



Celltech R&D Limited

Annual report and financial statements for the
year ended 31 December 2017

Company registration number: 01472269

THURSDAY



A7BXVX6G

A11

09/08/2018

#88

COMPANIES HOUSE

Celltech R&D Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

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 loss for the financial year of £5.3 million (2016: profit of £1.4 million), and has net assets of £37.9 million (2016: £37.1 million) at the Balance Sheet date.

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.

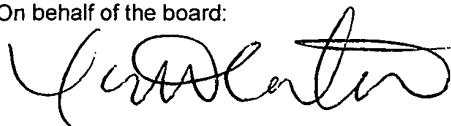
The Corporate Risk Management Committee, consisting of Executive Committee members and senior management representatives of all business functions and reporting to the Executive Committee, provides strategic leadership that endorses the corporate risk assessment and prioritisation process that drives the establishment of risk mitigation plans within all business functions and operations, supported by a global risk management system to effectively and efficiently asset 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:



Y Khatri
Director

Date: 23/07/2018

Celltech R&D Limited
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2017.

FINANCIAL RISK MANAGEMENT

The Company is exposed to various financial risks arising from its operations and UCB 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 Statement of Comprehensive Income. 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.

EMPLOYEE ENGAGEMENT

In 2017 the UK Company employed 486 (2016: 448) staff, for further detail see note 4.

The UCB Group measures employee engagement through "UCB Voices", our internal global employee engagement survey. The survey was organised for the 7th time in 2017 by Towers Watson, an independent consulting firm.

This year again, the results were remarkable: 86% participation rate (2016: 87%) indicates that our colleagues worldwide recognize the importance and added value in participating in this survey, which allows them to share their unique view on the company's strategy and culture, on the leadership and management, and on their role. With a sustainable engagement score of 85% (-1% vs 2016), the Company is proud of the fact that employees recognise the importance and value of having their voice heard.

The feedback collected through the survey was shared with UCB leadership and subsequently with all employees on three global conference calls, generating further dialogue around possible areas for improvement, at every level of the organization. The Voices feedback is used in many ways across the Company, to inform actions and decisions, make continuous improvements and help the Company continue to create a positive environment for our people to work in.

In 2017 we focussed on our Operational effectiveness. The Commercial organization reviewed their 'Go-to-Market' approach: optimizing our presence close to the patients in each healthcare ecosystem through a highly integrated, localized and fully competent multi-disciplinary team.

The aim of the new Integrated model is to strengthen the Patient Value Strategy through driving local leadership and autonomy. The new structure increases focus on the local ecosystem and stakeholder needs. It will enable UCB to be more agile with our decision making and will strengthen cross functional collaboration. In addition, the new structure will reduce duplication and evolve capabilities and competencies of the cross functional team.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Celltech R&D Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

ORGANISATIONAL CULTURE AND CAPABILITY

Following the implementation of our Patient Value Strategy in previous years, we are now seeing this beginning to embed across the Company and is now an important part of our culture. 83% of employees believe strongly in the Patient Value Strategy, a notable improvement over the previous years which shows that communication, workshops and other initiatives have been effective.

We will continue the good progress made in this area in 2018 in support of our journey to become the patient-preferred Biopharma. Creating value for patients is the core of our inspiration, determines our actions, behaviours and decisions every day.

There is a high level of commitment from our Executive Committee to ensure that everyone working at UCB understands our patients and the eco-system better therefore enabling employees to create maximum value for patients.

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 (Secretary)

Y Khatri

S Turley (Appointed 13 April 2017)

DIVIDENDS

During the year the company paid dividends of £nil (2016: £11,612,000) in respect of the year ended 31 December 2017.

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.

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.

Celltech R&D Limited
DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

STATEMENT OF DIRECTORS RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

On behalf of the board:

Y Khatri
Director



208 Bath Road
Slough
Berkshire
United Kingdom
SL1 3WE

Date: 23/07/2018

Celltech R&D Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH R&D LIMITED

Report on the audit of the financial statements

Opinion

In our opinion Celltech R&D Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Celltech R&D Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH R&D LIMITED (CONTINUED)

Reporting on other information (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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 required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.

Celltech R&D Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH R&D LIMITED
(CONTINUED)**

Other matter

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
Uxbridge

Date: 23/07/2018

Celltech R&D Limited
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Turnover	2	55,407	50,567
Administrative expenses		(55,323)	(50,481)
Operating profit	3	84	86
Interest receivable and similar income	5	12	207
Interest payable and similar expenses	6	(126)	(1)
(Loss)/profit before taxation		(30)	292
Tax on (loss)/profit	7	(5,308)	1,065
(Loss)/profit for the financial year		(5,338)	1,357
Total other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(5,338)	1,357

The notes on pages 11 to 20 form an integral part of these financial statements.

All results derive from continuing operations.

There is no material difference between the (loss)/profit before taxation and the total comprehensive (expense)/income for the year stated above and their historical cost equivalents.

Celltech R&D Limited
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £'000	£'000	2016 £'000	£'000
Current assets					
Debtors	8	42,825		36,695	
Cash at bank and in hand		500		510	
		<u>43,325</u>		<u>37,205</u>	
Creditors: amounts falling due within one year	9	(5,462)		(121)	
Net current assets			<u>37,863</u>		<u>37,084</u>
Net assets			<u><u>37,863</u></u>		<u><u>37,084</u></u>
Capital and reserves					
Called up share capital	11		18,594		18,594
Share premium account			9,048		9,048
Profit and loss account			<u>10,221</u>		<u>9,442</u>
Total equity			<u><u>37,863</u></u>		<u><u>37,084</u></u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors on 23/07/2018 and signed on its behalf by:



Y Khatri
Director

COMPANY REGISTERED NUMBER 01472269

Celltech R&D Limited
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	18,594	9,048	19,356	46,998
Total comprehensive income for the year				
Profit for the financial year	-	-	1,357	1,357
Total comprehensive income for the year	-	-	1,357	1,357
Transactions with owners, recorded directly in equity				
Equity-settled share based payments	-	-	3,894	3,894
Deferred tax on equity-settled share based payments	-	-	(3,553)	(3,553)
Dividends	-	-	(11,612)	(11,612)
Total transactions with owners, recognised directly in equity	-	-	(11,271)	(11,271)
Balance at 31 December 2016 and 1 January 2017	18,594	9,048	9,442	37,084
Total comprehensive loss for the year				
Loss for the financial year	-	-	(5,338)	(5,338)
Total comprehensive loss for the year	-	-	(5,338)	(5,338)
Transactions with owners, recorded directly in equity				
Equity-settled share based payments	-	-	5,529	5,529
Deferred tax on equity-settled share based payments	-	-	588	588
Total transactions with owners, recognised directly in equity	-	-	6,117	6,117
Balance at 31 December 2017	18,594	9,048	10,221	37,863

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES

Celltech R&D Limited is a private limited company and incorporated and domiciled in the UK. The principal activity of the Company is the provision of employees to other Group companies and the Directors believe that the Company will continue this manner for the foreseeable future.

These financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, UCB S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of UCB S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Celltech Group Limited, 208 Bath Road, Slough, Berkshire, SL1 3WE.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes (*IAS 7 Statement of Cash Flows*);
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs (*IFRS 1 First-time Adoption of IFRS*);
- Disclosures in respect of the compensation of Key Management Personnel (*IAS 24 Related Party Disclosures*);
- The requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

As the consolidated financial statements of UCB S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

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.

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.

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.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES (CONTINUED)

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 in which the dividends are approved by the shareholders.

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 Statement of Comprehensive Income in the year in which they arise. Foreign currency differences are recognised within finance income or expense.

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 the asset can be utilised.

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.

EMPLOYEE BENEFITS

The Company participates in contributory and non-contributory defined benefit and defined contribution pension schemes covering the majority of its employees.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the year during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is another member of the group. The Company then recognises a cost equal to its contribution payable for the period. Contributions are paid to the schemes in accordance with the recommendations of independent actuaries.

Share-based payment transactions

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 with a corresponding entry to equity. The expense corresponds to the fair value of the stock option granted and is charged to operating profit on a straight-line basis over the vesting period of the plan. The fair value of stock options granted 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 Statement of Comprehensive Income, and a corresponding adjustment to equity over the remaining vesting period.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES (CONTINUED)

NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. 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 Statement of Comprehensive Income. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

At the date of authorization of these Financial Statements, a number of standards, amendments to existing standards and interpretations have been issued but are not yet effective. The Company has not early adopted any of these. The standards and amendments to standards that could have an impact on the Company's future financial statements are: IFRS 15 and 16.

IFRS 15 (Revenue from contracts with customers) which will be effective for the year ending 31 December 2018, has no material impact. The Company is assessing the impact of IFRS 16 (Leases), which will be effective for the year ending 31 December 2019.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorization of these Financial Statements, a number of standards, amendments to existing standards and interpretations have been issued but are not yet effective. The Company has not early adopted any of these.

IFRS 15 (Revenue from contracts with customers) which will be effective for the year ending 31 December 2018, is not expected to have a material impact on the company. The Company is assessing the impact of IFRS 16 (Leases), which will be effective for the year ending 31 December 2019.

2 TURNOVER

	2017 £'000	2016 £'000
<i>Turnover by destination</i>		
United Kingdom	<u>55,407</u>	<u>50,567</u>

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

3 OPERATING PROFIT

In 2017 auditors' remuneration for audit-related assurance services was £8,000 (2016: £8,004).

None of the directors received nor were due remuneration from the Company during the year (2016: £nil).

The emoluments of the directors were paid by another UCB group company. The directors' services to this company are of a non-executive nature. Accordingly, the Statement of Comprehensive Income includes no emoluments in respect of the directors.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

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	
	2017	2016
Sales and marketing, administration and distribution	135	121
Medical, research and development	351	327
	<u>486</u>	<u>448</u>

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	37,108	32,839
Social security costs	5,471	4,397
Other pension costs (see note 12)	9,363	9,437
Cost of employee share schemes (see note 12)	5,529	3,894
	<u>57,471</u>	<u>50,567</u>

Included in payroll costs is an expense of £5,528,000 (2016: £3,894,000) for transactions accounted for as equity-settled share-based payment transactions.

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2017	2016
	£'000	£'000
Bank interest receivable	-	5
Interest receivable from group undertakings	12	66
Foreign exchange gains	-	136
	<u>12</u>	<u>207</u>

6 INTEREST PAYABLE AND SIMILAR EXPENSES

	2017	2016
	£'000	£'000
Bank interest payable	-	1
Foreign exchange losses	126	-
	<u>126</u>	<u>1</u>

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

7 TAX ON (LOSS)/PROFIT

	2017 £'000	2016 £'000
<i>Current tax</i>		
UK corporation tax on (losses)/profits of the year	(612)	(741)
Adjustments in respect of prior years	6,188	(7)
	<u>5,576</u>	<u>(748)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary difference	(268)	(317)
	<u>(268)</u>	<u>(317)</u>
Tax on (loss)/profit	<u>5,308</u>	<u>(1,065)</u>

The tax assessed for the year is higher (2016: lower) than the standard effective rate of corporation tax in the United Kingdom 19.25% (2016: 20.00%). The differences are explained below:

	2017 £'000	2016 £'000
(Loss)/profit before taxation	(30)	292
(Loss)/profit multiplied by the standard rate in the United Kingdom at 19.25% (2016: 20.00%)	(6)	58
<i>Effects of:</i>		
Other	(874)	(1,116)
Adjustments in respect of prior years	6,188	(7)
Tax charge/(credit) for the year	<u>5,308</u>	<u>(1,065)</u>

From 1 April 2015 the main rate of corporation tax was reduced to 20%, in the Budget on 8 July 2015, the Chancellor announced a reduction in the corporation tax rate to 19% from 1 April 2017, the current tax has therefore been measured at a rate of 19.25% (3 months at 20% and 9 months at 19%), a further reduction to 17% from 1 April 2020 was enacted in September 2016. This will reduce any future current tax charge accordingly.

The deferred tax assets and liabilities have been calculated at the tax rate effective in the year that the tax is expected to crystallise.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

8 DEBTORS

	2017 £'000	2016 £'000
Amounts owed by group undertakings	34,682	32,187
Other debtors	2,779	-
Deferred tax assets (see note 10)	5,364	4,508
	<u>42,825</u>	<u>36,695</u>

Amounts owed by group undertakings are unsecured and are repayable on demand. £9,543,569 (2016: £11,161,582) is interest free and £25,138,314 (2016: £21,025,418) bears interest at GBP LIBOR 1 month less 0.25%.

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Amounts owed to group undertakings	-	44
Other creditors	31	77
Corporation tax	5,431	-
	<u>5,462</u>	<u>121</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand.

10 DEFERRED TAX ASSETS

Recognised deferred tax assets are attributable to the following:

	2017 £'000	2016 £'000
Share - based payments	5,364	4,508
	<u>5,364</u>	<u>4,508</u>

Movement in deferred tax during the year:

	1 January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2017 £'000
Share - based payments	4,508	268	588	5,364

Movement in deferred tax during the year:

	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
Share - based payments	7,744	317	(3,553)	4,508

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

11 CALLED UP SHARE CAPITAL

Share capital	2017 £'000	2016 £'000
Allotted, called up and fully paid		
18,593,783 (2016: 18,593,783) Ordinary shares of £1 at 1 January and 31 December	<u>18,594</u>	<u>18,594</u>

Dividends

The following dividends were recognised during the year:

	2017 £'000	2016 £'000
Equity – Ordinary		
Final dividend paid £nil per £nil share (2016: £0.62451 per £1 share)	<u>-</u>	<u>11,612</u>

12 EMPLOYEE BENEFITS

Pension schemes

The Company is a participating employer 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 management have decided not to put a policy in place to allocate the deficit to participating employers. Consequently, the Company will continue to recognise the contributions paid into the scheme over the financial year as an expense item in the Statement of Comprehensive Income.

The Company also participates in defined contribution schemes.

Total pension charges for the Company for the year were £5.4 million (2016: £6.1 million) for defined benefit schemes and £4.0 million (2016: £3.3 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 has been updated in accordance with IAS 19 to 31 December 2017 by a qualified independent actuary.

Celltech Group Limited is the principal employer of the Celltech pension and life assurance scheme and is fully disclosed in their accounts.

The market value of assets were £195.5 million (2016: £184.1 million) and the present value of scheme liabilities were £237.0 million (2016: £241.1 million) leading to net liabilities of £41.5 million (2016: £57.1 million).

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12 EMPLOYEE BENEFITS (CONTINUED)

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 free shares on UCB S.A. shares to the Executive Committee members, the Senior Executives and the senior and middle management of the UCB Group. The free shares have service conditions attached to them whereby beneficiaries are required to remain in service for three years post grant date. Share awards lapse upon leaving the Group, except upon retirement or death in which case they vest immediately. The beneficiary is not entitled to dividends during the vesting period.

The price of the granted options in 2017 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 three 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).

139,927 share options have been exercised during the year by UK employees (2016: 118,949).

The weighted average share price at the date of exercise of share options exercised during the financial year was €40.47 (2016: €40.41).

The options outstanding at the year-end have an exercise price in the range of €21.38 to €72.71 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 2017 and 2016 respectively are:

Stock option plan

		2017	2016
Share price at grant	Euro	72.53	67.81
Weighted average exercise price	Euro	70.29	67.23
Expected volatility	%	24.06	24.81
Expected option life	Years	5	5
Expected dividend yield	%	1.59	1.67
Risk free interest rate	%	(0.14)	(0.28)
Expected annual forfeiture rate	%	7.0	7.0

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

	2017 Weighted average exercise price €	2017 Number of options	2016 Weighted average exercise price €	2016 Number of options
Outstanding at 1 January	43.23	840,243	41.83	969,493
Correction to prior year options	(16.61)	3,594	48.69	2,400
Granted during the year	70.37	58,874	67.24	70,768
Exercised during the year	40.47	(139,927)	40.41	(118,949)
Forfeited during the year	67.29	(6,315)	62.40	(27,841)
Transferred from other group companies	59.38	10,425	46.62	(50,749)
Transferred to other group companies	30.53	(3,000)	-	-
Expired during the year	43.57	(5,000)	40.26	(4,879)
Outstanding at 31 December	45.63	758,894	43.23	840,243
Exercisable at 31 December	-	583,142	-	663,837

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12 EMPLOYEE BENEFITS (CONTINUED)

Share award plan

	2017	2016
	Number of	Number of
	options	options
Outstanding at 1 January	219,386	182,291
Correction to prior year options	(228)	2,500
Granted during the year	104,805	90,282
Exercised during the year	(66,834)	(19,888)
Forfeited during the year	(10,853)	(26,206)
Transferred from/(to) other group company	12,105	(8,143)
Cancelled shares	(3,215)	(1,450)
Outstanding at 31 December	<u>255,166</u>	<u>219,386</u>
Exercisable at 31 December	<u>-</u>	<u>-</u>

During the current year, it was identified that the number of outstanding share awards in place as at 31 December 2017 was 228 (2016: 2,500 higher) lower than the number disclosed in the prior year financial statements. This has been corrected in the current year reconciliation above.

In 2017 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. 104,805 rights (2016: 90,282 rights) were granted at a fair value of nil euro per share (2016: 60.91 euro per share). The cost is spread over the vesting period. The beneficiaries are not entitled to dividends during the vesting period.

The total expense recognised for the year arising from share based payments are as follows:

	2017	2016
	£'000	£'000
Equity settled share based payments	<u>5,529</u>	<u>3,894</u>

13 RELATED PARTY TRANSACTIONS

The Company is exempt, under paragraph 8(k) of FRS 101, 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.

14 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 2017 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.

Celltech R&D Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

15 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Tax positions

The Company operates in complex legal and tax regulatory environments. The income tax positions taken are considered by the Company to be supportable and are intended to withstand challenge from tax authorities. However, it is accepted that some of the positions are uncertain and include interpretations of complex tax laws as well as transfer pricing considerations which could be disputed by tax authorities. A liability is recorded for each item that is not probable of being sustained on examination by the tax authorities based on all relevant information. The liability is calculated by the entity as the single best estimate of the current tax it expects to pay. These estimates are based on facts and circumstances existing at the end of the reporting period. The tax liability and income tax expense include penalties and late payment interests arising from tax disputes.

The recognition of deferred tax assets is based upon whether it is probable that sufficient taxable profits will be available in the future against which the reversal of temporary differences can be used.