

**CAMBRIDGE DRUG DISCOVERY
HOLDINGS LIMITED**

Report and Financial Statements

31 December 2005



CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

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CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Christopher Newton
Onno van de Stolpe

COMPANY SECRETARY AND REGISTERED OFFICE

Johan Gustaaf Cyriel Van den Eynde
Chesterford Research Park
Saffron Walden
Essex CB10 1XL

BANKERS

The Royal Bank of Scotland plc
62-63 Threadneedle Street
London EC2R 8LA

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Cambridge

CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the company for the 9 months ended 31 December 2005.

This directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

PRINCIPAL ACTIVITIES

The principal activity of the company was that of a holding company.

REVIEW DEVELOPMENTS AND FUTURE PROSPECTS

The company did not trade during the period and is expected to remain dormant for the foreseeable future.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period are as follows:

Christopher Newton	(appointed 7 November 2005)
Onno van de Stolpe	(appointed 7 November 2005)
Geoffrey McMillan	(resigned 7 November 2005)
Stephen France	(resigned 22 November 2005)

In accordance with Statutory Instrument No. 802 none of the directors had any disclosable interest in the shares, or rights to receive shares, of the company or its parent at the end of the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved:

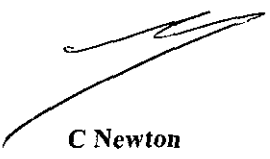
- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP were appointed as auditors during the period. They have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



C Newton
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

We have audited the financial statements of Cambridge Drug Discovery Holdings Limited for the 9 months ended 31 December 2005 which comprise the balance sheet and the related notes 1 to 7. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its result for the 9 months then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Cambridge, United Kingdom

26 January 2007

CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED


BALANCE SHEET

31 December 2005

	Note	31 December 2005 £	31 March 2005 £
FIXED ASSETS			
Investments	3	2,080,310	2,080,310
CURRENT ASSETS			
Debtors: amounts falling due after more than one year	4	7,756,939	7,756,939
NET ASSETS		<u>9,837,249</u>	<u>9,837,249</u>
CAPITAL AND RESERVES			
Called up share capital	5	302,915	302,915
Share premium account		12,556,771	12,556,771
Profit and loss account		(3,022,437)	(3,022,437)
EQUITY SHAREHOLDERS' FUNDS		<u>9,837,249</u>	<u>9,837,249</u>

These financial statements were approved by the Board of Directors on 12 January 2007

Signed on behalf of the Board of Directors



C Newton
Director

CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

9 months ended 31 December 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidation

The company was, at the end of the period, a wholly owned subsidiary of another company incorporated in the United Kingdom. As a result, the company, in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated financial statements. The financial statements therefore provide information about the company and not about its group.

Cash flow statement

Under FRS 1 (revised 1996) 'Cash flow statements' the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Investments

Fixed asset investments are stated at cost less provision for impairment.

2. PROFIT AND LOSS ACCOUNT

The company has not traded during the period or preceding period and has therefore made neither a profit or loss nor any other recognised gains or losses in either period.

3. FIXED ASSETS INVESTMENTS

	Interests in group undertakings £
Cost and net book value	
At 1 April 2005 and 31 December 2005	2,080,310

Interests in group undertakings comprise the following:

Name of company	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held %
Cambridge Discovery Limited	Great Britain	Ordinary and preference shares	100
Cambridge Genetics Limited	Great Britain	Ordinary shares	100

The subsidiary companies did not trade during the period.

CAMBRIDGE DRUG DISCOVERY HOLDINGS LIMITED

NOTES TO THE ACCOUNTS 9 months ended 31 December 2005

4. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2005 £	31 March 2005 £
Amounts due from subsidiary company	7,581,965	7,581,965
Amounts due from immediate parent company	174,974	174,974
	<u>7,756,939</u>	<u>7,756,939</u>

5. CALLED UP SHARE CAPITAL

	31 December 2005 £	31 March 2005 £
Authorised:		
111,540 ordinary shares of £1 each	111,540	111,540
88,634 "A" ordinary shares of £1 each	88,634	88,634
162,259 "B" ordinary shares of £1 each	162,259	162,259
	<u>362,433</u>	<u>362,433</u>
Called up and allotted		
90,613 ordinary shares of £1 each	90,613	90,613
88,634 "A" ordinary shares of £1 each	88,634	88,634
123,668 "B" ordinary shares of £1 each	123,668	123,668
	<u>302,915</u>	<u>302,915</u>

The "A" and "B" ordinary shares are convertible into a like number of ordinary shares at any time. In the event of a return of capital the "B" ordinary shareholders have first priority, followed secondly by the "A" ordinary shareholders and finally by the ordinary shareholders. In all other respects the "A" and "B" ordinary shares are identical to the ordinary shares.

6. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions available to 90% subsidiaries under Financial Reporting Standard No 8 "Related party disclosures" not to disclose transactions with other group companies (or investees of the group qualifying as related parties).

7. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of BioFocus Discovery Limited, incorporated in the United Kingdom. The ultimate parent company and controlling party is Galapagos NV, incorporated in Belgium.

The largest and smallest group in which the results of the company are consolidated is that headed by Galapagos NV. The consolidated accounts of Galapagos NV are available to the public and may be obtained from Galapagos NV, General De Wittelaan, L11/A3, 2800 Mechelen, Belgium.