



CHIROSCIENCE R&D LTD

2001 Report and Accounts



Registered Number: 3503756  
Registered Office:  
208 Bath Road  
Slough  
Berkshire SL1 3WE

**DIRECTORS' REPORT**

The Directors present their report and accounts for the 12 months to 31 December 2001.

**RESULTS AND DIVIDENDS**

The retained profit for the year amounted to £0.1 million (2000:£1.5 million profit). The Directors do not recommend the payment of a dividend in respect of the period ended 31 December 2001 (2000: £nil).

**PRINCIPAL ACTIVITIES**

The Company's principal activities during the period were the provision of contract research and development services related to the discovery, development and commercialisation of pharmaceutical and diagnostic products.

**REVIEW OF BUSINESS OPERATIONS AND FUTURE DEVELOPMENTS**

Readers are referred to the Chairman's Report, Chief Executive's Report and Business Review and the Financial Review in the accounts of the Parent Company, Celltech Group plc, containing details of the Company's research and development programmes.

**RESEARCH AND DEVELOPMENT**

The Company's expenditure on research and development, amounted to £16.8 million (2000:£15.7 million) all of which has been written off to the profit and loss account during the period.

**DIRECTORS AND DIRECTORS' INTERESTS**

The Directors who served during the period are as follows:

Dr P J Fellner

P V Allen

Dr P J Fellner and P V Allen are Directors of Celltech Group plc and their interests in the share capital of Celltech Group plc are shown in the accounts of that company.

**AUDITORS**

A resolution will be proposed at the Annual General meeting to re-appoint KPMG Audit Plc as auditors.

On behalf of the Board

P V Allen

Director

24 October 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the Directors to prepare accounts for each financial period which 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 those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHIROSCIENCE GROUP LIMITED**

We have audited the financial statements on pages 4 to 10.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

**BASIS OF OPINION**

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

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

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
25 October 2002

# Chiroscience R&D Ltd

## PROFIT AND LOSS ACCOUNT

for year ended 31 December 2001

	Notes	31 December 2001 £m	31 December 2000 £m
<b>Turnover</b>	2	<b>18.5</b>	22.4
Cost of sales		(0.8)	(3.7)
<b>Gross Profit</b>		<b>17.7</b>	18.7
Sales, general and administrative costs		(0.8)	(1.5)
Research and development costs		(16.8)	(15.7)
<b>Operating profit</b>	3	<b>0.1</b>	1.5
<b>Profit on ordinary activities before taxation</b>		<b>0.1</b>	1.5
Tax on ordinary activities	4	-	-
<b>Profit on ordinary activities after taxation and retained profit for the period</b>		<b>0.1</b>	1.5

There were no recognised gains and losses other than the profit attributable to members of the Company of £0.1 million (2000:£1.5 million).

The notes of pages 6 to 10 form an integral part of these accounts.

# Chiroscience R&D Ltd

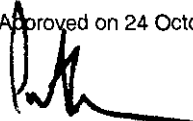
## BALANCE SHEET

as at 31 December 2001

	Notes	31 December 2001 £m	31 December 2000 £m
<b>Fixed assets</b>			
Tangible assets	5	15.5	13.5
<b>Current assets</b>			
Stock	6	0.6	0.7
Debtors	7	34.9	1.1
Cash		0.1	-
		35.6	1.8
<b>Creditors</b>			
Amounts falling due within one year	8	(47.7)	(12.0)
<b>Net current liabilities</b>		<b>(12.1)</b>	<b>(10.2)</b>
<b>Total assets less current liabilities</b>		<b>3.4</b>	<b>3.3</b>
<b>Capital and reserves</b>			
Share capital	9	-	-
Profit and loss account	10	3.4	3.3
<b>Equity shareholders' funds</b>		<b>3.4</b>	<b>3.3</b>

The notes on pages 6 to 10 form an integral part of these accounts.

Approved on 24 October 2002



P V Allen  
DIRECTOR

## NOTES TO THE ACCOUNTS

as at 31 December 2001

### 1. ACCOUNTING POLICIES

#### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

#### FINANCIAL SUPPORT

The accounts have been prepared under the going concern concept because a fellow subsidiary undertaking has agreed not to recall the loan advanced to the Company until all other creditors have been met. Further the subsidiary undertaking has agreed to provide adequate funds for the Company to meet its liabilities as they fall due.

#### CASH FLOW STATEMENT

No cashflow statement has been prepared in line with FRS1 (revised) as the company is a wholly owned subsidiary of a UK parent and is included in group accounts prepared by the ultimate parent company which are publicly available (see note 15).

#### DEPRECIATION

Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Leasehold properties and improvements	- the shorter of 20 years or the lease term
Research and scale-up equipment	- 2 to 7 years
Vehicles and office equipment	- 2 to 7 years

#### GOVERNMENT GRANTS

Grants of a revenue nature are credited to income in the period to which they relate.

#### STOCKS

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and is calculated as the average direct cost of production plus attributable overheads.

#### RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred.

#### DEFERRED TAXATION

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

#### REVENUES AND INCOME RECOGNITION

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

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

#### FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

#### PENSIONS

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

#### NEWLY ADOPTED ACCOUNTING STANDARDS

UK Financial Reporting Standard 18 (FRS 18) – 'Accounting Policies' requires an entity to adopt accounting policies most appropriate to its particular circumstances, to review them regularly for appropriateness and to disclose sufficient information to enable users of financial statements to understand the policies adopted and how they have been implemented. The impact of adoption on Chiroscience R&D Limited's Financial Statements was not material.

The Group has adopted FRS 19 'Deferred Taxation' in the year, the impact of adoption is not material. In addition, the following new accounting standard has been issued but has not yet been fully adopted:

UK Financial reporting Standard 17 ('FRS 17') – 'Retirement Benefits' becomes fully effective for accounting periods ending on or after 22 June 2003, with increasing levels of disclosure required for each accounting period ending on or after 22 June 2001. It sets out the requirements for accounting for retirement benefits, including the fair value of assets and liabilities arising from employer's obligations, the treatment of related costs, and level of disclosure. Chiroscience R&D Limited has adopted FRS 17 to the extent of the mandated disclosure requirements for the year ended 31 December 2001.

**NOTES TO THE ACCOUNTS**

as at 31 December 2001

**2. TURNOVER**

An analysis of revenues is given below by location of the customer:

	31 December 2001 £m	31 December 2000 £m
United Kingdom	17.7	20.2
Rest of the World	0.8	0.1
United States of America	-	2.1
	<b>18.5</b>	<b>22.4</b>

All revenues and operating profits originate from net assets situated in the United Kingdom, and are derived from continuing activities.

**3. OPERATING PROFIT**

(a) This is stated after charging:

	31 December 2001 £m	31 December 2000 £m
Depreciation - owned assets	1.5	1.0
- assets held under finance leases	-	0.1
Operating lease rentals - land and buildings	1.7	1.4
- vehicles	-	-

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

(b) Directors' remuneration

Remuneration of Directors was borne by another group company.

The total emoluments of the Directors in connection with their services to the Group are disclosed in the accounts of Celltech Group plc.

(c) Employees

	31 December 2001 £m	31 December 2000 £m
Wages and salaries	6.1	6.2
Social security costs	0.6	0.7
Other pension costs	0.4	0.4
	<b>7.1</b>	<b>7.3</b>

The average number of employees during the period was 168 (2000: 156).

No Director received any remuneration from this Company for the period in respect of their duties. Remuneration of Directors was borne by another Group Company. Details of the auditors' remuneration for the Group can be found in the statutory accounts of the parent undertaking Celltech Group plc (see note 15).

**4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The company has no tax liability in the period due to the surrender of losses from other group companies.



**NOTES TO THE ACCOUNTS**

as at 31 December 2001

**5. TANGIBLE FIXED ASSETS**

	Leasehold land & buildings £m	Research & scale-up equipment £m	Vehicles & office equipment £m	Total £m
Cost or valuation:				
At 31 December 2000	10.1	7.3	2.3	19.7
Additions	(1.1)	2.5	0.8	2.2
Disposals	-	(0.4)	(0.2)	(0.6)
<b>At 31 December 2001</b>	<b>9.0</b>	<b>9.4</b>	<b>2.9</b>	<b>21.3</b>
Depreciation:				
At 31 December 2000	0.7	4.5	1.0	6.2
Reallocation of depreciation	(0.6)	(0.8)	0.1	(1.3)
Provided during period	0.5	0.8	0.2	1.5
Disposals	-	(0.4)	(0.2)	(0.6)
<b>At 31 December 2001</b>	<b>0.6</b>	<b>4.1</b>	<b>1.1</b>	<b>5.8</b>
Net book value:				
<b>At 31 December 2001</b>	<b>8.4</b>	<b>5.3</b>	<b>1.8</b>	<b>15.5</b>
At 31 December 2000	9.4	2.8	1.3	13.5

Included above are items held under finance leases with a net book value of £nil million (2000: £2.1 million).

The reclassification of capitalised projects included in the opening balance of leasehold land and buildings and completed during the year is reflected above as a negative movement in additions for leasehold land and buildings.

The reallocation of depreciation represents an adjustment for depreciation allocated to Chiroscience R&D Limited from Celltech R&D Limited in prior years.

**6. STOCK**

	31 December 2001 £m	31 December 2000 £m
Raw materials and consumables	0.1	0.1
Work in progress	-	0.1
Clinical trials material	0.5	0.5
	<b>0.6</b>	<b>0.7</b>

**7. DEBTORS**

	31 December 2001 £m	31 December 2000 £m
Trade debtors	1.5	0.9
Amounts owed by other group companies	33.0	-
Prepayments and accrued income	0.4	0.2
	<b>34.9</b>	<b>1.1</b>

**8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 December 2001 £m	31 December 2000 £m
Trade creditors	-	-
Other creditors and accruals	2.0	4.5
Deferred income	3.4	4.7
Amounts owed to other group companies	42.3	2.8
	<b>47.7</b>	<b>12.0</b>

**NOTES TO THE ACCOUNTS**

as at 31 December 2001

**9. SHARE CAPITAL**

	Number	£m
Ordinary shares of £1 each		
Authorised		
At 31 December 2000 and 31 December 2001	100	-
Allotted, called up and fully paid		
At 31 December 2000 and 31 December 2001	2	-

All of the shares were allotted upon incorporation, for a consideration of £1 per share.

**10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share Capital £m	Profit & loss account £m	Total £m
At 31 December 2000	-	3.3	3.3
Profit for the period	-	0.1	0.1
<b>At 31 December 2001</b>	<b>-</b>	<b>3.4</b>	<b>3.4</b>

**11. CAPITAL COMMITMENTS**

	31 December 2001 £m	31 December 2000 £m
Contracted but not provided	-	1.2

**12. PENSION COMMITMENTS**

**SSAP 24**

The Company is a member of the Celltech Pension and Life Assurance Scheme which is a funded defined benefit scheme. The pension charge for the year was £0.5m (2000: £0.4m) and was assessed during the actuarial valuation updated to 31 December 2001 by a professional actuary. There was no material prepayment or accrual as at 31 December 2001. The Company has taken advantage of the disclosure exemption in SSAP 24 and further information relating to this scheme is disclosed in the accounts of Celltech Group plc.

The Company is also a member of a funded defined contribution scheme. The contributions payable to the scheme for the year were £0.3m (2000: £0.3m).

**FRS 17**

As the defined benefit scheme is run for the group as a whole it is not possible to distinguish the assets and liabilities relating to the Company. As permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the Company when the accounting standard is fully adopted by the Company as if the scheme was a defined contribution scheme. The latest full actuarial valuation of the scheme was carried out at 30 September 1999 and was updated by the Group for FRS 17 purposes to 31 December 2001.

The updated actuarial valuation at the year end showed a deficit of £1.8m. The company anticipates that its future contributions to the scheme will be at a level of 16% (2001: 13%).

The Company contributions to the scheme were £0.5m (2000: £0.4m).

**13. OTHER FINANCIAL COMMITMENTS**

At 31 December 2001 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 31 December 2001 £m	31 December 2000 £m
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	-
In over five years	1.7	1.7
	<b>1.7</b>	<b>1.7</b>

**NOTES TO THE ACCOUNTS**

as at 31 December 2001

**14. RELATED PARTY TRANSACTIONS**

The Company has taken advantage of the exemption under FRS8 for wholly owned subsidiary undertakings included in consolidated accounts not to disclose related party transactions.

**15. PARENT UNDERTAKING**

The parent undertaking is Chiroscience Group Limited and the ultimate holding company is Celltech Group plc. Both companies are registered in England and Wales.

Copies of Celltech Group plc's accounts, which include the results of the company, can be obtained from:

Company Secretary  
208 Bath Road  
Slough  
Berkshire  
SL1 3WE