

Ipsen Biopharm Limited

Directors' report and financial
statements

Registered number 1653765

31 December 2005



Directors' report

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

Principal activities and business review

The principal activity of the Company is the manufacture and sale of pharmaceutical products.

Research and development

During the year the Company incurred costs of research into and development of new production methods.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

J C Davis
C De La Tour
M J Harvey
A M Stokes
P G Whitehouse
P C Wilson

On 7 October 2005 P G Whitehouse was appointed a director of the Company. During 2005 and 2004 no director had an interest in the shares of the Company or of any affiliated UK company.

Political and charitable contributions

The Company made no political contributions during the year. Donations to UK charities amounted to £2,009 (2004: £1,000).


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board



J C Davis
Secretary

Registered office:
Ash Road
Wrexham Industrial Estate
Wrexham
LL13 9UF

Date: 1st March 2006

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law the directors have elected to prepare the Company's financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing the 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;
- ◆ state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- ◆ 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the independent auditors to the members of Ipsen Biopharm Limited

We have audited the financial statements (the "financial statements") of Ipsen Biopharm Limited for the year ended 31 December 2005 which comprise the Income Statement, Balance Sheet, Cash Flow Statement, and Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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, 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.

Opinion

In our opinion the financial statements:

- ♦ give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- ♦ have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

Date: 6 March 2006

Income statement
for the year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Revenue	2	29,753	23,567
Cost of sales		(13,490)	(17,344)
Gross profit		16,263	6,223
Other operating income	3	3,582	288
Administrative expenses		(1,723)	(1,490)
Production development expenses		(8,089)	(4,665)
Other operating expenses		(185)	(4,894)
Operating profit/(loss) before net financing costs	2-6	9,848	(4,538)
Financial income	7	2,067	1,689
Financial expenses	7	(86)	(1,029)
Net financing income		1,981	660
Profit/(loss) before tax		11,829	(3,878)
Taxation	8	(3,424)	(743)
Profit/(loss) for the year		8,405	(4,621)
Attributable to:			
Equity holders of the parent		8,405	(4,621)

Statements of recognised income and expense

For the year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Profit/(loss) for the year		8,405	(4,621)
Total recognised income and expense	<i>18</i>	8,405	(4,621)
Total recognised income and expense for the period is attributable to:			
Equity holders of the parent		8,405	(4,621)

Balance sheet
at 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Non-current assets			
Property, plant and equipment	9	28,953	24,777
Intangible assets	10	57	53
Investments in subsidiaries	11	35,927	31,487
Deferred tax assets	12	232	1,668
		<hr/> 65,169	<hr/> 57,985
Current assets			
Inventories	13	3,261	1,951
Trade and other receivables	14	7,412	7,194
Cash and cash equivalents	15	138	48
		<hr/> 10,811	<hr/> 9,193
Total assets		<hr/> 75,980	<hr/> 67,178
Current liabilities			
Trade and other payables	16	7,829	7,421
		<hr/> 7,829	<hr/> 7,421
Non-current liabilities			
Employee benefits	17	1,333	1,344
		<hr/> 1,333	<hr/> 1,344
Total liabilities		<hr/> 9,162	<hr/> 8,765
Net assets		<hr/> 66,818	<hr/> 58,413
Equity attributable to equity holders of the parent			
Share capital	18	4,891	4,891
Share premium	18	54,116	54,116
Retained earnings	18	7,811	(594)
Total equity		<hr/> 66,818	<hr/> 58,413

These financial statements were approved by the board of directors on *1st March 2006*
and were signed on its behalf by:



P C WILSON
Director



J C DAVIS
Director

Cash flow statement
for year ended 31 December 2005

	<i>Note</i>	2005 £000	2004 £000
Cash flows from operating activities			
Profit/(loss) for the year		8,405	(4,621)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		565	5,955
Financial income	7	(2,067)	(1,689)
Financial expense	7	86	1,029
Loss/(gain) on sale of property, plant and equipment		266	(11)
Loss on sale of investments		-	1,023
Taxation	8	3,424	743
		<hr/>	<hr/>
Operating profit before changes in working capital and Provisions		10,679	2,429
Decrease/(increase) in trade and other receivables	14	(1,391)	3,301
Decrease/(increase) in inventories	13	(1,310)	(15)
Increase/(decrease) in trade and other payables	16	406	775
Increase/(decrease) in provisions and employee benefits	17	(11)	(235)
		<hr/>	<hr/>
Cash generated from the operations		8,373	6,255
Tax paid	8	(1,988)	-
		<hr/>	<hr/>
Net cash from operating activities		6,385	6,255
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		13	43
Proceeds from sale of investments		-	19,764
Interest received		3,240	-
Acquisition of property, plant and equipment	9	(7,191)	(3,586)
Repayment of funding by/(additional funding to) associates	11	(2,222)	8,135
Investment in equity	11	-	(9,574)
Development expenditure acquisition of intangible assets	10	(51)	-
		<hr/>	<hr/>
Net cash from investing activities		(6,211)	14,782
		<hr/>	<hr/>
Cash flows from financing activities			
Interest paid	7	(84)	(897)
Repayment of borrowings		-	(20,000)
		<hr/>	<hr/>
Net cash from financing activities		(84)	(20,897)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		90	140
Cash and cash equivalents at 1 January		48	(92)
		<hr/>	<hr/>
Cash and cash equivalents at 31 December	15	138	48
		<hr/>	<hr/>

Notes

(forming part of the financial statements)

1. Accounting policies

Ipsen Biopharm Limited is a company incorporated in the UK.

Statement of compliance

The financial statements present information about the Company as a separate entity and not about its group.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs"). The Company is preparing its financial statements in accordance with IFRS as adopted for use in the EU for the first time and consequently has applied IFRS 1. An explanation of how the transition to adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 24.

Basis of preparation

The financial statements are prepared on the historical cost basis except that investments in and loans to associates are stated at their fair value.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purposes of the transition to adopted IFRSs.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Investments in debt and equity securities

Investments in subsidiaries are carried at cost, less any adjustment for impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|-------------------------|---------------------|
| ♦ buildings | fifty years |
| ♦ plant and machinery | ten years |
| ♦ office equipment | three to five years |
| ♦ fixtures and fittings | five to ten years |
| ♦ motor vehicles | four years |

Notes (continued)

1. Accounting policies (continued)

Intangible assets

Expenditure on research activities is recognised in the income statement as an expense when incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense when incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- ♦ software licences three years
- ♦ other intangible assets three years

Trade and other receivables

Trade and other receivables are stated at their nominal amount less impairment losses.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. During the year the principle for accounting for stores inventories was changed from historical cost to standard cost. There was no material impact on the Income statement from this revaluation.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Impairment

The carrying amounts of the Company's assets, inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Notes (continued)

1. Accounting policies (continued)

Impairment (continued)

Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Defined benefit plans

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The liability discount rate is the yield at the balance sheet date on AA credit rated bonds that have maturity dates approximating to the terms of the Company's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses as at 1 January 2004, the date of transition to adopted IFRSs, were recognised. In respect of actuarial gains and losses that arise subsequently in calculating the Company's obligation in respect of a plan, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised. Where the calculation results in a benefit to the Company, the asset recognised is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Revenue

Turnover comprises the value of sales of goods and royalty income receivable in the normal course of business. Revenue on the sale of goods is recognised at the time of despatch of the goods to the customer.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Notes (continued)

1. Accounting policies (continued)

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: capital losses and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

2. Revenue

Revenue analysed by category

	2005 £000	2004 £000
Sale of goods	8,116	8,101
Royalties	21,637	15,466
	<hr/> 29,753 <hr/>	<hr/> 23,567 <hr/>

Revenue analysed by geographical area

	2005 £000	2004 £000
United Kingdom	8,116	8,101
United States of America	21,637	15,466
	<hr/> 29,753 <hr/>	<hr/> 23,567 <hr/>

Notes (continued)

3. Other operating income

	2005 £000	2004 £000
Gain on remeasurement of investments to fair value	2,218	-
Development services provided to related parties	460	269
Release of unused accruals	433	-
Release of unused provisions	362	-
Release of deferred proceeds from the disposal of fixed assets	109	-
Net gain on disposal of property, plant and equipment	-	19
	<u>3,582</u>	<u>288</u>

4. Expenses

Included in profit/(loss) are the following:

	2005 £000	2004 £000
Production development expensed as incurred	8,089	4,665
Loss/(gain) on remeasurement of investments to fair value	(2,218)	3,871
Loss on sale of investments	-	1,023
Net foreign exchange losses/(gains)	123	(24)
	<u> </u>	<u> </u>

Auditors' remuneration:

	2005 £000	2004 £000
Audit	31	30
	<u> </u>	<u> </u>

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2005	2004
Production, research and development	186	221
Administration	19	23
	<u>205</u>	<u>244</u>

Notes (continued)

5. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2005 £000	2004 £000
Wages and salaries	5,681	5,468
Social security costs	549	410
Pension costs	480	341
Other costs	72	152
	<u>6,782</u>	<u>6,371</u>

6. Directors' emoluments

	2005 £000	2004 £000
Directors' emoluments	170	125
Company contributions to money purchase pension plans	17	9
Compensation for loss of office	-	170
	<u>187</u>	<u>304</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £149,000 (2004:£86,000) and company pension contributions of £15,000 (2004:£9,000) were made to a money purchase scheme on his behalf.

	Number of directors 2005	2004
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	1
Defined benefit schemes	-	1
	<u>2</u>	<u>2</u>

7. Finance income and expense

	2005 £000	2004 £000
Interest income: Related parties	2,067	1,689
Financial income	<u>2,067</u>	<u>1,689</u>
Interest expense: Related parties	25	184
Interest expense: Bank	31	792
Interest on defined benefit pension plan obligation	30	53
Financial expenses	<u>86</u>	<u>1,029</u>

Notes (continued)

8. Taxation

Recognised in the income statement

	2005 £000	2004 £000
<i>Current tax expense</i>		
Current year	1,988	-
<i>Deferred tax expense/(income)</i>		
Origination and reversal of temporary differences	(417)	743
Benefit of tax losses recognised	1,853	-
	1,436	743
Total tax charge in income statement	3,424	743

Reconciliation of effective tax rate

	2005 £000	2004 £000
Profit/(loss) before tax	11,829	(3,878)
Tax using the UK corporation tax rate of 30% (2004: 30 %)	3,549	(1,164)
Non-deductible expenses	41	3,767
Tax exempt revenues	(665)	(2,111)
Effect of tax losses utilised	499	251
Total tax charge in income statement	3,424	743

There was no current or deferred tax charged directly to equity in the year or comparative year.

Notes (continued)

9. Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Office equipment, fixtures & fittings £000	Motor vehicles £000	Under construction £000	Total £000
Cost						
Balance at 1 January 2004	1,308	24,956	639	97	-	27,000
Acquisitions	2	1,942	90	-	1,552	3,586
Disposals	-	(915)	(3)	(46)	-	(964)
Balance at 31 December 2004	1,310	25,983	726	51	1,552	29,622
Balance at 1 January 2005	1,310	25,983	726	51	1,552	29,622
Acquisitions	1	878	225	18	6,069	7,191
Assets completed	-	392	28	-	(420)	-
Disposals	-	(907)	(6)	(26)	-	(939)
Balance at 31 December 2005	1,311	26,346	973	43	7,201	35,874
Depreciation and impairment						
Balance at 1 January 2004	101	3,351	246	34	-	3,732
Depreciation charge for the year	44	1,828	147	26	-	2,045
Disposals	-	(907)	(1)	(24)	-	(932)
Balance at 31 December 2004	145	4,272	392	36	-	4,845
Balance at 1 January 2005	145	4,272	392	36	-	4,845
Depreciation charge for the year	27	2,575	138	9	-	2,749
Disposals	-	(645)	(6)	(22)	-	(673)
Balance at 31 December 2005	172	6,202	524	23	-	6,921
Net book value						
At 1 January 2004	1,207	21,605	393	63	-	23,268
At 31 December 2004	1,165	21,711	334	15	1,552	24,777
At 31 December 2005	1,139	20,144	449	20	7,201	28,953

Property, plant and equipment under construction

During 2004 and 2005 the Company invested in the construction of a new laboratory facility.

Notes (continued)

10. Intangible assets

	Software licences £000	Other intangible assets £000	Total £000
<i>Cost</i>			
Balance at 1 January 2004 and 31 December 2004	70	49	119
Balance at 1 January 2005	70	49	119
Other acquisitions – externally purchased	51	-	51
Disposals	-	(47)	(47)
Balance at 31 December 2005	121	2	123
<i>Amortisation and impairment</i>			
Balance at 1 January 2004	15	11	26
Amortisation for the year	24	16	40
Balance at 31 December 2004	39	27	66
Balance at 1 January 2005	39	27	66
Amortisation for the year	26	8	34
Disposals	-	(34)	(34)
Balance at 31 December 2005	65	1	66
<i>Net book value</i>			
At 1 January 2004	55	38	93
At 31 December 2004 and 1 January 2005	31	22	53
At 31 December 2005	56	1	57

Amortisation charge

The amortisation charge is recognised in the following line items in the income statement:

	2005 £000	2004 £000
Cost of sales	10	16
Administrative expenses	24	24
	34	40

Notes (continued)

11. Investments in subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of shares held	Ownership	
			2005	2004
Ipsen Pty Ltd	Australia	Ordinary	100 %	100 %
Porton International, Inc.	USA	Ordinary	100 %	100 %
Pothold Limited (dormant)	UK	Ordinary	100 %	100 %
Specwood Limited (dormant)	UK	Ordinary	100 %	100 %

	Shares in subsidiary undertakings	Loans to group companies	Total
	£000	£000	£000
Cost			
Balance at 1 January 2004	28,237	43,474	71,711
Transfers	9,574	(9,574)	-
Disposals	(28,107)	-	(28,107)
Net increase in loans	-	1,439	1,439
Balance at 31 December 2004	9,704	35,339	45,043
Balance at 1 January 2005	9,704	35,339	45,043
Net increase in loans	-	2,222	2,222
Balance at 31 December 2005	9,704	37,561	47,265
Impairment provisions			
Balance at 1 January 2004	7,432	9,574	17,006
Transfers	9,574	(9,574)	-
Disposals	(7,320)	-	(7,320)
Net increase in year	-	3,870	3,870
Balance at 31 December 2004	9,686	3,870	13,556
Balance at 1 January 2005	9,686	3,870	13,556
Net reduction in year	-	(2,218)	(2,218)
Balance at 31 December 2005	9,686	1,652	11,338
Net book value:			
At 1 January 2004	20,805	33,900	54,705
At 31 December 2004	18	31,469	31,487
At 31 December 2005	18	35,909	35,927

Notes (continued)

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2005	2004	2005	2004	2005	2004
	£000	£000	£000	£000	£000	£000
Property, plant and equipment	-	-	444	920	444	920
Interest-bearing loans and borrowings	(266)	(266)	-	-	(266)	(266)
Employee benefits	(410)	(408)	-	-	(410)	(408)
Provisions	-	(61)	-	-	-	(61)
Tax value of loss carry-forwards	-	(1,853)	-	-	-	(1,853)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(676)	(2,588)	444	920	(232)	(1,668)
Net of tax liabilities/(assets)	444	920	(444)	(920)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax (assets) / liabilities	(232)	(1,668)	-	-	(232)	(1,668)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2005 £000	Recognised in income £000	31 December 2005 £000
Property, plant and equipment	920	(476)	444
Interest-bearing loans and borrowings	(266)	-	(266)
Employee benefits	(408)	(2)	(410)
Provisions	(61)	61	-
Tax value of loss carry-forwards utilised	(1,853)	1,853	-
	<hr/>	<hr/>	<hr/>
	(1,668)	1,436	(232)
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 January 2004 £000	Recognised in income £000	31 December 2004 £000
Property, plant and equipment	161	759	920
Interest-bearing loans and borrowings	(227)	(39)	(266)
Employee benefits	(492)	84	(408)
Provisions	-	(61)	(61)
Tax value of loss carry-forwards utilised	(1,853)	-	(1,853)
	<hr/>	<hr/>	<hr/>
	(2,411)	743	(1,668)
	<hr/>	<hr/>	<hr/>

The deferred tax assets at 31 December 2005 and 31 December 2004 have been recognised to the extent that it is probable that the Company will generate sufficient taxable profits in excess of the reversal of taxable temporary differences.

Notes (continued)

12. Deferred tax assets and liabilities (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2005 £000	2004 £000
Capital losses	1,708	1,708

Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the Company can utilise the benefits there from.

13. Inventories

	2005 £000	2004 £000
Raw materials and consumables	1,037	770
Work in progress	2,224	1,181
	<u>3,261</u>	<u>1,951</u>

The cost of inventories charged to the Income statement in the year was £5,965,000 (2004: £4,799,000). In the year £17,000 (2004: £757,000) was provided against the value of inventories and inventories of £268,000 (2004: nil) were written off.

14. Trade and other receivables

	2005 £000	2004 £000
Trade receivables due from related parties	856	1,146
Other trade receivables	-	145
Other receivables	691	696
Pre-payments and accrued income	5,349	3,518
Interest receivable from related parties	516	1,689
	<u>7,412</u>	<u>7,194</u>

Other trade receivables are shown net of impairment losses amounting to £16,000 recognised in the current year (2004: nil).

15. Cash and cash equivalents

	2005 £000	2004 £000
Cash and cash equivalents per balance sheet	138	48
Cash and cash equivalents per cash flow statements	<u>138</u>	<u>48</u>

Notes (continued)

16. Trade and other payables

	2005 £000	2004 £000
Trade payables due to related parties	2,260	2,880
Other trade payables	1,570	3,276
Non-trade payables and accrued expenses	3,110	378
Interest payable to related parties	889	887
	<hr/> 7,829 <hr/>	<hr/> 7,421 <hr/>

17. Employee benefits

Defined benefit pension plan

The Company sponsors the Stanplan F Ipsen Biopharm Limited pension scheme, which is a defined benefit arrangement. The assets of the scheme are held separately from those of the Company and are administered and invested by an independent insurance company.

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 6 April 2005 when it was assumed that investment returns would be 7% per annum and salary increases would average 5% per annum. The estimated market value of the fund at this date was £1,102,000. This valuation has been updated on an approximate basis to 31 December 2004. The Company information disclosed below is in respect of the whole of the plans in which the Company is either the sponsoring employer or another participating entity.

	2005 £000	2004 £000
Present value of funded defined benefit obligations	5,554	4,245
Fair value of plan assets	(3,229)	(2,661)
	<hr/>	<hr/>
Net obligations	2,325	1,584
Unrecognised actuarial losses	(992)	(240)
	<hr/>	<hr/>
Recognised liability for defined benefit obligations and total employee benefits	1,333	1,344
	<hr/>	<hr/>

Movements in present value of defined benefit obligation

	2005 £000	2004 £000
At 1 January 2005	4,245	3,476
Interest cost	223	187
Current service cost	383	449
Past service cost	-	72
Curtailment	-	(226)
Actuarial losses	775	331
Payments from plan assets	(72)	(44)
	<hr/>	<hr/>
At 31 December 2005	5,554	4,245
	<hr/>	<hr/>

Notes (continued)

17. Employee benefits (continued)

Defined benefit pension plan (continued)

Movements in fair value of plan assets

	2005 £000	2004 £000
At 1 January	2,661	1,898
Expected return on plan assets	193	134
Contributions by employer	324	455
Contributions by members	100	128
Actuarial gains	23	90
Payments from plan assets	(72)	(44)
	<hr/>	<hr/>
At 31 December	3,229	2,661
	<hr/>	<hr/>

Expense recognised in the income statement

	2005 £000	2004 £000
Current service cost	283	321
Past service cost	-	72
Curtailment	-	(226)
Interest on defined benefit pension plan obligation	223	187
Expected return on defined benefit pension plan assets	(193)	(134)
	<hr/>	<hr/>
Total	313	220
	<hr/>	<hr/>

The expense is recognised in the following line items in the income statement:

	2005 £000	2004 £000
Cost of sales	230	141
Administrative expenses	25	12
Production development expenses	28	14
Finance expense	30	53
	<hr/>	<hr/>
	313	220
	<hr/>	<hr/>

The Company has not reported any cumulative actuarial gains or losses in the statement of recognised income and expenses since 1 January 2004, the transition date to adopted IFRSs.

Notes (continued)

17. Employee benefits (continued)

Defined benefit pension plan (continued)

Plan assets and rates of return

The fair value of the plan assets and the return on those assets were as follows:

	2005 £000	2004 £000
Equities	2,803	2,288
Corporate bonds	171	266
Cash	152	80
Property	13	27
Other	90	-
	<hr/> 3,229	<hr/> 2,661
	<hr/>	<hr/>
Actual return on plan assets	<hr/> 116	<hr/> 224
	<hr/>	<hr/>

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages):

	2005 %	2004 %
Discount rate	4.90	5.30
Expected rate of return on plan assets	7.10	7.80
Future salary increases	2.00	2.00
Other material assumptions (e.g. mortality rates, future pension increases, inflation)	2.90	2.70
	<hr/>	<hr/>

History of plans

The history of the plans for the current and prior periods is as follows:

	2005 £000	2004 £000
<i>Balance sheet:</i>		
Present value of defined benefit obligation	5,554	4,245
Fair value of plan assets	(3,229)	(2,661)
	<hr/>	<hr/>
Deficit	<hr/> 2,325	<hr/> 1,584
	<hr/>	<hr/>

The Company expects to contribute approximately £827,000 to its defined benefit plan in the next financial year.

Defined contribution plans

The Company contributes to a number of externally funded defined contribution pension plans.

The total expense relating to these plans in the current year was £167,000 (2004: £121,000).

Notes (continued)

18. Capital and reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2004	4,891	54,116	4,027	63,034
Total recognised income and expense	-	-	(4,621)	(4,621)
Balance at 31 December 2004	4,891	54,116	(594)	58,413
Balance at 1 January 2005	4,891	54,116	(594)	58,413
Total recognised income and expense	-	-	8,405	8,405
Balance at 31 December 2005	4,891	54,116	7,811	66,818

Share capital

	Ordinary shares	
<i>In thousands of shares</i>	2005	2004
In issue at 1 January and 31 December – fully paid	4,891	4,891
	2005	2004
	£000	£000
<i>Authorised</i>		
Ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	4,891	4,891

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

19. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2005 £000	2004 £000
Less than one year	107	120
Between one and five years	39	4
More than five years	1,184	125
	<hr/> 1,330	<hr/> 249
	<hr/> <hr/>	<hr/> <hr/>

The Company's principal operating lease is for additional office space in Wrexham.

During the year £209,000 was recognised as an expense in the income statement in respect of operating leases (2004: £218,000).

20. Capital commitments

During the year ended 31 December 2005, the Company entered into contracts to purchase plant and equipment for £1,076,000 (2004: £3,912,000).

21. Related parties

Parent companies

During the year the Company made sales of £7,889,000 (2004: £7,754,000) of pharmaceutical products and recharged other expenses of £460,000 (2004: £275,000) to parent companies. In addition, interest of £1,851,000 (2004: £1,674,000) was charged on loans to a parent company.

During the year the Company bought raw materials of £195,000 (2004: £440,000) from a parent company and incurred expenses of £2,189,000 (2004: £5,424,000) from parent companies. In addition, interest of £25,000 (2004: £184,000) was incurred on loans from a parent company.

At the year end the following amounts were due from/(to) parent companies:

	2005 £000	2004 £000
Non-current loan	35,909	28,224
	<hr/>	<hr/>
Trade amounts due from parent companies - current	856	1,146
Interest receivable from parent company - current	462	1,674
	<hr/>	<hr/>
	1,318	2,820
	<hr/>	<hr/>
Trade balances due to parent companies - current	(515)	(2,880)
Interest payable to parent company - current	(889)	(887)
	<hr/>	<hr/>
	(1,404)	(3,767)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

21. Related parties (continued)

Subsidiaries

During the year the Company did not have any trading activity with its subsidiaries.

Investments in subsidiaries are disclosed in note 11.

Other group companies

During the year the Company charged interest of £216,000 (2004: £15,000) on loans to other group companies.

In addition, in the year the Company incurred other expenses of £5,426,000 (2004: £26,000) from other group companies and purchased tax losses of £1,988,000 (2004: nil) from another group company.

At the year end the following amounts were due from/(to) other group companies:

	2005 £000	2004 £000
Non-current loan – fully provided for	1,653	7,115
Interest receivable from another group company - current	54	15
Trade amounts due to other group companies	(1,745)	(1)

All transactions with related parties are on commercial terms and at arms length value.

Details of the compensation of key management personnel is detailed in note 6.

22. Accounting estimates and judgements

Management do not consider that there are any critical accounting judgements in the application of the Company's accounting policies that require disclosure.

23. Ultimate parent company and parent company of larger group

The Company's ultimate parent company is Mayroy SA, which is incorporated in Luxembourg. Mayroy SA heads the largest group in which the results of the Company are consolidated. The smallest group in which they are consolidated is that headed by Ipsen SA, which is incorporated in France. The consolidated financial statements of this group are available to the public and may be obtained from 51/53 rue du Dr Blanche, 75016 Paris, France.

24. Explanation of transition to adopted IFRSs

As stated in note 1, these are the Company's first consolidated financial statements prepared in accordance with adopted IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the Company's date of transition).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its previous basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to adopted IFRSs has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Notes (continued)

24. Explanation of transition to adopted IFRSs (continued)

Reconciliation of equity

Note	1 January 2004			31 December 2004		
	UK GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs
	£000	£000	£000	£000	£000	£000
Non-current assets						
Property, plant and equipment	23,268	-	23,268	24,777	-	24,777
Intangible assets	93	-	93	53	-	53
Investments in associates	54,705	-	54,705	31,487	-	31,487
Deferred tax assets	(a) -	2,411	2,411	-	1,668	1,668
	<u>78,066</u>	<u>2,411</u>	<u>80,477</u>	<u>56,317</u>	<u>1,668</u>	<u>57,985</u>
Current assets						
Inventories	1,936	-	1,936	1,951	-	1,951
Trade and other receivables	8,806	-	8,806	7,194	-	7,194
Cash and cash equivalents	36	-	36	48	-	48
	<u>10,778</u>	<u>-</u>	<u>10,778</u>	<u>9,193</u>	<u>-</u>	<u>9,193</u>
Total assets	<u>88,844</u>	<u>2,411</u>	<u>91,255</u>	<u>65,510</u>	<u>1,668</u>	<u>67,178</u>
Current liabilities						
Bank overdraft	128	-	128	-	-	-
Trade and other payables	(b) 26,613	(99)	26,514	7,421	-	7,421
	<u>26,741</u>	<u>(99)</u>	<u>26,642</u>	<u>7,421</u>	<u>-</u>	<u>7,421</u>
Non-current liabilities						
Employee benefits	(b) -	1,579	1,579	-	1,344	1,344
Provisions	(b) -	-	-	1,152	(1,152)	-
	<u>-</u>	<u>1,579</u>	<u>1,579</u>	<u>1,152</u>	<u>192</u>	<u>1,344</u>
Total liabilities	<u>26,741</u>	<u>1,480</u>	<u>28,221</u>	<u>8,573</u>	<u>192</u>	<u>8,765</u>
Net assets	<u>62,103</u>	<u>931</u>	<u>63,034</u>	<u>56,937</u>	<u>1,476</u>	<u>58,413</u>
Equity attributable to equity holders of the parent						
Share capital	4,891	-	4,891	4,891	-	4,891
Share premium	54,116	-	54,116	54,116	-	54,116
Retained earnings	(a),(b) 3,096	931	4,027	(2,070)	1,476	(594)
Total equity	<u>62,103</u>	<u>931</u>	<u>63,034</u>	<u>56,937</u>	<u>1,476</u>	<u>58,413</u>

Notes (continued)

24. Explanation of transition to adopted IFRSs (continued)

Notes to the reconciliation of equity

- a) The Company has recognised a deferred tax asset under IAS12 Income Taxes.
- b) The Company has adopted IAS19 Employee Benefits and recognised the defined benefit pension liability with effect from 1 January 2004.

Reconciliation of the loss for 2004

	Note	£000
UK GAAP loss after tax		(5,166)
Deferred tax charge - IAS12	(a)	(743)
Defined benefit pension obligations - IAS19	(b)	1,288
		<hr/>
Adopted IFRS loss after tax		(4,621)
		<hr/>

Cash flow statement

Under UK GAAP, the Company was not required to, and did not, prepare a cash flow statement.