total assets less current liabilities</b>		194,860	172,505
<b>Capital and reserves</b>			
Called up share capital	9	100	100
Profit and loss account	10	194,760	172,405
<b>Total equity shareholders' funds</b>	11	194,860	172,505

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, 'The Small Companies and Groups (accounts and Directors Report) Regulations 2008' and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements on pages 6 to 13 were approved by the board of directors on 12/9/2012 and signed on its behalf by

  
S B Parker  
Director

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2011**

---

### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006. The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006, 'The Small Companies and Groups (Accounts and Directors' Report) Regulations 2008' and with the Financial Reporting Standard for Smaller Entities (effective April 2008), all of which have been applied consistently throughout the year.

#### **1.2 Turnover**

Turnover represents service fees receivable from Celtic Pharma Management LP, the Bermudan parent investment 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, and fees for investment consultancy provided to Celtic Pharma Holdings Advisors LLP, a United Kingdom entity which is outside of the immediate group but which remains a related party. Revenue is recognised upon the raising of an invoice.

#### **1.3 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use. As detailed below, depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful economic life. The expected useful economic lives of each class of asset are reviewed regularly.

Leasehold improvements are depreciated over the period of the lease.

#### **1.4 Current and deferred income tax**

The tax expense for the current period comprises the tax payable on taxable income for the year, using rates applicable at the balance sheet date and adjustments in respect of earlier years. No deferred tax is calculated as there are no timing differences in revenue.

#### **1.5 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 the profit and loss account in the period in which they are incurred.

#### **1.6 Cash flow statement**

In accordance with the Financial Reporting Standard 1 (revised 1996) for Smaller Entities (effective April 2008), there is no requirement to prepare a cash flow statement.

#### **1.7 Going Concern**

The company is reliant on funding from its ultimate parent company, Celtic Pharmaceutical Holdings LP (the "Partnership"), a limited liability partnership incorporated in Bermuda. The accompanying financial statements have been prepared assuming the Partnership will continue as a going concern and therefore provide the funding necessary, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As of December 31, 2011, the Partnership has a projected working capital deficit of \$19m which raises significant doubt as of the reporting date about the Partnership's ability to continue as a going concern. The Partnership is currently proceeding with an unsecured debt offering to raise approximately \$20m by the end of 2012 (\$12m received on 08 August 2012) which would allow the Partnership to meet remaining development, disposal costs and administrative expenses of the Partnership for at least the following 12 months.

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 1.7 Going Concern - continued

In addition to the \$19m of external costs referred to above, individual subsidiaries of the Partnership including the Company, owe existing sums to other subsidiaries of the Partnership. These sums are the subject of agreement between the parties such that none of these will be required to be repaid within the following 12 months (though they may be repaid at the Company's determination). These agreements are relied upon by management. In the unlikely event of a change of control of one counterparty (but not the other) without the simultaneous settlement of these amounts, there is no certainty that these assurances would be refreshed.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the ability of the company to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

2	Operating profit	2011 £	2010 £
	Operating profit is stated after charging		
	Depreciation of owned tangible fixed assets	2,913	4,762
	Services provided by the company's auditor		
	Fees payable for the audit	6,000	6,000
	Salaries and Wages	469,861	564,543
	Social Security	79,198	96,296
	Directors' emoluments	<u>228,869</u>	<u>342,080</u>

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

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

3.	Interest receivable and similar income	2011 £	2010 £
	Bank interest	<u>-</u>	<u>-</u>
4.	Average number of employees	2011	2010
	Administration	1	1
	Management Services	<u>3</u>	<u>3</u>
		4	4

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

5. Tax on profit on ordinary activities	2011 £	2010 £
<b>Current tax:</b>		
United Kingdom corporation tax on profit for the year	8,893	11,718
Adjustment in respect of prior years	-	207
<b>Total current tax charge</b>	<b>8,893</b>	<b>11,925</b>

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. Accordingly the company's profits for this accounting period for this accounting period are taxed at an effective rate of 26.5% and will be taxed at 26% in the future. The differences are explained below:

	2011 £	2010 £
Profit on ordinary activities before taxation	31,248	37,586
Profit on ordinary activities multiplied by standard rate in the UK calculates to 26.5% (2010: 28%)	8,281	10,524
Effects of:		
Non deductible expenses	-	72
Depreciation in excess of capital allowances	612	1,122
Adjustments in respect of previous periods	-	207
<b>Current tax charge</b>	<b>8,893</b>	<b>11,925</b>

## 6. Tangible fixed assets

	Leasehold improvements £
<b>Cost</b>	
At 1 January 2011 and 31 December 2010	23,811
<b>Accumulated depreciation</b>	
At 1 January 2011	20,898
Charge for the financial year	2,913
At 31 December 2011	23,811
<b>Net book amount</b>	
At 31 December 2011	-
At 31 December 2010	2,913

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

7. Debtors	2011 £	2010 £
Trade debtors	49,264	141,583
Amounts owed by group undertakings	268,259	307,033
Other debtors	<u>21,351</u>	<u>30,620</u>
	<u>338,874</u>	<u>479,236</u>

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

Other debtors relate to prepayments and deferred income

8 Creditors: amounts falling due within one year	2011 £	2010 £
Trade creditors	2,564	29,718
Taxation and social security	47,704	65,831
Other creditors	<u>256,563</u>	<u>256,417</u>
	<u>306,831</u>	<u>351,966</u>

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

9. Called up share capital	2011 £	2010 £
<b>Authorised</b>		
100,000 (2010 100,000) Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Allotted, called up and fully paid</b>		
100 (2010 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 Reserves	Profit and loss account £
At 1 January 2011	172,405
Profit for the financial year	22,355
Dividends distributed	<u>-</u>
At 31 December 2011	<u>194,760</u>

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

11 Reconciliation of movements in shareholders' funds	2011 £	2010 £
Profit for the financial year	22,355	25,661
Opening equity shareholders' funds	172,505	146,844
Dividends distributed	-	-
Closing equity shareholders' funds	194,860	172,505

### 12 Ultimate parent undertaking and controlling party

Celtic Pharma Management LP, a limited partnership registered in Bermuda, is the immediate parent undertaking. Celtic Pharma Management LP's general partner is Celtic Pharma Management Limited, a limited liability company incorporated under the laws of Bermuda. The ultimate parent company is Celtic Pharma Management Limited.

### 13. Related party transactions

At 31 December 2011 the immediate parent organisation is Celtic Pharma Management LP. During the year ended 31 December 2011 consultancy services fees of £406,930 (2010: £506,649) were charged to Celtic Pharma Management LP. At the year end included within intercompany debtors is an amount of £268,259 (2010: £289,528) due from this organisation.

As J C Mayo is a designated member of Beehive Capital LLP, a limited liability partnership registered in England and Wales, it is considered a related party to the company. In the year ended 31 December 2011 the company incurred administrative expenses of £587 (2010: £Nil), and made recharges of £Nil (2010: £Nil) to Beehive Capital LLP. At the balance sheet date, the company was owed by this organisation £Nil (2010: £Nil).

Celtic Pharma Holdings Advisors LLP, a limited liability partnership registered in England and Wales, is a subsidiary of Beehive Capital LLP and as such a related party of Celtic Pharma Management Services Europe Limited. In the year ended 31 December 2011 the company charged fees of £345,855 (2010: £431,931) to Celtic Pharma Holdings Advisors LLP. At the balance sheet date, the company was owed £Nil (2010: £124,675) by Celtic Pharma Holdings Advisors LLP, which was included within trade debtors.

At the balance sheet date, the company had balances with the following organisations which are related by virtue of sharing common key management:

Celtic Pharma Development Services Europe Limited, a company registered in England and Wales	
- Trade creditors	£2,594 (2010: £20,990)
- Trade debtors	£207 (2010: £1,528)
Celtic Pharma Development Services Bermuda Ltd, a limited company registered in Bermuda	
- Trade debtors	£Nil (2010: £102)
SA Investors Limited, a company registered in England and Wales	
- Trade debtors	£Nil (2010: £Nil)
Celtic Pharma Holdings LP, a limited partnership incorporated in Bermuda	
- Trade debtors	£Nil (2010: £14,834)

# CELTIC PHARMA MANAGEMENT SERVICES EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

---

#### 13 Related party transactions - continued

During the year ended 31 December 2011, the company carried out the following transactions  
Celtic Pharma Development Services Bermuda LP, a limited partnership registered in Bermuda

- Expenses incurred £Nil (2010 £12,031)

Celtic Pharma Development Services Europe Limited

- Recharges made £2,005 (2010 £4,167)

- Expenses incurred £35,881 (2010 £20,030)

Celtic Pharma Holdings LP

- Recharges made £115 (2010 £24,170)

Xenova Limited, a company incorporated in England and Wales

- Recharges made £Nil (2010 £Nil)

SA Investors Limited, a company registered in England and Wales

- Recharges made £0 (2010 £464)