



CELLTECH

CHIROSCIENCE R&D LTD

2002 Report and Accounts

Registered Number: 3503756

Registered Office:

208 Bath Road

Slough

Berkshire SL1 3WE



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COMPANIES HOUSE

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29/10/03

**DIRECTORS' REPORT**

The Directors present their report and accounts for the 12 months to 31 December 2002.

**RESULTS AND DIVIDENDS**

The retained profit for the year amounted to £nil (2001:£0.1 million profit). The Directors do not recommend the payment of a dividend in respect of the period ended 31 December 2002 (2001: £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 £14.7 million (2001: £16.8 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 – resigned 16 April 2003

P V Allen

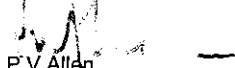
Dr G A Ando – appointed 16 April 2003

The interests of Dr P J Fellner and P V Allen in the share capital of Celltech Group plc as at 31 December 2002 are shown in the accounts of that company.

**AUDITORS**

KPMG Audit Plc has expressed its willingness to continue in office as Auditor and a resolution proposing its reappointment will be proposed at the Annual General meeting.

On behalf of the Board



P V Allen

Director

23 October 2003

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. 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, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 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.

**REPORT OF THE INDEPENDENT AUDITOR'S TO THE MEMBERS OF CHIROSCIENCE R&D LIMITED**

We have audited the financial statements on pages 4 to 9.

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 auditor's 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**

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 AUDIT 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 2002 and of its result 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  
23 October 2003

## Chiroscience R&D Ltd

### PROFIT AND LOSS ACCOUNT

for year ended 31 December 2002

	Notes	31 December 2002 £m	31 December 2001 £m
Turnover	2	15.5	18.5
Cost of sales		-	(0.8)
<b>Gross Profit</b>		<b>15.5</b>	<b>17.7</b>
Sales, general and administrative costs		(0.8)	(0.8)
Research and development costs		(14.7)	(16.8)
<b>Operating profit</b>	3	<b>-</b>	<b>0.1</b>
<b>Profit on ordinary activities before taxation</b>		<b>-</b>	<b>0.1</b>
Tax on ordinary activities	4	-	-
<b>Profit on ordinary activities after taxation and retained profit for the year</b>		<b>-</b>	<b>0.1</b>

All items relate to continuing operations.

There were no recognised gains and losses other than the profit attributable to members of the Company of £nil (2001:£0.1 million).

The notes of pages 6 to 9 form an integral part of these accounts.

# Chiroscience R&D Ltd

## BALANCE SHEET

as at 31 December 2002

	Notes	31 December 2002 £m	31 December 2001 £m
<b>Fixed assets</b>			
Tangible assets	5	14.7	15.5
<b>Current assets</b>			
Stock	6	-	0.6
Debtors	7	48.5	34.9
Cash		0.1	0.1
		48.6	35.6
<b>Creditors</b>			
Amounts falling due within one year	8	(59.9)	(47.7)
<b>Net current liabilities</b>		(11.3)	(12.1)
<b>Total assets less current liabilities</b>		3.4	3.4
<b>Capital and reserves</b>			
Share capital	9	-	-
Profit and loss account	10	3.4	3.4
<b>Equity shareholders' funds</b>	10	3.4	3.4

The notes on pages 6 to 9 form an integral part of these accounts.

Approved on 23 October 2003



P V Allen  
DIRECTOR

**NOTES TO THE ACCOUNTS**

as at 31 December 2002

**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.

**RELATED PARTY TRANSACTIONS**

As permitted by FRS8, details of transactions with the parent undertaking, Celltech Group plc, have not been disclosed since the Company is a wholly owned subsidiary of a parent company whose financial statements are publicly available (see note 15).

**CASH FLOW STATEMENT**

No cashflow statement has been prepared in line with FRS1 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

**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 Company contributes to individual personal pensions plans for employees. The contributions made by the Company are charged to the profit and loss account as they become payable.

# Chiroscience R&D Ltd

## NOTES TO THE ACCOUNTS

as at 31 December 2002

### 2. TURNOVER

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

	31 December 2002 £m	31 December 2001 £m
United Kingdom	15.5	17.7
Rest of the World	-	0.8
	15.5	18.5

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 2002 £m	31 December 2001 £m
Depreciation - owned assets	1.9	1.5
Operating lease rentals - land and buildings	1.7	1.7

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 2002 £m	31 December 2001 £m
Wages and salaries	4.5	6.1
Social security costs	0.5	0.6
Other pension costs	0.4	0.4
	5.4	7.1

The average number of employees during the period was 152 (2001: 168).

### 4. TAXATION

	Year to 31 December 2002 £m	Year to 31 December 2001 £m
UK Corporation tax at 30% (2001: 30%)	(0.1)	(1.4)
Surrendered for group relief	-	1.4
Current tax losses not recognised	0.1	-
<b>Total current tax</b>	-	-

The table below reconciles the actual tax charge to the expected tax charge, computed by applying the UK tax rate of 30% (2001: 30%) to the loss on ordinary activities before taxation:

	Year to 31 December 2002 £m	Year to 31 December 2001 £m
Expected tax credit at UK corporation tax rate	-	-
Accelerated capital allowances	(0.1)	(1.4)
Surrendered for group relief	-	1.4
Current tax losses not recognised	0.1	-
<b>Current taxation charge</b>	-	-

No deferred taxation asset has been recognised (2001: nil).

There are no taxation losses (2001: £nil).



**NOTES TO THE ACCOUNTS**

as at 31 December 2002

**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 2001	9.0	9.4	2.9	21.3
Additions	0.6	0.3	0.2	1.1
Disposals	-	(0.2)	-	(0.2)
<b>At 31 December 2002</b>	<b>9.6</b>	<b>9.5</b>	<b>3.1</b>	<b>22.2</b>
Depreciation:				
At 31 December 2001	0.6	4.1	1.1	5.8
Provided during period	0.4	1.1	0.4	1.9
Disposals	-	(0.2)	-	(0.2)
<b>At 31 December 2002</b>	<b>1.0</b>	<b>5.0</b>	<b>1.5</b>	<b>7.5</b>
Net book value:				
<b>At 31 December 2002</b>	<b>8.6</b>	<b>4.5</b>	<b>1.6</b>	<b>14.7</b>
At 31 December 2001	8.4	5.3	1.8	15.5

Included above are items held under finance leases with a net book value of £nil (2001: £nil).

**6. STOCK**

	31 December 2002 £m	31 December 2001 £m
Raw materials and consumables	-	0.1
Work in progress	-	-
Clinical trials material	-	0.5
	-	0.6

**7. DEBTORS**

	31 December 2002 £m	31 December 2001 £m
Trade debtors	0.1	1.5
Amounts owed by other group companies	47.9	33.0
Prepayments and accrued income	0.5	0.4
	48.5	34.9

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

	31 December 2002 £m	31 December 2001 £m
Trade creditors	-	-
Other creditors and accruals	1.7	2.0
Deferred income	2.3	3.4
Amounts owed to other group companies	55.9	42.3
	59.9	47.7

# Chiroscience R&D Ltd

## NOTES TO THE ACCOUNTS

as at 31 December 2002

### 9. SHARE CAPITAL

	Number	£m
Ordinary shares of £1 each		
Authorised		
At 31 December 2001 and 31 December 2002	100	-
Allotted, called up and fully paid		
At 31 December 2001 and 31 December 2002	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 2001	-	3.4	3.4
Profit for the period	-	-	-
At 31 December 2002	-	3.4	3.4

### 11. CAPITAL COMMITMENTS

There were no capital commitments contracted for but not provided.

### 12. PENSION COMMITMENTS

The Company makes defined contributions to individual personal pension plans of employees. The cost of contributions made during the year was £0.4 million (2001: £0.5 million).

### 13. OTHER FINANCIAL COMMITMENTS

At 31 December 2002 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 31 December 2002 £m	31 December 2001 £m
Operating leases which expire:		
Within one year	-	-
Within two to five years	-	-
In over five years	1.7	1.7
	1.7	1.7

### 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

On 28 March 2002, the issued share capital of the Company was transferred from Chiroscience Group Limited to Celltech Group plc.

Celltech Group plc is 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