



# CELLTECH THERAPEUTICS LIMITED

## 1995 REPORT AND ACCOUNTS

Registered Number: 1472269  
Registered Office  
216 Bath Road  
Slough  
Berkshire SL1 4EN



## DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 30 September 1995.

### REVIEW OF BUSINESS OPERATIONS AND FUTURE DEVELOPMENTS

The principal activities of the Company undertaken during the year were the ongoing research and development of novel therapeutic products for human use.

### RESULTS AND DIVIDENDS

The Company's operating result for the year was a loss of £9,338,000 (1994 - £10,784,000). After taking account of interest and taxation the loss on ordinary activities for the year amounted to £9,395,000 (1994 - £10,826,000).

The Directors do not recommend the payment of any dividend.

### DIRECTORS AND THEIR INTERESTS

The Directors who held office during the year ended 30 September 1995 and their interests in the share capital of the ultimate holding company, Celltech Group plc, are listed below. No director held any interest in the share capital of the Company.

|                | 50p Ordinary Shares owned |             |
|----------------|---------------------------|-------------|
|                | At 30.09.95               | At 30.09.94 |
| Dr P J Fellner | 5,000                     | 5,000       |
| P V Allen      | -                         | -           |
| J E Berriman * | 47,378                    | 22,068      |
| Dr D P Bloxham | 2,400                     | 2,200       |
| I G Ross ♦     | -                         | -           |

\* Retired 3 October 1994; reappointed 16 January 1995

♦ Resigned 31 October 1995

There has been no change in Directors' interests since the year end.

There were no contracts of significance subsisting during or at the end of the financial year in which any Director is or was materially interested.

There were no other interests of Directors requiring disclosure under the Companies Act 1985.

### FIXED ASSETS

Expenditure on tangible fixed assets during the year amounted to £939,000 mainly on leasehold improvements, laboratory and production equipment, and computer equipment.

### LOANS FROM PARENT COMPANY

Loans from Celltech Group plc to the Company have been subordinated in favour of any third party liabilities that may accrue.

### DISABLED EMPLOYEES

The Company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately covered by a handicapped or disabled person.

With regard to existing employees and those who may become disabled, the Company's policy is to examine ways and means to provide continuing employment under normal terms and conditions and to provide training and career development, including promotion, wherever appropriate.

### EMPLOYEE INVOLVEMENT

During the year the Company continued its policy of providing employees with information about the Group and this has been done through regular presentations by Directors. In addition, regular meetings are held between management and employees to allow a free flow of information and ideas. Employees are encouraged directly to participate in the success of the business through the Savings Related Share Option Schemes of Celltech Group plc.

The Company has a good record of safety performance and gives a high priority to ensuring that the health and safety standards are maintained.

### POLITICAL AND CHARITABLE DONATIONS

During the year the Company made contributions amounting to £724 to charitable organisations in the UK. There were no political donations.

### INSURANCE

The Company has Directors' and Officers' Liability Insurance to cover Directors and other officers against liabilities in relation to the Group.

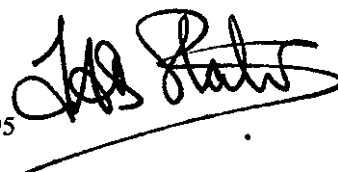
### AUDITOR

Ernst & Young have expressed their willingness to continue in office as Auditor.

By order of the Board

J.A.D. Slater  
Secretary

5 December 1995



## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the statement of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## AUDITOR'S REPORT

**To the members of Celltech Therapeutics Limited**

We have audited the accounts on pages 3 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

**Respective responsibilities of directors and auditors**

As described above the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

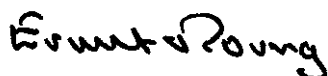
**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 30 September 1995 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young**

Chartered Accountants

Registered Auditor

London, 5 December 1995

**PROFIT AND LOSS ACCOUNT**

for the year ended 30 September 1995

| Notes |  | 1995           | 1994     |
|-------|--|----------------|----------|
|       |  | £'000          | £'000    |
| 2     | <b>TURNOVER</b>  | <b>371</b>     | -        |
|       | Cost of Sales  | -              | -        |
|       | <b>GROSS PROFIT</b>  | <b>371</b>     | -        |
|       | Investment in research and development                       | (17,135)       | (16,292) |
| 4     | Other operating income - research and development milestones | 7,426          | 5,508    |
| 3     | <b>OPERATING LOSS</b>  | <b>(9,338)</b> | (10,784) |
|       | Interest payable   | (57)           | (42)     |
|       | <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>           | <b>(9,395)</b> | (10,826) |
|       | Taxation   | -              | -        |
|       | <b>RETAINED LOSS FOR THE YEAR</b>                            | <b>(9,395)</b> | (10,826) |

There were no recognised gains or losses other than the retained loss for the year, which also represents the movement in shareholders' funds for the year.

A statement of the movement in reserves is given in Note 17.

**BALANCE SHEET**

at 30 September 1995

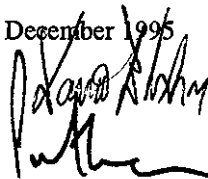
| Notes |  | 1995<br>£'000   | 1994<br>£'000   |
|-------|--|-----------------|-----------------|
|       | <b>FIXED ASSETS</b>  |                 |                 |
| 7     | Tangible assets  | 6,296           | 6,253           |
| 8     | Investments  | 2               | 2               |
|       |  | <b>6,298</b>    | <b>6,255</b>    |
|       | <b>CURRENT ASSETS</b>  |                 |                 |
| 9     | Stock  | 372             | 511             |
| 10    | Debtors  | 845             | 1,002           |
| 11    | Cash and cash equivalents                                      | 824             | 507             |
|       |  | <b>2,041</b>    | <b>2,020</b>    |
| 12    | <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | <b>(3,631)</b>  | <b>(3,094)</b>  |
|       | Net current assets   | <b>(1,590)</b>  | <b>(1,074)</b>  |
|       | Total assets less current liabilities                          | <b>4,708</b>    | <b>5,181</b>    |
| 13    | <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> | <b>(55,355)</b> | <b>(46,433)</b> |
|       | <b>NET ASSETS</b>  | <b>(50,647)</b> | <b>(41,252)</b> |
|       | <b>CAPITAL AND RESERVES</b>                                    |                 |                 |
| 16    | Called up share capital  | 18,593          | 18,593          |
| 17    | Share premium account  | 9,048           | 9,048           |
| 17    | Profit and loss account  | <b>(78,288)</b> | <b>(68,893)</b> |
|       | <b>SHAREHOLDERS' FUNDS</b>                                     | <b>(50,647)</b> | <b>(41,252)</b> |

Approved on 5 December 1995

D P Bloxham

P V Allen

DIRECTORS



## **NOTES TO THE FINANCIAL STATEMENTS**

at 30 September 1995

### **1 ACCOUNTING POLICIES**

#### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements present information about the Company as an individual undertaking. No group accounts have been prepared, as permitted by section 228 of the Companies Act 1985, because the Company is a subsidiary of a parent company registered in the European Community.

#### **Depreciation**

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

|                                       |   |
|---------------------------------------|---|
| Leasehold properties and improvements | - the shorter of 20 years or the lease term |
| Laboratory and production equipment   | - 6 to 8 years                              |
| Office and computer equipment         | - 4 to 8 years                              |

#### **Stocks and work in progress**

Stocks are stated at the lower of cost and net realisable value. In the case of manufactured product, cost includes attributable overheads.

Stock of material for use in scheduled clinical trials, whether manufactured by fellow subsidiary Celltech Biologics plc or purchased, is written off to Investment in Research and Development upon use.

#### **Research and development**

Investment in research and development, including centrally allocated overheads, is written off as incurred, except for clinical trial material stocks which are written off upon use.

#### **Leased assets**

Assets acquired under finance leasing arrangements are capitalised upon inception at cost and depreciated over their expected useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to profit and loss account as they accrue.

#### **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the previous month's close. All foreign exchange differences are taken to the profit and loss account.

#### **Deferred taxation**

Deferred taxation is calculated using the liability method on all timing differences.

### **2 TURNOVER**

Turnover represents the amounts receivable in respect of royalty agreements during the year, stated net of value added tax. All turnover derives from United Kingdom operations. Income receivable as milestones arising from Research and Development collaborations is treated as Other operating income.

## NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995

### 3 OPERATING LOSS

The operating loss is stated after charging / (crediting):

|  | 1995<br>£'000 | 1994<br>£'000 |
|--|---------------|---------------|
| Auditor's remuneration - audit services                        | 51            | 49            |
| - non audit services   | 30            | 43            |
| Depreciation - owned assets                                    | 726           | 818           |
| - assets held under finance leases                             | 167           | 89            |
| Operating lease rentals - land and buildings                   | 927           | 927           |
| - other  | 302           | 299           |
| Finance lease charges  | 57            | 34            |
| Corporate services to fellow subsidiary Celltech Biologics plc | (2,289)       | (2,118)       |

Auditor's remuneration was charged to the Company on behalf of the Celltech group of companies. The Directors do not believe that it is practicable to apportion these amounts between the members of the Celltech group of companies.

### 4 OTHER OPERATING INCOME

|            | 1995<br>£'000 | 1994<br>£'000 |
|------------|---------------|---------------|
| Milestones | 7,426         | 5,508         |

Milestones are receivable under research and development collaborative agreements.

### 5 DIRECTORS' REMUNERATION

The Directors received total remuneration for the year (excluding pension contributions) of £943,000 (1994 - £868,000). The Directors do not believe that it is practicable to apportion their remuneration between their services as Directors of the Company and their services as Directors of Celltech Group plc and fellow subsidiary companies.

Directors' emoluments, excluding pension contributions, fell within the following ranges:

|                       | 1995<br>No. | 1994<br>No. |
|-----------------------|-------------|-------------|
| £ 105,001 to £110,000 | -           | 1           |
| £ 110,001 to £115,000 | 1           | -           |
| £ 125,001 to £130,000 | -           | 1           |
| £ 130,001 to £135,000 | -           | 1           |
| £ 140,001 to £145,000 | 1           | -           |
| £ 145,001 to £150,000 | 1           | -           |
| £ 160,001 to £165,000 | -           | 1           |
| £ 185,001 to £190,000 | 1           | -           |
| £ 340,001 to £345,000 | -           | 1           |
| £ 350,001 to £355,000 | 1           | -           |

The emoluments, excluding pension contributions, of the highest paid director were £351,000 (1994 - £341,000).

# NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995

## 6 STAFF COSTS

Staff costs, including the emoluments of the Executive Directors, amounted to:

|                       | 1995         | 1994         |
|-----------------------|--------------|--------------|
|                       | £'000        | £'000        |
| Salaries              | 7,026        | 6,495        |
| Social security costs | 679          | 628          |
| Other pension costs   | 634          | 580          |
|                       | <b>8,339</b> | <b>7,703</b> |

|                        | Average number of employees during the year |            | Number of employees at 30 September |            |
|------------------------|---|------------|-------------------------------------|------------|
|                        | 1995  | 1994       | 1995                                | 1994       |
| Therapeutics           | 174   | 170        | 173                                 | 172        |
| Central Administration | 42  | 42         | 44                                  | 42         |
|                        | <b>216</b>                                  | <b>212</b> | <b>217</b>                          | <b>214</b> |

## 7 TANGIBLE FIXED ASSETS

|                                  | Short leasehold properties and improvements | Laboratory and production equipment | Office equipment | Computer equipment | Total         |
|----------------------------------|---|-------------------------------------|------------------|--------------------|---------------|
|                                  | £'000                                       | £'000                               | £'000            | £'000              | £'000         |
| Cost:                            |   |                                     |                  |                    |               |
| At 30 September 1994             | 6,489                                       | 4,902                               | 925              | 1,641              | 13,957        |
| Additions                        | 246   | 296                                 | 43               | 354                | 939           |
| Disposals                        | -   | (10)                                | (5)              | (13)               | (28)          |
| Transfers to fellow subsidiaries | -   | (3)                                 | -                | -                  | (3)           |
| At 30 September 1995             | <b>6,735</b>                                | <b>5,185</b>                        | <b>963</b>       | <b>1,982</b>       | <b>14,865</b> |
| Depreciation:                    |   |                                     |                  |                    |               |
| At 30 September 1994             | 1,578                                       | 4,066                               | 855              | 1,205              | 7,704         |
| Provided during year             | 271   | 272                                 | 48               | 302                | 893           |
| Disposals                        | -   | (10)                                | (4)              | (11)               | (25)          |
| Transfers to fellow subsidiaries | -   | (3)                                 | -                | -                  | (3)           |
| At 30 September 1995             | <b>1,849</b>                                | <b>4,325</b>                        | <b>899</b>       | <b>1,496</b>       | <b>8,569</b>  |
| Net book value:                  |   |                                     |                  |                    |               |
| At 30 September 1995             | <b>4,886</b>                                | <b>860</b>                          | <b>64</b>        | <b>486</b>         | <b>6,296</b>  |
| At 30 September 1994             | 4,911                                       | 836                                 | 70               | 436                | 6,253         |

Included above are items held under finance leases with a net book value of £830,000 (1994 - £394,000).



# NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995

## 8 INVESTMENTS

|  | 1995<br>£'000 | 1994<br>£'000 |
|--|---------------|---------------|
| Investments in subsidiary undertakings | 2             | 2             |
| Movements in investments:              |               |               |
| At 30 September 1994                   | 2             | -             |
| Additions                              | -             | 2             |
| At 30 September 1995                   | 2             | 2             |

The following information relates to the Company's subsidiary undertakings:

| Name of Company         | Country of<br>registration | Holding         | Proportion held at<br>at 30 September 1995 | Nature of<br>business |
|-------------------------|----------------------------|-----------------|--|-----------------------|
| Celltech U.S. Limited   | England & Wales            | Ordinary Shares | 100%                                       | Commercial            |
| Celltech Europe Limited | England & Wales            | Ordinary Shares | 100%                                       | Commercial            |

## 9 STOCK

|                                | 1995<br>£'000 | 1994<br>£'000 |
|--------------------------------|---------------|---------------|
| Raw materials and consumables  | 55            | 54            |
| Clinical trial material stocks | 317           | 457           |
|                                | 372           | 511           |

## 10 DEBTORS

|               | 1995<br>£'000 | 1994<br>£'000 |
|---------------|---------------|---------------|
| Other debtors | 244           | 448           |
| Prepayments   | 601           | 554           |
|               | 845           | 1,002         |

**NOTES TO THE FINANCIAL STATEMENTS**

at 30 September 1995

**11 CASH AND CASH EQUIVALENTS**

|                          | 1995  | 1994  |
|--------------------------|-------|-------|
|                          | £'000 | £'000 |
| Cash at bank and in hand | 824   | 507   |

**12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

|  | 1995         | 1994         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Trade creditors                                      | 1,254        | 1,483        |
| Taxation and social security                         | 420          | 380          |
| Other creditors                                      | 340          | 182          |
| Accruals   | 1,381        | 925          |
| Current portion of leasing obligations (see note 14) | 236          | 124          |
|  | <b>3,631</b> | <b>3,094</b> |

Included in other creditors are pension contributions totalling £200,227 (1994 - £86,306) payable to the pension funds.

Included in the above are amounts relating to staff of fellow subsidiary Celltech Biologics plc, comprising taxation and social security payable of £186,000 (1994 - £160,000) and pension contributions payable of £71,000 (1994 - £33,000), which have been charged to Celltech Biologics plc by the Company.

**13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

|  | 1995          | 1994          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| Amounts due to Celltech Group plc              | 54,580        | 46,065        |
| Obligations under finance leases (see note 14) | 775           | 368           |
|  | <b>55,355</b> | <b>46,433</b> |

Loans from Celltech Group plc to the Company have been subordinated in favour of any third party liabilities that may accrue.

**NOTES TO THE FINANCIAL STATEMENTS**

at 30 September 1995

**14 OBLIGATIONS UNDER FINANCE AND OPERATING LEASES**

| Finance Leases             | 1995<br>£'000 | 1994<br>£'000 |
|----------------------------|---------------|---------------|
| Amounts payable:           |               |               |
| within one year            | 236           | 124           |
| between two and five years | 690           | 368           |
| over five years            | 85            | -             |
|                            | <b>1,011</b>  | <b>492</b>    |

**Analysis of changes in finance leasing during the year:**

|  |              |            |
|--|--------------|------------|
| At 30 September 1994                             | 492          | 325        |
| Inception of finance lease contracts             | 594          | 204        |
| Capital element of finance lease rental payments | (75)         | (37)       |
| At 30 September 1995                             | <b>1,011</b> | <b>492</b> |

**Operating leases**

The Company has annual commitments under non-cancellable operating leases as follows:

|                                | Land and buildings |               | Other         |               |
|--------------------------------|--------------------|---------------|---------------|---------------|
|                                | 1995<br>£'000      | 1994<br>£'000 | 1995<br>£'000 | 1994<br>£'000 |
| Operating leases which expire: |                    |               |               |               |
| within one year                | -                  | -             | 41            | 43            |
| between two and five years     | -                  | -             | 202           | 207           |
| over five years                | 927                | 927           | -             | -             |
|                                | <b>927</b>         | <b>927</b>    | <b>243</b>    | <b>250</b>    |

**15 DEFERRED TAXATION**

Due to the availability of taxation losses no provision for deferred taxation has been made. There are taxation losses of approximately £43.5m (1994 - £39.0m), and a pool of unclaimed capital allowances of £4.7m (1994 - £4.0m), available for carrying forward against future profits.

**NOTES TO THE FINANCIAL STATEMENTS**

at 30 September 1995

**16 CALLED UP SHARE CAPITAL**

|                            | Authorised  |             | Allotted, called up and fully paid |               |
|----------------------------|-------------|-------------|------------------------------------|---------------|
|                            | 1995<br>No. | 1994<br>No. | 1995<br>£'000                      | 1994<br>£'000 |
| Ordinary shares of £1 each | 24,000,000  | 24,000,000  | 18,593                             | 18,593        |

**17 RESERVES**

|                            | Share<br>Premium<br>Account<br>£'000 | Profit<br>and Loss<br>Account<br>£'000 | Total<br>£'000 |
|----------------------------|--------------------------------------|--|----------------|
| At 30 September 1994       | 9,048                                | (68,893)                               | (59,845)       |
| Retained loss for the year | -                                    | (9,395)                                | (9,395)        |
| At 30 September 1995       | 9,048                                | (78,288)                               | (69,240)       |

**18 CAPITAL COMMITMENTS**

|  | 1995<br>£'000 | 1994<br>£'000 |
|--|---------------|---------------|
| Contracted                                     | 28            | 15            |
| Authorised by the Directors but not contracted | 34            | 12            |
|  | 62            | 27            |

**19 PENSION ARRANGEMENTS**

The Celltech Group of Companies operates a defined benefit scheme for the majority of its UK employees. In addition, the Group operates a defined contribution scheme for certain UK employees. Details of these schemes are as follows:

a The Celltech Pension and Life Assurance Scheme

The assets of the scheme are held separately from those of the Group by independent investment companies. The assets and liabilities of this defined benefit scheme are actuarially valued at least every three years. The latest actuarial valuation was made by a qualified actuary as at 1 October 1994. At that date the market value of the scheme's assets was £7,262,000 and the actuarial value of the assets was sufficient to cover 109% of the benefits that had accrued to members after allowing for expected future increases in earnings. The surplus, amounting to £485,000, is being spread by a reduction in the Group's long-term contribution over the remaining service lives of the relevant employees.

The actuarial valuation used the Projected Unit Credit method and the main actuarial assumptions were that real investment returns would be 2% above salary inflation and 4% above the allowance for pension increases.

b Celltech Executive Pension Scheme

The assets of this defined contribution scheme are held separately from those of the Group by independent insurance companies.

## NOTES TO THE FINANCIAL STATEMENTS

at 30 September 1995

### 19 PENSION ARRANGEMENTS continued

The pension cost charge represents contributions payable by the Company to the schemes. For the defined contribution scheme, contributions are charged to the profit and loss account as incurred; for the defined benefit scheme contributions are calculated to spread the cost of pensions over the employees remaining service lives.

Costs charged in the accounts were as follows;

|  | 1995       | 1994       |
|--|------------|------------|
|  | £'000      | £'000      |
| Celltech Pension and Life Assurance Scheme | 427        | 385        |
| Celltech Executive Pension Scheme          | 190        | 178        |
|  | <u>617</u> | <u>563</u> |

### 20 CONTINGENT LIABILITIES

The Company has provided Midland Bank plc with a cross guarantee in respect of facilities provided to fellow subsidiary Celltech Biologics plc for a maximum of £3,000,000 (1994 - £3,000,000) and a cross guarantee in respect of facilities provided to Celltech Group plc for a maximum of £1,500,000 (1994 - £1,500,000) of which £543,147 (1994 - £53,896) has been utilised in respect of foreign bills and cheques under negotiation.

There was a bank indemnity of £15,000 (1994 - £15,000).

### 21 ULTIMATE HOLDING COMPANY

The ultimate holding company and parent undertaking is Celltech Group plc, a company registered in England and Wales.

Copies of Celltech Group plc accounts can be obtained from the Company Secretary at 216 Bath Road, Slough, Berkshire, SL1 4EN.