KuDOS Pharmaceuticals Limited

Report and Financial Statements

Registered number 3479984

31 December 2017

Directors' Report and Financial Statements

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Strategic Report

Principal Activities

The principal activity of KuDOS Pharmaceuticals Limited (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 Limited and consequently the Cambridge site was closed.

Research and development expenditure of £124,558,000 in 2017 *(2016: £166,871,000)* consists principally of costs recharged from AstraZeneca UK Limited related to late stage clinical development of the Company's investigational compound, Olaparib (Lynparza).

The AstraZeneca Group announced in September 2013 the initiation of the Phase III trial for Olaparib (Lynparza) capsule formulation. 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. Sales of Lynparza capsules commenced in 2015 and this formulation is now approved in over 40 countries for use as a monotherapy.

In October 2016 the AstraZeneca Group announced positive results from the Phase III SOLO-2 trial designed to determine the efficacy of Lynparza tablets (300mg twice daily) as a monotherapy for the maintenance treatment of platinum-sensitive relapsed, BRCA-mutated ovarian cancer. Lynparza tablet formulation was subsequently approved by the US Food and Drug Administration in August 2017.

In July 2017 the AstraZeneca Group announced a global strategic oncology collaboration with MSD to co-develop and co-commercialise Lynparza for multiple cancer types. Under the collaboration, the companies will develop and commercialise Lynparza jointly, both as monotherapy and in combination with other potential medicines. The AstraZeneca Group and MSD will develop and commercialise Lynparza in combination with their respective PD-L1 and PD-1 medicines, Imfinzi and Keytruda. Under the terms of the agreement, the two companies will share the development and commercialisation costs for Lynparza monotherapy and non-PD-L1/PD-1 combination therapy opportunities. Gross profits from Lynparza Product Sales generated through monotherapies or combination therapies will be shared equally. MSD will fund all development and commercialisation costs of Keytruda in combination with Lynparza. The AstraZeneca Group will fund all development and commercialisation costs of Imfinzi in combination with Lynparza. The AstraZeneca Group will continue to manufacture Lynparza.

As part of the agreement, MSD will pay the AstraZeneca Group up to $8,500,000,000 in total consideration, including $1,600,000,000 upfront, $750,000,000 for certain licence options and up to $6,200,000,000 contingent upon successful achievement of future regulatory and sales milestones. Of the upfront payment of $1,600,000,000, $1,000,000,000 was recognised as Externalisation Revenue in the Company, $500,000,000 was deferred to the balance sheet, and $103,000,000 was recognised as a capital contribution in relation to certain undertakings made by the Company's immediate parent company, AstraZeneca UK Limited. The AstraZeneca Group will book all Product Sales of Lynparza; gross profits due to MSD under the collaboration will be recorded under Cost of Sales. Subsequent to deal completion, MSD exercised the first licence option resulting in additional Externalisation Revenue of $250,000,000.

The Company recorded a profit of £707,087,000 *(2016: loss of £101,979,000)* during the year ended 31 December 2017.

At 31 December 2017, the net assets of the Company totalled £197,699,000 *(31 December 2016: net liabilities of £590,278,000).*

The Directors do not recommend the payment of a dividend *(2016: £nil).*

Strategic Report (continued)

Future outlook

The outlook for the Company and the AstraZeneca Group in the coming years is expected to be challenging as the revenue base transitions through a period of exclusivity losses and new product launches. Revenue for 2018 will continue to be impacted by the loss of marketing exclusivity for several key brands which will impact sales to overseas Group entities due to lower export demand. Future revenue is expected to be supported by the Group's recently launched products and growth brands.

Over the past several years, the AstraZeneca Group has undertaken restructuring initiatives aimed at reshaping the cost base. Costs associated with change programmes have been incurred over the past 5 years, and there will be further costs in 2018 as various programmes progress.

Significant events after the balance sheet date have been included in Note 15.

Key performance indicators

Considering the limited activities undertaken by the Company, there are no key performance indicators relevant to gaining an understanding of the development, performance and position of the Company.

The Company is engaged in a single business activity of pharmaceuticals which consists of the discovery and development of new products, which are then manufactured, marketed and sold. All of these functional activities take place (and are managed) globally on a highly integrated basis. We do not manage these individual functional areas separately.

The operations of the Company are managed at a global level by AstraZeneca's Senior Executive Team, which includes two of the Directors of the Company. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary for an understanding of the development, performance or position of the business.

The development, performance and position of the Group is discussed in the Financial Review section of the AstraZeneca Annual Report and Form 20-F Information 2017 which can be obtained online (www.astrazeneca.com) and from the address in Note 14.

Strategic Report (continued)

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.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Company and the wider AstraZeneca Group's market share, sales, profitability and results of operations. The uncertainty during and after the period of negotiation is also expected to increase volatility and may have an economic impact, particularly in the UK and Eurozone. The AstraZeneca Group has responded by engaging proactively with key external stakeholders and establishing a cross-functional internal steering committee to understand, assess, plan and implement operational actions that may be required. Some of these actions are being implemented based on assumptions rather than defined positions so that the Company is able to mitigate the risks arising from variable external outcomes. Currently, a number of areas for action have been identified including duplication of release testing and procedures for products based in the EU27 and the UK, transfer of regulatory licences, customs and duties set up for introduction or amendment of existing tariffs or processes and associated IT systems upgrades. As the process of Brexit evolves, the Board will continue to assess its impact.

By Order of the Board

Iain Alistair Collins
Director
27 September 2018

Directors	Ian Brimicombe (resigned 31 May 2017) Iain Alistair Collins (appointed 31 May 2017) Adrian Kemp Katie Jackson-Turner (appointed 16 March 2017)	**Registered Office**	1 Francis Crick Avenue Cambridge Biomedical Campus Cambridge CB2 0AA
Secretary	Katie Jackson-Turner (resigned 16 March 2017) Matthew Conacher (appointed 16 March 2017)	**Independent Auditors**	PricewaterhouseCoopers LLP Chartered Accountants Registered Auditors 1 Embankment Place London WC2N 6RH

Date: 27 September 2018

Directors' Report

The Directors of the Company present their report and the audited Financial Statements of the Company for the year ended 31 December 2017.

Directors

The Directors whose names appear at the head of this report were Directors of the Company at the date of approval of this Directors' Report except as detailed above.

The Directors are indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

Going concern

As described further in the Basis of presentation of financial information on page 14, the Company relies on the continued funding support of AstraZeneca PLC. The Directors have prepared the Financial Statements on a going concern basis due to continued funding and financial support being made available from AstraZeneca PLC for at least twelve months from signing of the financial statements.

Political donations

The Company made no political donations during the year *(2016: £nil).*

Future developments

The Company's future developments are referred to in the Strategic Report.

Research and development activities

The Company's research and development activities are referred to in the Strategic Report.

Directors' Report (continued)

Dividends

The Company did not pay any dividends during the year *(2016: £nil).*

Statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the group's auditors, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointment and PricewaterhouseCoopers LLP will therefore continue in office.

Events since the balance sheet date

In January 2018 the AstraZeneca Group and MSD announced that the US Food and Drug Administration had approved Lynparza for use in patients with deleterious or suspected deleterious germline BRCA-mutated (gBRCAm), human epidermal growth factor receptor 2 (HER2)-negative metastatic breast cancer who have been previously treated with chemotherapy in the neoadjuvant, adjuvant or metastatic setting. Following this approval, the AstraZeneca Group received $70,000,000, recognised in the Company as externalisation revenue.

In June 2018 the AstraZeneca Group received a $100,000,000 sales-related milestone payment from MSD, recognised in the Company as externalisation revenue.

By Order of the Board

Iain Alistair Collins
Director

27 September 2018

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), including Financial Reporting Standard 101 *Reduced Disclosure Framework* ("**FRS 101**").

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, comprising FRS 101, 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of KuDOS Pharmaceuticals Limited

Report on the audit of the financial statements

Opinion

In our opinion, KuDOS Pharmaceuticals Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.
Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Neil Grimes

Neil Grimes (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 September 2018

Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	**Year ended 31 Dec 2017 £ 000's**	Year ended 31 Dec 2016 £ 000's
Revenue		33,511	71,900
Externalisation revenue		934,543	-
Total revenue	1	968,054	71,900
Cost of sales		(13,623)	(4,506)
Gross profit		954,431	67,394
Sales and marketing expenses		(20,013)	(19,100)
Research and development expenses		(124,558)	(166,871)
Operating profit / (loss)	2	809,860	(118,577)
Other Income		1,137	166
Interest payable and similar charges	5	(687)	(813)
Profit / (loss) before taxation		810,310	(119,224)
Taxation	6	(103,223)	17,245
Profit / (loss) for the financial year		707,087	(101,979)

All activities were in respect of continuing operations.

Other than the profit / (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 14 to 16 and the notes to the financial statements on pages 17 to 22 form part of these financial statements.

Statement of Financial Position

	Note	At 31 December 2017 £ 000's	At 31 December 2016 £ 000's
Non-current assets			
Intangible assets	7	-	-
Investments	8	1,446,271	-
Debtors	9	71,662	71,662
		1,517,933	71,662
Current assets			
Debtors	9	-	33,527
Current liabilities			
Creditors: amounts falling due within one year	10	(1,123,115)	(695,467)
Net current liabilities		(1,123,115)	(661,940)
Total assets less current liabilities		394,818	(590,278)
Creditors: amounts falling due after more than one year	11	(197,119)	-
Net assets / (liabilities)		197,699	(590,278)
Capital and reserves			
Called up share capital	12	63	63
Share premium account		35,983	35,983
Capital contribution reserve		80,890	-
Capital redemption reserve		12,495	12,495
Merger reserve		634	634
Profit and loss account		67,634	(639,453)
Total shareholders' funds / (deficit)		197,699	(590,278)

The accounting policies on pages 14 to 16 and the notes to the financial statements on pages 17 to 22 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27 September 2018 and were signed on its behalf by:

Iain Alistair Collins
Director

Registered Number: 3479984

Statement of Changes in Equity

	Called up Share capital £ 000's	Share Premium account £ 000's	Capital contribution reserve £ 000's	Capital redemption reserve £ 000's	Merger reserve £ 000's	Profit and loss account £ 000's	Total equity £ 000's
At 1 January 2016	63	35,983	-	12,495	634	(537,474)	(488,299)
Total comprehensive expense for the period							
Loss for the period	-	-	-	-	-	(101,979)	(101,979)
At 31 December 2016	63	35,983	-	12,495	634	(639,453)	(590,278)
Total comprehensive *income for the* period							
Capital contribution from immediate parent company	-	-	80,890	-	-	-	80,890
Profit for the period	-	-	-	-	-	707,087	707,087
At 31 December 2017	63	35,983	80,890	12,495	634	67,634	197,699

The accounting policies on pages 14 to 16 and the notes to the financial statements on pages 17 to 22 form part of these financial statements.

Principal accounting policies

Basis of presentation of financial information

The Company is incorporated, domiciled and registered in England in the UK. The registered number is 3479984 and the registered address is 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("**FRS 101**").

The presentational currency of these Financial Statements and the functional currency of the Company is the Pound Sterling, rounded to the nearest £ thousand.

The Directors consider that it is appropriate to prepare the Financial Statements on the going concern basis as a result of the profit for the year of £707,087,000 *(2016: loss of £101,979,000)*, net current liabilities of £1,123,115,000 *(2016: £661,940,000)* and net assets of £197,699,000 *(2016: net liabilities of £590,278,000)*.

The Directors acknowledge that the Company relies upon the continued funding support of AstraZeneca PLC, its ultimate parent company, in order to meet its liabilities as they fall due. AstraZeneca PLC has provided an undertaking to the Company that such support will continue to be made available for at least twelve months from signing of the financial statements.

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.

In preparing these Financial Statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") but made amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these Financial Statements the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow statement and related notes;
- Comparative period reconciliation for intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of wholly owned subsidiaries
- Disclosures in respect of the compensation of Key Management Personnel; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of AstraZeneca PLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The consolidated Financial Statements of AstraZeneca PLC, within which this Company is included, can be obtained online (www.astrazeneca.com) or from the address given in note 14.

Principal accounting policies (continued)

Basis of accounting

The Financial Statements have been prepared under the historical cost convention, and the accounting policies have been consistently applied to all years presented, unless otherwise stated.

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 following paragraphs describe the main accounting policies.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 3.

The Directors acknowledge that the Company relies upon the continued funding support of AstraZeneca PLC, its ultimate parent company, in order to meet its liabilities as they fall due. AstraZeneca PLC has provided an undertaking to the Company that such support will continue to be made available for at least twelve months from signing of the financial statements.

On the basis of their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Significant accounting judgements estimates and assumptions

The preparation of Financial Statements required management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The accounting policy descriptions set out the areas where judgements and estimates need exercising, the most significant of which are revenue recognition, research and development and taxation.

Revenue

Revenue represents income from the Olaparib/Lynparza development agreement with AstraZeneca UK Limited, and it is recognised when it is earned as defined in the contract and can be reliably estimated.

Externalisation Revenue

Externalisation revenue includes income from collaborative arrangements on the Company's products where the Company retains a significant ongoing interest and there is no derecognition of an intangible asset. These may include development arrangements, commercialisation arrangements and collaborations. Income may take the form of upfront fees, milestones and/or sales royalties. Milestones and sales royalties are recognised when the amount can be reliably estimated.

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 IAS38 'Intangible Assets'. Regulatory and other uncertainties generally mean that such criteria are not met.

Principal accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at average rates for the relevant accounting periods.

Monetary assets and liabilities are translated at exchange rates prevailing at the date of the Company's balance sheet. Exchange differences are taken to operating profit.

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. 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.

Intangible assets

Intangible 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 as research and development expenses.

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.

Deferred taxation

Provision is made for 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.

Notes to the Financial Statements

1 Total revenue

Geographic analyses have not been given, as in the opinion of the Directors, such disclosure would be seriously prejudicial to the interests of the Company.

	Year ended 31 Dec 2017 £ 000's	Year ended 31 Dec 2016 £ 000's
Revenue		
External	934,543	-
Intra-group	33,511	71,900
Total revenue	968,054	71,900

2 Operating profit / (loss)

Operating profit / (loss) is stated after crediting:	**Year ended 31 Dec 2017 £ 000's**	Year ended 31 Dec 2016 £ 000's
Other operating income	1,137	166

The audit fee of £20,000 for the year ended 31 December 2017 *(2016: £10,000)* has been borne by the parent company, AstraZeneca UK Limited.

Full disclosure of the amounts of remuneration given to the Company's auditor for the supply of other (non-audit) services to the Company is included, on a Group-wide basis, in the AstraZeneca Group financial statements. These can be obtained online (www.astrazeneca.com) or from the address given in note 14.

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 *(2016: £nil)*.

4 Employee costs

The Company had no employees during 2017 *(2016: nil)*.

Notes to the Financial Statements (continued)

5 Interest payable and similar charges

	Year ended 31 Dec 2017 £ 000's	Year ended 31 Dec 2016 £ 000's
Interest paid to group undertakings	687	813

6 Tax on profit / (loss)

	Year ended 31 Dec 2017 £000's	Year ended 31 Dec 2016 £000's
Current tax on income for the year	103,223	-
Current tax on income for the year	**103,223**	-
Deferred tax	-	(17,245)
Tax on profit / (loss)	**103,223**	(17,245)

Total tax charge for the year is lower *(2016: higher)* than the standard rate of corporation tax in the UK.

The differences are explained below.

	Year ended 31 Dec 2017 £000's	Year ended 31 Dec 2016 £000's
Tax reconciliation		
Profit / (loss) before tax	810,308	(119,224)
Tax at 19.25% *(2016: 20.00%)*	155,984	(23,845)
Effects of:		
Benefit of intellectual property incentives	(11,531)	-
Impact of UK corporation tax rate change	-	6,600
Group relief claimed for nil payment	(41,230)	-
Total tax on profit / (loss)	103,223	(17,245)

Factors affecting the tax charge in future periods

Reductions in the corporation tax rate to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax at 31 December 2017 has been calculated based on these rates.

Notes to the Financial Statements (continued)

6 Tax on profit / (loss) (continued)

Deferred taxation

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

	Amount provided		Amount un-provided	
	31 Dec 2017 £000's	31 Dec 2016 £000's	**31 Dec 2017 £000's**	31 Dec 2016 £000's
Tax effect of timing differences due to:				
Depreciation in excess of capital allowances	(33)	(33)	-	-
Tax losses carried forward	(71,629)	(71,629)	-	-
Net deferred tax asset	(71,662)	(71,662)	-	-

The company has £71.6m deferred tax assets recognised mainly in relation to tax losses on the basis of sufficient forecast future taxable profits against which the temporary difference can be utilised.

7 Intangible assets

	Licence fees £000's
Cost	
At 1 January 2017	3,162
Additions	-
At 31 December 2017	3,162
Accumulated amortisation	
At 1 January 2017	3,162
Charge for the year	-
At 31 December 2017	3,162
Net book value at 31 December 2017	-
Net book value at 31 December 2016	-

Notes to the Financial Statements (continued)

8 Investments

	2017 £000's	2016 £000's
Cost at 1 January	4,230	4,230
Additions	1,446,271	-
Provisions	(4,230)	(4,230)
Net book value at 31 December	**1,446,271**	**-**

During the year the company purchased 1,624,746,684 ordinary shares of AstraZeneca Sweden Investments Limited, a fellow group undertaking, for a total amount of £1,446,271,000.

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 in Kudos Horsham Ltd such that the whole investment has been provided against.

The Company's investment comprises interests in group undertakings, 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%
AstraZeneca Sweden Investments Limited	England and Wales	Ordinary USD 1 shares	9.4%

9 Debtors

	31 Dec 2017 £ 000's	31 Dec 2016 £ 000's
Amount receivable for group relief	-	33,527
Deferred tax assets	71,662	71,662
Total debtors	71,662	105,189

Notes to the Financial Statements (continued)

10 Creditors: amounts falling due within one year

	31 Dec 2017 **£ 000's**	31 Dec 2016 £ 000's
Amount payable for group relief	(69,696)	-
Amounts owed to group undertakings	(906,599)	(695,467)
Deferred Income	(146,820)	-
	(1,123,115)	(695,467)

Amounts owed to group undertakings are payable on demand

11 Creditors: amounts falling due after more than one year

Deferred Income	(197,119)	-

12 Called up share capital

	31 Dec 2017 **£ 000's**	31 Dec 2016 £ 000's
Issued, allotted, called up and fully paid		
6,277,737 Ordinary shares of 1p each	63	63

13 Related parties

As the Company is a wholly owned subsidiary of AstraZeneca PLC, the Company has taken advantage of the exemption contained in FRS 101.8(k) and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group.

14 Ultimate controlling party

The immediate controlling party of the Company at 31 December 2017 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 group within which the results of KuDOS Pharmaceuticals Limited are consolidated is AstraZeneca PLC.

Copies of the AstraZeneca PLC consolidated Financial Statements may be obtained online (www.astrazeneca.com) or from The Company Secretary, AstraZeneca PLC, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

Notes to the Financial Statements (continued)

15 Events since the balance sheet date

In January 2018 the AstraZeneca Group and MSD announced that the US Food and Drug Administration had approved Lynparza for use in patients with deleterious or suspected deleterious germline BRCA-mutated (gBRCAm), human epidermal growth factor receptor 2 (HER2)-negative metastatic breast cancer who have been previously treated with chemotherapy in the neoadjuvant, adjuvant or metastatic setting. Following this approval, the AstraZeneca Group received $70,000,000, recognised in the Company as externalisation revenue.

In June 2018 the AstraZeneca Group received a $100,000,000 sales-related milestone payment from MSD, recognised in the Company as externalisation revenue