

Company Registration No. 05577228 (England and Wales)

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

COMPANY INFORMATION

Directors	J C Mayo S Evans-Freke S B Parker
Secretary	S B Parker
Company registration number	05577228
Registered office	42-44 Portman Road Reading Berkshire RG30 1EA
Independant auditors	PricewaterhouseCoopers LLP Abacus House Castle Park Gloucester Street Cambridge CB3 0AN

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

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CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

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

Principal activities, review of the business and future developments

The company was incorporated on 28 September 2005 and commenced trading on 1 January 2006. The principal activity of the company continued to be that of providing professional services in connection with the development and commercialisation of pharmaceutical products.

The company recharges qualifying expenditure to Celtic Pharma Development Services Bermuda Limited, a company incorporated in Bermuda, under the terms agreed in the Development Services Agreement. The directors expect that this consultancy will continue to grow in 2008 as the company continues to develop its business.

Results and dividends

The results for the year are set out on page 5.

Directors

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

J C Mayo

S Evans-Freke

S B Parker

R Julina

(Resigned 15 January 2007)

Independent 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.

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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.

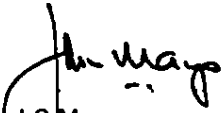
Statement of disclosure of information to auditors

The directors, in office at the date of signing this report, have each confirmed that

- (a) so far as they are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

On behalf of the board


J C Mayo
Director
22 April 2008

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

We have audited the financial statements of Celtic Pharma Development Services Europe Limited for the year ended 31 December 2007 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 Annual Report and 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 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 DEVELOPMENT SERVICES EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

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 2007 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

23 April 2008.

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

		Year ended 31 December 2007 £	Period ended 31 December 2006 £
	Notes		
Turnover	2	2,191,201	1,328,898
Administrative expenses		(2,038,326)	(1,236,184)
Operating profit	3	152,875	92,714
Interest receivable and similar income	4	6,087	1,643
Profit on ordinary activities before taxation		158,962	94,357
Tax on profit on ordinary activities	5	(27,114)	(28,395)
Retained profit for the financial year/period	11	131,848	65,962

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 retained profit for the financial year stated above and their historical cost equivalents

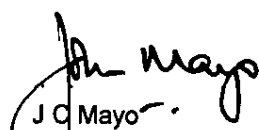
CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	6		49,779		54,255
Current assets					
Debtors	7	317,820		345,525	
Cash at bank and in hand		191,937		117,318	
		<u>509,757</u>		<u>462,843</u>	
Creditors, amounts falling due within one year	8	<u>(361,626)</u>		<u>(451,036)</u>	
Net current assets			148,131		11,807
Total assets less current liabilities			<u>197,910</u>		<u>66,062</u>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		197,810		65,962
Total equity shareholders' funds	12		<u>197,910</u>		<u>66,062</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 22 April 2008 and were signed on its behalf by


J C Mayo
Director

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE 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, on the going concern basis and in accordance with the Companies Act 1985

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently throughout the year (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable from Celtic Pharma Development Services Bermuda Limited, the Bermudan parent company of Celtic Pharma Development Services Europe Limited, in respect of the professional services provided to pharmaceutical companies in Europe and North America in which the parent company has an interest

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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, as follows

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

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable. The assets of the scheme are held separately from those of the company in an independently administered fund

1.7 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

1.8 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

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

2 Turnover

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Geographical destination		
Bermuda	2,191,201	1,328,898
	<u>2,191,201</u>	<u>1,328,898</u>

3 Operating profit

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Operating profit is stated after charging		
Depreciation of owned tangible fixed assets	14,680	4,914
Loss on foreign exchange transactions	106	-
Operating lease rentals other than plant and machinery	70,567	47,666
	<u>70,567</u>	<u>47,666</u>

Auditors' remuneration

Fees payable to the company's auditors for the audit of the company's

annual accounts

Other services

Taxation

11,427	5,875
14,130	-
1,974	-
<u>27,531</u>	<u>5,875</u>

4 Interest receivable and similar income

	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Bank interest	6,087	1,643
	<u>6,087</u>	<u>1,643</u>

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

5 Tax on profit on ordinary activities	Year ended 31 December 2007 £	Period ended 31 December 2006 £
Current year tax		
U K corporation tax for the financial year	36,568	28,395
Adjustment in respect of prior periods	(9,454)	-
Total current tax charge	<u>27,114</u>	<u>28,395</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>158,962</u>	<u>94,357</u>
The tax assessed for the year/period is lower (2006 - higher) than the standard rate of corporation tax in the UK (30%) The difference is explained below		
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.25% (2006 - 30.00%)	<u>30,600</u>	<u>28,307</u>
Effects of		
Non deductible expenses	6,713	60
Depreciation add back	2,826	1,474
Capital allowances	(3,571)	(1,446)
Adjustments in respect of prior periods	(9,454)	-
	<u>(3,486)</u>	<u>88</u>
Total current tax charge	<u>27,114</u>	<u>28,395</u>

The standard rate of Corporation Tax in the UK changes to 28% with effect from 1 April 2008

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

6 Tangible assets

	Computer Equipment £	Leasehold improvements £	Total £
Cost			
At 1 January 2007	9,643	49,526	59,169
Additions	10,204	-	10,204
At 31 December 2007	19,847	49,526	69,373
Accumulated depreciation			
At 1 January 2007	940	3,974	4,914
Charge for the year	4,775	9,905	14,680
At 31 December 2007	5,715	13,879	19,594
Net book value			
At 31 December 2007	14,132	35,647	49,779
At 31 December 2006	8,703	45,552	54,255

7 Debtors

	2007 £	2006 £
Trade debtors	11,391	32,955
Amounts owed by parent and fellow subsidiary undertakings	294,538	287,433
Prepayments	11,891	25,137
	317,820	345,525

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

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

8 Creditors: amounts falling due within one year	2007 £	2006 £
Trade creditors	24,152	77,605
Amounts owed to parent and fellow subsidiary undertakings	12,236	54,171
Corporation tax	36,568	28,394
Other taxes and social security costs	38,660	33,446
Other creditors	38,298	5,466
Accruals	211,712	251,954
	<u>361,626</u>	<u>451,036</u>

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

9 Pension costs

Defined contribution

	2007 £	2006 £
Contributions payable by the company for the year	19,860	38,387
Contributions payable to the pension scheme at the year end and included in creditors	<u>(1,246)</u>	<u>(3,889)</u>

10 Called up share capital	2007 £	2006 £
Authorised		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

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

11 Reserves

	Profit and loss account £
Balance at 1 January 2007	65,962
Retained profit for the financial year	131,848
Balance at 31 December 2007	<u>197,810</u>

12 Reconciliation of movements in equity shareholders' funds

	2007 £	2006 £
Retained profit for the financial year/period	131,848	65,962
Proceeds from issue of shares	-	100
Net addition to equity shareholders' funds	<u>131,848</u>	<u>66,062</u>
Opening equity shareholders' funds	66,062	-
Closing equity shareholders' funds	<u>197,910</u>	<u>66,062</u>

13 Financial commitments

At 31 December the company was committed to making the following payments under non-cancellable operating leases as follows

	Land and buildings 2007 £	2006 £
Operating leases which expire Between two and five years	<u>70,853</u>	<u>70,853</u>

14 Directors' emoluments

The 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 receive any remuneration for their services to the company.

CELTIC PHARMA DEVELOPMENT SERVICES EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2007

15 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2007 Number	2006 Number
Development and research	5	4
IT and administration	4	2
Finance	4	2
	<u>13</u>	<u>8</u>

Employment costs

	2007 £	2006 £
Wages and salaries	1,133,773	759,244
Social security costs	122,601	91,345
Other pension costs (Note 9)	19,860	38,387
	<u>1,276,234</u>	<u>888,976</u>

16 Ultimate parent company and related party transactions

At 31 December 2007 the immediate parent company is Celtic Pharma Development Services Bermuda Limited, a company incorporated in Bermuda. During the year under review, in accordance with the development services agreement, costs were recharged to this company of £2,191,201 (period ended 31 December 2006 - £1,328,898).

Included within amounts due from group undertakings at the balance sheet date was an amount of £294,017 (period ended 31 December 2006 - £263,870) due from Celtic Pharma Development Services Bermuda Limited.

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

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 under review the company incurred administrative expenses of £116,080 (period ended 31 December 2006 - £58,028) from Beehive Capital LLP. These represent rent, rates and facilities costs as sub-tenants of a London office.

At the balance sheet date, the company had the following balances with Beehive Capital LLP:

- Trade debtors - £163 (period ended 31 December 2006 - £32,955)
- Trade creditors - £nil (period ended 31 December 2006 - £72,995)