



Celltech Group Limited

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

Company registration number: 02159282

THURSDAY



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Celltech Group Limited
STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The principal activity of the Company (registered number: 02159282) is that of a holding company for the United Kingdom group companies and is the main sponsoring Company for the Celltech Pension and Life Assurance Scheme (CP&LAS).

The Company made a profit for the financial year of £2.5 million (2016: £266.2 million), and has net assets of £365.7 million (2016: £349.6 million) at the Balance Sheet date.

The performance of the Company during and at the end of the year was considered to be satisfactory by the directors.

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 Group 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.

Celltech Group Limited is part of the UK group of 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 Group 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 relevant to this company are foreign exchange risk, interest rate risk and liquidity risk.

Foreign exchange risk

The Company as part of the UCB Group operates across the world and is exposed to movements in foreign currencies affecting its net income and financial position, as expressed in Sterling. The Group actively monitors its currency exposures, and when appropriate enters into transactions with the aim of preserving the value of assets and anticipated transactions. The Group uses forward contracts, foreign exchange options and cross currency swaps to hedge certain committed and anticipated foreign exchange flows and financing transactions.

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 act as a Group holding Company for fellow subsidiaries in the forthcoming 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 (Secretary)
Y Khatri
S Turley (Appointed 13 April 2017)

DIVIDENDS

During the year the Company paid a dividend of £nil million (2016: £934.3 million) 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.

SUBSEQUENT EVENTS

There are no significant events since the year end.

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/she ought to have taken as a director to make himself/herself 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 Group 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 Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH GROUP LIMITED

Report on the audit of the financial statements

Opinion

In our opinion Celltech Group 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 profit 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 Group Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH GROUP 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 3, 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 Group Limited

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CELLTECH GROUP 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 Group Limited
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Other income		3,335	3,854
Operating profit	2	3,335	3,854
Intercompany loan write off		-	344,751
Impairment of fixed asset investment	7	(3,700)	(344,725)
Profit on disposal of fixed asset investment	7	-	92,039
Income from shares in group undertakings	3	5,718	169,989
Other interest receivable and similar income	4	116	1,331
Interest payable and similar expense	5	(1,468)	(818)
Profit before taxation		4,001	266,421
Tax on profit	6	(1,480)	(264)
Profit for the financial year		2,521	266,157
Other comprehensive income/(expense)			
Remeasurement of defined benefit liability		13,622	(35,340)
Total other comprehensive income/(expense) for the year, net of income tax		13,622	(35,340)
Total comprehensive income for the year		16,143	230,817

The notes on pages 10 to 19 form part of these financial statements.

All results derive from continuing operations.

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

Celltech Group Limited
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Investments	7	174,065	177,765
		<u>174,065</u>	<u>177,765</u>
Current assets			
Debtors	8	232,821	230,754
Cash at bank and in hand		2,246	2,248
		<u>235,067</u>	<u>233,002</u>
Current liabilities			
Creditors: amounts falling due within one year	9	(1,559)	(3,806)
Net current assets		<u>233,508</u>	<u>229,196</u>
Total assets less current liabilities		<u>407,573</u>	<u>406,961</u>
Net assets excluding pension scheme liability		<u>407,573</u>	<u>406,961</u>
Defined benefit pension scheme net deficit	11	(41,839)	(57,370)
Net assets		<u>365,734</u>	<u>349,591</u>
Capital and reserves			
Called up share capital	10	100,000	100,000
Profit and loss account		265,734	249,591
Total equity		<u>365,734</u>	<u>349,591</u>

The notes on pages 10 to 19 form part of these financial statements.

The financial statements on pages 7 to 19 were approved by the Board of Directors on 23/07/2018 and signed on its behalf by:

Y Khatri
Director



COMPANY REGISTERED NUMBER 02159282

Celltech Group Limited
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £'000	Merger reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 January 2016	143,673	850,214	59,163	1,053,050
Total comprehensive income for the year				
Profit for the financial year	-	-	266,157	266,157
Other comprehensive expense	-	-	(35,340)	(35,340)
Total comprehensive income for the year	-	-	230,817	230,817
Transactions with owners, recorded directly in equity				
Dividends	-	-	(934,276)	(934,276)
Capital reduction for the year	(43,673)	-	43,673	-
Transfer from merger reserve	-	(850,214)	850,214	-
Total transactions with owners, recognised directly in equity	(43,673)	(850,214)	(40,389)	(934,276)
Balance at 31 December 2016 and 1 January 2017	100,000	-	249,591	349,591
Total comprehensive income for the year				
Profit for the financial year	-	-	2,521	2,521
Other comprehensive income	-	-	13,622	13,622
Total comprehensive income for the year	-	-	16,143	16,143
Balance at 31 December 2017	100,000	-	265,734	365,734

Celltech Group Limited

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 ACCOUNTING POLICIES

Celltech Group Limited is a private limited company and is incorporated and domiciled in the UK, England. The principal activity of the Company is that of a holding Company for the United Kingdom group companies and is the main sponsoring Company for the Celltech Pension and Life Assurance Scheme (CP&LAS).

The company is exempt by virtue of section 400 of the companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual and not about its group.

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*); and
- 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 14.

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.

INTEREST RECEIVABLE AND PAYABLE

Interest receivable and payable are recognised on an accruals basis.

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

1 ACCOUNTING POLICIES (CONTINUED)

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 CURRENCIES

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the Balance Sheet date and the gains or losses on translation are included in the statement of comprehensive income in the period in which they arise. Foreign currency differences are recognised within finance income and 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.

INVESTMENTS IN SUBSIDIARY COMPANIES

Investments are held at cost less any provision for impairment.

IMPAIRMENT OF INVESTMENT

The carrying values of investments are reviewed for impairment when there is an indication that the investment might be impaired. Any provision resulting from an impairment review is charged to the statement of comprehensive income in the year concerned.

EMPLOYEE BENEFITS

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the statement of comprehensive income.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of three group wide defined benefit pension plans. 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 plans is recognised fully by the sponsoring employer, which is the Company.

The company adopts the policy to recognise contributions made by other group companies part of the pension scheme as a reduction in service costs in the statement of comprehensive income.

Celltech Group 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.

2 OPERATING PROFIT

Auditors' remuneration of £7,600 (2016: £7,596) relates to fees for the audit of Celltech Group Limited.

The Company has no employees (2016: nil) and no staff costs (2016: £nil).

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 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 statement of comprehensive income includes no emoluments in respect of the directors.

3 INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2017 £'000	2016 £'000
Dividend received from group undertakings	<u>5,718</u>	<u>169,989</u>

The Company received dividends of: £nil million from UCB Pharma Limited (2016: £141.9 million); £nil million from Celltech R&D Limited (2016: £11.6), £nil million from UCB Australia Pty. Limited (2016: £0.9 million), £nil million from UCB Pharma S.p.A (2016: £7.6 million), £2.0 million (2016: £8.0) from Darwin Discovery Ltd and £3.7 million (2016: £nil) from Schwarz Pharma Ltd.

4 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2017 £'000	2016 £'000
Bank interest receivable	1	370
Interest receivable from group undertakings	115	651
Foreign exchange gains	-	310
	<u>116</u>	<u>1,331</u>

Celltech Group Limited
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 December 2017

5 INTEREST PAYABLE AND SIMILAR EXPENSE

	2017 £'000	2016 £'000
Foreign exchange losses	4	-
Net interest on net defined benefit pension liability	1,464	818
	<u>1,468</u>	<u>818</u>

6 TAX ON PROFIT

	2017 £'000	2016 £'000
Current tax		
UK Corporation tax on profit of the year	14	264
Adjustment in respect of prior years	1,466	-
Total current tax charge for the year	<u>1,480</u>	<u>264</u>

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

	2017 £'000	2016 £'000
Profit before taxation	4,001	266,421
Profit multiplied by the standard rate of corporation tax in the United Kingdom 19.25% (2016: 20%)	770	53,284
Effects of:		
Non-taxable income	(1,750)	(122,136)
Non-deductible expenses	994	69,116
Adjustment in respect of prior years	1,466	-
Tax charge for the year	<u>1,480</u>	<u>264</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 period that the tax is expected to crystallise.

Unrecognised deferred tax asset

A potential deferred tax asset of £7,430,342 (2016: £10,573,327) has been generated. However, this has not been recognised as the Company is not expected to make any contributions to the pension scheme in the future meaning it would not benefit from the tax deductions on such contributions.

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

7 INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2017	976,663
At 31 December 2017	976,663
Provisions	
At 1 January 2017	(798,898)
Increase in provision	(3,700)
At 31 December 2017	(802,598)
Net book value	
At 31 December 2017	174,065
At 31 December 2016	177,765

The directors believe that the carrying value of the investments is supported by their underlying net assets, and cash flows.

At 31 December 2017 the Company held direct shareholdings in the following subsidiary undertakings:

Subsidiary undertaking	Principal business activity	Country of Incorporation	Percent of shareholding held	Description of shares held
Schwarz Pharma Limited	Dormant	England and Wales	100%	Ordinary shares
Celltech R&D Limited	Lending to group companies	England and Wales	100%	Ordinary shares
Darwin Discovery Limited	Lending to group companies	England and Wales	100%	Ordinary shares
Celltech Pension Trustees Limited	Dormant	England and Wales	100%	Ordinary shares
Celltech Limited	Dormant	England and Wales	100%	Ordinary shares
UCB Pharma Limited	Sale and marketing of a range of branded speciality and generic pharmaceutical products	England and Wales	100%	Ordinary shares

(a) During the year investment in Schwarz Pharma Ltd was impaired by £3.7m to nil.

Celltech Group 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	232,821	230,754
	<u>232,821</u>	<u>230,754</u>

Amounts owed by Group undertakings are unsecured and are repayable on demand. £1,082,000 is interest free (2016: £474,000), £232,006,000 (2016: £229,664,000) bears interest at an average rate of LIBOR BG 1M - 0.25% (2016: LIBOR BG 1M + 0.02%).

9 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	2016 £'000
Other creditors	93	106
Amounts owed to group undertakings	-	3,700
Income tax payable	1,466	-
	<u>1,559</u>	<u>3,806</u>

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

10 CAPITAL AND RESERVES

Share capital	2017 £'000	2016 £'000
Allotted, called up and fully paid		
Share capital at 1 January	100,000	143,673
Merger reserve capitalisation	-	850,214
Share capital reduction	-	(893,887)
	<u>100,000</u>	<u>100,000</u>
199,999,586 (2016: 199,999,586) Ordinary shares of £0.50 at 31 December		
Dividends	2017 £'000	2016 £'000
Equity – Ordinary		
Final dividend paid £nil per share (2016: £4.67 per share)	-	934,276

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

10 CAPITAL AND RESERVES (CONTINUED)

	Profit and loss account £'000	Total £'000
Other comprehensive income - 2017		
Remeasurements of defined benefit liability	(13,622)	(13,622)
Total other comprehensive income	(13,622)	(13,622)

	Profit and loss account £'000	Total £'000
Other comprehensive expense - 2016		
Remeasurements of defined benefit liability	35,340	35,340
Total other comprehensive expense	35,340	35,340

11 EMPLOYEE BENEFITS

Celltech Group Limited is the principal employer of the Celltech Pension and Life Assurance Scheme (CP&LAS).

The scheme is a contributory, funded, defined benefit scheme, the benefits of which are based on final pensionable pay.

The last full actuarial valuation of the scheme as at 30 September 2017 was carried out on 30 June 2015, and was updated in accordance with International Accounting Standard 19 (IAS 19) to 31 December 2017 by a qualified independent actuary.

The information disclosed below is in respect of the whole of the schemes for which the Company is either the sponsoring employer or has been allocated a share of cost under agreed group policy throughout the years shown.

	2017 £'000	2016 £'000
Total defined benefit asset	(195,536)	(184,117)
Total defined benefit liability	237,375	241,487
Net liability for defined benefit obligations	41,839	57,370

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

11 EMPLOYEE BENEFITS (CONTINUED)

Movements in net defined benefit liability

	Defined benefit obligation		Fair value of plan assets		Net defined benefit asset	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Balance at 1 January	241,487	178,366	(184,117)	(153,252)	57,370	25,114
Included in profit or loss						
Current service cost	2,645	2,373	-	-	2,645	2,373
Interest cost/(income)	6,450	6,631	(4,986)	(5,813)	1,464	818
Expenses paid from plan assets	-	-	717	597	717	597
	<u>9,095</u>	<u>9,004</u>	<u>(4,269)</u>	<u>(5,216)</u>	<u>4,826</u>	<u>3,788</u>
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss/(gain) arising from						
- Changes in demographic assumptions	1,818	6,200	-	-	1,818	6,200
- Change in financial assumptions	(7,103)	54,251	-	-	(7,103)	54,251
- Experience adjustment	(921)	(2,411)	-	-	(921)	(2,411)
Return on scheme assets greater/(less) than discount rate	-	-	(7,416)	(22,700)	(7,416)	(22,700)
	<u>(6,206)</u>	<u>58,040</u>	<u>(7,416)</u>	<u>(22,700)</u>	<u>(13,622)</u>	<u>35,340</u>
Other						
Contributions paid by the employer	-	-	(6,735)	(6,872)	(6,735)	(6,872)
Benefits paid from scheme assets	(7,001)	(3,923)	7,001	3,923	-	-
Balance at 31 December	<u><u>237,375</u></u>	<u><u>241,487</u></u>	<u><u>(195,536)</u></u>	<u><u>(184,117)</u></u>	<u><u>41,839</u></u>	<u><u>57,370</u></u>

Scheme assets	2017 £'000	2016 £'000
Equity instruments	31,664	27,796
Debt instruments	96,299	87,164
Cash and cash equivalents	1,791	1,766
Investment funds	49,352	54,168
Other	16,430	13,223
Total	<u><u>195,536</u></u>	<u><u>184,117</u></u>

Scheme assets do not include any of Celltech Group Limited's own financial instruments, or any property occupied by Celltech Group Limited.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates on return experiences in the respective markets.

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

11 EMPLOYEE BENEFITS (CONTINUED)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2017	2016
Discount rate at 31 December	2.60%	2.70%
Salary increase rate	3.20%	3.10%
Price inflations - RPI	3.20%	3.50%
Price inflations - CPI	2.20%	2.50%

The assumptions relating to longevity underlying the pension liabilities at the Balance Sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 23.5 years (male), 25.0 years (female)
- Future retiree upon reaching 65: 25.3 years (male), 27.0 years (female)

Sensitivity analysis

Discount rate

The effect of reducing the discount rate by 0.50% per annum would increase the scheme liabilities by 11% (2016: 10%).

The effect of increasing the discount rate by 0.50% per annum would decrease the scheme liabilities by 10% (2016: 9%).

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2017 and are applied to adjust the defined benefit obligation at the end of the reporting year for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The scheme is funded by fellow Group undertakings. Contributions are accounted for on an accruals basis at rates agreed by the trustee and employers of the scheme on the recommendations of the scheme actuary.

Contributions of £3.9 million are expected to be paid into the defined benefit scheme in 2018. The weighted average duration of the defined benefit obligation at 31 December 2017 is 20.0 years (31 December 2016: 19.6 years).

12 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.

13 ULTIMATE PARENT COMPANY

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

The ultimate parent company and controlling party of the Company is UCB S.A., a company incorporated in Belgium, which is the parent undertaking of the smallest and largest group in which the Company's results are consolidated.

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.

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

14 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.

Employee benefits

The Company currently has defined benefit plans, which are disclosed in note 11. The calculation of the assets or liabilities related to these plans is based upon statistical and actuarial assumptions. This is in particular the case for the present value of the defined benefit obligation which is impacted by assumptions on discount rates used to arrive at the present value of future pension liabilities, and assumptions on future increases in salaries and benefits. Furthermore, the Company uses statistically-based assumptions covering areas such as future withdrawals of participants from the plans and estimates of life expectancy. The actuarial assumptions used might differ materially from actual results due to changes in market and economic conditions, higher or lower employee turnover, longer or shorter life spans of participants, and other changes in the factors being assessed. These differences could impact the assets or liabilities recognised in the Balance Sheet in future periods.

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.

Impairment of investments

At each reporting date, the Company reviews the carrying amount of its investments in subsidiaries to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. To determine the value in use, the Company uses estimates of future cash flows generated by the asset or the CGU, using the same methods as those used in the initial measurement of the asset or the CGU on the basis of the medium-term plans of each business activity. Estimated cash flows are discounted using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the asset or the CGU.

An impairment loss is recognised directly in the statement of comprehensive income under the "impairment of fixed asset investment" caption.

15 SUBSEQUENT EVENTS

There are no significant events since the year end.