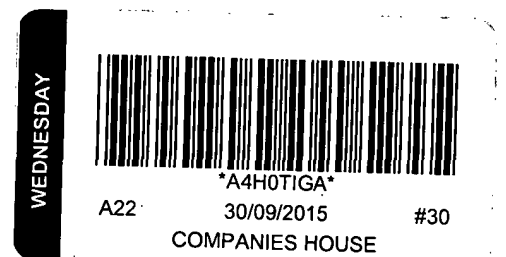


KuDOS Pharmaceuticals Limited

Directors' Report and Financial Statements

Registered number 3479984

31 December 2014



Directors' Report and Financial Statements

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Strategic Report

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.

Business review and results

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 £153,214,705 in 2014 consists principally of costs recharged from AstraZeneca UK Ltd related to late stage clinical development of the Company's investigational compound, Olaparib (Lynparza).

AstraZeneca announced in September 2013 the initiation of the Phase III trial for Olaparib (Lynparza). In December 2014 it received marketing authorisation from the European Commission and the US Food and Drug Administration as treatment for advanced BRCA-mutated ovarian cancer.

The Company recorded a loss of £136,196,762 (2013: £55,699,566) during the year ended 31 December 2014.

The Directors do not recommend the payment of a dividend (2013: £nil).

Principal risks and uncertainties

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.

By Order of the Board



Adrian Kemp
Director

28 September 2015

Directors Mr I Brimicombe
Mr A C N Kemp

Registered Office 2 Kingdom Street
London
W2 6BD

Secretary C-M O'Grady (resigned 31 July 2015)
Katie Jackson-Turner (appointed 15 July 2015)

Auditor KPMG LLP
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date 28 September 2015

Directors' Report 2014

The Directors present their report and the audited Financial Statements for the year ended 31 December 2014.

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 auditor

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 Auditor is 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 Auditor is aware of that information.

Auditors

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

Political donations

The Company made no political donations during the year (2013: £nil).

Directors

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

By Order of the Board



Adrian Kemp
Director

28 September 2015

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

The Directors are responsible for preparing the Strategic Report, 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 auditor's report to the members of KuDOS Pharmaceuticals Limited

We have audited the Financial Statements of KuDOS Pharmaceuticals Limited for the year ended 31 December 2014 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 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

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 2014 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.

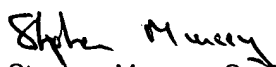
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and 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.



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

28 September 2015

KuDOS Pharmaceuticals Limited**31 December 2014****Profit and loss account****For the year ended 31 December 2014**

	Note	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Sales and Marketing expenses		(21,732,270)	-
Research and development expenses		(153,214,705)	(79,985,659)
Operating loss	2	(174,946,975)	(79,985,659)
Other Income		4,458,390	-
Interest payable and similar charges	4	(769,512)	(862,710)
Loss on ordinary activities before taxation		(171,258,097)	(80,848,369)
Tax credit on loss on ordinary activities	5	35,061,335	25,148,803
Loss for the year		(136,196,762)	(55,699,566)

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 10 to 14 form part of these Financial Statements.

KuDOS Pharmaceuticals Limited

31 December 2014

Balance sheet

	Note	At 31 December 2014 £	At 31 December 2013 £
Fixed assets			
Intangible assets	6	-	-
Investments	7	-	-
		-	-
Current assets			
Debtors	8	65,008,361	29,947,026
		65,008,361	29,947,026
Creditors: amounts falling due within one year	9	(431,851,399)	(260,593,302)
Net current liabilities		(366,843,038)	(230,646,276)
Total assets less current liabilities		(366,843,038)	(230,646,276)
Net liabilities		(366,843,038)	(230,646,276)
Capital and reserves			
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	(416,017,622)	(279,820,861)
Shareholders' deficit	12	(366,843,038)	(230,646,276)

The Financial Statements were approved by the Board of Directors on 28 September 2015 and were signed on its behalf by:



Adrian Kemp
Director

Registered Number: 3479984

The accounting policies on pages 9 to 10 and the notes to the Financial Statements on pages 10 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 £136,196,762 (2013: £ 55,699,566), net current liabilities of £366,843,039 (2013: £230,646,276) and net liabilities of £366,843,039 (2013: £230,646,276).

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 2014 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 (2013: £nil).

4 Interest payable and similar charges

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Interest paid to group undertakings	769,512	862,710

Notes to the Financial Statements (continued)

5 Tax on loss on ordinary activities

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Current tax		
Current tax credit on loss for the period	(27,249,100)	(7,807,583)
Adjustments in respect of prior periods	7,807,583	-
Total current tax (credit)/charge	(19,441,517)	(7,807,583)
Deferred tax	(15,619,818)	(17,341,220)
Total tax credit on loss on ordinary activities	(35,061,335)	(25,148,803)

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	Year ended 31 Dec 2014 £	Year ended 31 Dec 2013 £
Loss on ordinary activities before taxation	(171,258,097)	(80,848,369)
Current tax @ 21.5% (2013: 23.25%)	(36,820,491)	(18,797,246)
Tax losses carried forward	9,571,391	10,989,664
Adjustments in respect of prior periods	7,807,583	-
Current tax (credit)/charge for the year	(19,441,517)	(7,807,582)

Factors affecting the tax charge in future periods

From 1 April 2015, the main rate of corporation tax reduced to 20%. This rate has been used to calculate the deferred tax balance as it was enacted at the balance sheet date. In the UK Summer Budget on 8 July 2015, the government announced further reductions in the main rate of corporation tax to 19% in 2017 and 18% in 2020. These changes have not been substantively enacted.

Deferred taxation

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

	Amount provided		Amount un-provided	
	31 Dec 2014 £	31 Dec 2013 £	31 Dec 2014 £	31 Dec 2013 £
Tax effect of timing differences because of:				
Depreciation in excess of capital allowances	(38,942)	(38,942)	-	-
Tax losses carried forward	(32,922,096)	(17,302,278)	-	-
Net deferred tax asset	(32,961,038)	(17,341,220)	-	-

Notes to the Financial Statements (continued)

5 Tax credit on loss on ordinary activities (continued)

Deferred tax in respect of gross losses of £164,610,484 has been recognised based on the expectation that sufficient taxable profits will arise in the future which will enable the asset to reverse.

6 Intangible fixed assets

	Licence fees £
Cost	
At 1 January 2014	3,162,404
Additions	-
At 31 December 2014	3,162,404
Aggregate amortisation	
At 1 January 2014	3,162,404
Charge for the year	-
At 31 December 2014	3,162,404
Net book value at 31 December 2014	-
Net book value at 31 December 2013	-

7 Fixed asset investments

	Cost £	Provision £	Net book value £
At 31 December 2014 and 31 December 2013	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

Notes to the Financial Statements (continued)

8 Debtors

	31 Dec 2014	31 Dec 2013
	£	£
Amount receivable for group relief	32,047,323	12,605,806
Deferred tax assets	32,961,038	17,341,220
Total debtors	65,008,361	29,947,026

9 Creditors: amounts falling due within one year

	31 Dec 2014	31 Dec 2013
	£	£
Amounts owed to group undertakings	431,851,399	260,593,302

10 Called up share capital

	31 Dec 2014	31 Dec 2013
	£	£
Issued, allotted, called up and fully paid		
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	Total
	£	£	£	£	£
At 1 January 2014	35,982,665	12,495,151	633,991	(279,820,860)	(230,709,053)
Loss for the year	-	-	-	(136,196,762)	(136,196,762)
At 31 December 2014	35,982,665	12,495,151	633,991	(416,017,622)	(366,905,815)

12 Reconciliation of movements in shareholders' deficit

	31 Dec 2014	31 Dec 2013
	£	£
Opening shareholders' deficit	(230,646,276)	(174,946,710)
Loss for the financial year	(136,196,762)	(55,699,566)
Closing shareholders' deficit	(366,843,038)	(230,646,276)

Notes to the Financial Statements (continued)

13 Ultimate controlling party

The immediate controlling party of the Company at 31 December 2014 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.