

Celltech R&D Limited

Annual report and financial statements for the
year ended 31 December 2014

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Celltech R&D Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company, registered number 01472269, is the provision of employees to other Group companies and the Directors believe that the Company will continue in this manner for the foreseeable future.

The Company made a profit for the financial year of £1.1 million (2013: loss of £1.1 million), and has net assets of £35.6 million (2013: £32.5 million at the balance sheet date).

EMPLOYEE ENGAGEMENT

As of 31 December 2014 the Company employed 420 (2013: 434) personnel, for further detail see note 4.

The UCB Group maintains timely, clear and transparent communication with all its employees in order to ensure alignment, consolidate trust and build pride. UCB Voices, the global employee engagement survey organised for the fourth year in September 2014 showed a continued high level of staff engagement, allied with more favourable responses. This feedback helped shape many of the improvements, developments and actions taking place across the Company in 2014. Some examples of actions taken as a follow-up to the survey are:

- Aligned with the commitment to Connect, Collaborate and Co-create with the objective to reinforce trust in the future, interactivity between UCB staff and the Executive Committee was significantly reinforced. Regular 'lync' calls scheduled with each Executive Committee member, open to all employees, encouraged open conversation and answered any questions that were on colleagues' minds.
- A company-wide task force was established to examine opportunities and implement improvement measures with regards to global processes, instil efficiencies and improve effectiveness.

The Company wants talent to be recognised. It can be recognised by management recognition or other reward. In addition to being eligible for adhoc awards for outstanding achievements, the Company's employees follow an annual performance management cycle. The Company tracks, rewards and recognises each employee's contribution to the company through systematic feedback on measurable annual objectives.

PRINCIPAL RISKS AND UNCERTAINTIES

A global risk management policy, applicable for the whole UCB Group and its affiliates worldwide, describes the UCB Group's commitment to provide an effective risk management system across the Group in order to minimise its exposure to risks that could threaten the UCB Group's corporate objectives.

The Board of Directors is responsible for approving the UCB Group's strategy, goals and objectives and overseeing the establishment, implementation and review of the Group's risk management system. The Board of Directors is assisted by the Audit Committee in its responsibility for the appreciation of risk and risk management. The Audit Committee examines on a regular basis the areas where risk could significantly affect the Group's financial situation and reputation and monitors the overall risk management process of the Group.

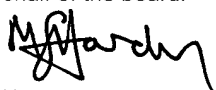
The Corporate Risk Management Committee, consisting of Executive Committee members and senior management representatives of all business functions and reporting to the Executive Committee, provides strategic leadership that endorses the corporate risk assessment and prioritisation process that drives the establishment of risk mitigation plans within all business functions and operations, supported by a global risk management system to effectively and efficiently assess, report, mitigate and manage actual or potential risk or exposures.

Celltech R&D Limited is part of the UK Group of UCB Companies and as such is included within the global risk management policy.

KEY PERFORMANCE INDICATORS (KPI'S)

Given the straightforward nature of the business and the fact that the Company is not engaged in any trading activities, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board:



M G Hardy
Director

Date 30th June 2015

Celltech R&D Limited
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2014.

FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks arising from its operations and Group corporate finance activities. The Group manages, on behalf of the subsidiaries, these financial risks. These financial risks are market risk (including interest rate risk) and liquidity risk.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit and loss. The objective of market risk management is to manage and control market risk exposures. The Group enters into derivative financial instruments and also incurs financial liabilities in order to manage market risk.

Interest rate risk

Changes in interest rates may cause variations in interest income and expenses resulting from interest bearing assets and liabilities. The Group uses interest rate derivatives to manage its interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity risk is managed by the Group. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under normal circumstances without incurring unacceptable losses or risking damage to the Group reputation. The Group maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements at all times. In addition the Group has certain unutilised revolving committed facilities at its disposal.

FUTURE DEVELOPMENTS

The Company will continue to provide employees to other Group companies in the future.

DIRECTORS

The directors, who held office during the year and up to the date of signing the financial statements, unless otherwise stated, are listed below:

M G Hardy

Y Khatri

L Vermeesch (resigned 4 April 2014)

A C van der Toorn (resigned 17 December 2014)

DIVIDENDS

During the year the Company paid a dividend of £1.5 million (2013: £nil) in respect of the year ended 31 December 2013.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

POST BALANCE SHEET EVENTS

There are no significant post balance sheet events.

Celltech R&D Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

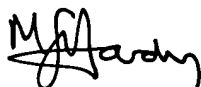
The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

On behalf of the board:



M G Hardy
Director

208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Date 30th June 2015

Report on the financial statements

Our 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Celltech R&D Limited, comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 company's 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.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matters

The company has passed a resolution in accordance with section 506 of the Companies Act 2006 that the senior statutory auditor's name should not be stated.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading

2 July 2015

Celltech R&D Limited
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	39,422	39,688
Gross profit		39,422	39,688
Administrative expenses		(42,851)	(42,271)
Operating loss	3	(3,429)	(2,583)
Interest receivable and similar income	5	202	5,275
Interest payable and similar charges	6	(9)	(3,945)
Loss on ordinary activities before taxation		(3,236)	(1,253)
Tax on loss on ordinary activities	7	4,306	141
Profit/(loss) for the financial year	13	1,070	(1,112)

The notes on pages 8 to 15 form an integral part of these financial statements.

All results derive from continuing operations.

The Company has no recognised gains and losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

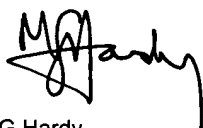
There is no difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis.

Celltech R&D Limited
BALANCE SHEET
AS AT 31 DECEMBER 2014

	Notes	2014 £'000	£'000	2013 £'000	£'000
Current assets					
Debtors	9	79,553		76,689	
Cash at bank and in hand		7,245		6,207	
		<u>86,798</u>		<u>82,896</u>	
Creditors: amounts falling due within one year	10	(51,165)		(50,356)	
Net current assets			<u>35,633</u>		<u>32,540</u>
Total assets less current liabilities			<u>35,633</u>		<u>32,540</u>
Net assets			<u>35,633</u>		<u>32,540</u>
Capital and reserves					
Called up share capital	11	18,594		18,594	
Share premium account	12	9,048		9,048	
Profit and loss account	12	7,991		4,898	
		<u>35,633</u>		<u>32,540</u>	
Total shareholders' funds	13		<u>35,633</u>		<u>32,540</u>

The notes on pages 8 to 15 form part of these financial statements.

The financial statements on pages 6 to 15 were approved by the Board of Directors on *30th June* 2015 and signed on its behalf by:



M G Hardy
Director



Y Khatri
Director

COMPANY REGISTERED NUMBER 01472269

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with all items in relation to the financial statements.

ACCOUNTING CONVENTION

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

GOING CONCERN

The directors consider that the Company has adequate resources to continue in business in the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

CASH FLOW STATEMENT

The Company is a wholly owned subsidiary company of a group headed by UCB S.A., and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption within FRS 1 (revised 1996) 'Cash flow statements' from preparing a cash flow statement.

RELATED PARTY TRANSACTIONS

The Company is exempt, under FRS 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. There were no other related party transactions in the year.

TURNOVER

Turnover is derived from recharging employee's services to other group entities, excluding value added tax.

Turnover is recognised when the service has been provided, and it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

INTEREST RECEIVABLE AND PAYABLE

Interest receivable and payable are recognised on an accruals basis.

DIVIDENDS

Dividends receivable are recognised at the date on which their payment becomes irrevocable. Dividend distributions to the Company shareholders are recognised in the period when they are paid or become an irrevocable committed obligation.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling on the balance sheet date and the gains or losses arising on translation are dealt with through the profit and loss account in the period in which they arise.

DEFERRED TAXATION

Deferred taxation is provided on timing differences that have originated but not reversed by the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

PENSION

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

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

1 ACCOUNTING POLICIES (CONTINUED)

SHARED BASED PAYMENTS

The Company participates in the holding company's stock option plan and share award plan, both of which are equity-settled. The services rendered by the employees as consideration for stock options are recognised as an expense. The expense corresponds to the fair value of the stock option plans and is charged to operating profit on a straight-line basis over the vesting period of the plan. The fair value of the stock option plan is measured at the grant date using the Black-Scholes valuation model taking into account the expected life and cancellation rate of the options. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit and loss account, and a corresponding adjustment to equity over the remaining vesting period.

TRADE AND OTHER DEBTORS

Trade and other debtors are carried at the lower of their original invoiced value and recoverable amount. Provision is made when there is objective evidence that the Company will not be able to recover balances in full, with the charge being recognised in the profit and loss account. Balances are written off when the probability of recovery is assessed as being remote.

TRADE AND OTHER CREDITORS

Trade and other creditors are stated at cost.

2 TURNOVER

	2014	2013
	£'000	£'000
<i>Turnover by destination</i>		
United Kingdom	39,422	39,688

All turnover is derived from one class of business, being the recharging employee's services to other entities.

3 OPERATING LOSS

In 2014 auditors' remuneration for audit-related assurance services of £8,000 has been borne by fellow subsidiary companies (2013: £3,879).

None of the directors received nor were due remuneration from the Company during the year (2013: £nil).

The emoluments of the directors were paid by the parent company. The directors' services to this company and to the parent company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company. Accordingly, the Profit and Loss account includes no emoluments in respect of the directors.

4 STAFF NUMBERS AND COSTS

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

	Employee numbers	
	2014	2013
Sales and marketing, administration and distribution	123	129
Medical, research and development	297	305
	420	434

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

4 STAFF NUMBERS AND COSTS (CONTINUED)

The aggregate payroll costs of these persons were as follows:

	2014 £'000	2013 £'000
Wages and salaries	25,658	26,467
Social security costs	4,134	3,630
Other pension costs (see note 14)	9,530	9,492
Cost of employee share schemes (see note 16)	3,523	2,682
	<u>42,845</u>	<u>42,271</u>

Included in payroll costs is an expense of £3,523,000 (2013: £2,682,000) for transactions accounted for as equity-settled share-based payment transactions.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £'000	2013 £'000
Bank interest receivable	15	12
Interest receivable from group undertakings	187	1,211
Foreign exchange gains	-	4,052
	<u>202</u>	<u>5,275</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Bank interest payable	-	20
Foreign exchange losses	2	3,924
Bank charges	7	1
	<u>9</u>	<u>3,945</u>

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

7 TAX ON LOSS ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
<i>Current tax</i>		
UK corporation tax on profits of the year	62	(701)
Adjustments in respect of prior years	(4,368)	560
	<u>(4,306)</u>	<u>(141)</u>
Tax (credit) on loss on ordinary activities	<u>(4,306)</u>	<u>(141)</u>

The tax assessed for the year is lower (2013: higher) than the standard effective rate of corporation tax in the United Kingdom 21.5% (2013: 23.25%). The differences are explained below:

	2014 £'000	2013 £'000
Loss on ordinary activities before taxation	(3,236)	(1,253)
Loss on ordinary activities multiplied by the standard rate in the United Kingdom at 21.5 % (2013: 23.25%)	(696)	(291)
Effects of:		
Expenses not deductible for tax purposes	1	(1,034)
Share-based payments	757	624
Adjustments in respect of prior years	(4,368)	560
	<u>(4,306)</u>	<u>(141)</u>
Current tax (credit) for the year	<u>(4,306)</u>	<u>(141)</u>

Prior year adjustment relates to the true-up of tax balances in line with re-submitted tax returns.

The main rate of UK corporation tax has reduced from 23% to 21% on 1 April 2014. Further reductions to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The deferred tax balances have been re-measured to 20% to reflect this reduction.

8 DIVIDENDS

	2014 £'000	2013 £'000
Equity – Ordinary		
Final dividend paid £0.08067 per £1 share (2013: £nil per £1 share) in respect of prior year but not recognised as liabilities in that year	1,500	-

9 DEBTORS

	2014 £'000	2013 £'000
Amounts owed by group undertakings	79,553	76,689

The Amounts owed by group undertakings are unsecured and are repayable on demand. £4,219,000 (2013: £341,000) is interest free and £75,334,000 (2013: £76,348,000) bears interest at an average rate of 0.25%.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Amounts owed to group undertakings	51,101	50,356
Other creditors	2	-
Corporation tax	62	-
	<u>51,165</u>	<u>50,356</u>

Amounts owed to group undertakings are unsecured, £51,101,000 (2013: £50,356,000) is interest free and is repayable on demand.

11 CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
18,593,783 (2013: 18,593,783) Ordinary shares of £1	<u>18,594</u>	<u>18,594</u>

12 RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2014	9,048	4,898	13,946
Profit for the financial year	-	1,070	1,070
Dividends (note 8)	-	(1,500)	(1,500)
Share-based payment (note 16)	-	3,523	3,523
At 31 December 2014	<u>9,048</u>	<u>7,991</u>	<u>17,039</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £'000	2013 £'000
Profit/(loss) for the financial year	1,070	(1,112)
Dividends	(1,500)	-
Share-based payment	3,523	2,683
Net additions to shareholders' funds	<u>3,093</u>	<u>1,571</u>
Opening shareholders' funds	32,540	30,969
Closing shareholders' funds	<u>35,633</u>	<u>32,540</u>

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

14 PENSION SCHEMES

The Company is a sponsor of the Celltech Pension and Life Assurance Scheme (CP&LAS) which is constituted through a separate independent trust and is contributory, funded, and the benefits of which are based on final pensionable pay.

The Company accounts for the scheme as if it were a defined contribution scheme, as it cannot determine its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. Consequently, the Company only recognises the contributions paid into the scheme over the financial year as an expense item in the profit and loss account.

The Company also participates in defined contribution schemes.

Total pension charges for the Company for the year were £6.5 million (2013: £7.0 million) for defined benefit schemes and £3.0 million (2013: £2.5 million) for defined contribution schemes (see also note 4). There were no material contributions outstanding to any of the schemes at either year-end.

The Company's contributions for the defined benefit scheme are assessed on a triennial basis, in accordance with the advice of a qualified actuary using the projected unit method. The contributions are determined on the basis of long-term funding assumptions and are set at a level to meet the future benefit accrual and eliminate any funding surplus or shortfall over the long-term.

Actuarial Valuations

CP&LAS - the last full actuarial valuation of this scheme was carried out on 30 September 2014 and has been updated in accordance with FRS 17 to 31 December 2014 by a qualified independent actuary.

The market value of assets were £146.9 million (2013: £128.0 million) and the present value of scheme liabilities were £174.5 million (2013: £158.0 million) leading to net liabilities of £27.6 million (2013: £30.0 million).

Additional annual employer contributions of £5.3 million commenced on 1 June 2012 in respect of the past service deficit as a 12 year recovery plan has been agreed by the Company and the Trustees. The allocation of the deficit amongst United Kingdom UCB member entities is based on current active employee numbers.

The major assumptions used by the actuary were:

	2014 %	2013 %	2012 %
Rate of increase in salaries	4.20	4.50	4.00
Discount rate	3.75	4.50	4.50
Inflation assumption – RPI	3.20	3.50	3.00
Inflation assumption – CPI	2.20	3.00	2.50

15 RELATED PARTY TRANSACTIONS

The Company is exempt, under FRS 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.

There were no other related party transactions in the year.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

16 SHARE-BASED PAYMENTS

The UCB S.A. Group operates several share based compensation plans, including a stock option plan and a share award plan to compensate employees for services rendered. Both of these plans are equity settled.

The Remuneration Committee granted options on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The exercise price of the granted options in 2014 is equal to the lower of the following two values: (i) the average of the closing price of UCB share on Euronext Brussels, during 30 days preceding the offer or (ii) the closing price of the UCB shares on Euronext Brussels the day before the grant.

The options become exercisable after a vesting period of about five years. If the employee leaves the Group, his/her options lapse upon expiry of a period of six months, except if taxes have been prepaid. The Group has no obligation to repurchase or settle the options in cash. There are no reload features, the options are not transferable (except in case of death).

369,249 share options have been exercised during the year by UK employees (2013: 267,769).

The weighted average share price at the date of exercise of share options exercised during the financial year was €31.84 (2013: €33.26).

The options outstanding at the year-end have an exercise price in the range of €21.38 to €58.12 and a weighted average contractual life of 10 years.

The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over the last 360 days. The probability of early exercise is reflected in the expected life of the options. The expected forfeiture rate is based on actual turnover of employees for categories eligible for stock option compensation.

The significant assumptions used in the measurement of options granted in April 2014 and 2013 respectively are:

Stock option plan

		2014	2013
Weighted fair value at measurement date	Euro	9.60	12.21
Exercise price	Euro	58.19	48.69
Weighted average exercise price	Euro	58.12	48.73
Expected volatility used in the modelling under the Black-Scholes model	%	23.29	31.16
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	Years	5	5
Expected dividend yield	%	1.82	2.08
Risk free interest rate (based on national government bonds)	%	0.52	1.47
Expected annual forfeiture rate	%	7.0	7.0

The number and weighted average exercise prices of share options are as follows:

	2014	2014	2013	2013
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	€		€	
Outstanding at 1 January 2014	35.33	1,501,182	31.53	1,392,959
Correction to prior year options	-	(31,666)	-	-
Granted during the year	58.12	69,172	48.69	363,392
Exercised during the year	31.84	(369,249)	33.26	(267,769)
Forfeited during the year	40.42	(81,526)	25.92	12,600
Transferred from other group company	31.86	91,792	-	-
Expired during the year	40.10	(800)	-	-
Outstanding at 31 December 2014	37.74	1,178,905	35.33	1,501,182
Exercisable at 31 December 2014	-	466,079	-	530,490

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014

16 SHARE-BASED PAYMENTS (continued)

During the current year, it was identified that the number of outstanding stock options in place as at 31 December 2013 was 31,666 lower than the number disclosed in the prior year financial statements. This has been corrected in the current year reconciliation above. The correction was primarily due to a recalculation of the number of options available to employees that expatriated from the UK in 2014.

Share award plan

	2014 Number of options	2013 Number of options
Outstanding at 1 January 2014	17,402	21,050
Correction to prior year options	22,421	-
Granted during the year	84,424	7,352
Exercised during the year	(11,540)	(3,500)
Forfeited during the year	(2,621)	-
Transferred from/(to) other group company	8,447	(7,500)
Outstanding at 31 December 2014	<u>118,533</u>	<u>17,402</u>

During the current year, it was identified that the number of outstanding share awards in place as at 31 December 2013 was 22,421 higher than the number disclosed in the prior year financial statements. This has been corrected in the current year reconciliation above. The correction was primarily due to performance shares not disclosed in the prior year.

In 2014 the Group granted share awards to the members of the Leadership Team of the Group. These awards were conditional to a vesting period of 3 years, except upon leaving on retirement or death in which case they vest immediately. 84,424 rights (2013: 7,352 rights) were granted at a fair value of 58.19 euro per share (2013: 49.80 euro per share). The cost is spread over the vesting period. The beneficiaries are not entitled to dividends during the vesting period

The total expenses recognised for the period arising from share based payments are as follows:

	2014 £'000	2013 £'000
Equity settled share based payments	<u>3,523</u>	<u>2,683</u>

17 ULTIMATE PARENT COMPANY

The immediate parent company is Celltech Group Limited, a Company incorporated in England and Wales.

The ultimate UK parent company is UCB (Investments) Limited, a company incorporated in England and Wales.

The ultimate parent company and controlling party at 31 December 2014 and the smallest and largest group in which the Company's results are consolidated was UCB S.A., a company incorporated in Belgium.

Copies of the respective financial statements for each of these companies can be obtained from the Company secretary at the following address: Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.