

# **CAMBRIDGE ANTIBODY TECHNOLOGY GROUP LIMITED**

Report and Financial Statements

Registered number 3234033

31 December 2016

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**Report and Financial Statements**

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## Strategic Report

### Principal activity

The principal activity of Cambridge Antibody Technology Group Limited (the “Company”) continues to be holding investments in subsidiaries that are engaged in research, development and exploitation of products in the field of molecular engineering. No changes to the principal activity of the Company are expected in the foreseeable future.

### Business review

The Company recorded a profit of £3,170,000 (2015: profit of £390,000) during the year ended 31 December 2016.

The Company’s profit during the year ended 31 December 2016 was mainly driven by foreign exchange gains on debtor balances denominated in a foreign currency.

The Directors do not recommend the payment of a dividend (2015: £nil).

### Principal risks and uncertainties

The field of drug development is inherently risky and the Company’s principal activity of holding investments in subsidiaries engaged in this industry exposes it to these risks. The 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 risks*

Failure to meet development targets, delays to the launch of new products and unsuccessful strategic alliances are risks associated with developing our pipeline of products.

#### *Commercialisation and business execution risks*

A commercially unsuccessful new product could have a materially adverse effect on the financial position of the business. The risks in this area relate to poor performance of a new product, counterfeit medicines or diagnostics, the difficulty of exploiting opportunities successfully in emerging markets, and the expiry or infringement of our intellectual property rights.

#### *Supply chain and delivery risks*

Manufacturing biologics in large quantities is complex and so there is a risk that deviations in the process may reduce quality. We rely on third parties for the timely supply of goods and an interruption to the supply of high quality materials may adversely impact our operations.

#### *Legal, regulatory and compliance risks*

We operate in a complex legal and regulatory environment and failure to adhere to all applicable laws, rules and regulations could adversely affect our ability to conduct business.

#### *Economic and financial risks*

The main financial risk arises from trading with overseas entities which exposes us to currency fluctuations between transaction and settlement dates.

**Strategic Report (continued)**

**Principal risks and uncertainties (continued)**

*Managing risk*

The Company's ultimate parent undertaking, AstraZeneca PLC works continuously to ensure that there are effective risk management processes in place to support the delivery of strategic objectives, material needs to stakeholders and the core values of the group. Further information on the processes in place to manage risk can be found in the section entitled "Risk" within the Corporate Governance section of the AstraZeneca Annual Report and Form 20-F Information 2016, which are available online or can be obtained from the address given in Note 9.

The UK Referendum vote to leave the EU on 23 June 2016 presents several potential risks to the pharmaceutical industry and the wider AstraZeneca Group, including but not limited to; restrictions on and/or additional costs to trade cross-border; impacts on patent filing and regulatory approval processes; restrictions on movement of people, R&D funding and clinical research.

By Order of the Board



Adrian Kemp  
Director

1 Francis Crick Avenue  
Cambridge Biomedical Campus  
Cambridge  
CB2 0AA

25 SEPTEMBER 2017

|                  |  |                          |   |
|------------------|--|--------------------------|---|
| <b>Directors</b> | I M D Brimicombe (Resigned 31 May 2017)<br>A C N Kemp<br>K L Jackson-Turner (Appointed 16 March 2017)<br>I A Collins (Appointed 31 May 2017) | <b>Registered Office</b> | 1 Francis Crick Avenue<br>Cambridge Biomedical Campus<br>Cambridge<br>CB2 0AA |
| <b>Secretary</b> | A C N Kemp (Resigned 16 March 2017)<br>M I Conacher (Appointed 16 March 2017)  | <b>Auditor</b>           | KPMG LLP<br>Botanic House<br>100 Hills Road<br>Cambridge<br>CB2 1AR           |

**Date** 25 September 2017

### **Directors' Report**

The Directors present their annual report on the affairs of the Company together with the Financial Statements and auditor's report for the year ended 31 December 2016.

### **Results and dividends**

The result of the Company for the year, which has been transferred to reserves, was a profit of £3,170,000 (2015: profit of £390,000). The Directors do not recommend the payment of a dividend (2015: £nil).

### **Directors**

The Directors whose names appear at the head of this report were Directors of the Company at the date of approval of this Director's Report unless noted otherwise.

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 Director's Report.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

### **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 3.

On the basis of their assessment of the Company's financial position, the Company's 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.

### **Political Donations**

The Company made no political donations during the year (2015: £nil).

### **Statement as to disclosure of information to auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Directors' Report (continued)**

**Auditors**

Following an audit tender process, PricewaterhouseCoopers LLP will be appointed as the Company's auditor for the year ended 31 December 2017 and KPMG LLP will resign their office.

By Order of the Board

A handwritten signature in black ink, appearing to read 'AWKp', with a horizontal line underneath the 'W'.

Adrian Kemp

Director

Date 25 SEPTEMBER 2017

**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 FRS 101 *Reduced Disclosure Framework*.

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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE ANTIBODY TECHNOLOGY GROUP LIMITED**

We have audited the financial statements of Cambridge Antibody Technology Group Limited for the year ended 31 December 2016 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

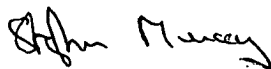
- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE ANTIBODY  
TECHNOLOGY GROUP LIMITED (continued)**

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

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

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



Stephen Muncey (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered accountants*  
Botanic House  
100 Hills Road  
Cambridge  
CB2 1AR

Date: 25 September 2017

**STATEMENT OF COMPREHENSIVE INCOME**

| <b>For the year ended 31 December</b>                      | <b>Notes</b> | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
|--|--------------|----------------------|----------------------|
| Finance income   | 3            | 3,170                | 390                  |
| <b>Profit on ordinary activities before taxation</b>       |              | <b>3,170</b>         | <b>390</b>           |
| Taxation   | 4            | -                    | -                    |
| <b>Profit for the financial year</b>                       |              | <b>3,170</b>         | <b>390</b>           |
| <b>Other comprehensive income for the year, net of tax</b> |              | <b>-</b>             | <b>-</b>             |
| <b>Total comprehensive income for the year</b>             |              | <b>3,170</b>         | <b>390</b>           |

All activities were in respect of continuing operations.

The accounting policies on pages 12 to 13 and the Notes to the Financial Statements on pages 14 to 16 form part of these Financial Statements.

**STATEMENT OF FINANCIAL POSITION**

| At 31 December              | Notes | 2016<br>£000 | 2015<br>£000 |
|-----------------------------|-------|--------------|--------------|
| <b>Fixed Assets</b>         |       |              |              |
| Investments                 | 5     | 770,718      | 770,718      |
| <b>Current assets</b>       |       |              |              |
| Debtors                     | 6     | 169,887      | 166,717      |
| <b>Net current assets</b>   |       | 169,887      | 166,717      |
| <b>Net assets</b>           |       | 940,605      | 937,435      |
| <b>Capital and reserves</b> |       |              |              |
| Called-up share capital     | 8     | 5,528        | 5,528        |
| Share premium account       |       | 896,067      | 896,067      |
| Profit and loss account     |       | 39,010       | 35,840       |
| <b>Shareholder's funds</b>  |       | 940,605      | 937,435      |

The accounting policies on pages 12 to 13 and the Notes to the Financial Statements on pages 14 to 16 form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 25 September 2017 and were signed on its behalf by:



Adrian Kemp  
Director

**Registered Number: 3234033**

**STATEMENT OF CHANGES IN EQUITY**

|  | Share<br>capital<br>£000 | Share<br>Premium<br>account<br>£000 | Profit and<br>loss account<br>£000 | Total<br>equity<br>£000 |
|--|--------------------------|-------------------------------------|------------------------------------|-------------------------|
| <b>Balance at 1 January 2015</b>                 | 5,528                    | 896,067                             | 35,450                             | 937,045                 |
| <b>Total comprehensive income for the period</b> |                          |                                     |                                    |                         |
| Profit for the period                            | -                        | -                                   | 390                                | 390                     |
| Total comprehensive income for the period        | -                        | -                                   | 390                                | 390                     |
| <b>Balance at 31 December 2015</b>               | 5,528                    | 896,067                             | 35,840                             | 937,435                 |
| <b>Total comprehensive income for the period</b> |                          |                                     |                                    |                         |
| Profit for the period                            | -                        | -                                   | 3,170                              | 3,170                   |
| Total comprehensive income for the period        | -                        | -                                   | 3,170                              | 3,170                   |
| <b>Balance at 31 December 2016</b>               | 5,528                    | 896,067                             | 39,010                             | 940,605                 |

## ACCOUNTING POLICIES

### Basis of presentation of financial information

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

The Company's financial statements are presented in Sterling.

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

IFRS 1 grants certain exemptions from the full requirements of adopted IFRSs in the transition period. The following exemption has been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2013 have not been restated.

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 International Financial Reporting Standards and are available to the public and may be obtained online and from the registered office, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

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 reconciliations for share capital, tangible fixed assets and intangible assets;
- 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.

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 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

## ACCOUNTING POLICIES (continued)

### Basis of accounting

The financial statements are prepared on the historical cost basis.

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group accounts. Therefore, 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.

### Significant accounting judgements estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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 (including impairment reviews of associated intangible assets), goodwill, employee benefits and taxation.

### Debtors

Trade and other debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through the Statement of Comprehensive Income when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

### Taxation

Tax on the profit or loss for the year comprises current tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### Investments

Fixed asset investments are shown at historic cost less provision for impairment. All fixed asset investments are reviewed for impairment when there are indications that the carrying value may not be recoverable.

### Foreign currency

The Company's financial statements are presented in Sterling which is also the Company's functional currency. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that 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 Statement of Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Staff costs and emoluments of Directors

None of the Directors received any emoluments in respect of their services to the Company during the year. The Company employed no staff (2015: nil) during the year.

### 2. Operating profit

The auditor's remuneration of £8,000 (2015: £8,000) is borne by AstraZeneca UK Limited, a fellow subsidiary of AstraZeneca PLC.

### 3. Finance income and expense

|                        | 2016<br>£000 | 2015<br>£000 |
|------------------------|--------------|--------------|
| <b>Finance income</b>  |              |              |
| Foreign exchange gains | 3,170        | 390          |
|                        | <u>3,170</u> | <u>390</u>   |

### 4. Taxation

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| UK corporation tax on profit on ordinary activities | -            | -            |

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

|  | 2016<br>£000 | 2015<br>£000 |
|--|--------------|--------------|
| <b>Current tax reconciliation</b>          |              |              |
| Profit on ordinary activities before tax   | 3,170        | 390          |
| Current tax at 20% (2015: 20.25%)          | 634          | 79           |
| Effects of:                                |              |              |
| Imputed interest                           | 340          | 270          |
| Group relief not paid                      | (974)        | (349)        |
| Total tax on profit on ordinary activities | <u>-</u>     | <u>-</u>     |

### Factors affecting the tax charge in future periods

The Company had no unprovided deferred tax balances at 31 December 2016 and 31 December 2015.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 9 September 2016. This will reduce the Company's future current tax charge accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Fixed asset investments

|                                | 2016<br>£000 | 2015<br>£000 |
|--------------------------------|--------------|--------------|
| <b>Cost and Net book value</b> |              |              |
| At 1 January and 31 December   | 770,718      | 770,718      |

The subsidiary undertakings of the Company are as follows:

| Investments   | Percentage of share<br>capital held | Class of<br>shares held |
|---|-------------------------------------|-------------------------|
| MedImmune Limited<br><i>Milstein Buildings, Granta Park, Cambridge, CB21 6GH,<br/>England and Wales</i>               | 100%                                | Ordinary                |
| Optein, Inc. (trading as Aptein Inc.)<br><i>2711 Centerville Road, Suite 400, Wilmington, Delaware,<br/>1989, USA</i> | 100%                                | Ordinary                |

In the Directors' opinion, the investments in and amounts due from the Company's investments are worth at least the amounts at which they are stated in the balance sheet.

6. Debtors

|   |                      |                      |
|---|----------------------|----------------------|
| <b>Amounts due within one year</b>      | <b>2016<br/>£000</b> | <b>2015<br/>£000</b> |
| Amounts owed by subsidiary undertakings | 169,887              | 166,717              |

There are no debtors due after more than one year (2015: £Nil).

7. Share capital

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| 55,279,614 (2015: 55,279,614) allotted, called-up and fully paid Voting<br>Ordinary Shares of 0.10 pence each | 5,528        | 5,528        |

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**8. 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.

**9. Ultimate parent company and parent undertaking**

The immediate controlling party of the Company at 31 December 2016 was AstraZeneca AB by virtue of its 100% shareholding in the Company. AstraZeneca AB is incorporated in Sweden. The Directors consider AstraZeneca PLC, a company incorporated in England and Wales, to be the ultimate controlling party.

Copies of the ultimate controlling company's consolidated Financial Statements may be obtained from The Company Secretary, AstraZeneca PLC, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

**10. Post-balance sheet events**

There have been no post-balance sheet events subsequent to the balance sheet date.