KUDOS PHARMACEUTICALS LIMITED

Report and Financial Statements

Registered number 03479984

31 December 2022

WEDNESDAY
ACBINEBL
A19 06/09/2023 #49
COMPANIES HOUSE

Contents

STRATEGIC REPORT

Principal activities

The principal activity of KuDOS Pharmaceuticals Limited (the "Company") is research into DNA repair mechanisms and the development and commercialisation of compounds to inhibit such repair in cancer cells.

Business review

In late 2010, the Company entered into a licence agreement with AstraZeneca UK Limited, a fellow group undertaking, relating to the Company's Intellectual Property in 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. 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 agreement with Merck & Co., Inc. (known as MSD outside of the US and Canada) to co-develop and co-commercialise *Lynparza* for multiple cancer types. Under the collaboration, the companies are developing and commercialising *Lynparza* jointly, both as monotherapy and in combination with other potential medicines. The AstraZeneca Group and MSD are developing and commercialising *Lynparza* in combination with their respective PD-L1 and PD-1 medicines, *Imfinzi* and Keytruda. Under the terms of the agreement, the two companies 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 are shared equally. MSD fund all development and commercialisation costs of Keytruda in combination with *Lynparza*. The AstraZeneca Group funds all development and commercialisation costs of *Imfinzi* in combination with *Lynparza*. The AstraZeneca Group continues to manufacture *Lynparza*.

Under the agreement, MSD pays the AstraZeneca Group up to $8,500m in total consideration, including $1,600m upfront, $750m for certain licence options and up to $6,150m contingent upon successful achievement of future regulatory and sales milestones. Of the upfront payment of £1,171m ($1,600m), £746m ($997m) was recognised as Collaboration Revenue in 2017, £344m ($500m) was deferred to the balance sheet, and £81m ($103m) was recognised as a capital contribution in relation to certain undertakings made by the Company's immediate parent company, AstraZeneca UK Limited.

To date the Company has received sales-related and regulatory milestone payments of $1,905m and exercised licence options totalling $750m which have been recognised as Collaboration Revenue.

In the year, the Company recorded Collaboration Revenue comprising milestone income of £279m ($355m) (2021: £291m ($400m)) from MSD and income of £450m (2021: £358m) for royalties receivable from AstraZeneca UK Limited under the agreement above.

During the year the Company purchased £193m ($250m) (2021: £290m ($400m)) of ordinary shares of AstraZeneca Sweden Investments Limited, a fellow group undertaking and now owns a 21.7% holding.

Research and development expenditure of £185m in 2022 (2021: £187m) consists principally of costs recharged from AstraZeneca UK Limited related to late-stage clinical development of the Company's investigational compound, olaparib (*Lynparza*).

The Company recorded a profit of £439m (2021: £283m) during the year ended 31 December 2022.

At 31 December 2022, the net assets of the Company totalled £1,863m (2021: £1,424m).

STRATEGIC REPORT (continued)

Future outlook

The Directors do not foresee a change in the operations of the Company.

Key performance indicators

The Company is engaged in a single business activity of pharmaceuticals which consists of the research into DNA repair mechanisms and the development and commercialisation of compounds to inhibit such repair in cancer cells.

The operations of the Company are managed at a global level by AstraZeneca's Senior Executive Team. All of these functional activities take place (and are managed) globally on a highly integrated basis. Individual functional areas are not managed separately. 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 PLC Annual Report and Form 20-F Information 2022 which can be obtained on the website www.astrazeneca.com or from the address in Note 16.

Financial risk management

The principal financial risks to which the Company is exposed are those of liquidity, interest rate, foreign currency and credit. Each of these is managed in accordance with AstraZeneca PLC Board-approved policies. For full details of these financial risks and AstraZeneca Group's approach to financial risk management, see Note 28 Financial risk management objectives and policies within the Notes to the Group Financial Statements section of the AstraZeneca PLC Annual Report and Form 20-F Information 2022, which is available on the website www.astrazeneca.com or can be obtained from the address given in Note 16.

Companies Act 2006 section 172(1) statement in respect of Directors' actions

When making decisions, the Directors of the Company must act in the way they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with and are impacted by our business. Throughout the year, while discharging their duties, section 172(1) of the Companies Act 2006 (s.172(1)) requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term
- interests of the Company's employees
- need to foster the Company's business relationships with suppliers, customers and others
- impact of the Company's operations on the community and environment
- desirability of the Company maintaining a reputation for high standards of business conduct and
- need to act fairly as between members of the Company.

In discharging their s.172(1) duties the Directors have had regard to the relevant factors set out above, as well as other factors relevant to the decisions being made. The Directors acknowledge that every decision made will not necessarily result in a positive outcome for all stakeholders of the Company. The Directors also acknowledge that the Company is a member of the AstraZeneca Group and by considering AstraZeneca PLC's Purpose and values, together with the Company's strategic priorities, the Directors aim to ensure that the decisions made are consistent and intended to promote the long-term success of the Company and the AstraZeneca Group. Day-to-day management is delegated to executives within the AstraZeneca Group. The Directors engage in setting and overseeing execution of business strategy, as appropriate.

STRATEGIC REPORT (continued)

Companies Act 2006 section 172(1) statement in respect of Directors' actions (continued)

Noting the size and spread of the Company's stakeholders and close alignment with the stakeholders of the AstraZeneca Group, the Company conducted its stakeholder engagement at Group level. Engaging at Group level was deemed the most efficient and effective method of engagement, to help achieve a greater positive impact on environmental, social and other related matters. The Directors of the Company also hold senior positions within the AstraZeneca Group. Consequently, they are party to information and discussions on the Group's policies and practices that impact the Company, its key stakeholders and the community and environment in which the Company operates. The AstraZeneca Group engaged with key stakeholders throughout the year to understand the issues and factors that are significant for these stakeholders, and a number of actions were taken as a result of this engagement at Group level. The interaction with stakeholders, and the impact of these interactions, is set out in the Connecting with our stakeholders section on pages 86 to 88 and throughout the Strategic Report of the AstraZeneca PLC Annual Report and Form 20-F Information 2022. In particular, the consideration and impact of the Group's operations on the environment are contained throughout the Strategic Report, including on pages 48 to 50 and Ambition Zero Carbon on page 50 of the AstraZeneca PLC Annual Report and Form 20-F Information 2022.

The Directors held active meetings throughout the reporting year and reviewed and considered their skills and expertise applicable to their position as Directors of the Company.

Principal risks and uncertainties

The pharmaceutical sector is inherently risky and there are a variety of risks and uncertainties affecting the Company's business. The principal risks which are considered to be material, in that they may have a significant effect on the Company's financial condition, results of operations and/or reputation, include: product pipeline and intellectual property risks; commercialisation risks; supply chain and business execution risks; legal, regulatory and compliance risks; and economic and financial risks. For full details of these risks and AstraZeneca Group's approach to risk management, see the section entitled Risk overview within the Strategic Report section of the AstraZeneca PLC Annual Report and Form 20-F Information 2022, which is available on the website www.astrazeneca.com or can be obtained from the address given in Note 16.

Post balance sheet events

No subsequent events having material impact on the Financial Statements were identified after the balance sheet date.

On behalf of the Board

I A Collins
I A Collins (Sep 4, 2023 12:25 GMT+1)

Iain Alistair Collins
Director
4 September 2023

DIRECTORS' REPORT

Directors	Iain Alistair Collins Adrian Kemp Matthew Bowden	**Registered Office**	1 Francis Crick Avenue Cambridge Biomedical Campus Cambridge CB2 0AA
Secretary	Camilla Johnstone	**Independent Auditors**	PricewaterhouseCoopers LLP St Johns Innovation Park The Maurice Wilkes Building Cowley Road Cambridge CB4 0DS

Date: 4 September 2023

The Directors of the Company present their Report and the audited Financial Statements of the Company for the year ended 31 December 2022.

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 and during the year.

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

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 pages 2 to 4.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors, in concluding that the going concern basis is appropriate, have received from AstraZeneca PLC a letter of support confirming that AstraZeneca PLC will continue to provide the financial resources required to fund the Company's operations for the foreseeable future and at least 12 months from the date of signing the Financial Statements.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Based on their assessment of the Company's financial position, they continue to adopt the going concern basis in preparing the Financial Statements.

Stakeholder engagement statement

See pages 3 to 4 for the Company's s. 172(1) statement within the Strategic Report which highlights the close alignment between the stakeholders of the Company and of the AstraZeneca Group.

DIRECTORS' REPORT (continued)

Stakeholder engagement statement (continued)

When making decisions, the Board of AstraZeneca PLC acts in the way it considers is most likely to promote the success of the AstraZeneca Group, for the benefit of its members as a whole, while also considering the broad range of stakeholders who interact with the business. Considering the interests of our stakeholders is fundamental to the way in which the AstraZeneca Group operates. The Directors of the Company have regard to the need to foster business relationships with the Company's stakeholders and to consider their interests when making decisions. The Directors hold senior positions within the AstraZeneca Group and so are party to information and discussions on the Group's policies and practices that impact the Company and its key stakeholders.

Details of the Group's key stakeholders, as well as the engagement that has been undertaken across the Group during 2022 can be found from page 86 of the AstraZeneca PLC Annual Report and Form 20-F Information 2022. How the Group understands the interests of stakeholders, and how stakeholders' interests at Group level are considered is summarised on page 88 of the AstraZeneca PLC Annual Report and Form 20-F Information 2022.

Dividends

The Directors do not recommend the payment of a dividend (2021: £nil).

Political donations

The Company made no political donations during the year (2021: £nil).

Post balance sheet events

Post balance sheet events are set out in the Strategic Report.

Research and development activities

The Company's research and development activities are referred to in the Strategic Report. None of these costs met the recognition criteria to be capitalised.

Future developments

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

Financial instruments

The financial risk management objectives and policies of the Company are referred to in the Strategic Report.

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 auditor, 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.

DIRECTORS' REPORT (continued)

Independent Auditors

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

On behalf of the Board

I A Collins
I A Collins (Sep 4, 2023 12:25 GMT+1)

Iain Alistair Collins
Director
4 September 2023

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

The Directors are responsible for preparing the Strategic Report, 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 year. In preparing these 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 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 2022 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, including 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 2022; the Income Statement and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2022 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, Directors' Report and the Financial Statements, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to patent protection and product safety (including the UK Medicines and Healthcare products Regulatory Agency), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to deliberate manipulation of results via the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations;
- Enquiry of management, internal audit, the internal legal function and the internal compliance function and those charged with governance around actual or suspected fraud and suspected instances of non-compliance with laws and regulations; and
- Reviewing minutes of meetings of those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Linda Kempenaar

Linda Kempenaar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
4 September 2023

INCOME STATEMENT
for the year ended 31 December

	Notes	2022 £m	2021 £m
Collaboration Revenue	1	729	649
Total Revenue	1	729	649
Cost of sales		(64)	(51)
Gross profit		665	598
Research and development expense		(185)	(187)
Selling, general and administrative expense		(102)	(126)
Other operating income and expense		5	4
Impairment reversal		61	34
Operating profit	2	444	323
Finance expense	5	(6)	(1)
Profit before taxation		438	322
Tax on profit	6	1	(39)
Profit for the financial year		439	283

All activities were in respect of continuing operations.

The reported profits represent the total comprehensive income for the year, therefore a Statement of Comprehensive Income has not been presented.

The Accounting Policies on pages 15 to 18 and the Notes to the Financial Statements on pages 19 to 24 form part of these Financial Statements.

STATEMENT OF FINANCIAL POSITION
at 31 December

	Notes	2022 £m	2021 £m
Non-current assets			
Investments	7	3,375	3,121
Other receivables	8	27	27
Deferred tax assets	6	59	73
		3,461	3,221
Current assets			
Trade and other receivables	8	126	305
Total assets		3,587	3,526
Current liabilities			
Trade and other payables	9	(1,593)	(1,964)
Provisions	11	(7)	(6)
		(1,600)	(1,970)
Non-current liabilities			
Other payables	10	(70)	(78)
Provisions	11	(54)	(54)
		(124)	(132)
Total liabilities		(1,724)	(2,102)
Net assets		1,863	1,424
Capital and reserves			
Called-up share capital	12	-	-
Share premium account		36	36
Capital contribution reserve	13	81	81
Capital redemption reserve	13	12	12
Merger reserve	13	1	1
Profit and loss account		1,733	1,294
Total equity		1,863	1,424

The Accounting Policies on pages 15 to 18 and the Notes to the Financial Statements on pages 19 to 24 form part of these Financial Statements.

These Financial Statements from pages 12 to 24 were approved by the Board of Directors on 4 September 2023 and were signed on its behalf by:

I A Collins
I A Collins (Sep 4, 2023 12:25 GMT+1)

Iain Alistair Collins
Director

Company registered number: 03479984

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December

	Called-up share capital £m	Share premium account £m	Capital contribution reserve £m	Capital redemption reserve £m	Merger reserve £m	Profit and loss account £m	Total equity £m
At 1 January 2021	-	36	81	12	1	1,011	1,141
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	283	283
Total comprehensive income for the year	-	-	-	-	-	283	283
At 31 December 2021	-	36	81	12	1	1,294	1,424
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	439	439
Total comprehensive income for the year	-	-	-	-	-	439	439
At 31 December 2022	-	36	81	12	1	1,733	1,863

ACCOUNTING POLICIES

Basis of presentation of financial information

The Company is a private limited company, limited by shares, incorporated and domiciled in England and Wales. The Company's Financial Statements are prepared in pound sterling, which is the functional currency of the Company rounded to the nearest £ million, unless otherwise stated.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). In preparing these Financial Statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted International Accounting Standards), but made amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of the FRS 101 disclosure exemptions.

The Company's ultimate parent undertaking, AstraZeneca PLC, includes the Company in its Consolidated Financial Statements. The Consolidated Financial Statements of AstraZeneca PLC are prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards and are available to the public on the website www.astrazeneca.com or can be obtained from the address given in Note 16.

In these Financial Statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures in respect of contracts with customers, significant judgements in applying IFRS 15 to those contracts, performance obligations and transaction price allocation.

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 disclosure:

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

The Accounting Policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Basis of accounting

The Financial Statements are prepared under the historical cost convention.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group Financial Statements. Therefore, these Financial Statements present information about the Company as an individual undertaking and not about its group.

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 pages 2 to 4.

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The Directors, in concluding that the going concern basis is appropriate, have received from AstraZeneca PLC a letter of support confirming that AstraZeneca PLC will continue to provide the financial resources required to fund the Company's operations for the foreseeable future and at least 12 months from the date of signing the Financial Statements.

ACCOUNTING POLICIES (continued)

Going concern (continued)

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Based on their assessment of the Company's financial position, they continue to adopt the going concern basis in preparing the Financial Statements.

Estimates and judgements

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and judgements that affect the reported amounts of 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.

The accounting policy descriptions set out the areas where judgements and estimates need exercising, the most significant of which include the following key judgements and significant estimates:

Key judgements (KJ)
> revenue recognition – see Collaboration Revenue policy on page 16
> expensing of internal development expenses – see Research and development policy on page 17

Significant estimates (SE)
> none

Collaboration Revenue

Collaboration Revenue includes income from collaborative arrangements where either the Company has out-licensed (sold) or has in-licenced (acquired) certain rights associated with products, where either AstraZeneca (out-licences) or the collaborator (in-licences) retains a significant ongoing economic interest in the product. Significant interest can include ongoing supply of finished goods, profit sharing arrangements or being principal in the sales of medicines. These collaborations may include development, manufacturing and/or commercialisation arrangements with the collaborator. Income from out-licences may take the form of upfront fees, milestones and royalties and income from in-licences may comprise the sharing of profit arising from sales made as principal by the collaborator.

Collaboration Revenue represents income from the *Lynparza* licence agreement relating to the Company's Intellectual Property entered into with AstraZeneca UK Limited, and income from the Company's global collaboration agreement with Merck & Co., Inc. (known as MSD outside of the US and Canada) to co-develop and co-commercialise *Lynparza* for multiple cancer types. Revenue is recognised when it is earned as defined in the relevant contract and can be reliably estimated.

(KJ) Timing of recognition of clinical and regulatory milestones is considered to be a key judgement. There can be significant uncertainty over whether it is highly probable that there would not be a significant reversal of revenue in respect of specific milestones if these are recognised before they are triggered due to them being subject to the actions of third parties. In general, where the triggering of a milestone is subject to the decisions of third parties (e.g. the acceptance or approval of a filing by a regulatory authority), the Company does not consider that the threshold for recognition is met until that decision is made.

Where Collaboration Revenue arises from the licensing of the Company's own intellectual property, the licences we grant are typically rights to use intellectual property which do not change during the period of the licence and therefore related non-conditional revenue is recognised at the point the license is granted and variable consideration as soon as recognition criteria are met.

Cost of sales

Cost of sales are recognised as the associated revenue is recognised. Cost of sales include royalties payable on revenues recognised. Cost of sales also includes co-collaborator sharing of profit arising from collaborations, and foreign exchange gains and losses arising from business trading activities.

ACCOUNTING POLICIES (continued)

Research and development

Research expenditure is charged to profit and loss in the year in which it is incurred.

(KJ) Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 'Intangible Assets'. This is considered a key judgement. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is charged to profit and loss and this is almost invariably the case prior to approval of the drug by the relevant regulatory authority. Where, however, recognition criteria are met, Intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch. At 31 December 2022, no amounts have met the recognition criteria.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than the Company's functional currency, are translated into pound sterling at average rates for the relevant monthly accounting periods, which approximate to actual rates.

Monetary assets and liabilities arising from foreign currency transactions are retranslated at exchange rates prevailing at the reporting date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement.

Non-monetary items arising from foreign currency transactions are not retranslated in the Company's accounting records.

Taxation

The current tax payable is based on taxable profit for the period. Taxable profit differs from reported profit because taxable profit excludes items that are either never taxable or tax deductible or items that are taxable or tax deductible in a different period. The Company's current tax assets and liabilities are calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. This requires judgements to be made in respect of the availability of future taxable income.

No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and branches where the Company is able to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company's deferred tax assets and liabilities are calculated using tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates that have been enacted or substantively enacted by the reporting date.

Liabilities for uncertain tax positions require management to make judgements of potential exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions will probably be accepted by the tax authorities. This is based upon management's interpretation of applicable laws and regulations and the expectation of how the tax authority will resolve the matter. Once considered probable of not being accepted, management reviews each material tax benefit and reflects the effect of the uncertainty in determining the related taxable result.

Liabilities for uncertain tax positions are measured using either the most likely amount or the expected value amount depending on which method the entity expects to better predict the resolution of the uncertainty.

Investments

Investments in subsidiary undertakings are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted. Where provisions are discounted, the increase in the provision resulting from the passage of time is recognised as a finance cost.

Non-derivative financial instruments

Trade and other receivables

Receivables, which includes amounts owed by Group undertakings, are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The recoverability of the amounts owed by Group undertakings have been assessed in accordance with IFRS 9 and no impairment has been identified. The trade and other receivables are generally high quality and short term so are considered to have low credit risk, limiting the loss allowance to 12-month expected credit losses. In 2022, there have been no credit losses (2021: £nil).

Receivables are written off where there is no reasonable expectation of recovery. Impairment losses are presented as net impairment losses within Operating profit, any subsequent recoveries are credited against the same line.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

Impairment

The carrying value of the Company's investments are reviewed at least annually for impairment by comparing the carrying value with the net assets of the underlying investment. Impairment losses are recognised in the Income Statement.

Other operating income and Other operating expense

Other operating income relates to income that is generated from activities outside of the Company's normal course of business. It is recorded in the period in which it is generated.

Income arising from collaborations with third parties, when the Company retains significant interests, is included in Revenue as Collaboration Revenue.

Income arising from arrangements where the Company does not retain the ability to influence the relevant activities, such as in the case of divestments or full out-license of assets, is recorded as Other operating income.

Other operating expense includes the pass-through of income received by the Company to other third parties.

NOTES TO THE FINANCIAL STATEMENTS

1 Total Revenue

	2022 **£m**	2021 £m
Collaboration Revenue		
Lynparza - MSD Collaboration (US)	279	291
Lynparza licence - AstraZeneca UK Limited (UK)	450	358
Total Revenue	729	649

2 Operating profit

Operating profit is stated after (crediting)/charging:

	2022 **£m**	2021 £m
Impairment reversal of non-current investments (Note 7)	(61)	(34)
Research and development costs	185	187

In 2022, the company increased the investment in AstraZeneca Sweden Investments Limited as shown in Note 7. At 31 December 2022, an impairment assessment was performed and an impairment reversal of £61m was recorded, reversing previous impairments of the AstraZeneca Sweden Investments Limited investment.

Research and development costs are expensed as incurred.

Audit fees of £43,750 (2021: £36,150) are borne by AstraZeneca UK Limited, a fellow subsidiary of AstraZeneca PLC.

3 Emoluments of Directors

None of the Directors received any emoluments in respect of their services to the Company during the year (2021: £nil).

4 Employee costs

The Company employed no staff during the year (2021: none).

5 Finance expense

	2022 **£m**	2021 £m
Interest payable to Group companies	3	1
Net foreign exchange loss	3	-
Total	**6**	**1**

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Tax on profit

	2022 £m	2021 £m
Current tax on income for the year	-	37
Adjustments in respect of prior periods	(15)	10
Current tax on income for the year	(15)	47
Deferred tax	1	1
Impact of change in tax rate	(5)	(8)
Adjustments in respect of prior periods	18	(1)
Deferred tax for the year	14	(8)
Tax on profit	(1)	39

Total tax charge for the year is lower (2021: lower) than the standard rate of corporation tax in the UK.

The differences are explained below.

	2022 £m	2021 £m
Tax reconciliation		
Profit before taxation	438	322
Tax at 19% (2021: 19%)	83	61
Effects of:		
Adjustments in respect of prior periods	3	9
Group relief claimed for nil consideration	(71)	(16)
Impact of change in tax rate	(5)	(8)
Expenses not deductible / (not taxable)	(11)	(7)
Total tax on profit	(1)	39

Factors affecting the tax charge in future periods

An increase of the UK corporation tax rate to 25% with effect from 1 April 2023 was substantively enacted on 24 May 2021. The deferred tax balances at 31 December 2022 reflect this.

Deferred taxation

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

	Amount provided		Amount unprovided	
	2022 £m	2021 £m	2022 £m	2021 £m
Tax effect of timing differences due to:				
Tax losses carried forward	59	73	-	-
Deferred tax asset	59	73	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Tax on profit (continued)

Movement in deferred tax during the year:

	1 January 2022 £m	Recognised in income £m	Recognised in equity £m	31 December 2022 £m
Tax losses carried forward	73	(14)	-	59
	73	(14)	-	59

Movement in deferred tax during the prior year:

	1 January 2021 £m	Recognised in income £m	Recognised in equity £m	31 December 2021 £m
Tax losses carried forward	65	8	-	73
	65	8	-	73

The Company has £59m (2021: £73m) of 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 Investments

	2022 £m	2021 £m
Net book value at 1 January	3,121	2,797
Additions	193	290
Impairment reversal	61	34
Net book value at 31 December	3,375	3,121

During 2022, the Company purchased 210,322,014 ordinary shares of AstraZeneca Sweden Investments Limited, a fellow Group undertaking, for a total amount of £193m.

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 Limited such that the whole investment has been provided against.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 Investments (continued)

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 *1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA, United Kingdom*	England and Wales	Ordinary £1 shares	100%
AstraZeneca Sweden Investments Limited *1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA, United Kingdom*	England and Wales	Ordinary $1 shares	21.7%

8 Trade and other receivables

	2022 £m	2021 £m
Amounts due within one year		
Trade receivables	115	299
Corporation tax recoverable	8	3
Other receivables	3	3
	126	305
Amounts due after more than one year		
Other receivables	27	27
	27	27
At 31 December	**153**	**332**

9 Trade and other payables

	2022 £m	2021 £m
Amount payable for group relief (owed to Group companies)	41	96
Amounts owed to Group undertakings	1,548	1,852
Contract liabilities	4	16
At 31 December	**1,593**	**1,964**

Amounts owed to Group companies are payable on demand.

10 Other payables

	2022 £m	2021 £m
Contract liabilities	70	78

The revenue recognised in the year related to contract liabilities held at the beginning of the year was £20m (2021: £21m).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 Provisions

Legal provisions	2022 £m	2021 £m
At 1 January	60	-
Charge for year	-	60
Cash paid	(6)	-
Foreign exchange and other movements	7	-
At 31 December	**61**	**60**

The provisions balance is split by period payable as follows:

	2022 £m	2021 £m
Due within one year	7	6
Due after more than one year	54	54
At 31 December	**61**	**60**

Legal provisions, once established, remain in Provisions until settlement is reached and uncertainty resolved, with no transfer to Trade and other payables prior to payment.

The AstraZeneca Group is involved in various legal proceedings considered typical to its business, including actual or threatened litigation and actual or potential government investigations relating to employment matters, product liability, commercial disputes, pricing, sales and marketing practices, infringement of IP rights, and the validity of certain patents and competition laws.

During 2021, one matter was settled, with the agreed settlement amount recognised as a provision at 31 December 2022 of £61m (2021: £60m). The amount is expected to be paid in ten equal annual instalments, which commenced in 2022, with a related other receivable of half of the provision falling due from the commercialisation partner in corresponding annual instalments.

12 Called-up share capital

	2022 £m	2021 £m
Issued, allotted, called-up and fully paid		
6,277,737 (2021: 6,277,737) Ordinary shares of 1p each	-	-

The Company does not have a limited amount of authorised share capital

13 Reserves

	Capital contribution reserve £m	Capital redemption reserve £m	Merger reserve £m
At 1 January and 31 December 2022	81	12	1

The Capital contribution reserve arose from a capital contribution of £81m ($103m) from the immediate parent company, AstraZeneca UK Limited, in 2017.

The Capital redemption reserve arose from the cancellation of deferred shares by the Company in 2003.

The Merger reserve arose from the issue of "A" Ordinary shares and Ordinary shares issued in consideration for the acquisition of the entire share capital of ChemOvation Limited in 2001. ChemOvation Limited was renamed KuDOS Horsham Limited in 2005.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Commitments and contingent liabilities

Taxation

The Company considers whether it is probable that a taxation authority will accept an uncertain tax treatment. If it is concluded that it is not probable that the taxation authority will accept an uncertain tax treatment, where tax exposures can be quantified, a tax liability is recognised based on either the most likely amount method or the expected value method depending on which method management expects to better predict the resolution of the uncertainty. There are tax uncertainties recorded in the financial statements (in deferred tax) regarding an ongoing tax audit. The amounts are not material. There is no reasonable change in assumptions which would give rise to a material change in the tax liabilities in the next financial year.

The Company faces audits and reviews and, in some cases, is in dispute with the tax authorities. The issues under discussion are often complex and can require many years to resolve. Tax liabilities recognised for uncertain tax treatments require management to make judgements with respect to the outcome of current and potential future tax audits, and actual results could vary from these estimates.

15 Related party transactions

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. There are no other related party transactions.

16 Ultimate parent company and parent undertaking of larger group of which the Company is a member

The Company is a wholly owned subsidiary undertaking of AstraZeneca UK Limited, a company incorporated in England and Wales.

The smallest and largest group in which the results of the Company are consolidated is that headed by AstraZeneca PLC, which is the ultimate controlling party. The Consolidated Financial Statements of this Group are available to the public on the website www.astrazeneca.com or can be obtained from the registered office, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

17 Post balance sheet events

No subsequent events having material impact on the Financial Statements were identified after the balance sheet date.