



Elan Pharma Limited

Director's report and
financial statements

Year ended 31 December 2008

Registered number: 2730448

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Elan Pharma Limited

Director's report and financial statements

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Elan Pharma Limited

Director and other information

Director	William F. Daniel
Secretary	Neil McLoughlin
Auditors	KPMG Chartered Accountants 1 Stokes Place St. Stephen's Green Dublin 2
Registered office	Hill House 1 Little New Street London EC4A 3TR United Kingdom

Elan Pharma Limited

Director's report

The director presents the annual report and audited financial statements of Elan Pharma Limited ("the Company") for the year ended 31 December 2008.

Principal activities, business review and future development

The principal activities of the Company previously comprised provision of medical and regulatory services. During the year ended 31 December 2007, the Company restructured its operations which resulted in the closure of its facilities during 2008.

Principal risks and uncertainties

In conjunction with the closure of its operations during 2008, the Company will no longer conduct any operating activities, thus it is not exposed to significant financial and non financial risks and uncertainties, which may cause a material adjustment to the carrying amount of assets in future periods. However, the Company is dependent on its ultimate parent undertaking's ability to continue as a going concern for the foreseeable future.

Financial results and dividends

The results for the financial year are set out on page 7 of the financial statements. The director does not recommend the payment of a dividend (2007: \$nil).

Financial risk management

The Company's financial risk management objectives and policies and exposure to market risk are outlined in Note 15 to these financial statements.

Research and development

The Company's development activities were centred around therapeutic areas of neurology, autoimmune disease and severe pain and amounted to \$0.9 million during the year ended 31 December 2008 (2007: \$8.6 million). The Company ceased its research and development activities during the current year.

Going concern

The director, having made inquiries, believes that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

Political and charitable contributions

The Company made no political contributions during the year (2007: \$nil). Donations to U.K. charities amounted to \$nil (2007: \$199).



Elan Pharma Limited

Director's report *(continued)*

Significant shareholdings

The Company is a wholly-owned subsidiary of Elan Corporation, plc.

Post balance sheet events

There have been no significant events since the year end, which would require the adjustment of, or disclosure in, the financial statements.

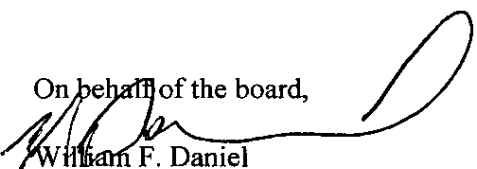
Disclosure of information to auditors

The director who held office at the date of approval of this director's report confirms that, so far as he is aware there is no relevant audit information of which the Company's auditor is unaware of and the 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 auditor is aware of that information.

Auditors

In accordance with Section 384 of the Companies Act, 1985, KPMG, Chartered Accountants, will continue in office.

On behalf of the board,


William F. Daniel
Director

18 September 2009

Elan Pharma Limited

Statement of director's responsibilities in respect of the director's report and the financial statements

The director is responsible for preparing the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union

The financial statements are required by law and IFRS as adopted by the European Union, to present fairly the financial position and performance of the Company. 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. The financial statements are required by law to give a true and fair view of the state of affairs of the Company.

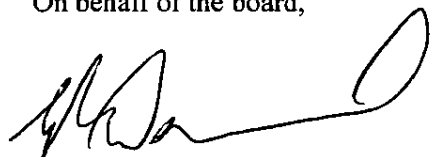
In preparing the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS as adopted by the European Union as applied in accordance with the Companies Act, 1985; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper books of account 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. He is also responsible for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The director is also responsible for preparing a director's report that complies with the requirements of the Companies Act, 1985.

On behalf of the board,



William F. Daniel
Director

18 September 2009



KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Independent auditor's report to the member of Elan Pharma Limited

We have audited the financial statements of Elan Pharma Limited ("the Company") for the year ended 31 December 2008, which comprise the income statement, the balance sheet, the statement of cash flows, the statement of changes in shareholder's equity 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 member, 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 member 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 member, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the director and auditors

The statement of director's responsibilities on page 4 sets out the director's responsibilities for preparing the director's report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRS as adopted by the European Union and have been properly prepared in accordance with the Companies Act, 1985. We also report to you whether, in our opinion: proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the director's report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding director's remuneration and director's transactions is not disclosed and, where practicable, include such information in our report.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.



Independent auditor's report to the member of Elan Pharma Limited *(continued)*

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (United Kingdom 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 director 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 IFRS as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act, 1985.

Other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The balance sheet is in agreement with the books of account.

In our opinion the information given in the director's report is consistent with the financial statements.

Chartered Accountants
Registered Auditor

18 September 2009



Elan Pharma Limited

Income statement

for the year ended 31 December 2008

	<i>Notes</i>	2008 \$000	2007 \$000
Revenue		2,721	15,996
Cost of sales	4	(2,607)	(15,117)
Operating profit		114	879
Finance cost	5	(4)	(8)
Finance income	6	1,228	1,509
Net finance income		1,224	1,501
Profit before tax		1,338	2,380
Tax benefit/(expense)	8	491	(1,000)
Profit for the year		1,829	1,380

The accompanying notes are an integral part of these financial statements.

On behalf of the board,

William F. Daniel
Director

18 September 2009

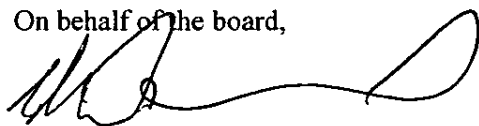
Elan Pharma Limited

Balance sheet at 31 December 2008

	Notes	2008 \$000	2007 \$000
Non-current assets			
Property, plant and equipment	11	-	62
Intangible assets	12	-	56
Total non-current assets		-	118
Current assets			
Other receivables	13	603	5,413
Loan to group undertaking	13	19,859	-
Cash and cash equivalents		235	17,685
Total current assets		20,697	23,098
Total assets		20,697	23,216
Current liabilities			
Trade and other payables	14	247	4,440
Total liabilities		247	4,440
Shareholder's equity			
Share capital	16	2	2
Share premium	16	-	12,372
Capital contribution	19	2,130	2,285
Retained earnings	16	18,318	4,117
Total shareholder's equity		20,450	18,776
Total liabilities and shareholder's equity		20,697	23,216

The accompanying notes are an integral part of these financial statements.

On behalf of the board,



William F. Daniel
Director

18 September 2009



Elan Pharma Limited

Statement of cash flows

for the year ended 31 December 2008

	2008 \$000	2007 \$000
Profit after tax for the year	1,829	1,380
Adjustments to reconcile profit after tax to net cash provided by operating activities:		
Depreciation	5	222
Amortisation	4	62
Loss on disposal of assets	39	622
Share-based compensation	(155)	399
Finance income	(1,228)	(1,509)
Finance costs	4	8
Taxation	(491)	1,000
	<hr/>	<hr/>
	7	2,184
Decrease/(increase) in trade and other receivables	(20)	128
Decrease/(increase) in inter-company balances	4,797	(3,734)
(Decrease)/increase in trade and other payables	(3,492)	1,678
	<hr/>	<hr/>
Cash provided by operations	1,292	256
Finance income received	1,228	1,509
Finance costs paid	(4)	(8)
Tax refund received	-	424
Tax paid	(176)	-
	<hr/>	<hr/>
Net cash provided by operating activities	2,340	2,181
Investing activities		
Purchase of intangible assets	(8)	(68)
Purchase of property, plant and equipment	-	(20)
Loan to group undertaking	(19,859)	-
Assets transferred to group undertaking	77	-
	<hr/>	<hr/>
Net cash used in investing activities	(19,790)	(88)
Financing activities		
Redemption of preference shares	-	(18,340)
	<hr/>	<hr/>
Net cash used in financing activities	-	(18,340)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(17,450)	(16,247)
Cash and cash equivalents at the beginning of the year	17,685	33,932
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	235	17,685

The accompanying notes are an integral part of these financial statements.

Elan Pharma Limited

Statement of changes in shareholder's equity

	Ordinary share capital \$000	Preference share capital \$000	Share premium \$000	Capital contribution \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2007	2	18,340	12,372	2,739	2,737	36,190
Profit for the year	-	-	-	-	1,380	1,380
Share-based compensation, net of tax	-	-	-	399	-	399
Deferred tax asset	-	-	-	(853)	-	(853)
Redemption of shares	-	(18,340)	-	-	-	(18,340)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	2	-	12,372	2,285	4,117	18,776
Profit for the year	-	-	-	-	1,829	1,829
Share-based compensation, net of tax	-	-	-	(155)	-	(155)
Cancellation of share premium account	-	-	(12,372)	-	12,372	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2008	2	-	-	2,130	18,318	20,450
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

Elan Pharma Limited

Notes to the financial statements

1 Basis of preparation

Elan Pharma Limited is a wholly owned subsidiary of Elan Corporation, plc and is incorporated in the United Kingdom.

These financial statements are presented in United States ("U.S.") dollars, being the functional currency of the Company, and they are prepared on the historical cost basis. Effective 1 July 2008, the Company changed its functional currency from pound sterling to U.S. dollars. See Note 3 to the financial statements for further details.

Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the European Union, applying those standards which are effective for accounting periods ended on or before 31 December 2008.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results could differ materially from these estimates.

Revenue

Revenue represents amounts charged to other Elan group undertakings for the provision of medical and regulatory services. These charges are calculated by applying a mark-up to certain costs incurred by the Company in the provision of those medical and regulatory services. Revenue is recorded net of applicable sales tax and is recognised on delivery of the service.

Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition or construction less accumulated depreciation and impairment losses. Depreciation is computed using the straight-line method based on the following estimated useful lives:

Leasehold improvements	Shorter of expected useful life or lease term
Office furniture and equipment	3-5 years

The Company does not hold any property, plant or equipment at 31 December 2008.

Elan Pharma Limited

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Intangible assets

The costs of acquiring and developing computer software for internal use are capitalised as intangible assets where the software supports a significant business system and the expenditure leads to the creation of a durable asset. Computer software is amortised on a straight-line basis over four years from the date it is available for use.

The Company does not hold any intangible assets at 31 December 2008.

Trade and other receivables

Accounts receivable and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash and highly liquid investments with original maturities of three months or less and are categorised as loans and receivables and therefore carried at amortised cost.

Foreign currency

Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. The resulting monetary assets and liabilities are translated into the appropriate functional currency at exchange rates prevailing at the balance sheet date and the resulting gains and losses are recognised in the income statement.

Leases

Rentals on operating leases are expensed on a straight-line basis over the term of the lease.

Share-based compensation

Elan Corporation, plc, the Company's ultimate parent, makes equity-settled share-based payments to employees of the Company. The Company expenses the fair value of this share-based compensation over the period the related services are received, together with a corresponding increase in equity. The fair value is measured at grant date and recognised over the employees' requisite service period. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The Company records the increase in equity as a capital contribution from its ultimate parent. The amount recognised as an expense is adjusted each period to reflect actual and estimated future levels of vesting.

Elan Pharma Limited

Notes to the financial statements *(continued)*

2 Significant accounting policies *(continued)*

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in a separately administered fund. The amount charged to the income statement represents the Company's contributions payable to the scheme in respect of the accounting period.

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 using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities at rates expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Provision for restructuring costs

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 an outflow of economic benefit will be required to settle the obligation. During 2007, the Company restructured its activities and provided for restructuring costs based on best estimate of the settlement amount as at 31 December 2007.

Elan Pharma Limited

Notes to the financial statements *(continued)*

3 Change in functional currency

Over recent years, there has been a reduction in the relative importance of Elan Corporation, plc's U.K. operations as it has focussed on other geographical locations. Elan's principal operations are based in Ireland and the U.S. and the majority of Elan Corporation, plc's revenues are generated in U.S. dollars. During the year ended 31 December 2007, the Company restructured its U.K. operations, which resulted in the closure of the U.K. facility during 2008. Against this background, the director considers that the Company's functional currency changed from pound sterling to U.S. dollars effective 1 July 2008.

The change in the Company's functional currency has been accounted for prospectively from the date of change, in accordance with International Accounting Standard 21, *"The Effects of Changes in Foreign Exchange Rates"*. The financial position the Company as at 1 July 2008 was translated from pound sterling into U.S. dollars at the closing exchange rate on that date of £1= \$1.99351. The 2007 comparatives previously reported in pound sterling were also translated into U.S. dollars using the closing exchange rate as at 1 July 2008.

4 Cost of sales

	2008 \$000	2007 \$000
Cost of services recharged	2,607	15,117

5 Finance cost

	2008 \$000	2007 \$000
Interest expense	4	8

Elan Pharma Limited

Notes to the financial statements *(continued)*

6 Finance income

	2008 \$000	2007 \$000
Bank interest income	461	1,509
Interest from group undertaking	767	-
	<u>1,228</u>	<u>1,509</u>

7 Expenses and auditor's remuneration

The profit before tax has been arrived at after charging the following items:

	2008 \$000	2007 \$000
Auditor's remuneration:		
Audit fees ⁽¹⁾	-	60
Tax services	27	195
	<u>27</u>	<u>255</u>
Director's emoluments:		
Salary/fees	47	195
Pension contributions to defined contribution scheme	4	16
Severance payments	-	116
	<u>51</u>	<u>327</u>
Other:		
Depreciation of property and equipment	5	222
Amortisation of intangible assets	4	62
Loss on disposal of assets	39	622
Restructuring costs charged	304	2,137
Research and development expenses	919	8,560
Premises and equipment operating lease rentals	89	403

⁽¹⁾ Audit fees in 2008 were borne by the ultimate parent undertaking, Elan Corporation, plc.

Elan Pharma Limited

Notes to the financial statements *(continued)*

8 Tax on profit from ordinary activities

The components of the tax benefit/(expense) for the years ended 31 December were as follows:

	2008 \$000	2007 \$000
Current tax expense/(benefit):		
Current year	55	453
Over-provision in prior years	(111)	(19)
Terminal loss relief claim	(435)	-
	<u>(491)</u>	<u>434</u>
Deferred tax expense/(benefit):		
Reversal of temporary differences	-	566
	<u>-</u>	<u>566</u>
Total income tax (benefit)/expense in the income statement	(491)	1,000

A reconciliation of the expected tax expense/(benefit), computed by applying the standard rate of corporation tax in the U.K. to profit before tax to the actual tax expense/(benefit), is as follows:

	2008 \$000	2007 \$000
Profit before tax	1,338	2,380
Taxes at the U.K. standard rate of 28.5% (2007: 30%)	381	714
<i>Effect of:</i>		
Capital allowances for period less/(greater) than depreciation	(725)	72
Additional qualifying research and development deductions	(37)	(159)
Share-based compensation	(1,044)	(209)
Other (taxable income)/non-deductible expenditure	(172)	179
Losses utilised	-	(144)
Losses available to carry back to prior years	412	-
Losses not available for carry forward	1,240	-
	<u>55</u>	<u>453</u>
Tax expense on profit from ordinary activities	55	453

Elan Pharma Limited

Notes to the financial statements *(continued)*

8 Tax on income from ordinary activities *(continued)*

The following deferred tax assets have not been recognised as it is not probable that the assets will be realised in the future:

	2008 \$000	2007 \$000
Capital allowances	-	524
Share-based compensation	-	833
Net operating losses	-	486
	<hr/>	<hr/>
Total	-	1,843
	<hr/>	<hr/>

The Company's tax balance at 31 December was as follows:

	2008 \$000	2007 \$000
Corporation tax asset/(liability)	333	(241)
	<hr/>	<hr/>

9 Staff numbers and costs

The aggregate payroll costs of employees were as follows:

	2008 \$000	2007 \$000
Wages and salaries	890	2,952
Social security costs	167	393
Pension costs of defined contribution plans	75	239
Share-based compensation	(155)	399
	<hr/>	<hr/>
Total payroll costs	977	3,983
	<hr/>	<hr/>

Elan Pharma Limited

Notes to the financial statements *(continued)*

9 Staff numbers and costs *(continued)*

The average number of employees was as follows:

	2008 Number	2007 Number
Research and development	5	18
Sales	1	2
Administration	1	6
	<hr/>	<hr/>
Average number of persons employed	7	26
	<hr/>	<hr/>

The Company did not have any employees at 31 December 2008 (2007: 26).

10 Pension scheme

The Company operates a defined contribution pension scheme. The cost of contributions during the year was approximately \$75,000 (2007: \$238,872). No contributions were outstanding at 31 December 2008 (2007: \$nil).

Elan Pharma Limited

Notes to the financial statements *(continued)*

11 Property, plant and equipment

	Leasehold improvements \$000	Office furniture and equipment \$000	Total \$000
Cost:			
At 1 January 2007	1,515	3,477	4,992
Additions	20	-	20
Disposals	(821)	(907)	(1,728)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	714	2,570	3,284
Transferred to group company	-	(55)	(55)
Disposals	(714)	(2,515)	(3,229)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<hr/> -	<hr/> -	<hr/> -
Accumulated depreciation:			
At 1 January 2007	823	3,299	4,122
Charged in year	148	74	222
Disposals	(257)	(865)	(1,122)
	<hr/>	<hr/>	<hr/>
At 31 December 2007	714	2,508	3,222
Charged in year	-	5	5
Transferred to group company	-	(37)	(37)
Disposals	(714)	(2,476)	(3,190)
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<hr/> -	<hr/> -	<hr/> -
Net book value: 31 December 2008	<hr/> -	<hr/> -	<hr/> -
Net book value: 31 December 2007	<hr/> -	<hr/> 62	<hr/> 62

Elan Pharma Limited

Notes to the financial statements *(continued)*

12 Intangible assets

	\$000
Cost:	
At 1 January 2007	513
Additions	68
Disposals	(253)
	<hr/>
At 31 December 2007	328
Additions	8
Transferred to group company	(75)
Disposals	(261)
	<hr/>
At 31 December 2008	-
	<hr/>
Accumulated depreciation:	
At 1 January 2007	447
Charged in year	62
Disposals	(237)
	<hr/>
At 31 December 2007	272
Charged in year	4
Transferred to group company	(16)
Disposals	(260)
	<hr/>
At 31 December 2008	-
	<hr/>
Net book value: 31 December 2008	-
	<hr/>
Net book value: 31 December 2007	56
	<hr/>

Amortisation charges are recognised in cost of sales.



Elan Pharma Limited

Notes to the financial statements *(continued)*

13 Other receivables

	2008 \$000	2007 \$000
Amounts due from group undertakings	270	5,100
Other receivables	-	169
Prepayments	-	144
Corporation tax recoverable	333	-
	<u>603</u>	<u>5,413</u>

Amounts due from group undertakings are repayable on demand.

During May 2008, the Company granted a loan facility of \$21.9 million to an affiliate, Elan Pharma International Limited ("EPIL"). EPIL had drawn down \$19.9 million of the facility at 31 December 2008.

14 Trade and other payables

	2008 \$000	2007 \$000
Trade payables	19	50
Amounts due to group undertakings	129	161
Other taxation and social security	-	92
Accruals	99	3,895
Corporation tax payable	-	241
	<u>247</u>	<u>4,440</u>

Amounts due to group undertakings are payable on demand.

Included in the accruals balance are accrued restructuring costs of \$99,000 (2007: \$2.0 million).

Elan Pharma Limited

Notes to the financial statements *(continued)*

15 Financial risk management

a Fair values

Fair value is the amount at which a financial instrument could be exchanged in an arms-length transaction between informed and willing parties, other than in a forced or liquidation sale.

The carrying value and fair value of financial assets by category were as follows:

	Loans and receivables \$000	Fair value \$000
At 31 December 2008:		
Cash and cash equivalents	235	235
Amounts due from group undertakings	20,129	20,129
	<hr/>	<hr/>
Total financial assets at 31 December 2008	20,364	20,364
	<hr/>	<hr/>
At 31 December 2007:		
Cash and cash equivalents	17,685	17,685
Amounts due from group undertakings	5,100	5,100
Other financial assets	169	169
	<hr/>	<hr/>
Total financial assets at 31 December 2007	22,954	22,954
	<hr/>	<hr/>

The carrying values, which are recorded at amortised cost, and corresponding fair values of financial liabilities were as follows:

	Carrying value \$000	Fair value \$000
At 31 December 2008:		
Trade payables	19	19
Amounts due to group undertakings	129	129
Accrued and other financial liabilities	99	99
	<hr/>	<hr/>
Total financial liabilities at 31 December 2008	247	247
	<hr/>	<hr/>
At 31 December 2007:		
Trade payables	50	50
Amounts due to group undertakings	161	161
Accrued and other financial liabilities	3,895	3,895
	<hr/>	<hr/>
Total financial liabilities at 31 December 2007	4,106	4,106
	<hr/>	<hr/>

Elan Pharma Limited

Notes to the financial statements *(continued)*

15 Financial risk management *(continued)*

b Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, as shown in Note 15a. The Company believes that the risk of any net loss from counterparty credit risk to be low.

c Liquidity and capital

Elan Corporation, plc uses a centralised approach to manage substantially all of its liquid resources and to finance its operations. Liquid and capital resources are monitored on the basis of the total amount of such resources available and the Company's anticipated requirements for the foreseeable future. The Company's shareholder's equity at 31 December 2008 was \$20.5 million (2007: \$18.8 million).

16 Share capital

	2008 Number	2007 Number
<i>Authorised share capital</i>		
Ordinary Shares at £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
	\$000	\$000
<i>Issued and fully paid share capital</i>		
1,001 Ordinary Shares at £1 each	2	2
	<hr/>	<hr/>

On 23 December 2008, the Company cancelled the share premium account which had a balance of \$12,372,000 at the date of cancellation. The balance on the share premium account upon cancellation was transferred to the retained earnings account. The effect of this was to increase the distributable reserves by \$12,372,000.

The holders of the Ordinary Shares have the right to receive notice, to attend and to vote, either on a poll or a show of hands. Each shareholder has one vote for every Ordinary Share of which he is a holder.

On 10 August 2007, the sole member approved the redemption of all of the Redeemable Preference Shares for cash at par. On 19 September 2007, the Redeemable Preference Shares were redeemed. The redemption being funded by retained earnings and capital as set out in Section 171 and 172 of the Companies Act, 1985.

Elan Pharma Limited

Notes to the financial statements *(continued)*

17 Commitments

- (i) There were no unprovided capital commitments at the end of the financial year (2007: \$nil).
- (ii) There are no future minimum rental commitments under non-cancellable operating leases (2007: \$157,000)

18 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Meadway Pharmaceuticals Limited. The ultimate parent company and ultimate controlling party is Elan Corporation, plc, incorporated in Ireland. The largest and smallest group in which the results of the Company are consolidated is that headed up by Elan Corporation, plc. The consolidated financial statements are available to the public and may be obtained from The Secretary, Elan Corporation, plc, Treasury Building, Lower Grand Canal Street, Dublin 2, Ireland.

19 Related party transactions

Share options

Share options in the ultimate parent company, Elan Corporation, plc, have been granted to employees of the Company. Options are granted at the price equal to market value at the date of grant and will expire on a date not later than ten years after their grant. Options generally vest, if employees remain in service, between one and four years from the date of grant.

The total share options outstanding and exercisable are summarised as follows:

	Number of share options (‘000)	Weighted average exercise price \$
Outstanding at 1 January 2007	318	11.39
Exercised	(74)	5.57
Granted	44	13.86
Forfeited	(7)	10.69
Expired	(8)	37.33
Transferred		
Outstanding at 31 December 2007	273	12.65
Exercised	(163)	9.21
Forfeited	(65)	14.37
Expired	(39)	22.30
Outstanding at 31 December 2008	6	25.61
Exercisable at 31 December 2008	6	25.61

Elan Pharma Limited

Notes to the financial statements *(continued)*

19 Related party transactions *(continued)*

Share options (continued)

At 31 December 2008, the options had exercise prices in the range of \$2.79 - \$53.25 and a weighted average remaining contractual life of 4.0 years.

The fair value of services received in return for share options granted to the Company's employees is measured by reference to the fair value of share options grants. There were no options granted in 2008. The estimated weighted-average grant date fair value of individual options granted during 2007 was \$8.47. The fair value of options was estimated using the binomial option-pricing model with the following weighted-average assumptions:

	2007
Expected volatility	62.83%
Expected life ⁽²⁾	-
Expected dividend yield	-
Risk-free rate	4.93%

⁽²⁾ The expected life of options granted in 2007, as derived from the output of the binomial model, ranged from 5.0 years to 8.0 years. The contractual life of the options, which is not later than 10 years from the date of grant, is used as an input into the binomial model.

The implied volatility for traded options on Elan Corporation, plc's shares with remaining maturities of at least one year was used to determine the expected volatility assumption required in the binomial option-pricing model. The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of the employee share options. The dividend yield assumption is based on the history and expectation of dividend payouts.

Restricted Stock Units ("RSUs")

Beginning in February 2006, certain employees of the Company were granted RSUs. The RSUs generally vest between one and four years from the date of grant and shares are issued to employees as soon as practicable following vesting. The fair value of services received in return for the RSUs is measured by reference to the fair value of the underlying shares at grant date.

Elan Pharma Limited

Notes to the financial statements *(continued)*

19 Related party transactions *(continued)*

The non-vested RSUs are summarised as follows:

	No. of RSUs (‘000)	Weighted average grant date fair value \$
Non-vested at 1 January 2007	41	15.90
Granted	47	13.95
Vested	(10)	15.90
Forfeited	(6)	15.43
	<hr/>	<hr/>
Non-vested at 31 December 2007	72	14.66
Granted	5	25.01
Vested	(20)	14.80
Forfeited	(57)	15.53
	<hr/>	<hr/>
Non-vested at 31 December 2008	-	-
	<hr/>	<hr/>

The Company expenses the fair value of these share-based payments over the period the related services are received, together with a corresponding increase in equity. The Company records the increase in equity as a capital contribution from its ultimate parent. The amount recognised as an expense is adjusted each period to reflect actual and estimated future levels of vesting. The Company recognised a credit for share-based payments in cost of sales and a corresponding decrease in equity of \$155,000 in 2008 (2007: charge and increase in equity of \$399,000). The credit in cost of sales and corresponding decrease in equity in 2008 reflects the forfeiture of unvested awards in connection with the closure of the Company’s operations.

Transactions with group undertakings

As part of the Company’s normal operating activities, the Company enters into transactions with other group undertakings. This includes the receipt and provision of financing in the form of loans, in addition to trading activities such as the receipt and provision of goods or services to group companies. Loans received from group undertakings and provided to group undertakings are repayable on demand. As a result, no discounting is applied to these balances. Pricing for inter-company recharges is determined on an arms-length basis.

Elan Pharma Limited

Notes to the financial statements *(continued)*

19 Related party transactions *(continued)*

Guarantees

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, is a guarantor of \$465.0 million in aggregate principal amount of 8.875% senior notes due 1 December 2013 and \$150.0 million in aggregate principal amount of floating rate notes due 1 December 2013 that were issued in November 2006 by Elan Finance, plc (a wholly owned subsidiary of Elan Corporation, plc).

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, is a guarantor of \$850.0 million in aggregate principal amount of 7.75% senior notes due 15 November 2011 and \$300.0 million in aggregate principal amount of floating rate notes due 15 November 2011 that were issued in November 2004 by Elan Finance, plc.

20 Approval of financial statements

The financial statements were approved by the director on 18 September 2009.