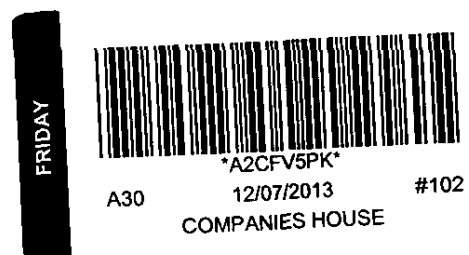


# **KuDOS Pharmaceuticals Limited**

## **Directors' report and Financial Statements**

Registered number 3479984

31 December 2012



**Directors' Report and Financial Statements**

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# KuDOS Pharmaceuticals Limited

31 December 2012

**Directors** Ian M D Brimicombe  
Adrian C N Kemp

**Registered Office** 2 Kingdom Street  
London  
W2 6BD

**Secretary** Claire-Marie O'Grady

**Auditor** KPMG Audit Plc  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

**Date** 5 July 2013

## Directors' Report 2012

The Directors present their report and the audited Financial Statements for the year ended 31 December 2012

### Principal Activity

The principal activity of the Company is research into DNA repair mechanisms and the development of compounds to inhibit such repair in cancer cells

### Review of business

In late 2010 the Company made the decision to outsource its ongoing R&D programmes to AstraZeneca UK Ltd and consequently the Cambridge site was closed

Research and development expenditure of £18,315,872 in 2012 consists principally of costs recharged from AstraZeneca UK Ltd related to late stage clinical development of the Company's investigational compound, olaparib

### Results and Dividends

The Company recorded a loss of £14,717,207 (2011 £48,539,925) during the year ended 31 December 2012

The Directors do not recommend the payment of a dividend (2011 £nil)

### Principal risks

The principal risks to the Company are that the approach of using compounds that inhibit DNA repair mechanisms fails to demonstrate clinical benefit to cancer patients and that the compounds taken forward in the research process prove to have toxicological effects which would prevent them being taken into clinical trials. However, comprehensive screening is set up to ensure that as far as possible such compounds are highlighted at an early stage in order that they can be excluded from the research programme, and only those with potentially greater efficacy and minimal side effects are taken forward

**Directors' Report (continued)**

**Going concern**

As described further in note 1, the Company relies on the continued funding support of AstraZeneca UK Limited. The Directors have prepared the Financial Statements on a going concern basis due to continued funding and financial support being made available from AstraZeneca UK Limited for the foreseeable future.

**Statement as to 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 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 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.

**Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

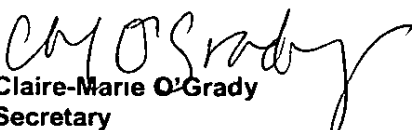
**Political and Charitable donations**

The Company made no political or charitable donations during the year (2011: £nil).

**Directors**

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

By Order of the Board

  
**Claire-Marie O'Grady**  
**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 they have elected to prepare the Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 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. 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 KuDOS Pharmaceuticals Limited**

We have audited the Financial Statements of KuDOS Pharmaceuticals Limited for the year ended 31 December 2012 set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of and audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on Financial Statements**

In our opinion the Financial Statements

- give a true and fair view of the Company's affairs as at 31 December 2012 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

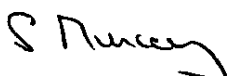
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Financial Statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**S Muncey, Senior Statutory Auditor**  
For and on behalf of KPMG Audit Plc  
Chartered Accountants  
Botanic House  
100 Hills road  
Cambridge  
CB2 1AR

5 July 2013

**KuDOS Pharmaceuticals Limited**  
**31 December 2012**

**Profit and loss account**

**For the year ended 31 December 2012**

	Note	Year ended 31 Dec 2012 £	Year ended 31 Dec 2011 £
Research and development expenses		(18,315,872)	(64,427,718)
<b>Operating loss</b>	2	(18,315,872)	(64,427,718)
Interest payable and similar charges	4	(1,199,558)	(1,304,713)
<b>Loss on ordinary activities before taxation</b>		(19,515,430)	(65,732,431)
Tax credit on loss on ordinary activities	5	4,798,223	17,192,506
<b>Loss for the year</b>		(14,717,207)	(48,539,925)

All activities were in respect of continuing operations

Other than the loss for the year there are no other recognised gains or losses, and therefore a statement of total recognised gains and losses has not been presented

The accounting policies on pages 9 to 10 and the notes to the Financial Statements on pages 11 to 14 form part of these Financial Statements

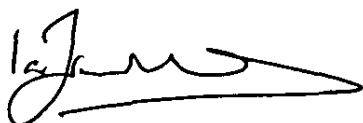
# KuDOS Pharmaceuticals Limited

31 December 2012

## Balance sheet

	Note	At 31 December 2012 £	At 31 December 2011 £
<b>Fixed assets</b>			
Intangible assets	6	-	-
Investments	7	-	-
		-	-
<b>Current assets</b>			
Debtors	8	4,798,223	34,039,011
		4,798,223	34,039,011
<b>Creditors amounts falling due within one year</b>	9	(179,744,933)	(194,268,514)
<b>Net current liabilities</b>		(174,946,710)	(160,229,503)
<b>Total assets less current liabilities</b>		(174,946,710)	(160,229,503)
<b>Net liabilities</b>		(174,946,710)	(160,229,503)
<b>Capital and reserves</b>			
Called up share capital	10	62,777	62,777
Share premium account	11	35,982,665	35,982,665
Capital redemption reserve	11	12,495,151	12,495,151
Merger reserve	11	633,991	633,991
Profit and loss account	11	(224,121,294)	(209,404,087)
<b>Shareholders' deficit</b>	12	(174,946,710)	(160,229,503)

The Financial Statements on pages 7 to 14 were approved by the Board of Directors on 5 July 2013 and were signed on its behalf by



**Ian M D Brimicombe**  
Director

**Registered Number 3479984**

The accounting policies on pages 9 to 10 and the notes to the Financial Statements on pages 11 to 14 form part of these Financial Statements



**Notes to the Financial Statements****1 Principal accounting policies****Basis of presentation of financial information**

The Financial Statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of significant accounting policies, which have been reviewed by the Board of Directors in accordance with Financial Reporting Standard ("FRS") 18, "Accounting policies", and have been applied consistently, is set out below.

**Basis of preparation**

The Financial Statements have been prepared in accordance with the historical cost convention.

Under FRS 1 (revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking, AstraZeneca PLC, includes the Company in its own published consolidated Financial Statements.

As the Company is a wholly owned subsidiary of AstraZeneca UK Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group. The consolidated Financial Statements of AstraZeneca PLC, within which this Company is included, can be obtained from the address given in note 13.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These Financial Statements present information about the Company as an individual undertaking and not about its group.

The Directors consider that it is appropriate to prepare the Financial Statements on the going concern basis notwithstanding the loss for the year of £14,717,207 (2011 £48,539,925), net current liabilities of £174,946,710 (2011 £160,229,503) and net liabilities of £174,946,710 (2011 £160,229,503).

The Directors acknowledge that the Company relies upon the continued funding support of AstraZeneca UK Limited, its immediate parent company, in order to meet its liabilities as they fall due. AstraZeneca UK Limited has provided an undertaking to the Company that such support will continue to be made available for the foreseeable future.

As with any company placing reliance on other entities for financial support the Directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these Financial Statements, they have no reason to believe that it will not do so.

**Intangible assets**

Intangible fixed assets, including patents acquired, are capitalised and amortised over their estimated useful lives (generally not exceeding 20 years) in line with the benefits accruing. If related products fail, the remaining unamortised amounts are immediately written off to profit and loss. Finance costs and internally developed intangible assets are not capitalised. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised in the profit and loss account.

**Taxation**

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

**Notes to the Financial Statements (continued)****1 Principal accounting policies (continued)****Investment in subsidiary**

The investment in the subsidiary is recorded at the total value of consideration payable plus all identifiable expenses less any provision for impairment in value

**Research and development**

Research expenditure is charged to the profit and loss account in the year in which it is incurred. Internal development expenditure and payments to in-licence products and compounds from external third parties, generally taking the form of up-front payments and milestones, are recognised in the profit and loss account in the year in which they are incurred unless they meet the recognition criteria of SSAP 13 'Accounting for research and development'. Regulatory and other uncertainties generally mean that such criteria are not met.

**Deferred taxation**

Provision is made for deferred tax in accordance with FRS 19 – Deferred tax on all material timing differences. Deferred tax assets and liabilities are not discounted and deferred tax assets are recognised to the extent that they are regarded as recoverable.

**2 Operating loss**

**Operating loss is stated after charging:-**

The audit fee for the year ended 31 December 2012 has been borne by the parent company, AstraZeneca UK Limited.

**3 Directors' emoluments**

None of the Directors received any remuneration in respect of their services to the Company during the year under review as they were remunerated by other group companies (2011: £nil).

**4 Interest payable and similar charges**

	<b>Year ended 31 Dec 2012 £</b>	<b>Year ended 31 Dec 2011 £</b>
Interest paid to group undertakings	1,199,558	1,304,713

# KuDOS Pharmaceuticals Limited

31 December 2012

## Notes to the Financial Statements (continued)

### 5 Tax credit on loss on ordinary activities

	Year ended 31 Dec 2012 £	Year ended 31 Dec 2011 £
Current tax credit on loss for the period	(4,796,813)	(17,527,460)
Adjustments in respect of prior periods	(1,410)	334,954
<b>Tax credit on loss on ordinary activities</b>	<b>(4,798,223)</b>	<b>(17,192,506)</b>

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%). The differences are explained below:

	Year ended 31 Dec 2012 £	Year ended 31 Dec 2011 £
Loss on ordinary activities before taxation	(19,515,430)	(65,732,431)
Current tax @ 24.5% (2011: 26.5%)	(4,781,280)	(17,419,094)
Expenses adjusted for tax purposes	-	1,325
Capital allowances for the period in excess of depreciation	(15,533)	(22,330)
Other timing differences	-	(87,361)
Adjustments in respect of prior periods	(1,410)	334,954
<b>Current tax credit for the year</b>	<b>(4,798,223)</b>	<b>(17,192,506)</b>

### Factors affecting the tax charge in future periods

With effect from 1 April 2013 the UK corporation tax rate reduced to 23%. It is the UK Government's intention to enact legislation which will reduce the main rate of UK statutory corporation tax to 20% by 1 April 2015.

### Deferred taxation

The analysis of un-provided deferred tax assets for the Company is as follows:

	Amount provided		Amount un-provided	
	31 Dec 2012 £	31 Dec 2011 £	31 Dec 2012 £	31 Dec 2011 £
Tax effect of timing differences because of				
Depreciation in excess of capital allowances	-	-	(44,784)	(64,609)
Short term timing differences	-	-	-	-
Losses	-	-	(9,026,124)	(9,811,005)
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>	<b>(9,070,908)</b>	<b>(9,875,614)</b>

No deferred tax asset has been recognised in these Financial Statements, as there is no immediate expectation of sufficient future taxable profits against which the losses and timing differences can be utilised.

# KuDOS Pharmaceuticals Limited

31 December 2012

## Notes to the Financial Statements (continued)

### 6 Intangible fixed assets

	Licence fees £
<b>Cost</b>	
At 1 January 2012	3,162,404
Additions	-
<b>At 31 December 2012</b>	<b>3,162,404</b>
<b>Aggregate amortisation</b>	
At 1 January 2012	3,162,404
Charge for the year	-
<b>At 31 December 2012</b>	<b>3,162,404</b>
Net book value at 31 December 2012	-
Net book value at 31 December 2011	-

### 7 Fixed asset investments

	Cost £	Provision £	Net book value £
At 31 December 2012 and 31 December 2011	4,230,264	(4,230,264)	-

Following a review by the Directors in earlier years, it has been determined that there is sufficient uncertainty as to the carrying value of the investment such that the whole investment has been provided against

The Company's investment comprises interests in a group undertaking, details of which are as shown below

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal values of shares held by the Company %
KuDOS Horsham Limited	England and Wales	Ordinary £1 shares	100

# KuDOS Pharmaceuticals Limited

31 December 2012

## Notes to the Financial Statements (continued)

### 8 Debtors

	31 Dec 2012 £	31 Dec 2011 £
Other debtors	-	129,017
Amount receivable for group relief	4,798,223	33,909,994
<b>Total Debtors</b>	<b>4,798,223</b>	<b>34,039,011</b>

### 9 Creditors: amounts falling due within one year

	31 Dec 2012 £	31 Dec 2011 £
Amounts owed to group undertakings	179,744,933	194,268,514

### 10 Called up share capital

	31 Dec 2012 £	31 Dec 2011 £
<b>Issued, allotted, called up and fully paid</b>		
6,277,737 Ordinary shares of 1p each	62,777	62,777

### 11 Reserves

	Share premium account £	Capital redemption reserve £	Merger reserve £	Profit and loss account £
At 1 January 2012	35,982,665	12,495,151	633,991	(209,404,087)
Loss for the year	-	-	-	(14,717,207)
<b>At 31 December 2012</b>	<b>35,982,665</b>	<b>12,495,151</b>	<b>633,991</b>	<b>(224,121,294)</b>

### 12 Reconciliation of movements in shareholders' deficit

	31 Dec 2012 £	31 Dec 2011 £
Opening shareholders' deficit	(160,229,503)	(111,689,578)
Loss for the financial year	(14,717,207)	(48,539,925)
<b>Closing shareholders' deficit</b>	<b>(174,946,710)</b>	<b>(160,229,503)</b>

**Notes to the Financial Statements (continued)**

**13 Ultimate controlling party**

The immediate controlling party of the Company at 31 December 2012 is AstraZeneca UK Limited by virtue of its 100% shareholding in the Company. The Directors consider AstraZeneca PLC, a company incorporated in England and Wales, to be the ultimate controlling party.

The largest and smallest group within which the results of KuDOS Pharmaceuticals Limited are consolidated is AstraZeneca PLC.

Copies of the ultimate controlling Company's consolidated Financial Statements may be obtained from The Company Secretary, AstraZeneca PLC, 2 Kingdom Street, London, W2 6BD.