



CELLTECH R & D LIMITED

2004 Report and Accounts

Registered Number: 1472269
Registered Office:
208 Bath Road
Slough
Berkshire SL1 3WE



DIRECTORS' REPORT

The Directors present their report and accounts for the 12 months to 31 December 2004.

REVIEW OF BUSINESS OPERATIONS AND FUTURE DEVELOPMENTS

The principal activity of the Company undertaken during the period was the ongoing research and development of novel therapeutic products for human use.

On 31 March 2005 the trade and business assets and liabilities (excluding intercompany balances) were disposed of to UCB Celltech, a newly incorporated branch of UCB S.A. The total consideration for the disposal was €656,594,656.

RESULTS AND DIVIDENDS

The Company's operating result for the period was a loss of £63.9 million (2003: £15.0 million loss). After taking account of non-operating exceptional items, interest and taxation the loss on ordinary activities for the period amounted to £65.9 million (2003: £21.7 million). The Directors do not recommend the payment of any dividend (2003: £nil).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office as at 31 December 2004 are listed below. No Director held any interest in the share capital of the Company.

P V Allen	resigned 17 December 2004
Dr M G Lee	
Dr G A Ando	resigned 29 October 2004
M G Hardy	appointed 17 December 2004
P G Nicholls	appointed 31 January 2005
H S Bains	appointed 10 May 2005 resigned 28 February 2006
M de Cannart d'Hamale	appointed 22 June 2005
E Roelandt	appointed 22 June 2005
S C Jones	appointed 28 February 2006

The Directors' interests in the shares of Celltech Group Limited, other than those disclosed in the accounts of Celltech Group Limited were as follows:

	50p ordinary shares owned		Options over 50p ordinary shares	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
M G Hardy	-	531	-	112,601

Options were issued at prices ranging from £2.37 to £12.95. The middle market price of Celltech Group Ltd Ordinary Shares as derived from the London Stock Exchange Daily Official List was 549.5p on 10 August 2004. Celltech Group was delisted on 11 August 2004. The high and low market prices for the year to 11 August 2004 were 550p and 358p respectively.

Following the acquisition of Celltech Group plc by UCB SA on 7 July 2004, all of the options with an exercise price below £5.50 have vested and been purchased by UCB S.A. The table below sets out the options exercised by directors (other than those disclosed in Celltech Group Limited) and the average exercise price:

	Options exercised	Average price (£)
M G Hardy	51,735	3.14

The remaining options have either been cancelled or rolled over into UCB SA options as set out below:

	Options over UCB SA shares 31 December 2004	Options over UCB SA shares rolled over from Celltech Group Ltd shares
M G Hardy	8,577	7,777

The options issued over UCB S.A., shares are at prices ranging from €40.10 to €42.74. No Directors held any shares in UCB SA as at 31 December 2004.

POST BALANCE SHEET EVENT

Subsequent to the year-end the activities and intellectual property associated with the business were sold at fair value to a fellow group company.

FIXED ASSETS

Expenditure on tangible fixed assets during the period amounted to £7.8 million (2003: £6.9 million) mainly on leasehold improvements, laboratory equipment and computer equipment.

DISABLED EMPLOYEES

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

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 period the Company continued its policy of providing employees with information about the Company and this has been done through presentations by Directors. In addition, regular meetings are held between management and employees to allow a free flow of information and ideas. 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 period the Company made contributions amounting to £65,000 (2003: £13,000) to charitable organisations in the UK. There were no political donations.

PAYMENT OF CREDITORS

It is Celltech's policy with respect to the payment of its suppliers either to use standard terms or to settle terms of payment when agreeing the terms of each transaction. Where standard terms are not used, suppliers are made aware of the terms of payment and Celltech abides by those terms of payment.

The average number of days purchases for which payment was outstanding during the period was 49 days (2003:41 days).

AUDITOR

The Company has elected to dispense with the annual re-appointment of Auditors in accordance with s386 of Companies Act 1985 and accordingly KPMG Audit Plc remain in office.

On behalf of the Board


M G Hardy
Director
11 May 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit, or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CELLTECH R&D LIMITED

We have audited the financial statements on pages 5 to 14.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

BASIS OF AUDIT 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

11 May 2006

KPMG Audit Plc
Chartered Accountants
Registered Auditor

PROFIT AND LOSS ACCOUNT

For year ended 31 December 2004

	Notes	31 December 2004 £m	31 December 2003 £m
Turnover	2	81.6	72.8
Cost of sales		(22.0)	(12.3)
Gross Profit		59.6	60.5
Investment in research and development		(90.1)	(61.7)
Corporate and general administrative expenses		(9.2)	(11.4)
Other operating income – research and development milestones	3	3.8	2.0
Exceptional items	6	(28.0)	(4.4)
Operating loss	4	(63.9)	(15.0)
Provision against fixed asset investment	6	-	(7.0)
Interest receivable and similar income	5	0.2	0.3
Interest payable and similar changes	5	(2.2)	-
Loss on ordinary activities before taxation		(65.9)	(21.7)
Taxation		-	-
Loss for the year	21	(65.9)	(21.7)

All items relate to continuing operations.

There were no recognised gains or losses other than the retained loss for the period, which also represents the movement in shareholders' funds for the period. A statement of the movement in reserves is given in note 21.

The notes on pages 7 to 14 form an integral part of these accounts.

Celltech R&D Limited

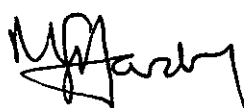
BALANCE SHEET

As at 31 December 2004

	Notes	31 December 2004 £m	31 December 2003 £m
Fixed assets			
Intangible assets	10	13.6	11.8
Tangible assets	11	18.6	14.6
Investments	12	-	-
		32.2	26.4
Current assets			
Stock	13	27.6	2.9
Debtors	14	134.3	45.2
Cash and liquid resources	15	7.0	11.7
		168.9	59.8
Creditors: amounts falling due within one year	16	(431.9)	(56.2)
Net current (liabilities)/assets		(263.0)	3.6
Total assets less current liabilities		(230.8)	30.0
Creditors: amounts falling due after more than one year	17	-	(194.9)
Net liabilities		(230.8)	(164.9)
Capital and reserves			
Called up share capital	20	18.6	18.6
Share premium account	21	9.0	9.0
Profit and loss account	21	(258.4)	(192.5)
Equity shareholders' funds	22	(230.8)	(164.9)

The notes on pages 7 to 14 form an integral part of these accounts.

Approved by the Board of Directors on 11 May 2006 and signed on their behalf:



M G Hardy
Director



S C Jones
Director

11 May 2006

NOTES TO THE ACCOUNTS

As at 31 December 2004

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. The Company is exempt under Section S228 of the Companies Act 1985 from the requirement to prepare Group accounts.

RELATED PARTY TRANSACTIONS

The Company is exempt, under Financial Reporting Standard 8, from the requirement to disclose related party transactions on the grounds that it is a wholly owned subsidiary undertaking. This exemption covers transactions with other Group undertakings.

GOING CONCERN

The accounts have been prepared under the going concern concept because the company disposed of its business assets and liabilities during 2005 for €656.6 million, leaving it with positive net current assets thereafter.

CASH FLOW STATEMENT

The Company is not required to prepare a cash flow statement as it is ultimately a wholly owned subsidiary of UCB S.A., and the consolidated accounts of that company include a consolidated cash flow statement.

REVENUE AND INCOME RECOGNITION

Research and development milestones and royalties receivable under collaborative agreements are recognised as they accrue; patent royalties receivable under licensing agreements are recognised when they are earned. Income associated with performance milestones is recognised based upon the occurrence of the event that triggers the milestone payment as defined in the respective agreements.

Revenues comprise the value of goods and services sold and access fees and milestone payments due from third parties, excluding VAT.

Revenue from collaborative research and development is recognised in the accounting period in which the related work is carried out and access fees and milestone payments are recognised when they fall contractually due.

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 or at the termination of the programme.

INTANGIBLES

Intangible assets represent acquired licences, patents, platform technologies and marketing rights, where these relate to specific compounds, products or know-how that are being developed or used for commercial applications. Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of a business are capitalised separately where their value can be measured reliably; otherwise they are treated as part of goodwill acquired with that business. Separately capitalised intangible assets are stated at cost less provision for amortisation. Intangible assets in relation to licences, patents and marketing rights are amortised over their estimated useful lives to match the sales of the related products or, where this is not readily identifiable, on a straight-line basis. Estimated useful lives are reviewed annually and are generally presumed not to exceed 20 years. Platform technologies supporting the Group's discovery research strategy are presumed to have an indefinite life and consequently are subject to annual reviews and amortised as necessary if impairment is considered to have taken place.

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 equipment	- 6 to 8 years
Office and computer equipment	- 3 to 8 years

STOCKS

Stock of material for use in scheduled clinical trials is written off to investment in research and development upon use or at the termination of the programme. Other stocks are stated at the lower of cost and net realisable value.

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. Outstanding future lease obligations are shown in creditors. Rentals paid under operating leases are charged to the 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 months close or at the contracted rate if the transaction is covered by a forward currency contract.

DEFERRED TAXATION

Deferred taxation is provided on timing differences that have originated but not reversed by the balance sheet date on a non-discounted basis except as otherwise required by FRS19. Deferred taxation assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which future reversals of the underlying timing differences can be deducted.

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

PENSIONS

The Group operates contributory and non-contributory defined benefit and defined contribution pension schemes covering the majority of its employees. The scheme funds of the defined benefit plans are administered by trustees and are independent of the Group's finances. Contributions are paid to the schemes in accordance with the recommendations of independent actuaries. The Group's contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group.

Payments to defined contribution schemes are expensed as incurred.

2. TURNOVER

Turnover is represented by technology licence fees and royalties receivable during the period, stated net of value added tax. Income receivable as milestones arising from research and development collaboration is treated as other operating income.

	31 December 2004 £m	31 December 2003 £m
Turnover by geographical destination		
Europe	0.4	0.5
USA	81.2	72.3
	81.6	72.8

All turnover is derived from United Kingdom operations.

3. OTHER OPERATING INCOME

	31 December 2004 £m	31 December 2003 £m
Milestones – Third party	3.8	2.0

Milestones are receivable under research and development collaborative agreements.

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):	31 December 2004 £m	31 December 2003 £m
Auditor remuneration		
- audit services	0.3	0.4
- other	0.1	0.2
Depreciation		
- owned assets	3.7	3.1
Operating lease rentals		
- land and buildings	2.6	2.7
- other	0.2	0.3

Auditor remuneration is for the Celltech Group of companies and was charged to Celltech R & D Limited. The Directors do not believe that it is practicable to apportion these amounts between the members of the Celltech group of companies.

5. INTEREST

Interest receivable and similar income:

	31 December 2004 £m	31 December 2003 £m
Bank interest receivable	0.2	0.3

Interest payable and similar charges:

	31 December 2004 £m	31 December 2003 £m
Foreign exchange losses	(2.2)	-

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

6. EXCEPTIONAL ITEMS

	31 December 2004 £m	31 December 2003 £m
UCB acquisition related	16.8	-
UCB integration	9.9	-
Pensions	1.3	-
Development Restructuring	-	1.1
Lonza termination Charge	-	3.3
Operating exceptional charge	28.0	4.4
Neogenesis investment write-off	-	7.0
Exceptional items before taxation	28.0	11.4

*Exceptional Items 2004***UCB Acquisition Related**

These are costs associated with the acquisition of the Celltech Group by UCB and borne by this entity. The costs relate to the fees paid to merchant banks who advised on the transaction (£15.8 million), legal advice (£0.8 million) and public relation costs (£0.2 million).

UCB Integration

These costs relate to post-acquisition integration activities and relate primarily to redundancy (£3.3 million), management consulting fees paid (£2.7 million) and retention bonuses (£2.0 million). The remainder of the costs were in respect of the salaries post-acquisition of senior executives and staff who remained to assist during the integration phase and then left shortly thereafter.

Pensions

This was the cost associated with bringing part-timers at a former group subsidiary into the Celltech Pension and Life Assurance Scheme.

*Exceptional Items 2003***Development Restructuring**

These costs primarily relate to the announced reorganisation of the company's development functions based in Slough. The charge relates to redundancy costs and external consulting costs. As at 31 December 2003, £0.5 million of the total charge remains unutilised.

Lonza termination Charge

A manufacturing contract was signed in 2002, which committed Celltech to take a number of future production slots. It was decided in 2003 that these slots were no longer required, and in settlement with the manufacturer, a contract termination fee of £3.3 million was paid.

Neogenesis investment write-off

In view of the current environment for biotechnology IPOs, the Directors have determined that the estimated net realisable value of Celltech's investment in Neogenesis in the event of a trade sale is nil, leading to a write-down of £7.0 million (see note 12).

7. DIRECTORS' REMUNERATION

	2004 £	2003 £
Directors' emoluments	2,224,909	2,267,900
Company contributions to directors to compensate for earnings cap on pensions	286,073	232,600
Compensation for loss of office	2,116,520	-
	2,402,593	232,600

There were 4 directors who served during 2004 and 3 during 2003. The disclosures in this note are in respect of their emoluments only and only for the periods in which they served as directors. All the directors who served during 2004 and 2003 are members of the Celltech Pensions and Life Assurance Scheme, which is a defined benefit arrangement.

The Directors emoluments borne by Celltech R&D Limited are in respect of P V Allen, Dr M G Lee, Dr G A Ando and M G Hardy. The aggregate of emoluments of the highest paid Director was £855,000 (2003: £1,112,900), and a compensation for earnings cap payment of £127,476 (2003: £91,200) was made to him. During the year, the highest paid director exercised share options. The compensation payment for loss of office is in respect of Mr P V Allen and Dr G A Ando.

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

7. DIRECTORS' REMUNERATION (CONTINUED)

	2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
Defined benefit schemes	4	3
	<u>4</u>	<u>3</u>
The number of directors who exercised share options was	4	2

8. STAFF COSTS

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

	31 December 2004 £m	31 December 2003 £m
Salaries (including redundancy and retention bonuses)	26.4	18.2
Social security costs	3.0	2.0
Other costs including pension	4.5	3.4
	<u>33.9</u>	<u>23.6</u>
	31 December 2004	31 December 2003
Average number of employees during the period	389	349
Number of employees at 31 December 2004	409	367

9. TAXATION

	Year to 31 December 2004 £m	Year to 31 December 2003 £m
UK Corporation tax at 30% (2003: 30%)	(15.7)	(4.4)
Current tax losses not recognised	15.7	4.4
Current taxation charge	-	-

The table below reconciles the actual tax charge to the expected tax charge, computed by applying the UK tax rate of 30% (2003: 30%) to the loss on ordinary activities before taxation:

	Year to 31 December 2004 £m	Year to 31 December 2003 £m
Expected tax credit at UK corporation tax rate	(19.8)	(6.5)
Permanent difference on impairment	-	2.1
Permanent differences (acquisition related costs)	5.0	-
Permanent differences (other)	(0.9)	-
Current tax losses not recognised	15.7	4.4
Current taxation charge	-	-

No deferred taxation asset has been recognised (2003: nil).

There are taxation losses of approximately £170.7 million (2003: £155 million) which have not been recognised.

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

10. INTANGIBLE ASSETS

	£m
At 1 January 2004	11.8
Additions during the year	1.8
At 31 December 2004	13.6

Included within intangible assets is a payment of £11.8 million to Abgenix for extensive access to its SLAM (Selective Lymphocyte Antibody Method) technology. Amortisation has not been charged on this in the year as the Directors consider that it has an indefinite life. As required by FRS 10, Goodwill and Intangible Assets, the Directors have undertaken an impairment review to support the carrying value. The SLAM technology has been combined with the Group's existing antibody technologies in order to expand the breadth of the antibody pipeline and extend the repertoire of drug targets. The technology is seen as core to Celltech's research activities and will continue to benefit the Group for the foreseeable future, accordingly Celltech has rebutted the presumption that useful economic life should be no longer than 20 years as permitted by FRS 10 Goodwill and Intangible Assets. As required by FRS 10 this matter will be kept under review and SLAM will be subject to an annual impairment review.

Also capitalised within intangible assets are \$3.4 million (£1.8 million) of payments made to Nektar Therapeutics AL Corporation in order to secure future manufacturing capacity for the Group's products. This payment was in respect of required plant and machinery for the third-party site.

11. TANGIBLE FIXED ASSETS

	Leasehold properties and improvements £m	Laboratory equipment £m	Office and computer equipment £m	Total £m
Cost:				
At 31 December 2003	13.3	9.7	9.2	32.2
Additions	5.3	1.5	1.0	7.8
Disposals	-	(0.1)	-	(0.1)
At 31 December 2004	18.6	11.1	10.2	39.9
Depreciation:				
At 31 December 2003	5.0	7.1	5.5	17.6
Provided during period	0.8	1.0	1.9	3.7
Disposals	-	-	-	-
At 31 December 2004	5.8	8.1	7.4	21.3
Net book value:				
At 31 December 2004	12.8	3.0	2.8	18.6
At 31 December 2003	8.3	2.6	3.7	14.6

12. INVESTMENTS

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

Name of Company	Country of Incorporation / Operation	Holding	Proportion held at 31 December 2004	Nature of Business
Celltech U.S. Limited	England	Ordinary Shares	100%	Dormant
Celltech Europe Limited	England	Ordinary Shares	100%	Dormant
Celltech Japan Ltd (formerly Celltech Therapeutics Ltd)	England	Ordinary Shares	100%	Dormant
Celltech Therapeutics Inc.	USA	Common Stock	100%	Commercial

The company also holds an indirect 100% shareholding in Chiroscience Group Limited via its investment in Celltech Japan Limited.

In 2001, the Company acquired a minority interest in Neogenesis for \$10 million (£7.0 million). The total investment was written down to £nil as at 31 December 2004, based on the expected realisable value. This is due to the shareholder structure, which allows series A-D shareholders to recover their investment before series E investors. Celltech's holding is part of the series E shares. Celltech would only recover their investment if the sale proceeds of Neogenesis exceeded \$33.0 million, which the directors do not consider likely.

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

13. STOCK

	31 December 2004 £m	31 December 2003 £m
Raw materials and consumables	0.2	0.2
Clinical trials material	27.4	2.7
	27.6	2.9

14. DEBTORS

	31 December 2004 £m	31 December 2003 £m
Trade debtors	4.7	4.4
Other debtors	2.1	2.0
Prepayments and accrued income	9.0	8.2
Amounts due from fellow group companies	118.5	30.6
	134.3	45.2

15. CASH AND LIQUID RESOURCES

	31 December 2004 £m	31 December 2003 £m
Cash at bank and in hand	-	7.5
Liquid resources	7.0	4.2
	7.0	11.7

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2004 £m	31 December 2003 £m
Trade creditors	16.3	13.9
Taxation and social security	1.1	0.6
Other creditors	3.5	1.6
Accruals	29.6	33.5
Deferred income	4.8	6.1
Current portion of leasing obligations (see note 18)	0.5	0.5
Integration spend	3.9	-
Amounts due to fellow group companies	372.2	-
	431.9	56.2

Included in other creditors are pension contributions totalling £81,075 (2003: £81,944) payable to the pension funds.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2004 £m	31 December 2003 £m
Amounts due to fellow group companies	-	194.4
Obligations under finance leases (see note 18)	-	0.5
	-	194.9

All intercompanies are now stated as being current.

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

18. OBLIGATIONS UNDER FINANCE AND OPERATING LEASES

Finance Leases	31 December 2004		31 December 2003	
	£m		£m	
Amounts payable:				
Within one year		0.5		0.5
Between two and five years		-		0.5
		0.5		1.0

Operating Leases	Land and buildings		Other	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
	£m	£m	£m	£m
Operating leases which expire:				
Within one year	-	-	0.1	-
Within two to five years	-	-	0.1	0.2
Over five years	2.6	2.6	-	-
	2.6	2.6	0.2	0.2

19. DEFERRED TAXATION

Due to the level of the brought forward losses, and the lack of certainty over the future profitability of the company no deferred taxation asset or liability has been recognised. There are UK trade losses of approximately £170.7 million (2003: £155 million) and capital losses of £1.7 million (2003: £1.7 million) available for offset against future profits.

20. CALLED UP SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	31 December 2004	31 December 2003	31 December 2004	31 December 2003
	No.	No.	£m	£m
Ordinary shares of £1 each	24,000,000	24,000,000	18.6	18.6

21. RESERVES

	Share Premium Account	Profit and Loss Account
	£m	£m
At 31 December 2003	9.0	(192.5)
Retained loss for the year	-	(65.9)
At 31 December 2004	9.0	(258.4)

22. SHAREHOLDERS' FUNDS

	Called up share capital	Share premium account	Profit and loss account	Total
	£m	£m	£m	£m
At 1 January 2004	18.6	9.0	(192.5)	(164.9)
Retained loss for the year	-	-	(65.9)	(65.9)
At 31 December 2004	18.6	9.0	(258.4)	(230.8)

NOTES TO THE ACCOUNTS (CONTINUED)

As at 31 December 2004

23. PENSION ARRANGEMENTS

SSAP 24

The Company is a member of the Celltech Pension and Life Assurance Scheme (CP&LAS), which is a funded, defined benefit scheme. The pension charge for the year was £0.9 million (excluding the one off payment of £1.2 million in respect of Pensions of a former subsidiary (see note 6)) (2003: £1.5million) in respect of the Company and its employees. The pension charge was assessed during the actuarial valuation updated to 30 September 2004 by a professional actuary. There was no material prepayment or accrual as at 31 December 2004.

The Company is also a member of a funded defined contribution scheme. The contributions payable to the scheme for the year were £0.6 million (2003: £0.4million).

FRS 17

As the defined benefit scheme is run for the group as a whole it is not possible to distinguish the assets and liabilities relating to the Company. As permitted by FRS 17 '*Retirement benefits*' the scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the scheme was a defined contribution scheme.

The actuarial valuation of the CP&LAS carried out at 31 December 2004 under IAS19 (similar in all material aspects to FRS17) identified a net liability of £17,924,000.

The Company anticipates that its future contributions to the scheme will be at a level of 26% (2003: 14.7%)

24. CONTINGENT LIABILITIES

The company has a deposit of €8 million (2003: €8 million) with Fortis Bank in respect of a guarantee required to secure certain manufacturing arrangements.

25. ULTIMATE HOLDING COMPANY

The immediate and ultimate UK parent company is Celltech Group Limited. The ultimate parent company at 31 December 2004 and smallest group in which the company's results are consolidated was UCB S.A., a company incorporated in Belgium.

Copies of the respective financial statements of each of these companies can be obtained from Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

26. POST BALANCE SHEET

Subsequent to the year-end the activities and intellectual property associated with the business were sold at fair value to UCB Celltech, the UK branch of UCB S.A..