



Elan Pharma Limited

Directors' report and
financial statements

Year ended 31 December 2009

Registered number 2730448

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Elan Pharma Limited

Directors' report and financial statements

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Elan Pharma Limited

Directors and other information

Directors

William F Daniel
Shane Cooke
Mary Sheahan

Secretary

Neil McLoughlin

Bank

Barclays Bank Plc
12 – 12a Howard Centre
Welwyn Garden City
Hertfordshire
AL8 6HA
United Kingdom

Auditor

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

Directors' report

The directors present their directors' report and financial statements of Elan Pharma Limited ("the Company") for the year ended 31 December 2009

Principal activities, business review and future development

The principal activities of the Company previously comprised the 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. The Company provided loan financing to group undertakings during 2009. The loan financing facilities were settled on 18 September 2009 and thereafter the Company became dormant. The directors do not anticipate any changes in the principal activities of the Company for the foreseeable future.

Principal risks and uncertainties

The Company 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.

Financial results and dividends

The results for the financial year are set out on page 7 of the financial statements. During 2009, a dividend in specie of \$20,382,981 (2008: \$Nil) was paid to holder of the ordinary shares, Meadway Pharmaceuticals Limited. The details of which are provided in note 10 to the financial statements.

Financial risk management

The Company's financial risk management objectives and policies and exposure to market risk are outlined in note 12 to these financial statements.

Research and development

The Company's development activities were centred around therapeutic areas of neurology, autoimmune disease and severe pain. There was no spend during the year ended 31 December 2009 (2008: \$0.9 million). The Company ceased its development activities on 31 March 2008.

Going concern

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

Political and charitable contributions

The Company made no political contributions during the year (2008: \$Nil). Donations to United Kingdom ("UK") charities amounted to \$Nil (2008: \$Nil).

Elan Pharma Limited

Directors' report *(continued)*

Subsidiary undertakings

The Company has no subsidiary undertakings

Directors and secretary and their interests

The names of the directors are set out on page 1. In accordance with the Articles of Association the directors are not required to retire by rotation. Mr Shane Cooke and Ms Mary Sheehan were appointed as directors of the Company with effect from 25 September 2009. None of the directors who held office at the end of the financial year had any interest in the shares of the Company.

Significant shareholdings

The Company is a wholly-owned subsidiary of Meadway Pharmaceuticals Limited. The ultimate parent is Elan Corporation, plc.

Events after the balance sheet date

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 the auditor

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

Auditor

Pursuant to Section 487 of the Companies Act, 2006, the auditor will be deemed to be reappointed and KPMG, Chartered Accountants will therefore continue in office.

On behalf of the board,



Shane Cooke
Director



William F Daniel
Director

20 May 2010

Company Number 2730448

Elan Pharma Limited

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

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 the 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,
- state whether they have been prepared in accordance with IFRS 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 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, 2006. They have 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.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

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.

On behalf of the board,



Shane Cooke
Director



William F Daniel
Director

20 May 2010



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

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 2009 which comprises the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement, the statement of changes in shareholder's equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act, 2006. Our audit work has been undertaken so that we might state to the Company's single 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 directors and auditor

As explained more fully in the statement of director's responsibilities set out on page 4, the directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

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).

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at <http://www.apb.org.uk/apb/scope>.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act, 2006

Opinion on other matter prescribed by the Companies Act, 2006

In our opinion the information given in the directors' report is consistent with the financial statements



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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ruaidhrí Gibbons (Senior Statutory Auditor)

20 May 2010

For and on behalf of KPMG, Statutory Auditor
Chartered Accountants



Elan Pharma Limited

Income statement

for the year ended 31 December 2009

	<i>Notes</i>	2009 \$000	2008 \$000
Revenue		-	2,721
Cost of sales	3	-	(2,607)
		<hr/>	<hr/>
Operating profit		-	114
Finance expense	4	(2)	(4)
Finance income	5	527	1,228
		<hr/>	<hr/>
Net finance income		525	1,224
		<hr/>	<hr/>
Profit before tax		525	1,338
Tax (expense)/benefit	7	(147)	491
		<hr/>	<hr/>
Profit for the year		378	1,829
		<hr/>	<hr/>

The Company had no other income or expenditure during 2009 or 2008 therefore no statement of comprehensive income is presented All the above activities are derived from continuing operations

The accompanying notes are an integral part of these financial statements

On behalf of the board,

Shane Cooke
Director

William F Daniel
Director

20 May 2010

Elan Pharma Limited

Balance sheet at 31 December 2009

	Notes	2009 \$000	2008 \$000
Current assets			
Other receivables	10	318	603
Loan to group undertaking	10	-	19,859
Cash and cash equivalents		325	235
Total current assets		643	20,697
Total assets		643	20,697
Current liabilities			
Trade and other payables	11	198	247
Total liabilities		198	247
Shareholder's equity			
Share capital	13	2	2
Capital contribution		-	2,130
Retained earnings		443	18,318
Total shareholder's equity		445	20,450
Total liabilities and shareholder's equity		643	20,697

The accompanying notes are an integral part of these financial statements

On behalf of the board,



Shane Cooke
Director



William F Daniel
Director

20 May 2010



Elan Pharma Limited

Statement of cash flows

for the year ended 31 December 2009

	2009 \$000	2008 \$000
Profit for the year	378	1,829
Adjustments to reconcile profit after tax to net cash provided by operating activities:		
Depreciation	-	5
Amortisation	-	4
Loss on disposal of assets	-	39
Share-based compensation expense	-	(155)
Finance income	(527)	(1,228)
Finance expense	2	4
Taxation	147	(491)
	<u>-</u>	<u>7</u>
(Decrease) /increase in trade and other receivables	(132)	(20)
(Decrease) /increase in inter-company balances	(390)	4,797
(Decrease) /increase in trade and other payables	(118)	(3,492)
	<u>(641)</u>	<u>1,292</u>
Cash provided by operations	(641)	1,292
Finance income received	527	1,228
Finance costs paid	(2)	(4)
Tax received	411	-
Tax paid	(205)	(176)
	<u>90</u>	<u>2,340</u>
Investing activities		
Purchase of intangible assets	-	(8)
Loan granted to group undertakings	-	(19,859)
Assets transferred to group undertaking	-	77
	<u>-</u>	<u>(19,790)</u>
Financing activities		
Net cash used in financing activities	-	-
	<u>90</u>	<u>(17,450)</u>
Net increase/(decrease) in cash and cash equivalents	90	(17,450)
Cash and cash equivalents at the beginning of the year	235	17,685
	<u>325</u>	<u>235</u>
Cash and cash equivalents at the end of the year	325	235

Elan Pharma Limited

Statement of changes in shareholder's equity

for the year ended 31 December 2009

	Number ordinary shares	Ordinary share capital \$000	Share premium \$000	Capital contribution \$000	Retained earnings \$000	Total equity \$000
Balance at 1 January 2008	1,001	2	12,372	2,285	4,117	18,776
<i>Comprehensive income for the period</i>						
Profit for the year	-	-	-	-	1,829	1,829
Total comprehensive income	-	-	-	-	1,829	1,829
<i>Transactions with owners recorded directly in equity</i>						
Share-based compensation, net of tax	-	-	-	(155)	-	(155)
Cancellation of share premium account	-	-	(12,372)	-	12,372	-
Total transactions with owners	-	-	(12,372)	(155)	12,372	(155)
Balance at 31 December 2008	1,001	2	-	2,130	18,318	20,450
<i>Comprehensive income for the period</i>						
Profit for the year	-	-	-	-	378	378
	-	-	-	-	378	378
<i>Transactions with owners recorded directly in equity</i>						
Dividend in specie	-	-	-	(2,130)	(18,253)	(20,383)
Total transactions with owners	-	-	-	(2130)	(18,253)	(20,383)
Balance at 31 December 2009	1,001	2	-	-	443	445

Elan Pharma Limited

Notes to the financial statements for the year ended 31 December 2009

1 Basis of preparation

Elan Pharma Limited is an indirect wholly owned subsidiary of Elan Corporation, plc and is incorporated in the U K

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

Statement of compliance

The financial statements have been prepared in accordance with IFRS as adopted by the EU, which are effective or available for early adoption for accounting periods beginning on or before 31 December 2009, and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS

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

Trade and other receivables

Trade and other receivables are stated at their amortised cost (discounted if material) less provision for 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

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

2 Significant accounting policies *(continued)*

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

Rental on operating leases are expensed on a straight-line basis over the term of the lease
The Company was not party to any leases during 2009

Share-based compensation

Elan Corporation, plc, the Company's ultimate parent undertaking, 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.

Pensions

The Company operated a defined contribution pension scheme. The assets of the scheme were 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. As the Company had no employees in 2009, no pension costs were incurred.

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 2008, the Company restructured its activities and subsequently ceased operations.

The Company does not hold any provision for restructuring costs at 31 December 2009 (2008 \$99,000)

Elan Pharma Limited

Notes to the financial statements *(continued)* for the year ended 31 December 2009

2 Significant accounting policies *(continued)*

Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in shareholder's equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss 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 either to other comprehensive income or equity, in which case the deferred tax is recorded in either other comprehensive income or in shareholder's 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.

3 Cost of sales

	2009 \$000	2008 \$000
Cost of services recharged	-	2,607

4 Finance expense

	2009 \$000	2008 \$000
Interest expense	2	4

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

5 Finance income

	2009 \$000	2008 \$000
Bank interest income	19	461
Interest from group undertaking	446	767
Foreign exchange gains	62	-
	<u>527</u>	<u>1,228</u>

6 Expenses and auditor's remuneration

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

	2009 \$000	2008 \$000
Auditor's remuneration:		
Audit fees in respect of these financial statements ⁽¹⁾	-	-
Tax services	-	27
	<u>-</u>	<u>27</u>
Total auditor's remuneration	-	27
Directors' emoluments:		
Salary/fees ⁽²⁾	-	47
Pension contributions to defined contribution scheme ⁽²⁾	-	4
	<u>-</u>	<u>51</u>
Total director's emoluments	-	51
Other:		
Depreciation of property and equipment	-	5
Amortisation of intangible assets	-	4
Loss on disposal of assets	-	39
Restructuring costs charged	-	304
Research and development expenses	-	919
Premises and equipment operating lease rentals	-	89

(1) Audit fees for the year ended 31 December 2009 and 31 December 2008 were borne by the ultimate parent undertaking, Elan Corporation, plc without recourse to the Company

(2) Directors' emoluments were borne by the ultimate parent undertaking, Elan Corporation plc, without recourse to the company during the current year

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

7 Tax on profit from ordinary activities

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

	2009 \$000	2008 \$000
Current tax expense/(benefit):		
Current year	147	55
Over-provision in prior years	-	(111)
Terminal loss relief claim	-	(435)
	<u>147</u>	<u>(491)</u>
Deferred tax expense/(benefit):		
Reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Tax expense/(benefit) on profit from ordinary activities	<u>147</u>	<u>(491)</u>

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

	2009 \$000	2008 \$000
Profit before tax	<u>525</u>	<u>1,338</u>
Taxes at the U K. standard rate of 28% (2008 28.5%)	147	381
<i>Effect of</i>		
Capital allowances for period greater than depreciation	-	(725)
Additional qualifying research and development deductions	-	(37)
Share-based compensation	-	(1,044)
Other (taxable income)/non-deductible expenditure	-	(172)
Losses available to carry back to prior years	-	412
Losses not available for carry forward	-	1,240
	<u>-</u>	<u>-</u>
Tax expense on profit from ordinary activities	<u>147</u>	<u>55</u>

No deferred tax assets or liabilities existed at year end (2008 \$Nil)

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

8 Staff numbers and costs

The aggregate payroll costs of employees were as follows

	2009 \$000	2008 \$000
Wages and salaries	-	890
Social security costs	-	167
Pension costs of defined contribution plans	-	75
Share-based compensation	-	(155)
	<hr/>	<hr/>
Total payroll costs	-	977
	<hr/>	<hr/>

The average number of employees was as follows

	2009 Average Number	2008 Average Number
Research and development	-	5
Sales	-	1
Administration	-	1
	<hr/>	<hr/>
Average number of persons employed	-	7
	<hr/>	<hr/>

The Company did not have any employees at 31 December 2009 (2008 \$Nil) The administrative costs associated with managing the Company are borne by a fellow group undertaking without recourse to the Company

9 Pension scheme

The Company operated a defined contribution pension scheme The cost of contributions during the year was \$Nil (2008 \$75,000) No contributions were outstanding at 31 December 2009 (2008. \$Nil) The assets of the scheme were held separately from those of the Company in a separately administered fund The Company does not have any employees at 31 December 2009, nor does the Company have any future obligations relating to the administered fund



Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

10 Other receivables

	2009 \$000	2008 \$000
Amounts due from group undertakings	205	270
Other receivables	69	-
Corporation tax recoverable	44	333
	<u>318</u>	<u>603</u>

Amounts due from group undertakings are interest free and repayable on demand

	2009 \$000	2008 \$000
Loan to group undertaking	-	19,859
	<u>-</u>	<u>19,859</u>

During May 2008, the Company granted an interest bearing loan facility of \$21.9 million to an affiliate, Elan Pharma International Limited ("EPIL"). EPIL had drawn down \$20.4 million of the facility at 18 September 2009 (2008: \$19.9 million). A dividend of \$20.4 million was paid to Meadway Pharmaceutical Limited on 18 September 2009. Settlement of the dividend was made in specie by novating to Meadway Pharmaceutical Limited with effect from 18 September 2009, the receivable of \$20.4 million owed to the Company by EPIL. As these were non cash movements they have not been included in the statement of cash flows.

11 Trade and other payables

	2009 \$000	2008 \$000
Trade payables	-	19
Amounts due to group undertakings	198	129
Restructuring accruals	-	99
	<u>198</u>	<u>247</u>

Amounts due to group undertakings are interest free and payable on demand

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

12 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 2009:		
Cash and cash equivalents	325	325
Amounts due from group undertakings	205	205
	<hr/>	<hr/>
Total financial assets at 31 December 2009	530	530
	<hr/>	<hr/>
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/>

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 2009:		
Amounts due to group undertakings	198	198
	<hr/>	<hr/>
Total financial liabilities at 31 December 2009	198	198
	<hr/>	<hr/>
At 31 December 2008:		
Trade payables	19	19
Amounts due to group undertakings	129	129
Restructuring accruals	99	99
	<hr/>	<hr/>
Total financial liabilities at 31 December 2008	247	247
	<hr/>	<hr/>

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

12 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 12a. 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 2009 was \$0.4 million (2008: \$20.5 million).

13 Share capital

	2009 Number	2008 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/>

14 Commitments

- (i) There were no unprovided capital commitments at the end of the financial year (2008: \$Nil).
- (ii) There are no future minimum rental commitments under non-cancellable operating leases (2008: \$Nil).

15 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.

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

16 Related party transactions

Share options

Share options in the ultimate parent company, Elan Corporation, plc, were granted to employees of the Company. Options were granted at the price equal to market value at the date of grant and 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. There were no employees in the Company at 31 December 2009, therefore there are no share options outstanding at that date.

The total share options outstanding and exercisable are summarised as follows

	Number of share options (‘000)	Weighted average exercise price \$
Outstanding at 1 January 2008	273	12.65
Exercised	(163)	9.21
Forfeited	(65)	14.37
Expired	(39)	22.30
	<hr/>	<hr/>
Outstanding at 31 December 2008	6	25.61
Exercised	(1.5)	2.79
Expired	(4.5)	33.12
	<hr/>	<hr/>
Outstanding at 31 December 2009	-	-
	<hr/>	<hr/>
Exercisable at 31 December 2009	-	-
	<hr/>	<hr/>

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 2009. The estimated weighted-average grant date fair value of individual options granted during 2008 was \$8.47.

Elan Pharma Limited

Notes to the financial statements *(continue)*
for the year ended 31 December 2009

17 Related party transactions *(continued)*

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. All RSUs granted had expired or been forfeited on 31 December 2008, therefore there are no RSUs outstanding on that date. 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.

The non-vested RSUs are summarised as follows:

	No. of RSUs (‘000)	Weighted average grant date fair value \$
Non-vested at 1 January 2008	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 did not recognise any share-based payments in 2009 (2008: a credit for share-based payments in cost of sales and a corresponding decrease in equity of \$155,000). 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. Loans received from group undertakings and provided to group undertakings are repayable on demand. As a result, no discounting is applied to these balances.

Elan Pharma Limited

Notes to the financial statements *(continued)*
for the year ended 31 December 2009

17 Related party transactions *(continued)*

Guarantees

Floating Rate Notes due 2011

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, is a guarantor of \$300.0 million in aggregate principal amount of senior floating rate notes due 15 November 2011. These notes were issued in November 2004 by Elan Finance plc and Elan Finance Corp, which are wholly owned subsidiaries of Elan Corporation, plc.

8.875% Notes

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. These notes were issued in November 2006 by Elan Finance plc and Elan Finance Corp, which are wholly owned subsidiaries of Elan Corporation, plc.

Floating Rate Notes due 2013

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, is a guarantor of \$150.0 million in aggregate principal amount of senior floating rate notes due 1 December 2013. These notes were issued in November 2006 by Elan Finance plc and Elan Finance Corp, which are wholly owned subsidiaries of Elan Corporation, plc.

8.75% Notes

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, is a guarantor of \$625.0 million in aggregate principal amount of 8.75% senior notes due 15 October 2016. These notes were issued in October 2009 by Elan Finance plc and Elan Finance Corp, which are wholly owned subsidiaries of Elan Corporation, plc.

7.75% Notes

The Company, along with certain other Elan subsidiaries including Elan Corporation, plc, was a guarantor of \$850.0 million in aggregate principal amount of 7.75% senior notes due 15 November 2011. These notes were issued in November 2004 by Elan Finance plc and Elan Finance Corp, which are wholly owned subsidiaries of Elan Corporation, plc, and were redeemed in full during 2009.

18 Events after the balance sheet date

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

19 Approval of financial statements

The financial statements were approved by the directors on 20 May 2010.