KuDOS PHARMACEUTICALS LIMITED

Financial Statements

31 March 2006

Registered number: 3479984

Directors' Report and Financial Statements

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Directors:	Graeme Musker Ian Brimicombe	**Registered Office:**	15 Stanhope Gate London W1K 1LN
		Auditor:	KPMG Audit Plc Chartered Accountants Registered Auditor 8 Salisbury Square London EC4Y 8BB
Secretary:	Adrian Kemp		
Date:	18 August 2006		

DIRECTORS' REPORT 2006

To be submitted to the Shareholders at the Annual General Meeting of the Company to be held at 15 Stanhope Gate, London, W1K 1LN, on 14 September 2006.

The Directors of KuDOS Pharmaceuticals Limited submit their report, together with the Financial Statements of the Company for the year ended 31 March 2006.

Review of Business

The principal activity of the Company is research into DNA repair mechanisms and the development of compounds to inhibit such repair in cancer cells. The Company is committed to a significant level of research and development expenditure, which totalled £9,776,561 during the year (2005: £9,792,958).

The principal risk to the Company is that the approach of using compounds that inhibit DNA repair mechanisms fails to demonstrate clinical benefit to cancer patients.

Revenue recognised in the current year relates to licensing income.

On 31 January 2006, AstraZeneca UK Limited acquired 100% of the issued share capital of KuDOS Pharmaceuticals Limited.

Auditors

Following the acquisition of all of the share capital of the company by AstraZeneca UK Limited on 31 January 2006, PricewaterhouseCoopers LLP resigned as auditor of the Company and KPMG Audit Plc were appointed in their place.

The Directors of the Company at the date of approval of the Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are individually unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

A resolution to reappoint KPMG Audit Plc as auditors to the Company will be proposed at the Annual General Meeting.

Directors and officers

The directors believe that KuDOS Pharmaceuticals Limited will continue to operate as a going concern due to continued funding and financial support from AstraZeneca PLC, the ultimate parent company.

The Directors whose names appear at the head of this report were Directors of the Company at the date of the report.

DIRECTORS' REPORT 2006 (continued)

The Directors of the Company during the year are listed below:

Executive directors

Professor S P Jackson	(resigned 31 January 2006)
Dr J B Ward	(resigned 31 January 2006)

Non-executive directors

Dr R Auty	(resigned 31 January 2006)
Dr M Carter	(resigned 31 January 2006)
Dr R Kuijten	(resigned 31 January 2006)
Mr P Lee	(resigned 31 January 2006)
Mr R Long	(resigned 31 January 2006)
Dr R Whitaker	(resigned 31 January 2006)
Mr Z Zehavi	(resigned 31 January 2006)
Mr G Musker	(appointed 31 January 2006)
Mr I Brimicombe	(appointed 31 January 2006)

Company Secretary

Mr D Dally	(resigned 31 January 2006)
Mr A Kemp	(appointed 31 January 2006)

The interests of the Directors in office in the shares, debentures and share options of AstraZeneca PLC at date of appointment and 31 March 2006 were as follows:

Director	Class of Stock/Share /Debenture	Holding as at 31 January 2006 or date of appoint-ment	Holding as at 31 March 2006	Shares under option as at 31 January 2006 or date of appoint-ment	Options Granted	Options Exercised	Options Lapsed/ Waived/ Forfeited	Shares under option as at 31 March 2006
I M D Brimicombe	AstraZeneca PLC Ordinary Shares	1,496	1,496	28,353	4,707	-	-	33,060
G H R Musker	AstraZeneca PLC Ordinary Shares	2,143	2,143	105,944	13,012	14,914	-	104,042

Neither Director held any interest at any point during the year in the share capital of KuDOS Pharmaceuticals Limited.

Other

The Directors do not recommend the payment of a dividend (2005: £nil). However, the profit and loss account reflects appropriations through interest payable of £2,108,079 (2005: £2,360,000) in connection with the B ordinary shares, as detailed in note 7.

The Company maintains an open management style and involves employees in both daily decisions and longer term matters. The Company's policy is that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job. All judgements about people for the purposes of recruitment, development and promotion are made solely on the basis of their ability and potential in relation to the needs of the job. It is the Company's policy that disabled people should have the same consideration as others for job vacancies. Depending on their skills and abilities they enjoy the same career prospects as other employees and the same scope for realising their potential. The Company operates a Joint Consultation process between employee representatives and management at both a site and national level in the UK.

A resolution authorising the Directors to agree auditor remuneration will be submitted to the Annual General Meeting.

By Order of the Board

Adrian Kemp
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with UK Accounting Standards.

The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company as at the end of the accounting period and of the profit and loss of the Company 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; 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 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.

Under applicable law the Directors are also responsible for preparing a Directors' Report that complies with that law.

INDEPENDENT AUDITORS' REPORT

Report of the Independent Auditors to the Members of KuDOS Pharmaceuticals Limited

We have audited the Financial Statements of KuDOS Pharmaceuticals Limited for the year ended 31 March 2006 which comprise of a Profit and Loss Account, a Balance Sheet, a Cash Flow Statement and the related notes. 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 on page 5, the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant 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 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 the UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 March 2006 and of its loss 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
8 Salisbury Square
London EC4Y 8BB

24 August 2006

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2006	Notes	2006 £	2005 Restated £
Turnover	1	554,699	516,857
Gross profit		554,699	516,857
Research and development		(9,776,561)	(9,792,958)
General and administrative expenses	3	(5,653,994)	(5,196,750)
Other operating income		100,015	133,054
Operating loss	1,2	(14,775,841)	(14,339,797)
Interest receivable and similar income	6	188,630	411,879
Interest payable and similar charges	7	(3,702,292)	(2,379,160)
Loss on ordinary activities before taxation		(18,289,503)	(16,307,078)
Taxation	8	877,289	1,203,045
Loss retained for the period		(17,412,214)	(15,104,033)

All activities were in respect of continuing operations. There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax.

Other than the loss for the periods presented, there are no other recognised gains or losses. Therefore, no statement of total recognised gains and losses has been presented.

BALANCE SHEET

At 31 March 2006

	Notes	2006	2005 Restated
		£	£
Fixed assets			
Intangible assets	9	-	-
Tangible fixed assets	10	504,695	707,337
Fixed asset investments	11	-	-
		504,695	707,337
Current assets			
Debtors	12	1,460,637	1,875,657
Short-term investments	13	-	1,031,902
Cash at bank and in hand		85,296	4,681,959
		1,545,933	7,589,518
Creditors: amounts falling due within one year			
Amounts owed to Group undertakings		(5,397,289)	-
Other amounts falling due within one year	14	(1,902,960)	(9,189,455)
Net current liabilities		(5,754,316)	(1,599,937)
Total assets less current liabilities		(5,249,621)	(892,600)
Creditors: amounts falling due after more than one year			
Preferred Ordinary 'A' and 'B' shares	15	(29,697,741)	(29,697,741)
Other amounts falling due in more than one year	15	(428,825)	(214,060)
Net liabilities		(35,376,187)	(30,804,401)
Capital and reserves			
Called-up share capital	17	14,549	6,964
Share premium account	18	4,181,672	1,436,576
Capital redemption reserve	18	12,495,151	12,495,151
Merger reserve	18	633,991	633,991
Profit and loss account	18	(52,701,550)	(45,377,083)
Shareholders' deficit	19	(35,376,187)	(30,804,401)

The Financial Statements on pages 7 to 22 were approved by the Board of Directors on 18 August 2006 and were signed on its behalf by:

Graeme Musker Director

Ian Brimicombe Director

CASH FLOW STATEMENT

For the year ended 31 March 2006	Notes	2006 £	2005 Restated £
Net cash outflow from operating activities	20	(13,358,845)	(9,768,875)
Returns on investment and servicing of finance			
Bank interest received		188,630	411,879
Bank interest paid		(179)	(167)
Interest paid to former shareholders		(1,535,484)	-
Interest paid to parent company		(35,482)	-
Interest paid on finance leases		(23,068)	(18,993)
		(1,405,583)	392,719
Taxation		1,307,401	1,000,000
Capital expenditure			
Purchase of intangible fixed assets		(377,288)	(275,000)
Purchase of tangible fixed assets		(56,302)	(63,860)
		(433,590)	(338,860)
Cash outflow before management of liquid resources and financing		(13,890,617)	(8,715,016)
Management of liquid resources			
Sale of short term investments	22	1,031,902	13,018,824
Net cash (outflow) / inflow before financing		(12,858,715)	4,303,808
Financing			
Repayment of finance leases		(151,452)	(140,617)
Loan from former shareholders		5,000,000	-
Repayment of loan from former shareholders		(5,000,000)	-
Loan from/(to) group companies		5,660,823	(339,561)
Issue of shares		2,752,681	-
		8,262,052	(480,178)
(Decrease)/ increase in cash in the year	22	(4,596,663)	3,823,630

ACCOUNTING POLICIES

Basis of presentation of financial information
The preparation of the Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New accounting standards
The Company has adopted the following accounting standards in the year:

Financial Reporting Standard No 17 "Retirement Benefits" (FRS 17). Under FRS 17, defined contributions schemes, such as those operated by KuDOS Pharmaceuticals Limited, continue to be charged to the profit and loss account as services are received. The adoption of FRS 17 has no effect on the Company's loss or net liabilities.

Financial Reporting Standard No. 21 "Events after the Balance Sheet Date" (FRS 21). The major effect of FRS 21 is to change the approach to dividends declared after the balance sheet date in respect of the year under review such that these dividends are no longer accrued for in the balance sheet. The adoption of FRS 21 has no effect on the Company's loss or net liabilities.

Financial Reporting Standard No 25 "Financial Instruments: Disclosure and Presentation" (FRS 25). Under FRS 25, the ordinary A shares and ordinary B shares previously reported as share capital are now reclassified as financial liabilities, because the shareholders have the right to require the Company to redeem some or all of the A ordinary shares and B ordinary shares held. FRS 25 has been applied fully retrospectively. The effect of adoption on the Company was to reduce net assets at 31 March 2004 by £29,697,741 and to increase the retained loss by £3,743,670 (2005: £6,103,671) as cumulative unpaid preferred dividends were reclassified as interest payable.

Basis of accounting
The accounts are prepared under the historical cost convention, in accordance with the Companies Act 1985, and UK Generally Accepted Accounting Practice (UK GAAP). The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These Financial Statements present information about the Company as an individual undertaking and not about its group. The following paragraphs describe the main accounting policies.

Turnover
Turnover excludes value added taxes and represents net invoice value less estimated rebates, refunds and settlement discounts. Amounts received or receivable for goods sold or services provided are recognised as revenue when the goods are delivered or the services are provided. Amounts received or receivable in respect of licence and royalty fees are recognised as revenue when the specific conditions stipulated in the relevant contracts or agreements have been satisfied or in the absence of any specific conditions, over an estimate of the period that the group expects to benefit from the licence or royalty.

Research and development
Internally generated research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

Government grants
Government grants are credited to the profit and loss account (as other operating income) on a case-by-case basis, assessed by the level of expenditure incurred on the specific grant project, when receipt of the grant is reasonably certain, and it is reasonably certain that the amounts will not need to be repaid.

Taxation
The charge for taxation is based on the profit for the year taking into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Post-retirement benefits
The Company accounts for pensions and other employee benefits (principally healthcare) under FRS 17 "Employee Benefits". The Company only participates in defined contribution schemes and the payments to defined contribution schemes are recognised in the profit and loss account as they fall due.

ACCOUNTING POLICIES (continued)

Share options
In accordance with the provisions of Urgent Issues Task Force Abstract 17 ("UITF 17"), "Employee share schemes", the Company makes charges to the profit and loss account when options are granted or shares issued, the charge being the estimated market value of the shares at the date of grant less the exercise price of the options or subscription price of the shares as the case may be. Where there are performance conditions to be met, the charge is made and spread over the performance period if there is a reasonable expectation that the performance criteria will be met.

Tangible fixed assets
The difference between the cost of each tangible fixed asset in use and its residual value is written off evenly over its estimated useful life. Assets under construction are not depreciated. Reviews are made periodically of the useful remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. All tangible fixed assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

Under this policy the following ranges of asset lives are applied:

Fixtures and fittings	3-6 years
Computer and office equipment	2-5 years
Laboratory equipment	3-5 years

Leasehold improvements are depreciated over the period of the lease.

Intangible assets
Rights purchased for use in development are capitalised and amortised over their estimated useful lives (generally not exceeding 20 years). Licences for early stage technology are written off immediately. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in the profit and loss account.

Fixed asset investments
Fixed asset investments are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Short term investments
Bank deposits which are not repayable on demand without penalty are treated as short term investments in accordance with FRS 1 (Revised). Movement in such investments are included under "management of liquid resources" in the Company's Cash Flow Statement.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates prevailing at the date of the Company balance sheet. Exchange differences on foreign currency borrowings and deposits are included within net interest. Exchange differences on all other transactions are taken to operating profit.

Leases
Rentals under operating leases are charged to the profit and loss account as incurred on a straight line basis.

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their expected useful lives. The capital element of the leasing commitment is shown as obligations under finance leases. The interest element of the leases is charged to the profit and loss account over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding.

NOTES RELATING TO THE FINANCIAL STATEMENTS

1. Segmental information

The Company has carried on one class of business during the year, being that of research and development. All turnover originates, and net liabilities are located, in the United Kingdom. All customers are located in the US.

	2006 £	2005 £
Operating profit/(loss) by destination		
US	554,699	516,857
UK	(15,330,540)	(14,856,654)
	(14,775,841)	(14,339,797)

2. Operating loss

	2006 £	2005 Restated £
Operating loss is stated after charging:		
Depreciation		
- owned assets	227,963	294,634
- assets held under finance leases	112,447	105,921
Amortisation	377,288	275,000
Impairment of fixed asset investment	-	3,126,570
Operating lease charges – land and buildings	277,500	277,500
Audit fees - audit work	17,700	-
- other	30,340	-

Audit fees shown were paid to KPMG Audit Plc. In respect of the year ended 31 March 2005, £13,500 and £13,400 were paid to PricewaterhouseCoopers LLP for audit work and other audit services respectively.

3. General and administrative expenses

	2006 £	2005 Restated £
Administrative expenses	(3,474,361)	(2,015,592)
UITF 17 – Share based payments charge	(2,257,476)	-
Foreign exchange gain/(loss)	77,843	(54,588)
Impairment of fixed asset investment	-	(3,126,570)
	(5,653,994)	(5,196,750)

NOTES (continued)

4. Emoluments of Directors

	2006 £	2005 £
Aggregate emoluments	955,402	248,849
Pension contributions	22,536	81,177
Payment for loss of office	234,000	-
	1,211,938	330,026

The directors appointed during the year, Mr I Brimicombe and Mr G Musker, did not receive any emoluments in respect of their services as directors of KuDOS Pharmaceuticals Limited during the year.

At the year end, no retirement benefits were accruing to any directors (2005: two directors) under a defined contribution pension scheme.

Emoluments payable to the highest paid director are as follows:

	2006 £	2005 £
Transaction bonus	644,250	-
Other emoluments	180,000	166,849
Pension contributions	17,000	75,033
Payment for loss of office	234,000	-
	1,075,250	241,882

On 31 January 2006 the highest paid director exercised options and purchased 136,081 ordinary shares in the Company.

5. Employee numbers and costs

The average monthly number of persons employed by the Company (including Directors) during the year was:

	2006 Number	2005 Number
By activity		
Research and development	59	66
Administration	12	20
	71	86

The aggregate payroll costs were as follows:

	2006 £	2005 £
Wages and salaries	3,876,283	2,985,705
Social security costs	561,951	324,862
Pension costs (see note 24)	220,303	299,913
	4,658,537	3,610,480

NOTES (continued)

6. Interest receivable and similar income

	2006	2005
	£	£
External interest receivable	188,630	411,879

7. Interest payable and similar charges

	2006	2005 Restated
	£	£
Interest payable and similar charges		
Interest payable on bank loans and overdrafts	179	167
Interest payable on finance leases	23,068	18,993
Interest payable to former shareholders	1,535,484	-
Interest payable on B Ordinary shares	2,108,079	2,360,000
Interest payable to Parent Company	35,482	-
	3,702,292	2,379,160

Interest payable to former shareholders all relates to a shareholder loan made and repaid within the accounting period.
Interest payable on B Odinary shares, which represents fixed cumulative preferential dividend at the rate of 8% per annum, was waived by the shareholders for a 39 day period ending 31 January 2006.

8. Taxation

	2006	2005 Restated
	£	£
UK corporation tax		
Current tax credit on loss for the period	877,289	1,203,045
Current tax credit on loss for the period	877,289	1,203,045
Deferred tax	-	-
Tax credit on loss on ordinary activities	877,289	1,203,045

The current tax credit for the period is lower than the standard rate of corporation tax in the UK (2005: lower).

	2006	2005 Restated
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	18,289,503	16,307,078
Loss on ordinary activities at 30% (2005: 16%)	5,486,851	2,609,132
Expenses not deductible for tax purposes	2,179,194	(378,296)
Capital allowances for period in excess of depreciation	(60,647)	(36,441)
Losses carried forward	(6,731,642)	(990,386)
Other timing differences	3,533	(964)
Total current tax credit	877,289	1,203,045

NOTES (continued)

8. Taxation (continued)

Deferred taxation

No provision is made for deferred tax due to the incidence of tax losses. The analysis of unprovided deferred tax assets in the company is as follows:

	Amount provided		Amount unprovided	
	2006	2005	2006	2005
	£	£	£	£
Tax effect of timing differences because of:				
Depreciation in excess of capital allowances	-	-	(223,592)	(103,106)
Short term timing differences	-	-	(10,285)	(8,752)
Losses	-	-	(14,167,577)	(4,706,259)
Net deferred tax asset	-	-	(14,401,454)	(4,818,117)

The potential deferred tax assets in respect of cumulative losses have not been recognised in these financial statements as there is no immediate prospect of these being utilised.

9. Intangible assets

	Licence fees
	£
Cost	
At 1 April 2005	2,529,994
Additions	377,288
At 31 March 2006	2,907,282
Amortisation	
At 1 April 2005	2,529,994
Charge for the year	377,288
At 31 March 2006	2,907,282
Net book value	
At 31 March 2006	-
Net book value	
At 31 March 2005	-

Licence fees

Due to the early stage nature of the development programmes, in which the licences above are used, the Directors believe it is appropriate to write off the intangible asset capitalised in the year.

10. Tangible fixed assets

	Laboratory equipment	Leasehold improvements	Office equipment	Computer equipment	Fixtures and fittings	Total
	£	£	£	£	£	£
Cost						
At 1 April 2005	1,740,003	344,034	46,583	277,635	20,472	2,428,727
Additions	135,777	-	-	1,088	903	137,768
At 31 March 2006	1,875,780	344,034	46,583	278,723	21,375	2,566,495
Depreciation						
At 1 April 2005	1,167,512	274,131	37,977	228,775	12,995	1,721,390
Charge for the year	262,372	30,937	3,637	40,514	2,950	340,410
At 31 March 2006	1,429,884	305,068	41,614	269,289	15,945	2,061,800
Net book value						
At 31 March 2006	445,896	38,966	4,969	9,434	5,430	504,695
At 31 March 2005	572,491	69,903	8,606	48,860	7,477	707,337

Included above are tangible fixed assets recorded at a cost of £625,584 and net book value of £316,567 (2005: cost £544,117 and net book value £347,548) in respect of assets held under finance leases.

11. Fixed asset investments

The principal companies in which the Company has an interest are as follows:

Subsidiaries	Country of registration	Percentage of shares held	Class of share
KuDOS Horsham Limited	UK	100%	Ordinary

	Shares in subsidiaries Restated £m
Cost	
At 1 April 2005 – as previously disclosed	1,103,694
Reclassification of debt forgiveness as capital contribution	3,126,570
Restated at 1 April 2005 and at 31 March 2006	4,230,264
Provision	
At 1 April 2005 – as previously disclosed	(1,103,694)
Impairment charge	(3,126,570)
Restated at 1 April 2005 and at 31 March 2006	(4,230,264)
Net book value	
At 1 April 2005 and 31 March 2006	-

The opening cost and provision amounts have been restated to reflect the FRS5 requirement to reflect the substance of the £3,126,570 debt forgiveness transaction during the year ended 31 March 2005 with Kudos Horsham Limited. This amount had previously been expensed to the profit and loss directly during that year.

12. Debtors

Amounts due within one year	2006 £	2005 £
Trade debtors	49,648	4,975
Corporation tax recoverable	-	1,307,401
Other debtors	90,322	139,381
Prepayment and accrued income	443,378	423,900
Amounts owed by group undertakings	877,289	-
	1,460,637	1,875,657

There are no debtors due after more than one year (2005: £nil).

13. Short-term investments

	2006 £	2005 £
Bank deposits	-	1,031,902

Short term investments in 2005 related to bank deposits that were not repayable on demand.

14. Creditors due within one year

	2006 £	2005 Restated £
Trade creditors	340,511	1,558,145
Other taxation and social security	106,094	123,786
Finance lease obligations	124,196	145,413
Accruals and deferred income	950,680	1,258,440
Amounts owed to group undertakings	381,479	-
Unpaid 8% preferential dividends on 'B' Ordinary shares	-	6,103,671
	1,902,960	9,189,455

15. Creditors due after more than one year

	2006 £	2005 Restated £
Finance lease obligations	91,502	140,271
Amounts owed to group undertakings	337,323	73,789
Preferred Ordinary A shares	197,741	197,741
Preferred Ordinary B shares	29,500,000	29,500,000
	30,126,566	29,911,801

16. Finance leases

Finance lease obligations are repayable as follows:

	2006 £	2005 £
Within one year	124,196	145,413
Between two and five years	91,502	140,271
	215,698	285,684

17. Called-up share capital

	2006 £	2005 £
Authorised		
Ordinary Shares of 1p each (2,000,000 shares)	20,000	20,000
Issued, allotted, called-up and fully paid		
1,454,925 Ordinary Shares of 1p each (2005: 696,397)	14,549	6,964

Shares reclassified as liabilities due to FRS 25 "Financial instruments: Disclosure and Presentation".

	2006 £	2005 £
Authorised		
A Ordinary Shares of 1p each (1,500,000 shares)	15,000	15,000
B Ordinary Shares of 1p each (6,500,000 shares)	65,000	65,000
	80,000	80,000
Issued, allotted, called-up and fully paid		
1,007,851 A Ordinary Shares of 1p each	10,079	10,079
3,554,735 B Ordinary Shares of 1p each	35,547	35,547
	45,626	45,626

Rights of shares
All shares carry one vote per share.

Any profits of the Company that the Directors resolve to be available for distribution shall be used to pay dividends in the following order of priority:

(i) first in paying to the holders of B ordinary shares a fixed cumulative preferential dividend at the rate of 8% per annum which shall accrue from 28 August 2002 on a daily basis on the subscription price of each B ordinary share;

(ii) second, in paying to the holders of A ordinary shares, a fixed cumulative preferential dividend at the rate of 8% per annum which shall accrue from 26 June 2008 on a daily basis on the subscription price of each A ordinary share provided the A ordinary preference dividend shall cease to accrue on the day following the day on which the aggregate of all A ordinary preference dividends accrued in respect of all A ordinary shares is equal to £13,000,000; and

(iii) third, in paying dividends to the holders of A ordinary shares, B ordinary shares and ordinary shares.

Every dividend shall be distributed to the appropriate shareholders pro rata according to the number of shares held by them respectively.

On liquidation or sale of the Company, the assets of the Company remaining after the payment of its liabilities or the proceeds of such sale shall be applied amongst the holders of shares in the following order of priority:

17. Called-up share capital (continued)

(i) first, in paying to the holders of the B ordinary shares in respect of their holdings of such shares pari passu and pro rata as to the number of such shares held, an amount equal to the subscription price of such B ordinary shares;

(ii) second, in paying to the holders of B ordinary shares in respect of their holdings of such shares pari passu and pro rata as to the number of such shares held, an amount equal to any accrued but unpaid dividend;

(iii) third, in paying to the holders of A ordinary shares in respect of their holdings of such shares pari passu and pro rata as to the number of such shares held, an amount equal to the subscription price of such A ordinary shares;

(iv) fourth, in paying to the holders of A ordinary shares in respect of their holdings of such shares pari passu and pro rata as to the number of such shares held, an amount equal to any accrued but unpaid dividend; and

(v) fifth, in paying the balance, if any, to the holders of B ordinary shares, A ordinary shares and ordinary shares pro rata to the number of shares of all such classes held by such persons.

In the event of a sale which is a sale of the entire issued share capital of the Company or a business sale, and the proceeds of which are not less than the total amount actually subscribed for shares prior to such sale then the proceeds of such sale shall be paid to the holders of shares pro rata to the number of shares held by such persons.

On or at any time after 28 August 2007, any holder of B ordinary shares may serve notice on the Company and require that the Company redeem some or all of the B ordinary shares held by such shareholder. Upon receipt of such notice the Company shall pay an amount equal to the subscription price of such B ordinary shares plus an amount equal to any accrued but unpaid preferred dividend.

At any time, any holder of A ordinary shares or B ordinary shares may serve notice on the Company to convert all or any part of their holding into the same number of Ordinary shares. Conversion shall take place on the date notice is received by the Company.

Share issues

During the year, options over 758,528 ordinary shares were exercised for a net consideration of £2,752,681.

18. Reserves

	Share premium account £	Capital redemption reserve £	Merger reserve £	Profit and loss account £
Reserves at beginning of year as previously stated	31,088,691	12,495,151	633,991	(39,273,412)
Prior year adjustment – on adoption of FRS 25 "Financial Instruments: Disclosure and Presentation"	(29,652,115)	-	-	(6,103,671)
At beginning of year restated	1,436,576	12,495,151	633,991	(45,377,083)
Premium arising on issuing ordinary shares	2,745,096	-	-	-
Loss for financial year	-	-	-	(17,412,214)
Capital contribution	-	-	-	7,830,271
Add back UITF 17 charge	-	-	-	2,257,476
At 31 March 2006	**4,181,672**	**12,495,151**	**633,991**	**(52,701,550)**

19. Reconciliation of movements in shareholders' deficit

	2006	2005 Restated
	£	£
Loss for the financial year	(17,412,214)	(15,104,033)
New share capital issued	2,752,681	-
UITF 17 charge add back	2,257,476	-
Capital contribution	7,830,271	-
Net increase in shareholders' deficit	(4,571,786)	(15,104,033)
Opening shareholders' funds as previously stated	-	17,741,043
Prior year adjustment – on adoption of FRS 25 "Financial Instruments: Disclosure and Presentation"	-	(33,441,411)
Opening shareholders' deficit restated	(30,804,401)	(15,700,368)
Closing shareholders' deficit	(35,376,187)	(30,804,401)

20. Reconciliation of operating loss to net cash outflow from operating activities

	2006	2005
	£	£
Operating loss	(14,775,841)	(14,339,797)
Depreciation, amortisation and impairment	717,698	3,802,125
Decrease/(increase) in debtors	(15,092)	11,634
(Decrease)/increase in creditors	(1,543,086)	757,163
Share based payments charge	2,257,476	-
Net cash outflow from operating activities	(13,358,845)	(9,768,875)

21. Reconciliation of net cash flow to movement in net funds

	2006	2005
	£	£
(Decrease)/increase in cash for the year	(4,596,663)	3,823,630
Cash outflow from decrease in lease financing	151,452	140,617
Cash inflow from decrease in liquid resources	(1,031,902)	(13,018,824)
Change in net funds resulting from cash flows	(5,477,113)	(9,054,577)
Non cash changes:		
New finance leases	(81,466)	(108,939)
Movement in net funds in the year	(5,558,579)	(9,163,516)
Net funds at 1 April 2005	5,428,177	14,591,693
Net funds at 31 March 2006	(130,402)	5,428,177

Non-cash financing transactions
The only major non-cash financing transaction during the year was a capital contribution of £7,830,271 made on acquisition of the share capital of the Company by AstraZeneca UK Limited through direct settlement of dividends owed to B ordinary shareholders.

NOTES (continued)

22. Analysis of net funds

	At 1 April 2005 £	Cash flow £	Non-cash movements £	At 31 March 2006 £
Cash at bank and in hand	4,681,959	(4,596,663)	-	85,296
Finance leases	(285,684)	151,452	(81,466)	(215,698)
Short term investments	1,031,902	(1,031,902)	-	-
Net funds	5,428,177	(5,477,113)	(81,466)	(130,402)

23. Commitments and contingent liabilities

Commitments under operating leases to pay rentals during the year following the year of these Financial Statements, analysed according to the period in which each lease expires, were as follows:

	2006 Land and buildings £	2005 Land and buildings £
Expiring within two to five years	277,500	277,500

Capital expenditure authorised and contracted for but not provided in the accounts at 31 March 2006 is £nil (2005: £nil).

24. Pensions

The Company participates in the KuDOS Group Personal Pension Scheme and KuDOS Horsham Pension Plan. Both schemes are defined contribution in nature.

The pension charge for the year was £220,303 (2005: £299,913). At 31 March 2006, an amount of £24,285 (2005: £36,062) was included in creditors in respect of pension costs.

25. Related party transactions

Dr M Carter was a Director of the Company. During the year the Company was invoiced by Dr M Carter for £11,085 (2005: £14,200) in respect of consultancy services provided to the Company. An additional contractual payment of £3,550 was made for the termination of Dr Carter's consultancy agreement. At the year-end £nil (2005: £3,723) is included within creditors. In addition during the year the company paid £2,600 (2005: £118,963) to Fulcrum Pharma Development Limited, a subsidiary of Fulcrum Pharma Plc, of which Dr Carter is director. At the year-end £nil (2005: £nil) was included within creditors. All figures stated exclude VAT.

Management charges of £798,499 (2005: £1,075,965) were made to the Company by KuDOS Horsham Limited during the year. At the year end, the outstanding balance was £337,323 (2005: £73,789).

Since the acquisition of the Company by AstraZeneca UK Limited, intercompany funding has been provided by AstraZeneca Treasury Limited and, at the year end, the outstanding balance was £5,397,289 (2005: £nil). During the post-acquisition period the Company has been accruing dividends on the preferred 'B' Ordinary Shares payable to AstraZeneca UK Limited. Included in 'Creditors due within one year' is £381,479 in respect of the dividend arrears.

26. Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of AstraZeneca PLC a company incorporated in England and Wales who the directors consider to be the ultimate controlling party.

Copies of the consolidated financial statements of this ultimate controlling company are available to the public and may be obtained from the registered office, 15 Stanhope Gate, London, W1K 1LN.