AstraZeneca

What science can do

AstraZeneca Annual Report and Form 20-F Information 2015

Preparation of the Financial Statements and Directors' Responsibilities

The Directors are responsible for preparing this Annual Report and Form 20-F Information and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework' and applicable law.

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 Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company 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
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- for the Parent Company Financial Statements, state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the Parent Company Financial Statements
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Strategic Report, Directors' Remuneration Report, Corporate Governance Report and Audit Committee Report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on our website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' responsibility statement pursuant to DTR 4

The Directors confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors on 4 February 2016

Pascal Soriot
Director

Directors' Responsibilities for, and Report on, Internal Control over Financial Reporting

The Directors are responsible for establishing and maintaining adequate internal control over financial reporting. AstraZeneca's internal control over financial reporting is designed to provide reasonable assurance over the reliability of financial reporting and the preparation of consolidated Financial Statements in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Directors assessed the effectiveness of AstraZeneca's internal control over financial reporting as at 31 December 2015 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework (2013). Based on this assessment, the Directors believe that, as at 31 December 2015, the internal control over financial reporting is effective based on those criteria.

KPMG LLP, an independent registered public accounting firm, has audited the effectiveness of internal control over financial reporting as at 31 December 2015 and, as explained on page 136, has issued an unqualified report thereon.

Auditor's Reports on the Financial Statements and on Internal Control over Financial Reporting (Sarbanes-Oxley Act Section 404)

The report set out below is provided in compliance with International Standards on Auditing (UK and Ireland). KPMG LLP has also issued reports in accordance with standards of the Public Company Accounting Oversight Board in the US, which will be included in the Annual Report on Form 20-F to be filed with the US Securities and Exchange Commission. Those reports are unqualified and include opinions on the Group Financial Statements and on the effectiveness of internal control over financial reporting as at 31 December 2015 (Sarbanes-Oxley Act Section 404). The Directors' statement on internal control over financial reporting is set out on page 135.

KPMG LLP has also reported separately on the Company Financial Statements of AstraZeneca PLC and on the information in the Directors' Remuneration Report that is described as having been audited. This audit report is set out on page 196.

Independent Auditor's Report to the Members of AstraZeneca PLC only

Opinions and conclusions arising from our audit

1. Our opinion on the Group Financial Statements is unmodified

We have audited the Group Financial Statements of AstraZeneca PLC for the year ended 31 December 2015 set out on pages 140 to 195. In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

2. Separate opinion in relation to IFRSs as issued by the International Accounting Standards Board (IASB)

As explained in the Group accounting policies section of the Group Financial Statements set out on pages 140 to 195, the Group, in addition to complying with its legal obligation to apply IFRSs as adopted by the EU, has also applied IFRSs as issued by the IASB.

In our opinion, the Group Financial Statements comply with IFRSs as issued by the IASB.

3. Our assessment of risks of material misstatement

We summarise below the risks of material misstatement that had the greatest effect on our audit, our key audit procedures to address those risks and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. Our findings are the result of procedures undertaken in the context of and solely for the purpose of our statutory audit opinion on the Group Financial Statements as a whole and consequently are incidental to that opinion, and we do not express discrete opinions on separate elements of the Group Financial Statements.

Rebates, discounts, allowances and returns in the US ($3,307m)

Refer to page 101 (Audit Committee Report), page 145 (accounting policy) and page 77 (financial risk management).

The risk

Rebates, chargebacks and returns under contractual and regulatory requirements in the United States of America ('US'), which are deducted in arriving at revenue, are complex and require significant judgement and estimation by management in establishing an appropriate accrual.

Our response

Our principal audit procedures included: testing the Group's controls surrounding the deductions made to revenue for rebates, chargebacks and returns and key manual and systems-based controls in the order-to-cash transaction cycle. Our audit work involved testing key controls including reconciliations between sales systems and the general ledger and those over claims, credits and system accrual rates. We also assessed the accuracy of the calculation of the accrual, corroborated inputs and key assumptions, both to internal and independent sources including sales contracts with customers; performed an analysis of the accrual balance and deductions to sales year on year, corroborating movements compared with expectations and payment claims and considered the historical accuracy of the accrual. We also assessed the adequacy of the Group's disclosure of its rebates, chargebacks and returns policy, the judgement involved and other related disclosures.

Our findings

In determining the appropriateness of the rebates, chargebacks and returns deductions in accordance with contractual and regulatory requirements, there is room for judgement and we found that within that, the Group's judgement was balanced (2014: balanced). We found the assumptions used and the resulting estimates to be balanced (2014: balanced). We also found no errors in the year-end rebate accrual calculations.

We found the disclosures on rebates, chargebacks and returns to be proportionate.

Carrying value of intangible assets ($22,646m)

Refer to page 101 (Audit Committee Report), page 147 (accounting policy), page 158 (financial disclosures) and page 79 (financial risk management).

The risk

The Group has significant intangible assets arising from the acquisition of products both launched and in development. Recoverability of these assets is based on forecasting and discounting future cash flows, which are inherently highly judgemental. For products in development the main risk is achieving successful trial results and obtaining required clinical and regulatory approvals. For launched products, the key risk is the ability to successfully commercialise the individual product concerned.

Our response

In this area our principal audit procedures included testing the Group's controls surrounding intangible asset impairments and evaluating the Group's assumptions used in assessing the recoverability of intangible assets, in particular, revenue and cash flow projections and useful economic lives. We also performed sensitivity analysis over individual intangible asset models, where we considered there to be a higher risk of

impairment, to assess the level of sensitivity to key assumptions and focus our work in those areas. Our procedures for products in development included assessing the reasonableness of the Group's assumptions regarding probability of obtaining regulatory approval through comparison to industry practice and consideration of trial readouts, regulatory announcements and the Group's internal governance and approval process. We also interviewed a range of key Research, Development and Commercial personnel to corroborate these assumptions. For launched products we discussed key assumptions including the size of the therapeutic area market, the product's projected share of this and expected pricing and associated costs. Our procedures also included challenging internally generated evidence by reviewing analyst commentaries, consensus forecasts and retrospective assessment of the accuracy of the Group's projections. We also assessed the adequacy of related disclosures in the Group's financial statements.

Our findings

We found the Group's assumptions and the resulting estimates to be balanced (2014: balanced). We found that the disclosures proportionately describe the inherent degree of subjectivity in the estimates and the potential impact on future periods of revisions to these estimates.

Litigation and contingent liabilities (provisions of $357m)

Refer to page 101 (Audit Committee Report), page 147 (accounting policy), page 186 (financial disclosures) and page 80 (financial risk management).

The risk

In the normal course of business, litigation and contingent liabilities may arise from product-specific and general legal proceedings, from guarantees or from government investigations. The amounts involved are potentially material and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective.

Our response

Having made enquiries of Directors and in-house legal counsel to obtain their view on the status of significant legal matters, our principal audit procedures included: testing the Group's controls surrounding litigation and contingent liabilities, obtaining formal confirmations from the Group's external counsel for all significant legal cases and discussions with external counsel where necessary. In addition we used our own forensic and compliance specialists to assess the Group's compliance logs and reports to identify actual and potential non-compliance with laws and regulations, both those specific to the Group's business and those relating to the conduct of business generally. We then analysed correspondence with regulators, considered legal expenses incurred during the year, monitored external sources and considered assessments made of the probability of defending any litigation and the reliability of estimating any obligation. We also assessed whether the Group's disclosures detailing significant legal proceedings adequately disclose the potential liabilities of the Group.

Our findings

Whilst the outcome of these litigation matters is inherently uncertain in each case, we found that the Group applied balanced judgements (2014: balanced), on a case by case basis, in assessing whether or not a provision should be recognised. We found that the assumptions used and the resulting liability recorded to be balanced (2014: balanced). We found that the Group gives extensive disclosure on the potential liability in excess of that recognised in the Financial Statements and the significant but unquantifiable contingent liability in respect of these litigation matters.

Tax provisioning ($1,734m)

Refer to page 101 (Audit Committee Report), page 146 (accounting policy), page 192 (financial disclosures) and page 81 (financial risk management).

The risk

Due to the Group operating in a number of different tax jurisdictions and the complexities of transfer pricing and other international tax legislation, accruals for tax contingencies require the Directors to make judgements and estimates in relation to tax issues and exposures.

Our response

In this area our principal audit procedures included: testing the Group's controls surrounding tax provisioning, assessment of correspondence with the relevant tax authorities and the use of our own local and international tax specialists to analyse and challenge the assumptions used by management to determine tax provisions, based on our knowledge and experiences of the application of the relevant legislation by authorities and courts. We also assessed the adequacy of the Group's disclosures in respect of tax and uncertain tax positions.

Our findings

We found the Group's estimate of the amounts to be recognised as tax liabilities to be conservative (2014: conservative) and that the disclosures provide a proportionate description of the current status of uncertain tax positions.

Post-retirement benefits ($1,974m)

Refer to page 101 (Audit Committee Report), page 145 (accounting policy), page 166 (financial disclosures) and page 80 (financial risk management).

The risk

Significant estimates are made in valuing the Group's post-retirement defined benefit plans. Small changes in assumptions and estimates used to value the Group's net pension deficit could have a significant effect on the results and financial position of the Group.

Our response

Our principal audit procedures included the testing of the Group's controls surrounding the post-retirement defined benefit plans valuations and the challenge of key assumptions, being the discount rate, inflation rate and mortality/life expectancy, which are included in the valuation calculations of the Group's retirement benefit obligations in countries with significant defined benefit pension plans, with the support of our own actuarial specialists. This involved a comparison of these key assumptions used against our own internal benchmarks and externally derived data. We obtained and assessed third party assurance reports on controls over the valuation of pension assets held by key custodians and compared asset values to third party confirmations. Additionally, we assessed the adequacy of the Group's disclosures in respect of post-retirement benefits.

Our findings

Overall, we found the key assumptions used in, and the resulting estimate of, the valuation of retirement benefit obligations within the Group to be mildly optimistic (2014: balanced). The third party assurance reports did not identify significant deviations in the operation of controls over the valuation of assets which caused us to change the scope or extent of our procedures and we found no errors in our comparison of asset values to third party confirmations. We found the disclosures in respect of post-retirement benefits to be proportionate.

Overall findings

In reaching our audit opinion on the Group Financial Statements we took into account the findings that we describe above and those for other, lower risk areas. Overall the findings from across the whole audit are that, although the Group Financial Statements use estimates that are mainly balanced, there is one conservative estimate and one mildly optimistic estimate. However, compared with materiality and considering the qualitative aspects of the Group Financial Statements as a whole, our opinion on the Group Financial Statements is unmodified.

4. Our application of materiality and an overview of the scope of our audit

The materiality for the Group Financial Statements as a whole was set at $140m (2014: $94m), determined with reference to a benchmark of Group profit before taxation, normalised to exclude this year's asset impairments and fair value movement on contingent consideration as disclosed in Notes 9 and 18, which are specifically audited, of which it represents 5.0% (2014: 5.0%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $7.0m (0.25% of normalised Group profit before taxation), in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group operates a significant number of trading entities, each of which is determined to be a reporting component, located in 65 countries around the globe. The Operating Segment disclosures in Note 6 set out the individual significance of each geographical region.

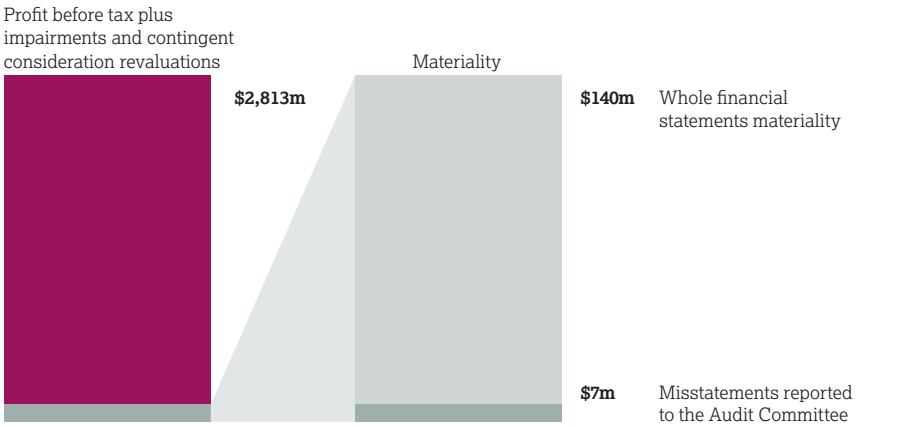
We performed audits for group reporting purposes at nine components and specified risk-focused audit procedures at two standalone components as well as at 33 components serviced by the Group's shared service centres. The latter 35 components were not individually financially significant enough to require an audit for group reporting purposes, but were included in the scope of our audit in order to provide further coverage over relevant account balances.

The Group operates four principal shared service centres (both in-house and outsourced) in the UK, Malaysia, Romania and India, which process a substantial proportion of the Group's transactions. The outputs from the shared service centres are included in the financial information of the reporting components they service and therefore they are not separate reporting components. Each of the service centres is subject to specified risk-focused audit procedures, predominantly the testing of transaction processing and review controls. Additional procedures are performed by component audit teams at certain reporting components to address the audit risks not covered by the work performed over the shared service centres. These procedures are designed to address the risk of material misstatement identified through our group risk assessment processes.

This resulted in the coverage shown in the neighbouring charts. For the remaining components, we performed analysis at the Group level to re-examine our assessment that there were no significant risks of material misstatement within them.

The Group audit team instructed component and shared service centre auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materiality levels, which ranged from $4m to $100m, having regard to the mix of size and risk profile of the Group across the components.

Materiality for the Group Financial Statements



The work on all components in scope of our work, other than on the Parent Company, was performed by component and shared service centre auditors. The audit of the Parent Company and consolidation was performed by the Group audit team.

The Group audit team visited five component locations, during the year, in the UK, Sweden, Japan, France and Germany to discuss and challenge key risks and audit strategy. Video or telephone conference meetings were also held with all group reporting component auditors throughout the audit and the majority of the other component and shared service centre auditors that were not physically visited. At these visits and meetings, the audit approach, findings and observations reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

5. Our opinion on the other matter prescribed by the Companies Act 2006 is unmodified

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

6. We have nothing to report on the disclosures of principal risks

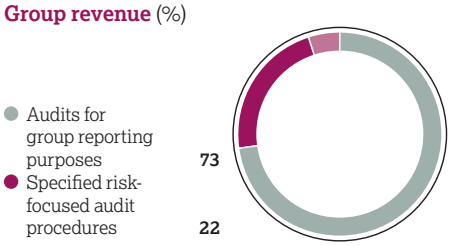
Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

> the Directors' statement of Risk overview from page 21, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to 31 December 2018; or

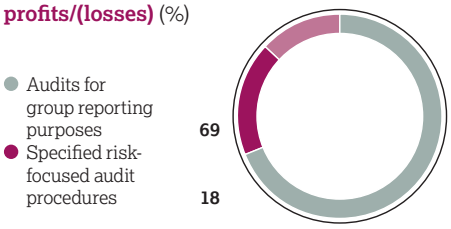
> the disclosures in the Group Accounting Policies concerning the use of the going concern basis of accounting.

Scoping and coverage

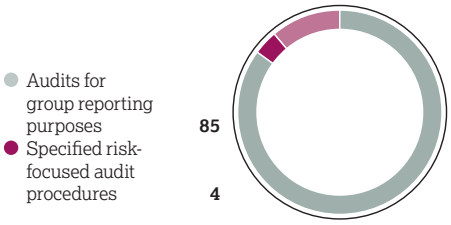
Group revenue (%)



Components' absolute profits/(losses) (%)



Group total assets (%)



7. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in this Annual Report that contains a material inconsistency with either that knowledge or the Financial Statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

- 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.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 96 and 21, in relation to going concern and longer-term viability respectively; and
- the part of the Corporate Governance Report on pages 82 to 97 relating to the Group's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

8. Other matter – we have reported separately on the Parent Company Financial Statements

We have reported separately on the Parent Company Financial Statements of AstraZeneca PLC for the year ended 31 December 2015 and on the information in the Directors' Remuneration Report that is described as having been audited.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 135, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014b, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Antony Cates (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
4 February 2016

Consolidated Statement of Comprehensive Income

for the year ended 31 December

	Notes	2015 $m	2014 Restated* $m	2013 Restated* $m
Product Sales	1	**23,641**	26,095	25,711
Externalisation Revenue	1	**1,067**	452	95
Total Revenue		**24,708**	26,547	25,806
Cost of sales		**(4,646)**	(5,842)	(5,261)
Gross profit		**20,062**	20,705	20,545
Distribution costs		**(339)**	(324)	(306)
Research and development expense	2	**(5,997)**	(5,579)	(4,821)
Selling, general and administrative costs	2	**(11,112)**	(13,000)	(12,206)
Other operating income and expense	2	**1,500**	335	500
Operating profit		**4,114**	2,137	3,712
Finance income	3	**46**	78	50
Finance expense	3	**(1,075)**	(963)	(495)
Share of after tax losses in joint ventures	10	**(16)**	(6)	–
Profit before tax		**3,069**	1,246	3,267
Taxation	4	**(243)**	(11)	(696)
Profit for the period		**2,826**	1,235	2,571
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of the defined benefit pension liability	20	**652**	(766)	8
Tax on items that will not be reclassified to profit or loss	4	**(199)**	216	(82)
		453	(550)	(74)
Items that may be reclassified subsequently to profit or loss:				
Foreign exchange arising on consolidation	21	**(528)**	(823)	(166)
Foreign exchange arising on designating borrowings in net investment hedges	21	**(333)**	(529)	(58)
Fair value movements on derivatives designated in net investment hedges	21	**14**	100	111
Amortisation of loss on cash flow hedge		**1**	1	1
Net available for sale (losses)/gains taken to equity		**(32)**	245	69
Tax on items that may be reclassified subsequently to profit or loss	4	**87**	50	4
		(791)	(956)	(39)
Other comprehensive income for the period, net of tax		**(338)**	(1,506)	(113)
Total comprehensive income for the period		**2,488**	(271)	2,458
Profit attributable to:				
Owners of the Parent		**2,825**	1,233	2,556
Non-controlling interests		**1**	2	15
Total comprehensive income attributable to:				
Owners of the Parent		**2,488**	(266)	2,470
Non-controlling interests		**–**	(5)	(12)
Basic earnings per $0.25 Ordinary Share	5	**$2.23**	$0.98	$2.04
Diluted earnings per $0.25 Ordinary Share	5	**$2.23**	$0.98	$2.04
Weighted average number of Ordinary Shares in issue (millions)	5	**1,264**	1,262	1,252
Diluted weighted average number of Ordinary Shares in issue (millions)	5	**1,265**	1,264	1,254
Dividends declared and paid in the period	23	**3,537**	3,532	3,499

* 2013 and 2014 comparatives have been restated to reflect the reclassification of Externalisation Revenue from other operating income and expense as detailed in Group Accounting Policies.

All activities were in respect of continuing operations.

$m means millions of US dollars.

Consolidated Statement of Financial Position

at 31 December

	Notes	2015 $m	2014 $m	2013 $m
Assets				
Non-current assets				
Property, plant and equipment	7	**6,413**	6,010	5,818
Goodwill	8	**11,868**	11,550	9,981
Intangible assets	9	**22,646**	20,981	16,047
Investments in joint ventures	10	**85**	59	–
Other investments	11	**458**	502	281
Derivative financial instruments	12	**446**	465	365
Other receivables	13	**907**	1,112	1,867
Deferred tax assets	4	**1,294**	1,219	1,205
		44,117	41,898	35,564
Current assets				
Inventories	14	**2,143**	1,960	1,909
Trade and other receivables	15	**6,622**	7,232	7,879
Other investments	11	**613**	795	796
Derivative financial instruments	12	**2**	21	40
Income tax receivable		**387**	329	494
Cash and cash equivalents	16	**6,240**	6,360	9,217
		16,007	16,697	20,335
Total assets		**60,124**	58,595	55,899
Liabilities				
Current liabilities				
Interest-bearing loans and borrowings	17	**(916)**	(2,446)	(1,788)
Trade and other payables	18	**(11,663)**	(11,886)	(10,362)
Derivative financial instruments	12	**(9)**	(21)	(2)
Provisions	19	**(798)**	(623)	(823)
Income tax payable		**(1,483)**	(2,354)	(3,076)
		(14,869)	(17,330)	(16,051)
Non-current liabilities				
Interest-bearing loans and borrowings	17	**(14,137)**	(8,397)	(8,588)
Derivative financial instruments	12	**(1)**	–	(1)
Deferred tax liabilities	4	**(2,733)**	(1,796)	(2,827)
Retirement benefit obligations	20	**(1,974)**	(2,951)	(2,261)
Provisions	19	**(444)**	(484)	(566)
Other payables	18	**(7,457)**	(7,991)	(2,352)
		(26,746)	(21,619)	(16,595)
Total liabilities		**(41,615)**	(38,949)	(32,646)
Net assets		**18,509**	19,646	23,253
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	22	**316**	316	315
Share premium account		**4,304**	4,261	3,983
Capital redemption reserve		**153**	153	153
Merger reserve		**448**	448	433
Other reserves	21	**1,435**	1,420	1,380
Retained earnings	21	**11,834**	13,029	16,960
		18,490	19,627	23,224
Non-controlling interests		**19**	19	29
Total equity		**18,509**	19,646	23,253

The Financial Statements from page 140 to 195 were approved by the Board on 4 February 2016 and were signed on its behalf by

Pascal Soriot Director

Marc Dunoyer Director

Consolidated Statement of Changes in Equity

for the year ended 31 December

	Share capital $m	Share premium account $m	Capital redemption reserve $m	Merger reserve $m	Other reserves $m	Retained earnings $m	Total attributable to owners $m	Non-controlling interests $m	Total equity $m
At 1 January 2013	312	3,504	153	433	1,374	17,955	23,731	215	23,946
Profit for the period	–	–	–	–	–	2,556	2,556	15	2,571
Other comprehensive income	–	–	–	–	–	(86)	(86)	(27)	(113)
Transfer to other reserves[1]	–	–	–	–	6	(6)	–	–	–
Transactions with owners									
Dividends	–	–	–	–	–	(3,499)	(3,499)	–	(3,499)
Issue of Ordinary Shares	3	479	–	–	–	–	482	–	482
Share-based payments	–	–	–	–	–	(57)	(57)	–	(57)
Transfer from non-controlling interests to payables	–	–	–	–	–	–	–	(6)	(6)
Dividend paid by subsidiary to non-controlling interests	–	–	–	–	–	–	–	(3)	(3)
Net acquisition of non-controlling interests[2]	–	–	–	–	–	97	97	(165)	(68)
Net movement	3	479	–	–	6	(995)	(507)	(186)	(693)
At 31 December 2013	315	3,983	153	433	1,380	16,960	23,224	29	23,253
Profit for the period	–	–	–	–	–	1,233	1,233	2	1,235
Other comprehensive income	–	–	–	–	–	(1,499)	(1,499)	(7)	(1,506)
Transfer to other reserves[1]	–	–	–	–	40	(40)	–	–	–
Transactions with owners									
Dividends	–	–	–	–	–	(3,532)	(3,532)	–	(3,532)
Issue of Ordinary Shares	1	278	–	–	–	–	279	–	279
Share-based payments	–	–	–	–	–	(93)	(93)	–	(93)
Transfer from non-controlling interests to payables	–	–	–	–	–	–	–	(5)	(5)
True-up to Astra AB non-controlling interest buy out	–	–	–	15	–	–	15	–	15
Net movement	1	278	–	15	40	(3,931)	(3,597)	(10)	(3,607)
At 31 December 2014	316	4,261	153	448	1,420	13,029	19,627	19	19,646
Profit for the period	**–**	**–**	**–**	**–**	**–**	**2,825**	**2,825**	**1**	**2,826**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**(337)**	**(337)**	**(1)**	**(338)**
Transfer to other reserves[1]	**–**	**–**	**–**	**–**	**15**	**(15)**	**–**	**–**	**–**
Transactions with owners									
Dividends	**–**	**–**	**–**	**–**	**–**	**(3,537)**	**(3,537)**	**–**	**(3,537)**
Issue of Ordinary Shares	**–**	**43**	**–**	**–**	**–**	**–**	**43**	**–**	**43**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**(131)**	**(131)**	**–**	**(131)**
Net movement	**–**	**43**	**–**	**–**	**15**	**(1,195)**	**(1,137)**	**–**	**(1,137)**
At 31 December 2015	**316**	**4,304**	**153**	**448**	**1,435**	**11,834**	**18,490**	**19**	**18,509**

[1] Amounts charged or credited to other reserves relate to exchange adjustments arising on goodwill.
[2] Net acquisition of non-controlling interests in 2013 includes acquisitions with cash payments of $110m due in 2014 and disposals with cash of $42m received in 2013.

Consolidated Statement of Cash Flows

for the year ended 31 December

	Notes	2015 $m	2014 $m	2013 $m
Cash flows from operating activities				
Profit before tax		**3,069**	1,246	3,267
Finance income and expense	3	**1,029**	885	445
Share of after tax losses of joint ventures	10	**16**	6	–
Depreciation, amortisation and impairment		**2,852**	3,282	4,583
Decrease/(increase) in trade and other receivables		**152**	311	(383)
(Increase)/decrease in inventories		**(315)**	108	135
Increase in trade and other payables and provisions		**114**	2,089	414
Gains on disposal of intangible assets	2	**(961)**	–	–
Non-cash and other movements		**(782)**	865	258
Cash generated from operations		**5,174**	8,792	8,719
Interest paid		**(496)**	(533)	(475)
Tax paid		**(1,354)**	(1,201)	(844)
Net cash inflow from operating activities		**3,324**	7,058	7,400
Cash flows from investing activities				
Upfront payments on business acquisitions	24	**(2,446)**	(3,804)	(1,158)
Payment of contingent consideration on business acquisitions	18	**(579)**	(657)	–
Purchase of property, plant and equipment		**(1,328)**	(1,012)	(742)
Disposal of property, plant and equipment		**47**	158	69
Purchase of intangible assets		**(1,460)**	(1,740)	(1,316)
Disposal of intangible assets		**1,130**	–	35
Purchase of non-current asset investments		**(57)**	(130)	(91)
Disposal of non-current asset investments		**93**	59	38
Movement in short-term investments and fixed deposits		**283**	34	130
Payments to joint ventures	10	**(45)**	(70)	–
Interest received		**123**	140	114
Payments made by subsidiaries to non-controlling interests		**–**	(10)	(10)
Payments received by subsidiaries from non-controlling interests		**–**	–	42
Net cash outflow from investing activities		**(4,239)**	(7,032)	(2,889)
Net cash (outflow)/inflow before financing activities		**(915)**	26	4,511
Cash flows from financing activities				
Proceeds from issue of share capital		**43**	279	482
Repayment of obligations under finance leases		**(42)**	(36)	(27)
Issue of loans		**5,928**	919	–
Repayment of loans		**(884)**	(750)	–
Dividends paid		**(3,486)**	(3,521)	(3,461)
Hedge contracts relating to dividend payments		**(51)**	(14)	(36)
Payments to acquire non-controlling interest		**–**	(102)	–
Movement in short-term borrowings		**(630)**	520	(5)
Net cash inflow/(outflow) from financing activities		**878**	(2,705)	(3,047)
Net (decrease)/increase in cash and cash equivalents in the period		**(37)**	(2,679)	1,464
Cash and cash equivalents at the beginning of the period		**6,164**	8,995	7,596
Exchange rate effects		**(76)**	(152)	(65)
Cash and cash equivalents at the end of the period	16	**6,051**	6,164	8,995

Group Accounting Policies

Basis of accounting and preparation of financial information

The Consolidated Financial Statements have been prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the EU (adopted IFRSs) in response to the IAS regulation (EC 1606/2002). The Consolidated Financial Statements also comply fully with IFRSs as issued by the International Accounting Standards Board (IASB).

The Group updated its revenue accounting policy with effect from 1 January 2015. Historically, reported revenue reflected only Product Sales, with Externalisation Revenue forming part of other operating income presented below gross profit. From 1 January 2015, Externalisation Revenue, alongside Product Sales, is included in Total Revenue. Externalisation Revenue includes development, commercialisation and collaboration revenue, such as royalties and milestone receipts, together with income from services or repeatable licences. Income is recorded as Externalisation Revenue when the Group has a significant ongoing interest in the product and/or it is repeatable business and there is no derecognition of an intangible asset. Disposals of assets and businesses, where the Group does not retain an interest, will continue to be recorded in other operating income. The updated revenue accounting policy results in a presentational change to the Statement of Comprehensive Income only, and has no impact on the Group's net results or net assets. The prior periods included in the Group's Consolidated Statement of Comprehensive Income have been restated accordingly, resulting in $452m of income being reclassified from other operating income to Externalisation Revenue for 2014 and $95m of income being reclassified from other operating income to Externalisation Revenue in 2013.

During the year, the Group has adopted the amendments to IAS 19 'Employee Benefits', issued by the IASB in November 2013 and effective for periods beginning on or after 1 July 2014. The adoption has not had a significant impact on the Group's profit for the period, net assets or cash flows.

The Company has elected to prepare the Company Financial Statements in accordance with UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework'. These are presented on pages 197 to 201 and the Accounting Policies in respect of Company information are set out on page 199.

The Consolidated Financial Statements are presented in US dollars, which is the Company's functional currency.

In preparing their individual Financial Statements, the accounting policies of some overseas subsidiaries do not conform with IASB issued IFRSs. Therefore, where appropriate, adjustments are made in order to present the Consolidated Financial Statements on a consistent basis.

Basis for preparation of Financial Statements on a going concern basis

Information on the business environment AstraZeneca operates in, including the factors underpinning the pharmaceutical industry's future growth prospects, is included in the Strategic Report. Details of the product portfolio of the Group (including patent expiry dates for key marketed products), our approach to product development and our development pipeline are covered in detail with additional information by Therapy Area in the Strategic Report and Directors' Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review from page 62. In addition, Note 25 to the Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit, market and liquidity risk. Further details of the Group's cash balances and borrowings are included in Notes 16 and 17 to the Financial Statements.

The Group has considerable financial resources available. As at 31 December 2015, the Group has $8.3bn in financial resources (cash balances of $6.2bn and undrawn committed bank facilities of $3.0bn that are available until April 2020, with only $0.9bn of debt due within one year). Although no liability was recognised at 31 December 2015, the Group had entered into an agreement to invest in a majority equity stake in Acerta with an upfront payment of $2.5bn which was paid on 2 February 2016 (see Note 30 to the Financial Statements). The Group's revenues are largely derived from sales of products which are covered by patents which provide a relatively high level of resilience and predictability to cash inflows, although our revenue is expected to continue to be significantly impacted by the expiry of patents over the medium term. In addition, government price interventions in response to budgetary constraints are expected to continue to adversely affect revenues in many of our mature markets. However, we anticipate new revenue streams from both recently launched medicines and products in development, and the Group has a wide diversity of customers and suppliers across different geographic areas. Consequently, the Directors believe that, overall, the Group is well placed to manage its business risks successfully.

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

Estimates and judgements

The preparation of the 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.

Judgements include matters such as the determination of operating segments while estimates focus on areas such as carrying values, estimated useful lives, potential obligations and contingent consideration.

AstraZeneca's management considers the following to be the most important accounting policies in the context of the Group's operations.

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), business combinations and goodwill, litigation and environmental liabilities, employee benefits and taxation.

Further information on estimates and critical judgements made in applying accounting policies, including details of significant methods and assumptions used, is detailed in the Financial Review from page 62 and is included in Notes 4, 8, 9, 20, 24 and 27 to the Financial Statements. Financial risk management policies are detailed in Note 25.

Revenue

Revenues comprise Product Sales and Externalisation Revenue.

Revenues exclude inter-company revenues and value-added taxes.

Product Sales

Product sales represent net invoice value less estimated rebates, returns and chargebacks. Sales are recognised when the significant risks and rewards of ownership have been transferred to a third party. In general, this is upon delivery of the products to wholesalers. In markets where returns are significant (currently only in the US), estimates of returns are accounted for at the point revenue is recognised. In markets where returns are not significant, they are recorded when returned.

For the US market, we estimate the quantity and value of goods which may ultimately be returned at the point of sale. Our returns accruals are based on actual experience over the preceding 12 months for established products together with market-related information such as estimated stock levels at wholesalers and competitor activity which we receive via third party information services. For newly launched products, we use rates based on our experience with similar products or a predetermined percentage.

When a product faces generic competition, particular attention is given to the possible levels of returns and, in cases where the circumstances are such that the level of returns (and, hence, revenue) cannot be measured reliably, revenues are only recognised when the right of return expires, which is generally on ultimate prescription of the product to patients.

Externalisation Revenue

Externalisation Revenue includes income from collaborative arrangements on the Group's products where the Group 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 access fees, milestones and/or sales royalties. Generally, upfront access fees are recognised upon delivery of the access. Where the Group provides ongoing services, revenue will be recognised over the duration of those services. Milestones and sales royalties are recognised when the amount can be reliably estimated.

Further detail on key judgements and estimates is included in the Financial Review from page 62.

Research and development

Research expenditure is recognised in profit in the year in which it is incurred.

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 'Intangible Assets'. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is recognised in profit 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 2015, no amounts have met recognition criteria.

Payments to in-licence products and compounds from third parties for new research and development projects (in process research and development), generally taking the form of upfront payments and milestones, are capitalised. Where payments made to third parties represent future research and development activities, an evaluation is made as to the nature of the payments. Such payments are expensed if they represent compensation for subcontracted research and development services not resulting in a transfer of intellectual property. By contrast, payments are capitalised if they represent compensation for the transfer of intellectual property developed at the risk of the third party. Since acquired products and compounds will only generate sales and cash inflows following launch, our policy is to minimise the period between final approval and launch if it is within AstraZeneca's control to do so. Assets capitalised are amortised, on a straight-line basis, over their useful economic lives from product launch. Under this policy, it is not possible to determine precise economic lives for individual classes of intangible assets. However, lives do not exceed 25 years.

Intangible assets relating to products in development are subject to impairment testing annually. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in profit. Intangible assets relating to products which fail during development (or for which development ceases for other reasons) are tested for impairment at the point of termination and are written down to their recoverable amount (which is usually zero).

If, subsequent to an impairment loss being recognised, development restarts or other facts and circumstances change indicating that the impairment is less or no longer exists, the value of the asset is re-estimated and its carrying value is increased to the recoverable amount, but not exceeding the original value, by recognising an impairment reversal in profit.

Business combinations and goodwill

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is subsumed into goodwill. Where the Group fully acquires, through a business combination, assets that were previously held in joint operations, the Group has elected not to uplift the book value of the existing interest in the asset held in the joint operation to fair value at the date full control is taken. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Future contingent elements of consideration, which may include development and launch milestones, revenue threshold milestones and revenue-based royalties, are fair valued at the date of acquisition using decision-tree analysis with key inputs including probability of success, consideration of potential delays and revenue projections based on the Group's internal forecasts. Unsettled amounts of consideration are held at fair value within payables with changes in fair value recognised immediately in profit.

Goodwill is the difference between the fair value of the consideration and the fair value of net assets acquired.

Goodwill arising on acquisitions is capitalised and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. Between 1 January 1998 and 31 December 2002, goodwill was amortised over its estimated useful life; such amortisation ceased on 31 December 2002.

The Group's policy up to and including 1997 was to eliminate goodwill arising upon acquisitions against reserves. Under IFRS 1 'First-time Adoption of International Financial Reporting Standards' and IFRS 3 'Business Combinations', such goodwill will remain eliminated against reserves.

Joint arrangements

The Group has arrangements over which it has joint control and which qualify as joint operations or joint ventures under IFRS 11 'Joint Arrangements'. For joint operations, the Group recognises its share of revenue that it earns from the joint operations and its share of expenses incurred. The Group also recognises the assets associated with the joint operations that it controls and the liabilities it incurs under the joint arrangement. For joint ventures, the Group recognises its interest in the joint venture as an investment and uses the equity method of accounting.

Employee benefits

The Group accounts for pensions and other employee benefits (principally healthcare) under IAS 19 'Employee Benefits' issued in 2011. In respect of defined benefit plans, obligations are measured at discounted present value while plan assets are measured at fair value. The operating and financing costs of such plans are recognised separately in profit; current service costs are spread systematically over the lives of employees and financing costs are recognised in full in the periods in which they arise. Remeasurements of the net defined pension liability, including actuarial gains and losses, are recognised immediately in other comprehensive income.

Where the calculation results in a surplus to the Group, the recognised asset is limited to the present value of any available future refunds from the plan or reductions in future contributions to the plan. Payments to defined contribution plans are recognised in profit as they fall due.

Taxation

The current tax payable is based on taxable profit for the year. 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 Group'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 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 Group 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 Group'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.

Accruals for tax contingencies require management to make judgements and estimates of exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions will probably be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of that benefit on the basis of potential settlement through negotiation and/or litigation. Any liability to interest on tax liabilities is provided for in the tax charge. See Note 27 to the Financial Statements for further details.

Share-based payments

All plans are assessed and have been classified as equity settled. The grant date fair value of employee share plan awards is calculated using a modified version of the binomial model. In accordance with IFRS 2 'Share-based Payment', the resulting cost is recognised in profit over the vesting period of the awards, being the period in which the services are received. The value of the charge is adjusted to reflect expected and actual levels of awards vesting, except where the failure to vest is as a result of not meeting a market condition. Cancellations of equity instruments are treated as an acceleration of the vesting period and any outstanding charge is recognised in profit immediately.

Property, plant and equipment

The Group's policy is to write off the difference between the cost of each item of property, plant and equipment and its residual value over its estimated useful life on a straight-line basis. Assets under construction are not depreciated.

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 10 to 50 years for buildings, and three to 15 years for plant and equipment. All items of property, plant and equipment are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognised immediately in profit.

Borrowing costs

The Group has no borrowing costs with respect to the acquisition or construction of qualifying assets. All other borrowing costs are recognised in profit as incurred and in accordance with the effective interest rate method.

Leases

Leases are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership, otherwise they are classified as operating leases. Assets and liabilities arising on finance leases are initially recognised at fair value or, if lower, the present value of the minimum lease payments. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Finance charges under finance leases are allocated to each reporting period so as to produce a constant periodic rate of interest on the remaining balance of the finance liability. Rentals under operating leases are charged to profit on a straight-line basis.

Subsidiaries

A subsidiary is an entity controlled, directly or indirectly, by AstraZeneca PLC. Control is regarded as the exposure or rights to the variable returns of the entity when combined with the power to affect those returns.

The financial results of subsidiaries are consolidated from the date control is obtained until the date that control ceases.

Inventories

Inventories are stated at the lower of cost and net realisable value. The first in, first out or an average method of valuation is used.

For finished goods and work in progress, cost includes directly attributable costs and certain overhead expenses (including depreciation). Selling expenses and certain other overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as estimated selling price less all estimated costs of completion and costs to be incurred in selling and distribution.

Write-downs of inventory occur in the general course of business and are recognised in cost of sales.

Trade and other receivables

Financial assets included in trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method, less any impairment losses. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IAS 39 'Financial Instruments: Recognition and Measurement'.

Trade and other payables

Financial liabilities included in 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.

Financial instruments

The Group's financial instruments include interests in leases, trade and other receivables and payables, liabilities for contingent consideration under business combinations, and rights and obligations under employee benefit plans which are dealt with in specific accounting policies.

The Group's other financial instruments include:

> cash and cash equivalents
> fixed deposits
> other investments
> bank and other borrowings
> derivatives.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions and highly liquid investments with maturities of three months or less when acquired. They are readily convertible into known amounts of cash and are held at amortised cost.

Fixed deposits

Fixed deposits, principally comprising funds held with banks and other financial institutions, are initially measured at fair value, plus direct transaction costs, and are subsequently remeasured to amortised cost using the effective interest rate method at each reporting date. Changes in carrying value are recognised in profit.

Other investments
Where investments have been classified as held for trading, they are measured initially at fair value and subsequently remeasured to fair value at each reporting date. Changes in fair value are recognised in profit.

In all other circumstances, the investments are classified as 'available for sale', initially measured at fair value (including direct transaction costs) and subsequently remeasured to fair value at each reporting date. Changes in carrying value due to changes in exchange rates on monetary available for sale investments or impairments are recognised in profit. All other changes in fair value are recognised in other comprehensive income.

Impairments are recorded in profit when there is a decline in the value of an investment that is deemed to be other than temporary. On disposal of the investment, the cumulative amount recognised in other comprehensive income is recognised in profit as part of the gain or loss on disposal.

Bank and other borrowings
The Group uses derivatives, principally interest rate swaps, to hedge the interest rate exposure inherent in a portion of its fixed interest rate debt. In such cases the Group will either designate the debt as fair value through profit or loss when certain criteria are met or as the hedged item under a fair value hedge.

If the debt instrument is designated as fair value through profit or loss, the debt is initially measured at fair value (with direct transaction costs being included in profit as an expense) and is remeasured to fair value at each reporting date with changes in carrying value being recognised in profit (along with changes in the fair value of the related derivative). Such a designation has been made where this significantly reduces an accounting mismatch which would result from recognising gains and losses on different bases.

If the debt is designated as the hedged item under a fair value hedge, the debt is initially measured at fair value (with direct transaction costs being amortised over the life of the bonds), and is remeasured for fair value changes in respect of the hedged risk at each reporting date with changes in carrying value being recognised in profit (along with changes in the fair value of the related derivative).

Other interest-bearing loans are initially measured at fair value (with direct transaction costs being amortised over the life of the bond) and are subsequently remeasured to amortised cost using the effective interest rate method at each reporting date. Changes in carrying value are recognised in profit.

Derivatives
Derivatives are initially measured at fair value (with direct transaction costs being included in profit as an expense) and are subsequently remeasured to fair value at each reporting date. Changes in carrying value are recognised in profit.

Foreign currencies
Foreign currency transactions, being transactions denominated in a currency other than an individual Group entity's functional currency, are translated into the relevant functional currencies of individual Group entities 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. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within finance expense. Exchange differences on all other foreign currency transactions are recognised in operating profit in the individual Group entity's accounting records.

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

In the Consolidated Financial Statements, income and expense items for Group entities with a functional currency other than US dollars are translated into US dollars at average exchange rates, which approximate to actual rates, for the relevant accounting periods. Assets and liabilities are translated at the US dollar exchange rates prevailing at the reporting date. Exchange differences arising on consolidation are recognised in other comprehensive income.

If certain criteria are met, non-US dollar denominated loans or derivatives are designated as net investment hedges of foreign operations. Exchange differences arising on retranslation of net investments, and of foreign currency loans which are designated in an effective net investment hedge relationship, are recognised in other comprehensive income in the Consolidated Financial Statements. Foreign exchange derivatives hedging net investments in foreign operations are carried at fair value. Effective fair value movements are recognised in other comprehensive income, with any ineffectiveness taken to the income statement. Gains and losses accumulated in the translation reserve will be recycled to profit when the foreign operation is sold.

Litigation and environmental liabilities
AstraZeneca is involved in legal disputes, the settlement of which may involve cost to the Group. Provision is made where an adverse outcome is probable and associated costs, including related legal costs, can be estimated reliably. In other cases, appropriate disclosures are included.

Where it is considered that the Group is more likely than not to prevail, or in the rare circumstances where the amount of the legal liability cannot be estimated reliably, legal costs involved in defending the claim are charged to profit as they are incurred.

Where it is considered that the Group has a valid contract which provides the right to reimbursement (from insurance or otherwise) of legal costs and/or all or part of any loss incurred or for which a provision has been established, the best estimate of the amount expected to be received is recognised as an asset only when it is virtually certain.

AstraZeneca is exposed to environmental liabilities relating to its past operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when there is a present obligation and where it is probable that expenditure on remedial work will be required and a reliable estimate can be made of the cost. Provisions are discounted where the effect is material.

Impairment
The carrying values of non-financial assets, other than inventories and deferred tax assets, are reviewed at least annually to determine whether there is any indication of impairment. For goodwill, intangible assets under development and for any other assets where such indication exists, the asset's recoverable amount is estimated based on the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows, adjusted for the risks specific to each asset, are discounted to their present value using a discount rate that reflects current market assessments of the time value of money, the general risks affecting the pharmaceutical industry and other risks specific to each asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets. Impairment losses are recognised immediately in profit.

International accounting transition
On transition to using adopted IFRSs in the year ended 31 December 2005, the Group took advantage of several optional exemptions available in IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The major impacts which are of continuing importance are detailed below:

> Business combinations – IFRS 3 'Business Combinations' has been applied from 1 January 2003, the date of transition, rather than being applied fully retrospectively. As a result, the combination of Astra and Zeneca is still accounted for as a merger, rather than through purchase accounting. If purchase accounting had been adopted, Zeneca would have been deemed to have acquired Astra.
> Cumulative exchange differences – the Group chose to set the cumulative exchange difference reserve at 1 January 2003 to zero.

Applicable accounting standards and interpretations issued but not yet adopted

IFRS 9 'Financial Instruments' was finalised by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities, and will introduce changes to existing accounting concerning classification and measurement, impairment (introducing an expected-loss method), hedge accounting, and on the treatment of gains arising from the impact of credit risk on the measurement of liabilities held at fair value. The standard has not yet been endorsed by the EU. The adoption of IFRS 9 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The standard has yet to be endorsed by the EU. The Group is continuing to assess the impact of IFRS 15 on the results of the Group and including, but not limited to, the impact on licence income and milestone revenues.

IFRS 16 'Leases' was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard has yet to be endorsed by the EU. The adoption of IFRS 16 is not expected to have a significant impact on the Group's net results or net assets, although the full impact will be subject to further assessment.

In addition, the following amendments have been issued:

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations, effective for periods beginning on or after 1 January 2016.
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' Clarification of Acceptable Methods of Depreciation and Amortisation, effective for periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures (2011)' Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The IASB has deferred those amendments until a date to be determined by the IASB, although early application is permitted.
- Amendments to IAS 1 (Disclosure Initiative), effective for periods beginning on or after 1 January 2016.

The above amendments are not expected to have a significant impact on the Group's net results, net assets or disclosures. The amendments to IFRS 11 were endorsed by the EU on 24 November 2015, the amendments to IAS 16 and IAS 38 were endorsed by the EU on 2 December 2015 and the amendments to IAS 1 were endorsed by the EU on 18 December 2015. The amendments to IFRS 10 and IAS 28 have yet to be endorsed by the EU.

Notes to the Group Financial Statements

1 Revenue

Product Sales

	2015 $m	2014 $m	2013 $m
Respiratory, Inflammation and Autoimmunity:			
Symbicort	**3,394**	3,801	3,483
Pulmicort	**1,014**	946	867
Tudorza/Eklira	**190**	13	–
Daliresp	**104**	–	–
Duaklir	**27**	–	–
Others	**258**	303	327
	4,987	5,063	4,677
Cardiovascular and Metabolic Diseases:			
Onglyza	**786**	820	378
Brilinta/Brilique	**619**	476	283
Bydureon	**580**	440	151
Farxiga/Forxiga	**492**	225	10
Byetta	**316**	327	206
Legacy:			
Crestor	**5,017**	5,512	5,622
Seloken/Toprol-XL	**710**	758	750
Atacand	**358**	501	611
Plendil	**234**	249	260
Others	**377**	494	559
	9,489	9,802	8,830
Oncology:			
Iressa	**543**	623	647
Lynparza	**94**	–	–
Tagrisso	**19**	–	–
Legacy:			
Zoladex	**816**	924	996
Faslodex	**704**	720	681
Casodex	**267**	320	376
Arimidex	**250**	298	351
Others	**132**	142	142
	2,825	3,027	3,193
Infection, Neuroscience and Gastrointestinal:			
Nexium	**2,496**	3,655	3,872
Seroquel XR	**1,025**	1,224	1,337
Synagis	**662**	900	1,060
Local Anaesthetics	**404**	488	510
Losec/Prilosec	**340**	422	486
FluMist/Fluenz	**288**	295	245
Seroquel IR	**250**	178	345
Merrem	**241**	253	293
Diprivan	**200**	252	265
Movantik/Moventig	**29**	–	–
Others	**405**	536	598
	6,340	8,203	9,011
Product Sales	**23,641**	26,095	25,711

Externalisation Revenue

Externalisation Revenue in 2015 was $1,067m (2014: $452m; 2013: $95m).

In 2015, Externalisation Revenue incudes $450m on entering into a collaboration with Celgene on durvalumab, $200m on entering into a collaboration with Daiichi Sankyo on *Movantik* and $100m on entering into a collaboration with Valeant on brodalumab.

In 2014, Externalisation Revenue includes $250m from a licence agreement with Pfizer on *Nexium* OTC.

Royalty income of $87m (2014: $53m; 2013: $60m) is included in Externalisation Revenue.

2 Operating profit

Operating profit includes the following significant items:

Research and development expense

In 2013, research and development included a reversal of the intangible asset impairment charge of $285m, booked in 2011 for *Lynparza* (olaparib).

Selling, general and administrative costs

In 2015, selling, general and administrative costs includes a credit of $378m (2014: charge of $529m) resulting from changes in the fair value of contingent consideration arising from the acquisition of the diabetes alliance with BMS. These adjustments reflect revised estimates for future sales performance for the products acquired and, as a result, revised estimates for future royalties payable.

In 2015, selling, general and administrative costs also include a total of $313m of legal provisions relating to a number of legal proceedings in various jurisdictions in relation to several marketed products.

In July 2014, the US Internal Revenue Service issued final regulations that affected the recognition of the annual Branded Pharmaceutical Fee, imposed by the health care reform legislation in 2010. As a result, entities covered by the legislation now accrue for the obligation as each sale occurs. AstraZeneca recorded a catch-up charge of $226m in 2014 to reflect this new basis, $113m of which was recorded in selling, general and administrative costs and $113m as a deduction from revenue.

In 2013, selling, general and administrative costs included an intangible asset impairment charge of $1,620m against *Bydureon* following revised estimates for future sales performance.

Further details of impairment charges and reversals for 2015, 2014 and 2013 are included in Notes 7 and 9.

Other operating income and expense

	2015 $m	2014 Restated* $m	2013 Restated* $m
Royalties			
Income	**322**	533	561
Amortisation	**(114)**	(212)	(157)
Impairment of intangible assets	**(64)**	(18)	–
Gains on disposal of intangible assets	**961**	–	–
Net gains/(losses) on disposal of other non-current assets	**85**	(235)	13
Other income	**310**	267	105
Other expense	**–**	–	(22)
Other operating income and expense	**1,500**	335	500

* 2013 and 2014 comparatives have been restated to reflect the reclassification of Externalisation Revenue from other operating income and expense as detailed in Group Accounting Policies.

Royalty amortisation and impairment relates to income streams acquired with MedImmune and amounts relating to our arrangements with Merck.

Gains on disposal of intangible assets in 2015 includes $380m on the disposal of US rights to *Entocort*, $215m on the disposal of Rest of World rights to *Entocort*, $193m on the disposal of global rights to *Myalept* and $165m on the disposal of global rights to *Caprelsa*.

Net losses on disposal of non-current assets in 2014 included a loss of $292m on disposal of Alderley Park.

Restructuring costs

The tables below show the costs that have been charged in respect of restructuring programmes by cost category and type. Severance provisions are detailed in Note 19.

	2015 $m	2014 $m	2013 $m
Cost of sales	**158**	107	126
Research and development expense	**258**	497	490
Selling, general and administrative costs	**618**	662	805
Other operating income and expense	**–**	292	–
Total charge	**1,034**	1,558	1,421

	2015 $m	2014 $m	2013 $m
Severance costs	**298**	246	632
Accelerated depreciation and impairment	**81**	153	399
Relocation costs	**34**	209	–
Loss on disposal of Alderley Park	**–**	292	–
Other	**621**	658	390
Total charge	**1,034**	1,558	1,421

Other costs are those incurred in designing and implementing the Group's various restructuring initiatives including costs of decommissioning sites impacted by changes to our global footprint, temporary leave costs during relocation, internal project costs, and external consultancy fees.

2 Operating profit continued

Financial instruments

Included within operating profit are the following net gains and losses on financial instruments:

	2015 $m	2014 $m	2013 $m
(Losses)/gains on forward foreign exchange contracts	**(22)**	(98)	102
Losses on receivables and payables	**(36)**	(64)	(136)
Gains and losses on available for sale current investments	**74**	31	13
Total	**16**	(131)	(21)

Gains and losses on available for sale current investments includes gains of $43m (2014: gains of $9m; 2013: gains of $19m) which have been reclassified from other comprehensive income.

3 Finance income and expense

	2015 $m	2014 $m	2013 $m
Finance income			
Returns on fixed deposits and equity securities	**8**	10	9
Returns on short-term deposits	**28**	23	23
Fair value gains on debt and interest rate swaps	**10**	16	18
Net exchange gains	**–**	29	–
Total	**46**	78	50
Finance expense			
Interest on debt and commercial paper	**(361)**	(383)	(388)
Interest on overdrafts, finance leases and other financing costs	**(31)**	(35)	(25)
Net interest on post-employment defined benefit plan net liabilities (Note 20)	**(77)**	(92)	(79)
Net exchange losses	**(36)**	–	(3)
Discount unwind on contingent consideration arising on business combinations (Note 18)	**(524)**	(391)	–
Discount unwind on other long-term liabilities	**(46)**	(62)	–
Total	**(1,075)**	(963)	(495)
Net finance expense	**(1,029)**	(885)	(445)

Financial instruments

Included within finance income and expense are the following net gains and losses on financial instruments:

	2015 $m	2014 $m	2013 $m
Interest and fair value adjustments in respect of debt designated at fair value through profit or loss, net of derivatives	**6**	(7)	(4)
Interest and changes in carrying values of debt designated as hedged items, net of derivatives	**(10)**	8	5
Interest and fair value changes on fixed and short-term deposits, equity securities and other derivatives	**46**	45	42
Interest on debt, overdrafts, finance leases and commercial paper held at amortised cost	**(384)**	(415)	(406)

Fair value losses of $30m (2014: $29m fair value losses; 2013: $43m fair value losses) on interest rate fair value hedging instruments and $30m fair value gains (2014: $29m fair value gains; 2013: $42m fair value gains) on the related hedged items have been included within interest and changes in carrying values of debt designated as hedged items, net of derivatives. All fair value hedge relationships were effective during the year.

Fair value losses of $5m (2014: $4m fair value losses; 2013: $77m fair value losses) on derivatives related to debt instruments designated at fair value through profit or loss and $15m fair value gains (2014: $3m fair value gains; 2013: $82m fair value gains) on debt instruments designated at fair value through profit or loss have been included within interest and fair value adjustments in respect of debt designated at fair value through profit or loss, net of derivatives. Ineffectiveness on the net investment hedge taken to profit was $nil (2014: $nil; 2013: $nil).

4 Taxation

Taxation recognised in the profit for the period in the consolidated statement of comprehensive income is as follows:

	2015 $m	2014 $m	2013 $m
Current tax expense			
Current year	**1,037**	981	1,352
Adjustment to prior years	**(404)**	(109)	46
	633	872	1,398
Deferred tax expense			
Origination and reversal of temporary differences	**(482)**	(833)	(699)
Adjustment to prior years	**92**	(28)	(3)
	(390)	(861)	(702)
Taxation recognised in the profit for the period	**243**	11	696

4 Taxation continued

Taxation relating to components of other comprehensive income is as follows:

	2015 $m	2014 $m	2013 $m
Current and deferred tax			
Items that will not be reclassified to profit or loss:			
Remeasurement of the defined benefit liability	**(133)**	182	(7)
Deferred tax impact of reduction in Sweden and UK tax rates	**(58)**	–	(92)
Share-based payments	**(8)**	34	17
Total	**(199)**	216	(82)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange arising on consolidation	**(8)**	(39)	19
Foreign exchange arising on designating borrowings in net investment hedges	**80**	150	–
Net available for sale losses/(gains) recognised in other comprehensive income	**14**	(64)	(16)
Other	**1**	3	1
Total	**87**	50	4
Taxation relating to components of other comprehensive income	**(112)**	266	(78)

The reported tax rate of 8% for the year ended 31 December 2015 benefited from a $186m adjustment following agreement of US federal tax liabilities of open years up to 2008, other net reductions in provisions for tax contingencies partially offset by the impact of internal transfers of intellectual property resulting in a net credit of $181m and revaluations of contingent consideration arising on business combinations (credit of $432m with related tax charge of $39m). Excluding these effects, the reported tax rate for the year was 22%.

The cash tax paid for the year was $1,354m which was 44% of profit before tax.

Taxation has been provided at current rates on the profits earned for the periods covered by the Group Financial Statements. The 2015 prior period current tax adjustment relates mainly to a $186m tax benefit following agreement of US federal tax liabilities of open years to 2008, net reductions in provisions for tax contingencies totalling $259m and tax accrual to tax return adjustments. The 2014 prior period current tax adjustment relates mainly to a reduction in provisions for tax contingencies, including a benefit of $117m arising from the inter-governmental agreement of a transfer pricing matter, partially offset by tax accrual to tax return adjustments. The 2013 prior period current tax adjustment relates mainly to an increase in provisions for tax contingencies partially offset by tax accrual to tax return adjustments.

The 2015, 2014 and 2013 prior period deferred tax adjustments relate mainly to tax accrual to tax return adjustments.

To the extent that dividends remitted from overseas subsidiaries, joint ventures and associates are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for unremitted earnings of Group companies overseas as these are considered permanently employed in the business of these companies. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double tax relief) if distributed as dividends. The aggregate amount of temporary differences associated with investments in subsidiaries and branches for which deferred tax liabilities have not been recognised totalled approximately $6,957m at 31 December 2015 (2014: $6,128m; 2013: $6,196m).

Factors affecting future tax charges

As a group with worldwide operations, AstraZeneca is subject to several factors that may affect future tax charges, principally the levels and mix of profitability in different jurisdictions, transfer pricing regulations, tax rates imposed and tax regime reforms. In 2015, the UK Government substantively enacted legislation to reduce the main rate of UK Statutory Corporation Tax to 18% by 2020. Details of material tax exposures and items currently under audit and negotiation are set out in Note 27.

Tax reconciliation to UK statutory rate

The table below reconciles the UK statutory tax charge to the Group's total tax charge.

	2015 $m	2014 $m	2013 $m
Profit before tax	**3,069**	1,246	3,267
Notional taxation charge at UK corporation tax rate of 20.25% (2014: 21.5%; 2013: 23.25%)	**621**	268	760
Differences in effective overseas tax rates	**(144)**	(195)	(29)
Deferred tax (credit)/charge relating to reduction in UK and other tax rates[1]	**(25)**	23	(59)
Unrecognised deferred tax asset	**149**	34	(20)
Items not deductible for tax purposes	**29**	50	11
Items not chargeable for tax purposes	**–**	(39)	(10)
Other items[2]	**(75)**	7	–
Adjustments in respect of prior periods[3]	**(312)**	(137)	43
Total tax charge for the year	**243**	11	696

[1] The 2015 item relates to the reduction in the UK Statutory Corporation Tax rate from 20% to 18% effective from 1 April 2020. The 2014 and 2013 items relate to the reduction in the UK Statutory Corporation Tax rate from 23% to the rate of tax of 20% effective from 1 April 2015.

[2] Other items in 2015 included the impact of internal transfers of intellectual property (tax charge of $181m) and the release of certain tax contingencies following the expiry of the relevant statute of limitations (tax credit of $256m). Other items in 2014 included the impact of internal transfers of intellectual property including recognition of deferred tax benefits acquired as part of a business combination (tax charge of $304m), and the release of certain tax contingencies following the expiry of the relevant statute of limitations (tax credits of $297m).

[3] Further detail explaining the adjustments in respect of prior periods is set out above.

AstraZeneca is domiciled in the UK but operates in other countries where the tax rates and tax laws are different to those in the UK. The impact of differences in effective overseas tax rates on the Group's overall tax charge is noted above. Profits arising from our manufacturing operation in Puerto Rico are granted special status and are taxed at a reduced rate compared with the normal rate of tax in that territory under a tax incentive grant continuing until 2031.

4 Taxation continued

Deferred tax

The movements in the net deferred tax balance during the year are as follows:

	Intangibles, property, plant & equipment[1] $m	Pension and post-retirement benefits $m	Intercompany inventory transfers $m	Untaxed reserves[2] $m	Losses and tax credits carried forward[3] $m	Accrued expenses and other $m	Total $m
Net deferred tax balance at 1 January 2013	(2,688)	553	921	(1,284)	411	622	(1,465)
Taxation expense	441	26	(154)	183	81	125	702
Other comprehensive income	–	(90)	–	–	–	(7)	(97)
Additions through business combinations[4]	(812)	–	–	–	81	5	(726)
Exchange	(5)	21	(31)	(13)	–	(8)	(36)
Net deferred tax balance at 31 December 2013	(3,064)	510	736	(1,114)	573	737	(1,622)
Taxation expense	543	(4)	(6)	368	(44)	4	861
Other comprehensive income	150	215	–	–	–	(35)	330
Additions through business combinations[5]	(147)	–	(35)	–	–	37	(145)
Exchange	40	(93)	(65)	168	(4)	(47)	(1)
Net deferred tax balance at 31 December 2014	(2,478)	628	630	(578)	525	696	(577)
Taxation expense	**355**	**30**	**156**	**(156)**	**58**	**(53)**	**390**
Other comprehensive income	**80**	**(198)**	**–**	**–**	**–**	**(9)**	**(127)**
Additions through business combinations[6]	**(1,206)**	**–**	**–**	**–**	**161**	**–**	**(1,045)**
Exchange	**(12)**	**(33)**	**(48)**	**42**	**(8)**	**(21)**	**(80)**
Net deferred tax balance at 31 December 2015[7]	**(3,261)**	**427**	**738**	**(692)**	**736**	**613**	**(1,439)**

[1] Includes deferred tax on contingent liabilities in respect of intangibles.
[2] Untaxed reserves relate to taxable profits where the tax liability is deferred to later periods.
[3] Includes losses and tax credits carried forward which will expire within 13 to 20 years.
[4] The deferred tax liability of $726m relates to the acquisition of Pearl Therapeutics ($319m), Omthera ($198m), Amplimmune ($205m) and Spirogen ($4m) as detailed in Note 24.
[5] The deferred tax liability of $145m relates to the acquisition of BMS's share of Global Diabetes Alliance Assets ($28m) and the acquisition of Definiens Group ($117m).
[6] The deferred tax liability of $1,045m relates to the acquisition of ZS Pharma.
[7] The UK had a net deferred tax asset of $273m as at 31 December 2015, mainly in respect of the pension and post-retirement benefits, which has been recognised on the basis of sufficient forecast future taxable profits against which the deductible temporary differences can be utilised.

The net deferred tax balance, before the offset of balances within countries, consists of:

	Intangibles, property, plant & equipment $m	Pension and post-retirement benefits $m	Intercompany inventory transfers $m	Untaxed reserves $m	Losses and tax credits carried forward $m	Accrued expenses and other $m	Total $m
Deferred tax assets at 31 December 2013	347	518	775	–	573	855	3,068
Deferred tax liabilities at 31 December 2013	(3,411)	(8)	(39)	(1,114)	–	(118)	(4,690)
Net deferred tax balance at 31 December 2013	(3,064)	510	736	(1,114)	573	737	(1,622)
Deferred tax assets at 31 December 2014	1,212	631	657	–	525	838	3,863
Deferred tax liabilities at 31 December 2014	(3,690)	(3)	(27)	(578)	–	(142)	(4,440)
Net deferred tax balance at 31 December 2014	(2,478)	628	630	(578)	525	696	(577)
Deferred tax assets at 31 December 2015	**1,055**	**430**	**780**	**–**	**736**	**732**	**3,733**
Deferred tax liabilities at 31 December 2015	**(4,316)**	**(3)**	**(42)**	**(692)**	**–**	**(119)**	**(5,172)**
Net deferred tax balance at 31 December 2015	**(3,261)**	**427**	**738**	**(692)**	**736**	**613**	**(1,439)**

Analysed in the statement of financial position, after offset of balances within countries, as:

	2015 $m	2014 $m	2013 $m
Deferred tax assets	**1,294**	1,219	1,205
Deferred tax liabilities	**(2,733)**	(1,796)	(2,827)
Net deferred tax balance	**(1,439)**	(577)	(1,622)

Unrecognised deferred tax assets

Deferred tax assets of $414m have not been recognised in respect of deductible temporary differences (2014: $216m; 2013: $214m) because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

5 Earnings per $0.25 Ordinary Share

	2015	2014	2013
Profit for the year attributable to equity holders ($m)	**2,825**	1,233	2,556
Basic earnings per Ordinary Share	**$2.23**	$0.98	$2.04
Diluted earnings per Ordinary Share	**$2.23**	$0.98	$2.04
Weighted average number of Ordinary Shares in issue for basic earnings (millions)	**1,264**	1,262	1,252
Dilutive impact of share options outstanding (millions)	**1**	2	2
Diluted weighted average number of Ordinary Shares in issue (millions)	**1,265**	1,264	1,254

The earnings figures used in the calculations above are post-tax.

6 Segment information

AstraZeneca is engaged in a single business activity of biopharmaceuticals and the Group does not have multiple operating segments. AstraZeneca's biopharmaceuticals business 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. These individual functional areas are not managed separately.

The SET, established and chaired by the CEO, is the vehicle through which he exercises the authority delegated to him from the Board for the management, development and performance of our business. It is considered that the SET is AstraZeneca's chief operating decision making body (as defined by IFRS 8 'Operating Segments'). The operation of the SET is principally driven by the management of the commercial operations, R&D, and manufacturing and supply. In addition to the CEO, CFO, the General Counsel and the Chief Compliance Officer, the SET comprises nine Executive Vice-Presidents representing IMED, MedImmune, Global Medicines Development, North America, Europe, International, GPPS, Operations & Information Services, and Human Resources. All significant operating decisions are taken by the SET. While members of the SET have responsibility for implementation of decisions in their respective areas, operating decision making is at SET level as a whole. Where necessary, these are implemented through cross-functional sub-committees that consider the Group-wide impact of a new decision. For example, product launch decisions would be initially considered by the SET and, on approval, passed to an appropriate sub-team for implementation. The impacts of being able to develop, produce, deliver and commercialise a wide range of pharmaceutical products drive the SET decision making process.

In assessing performance, the SET reviews financial information on an integrated basis for the Group as a whole, substantially in the form of, and on the same basis as, the Group's IFRS Financial Statements. The high upfront cost of discovering and developing new products coupled with the relatively insignificant and stable unit cost of production means that there is not the clear link that exists in many manufacturing businesses between the revenue generated on an individual product sale and the associated cost and hence margin generated on a product. Consequently, the profitability of individual drugs or classes of drugs is not considered a key measure of performance for the business and is not monitored by the SET.

Resources are allocated on a Group-wide basis according to need. In particular, capital expenditure, in-licensing, and R&D resources are allocated between activities on merit, based on overall therapeutic considerations and strategy under the aegis of the Group's Early Stage Product Committees and a single Late Stage Product Committee.

Geographic areas

The following tables show information by geographic area and, for Total Revenue and property, plant and equipment, material countries. The figures show the Total Revenue, operating profit and profit before tax made by companies located in that area/country, together with segment assets, segment assets acquired, net operating assets, and property, plant and equipment owned by the same companies; export sales and the related profit are included in the area/country where the legal entity resides and from which those sales were made.

	Total Revenue		
	2015 $m	2014 Restated* $m	2013 Restated* $m
UK			
External	**2,176**	1,878	1,854
Intra-Group	**6,001**	4,718	5,041
	8,177	6,596	6,895
Continental Europe			
Belgium	**176**	260	265
France	**1,015**	1,325	1,303
Germany	**608**	687	624
Italy	**544**	688	729
Spain	**426**	495	497
Sweden	**645**	639	464
Others	**1,448**	1,794	1,830
Intra-Group	**4,664**	4,763	4,930
	9,526	10,651	10,642
The Americas			
Canada	**530**	583	607
US	**9,949**	10,692	10,198
Others	**1,018**	1,165	1,177
Intra-Group	**2,167**	2,346	2,005
	13,664	14,786	13,987
Asia, Africa & Australasia			
Australia	**435**	657	811
China	**2,548**	2,228	1,836
Japan	**1,985**	2,202	2,403
Others	**1,205**	1,254	1,208
Intra-Group	**46**	56	52
	6,219	6,397	6,310
Continuing operations	**37,586**	38,430	37,834
Intra-Group eliminations	**(12,878)**	(11,883)	(12,028)
Total Revenue	**24,708**	26,547	25,806

* 2013 and 2014 comparatives have been restated to reflect the reclassification of Externalisation Revenue from other operating income and expense as detailed in Group Accounting Policies.

6 Segment information continued

Export sales from the UK totalled $6,851m for the year ended 31 December 2015 (2014: $5,709m; 2013: $6,192m). Intra-Group pricing is determined on an arm's length basis.

	Operating (loss)/profit			(Loss)/profit before tax		
	2015 $m	2014 $m	2013 $m	**2015 $m**	2014 $m	2013 $m
UK	**(743)**	(851)	(171)	**(1,113)**	(1,174)	(467)
Continental Europe	**3,412**	1,780	3,055	**3,023**	1,477	3,016
The Americas	**1,101**	818	591	**821**	549	477
Asia, Africa & Australasia	**344**	390	237	**338**	394	241
Continuing operations	**4,114**	2,137	3,712	**3,069**	1,246	3,267

	Non-current assets[1]			Total assets		
	2015 $m	2014 $m	2013 $m	**2015 $m**	2014 $m	2013 $m
UK	**6,251**	5,826	4,525	**14,712**	14,926	16,199
Continental Europe	**8,690**	8,764	4,102	**10,636**	11,184	6,924
The Americas	**26,499**	24,750	24,535	**31,604**	29,324	29,146
Asia, Africa & Australasia	**937**	874	832	**3,172**	3,161	3,630
Continuing operations	**42,377**	40,214	33,994	**60,124**	58,595	55,899

	Assets acquired[2]			Net operating assets[3]		
	2015 $m	2014 $m	2013 $m	**2015 $m**	2014 $m	2013 $m
UK	**1,478**	2,703	637	**3,713**	3,002	2,400
Continental Europe	**653**	6,362	747	**3,704**	4,110	4,168
The Americas	**4,215**	2,732	2,490	**22,334**	20,190	21,583
Asia, Africa & Australasia	**172**	199	236	**1,458**	1,570	2,002
Continuing operations	**6,518**	11,996	4,110	**31,209**	28,872	30,153

[1] Non-current assets exclude deferred tax assets and derivative financial instruments.
[2] Included in Assets acquired are those assets that are expected to be used during more than one period (property, plant and equipment, goodwill and intangible assets).
[3] Net operating assets exclude short-term investments, cash, short-term borrowings, loans, derivative financial instruments, retirement benefit obligations and non-operating receivables and payables.

	Property, plant and equipment		
	2015 $m	2014 $m	2013 $m
UK	**1,024**	824	1,226
Sweden	**1,023**	971	1,158
US	**2,986**	2,830	2,048
Rest of the world	**1,380**	1,385	1,386
Continuing operations	**6,413**	6,010	5,818

Geographic markets

The table below shows Product Sales in each geographic market in which customers are located.

	2015 $m	2014 $m	2013 $m
UK	**588**	773	685
Continental Europe	**5,180**	6,394	6,521
The Americas	**11,031**	11,892	11,515
Asia, Africa & Australasia	**6,842**	7,036	6,990
Continuing operations	**23,641**	26,095	25,711

Product Sales are recognised when the significant risks and rewards of ownership have been transferred to a third party. In general this is upon delivery of the products to wholesalers. Transactions with two wholesalers (2014: two; 2013: one) individually represented greater than 10% of Product Sales. The value of these transactions recorded as Product Sales were $3,458m and $2,757m (2014: $3,261m and $2,674m; 2013: $3,166m).

7 Property, plant and equipment

	Land and buildings $m	Plant and equipment $m	Assets in course of construction $m	Total property, plant and equipment $m
Cost				
At 1 January 2013	5,850	8,645	576	15,071
Capital expenditure	21	222	565	808
Additions through business combinations (Note 24)	1	3	4	8
Transfer of assets into use	67	295	(362)	–
Disposals and other movements	(275)	(773)	(7)	(1,055)
Exchange adjustments	19	61	(5)	75
At 31 December 2013	5,683	8,453	771	14,907
Capital expenditure	34	184	874	1,092
Additions through business combinations (Note 24)	213	206	96	515
Transfers in from other non-current assets	156	124	70	350
Transfer of assets into use	136	405	(541)	–
Disposals and other movements	(976)	(962)	(27)	(1,965)
Exchange adjustments	(334)	(698)	(123)	(1,155)
At 31 December 2014	4,912	7,712	1,120	13,744
Capital expenditure	**23**	**223**	**1,155**	**1,401**
Additions through business combinations (Note 24)	**21**	**–**	**–**	**21**
Transfer of assets into use	**269**	**359**	**(628)**	**–**
Disposals and other movements	**(239)**	**(442)**	**(3)**	**(684)**
Exchange adjustments	**(174)**	**(384)**	**(76)**	**(634)**
At 31 December 2015	**4,812**	**7,468**	**1,568**	**13,848**
Depreciation				
At 1 January 2013	2,668	6,314	–	8,982
Charge for year	331	575	–	906
Impairment	7	94	–	101
Disposals and other movements	(73)	(900)	–	(973)
Exchange adjustments	19	54	–	73
At 31 December 2013	2,952	6,137	–	9,089
Charge for year	252	524	–	776
Disposals and other movements	(639)	(744)	–	(1,383)
Exchange adjustments	(214)	(534)	–	(748)
At 31 December 2014	2,351	5,383	–	7,734
Charge for year	**198**	**479**	**–**	**677**
Impairment	**9**	**19**	**–**	**28**
Disposals and other movements	**(203)**	**(411)**	**–**	**(614)**
Exchange adjustments	**(102)**	**(288)**	**–**	**(390)**
At 31 December 2015	**2,253**	**5,182**	**–**	**7,435**
Net book value				
At 31 December 2013	2,731	2,316	771	5,818
At 31 December 2014	2,561	2,329	1,120	6,010
At 31 December 2015	**2,559**	**2,286**	**1,568**	**6,413**

Impairment charges in 2015 were attributable to assets dedicated to the production and manufacture of *Caprelsa*, for which global product rights were divested during the year and to strategy changes affecting manufacturing operations in the US. These charges have been recognised in cost of sales.

Impairment charges in 2013 were attributable to strategy changes affecting manufacturing operations in China and the impact of restructuring our site footprint in the US. These charges were recognised in cost of sales.

	2015 $m	2014 $m	2013 $m
The net book value of land and buildings comprised:			
Freeholds	**2,432**	2,489	2,656
Leaseholds	**127**	72	75

Included within plant and equipment are Information Technology assets held under finance leases with a net book value of $70m (2014: $74m; 2013: $86m).

8 Goodwill

	2015 $m	2014 $m	2013 $m
Cost			
At 1 January	**11,868**	10,307	10,223
Additions through business combinations (Note 24)	**456**	1,841	77
Exchange and other adjustments	**(143)**	(280)	7
At 31 December	**12,181**	11,868	10,307
Amortisation and impairment losses			
At 1 January	**318**	326	325
Exchange and other adjustments	**(5)**	(8)	1
At 31 December	**313**	318	326
Net book value at 31 December	**11,868**	11,550	9,981

For the purpose of impairment testing of goodwill, the Group is regarded as a single cash-generating unit.

The recoverable amount is based on value in use using discounted risk-adjusted projections of the Group's pre-tax cash flows over 10 years which is considered by the Board as a reasonable period given the long development and life-cycle of a medicine. The projections include assumptions about product launches, competition from rival products and pricing policy as well as the possibility of generics entering the market. In setting these assumptions we consider our past experience, external sources of information (including information on expected increases and ageing of the populations in our established markets and the expanding patient population in newer markets), our knowledge of competitor activity and our assessment of future changes in the pharmaceutical industry. The 10-year period is covered by internal budgets and forecasts. Given that internal budgets and forecasts are prepared for all projections, no general growth rates are used to extrapolate internal budgets and forecasts for the purposes of determining value in use. No terminal value is included as these cash flows are more than sufficient to establish that an impairment does not exist. The methods used to determine recoverable amounts have remained consistent with the prior year.

In arriving at value in use, we disaggregate our projected pre-tax cash flows into groups reflecting similar risks and tax effects. For each group of cash flows we use an appropriate discount rate reflecting those risks and tax effects. In arriving at the appropriate discount rate for each group of cash flows, we adjust AstraZeneca's post-tax weighted average cost of capital (7.0% for 2015, 2014 and 2013) to reflect the impact of risks relevant to that group of assets, the time value of money and tax effects. The weighted average pre-tax discount rate we used was approximately 10% (2014: 10%; 2013: 10%).

As a further check, we compare our market capitalisation to the book value of our net assets and this indicates significant surplus at 31 December 2015 (and 31 December 2014 and 31 December 2013).

No goodwill impairment was identified.

The Group has also performed sensitivity analysis calculations on the projections used and discount rate applied. The Directors have concluded that, given the significant headroom that exists, and the results of the sensitivity analysis performed, there is no significant risk that reasonable changes in any key assumptions would cause the carrying value of goodwill to exceed its value in use.

9 Intangible assets

	Product, marketing and distribution rights $m	Other intangibles $m	Software development costs $m	Total $m
Cost				
At 1 January 2013	22,862	2,135	1,905	26,902
Additions through business combinations (Note 24)	2,045	371	–	2,416
Additions – separately acquired	635	–	166	801
Disposals	(46)	–	–	(46)
Exchange and other adjustments	57	(7)	19	69
At 31 December 2013	25,553	2,499	2,090	30,142
Additions through business combinations (Note 24)	6,926	575	–	7,501
Additions – separately acquired	907	25	115	1,047
Disposals	(23)	–	(41)	(64)
Exchange and other adjustments	(1,464)	(287)	(138)	(1,889)
At 31 December 2014	31,899	2,812	2,026	36,737
Additions through business combinations (Note 24)	**3,162**	**–**	**–**	**3,162**
Additions – separately acquired	**1,341**	**60**	**77**	**1,478**
Disposals	**(198)**	**(4)**	**(14)**	**(216)**
Exchange and other adjustments	**(886)**	**(73)**	**(70)**	**(1,029)**
At 31 December 2015	**35,318**	**2,795**	**2,019**	**40,132**
Amortisation and impairment losses				
At 1 January 2013	7,659	1,578	1,217	10,454
Amortisation for year	1,498	93	188	1,779
Impairment	2,025	–	57	2,082
Impairment reversals	(285)	–	–	(285)
Disposals	(11)	–	–	(11)
Exchange and other adjustments	58	11	7	76
At 31 December 2013	10,944	1,682	1,469	14,095
Amortisation for year	2,008	193	183	2,384
Impairment	81	18	23	122
Disposals	(23)	–	(41)	(64)
Exchange and other adjustments	(465)	(240)	(76)	(781)
At 31 December 2014	12,545	1,653	1,558	15,756
Amortisation for year	**1,718**	**174**	**107**	**1,999**
Impairment	**143**	**–**	**5**	**148**
Disposals	**(31)**	**(2)**	**(14)**	**(47)**
Exchange and other adjustments	**(271)**	**(52)**	**(47)**	**(370)**
At 31 December 2015	**14,104**	**1,773**	**1,609**	**17,486**
Net book value				
At 31 December 2013	14,609	817	621	16,047
At 31 December 2014	19,354	1,159	468	20,981
At 31 December 2015	**21,214**	**1,022**	**410**	**22,646**

Other intangibles consist mainly of licensing and rights to contractual income streams.

9 Intangible assets continued

Amortisation charges are recognised in profit as follows:

	Product, marketing and distribution rights $m	Other intangibles $m	Software development costs $m	Total $m
Year ended 31 December 2013				
Cost of sales	502	–	–	502
Research and development expense	–	30	–	30
Selling, general and administrative costs	898	4	188	1,090
Other operating income and expense	98	59	–	157
Total	1,498	93	188	1,779
Year ended 31 December 2014				
Cost of sales	701	–	–	701
Research and development expense	–	60	–	60
Selling, general and administrative costs	1,203	25	183	1,411
Other operating income and expense	104	108	–	212
Total	2,008	193	183	2,384
Year ended 31 December 2015				
Cost of sales	**369**	**–**	**–**	**369**
Research and development expense	**–**	**57**	**–**	**57**
Selling, general and administrative costs	**1,321**	**31**	**107**	**1,459**
Other operating income and expense	**28**	**86**	**–**	**114**
Total	**1,718**	**174**	**107**	**1,999**

Impairment charges are recognised in profit as follows:

	Product, marketing and distribution rights $m	Other intangibles $m	Software development costs $m	Total $m
Year ended 31 December 2013				
Research and development expense	335	–	–	335
Selling, general and administrative costs	1,690	–	57	1,747
Total	2,025	–	57	2,082
Year ended 31 December 2014				
Research and development expense	81	–	–	81
Selling, general and administrative costs	–	–	23	23
Other operating income and expense	–	18	–	18
Total	81	18	23	122
Year ended 31 December 2015				
Research and development expense	**79**	**–**	**–**	**79**
Selling, general and administrative costs	**–**	**–**	**5**	**5**
Other operating income and expense	**64**	**–**	**–**	**64**
Total	**143**	**–**	**5**	**148**

The impairment reversal of $285m booked in 2013 was recorded in research and development expense.

Impairment charges and reversals

In 2015 and 2014, impairment charges relate to the termination, or reassessment of the likelihood of success, of several individual projects, none of which had significant capitalised values.

In 2013, AstraZeneca commenced enrolment of the first patient in the first of several Phase III clinical programmes for *Lynparza* (olaparib). As a result of the initiation of this programme, an impairment charge of $285m, taken in 2011, was reversed and the full historic carrying value of the asset restored to the balance sheet. There are several indications currently under development for *Lynparza* (olaparib) and, at the date of the reversal of the impairment, the recoverable value of the intangible asset relating to *Lynparza* (olaparib) determined using value in use calculations as detailed below, was estimated to be at least $650m above its carrying value. The 2013 impairment charge of product, marketing and distribution rights included a charge of $1,758m against the intangible asset for *Bydureon*, acquired as part of the 2012 collaboration with BMS on Amylin products, following revised estimates for future sales performance that were below AstraZeneca's commercial expectations at that time of entering into the collaboration. Impairment charges also included $136m following AstraZeneca's decision not to proceed with regulatory filings for fostamatinib.

9 Intangible assets continued

The write downs in value of intangible assets, other than those arising from termination of R&D activities, were determined based on value in use calculations using discounted risk-adjusted projections of the products' expected post-tax cash flows over a period reflecting the patent-protected lives of the individual products. The full period of projections is covered by internal budgets and forecasts. In arriving at the appropriate discount rate to use for each product, we adjust AstraZeneca's post-tax weighted average cost of capital (7.0% for 2015, 2014 and 2013) to reflect the impact of risks and tax effects specific to the individual products. The weighted average pre-tax discount rate we used was approximately 13% (2014: 13%; 2013: 13%).

By their nature, the value in use calculations are sensitive to the underlying methods, assumptions and estimates. Consistent with prior years, as part of the impairment review process, management has identified that reasonably possible changes in certain key assumptions may cause the carrying amount of the intangible assets to exceed the recoverable amount. At 31 December 2015, the Group held intangible assets for products in development of $8,732m (2014: $6,598m; 2013: $5,457m), for which the most sensitive assumption is the probability of technical success, and intangible assets for launched products of $13,504m (2014: $13,915m; 2013: $9,969m), for which the most sensitive assumptions are the projected market share of the therapeutic area and expected pricing. In addition, we consider the sensitivity of our 2015 impairment conclusions to possible changes to the post tax discount rate and noted that a change of 1% would have no effect on the level of impairment recorded in 2015. Given their nature, impairment adjustments triggered by future events that have yet to occur may be material. In addition, there is a significant risk that impairments recognised in any one period may be subject to material adjustments in future periods.

Significant assets

	Description	Carrying value $m	Remaining amortisation period
Intangible assets arising from the restructuring of a joint venture with Merck	Product, marketing and distribution rights	1,858	1-15 years
RSV franchise assets arising from the acquisition of MedImmune	Product, marketing and distribution rights	2,781	10 years
FluMist intangible assets arising from the acquisition of MedImmune	Product, marketing and distribution rights	445	16 years
Onglyza intangible assets acquired from BMS	Product, marketing and distribution rights	1,308	8 years
Forxiga/Farxiga intangible assets acquired from BMS	Product, marketing and distribution rights	1,718	12 years
Bydureon intangible assets acquired from BMS	Product, marketing and distribution rights	1,248	15 years
Other diabetes intangible assets acquired from BMS	Product, marketing and distribution rights	1,420	7-18 years
Movantik/Moventig asset acquired from Nektar Therapeutics	Product, marketing and distribution rights	395	16 years
Intangible assets acquired from Almirall and Actavis	Product, marketing and distribution rights	1,778	4-23 years
Intangible assets arising from the acquisition of Definiens	Research technology rights	302	14 years
Intangible assets arising from the acquisition of Ardea[1]	Product, marketing and distribution rights	1,434	Not amortised
Intangible assets arising from the acquisition of Pearl Therapeutics[1]	Product, marketing and distribution rights	951	Not amortised
Intangible assets arising from the acquisition of Omthera[1]	Product, marketing and distribution rights	533	Not amortised
Intangible assets arising from the acquisition of Amplimmune[1]	Product, marketing and distribution rights	470	Not amortised
Intangible assets arising from the acquisition of ZS Pharma[1]	Product, marketing and distribution rights	3,162	Not amortised

[1] Assets in development are not amortised but are tested annually for impairment.

10 Investments in joint ventures

	2015 $m	2014 $m	2013 $m
At 1 January	**59**	–	–
Additions	**45**	70	–
Share of after tax losses	**(16)**	(6)	–
Exchange adjustments	**(3)**	(5)	–
At 31 December	**85**	59	–

On 1 December 2015, AstraZeneca entered into a joint venture agreement with Fujifilm Kyowa Kirin Biologics Co., Ltd. to develop a biosimilar using the combined capabilities of the two parties. The agreement resulted in the formation of a joint venture entity based in the UK, Centus Biotherapeutics Limited. AstraZeneca contributed $45m in cash to the joint venture entity and has a 50% interest in the joint venture.

On 30 April 2014, AstraZeneca entered into a joint venture agreement with Samsung Biologics Co., Ltd. to develop a biosimilar using the combined capabilities of the two parties. The agreement resulted in the formation of a joint venture entity based in the UK, Archigen Biotech Limited, with a branch in South Korea. AstraZeneca contributed $70m in cash to the joint venture entity and has a 50% interest in the joint venture.

Both investments are accounted for using the equity method.

Aggregated summarised financial information for the joint venture entities is set out below.

	2015 $m	2014 $m	2013 $m
Non-current assets	**123**	76	–
Current assets	**75**	58	–
Current liabilities	**(11)**	(6)	–
Net assets	**187**	128	–
Amount attributable to AstraZeneca	**93**	64	–
Exchange adjustments	**(8)**	(5)	–
Carrying value of investments in joint ventures	**85**	59	–

11 Other investments

	2015 $m	2014 $m	2013 $m
Non-current investments			
Equity securities available for sale	**458**	502	281
Total	**458**	502	281
Current investments			
Equity securities and bonds available for sale	**548**	775	735
Equity securities held for trading	**–**	–	46
Fixed deposits	**65**	20	15
Total	**613**	795	796

The equity securities and bonds available for sale in current investments include $467m (2014: $775m; 2013: $735m) held in a custody account. Further details of this custody account are included in Note 20.

Impairment charges of $17m in respect of available for sale securities are included in other operating income and expense (2014: $23m; 2013: $22m).

Equity securities and bonds available for sale, and equity securities held for trading, are held at fair value. The fair value of listed investments is based on year end quoted market prices. For unlisted investments whose fair value cannot be reliably measured, cost is considered to approximate to fair value. Fixed deposits are held at amortised cost with carrying value being a reasonable approximation of fair value given their short-term nature.

None of the financial assets or liabilities have been reclassified in the year.

Fair value hierarchy

The table below analyses financial instruments, contained within other investments and carried at fair value, by valuation method. The different levels have been defined as follows:

> Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
> Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
> Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2013				
Equity securities and bonds available for sale	807	–	209	1,016
Equity securities held for trading	46	–	–	46
Total	853	–	209	1,062
2014				
Equity securities and bonds available for sale	927	–	350	1,277
Total	927	–	350	1,277
2015				
Equity securities and bonds available for sale	**654**	**–**	**352**	**1,006**
Total	**654**	**–**	**352**	**1,006**

Equity securities available for sale that are analysed at Level 3 include investments in private biotech companies. In the absence of specific market data, these unlisted investments are held at cost, adjusted as necessary for impairments, which approximates to fair value. Movements in Level 3 investments are detailed below.

	2015 $m	2014 $m	2013 $m
At 1 January	**350**	209	138
Additions	**49**	107	70
Revaluations	**–**	95	–
Transfers out	**(22)**	(35)	–
Disposals	**(6)**	–	(8)
Impairments and exchange adjustments	**(19)**	(26)	9
At 31 December	**352**	350	209

Assets are transferred in or out of Level 3 on the date of the event or change in circumstances that caused the transfer.

12 Derivative financial instruments

Derivative financial instruments consist of interest rate swaps (included in instruments designated at fair value if related to debt designated at fair value, or instruments in a fair value hedge relationship if formally designated as in a fair value hedge relationship), cross-currency swaps (included in instruments designated in net investment hedges), currency options and forward foreign exchange contracts (included below in other derivatives).

	Non-current assets $m	Current assets $m	Current liabilities $m	Non-current liabilities $m	Total $m
Designated in a fair value hedge	108	–	–	–	108
Related to instruments designated at fair value through profit or loss	69	16	–	–	85
Designated as a net investment hedge	188	–	–	(1)	187
Other derivatives	–	24	(2)	–	22
31 December 2013	365	40	(2)	(1)	402

	Non-current assets $m	Current assets $m	Current liabilities $m	Non-current liabilities $m	Total $m
Designated in a fair value hedge	79	–	–	–	79
Related to instruments designated at fair value through profit or loss	82	–	–	–	82
Designated as a net investment hedge	304	–	–	–	304
Other derivatives	–	21	(21)	–	–
31 December 2014	465	21	(21)	–	465

	Non-current assets $m	**Current assets $m**	**Current liabilities $m**	**Non-current liabilities $m**	**Total $m**
Designated in a fair value hedge	**49**	**–**	**–**	**–**	**49**
Related to instruments designated at fair value through profit or loss	**77**	**–**	**–**	**–**	**77**
Designated as a net investment hedge	**320**	**–**	**–**	**–**	**320**
Other derivatives	**–**	**2**	**(9)**	**(1)**	**(8)**
31 December 2015	**446**	**2**	**(9)**	**(1)**	**438**

All derivatives are held at fair value and fall within Level 2 of the fair value hierarchy as defined in Note 11. None of the derivatives have been reclassified in the year.

The fair value of interest rate swaps and cross-currency swaps is estimated using appropriate zero coupon curve valuation techniques to discount future contractual cash flows based on rates at current year end.

The fair value of forward foreign exchange contracts and currency options are estimated by cash flow accounting models using appropriate yield curves based on market forward foreign exchange rates at the year end. The majority of forward foreign exchange contracts for existing transactions had maturities of less than one month from year end.

The interest rates used to discount future cash flows for fair value adjustments, where applicable, are based on market swap curves at the reporting date, and were as follows.

	2015	2014	2013
Derivatives	**1.2% to 2.1%**	1.2% to 2.3%	0.3% to 3.2%

13 Non-current other receivables

Non-current other receivables of $907m (2014: $1,112m; 2013: $1,867m) include a prepayment of $617m (2014: $906m; 2013: $1,276m) which represents the long-term element of minimum contractual royalties payable to Shionogi under the global licence agreement for *Crestor*, which was renegotiated in December 2013. The resulting modified royalty structure, which includes fixed minimum and maximum payments in years until 2020, has resulted in the Company recognising liabilities, and corresponding prepayments, for the discounted value of total minimum payments. The current portion of the prepayment is $260m (2014: $323m; 2013: $350m) and is reported in amounts due within one year (see Note 15). Non-current other receivables also include prepayments in relation to our research collaboration with Moderna Therapeutics.

14 Inventories

	2015 $m	2014 $m	2013 $m
Raw materials and consumables	**960**	663	570
Inventories in process	**545**	501	659
Finished goods and goods for resale	**638**	796	680
Inventories	**2,143**	1,960	1,909

The Group recognised $2,942m (2014: $3,214m; 2013: $2,981m) of inventories as an expense within cost of sales during the year.

Inventory write-offs in the year amounted to $112m (2014: $126m; 2013: $91m).

15 Current trade and other receivables

	2015 $m	2014 $m	2013 $m
Amounts due within one year			
Trade receivables	**4,685**	4,816	5,578
Less: Amounts provided for doubtful debts (Note 25)	**(52)**	(54)	(64)
	4,633	4,762	5,514
Other receivables	**543**	1,050	684
Prepayments and accrued income	**1,268**	1,262	1,420
	6,444	7,074	7,618
Amounts due after more than one year			
Other receivables	**28**	22	110
Prepayments and accrued income	**150**	136	151
	178	158	261
Trade and other receivables	**6,622**	7,232	7,879

All financial assets included within current trade and other receivables are held on the consolidated statement of financial position at amortised costs with carrying value being a reasonable approximation of fair value.

16 Cash and cash equivalents

	2015 $m	2014 $m	2013 $m
Cash at bank and in hand	**1,250**	1,009	1,094
Short-term deposits	**4,990**	5,351	8,123
Cash and cash equivalents	**6,240**	6,360	9,217
Unsecured bank overdrafts	**(189)**	(196)	(222)
Cash and cash equivalents in the cash flow statement	**6,051**	6,164	8,995

The Group holds $110m (2014: $114m; 2013: $119m) of cash and cash equivalents which is required to meet insurance solvency, capital and security requirements, and which, as a result, is not readily available for the general purposes of the Group.

Cash and cash equivalents are held on the consolidated statement of financial position at amortised cost. Fair value approximates to carrying value.

17 Interest-bearing loans and borrowings

		Repayment dates	2015 $m	2014 $m	2013 $m
Current liabilities					
Bank overdrafts		On demand	**189**	196	222
Finance leases			**67**	48	30
5.4% Callable bond	US dollars	2014	**–**	–	766
5.125% Non-callable bond	euros	2015	**–**	912	–
Other loans (Commercial paper)		Within one year	**660**	1,290	770
Total			**916**	2,446	1,788
Non-current liabilities					
Finance leases			**28**	60	72
5.125% Non-callable bond	euros	2015	**–**	–	1,035
5.9% Callable bond	US dollars	2017	**1,796**	1,825	1,854
Floating rate notes	US dollars	2018	**399**	–	–
1.75% Callable bond	US dollars	2018	**997**	–	–
1.95% Callable bond	US dollars	2019	**997**	996	996
2.375% Callable bond	US dollars	2020	**1,586**	–	–
0.875% Non-callable bond	euros	2021	**812**	902	–
7% Guaranteed debentures	US dollars	2023	**355**	370	356
3.375% Callable bond	US dollars	2025	**1,971**	–	–
5.75% Non-callable bond	pounds sterling	2031	**515**	540	573
6.45% Callable bond	US dollars	2037	**2,719**	2,718	2,717
4% Callable bond	US dollars	2042	**986**	986	985
4.375% Callable bond	US dollars	2045	**976**	–	–
Total			**14,137**	8,397	8,588

All loans and borrowings above are unsecured, except for finance leases which are secured against the Information Technology assets to which they relate (see Note 7).

17 Interest-bearing loans and borrowings continued

Set out below is a comparison by category of carrying values and fair values of all the Group's interest-bearing loans and borrowings.

	Instruments in a fair value hedge relationship[1] $m	Instruments designated at fair value[2] $m	Amortised cost[3] $m	Total carrying value $m	Fair value $m
2013					
Overdrafts	–	–	222	222	222
Finance leases due within one year	–	–	30	30	30
Finance leases due after more than one year	–	–	72	72	72
Loans due within one year	–	766	770	1,536	1,536
Loans due after more than one year	856	356	7,304	8,516	9,296
Total at 31 December 2013	856	1,122	8,398	10,376	11,156
2014					
Overdrafts	–	–	196	196	196
Finance leases due within one year	–	–	48	48	48
Finance leases due after more than one year	–	–	60	60	60
Loans due within one year	–	–	2,202	2,202	2,202
Loans due after more than one year	828	370	7,139	8,337	9,662
Total at 31 December 2014	828	370	9,645	10,843	12,168
2015					
Overdrafts	**–**	**–**	**189**	**189**	**189**
Finance leases due within one year	**–**	**–**	**67**	**67**	**67**
Finance leases due after more than one year	**–**	**–**	**28**	**28**	**28**
Loans due within one year	**–**	**–**	**660**	**660**	**660**
Loans due after more than one year	**1,398**	**355**	**12,356**	**14,109**	**15,132**
Total at 31 December 2015	**1,398**	**355**	**13,300**	**15,053**	**16,076**

[1] Instruments designated as hedged items in fair value hedge relationships with respect to interest rate risk include a designated portion of the US dollar 5.9% callable bond repayable in 2017, and a portion of the US dollar 1.75% callable bond repayable in 2018.
[2] Instruments designated at fair value through profit or loss include the US dollar 7% guaranteed debentures repayable in 2023.
[3] Included within borrowings held at amortised cost are amounts designated as hedges of net investments in foreign operations of $1,327m (2014: $1,453m; 2013: $1,608m) held at amortised cost. The fair value of these borrowings was $1,516m at 31 December 2015 (2014: $1,641m; 2013: $1,769m).

The fair value of fixed-rate publicly traded debt is based on year end quoted market prices; the fair value of floating rate debt is nominal value, as mark to market differences would be minimal given the frequency of resets. The carrying value of loans designated at fair value through profit or loss is the fair value; this falls within the Level 1 valuation method as defined in Note 11. For loans designated in a fair value hedge relationship, carrying value is initially measured at fair value and remeasured for fair value changes in respect of the hedged risk at each reporting date. All other loans are held at amortised cost. Fair values, as disclosed in the table above, are all determined using the Level 1 valuation method as defined in Note 11, with the exception of overdrafts and finance leases, where fair value approximates to carrying values.

A gain of $10m was made during the year on the fair value of bonds designated at fair value through profit or loss, due to increased credit risk. A gain of $48m has been made on these bonds since designation due to increased credit risk. Changes in credit risk had no material effect on any other financial assets and liabilities recognised at fair value in the Group Financial Statements. The change in fair value attributable to changes in credit risk is calculated as the change in fair value not attributable to market risk. The amount payable at maturity on bonds designated at fair value through profit or loss is $288m.

The interest rates used to discount future cash flows for fair value adjustments, where applicable, are based on market swap curves at the reporting date, and were as follows.

	2015	2014	2013
Loans and borrowings	**1.2% to 2.1%**	1.2% to 2.3%	0.3% to 3.2%

18 Trade and other payables

	2015 $m	2014 $m	2013 $m
Current liabilities			
Trade payables	**3,469**	3,492	2,499
Value added and payroll taxes and social security	**207**	201	207
Rebates and chargebacks	**3,307**	3,530	2,853
Accruals	**2,983**	3,231	3,606
Other payables	**1,697**	1,432	1,197
Total	**11,663**	11,886	10,362
Non-current liabilities			
Accruals	**256**	219	126
Other payables	**7,201**	7,772	2,226
Total	**7,457**	7,991	2,352

18 Trade and other payables continued

With the exception of contingent consideration payables of $6,411m (2014: $6,899m; 2013: $514m) held within other payables, that arose on business combinations (see Note 24), and which are held at fair value within Level 3 of the fair value hierarchy as defined in Note 11, all other financial liabilities are held at amortised cost with carrying value being a reasonable approximation of fair value.

Contingent consideration

	2015 $m	2014 $m	2013 $m
At 1 January	**6,899**	514	–
Additions arising on business combinations (Note 24)	**–**	6,138	532
Settlements	**(579)**	(657)	–
Revaluations	**(432)**	512	(18)
Discount unwind	**524**	391	–
Foreign exchange	**(1)**	1	–
At 31 December	**6,411**	6,899	514

As detailed in Note 24, contingent consideration arising from business combinations is fair valued using decision-tree analysis, with key inputs including the probability of success, consideration of potential delays and the expected levels of future revenues.

Revaluations of contingent consideration are recognised in selling, general and administrative costs and include a decrease of $378m in 2015 (2014: an increase of $529m) based on revised milestone probabilities, and revenue and royalty forecasts, relating to the acquisition of BMS's share of the Global Diabetes Alliance.

Further details of the potential future payments on our business combinations, including details of the possible ranges of payments, are included in Note 24. Management has identified that reasonably possible changes in certain key assumptions including the likelihood of achieving successful trial results, obtaining regulatory approval, the projected market share of the therapeutic area and expected pricing for launched products may cause the calculated fair value of the above contingent consideration to vary materially in future years.

19 Provisions

	Severance $m	Environmental $m	Employee benefits $m	Legal $m	Other provisions $m	Total $m
At 1 January 2013	637	88	148	100	371	1,344
Charge for year	652	27	20	23	49	771
Cash paid	(532)	(28)	(19)	(78)	(24)	(681)
Reversals	(20)	–	–	(5)	(78)	(103)
Exchange and other movements	34	–	3	19	2	58
At 31 December 2013	771	87	152	59	320	1,389
Additions arising on business acquisitions	39	–	–	–	–	39
Charge for year	254	15	8	91	66	434
Cash paid	(472)	(17)	(16)	(71)	(57)	(633)
Reversals	(21)	–	–	(4)	(39)	(64)
Exchange and other movements	(45)	(1)	19	(1)	(30)	(58)
At 31 December 2014	526	84	163	74	260	1,107
Additions arising on business acquisitions	**–**	**–**	**–**	**–**	**10**	**10**
Charge for year	**338**	**8**	**7**	**313**	**40**	**706**
Cash paid	**(408)**	**(25)**	**(12)**	**(69)**	**(43)**	**(557)**
Reversals	**(40)**	**–**	**–**	**–**	**(12)**	**(52)**
Exchange and other movements	**(13)**	**–**	**–**	**39**	**2**	**28**
At 31 December 2015	**403**	**67**	**158**	**357**	**257**	**1,242**

	2015 $m	2014 $m	2013 $m
Due within one year	**798**	623	823
Due after more than one year	**444**	484	566
Total	**1,242**	1,107	1,389

AstraZeneca is undergoing a global restructuring initiative which involves rationalisation of the global supply chain, the sales and marketing organisation, IT and business support infrastructure, and R&D. Employee costs in connection with the initiatives are recognised in severance provisions.

Details of the environmental and legal provisions are provided in Note 27.

Employee benefit provisions include the Deferred Bonus Plan. Further details are included in Note 26.

Other provisions comprise amounts relating to specific contractual or constructive obligations and disputes.

No provision has been released or applied for any purpose other than that for which it was established.

20 Post-retirement benefits

Pensions

Background

The Company and most of its subsidiaries offer retirement plans which cover the majority of employees in the Group. Many of these plans are 'defined contribution', where AstraZeneca's contribution and resulting charge is fixed at a set level or is a set percentage of employees' pay. However, several plans, mainly in the UK, the US, Sweden and Germany, are 'defined benefit', where benefits are based on employees' length of service and average final salary (typically averaged over one, three or five years). The major defined benefit plans, apart from the collectively bargained Swedish plan (which is still open to employees born before 1979), have been closed to new entrants since 2000. During 2010, following consultation with its UK employees' representatives, AstraZeneca introduced a freeze on pensionable pay at 30 June 2010 levels for defined benefit members of the UK Pension Fund.

The major defined benefit plans are funded through separate, fiduciary-administered funds. The cash funding of the plans, which may from time to time involve special payments, is designed, in consultation with independent qualified actuaries, to ensure that the assets together with future contributions should be sufficient to meet future obligations. The funding is monitored rigorously by AstraZeneca and appropriate fiduciaries specifically with reference to AstraZeneca's credit rating, market capitalisation, cash flows and the solvency of the relevant pension scheme.

Financing Principles

97% of the Group's defined benefit obligations at 31 December 2015 are in schemes within the UK, the US, Sweden or Germany. In these countries, the pension obligations are funded with reference to the following financing principles:

> The Group has a fundamental belief in funding the benefits it promises to employees.
> The Group considers its pension arrangements in the context of its broader capital structure. In general, it does not believe in committing excessive capital for funding while it has better uses of capital within the business nor does it wish to generate surpluses.
> The pension funds are not part of the Group's core business. The Group believes in taking some rewarded risks with the investments underlying the funding, subject to a medium to long-term plan to reduce those risks if opportunities arise.
> The Group recognises that deciding to hold certain investments may cause volatility in the funding position. The Group would not wish to amend its contribution level for relatively small deviations from its preferred funding level, because it is expected that there will be short-term volatility, but it is prepared to react appropriately to more significant deviations.
> In the event that local regulations require an additional level of financing, the Group would consider the use of alternative methods of providing this that do not require immediate cash funding but help mitigate exposure of the pension arrangement to the credit risk of the Group.

These principles are appropriate to AstraZeneca's business at the present date; should circumstances change they may require review.

AstraZeneca has developed a funding framework to implement these principles. This determines the cash contributions payable to the pension funds, but does not affect the IAS 19 liabilities. To reduce the risk of committing excess capital to pension funds, liability valuations are based on the expected return on the actual pension assets, rather than a corporate bond yield. At present, this puts a different, lower value on the liabilities than IAS 19.

UK

With regard to the Group's UK defined benefit fund, the above principles are modified in light of the UK regulatory requirements (summarised below) and resulting discussions with the Pension Fund Trustee.

Role of Trustees (UK)

The UK Pension Fund is managed by a corporate Trustee which is legally separate from the Company. The Trustee Directors are composed of representatives appointed by both the employer and employees, and include an independent professional Trustee Director. The Trustee Directors are required by law to act in the interest of all relevant beneficiaries and are responsible in particular for the asset investment policy plus the day to day administration of the benefits. They are also responsible for jointly agreeing with the employer the level of contributions due to the UK Pension Fund (see below).

Funding requirements (UK)

UK legislation requires that pension schemes are funded prudently (ie to a level in excess of the current expected cost of providing benefits). On a triennial basis the Trustee and the Company must agree the contributions required (if any) to ensure the Fund is fully funded over time on a suitable prudent measure. The last funding valuation of the AstraZeneca Pension Fund was carried out by a qualified actuary as at 31 March 2013. An updated funding valuation is due as at 31 March 2016.

In addition, AstraZeneca makes contributions to a separate account which is held outside the UK Pension Fund. The assets held in this account will be payable to the AstraZeneca Pension Fund in agreed circumstances, for example, in the event of AstraZeneca and the Pension Fund Trustee agreeing on a change to the current long-term investment strategy. At 31 December 2015, £315m ($467m) of assets held in this separate account are included within other investments (see Note 11). The structure of this separate account is a custody account held by AstraZeneca with HSBC. There is a charge in favour of the Pension Fund Trustee over the assets held in this custody account.

Under the current funding plan, a lump sum contribution of £196m ($305m) was made towards the deficit in January 2015, with a further contribution of £51m ($76m) due before 31 March 2016. Contributions are made by transferring assets from the custody account described above. The Company and the UK Pension Fund are currently exploring revised funding plans and extended target dates for full funding.

Under the agreed funding principles used to set the statutory funding target, the key assumptions as at 31 March 2013 were as follows: long-term UK price inflation set at 3.55% per annum, salary increases at 0% per annum (as a result of pensionable pay levels being frozen in 2010), pension increases at 3.2% per annum and investment returns at 4.86% per annum. The resulting valuation of the Fund's liabilities on that basis were £4,887m ($7,241m) compared to a market value of assets at 31 March 2013 of £4,394m ($6,510m).

20 Post-retirement benefits continued

Under the governing documentation of the UK Pension Fund, any future surplus in the Fund would be returnable to AstraZeneca by refund assuming gradual settlement of the liabilities over the lifetime of the fund. As such, there are no adjustments required in respect of IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.

Regulation (UK)

The UK pensions market is regulated by the Pensions Regulator whose statutory objectives and regulatory powers are described on its website, www.thepensionsregulator.gov.uk.

Rest of Group

The IAS 19 positions as at 31 December 2015 are shown below for each of the other countries with significant defined benefit plans. These plans account for 90% of the Group's defined benefit obligations outside the UK. The US and Sweden pension funds are managed by fiduciary bodies with responsibility for the investment policies of those funds. These plans are funded in line with the financing principles and contributions paid as prescribed by the funding framework.

> The US defined benefits programme was actuarially revalued at 31 December 2015, when plan obligations were $1,794m and plan assets were $1,566m. This includes obligations in respect of the non-qualified plan which is largely unfunded.
> The Swedish defined benefits programme was actuarially revalued at 31 December 2015, when plan obligations were estimated to amount to $1,423m and plan assets were $1,045m.
> The German defined benefits programme was actuarially revalued at 31 December 2015. In accordance with practice in Germany, the plan has a low level of funding; plan obligations amounted to $345m and plan assets were $19m.

On current bases, it is expected that contributions (excluding those in respect of past service deficit contributions) during the year ending 31 December 2016 for the four main countries will be $173m.

Post-retirement benefits other than pensions

In the US, and to a lesser extent in certain other countries, AstraZeneca's employment practices include the provision of healthcare and life assurance benefits for retired employees. As at 31 December 2015, some 3,433 retired employees and covered dependants currently benefit from these provisions and some 10,582 current employees will be eligible on their retirement. AstraZeneca accrues for the present value of such retiree obligations over the working life of the employee. In practice, these benefits will be funded with reference to the financing principles.

The cost of post-retirement benefits other than pensions for the Group in 2015 was $23m (2014: $20m; 2013: $16m). Plan assets were $293m and plan obligations were $318m at 31 December 2015. These benefit plans have been included in the disclosure of post-retirement benefits under IAS 19.

Financial assumptions

Qualified independent actuaries have updated the actuarial valuations under IAS 19 of the major defined benefit schemes operated by the Group to 31 December 2015. The assumptions used by the actuaries are chosen from a range of possible actuarial assumptions which, due to the long-term nature of the schemes, may not necessarily be borne out in practice. These assumptions were as follows:

	2015		2014	
	UK	**Rest of Group**	UK	Rest of Group
Inflation assumption	**3.0%**	**2.1%**	3.1%	2.0%
Rate of increase in salaries	**–**[1]	**3.0%**	–[1]	3.2%
Rate of increase in pensions in payment	**3.0%**	**0.8%**	3.0%	0.8%
Discount rate	**3.8%**	**3.8%**	3.5%	3.0%

[1] Pensionable pay frozen at 30 June 2010 levels following UK fund changes.

Demographic assumptions

The mortality assumptions are based on country-specific mortality tables. These are compared to actual AstraZeneca experience and adjusted where sufficient data is available. Additional allowance for future improvements in life expectancy is included for all major schemes where there is credible data to support this continuing trend.

The table below illustrates life expectancy assumptions at age 65 for male members retiring in 2015 and members expected to retire in 2035 (2014: 2014 and 2034 respectively).

	Life expectancy assumption for a male member retiring at age 65			
Country	**2015**	**2035**	2014	2034
UK	**23.2**	**24.5**	23.7	25.3
US	**22.9**	**24.4**	23.1	24.7
Sweden	**20.5**	**22.4**	20.5	22.4
Germany	**18.7**	**21.5**	18.7	21.5

The UK life expectancy has fallen over the year due to a higher-than-expected number of pensioner-age deaths in the UK over 2014/15, compared to the prior year assumptions. This has created the expectation of a less rapid rate of longevity improvement in future years, which has been reflected by the Company by adopting the CMI 2015 Mortality Projections Model with a 1% long-term improvement rate in 2015.

20 Post-retirement benefits continued

Risks associated with the Company's defined benefit pensions

The UK defined benefit plan accounts for 65% of the Group's defined benefit obligations and exposes the Company to a number of risks, the most significant of which are:

Risk	Description	Mitigation
Volatile asset returns	The Defined Benefit Obligation (DBO) is calculated using a discount rate set with reference to corporate bond yields; asset returns that differ from the discount rate will create an element of volatility in the solvency ratio. The UK Pension Fund holds a significant proportion (over 40%) in growth assets. The largest allocation within the growth asset portfolio is held in equities (approximately 23%). Although these growth assets are expected to outperform corporate bonds in the long term, they can lead to volatility and mismatching risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the UK Pension Fund's long-term objectives.	The Company and Trustee have put in place an equity option hedging strategy for the UK Pension Fund to reduce the volatility of equity investment returns. This strategy covers over 60% of the equity exposure. In addition, changes to the investment strategy have been adopted over the course of the year which further diversify the growth portfolio and which are expected to reduce investment risk and increase expected returns. The investment strategy will continue to evolve to further improve the expected risk/return profile over 2016. The Company and Trustee have hedged the vast majority (over 90%) of unintended non-sterling, overseas currency risk within the UK Pension Fund assets.
Changes in bond yields	A decrease in corporate bond yields will increase the present value placed on the DBO for accounting purposes, although this will be partially offset by an increase in the value of the UK Pension Fund's bond holdings.	The UK Pension Fund holds a significant proportion of its assets (around 35%) in corporate bonds, which provide a hedge against falling bond yields (falling yields which increase the DBO will also increase the value of the bond assets). This interest rate hedge is further extended by investments in gilts and the use of interest rate derivatives, so that overall the UK Pension Fund liabilities are approximately 45% hedged against falling interest rates on an economic value basis. Note that there are some differences in the credit quality of bonds held by the UK Pension Fund and the bonds analysed to decide the DBO discount rate, such that there remains some risk should yields on different quality bond/swap assets diverge.
Inflation risk	A significant proportion of the DBO is indexed in line with price inflation (specifically inflation in the UK Retail Price Index) and higher inflation will lead to higher liabilities (although, in most cases, this is capped at an annual increase of 5%).	The UK Pension Fund holds some inflation-linked assets which provide a hedge against higher-than-expected inflation increases on the DBO. This is augmented by inflation swaps, such that overall the UK Pension Fund assets hedge approximately 50% of the liability exposure to changes in expected inflation on an economic value basis.
Life expectancy	The majority of the UK Pension Fund's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liabilities.	The UK Pension Fund entered into a longevity swap during 2013 which provides hedging against the longevity risk of increasing life expectancy over the next 78 years for around 10,000 of the Pension Fund's current pensioners and covers $3.4bn of the Pension Fund's liabilities. A one year increase in life expectancy will result in $207m increase in pension fund assets.

Other risks

There are a number of other risks of running the UK Pension Fund including operational risks (such as paying out the wrong benefits) and legislative risks (such as the government increasing the burden on pension through new legislation).

20 Post-retirement benefits continued

Post-retirement scheme deficit

The assets and obligations of the defined benefit schemes operated by the Group at 31 December 2015, as calculated in accordance with IAS 19, are shown below. The fair values of the schemes' assets are not intended to be realised in the short term and may be subject to significant change before they are realised. The present value of the schemes' obligations is derived from cash flow projections over long periods and is therefore inherently uncertain.

	2015			2014		
	UK $m	**Rest of Group $m**	**Total $m**	UK $m	Rest of Group $m	Total $m
Scheme assets						
Equity: Global (exc. Emerging markets)	**1,362**	**770**	**2,132**	1,700	1,005	2,705
Equity: Emerging markets	**140**	**1**	**141**	320	21	341
Government bonds: Global (exc. Emerging markets)	**1,614**	**421**	**2,035**	1,373	255	1,628
Government bonds: Emerging markets	**3**	**59**	**62**	74	63	137
Investment grade corporate bonds (AAA-BBB): Global (exc. Emerging markets)	**2,273**	**940**	**3,213**	3,112	1,563	4,675
Investment grade corporate bonds (AAA-BBB): Emerging markets	**30**	**–**	**30**	106	9	115
Other corporate bonds: Global (exc. Emerging markets)	**61**	**6**	**67**	33	78	111
Other corporate bonds: Emerging markets	**23**	**2**	**25**	–	–	–
Derivatives: Interest rate contracts	**(111)**	**(32)**	**(143)**	(94)	30	(64)
Derivatives: Inflation rate contracts	**(92)**	**9**	**(83)**	(63)	–	(63)
Derivatives: Foreign exchange contracts	**(84)**	**3**	**(81)**	(14)	(26)	(40)
Derivatives: Other	**(140)**	**–**	**(140)**	16	–	16
Derivatives: Longevity swap	**(37)**	**–**	**(37)**	–	–	–
Investment funds: Private equity funds (no quoted market price)	**–**	**–**	**–**	–	38	38
Investment funds: Hedge funds	**531**	**154**	**685**	335	111	446
Investment funds: Hedge funds (no quoted market price)	**390**	**373**	**763**	1	–	1
Cash and cash equivalents	**436**	**159**	**595**	302	76	378
Others	**68**	**89**	**157**	110	12	122
Total fair value of scheme assets[1]	**6,467**	**2,954**	**9,421**	7,311	3,235	10,546
Scheme obligations						
Present value of scheme obligations in respect of:						
Active membership	**(1,094)**	**(1,420)**	**(2,514)**	(1,168)	(1,763)	(2,931)
Deferred membership	**(1,862)**	**(986)**	**(2,848)**	(2,474)	(1,125)	(3,599)
Pensioners	**(4,495)**	**(1,538)**	**(6,033)**	(5,200)	(1,767)	(6,967)
Total value of scheme obligations	**(7,451)**	**(3,944)**	**(11,395)**	(8,842)	(4,655)	(13,497)
Deficit in the scheme as recognised in the statement of financial position	**(984)**	**(990)**	**(1,974)**	(1,531)	(1,420)	(2,951)

[1] Included in scheme assets is $nil (2014: $nil) of the Company's own assets.

Fair value of scheme assets

	2015			2014		
	UK $m	**Rest of Group $m**	**Total $m**	UK $m	Rest of Group $m	Total $m
At beginning of year	**7,311**	**3,235**	**10,546**	7,021	3,248	10,269
Interest income on scheme assets	**257**	**100**	**357**	307	133	440
Expenses	**(5)**	**(10)**	**(15)**	(5)	(4)	(9)
Actuarial (losses)/gains	**(375)**	**(64)**	**(439)**	670	274	944
Exchange adjustments	**(311)**	**(97)**	**(408)**	(426)	(291)	(717)
Employer contributions	**360**	**42**	**402**	88	96	184
Participant contributions	**5**	**–**	**5**	6	–	6
Settlements	**(447)**	**–**	**(447)**	–	–	–
Benefits paid	**(328)**	**(252)**	**(580)**	(350)	(221)	(571)
Scheme assets' fair value at end of year	**6,467**	**2,954**	**9,421**	7,311	3,235	10,546

The actual return on the plan assets was a loss of $82m (2014: gain of $1,384m).

20 Post-retirement benefits continued

Movement in post-retirement scheme obligations

	2015			2014		
	UK $m	**Rest of Group $m**	**Total $m**	UK $m	Rest of Group $m	Total $m
Present value of obligation in scheme at beginning of year	**(8,842)**	**(4,655)**	**(13,497)**	(8,403)	(4,127)	(12,530)
Current service cost	**(34)**	**(105)**	**(139)**	(33)	(103)	(136)
Past service cost	**(44)**	**16**	**(28)**	(63)	(22)	(85)
Participant contributions	**(5)**	**–**	**(5)**	(6)	–	(6)
Benefits paid	**328**	**252**	**580**	350	221	571
Interest expense on post-retirement scheme obligations	**(301)**	**(133)**	**(434)**	(369)	(163)	(532)
Actuarial gains/(losses)	**613**	**478**	**1,091**	(841)	(869)	(1,710)
Obligations arising on acquisitions	**–**	**–**	**–**	(4)	(50)	(54)
Settlements	**447**	**–**	**447**	–	–	–
Exchange adjustments	**387**	**203**	**590**	527	458	985
Present value of obligations in scheme at end of year	**(7,451)**	**(3,944)**	**(11,395)**	(8,842)	(4,655)	(13,497)

The obligations arise from the following plans:

	2015			2014		
	UK $m	**Rest of Group $m**	**Total $m**	UK $m	Rest of Group $m	Total $m
Funded – pension schemes	**(7,429)**	**(3,142)**	**(10,571)**	(8,815)	(3,694)	(12,509)
Funded – post-retirement healthcare	**–**	**(281)**	**(281)**	–	(360)	(360)
Unfunded – pension schemes	**–**	**(506)**	**(506)**	–	(586)	(586)
Unfunded – post-retirement healthcare	**(22)**	**(15)**	**(37)**	(27)	(15)	(42)
Total	**(7,451)**	**(3,944)**	**(11,395)**	(8,842)	(4,655)	(13,497)

The weighted average duration of the post-retirement scheme obligations in the UK is 16 years and 14 years in the Rest of Group.

Consolidated Statement of Comprehensive Income disclosures

The amounts that have been charged to the consolidated statement of comprehensive income, in respect of defined benefit schemes for the year ended 31 December 2015, are set out below.

	2015			2014		
	UK $m	**Rest of Group $m**	**Total $m**	UK $m	Rest of Group $m	Total $m
Operating profit						
Current service cost	**(34)**	**(105)**	**(139)**	(33)	(103)	(136)
Past service cost	**(44)**	**16**	**(28)**	(63)	(22)	(85)
Expenses	**(5)**	**(10)**	**(15)**	(5)	(4)	(9)
Total charge to operating profit	**(83)**	**(99)**	**(182)**	(101)	(129)	(230)
Finance expense						
Interest income on scheme assets	**257**	**100**	**357**	307	133	440
Interest expense on post-retirement scheme obligations	**(301)**	**(133)**	**(434)**	(369)	(163)	(532)
Net interest on post-employment defined benefit plan liabilities	**(44)**	**(33)**	**(77)**	(62)	(30)	(92)
Charge before taxation	**(127)**	**(132)**	**(259)**	(163)	(159)	(322)
Other comprehensive income						
Difference between the actual return and the expected return on the post-retirement scheme assets	**(375)**	**(64)**	**(439)**	670	274	944
Experience gains/(losses) arising on the post-retirement scheme obligations	**3**	**56**	**59**	(8)	(13)	(21)
Changes in financial assumptions underlying the present value of the post-retirement scheme obligations	**370**	**386**	**756**	(848)	(725)	(1,573)
Changes in demographic assumptions	**240**	**36**	**276**	15	(131)	(116)
Remeasurement of the defined benefit liability	**238**	**414**	**652**	(171)	(595)	(766)

Included in total assets and obligations for the UK is $nil (2014: $473m) in respect of the Investment Account (defined contribution) section of the UK Pension Fund. In 2015, AstraZeneca decided to no longer convert assets held in the Investment Account section into the defined benefit section, as members reached retirement. As a result, settlements within the year include $447m relating to the Investment Account being removed from both the UK assets and liabilities with a net impact of $nil on the overall deficit.

Past service cost in 2015 includes a credit to operating income of $21m arising from the reduction of the pre-65 maximum annual cost of medical coverage in the US retiree health plans.

Group costs in respect of defined contribution schemes during the year were $302m (2014: $238m). Past service cost relates predominantly to enhanced pensions on early retirement in the UK and Sweden.

20 Post-retirement benefits continued

Rate sensitivities

The following table shows the US dollar effect of a change in the significant actuarial assumptions used to determine the retirement benefits obligations in our four main defined benefit pension obligation countries.

	2015		2014	
	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate				
UK ($m)	**530**	**(600)**	622	(676)
US ($m)	**111**	**(118)**	119	(125)
Sweden ($m)	**143**	**(164)**	201	(232)
Germany ($m)	**32**	**(37)**	39	(45)
Total ($m)	**816**	**(919)**	981	(1,078)

	2015		2014	
	+0.5%	-0.5%	+0.5%	-0.5%
Inflation rate[1]				
UK ($m)	**(525)**	**517**	(457)	520
US ($m)	**(14)**	**15**	(19)	19
Sweden ($m)	**(159)**	**140**	(229)	200
Germany ($m)	**(21)**	**19**	(25)	23
Total ($m)	**(719)**	**691**	(730)	762

	2015		2014	
	+0.5%	-0.5%	+0.5%	-0.5%
Rate of increase in salaries				
UK ($m)	**–**	**–**	–	–
US ($m)	**(12)**	**12**	(15)	15
Sweden ($m)	**(66)**	**58**	(82)	72
Germany ($m)	**(1)**	**1**	(1)	1
Total ($m)	**(79)**	**71**	(98)	88

	2015		2014	
	+1 year	-1 year	+1 year	-1 year
Mortality rate				
UK ($m)	**(313)**[2]	**314**[3]	(318)	324
US ($m)	**(24)**	**25**	(25)	26
Sweden ($m)	**(63)**	**62**	(105)	105
Germany ($m)	**(13)**	**13**	(15)	15
Total ($m)	**(413)**	**414**	(463)	470

[1] Rate of increase in pensions in payment follows inflation.
[2] Of the $313m increase, $207m is covered by the longevity swap.
[3] Of the $314m decrease, $214m is covered by the longevity swap.

The sensitivity to the financial assumptions shown above has been estimated taking into account the approximate duration of the liabilities and the overall profile of the plan membership. The sensitivity to the life expectancy assumption has been estimated based on the distribution of the plan cash flows.

21 Reserves

Retained earnings

The cumulative amount of goodwill written off directly to reserves resulting from acquisitions, net of disposals, amounted to $624m (2014: $639m; 2013: $679m) using year end rates of exchange. At 31 December 2015, 49,105 shares, at a cost of $4m, have been deducted from retained earnings (2014: 168,388 shares, at a cost of $10m; 2013: 99,341 shares, at a cost of $2m).

There are no significant statutory or contractual restrictions on the distribution of current profits of subsidiaries; undistributed profits of prior years are, in the main, permanently employed in the businesses of these companies. The undistributed income of AstraZeneca companies overseas might be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends (see Note 4).

	2015 $m	2014 $m	2013 $m
Cumulative translation differences included within retained earnings			
Balance at beginning of year	**490**	1,782	1,901
Foreign exchange arising on consolidation	**(528)**	(823)	(166)
Exchange adjustments on goodwill (recorded against other reserves)	**(15)**	(40)	(6)
Foreign exchange arising on designating borrowings in net investment hedges	**(333)**	(529)	(58)
Fair value movement on derivatives designated in net investment hedges	**14**	100	111
Net exchange movement in retained earnings	**(862)**	(1,292)	(119)
Balance at end of year	**(372)**	490	1,782

Other reserves

The other reserves arose from the cancellation of £1,255m of share premium account by the Company in 1993 and the redenomination of share capital ($157m) in 1999. The reserves are available for writing off goodwill arising on consolidation and, subject to guarantees given to preserve creditors at the date of the court order, are available for distribution.

22 Share capital of the Company

	Allotted, called-up and fully paid		
	2015 $m	2014 $m	2013 $m
Issued Ordinary Shares ($0.25 each)	**316**	316	315
Redeemable Preference Shares (£1 each – £50,000)	**–**	–	–
At 31 December	**316**	316	315

The Redeemable Preference Shares carry limited class voting rights and no dividend rights. This class of shares is capable of redemption at par at the option of the Company on the giving of seven days' written notice to the registered holder of the shares.

The movements in the number of Ordinary Shares during the year can be summarised as follows:

	No. of shares		
	2015	2014	2013
At 1 January	**1,263,143,338**	1,257,170,087	1,246,779,548
Issues of shares	**979,332**	5,973,251	10,390,539
At 31 December	**1,264,122,670**	1,263,143,338	1,257,170,087

Share repurchases

No Ordinary Shares were repurchased by the Company in 2015 (2014: nil; 2013: nil).

Share option schemes

A total of 1.0m Ordinary Shares were issued during the year in respect of share option schemes (2014: 6.0m Ordinary Shares; 2013: 10.4m Ordinary Shares). Details of Directors' interests in shares are shown in the Directors' Remuneration Report from page 103.

Shares held by subsidiaries

No shares in the Company were held by subsidiaries in any year.

23 Dividends to shareholders

	2015 Per share	2014 Per share	2013 Per share	**2015 $m**	2014 $m	2013 $m
Final	**$1.90**	$1.90	$1.90	**2,400**	2,395	2,372
Interim	**$0.90**	$0.90	$0.90	**1,137**	1,137	1,127
Total	**$2.80**	$2.80	$2.80	**3,537**	3,532	3,499

The second interim dividend, to be confirmed as final, is $1.90 per Ordinary Share and $2,402m in total. This will be payable on 21 March 2016.

On payment of the dividends, exchange gains of $2m (2014: losses of $3m; 2013: gains of $1m) arose. These exchange gains are included in Note 3.

24 Acquisitions of business operations

2015 Acquisitions

ZS Pharma

On 17 December, AstraZeneca completed the acquisition of ZS Pharma, a biopharmaceutical company based in San Mateo, California. ZS Pharma uses its proprietary ion-trap technology to develop novel treatments for hyperkalaemia, a serious condition of elevated potassium in the bloodstream, typically associated with chronic kidney disease (CKD) and chronic heart failure (CHF).

The acquisition gives AstraZeneca access to the potassium-binding compound ZS-9, a potential best-in-class treatment for hyperkalaemia, which is under regulatory review by the US Food and Drug Administration with a Prescription Drug User Fee Act goal date of 26 May 2016. A submission for European Marketing Application Authorisation was made late in 2015.

ZS Pharma represents a strong fit with AstraZeneca's pipeline and portfolio in Cardiovascular and Metabolic disease, one of the Company's three main therapy areas. AstraZeneca's strategy focuses on reducing morbidity, mortality and organ damage by addressing multiple risk factors across cardiovascular disease, diabetes and chronic kidney disease. ZS-9 complements the Company's increasing focus on CKD and CHF, including the investigational medicine roxadustat, which is currently in Phase III development for patients with anaemia associated with CKD, as well as its leading diabetes portfolio.

Under the terms of the agreement, AstraZeneca has acquired 100% of the share capital of ZS Pharma for $90 per share in an all-cash transaction, or approximately $2.7bn in aggregate transaction value.

ZS Pharma has around 200 employees across three sites in California, Texas and Colorado. The combination of intangible product rights with an established workforce and their associated operating processes, principally those related to research and development and manufacturing, requires that the transaction is accounted for as a business combination in accordance with IFRS 3.

Goodwill is principally attributable to the commercial synergies AstraZeneca expects to be able to realise upon launch of ZS-9, the value of the specialist knowhow inherent in the acquired workforce and the accounting for deferred taxes. Goodwill is not expected to be deductible for tax purposes.

ZS Pharma's results have been consolidated into the Group's results from 17 December 2015. From the period from acquisition to 31 December 2015, ZS Pharma's revenues and loss were immaterial.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2015), on a *pro forma* basis, the revenue of the combined Group for 2015 would have been unchanged and the profit after tax would have been $2,702m. This *pro forma* information does not purport to represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2015 and should not be taken to be representative of future results.

Given the proximity of the completion of the transaction to the date the Financial Statements were approved, the finalisation of the accounting entries for this transaction has yet to be completed. Our provisional assessment of the fair values of the assets and liabilities acquired is detailed below. Our assessment will be completed in 2016.

	Fair value $m
Non-current assets	
Intangible assets (Note 9)	**3,162**
Property, plant and equipment (Note 7)	**21**
	3,183
Current assets	**169**
Current liabilities	**(50)**
Non-current liabilities	
Deferred tax liabilities	**(1,045)**
Other liabilities	**(13)**
	(1,058)
Total net assets acquired	**2,244**
Goodwill (Note 8)	**456**
Total upfront consideration	**2,700**
Less: cash and cash equivalents acquired	**(73)**
Less: upfront consideration settled in January 2016	**(181)**
Net cash outflow	**2,446**

Acquisition costs were immaterial.

2014 Acquisitions

BMS's share of Global Diabetes Alliance Assets

On 1 February 2014, AstraZeneca completed the acquisition of BMS's interests in the companies' diabetes alliance. The acquisition provided AstraZeneca with 100% ownership of the intellectual property and global rights for the development, manufacture and commercialisation of the diabetes business, including *Onglyza* (saxagliptin), *Kombiglyze XR* (saxagliptin and metformin HCl extended release), *Komboglyze* (saxagliptin and metformin HCl), *Farxiga* (dapagliflozin, marketed as *Forxiga* outside the US), *Byetta* (exenatide), *Bydureon* (exenatide extended release for injectable suspension), *Myalept* (metreleptin) and *Symlin* (pramlintide acetate).

The transaction consolidated worldwide ownership of the diabetes business within AstraZeneca, leveraging its primary and specialty care capabilities and its geographical reach, especially in emerging markets. The transaction included the acquisition of 100% of the share capital of Amylin Pharmaceuticals, LLC, and the asset purchase of the additional intellectual property and global rights not already owned by AstraZeneca, for the development, manufacture and commercialisation of *Onglyza*, *Kombiglyze XR*, *Komboglyze* and *Farxiga*, including associated BMS employees. This combination of intangible product rights and manufacturing assets with an established workforce and their associated operating processes, principally those related to the global manufacturing and selling and marketing operations, required that the acquisition be accounted for as a business combination in accordance with IFRS 3.

Upfront consideration for the acquisition of $2.7bn was paid on 1 February 2014, with further payments of up to $1.4bn being payable for future regulatory, launch and sales-related milestones as well as various sales-related royalty payments up until 2025. The amount of royalties payable under the agreement is inherently uncertain and difficult to predict, given the direct link to future sales and the range of outcomes cannot be reliably estimated. The maximum amount payable in each year is with reference to net sales. AstraZeneca also agreed to make payments up to $225m when certain additional assets are transferred. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success, consideration of potential delays and the expected levels of future revenues. In accordance with IFRS 3, the fair value of contingent consideration, including future royalties, was recognised immediately as a liability.

The acquiring entity within the Group was a Swedish krona functional currency subsidiary. Foreign currency risk arises from the retranslation of the US dollar denominated contingent consideration. To manage this foreign currency risk the contingent consideration liability has been designated as the hedge instrument in a net investment hedge of the Group's underlying US dollar net investments. Exchange differences on the retranslation of the contingent consideration liability are recognised in other comprehensive income to the extent that the hedge is effective. Any ineffectiveness is taken to profit.

In addition to the acquired interests, AstraZeneca entered into certain agreements with BMS to maintain the manufacturing and supply chain of the full portfolio of diabetes products and to deliver specified clinical trials with an agreed number of R&D and manufacturing employees dedicated to diabetes remaining with BMS to progress the diabetes portfolio and support the transition for these areas. Payments by AstraZeneca to BMS in relation to these arrangements are expensed as incurred. No amounts were recognised in the initial acquisition accounting in relation to these arrangements but were separated, at fair value, from the business combination accounting.

The terms of the agreement partially reflected settlement of the launch and sales-related milestones under the pre-existing *Onglyza* and *Farxiga* collaboration agreements, which were terminated in relation to the acquisition. The expected value of those pre-existing milestones was $0.3bn and was recognised as a separate component of consideration and excluded from the business combination accounting. Subsequently, these separate intangible assets have been recognised.

Goodwill of $1,530m arising on the transaction is underpinned by a number of elements, which individually cannot be quantified. Most significant among these are the synergies AstraZeneca expects to be able to generate through more efficient manufacturing processes and the incremental value accessible through strategic and operational independence upon taking full control of the alliance. Goodwill of $1.5bn is expected to be deductible for tax purposes.

The fair value of receivables acquired as part of the acquisition approximated the gross contractual amounts receivable. There were no significant amounts which were not expected to be collected.

The results from the additional acquired interests in the diabetes alliance were consolidated into the Group's results from 1 February 2014, which added revenue of $895m in the period to 31 December 2014. Due to the highly integrated nature of the diabetes alliance, and the fact that it is not operated through a separate legal entity, the incremental direct costs associated with the additional acquired interest are not separately identifiable and it is impracticable therefore to disclose the profit or loss recognised in the period since acquisition.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2014), on a *pro forma* basis, the revenue of the combined Group for 2014 would have been $26,174m. As detailed above, it is impracticable to disclose a *pro forma* profit after tax. This *pro forma* information does not purport to represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2014 and should not be taken to be representative of future results.

Almirall

On 31 October 2014, the Group completed the agreement with Almirall to transfer the rights to Almirall's respiratory franchise to AstraZeneca.

The transaction provided AstraZeneca with 100% of the rights for the development and commercialisation of Almirall's existing proprietary respiratory business, including rights to revenues from Almirall's existing collaborations, as well as its pipeline of investigational novel therapies. The franchise includes *Eklira* (aclidinium); *Duaklir Genuair*, the combination of aclidinium with formoterol which had been filed for registration in the EU and developed in the US (EU approval received in November 2014); LAS100977 (abediterol), a once-daily long-acting beta$_2$-agonist (LABA) in Phase II; an M3 antagonist beta$_2$-agonist (MABA) platform in pre-clinical development (LAS191351, LAS194871) and Phase I (LAS190792); and multiple pre-clinical programmes. Almirall Sofotec, an Almirall subsidiary focused on the development of innovative proprietary devices, also transferred to AstraZeneca. In addition, Almirall employees dedicated to the respiratory business, including Almirall Sofotec employees, transferred to AstraZeneca.

24 Acquisitions of business operations continued

Upfront consideration for the acquisition of $878m was paid in November 2014, with further payments of up to $1.22bn being payable for future development, launch, and sales-related milestones. AstraZeneca also agreed to make various sales-related payments. The amount of royalties payable under the agreement is inherently uncertain and difficult to predict, given the direct link to future sales and the range of outcomes cannot be reliably estimated. The maximum amount payable in each year is with reference to net sales. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success, consideration of potential delays and the expected levels of future revenues.

The acquiring entity within the Group was a pounds sterling functional currency subsidiary. Foreign currency risk arises from the retranslation of the contingent consideration. To manage this foreign currency risk the contingent consideration liability has been designated as the hedge instrument in a net investment hedge. Exchange differences on the retranslation of the contingent consideration liability are recognised in other comprehensive income to the extent that the hedge is effective. Any ineffectiveness is taken to profit.

Almirall's pipeline of novel respiratory assets and its device capabilities further strengthen AstraZeneca's Respiratory portfolio, which includes *Symbicort* and *Pulmicort*, as well as the investigational medicines in development. The addition of aclidinium and the combination of aclidinium with formoterol, both in proprietary *Genuair* device, allows AstraZeneca to offer patients a choice between dry powder inhaler and metered-dose inhaler devices across a range of molecules and combinations.

The combination of intangible product rights with an established workforce and their associated operating processes, principally those related to the selling and marketing operations, requires that the transaction is accounted for as a business combination in accordance with IFRS 3.

Goodwill of $311m is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the premium attributable to the significant competitive advantage associated with AstraZeneca's complementary portfolio and that attributable to a highly skilled workforce. Goodwill of $0.3bn is expected to be deductible for tax purposes.

Almirall's respiratory franchise results were consolidated into the Group's results from 31 October 2014. For the period from acquisition to 31 December 2014, Almirall's respiratory franchise revenues were $13m. Due to the highly integrated nature of the respiratory franchise, and the fact that it is not operated through a separate legal entity, the incremental direct costs associated with the acquired interest are not separately identifiable and it is impracticable therefore to disclose the profit or loss recognised in the period since acquisition.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2014), on a *pro forma* basis, the revenue of the combined Group for 2014 would have been $26,198m. As detailed above, it is impracticable to disclose a *pro forma* profit after tax. This *pro forma* information does not purport to represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2014 and should not be taken to be representative of future results.

Definiens

On 25 November 2014, AstraZeneca completed the acquisition of Definiens Group, a privately-held German company focused on imaging and data analysis technology, known as Tissue Phenomics™, which dramatically improves the identification of biomarkers in tumour tissue.

Definiens technology provides detailed cell-by-cell readouts from target structures on tissue slides and allows the correlation of this information with data derived from other sources, generating new knowledge and supporting better decisions in research, diagnostics and therapy.

AstraZeneca acquired 100% of Definiens shares for an upfront consideration of $150m and contingent consideration of up to $150m based on reaching three predetermined development milestones. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success and consideration of potential delays.

The acquiring entity within the Group was a pounds sterling functional currency subsidiary. Foreign currency risk arises from the retranslation of the US dollar denominated contingent consideration. To manage this foreign currency risk the contingent consideration liability has been designated as the hedge instrument in a net investment hedge of the Group's underlying US dollar net investments. Exchange differences on the retranslation of the contingent consideration liability are recognised in other comprehensive income to the extent that the hedge is effective. Any ineffectiveness is taken to profit.

Definiens' results were consolidated into the Group's results from 25 November 2014. For the period from acquisition to 31 December 2014, Definiens' revenues were immaterial, in the context of the Group's revenues, and its loss after tax was immaterial.

If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2014), on a *pro forma* basis, the revenue of the combined Group for 2014 would have been unchanged and the change in profit after tax would have been immaterial. This *pro forma* information does not purport to represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2014 and should not be taken to be representative of future results.

24 Acquisitions of business operations continued

The fair values assigned to the business combinations completed in 2014 were:

2014 acquisitions	BMS's share of Global Diabetes Alliance Assets $m	Almirall $m	Definiens $m	Total $m
Non-current assets				
Intangible assets (Note 9)	5,746	1,400	355	7,501
Property, plant and equipment (Note 7)	478	37	–	515
	6,224	1,437	355	8,016
Current assets	480	24	–	504
Current liabilities	(278)	(2)	–	(280)
Non-current liabilities	(84)	(11)	(117)	(212)
Total net assets acquired	6,342	1,448	238	8,028
Goodwill (Note 8)	1,530	311	–	1,841
Fair value of total consideration	7,872	1,759	238	9,869
Less: fair value of contingent consideration (Note 18)	(5,169)	(881)	(88)	(6,138)
Total upfront consideration	2,703	878	150	3,731
Less: cash and cash equivalents acquired	–	(2)	–	(2)
Net cash outflow	2,703	876	150	3,729

Acquisition costs arising on acquisitions in 2014 were immaterial.

2013 acquisitions

Pearl Therapeutics

On 27 June 2013, AstraZeneca completed the acquisition of Pearl Therapeutics. Pearl Therapeutics is based in Redwood City, California, and is focused on the development of inhaled small molecule therapeutics for respiratory disease. AstraZeneca acquired 100% of Pearl Therapeutics' shares for an upfront consideration of $569m. In addition, consideration of up to $450m is payable if specified development and regulatory milestones in respect of any triple combination therapies and selected future products that AstraZeneca develops using Pearl Therapeutics' technology platform are achieved. Sales-related payments of up to a further $140m are payable if pre-agreed cumulative sales thresholds are exceeded. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success and consideration of potential delays.

Goodwill of $44m was recorded for the acquisition and is underpinned by a number of elements, which individually cannot be quantified. Most significant among these is the synergistic benefit generated by acquiring Pearl Therapeutics' workforce, whose skills and knowhow are critical to the best and most efficient completion of the ongoing development programmes.

Pearl Therapeutics' results were consolidated into the Group's results from 27 June 2013. For the period from acquisition to 31 December 2013, Pearl Therapeutics' revenues were immaterial, in the context of the Group's revenue, and its loss after tax was $49m.

Omthera Pharmaceuticals

On 18 July 2013, AstraZeneca completed the acquisition of Omthera Pharmaceuticals, Inc. Omthera is a specialty pharmaceutical company based in Princeton, New Jersey, focused on the development and commercialisation of new therapies for abnormal levels of lipids in the blood, referred to as dyslipidaemia.

AstraZeneca acquired 100% of Omthera's shares for an upfront consideration of $323m with up to $120m in future development and approval milestones. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success and consideration of potential delays.

Omthera's results were consolidated into the Group's results from 18 July 2013. For the period from acquisition to 31 December 2013, Omthera's revenues were immaterial, in the context of the Group's revenue, and its loss after tax was $10m.

Amplimmune

On 4 October 2013, AstraZeneca completed the acquisition of Amplimmune, a privately-held, Maryland, US-based biologics company focused on developing novel therapeutics in cancer immunology. Under the terms of the agreement, AstraZeneca acquired 100% of Amplimmune's shares for an initial consideration of $225m and deferred consideration of up to $275m based on reaching predetermined development milestones. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success and consideration of potential delays.

The acquisition bolsters AstraZeneca's Oncology pipeline by obtaining multiple early-stage assets for its immune-mediated cancer therapy (IMT-C) portfolio, including AMP-514, an anti-programmed cell death 1 (PD-1) monoclonal antibody (MAb). Other Amplimmune assets include multiple preclinical molecules targeting the B7 pathways.

Goodwill of $33m arising on the acquisition is underpinned by a number of elements, which individually cannot be quantified, but include Amplimmune's very early programmes of potential interest for oncology, immunology and infectious diseases, as well as research tools and animal models.

Amplimmune's results were consolidated into the Group's results from 4 October 2013. For the period from acquisition to 31 December 2013, Amplimmune's revenues were immaterial, in the context of the Group's revenue, and its loss after tax was $5m.

24 Acquisitions of business operations continued

Spirogen

On 15 October 2013, AstraZeneca completed the acquisition of Spirogen, a privately-held biotech company focused on antibody drug conjugate technology for use in oncology. AstraZeneca acquired 100% of Spirogen's shares for an initial consideration of $200m and deferred consideration of up to $240m based on reaching predetermined development milestones. Existing out-licensing agreements and associated revenue streams were excluded from this acquisition. Contingent consideration was fair valued using decision-tree analysis, with key inputs including the probability of success and consideration of potential delays.

AstraZeneca also entered into a collaboration agreement with ADC Therapeutics to jointly develop two of ADC Therapeutics' antibody-drug conjugate programmes in preclinical development. AstraZeneca also made an equity investment in ADC Therapeutics, which has an existing licensing agreement with Spirogen.

Spirogen's results were consolidated into the Group's results from 15 October 2013. For the period from acquisition to 31 December 2013, Spirogen's revenues were immaterial, in the context of the Group's revenue, and its loss after tax was immaterial.

The fair values assigned to the business combinations completed in 2013 were:

2013 acquisitions	Pearl Therapeutics $m	Omthera $m	Amplimmune $m	Spirogen $m	Total $m
Non-current assets					
Intangible assets (Note 9)	985	526	534	371	2,416
Property, plant and equipment (Note 7)	–	–	7	1	8
Deferred tax assets	60	18	14	–	92
	1,045	544	555	372	2,516
Current assets	12	67	17	–	96
Current liabilities	(4)	(10)	(8)	–	(22)
Non-current liabilities					
Deferred tax liabilities	(379)	(216)	(219)	(4)	(818)
Total net assets acquired	674	385	345	368	1,772
Goodwill (Note 8)	44	–	33	–	77
Fair value of total consideration	718	385	378	368	1,849
Less: fair value of contingent consideration (Note 18)	(149)	(62)	(153)	(168)	(532)
Total upfront consideration	569	323	225	200	1,317
Less: cash and cash equivalents acquired	(4)	(63)	(17)	–	(84)
Less: deferred upfront consideration	–	–	(75)	–	(75)
Net cash outflow	565	260	133	200	1,158

Acquisition costs arising on acquisitions in 2013 were immaterial.

If the 2013 acquisitions had taken effect at the beginning of the reporting period in which the acquisitions occurred (1 January 2013), on a *pro forma* basis, the revenue of the combined Group for 2013 would have been unchanged and the profit after tax would have been $2,458m. This *pro forma* information has been prepared taking into account any amortisation, interest costs and related tax effects but does not purport to represent the results of the combined Group that actually would have occurred had the acquisition taken place on 1 January 2013 and should not be taken to be representative of future results.

25 Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank overdrafts, finance leases, loans, current and non-current investments, cash and short-term deposits. The main purpose of these financial instruments is to manage the Group's funding and liquidity requirements. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The principal financial risks to which the Group is exposed are those of liquidity, interest rate, foreign currency and credit. Each of these is managed in accordance with Board-approved policies. These policies are set out below.

The Group uses foreign currency borrowings, foreign currency forwards and swaps, currency options, cross-currency swaps and interest rate swaps for the purpose of hedging its foreign currency and interest rate risks. The Group may designate certain financial instruments as either fair value hedges or net investment hedges in accordance with IAS 39. Key controls applied to transactions in derivative financial instruments are: to use only instruments where good market liquidity exists, to revalue all financial instruments regularly using current market rates and to sell options only to offset previously purchased options or as part of a risk management strategy. The Group is not a net seller of options, and does not use derivative financial instruments for speculative purposes.

Capital management

The capital structure of the Group consists of shareholders' equity (Note 22), debt (Note 17) and cash (Note 16). For the foreseeable future, the Board will maintain a capital structure that supports the Group's strategic objectives through:

> managing funding and liquidity risk
> optimising shareholder return
> maintaining a strong, investment-grade credit rating.

The Group utilises factoring arrangements for selected trade receivables. These factoring arrangements qualify for full derecognition of the associated trade receivables under IAS 39.

Funding and liquidity risk are reviewed regularly by the Board and managed in accordance with policies described below.

25 Financial risk management objectives and policies continued

The Board's distribution policy comprises a regular cash dividend and, subject to business needs, a share repurchase component. The Board regularly reviews its shareholders' return strategy, and in 2012 decided to suspend share repurchases in order to retain strategic flexibility.

The Group's net debt position (loans and borrowings net of cash and cash equivalents, current investments and derivative financial instruments) has increased from a net debt position of $3,223m at the beginning of the year to a net debt position of $7,762m at 31 December 2015, primarily as a result of increased outflows from investing activities, including acquisitions.

Liquidity risk

The Board reviews the Group's ongoing liquidity risks annually as part of the planning process and on an *ad hoc* basis. The Board considers short-term requirements against available sources of funding, taking into account forecast cash flows. The Group manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. Specifically, the Group uses US commercial paper, committed bank facilities and cash resources to manage short-term liquidity and manages long-term liquidity by raising funds through the capital markets. The Group is assigned short-term credit ratings of P-2 by Moody's and A-2 by Standard and Poor's. The Group's long-term credit rating is A3 stable outlook by Moody's and A- stable outlook by Standard and Poor's.

In addition to cash and cash equivalents of $6,240m, fixed deposits of $65m, less overdrafts of $189m at 31 December 2015, the Group has committed bank facilities of $3bn available to manage liquidity. At 31 December 2015, the Group has issued $1,327m under a Euro Medium Term Note programme and $12,782m under a SEC-registered programme. The Group regularly monitors the credit standing of the banking group and currently does not anticipate any issue with drawing on the committed facilities should this be necessary. The committed facilities of $3bn mature in April 2020 and were undrawn at 31 December 2015.

The maturity profile of the anticipated future contractual cash flows including interest in relation to the Group's financial liabilities, on an undiscounted basis and which, therefore, differs from both the carrying value and fair value, is as follows:

	Bank overdrafts and other loans $m	Bonds $m	Finance leases $m	Trade and other payables $m	Total non-derivative financial instruments $m	Interest rate swaps $m	Cross-currency swaps $m	Total derivative financial instruments $m	Total $m
Within one year	993	1,217	34	10,370	12,614	(70)	(16)	(86)	12,528
In one to two years	–	1,482	33	1,044	2,559	(70)	(16)	(86)	2,473
In two to three years	–	393	31	660	1,084	(51)	(16)	(67)	1,017
In three to four years	–	2,143	18	285	2,446	(51)	(16)	(67)	2,379
In four to five years	–	290	3	230	523	(51)	(15)	(66)	457
In more than five years	–	10,497	–	1,010	11,507	(77)	(229)	(306)	11,201
	993	16,022	119	13,599	30,733	(370)	(308)	(678)	30,055
Effect of interest	(1)	(6,872)	(17)	–	(6,890)	370	97	467	(6,423)
Effect of discounting, fair values and issue costs	–	132	–	(885)	(753)	(193)	24	(169)	(922)
31 December 2013	992	9,282	102	12,714	23,090	(193)	(187)	(380)	22,710

	Bank overdrafts and other loans $m	Bonds $m	Finance leases $m	Trade and other payables $m	Total non-derivative financial instruments $m	Interest rate swaps $m	Cross-currency swaps $m	Total derivative financial instruments $m	Total $m
Within one year	1,488	1,490	45	11,909	14,932	(52)	(16)	(68)	14,864
In one to two years	–	401	45	1,720	2,166	(52)	(16)	(68)	2,098
In two to three years	–	2,151	31	936	3,118	(52)	(16)	(68)	3,050
In three to four years	–	298	8	924	1,230	(16)	(19)	(35)	1,195
In four to five years	–	1,298	1	1,323	2,622	(16)	(325)	(341)	2,281
In more than five years	–	10,135	–	7,002	17,137	(62)	–	(62)	17,075
	1,488	15,773	130	23,814	41,205	(250)	(392)	(642)	40,563
Effect of interest	(2)	(6,461)	(22)	–	(6,485)	250	83	333	(6,152)
Effect of discounting, fair values and issue costs	–	(63)	–	(3,937)	(4,000)	(161)	5	(156)	(4,156)
31 December 2014	1,486	9,249	108	19,877	30,720	(161)	(304)	(465)	30,255

25 Financial risk management objectives and policies continued

	Bank overdrafts and other loans $m	Bonds $m	Finance leases $m	Trade and other payables $m	Total non-derivative financial instruments $m	Interest rate swaps $m	Cross-currency swaps $m	Total derivative financial instruments $m	Total $m
Within one year	**851**	**568**	**66**	**11,701**	**13,186**	**(54)**	**(17)**	**(71)**	**13,115**
In one to two years	**–**	**2,318**	**41**	**1,522**	**3,881**	**(54)**	**(17)**	**(71)**	**3,810**
In two to three years	**–**	**1,865**	**22**	**1,110**	**2,997**	**(19)**	**(26)**	**(45)**	**2,952**
In three to four years	**–**	**1,444**	**10**	**1,277**	**2,731**	**(15)**	**(330)**	**(345)**	**2,386**
In four to five years	**–**	**2,025**	**2**	**2,187**	**4,214**	**(15)**	**–**	**(15)**	**4,199**
In more than five years	**–**	**14,192**	**–**	**5,313**	**19,505**	**(44)**	**–**	**(44)**	**19,461**
	851	**22,412**	**141**	**23,110**	**46,514**	**(201)**	**(390)**	**(591)**	**45,923**
Effect of interest	**(2)**	**(8,194)**	**(46)**	**–**	**(8,242)**	**201**	**67**	**268**	**(7,974)**
Effect of discounting, fair values and issue costs	**–**	**(109)**	**–**	**(3,990)**	**(4,099)**	**(126)**	**3**	**(123)**	**(4,222)**
31 December 2015	**849**	**14,109**	**95**	**19,120**	**34,173**	**(126)**	**(320)**	**(446)**	**33,727**

Where interest payments are on a floating rate basis, it is assumed that rates will remain unchanged from the last business day of each year ended 31 December.

It is not expected that the cash flows in the maturity profile could occur significantly earlier or at significantly different amounts, with the exception of $6,411m of contingent consideration held within other payables at fair value (see Note 18).

Market risk

Interest rate risk

The Group maintains a mix of fixed and floating rate debt. The portion of fixed rate debt was approved by the Board and any variation requires Board approval.

A significant portion of the long-term debt entered into in 2007 in order to finance the acquisition of MedImmune and entered into in 2015 in order to finance the acquisition of ZS Pharma has been held at fixed rates of interest. The Group uses interest rate swaps and forward rate agreements to manage this mix.

At 31 December 2015, the Group held interest rate swaps with a notional value of $1.6bn, converting the 7% guaranteed debentures payable in 2023 to floating rates, partially converting the 5.9% callable bond maturing in 2017 to floating rates and partially converting the 1.75% callable bond maturing in 2018 to floating rates. The interest rate swap on the 2018 bond was entered into in 2015. No new interest rate swaps were entered into during 2014 or 2013. At 31 December 2015, swaps with a notional value of $1.35bn were designated in fair value hedge relationships and swaps with a notional value of $0.29bn related to debt designated as fair value through profit or loss. Designated hedges are expected to be effective and therefore the impact of ineffectiveness on profit is not expected to be material. The accounting treatment for fair value hedges and debt designated as fair value through profit or loss is disclosed in the Group Accounting Policies section from page 144. The majority of surplus cash is currently invested in US dollar liquidity funds earning floating rates of interest.

The interest rate profile of the Group's interest-bearing financial instruments, as at 31 December 2015, 31 December 2014 and 31 December 2013, is set out below. In the case of current and non-current financial liabilities, the classification includes the impact of interest rate swaps which convert the debt to floating rate.

	2015			2014			2013		
	Fixed rate $m	Floating rate $m	Total $m	Fixed rate $m	Floating rate $m	Total $m	Fixed rate $m	Floating rate $m	Total $m
Financial liabilities									
Interest-bearing loans and borrowings									
Current	**67**	**849**	**916**	960	1,486	2,446	30	1,758	1,788
Non-current	**11,986**	**2,151**	**14,137**	7,199	1,198	8,397	7,376	1,212	8,588
Total	**12,053**	**3,000**	**15,053**	8,159	2,684	10,843	7,406	2,970	10,376
Financial assets									
Fixed deposits	**–**	**65**	**65**	–	20	20	–	15	15
Cash and cash equivalents	**–**	**6,240**	**6,240**	–	6,360	6,360	–	9,217	9,217
Total	**–**	**6,305**	**6,305**	–	6,380	6,380	–	9,232	9,232

In addition to the financial assets above, there are $6,494m (2014: $7,576m; 2013: $7,772m) of other current and non-current asset investments and other financial assets on which no interest is received.

25 Financial risk management objectives and policies continued

Foreign currency risk

The US dollar is the Group's most significant currency. As a consequence, the Group results are presented in US dollars and exposures are managed against US dollars accordingly.

Translational

Approximately 60% of Group external sales in 2015 were denominated in currencies other than the US dollar, while a significant proportion of manufacturing, and research and development costs were denominated in pounds sterling and Swedish krona. Surplus cash generated by business units is substantially converted to, and held centrally in, US dollars. As a result, operating profit and total cash flow in US dollars will be affected by movements in exchange rates.

This currency exposure is managed centrally, based on forecast cash flows. The impact of movements in exchange rates is mitigated significantly by the correlations which exist between the major currencies to which the Group is exposed and the US dollar. Monitoring of currency exposures and correlations is undertaken on a regular basis and hedging is subject to pre-execution approval.

Where there is non-US dollar debt and an underlying net investment of that amount in the same currency, the Group applies net investment hedging. As at 31 December 2015, 3.4% of interest-bearing loans and borrowings were denominated in pound sterling and 5.4% of interest-bearing loans and borrowings were denominated in euros. Exchange differences on the retranslation of debt designated as net investment hedges are recognised in other comprehensive income to the extent that the hedge is effective. Any ineffectiveness is taken to profit. Exchange differences on foreign currency borrowings not designated in a hedge relationship are taken to profit.

During 2013, the Group entered into a cross-currency swap to convert the remaining un-hedged $250m of the 1.95% 2019 maturing bond into fixed Japanese yen debt. This instrument was designated in a net investment hedge against the foreign currency risk of the Group's Japanese yen net assets. In 2014, $125m of the Japanese yen cross-currency swap was de-designated from the net investment hedge in order to maintain hedge effectiveness.

Also in 2013, the Group entered into a cross-currency swap to convert $151m into fixed Chinese renminbi debt maturing in 2018. This instrument was designated in a net investment hedge against the foreign currency risk of the Group's Chinese renminbi net assets. Fair value movements on the revaluation of the cross-currency swaps are recognised in other comprehensive income to the extent that the hedge is effective. Any ineffectiveness would be taken to profit.

Foreign currency risk arises where the Group has intercompany funding and investments in certain subsidiaries operating in countries with exchange controls. The most significant risk in this respect is Venezuela, where the Group has approximately $98m equivalent of local currency cash, on which there have been delays in obtaining approval for remittance outside the country.

The official exchange rate for essential goods and services is VEF 6.3/$ as published by CENCOEX (the National Foreign Trade Center). However, alternative exchange rates exist and these include the SICAD (Supplementary Foreign Currency Administration System) rate and the SIMADI (Sistema Marginal de Divisas) rate, which was introduced in 2015. At 31 December 2015, the SICAD rate was VEF 13.5/$ (31 December 2014: VEF 12.0/$) and the SIMADI rate was VEF 199.7/$.

For the period to 31 December 2015, the Group used the SICAD rate for the consolidation of the financial statements of the Venezuelan subsidiaries. The Group believes that the SICAD rate represents the most appropriate rate for consolidation as it reflects their best expectation of the rate at which profits will be remitted. Factors such as future uncertainty and significant delays experienced in remitting cash at the CENCOEX rate, as well as management actions in dealing with the government to settle a portion of the overdue receivables at the SICAD rate were taken into account.

If the Group were to use the SIMADI rate for the consolidation of the financial statements of the Venezuelan subsidiaries, the Group would be exposed to a potential income statement devaluation loss of $163m on its total intercompany balances with the subsidiaries in Venezuela and the local currency cash would be reduced to $7m on consolidation.

Transactional

One hundred percent of the Group's major transactional currency exposures on working capital balances, which typically extend for up to three months, are hedged, where practicable, using forward foreign exchange contracts against individual Group companies' reporting currency. In addition, the Group's external dividend, which is paid principally in pounds sterling and Swedish krona, is fully hedged from announcement to payment date. Foreign exchange gains and losses on forward contracts transacted for transactional hedging are taken to profit.

Sensitivity analysis

The sensitivity analysis set out below summarises the sensitivity of the market value of our financial instruments to hypothetical changes in market rates and prices. The range of variables chosen for the sensitivity analysis reflects our view of changes which are reasonably possible over a one-year period. Market values are the present value of future cash flows based on market rates and prices at the valuation date. For long-term debt, an increase in interest rates results in a decline in the fair value of debt.

The sensitivity analysis assumes an instantaneous 100 basis point change in interest rates in all currencies from their levels at 31 December 2015, with all other variables held constant. Based on the composition of our long-term debt portfolio as at 31 December 2015, a 1% increase in interest rates would result in an additional $30m in interest expense being incurred per year. The exchange rate sensitivity analysis assumes an instantaneous 10% change in foreign currency exchange rates from their levels at 31 December 2015, with all other variables held constant. The +10% case assumes a 10% strengthening of the US dollar against all other currencies and the -10% case assumes a 10% weakening of the US dollar.

25 Financial risk management objectives and policies continued

Each incremental 10% movement in foreign currency exchange rates would have approximately the same effect as the initial 10% detailed in the table below and each 1% change in interest rates would have approximately the same effect as the 1% detailed in the table below.

	Interest rates		Exchange rates	
31 December 2013	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments ($m)	669	(839)	(12)	12
Impact on profit: (loss)/gain ($m)	–	–	(274)	274
Impact on equity: gain/(loss) ($m)	–	–	262	(262)

	Interest rates		Exchange rates	
31 December 2014	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments ($m)	844	(856)	85	(85)
Impact on profit: (loss)/gain ($m)	–	–	(247)	247
Impact on equity: gain/(loss) ($m)	–	–	332	(332)

	Interest rates		**Exchange rates**	
31 December 2015	**+1%**	**-1%**	**+10%**	**-10%**
Increase/(decrease) in fair value of financial instruments ($m)	**997**	**(1,150)**	**136**	**(136)**
Impact on profit: (loss)/gain ($m)	**–**	**–**	**(91)**	**91**
Impact on equity: gain/(loss) ($m)	**–**	**–**	**227**	**(227)**

There has been no change in the methods and assumptions used in preparing the above sensitivity analysis over the three-year period.

Credit risk

The Group is exposed to credit risk on financial assets, such as cash balances (including fixed deposits and cash and cash equivalents), derivative instruments, trade and other receivables. The Group is also exposed in its net asset position to its own credit risk in respect of the 2023 debentures which are accounted for at fair value through profit or loss.

Trade and other receivables

Trade receivable exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group is exposed to customers ranging from government-backed agencies and large private wholesalers to privately owned pharmacies, and the underlying local economic and sovereign risks vary throughout the world. Where appropriate, the Group endeavours to minimise risks by the use of trade finance instruments such as letters of credit and insurance. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade and other receivables where it is deemed that a receivable may not be recoverable. When the debt is deemed irrecoverable, the allowance account is written off against the underlying receivable.

In the US, sales to three wholesalers accounted for approximately 84% of US sales (2014: three wholesalers accounted for approximately 75%; 2013: three wholesalers accounted for approximately 77%).

The ageing of trade receivables at the reporting date was:

	2015 $m	2014 $m	2013 $m
Not past due	**4,388**	4,316	5,059
Past due 0-90 days	**189**	354	330
Past due 90-180 days	**21**	75	78
Past due > 180 days	**35**	17	47
	4,633	4,762	5,514

	2015 $m	2014 $m	2013 $m
Movements in provisions for trade receivables			
At 1 January	**54**	64	64
Income statement	**2**	(2)	(5)
Amounts utilised, exchange and other movements	**(4)**	(8)	5
At 31 December	**52**	54	64

The allowance for impairment has been calculated based on past experience and is in relation to specific customers. Given the profile of our customers, including large wholesalers and government-backed agencies, no further credit risk has been identified with the trade receivables not past due other than those balances for which an allowance has been made.

25 Financial risk management objectives and policies continued

Other financial assets

The Group may hold significant cash balances as part of its normal operations, with the amount of cash held at any point reflecting the level of cash flow generated by the business and the timing of the use of that cash. The majority of excess cash is centralised within the Group treasury entity and is subject to counterparty risk on the principal invested. This risk is mitigated through a policy of prioritising security and liquidity over return, and as such cash is only invested in high credit quality investments. Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. The majority of the Group's cash is invested in US dollar AAA-rated liquidity funds, fully collateralised repurchase agreements and short-term bank deposits.

The most significant concentration of financial credit risk at 31 December 2015 was $4,389m invested in five AAA-rated liquidity funds. The liquidity fund portfolios are managed by the related external third party fund managers to maintain the AAA rating. No more than 15% of fund value is invested within each individual fund. There were no other significant concentrations of financial credit risk at the reporting date.

At 31 December 2015, the Group had investments of $1,050m (2014: $300m; 2013: $nil) in short-term repurchase agreements, which are fully collateralised investments. In the event of any default, ownership of the collateral would revert to the Group and would be readily convertible to cash. The value of the collateral held at 31 December 2015 was $1,098m (2014: $316m; 2013: $nil).

All financial derivatives are transacted with commercial banks, in line with standard market practice. The Group has agreements with some bank counterparties whereby the parties agree to post cash collateral, for the benefit of the other, equivalent to the market valuation of the derivative positions above a predetermined threshold. The carrying value of such cash collateral held by the Group at 31 December 2015 was $451m (2014: $457m; 2013: $326m).

26 Employee costs and share plans for employees

Employee costs

The average number of people, to the nearest hundred, employed by the Group is set out in the table below. In accordance with the Companies Act 2006, this includes part-time employees.

	2015	2014	2013
Employees			
UK	**7,100**	7,200	7,200
Continental Europe	**14,800**	13,800	14,000
The Americas	**17,500**	16,800	14,600
Asia, Africa & Australasia	**20,700**	18,100	15,800
Continuing operations	**60,100**	55,900	51,600

Geographical distribution described in the table above is by location of legal entity employing staff. Certain staff will spend some or all of their activity in a different location.

The number of people employed by the Group at the end of 2015 was 61,500 (2014: 57,500; 2013: 51,500).

The costs incurred during the year in respect of these employees were:

	2015 $m	2014 $m	2013 $m
Salaries	**4,603**	4,657	3,833
Social security costs	**567**	664	622
Pension costs	**484**	459	445
Other employment costs	**474**	499	376
	6,128	6,279	5,276

Severance costs of $338m are not included above (2014: $254m; 2013: $652m).

The Directors believe that, together with the basic salary system, the Group's employee incentive schemes provide competitive and market-related packages to motivate employees. They should also align the interests of employees with those of shareholders, as a whole, through long-term share ownership in the Company. The Group's current UK, Swedish and US schemes are described below; other arrangements apply elsewhere.

26 Employee costs and share plans for employees continued

Bonus plans

The AstraZeneca UK Performance Bonus Plan

Employees of participating AstraZeneca UK companies are invited to participate in this bonus plan, which rewards strong individual performance. Bonuses are paid in cash. The Company also offers UK employees the opportunity to buy Partnership Shares (Ordinary Shares). Employees may invest up to £1,800 over a 12 month accumulation period and purchase Partnership Shares in the Company with the total proceeds at the end of the period. The purchase price for the shares is the lower of the price at the beginning or the end of the 12-month period. In 2010, the Company introduced a Matching Share element in respect of Partnership Shares, the first award of which was made in 2011. Partnership Shares and Matching Shares are held in the HM Revenue & Customs (HMRC)-approved All-Employee Share Plan. At the Company's AGM in 2002, shareholders approved the issue of new shares for the purposes of the All-Employee Share Plan.

The AstraZeneca Executive Annual Bonus Scheme

This scheme is a performance bonus scheme for Directors and senior employees who do not participate in the AstraZeneca UK Performance Bonus Plan. Annual bonuses are paid in cash and reflect both corporate and individual performance measures. The Remuneration Committee has discretion to reduce or withhold bonuses if business performance falls sufficiently short of expectations in any year such as to make the payment of bonuses inappropriate.

The AstraZeneca Deferred Bonus Plan

This plan was introduced in 2006 and is used to defer a portion of the bonus earned under the AstraZeneca Executive Annual Bonus Scheme into Ordinary Shares in the Company for a period of three years. The plan currently operates only in respect of Executive Directors and members of the SET. Awards of shares under this plan are typically made in March each year, the first award having been made in February 2006.

Sweden

In Sweden, an all-employee performance bonus plan is in operation, which rewards strong individual performance. Bonuses are paid 50% into a fund investing in AstraZeneca equities and 50% in cash. The AstraZeneca Executive Annual Bonus Scheme, the AstraZeneca Performance Share Plan and the AstraZeneca Global Restricted Stock Plan all operate in respect of relevant AstraZeneca employees in Sweden.

US

In the US, there are two all-employee short-term or annual performance bonus plans in operation to differentiate and reward strong individual performance. Annual bonuses are paid in cash. There is also one senior staff long-term incentive scheme, under which 93 participants may be eligible for awards granted as AstraZeneca ADSs. AstraZeneca ADSs necessary to satisfy the awards are purchased in the market or funded via a share trust. The AstraZeneca Performance Share Plan and the AstraZeneca Global Restricted Stock Plan operate in respect of relevant employees in the US.

Share plans

The charge for share-based payments in respect of share plans is $211m (2014: $178m; 2013: $156m). The plans are equity settled.

The AstraZeneca Performance Share Plan

This plan was approved by shareholders in 2005 for a period of 10 years. Generally, awards could be granted at any time, but not during a close period of the Company. The first grant of awards was made in June 2005. Awards granted under the plan vest after three years and can be subject to the achievement of performance conditions. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the way in which the plan should be operated, including agreeing performance targets and which employees would be invited to participate. There were no grants of awards under this plan in 2015. The plan has been replaced by the AstraZeneca 2014 Performance Share Plan. Further details of this plan can be found in the Directors' Remuneration Report from page 103.

	Shares '000	WAFV[1] pence	WAFV[1] $
Shares awarded in June 2013	2,867	1649	25.73
Shares awarded in August 2013	197	1649	25.12
Shares awarded in November 2013	30	1649	26.38
Shares awarded in February 2014	37	n/a	30.55
Shares awarded in March 2014	2,368	1952	32.34

[1] Weighted average fair value.

26 Employee costs and share plans for employees continued

The AstraZeneca 2014 Performance Share Plan

This plan was approved by shareholders in 2014 for a period of 10 years and replaces the AstraZeneca Performance Share Plan. Generally, awards can be granted at any time, but not during a close period of the Company. The first grant of awards was made in May 2014. Awards granted under the plan vest after three years, or in the case of Executive Directors, after an additional two-year holding period, and can be subject to the achievement of performance conditions. For awards to all participants in 2015, vesting is subject to a combination of measures focused on scientific leadership, revenue growth and financial performance. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the way in which the plan should be operated, including agreeing performance targets and which employees should be invited to participate. Further details of this plan can be found in the Directors' Remuneration Report from page 103. The main grant of awards in 2015 under the plan was in March with further grants in June, August, September and November.

	Shares '000	WAFV pence	WAFV $
Shares awarded in May 2014	12	2133	35.75
Shares awarded in August 2014	141	2156	35.79
Shares awarded in September 2014	40	2250	n/a
Shares awarded in November 2014	2	n/a	36.62
Shares awarded in March 2015	2,223	2381	35.29
Shares awarded in June 2015	36	2087	33.05
Shares awarded in August 2015	152	2123	33.21
Shares awarded in September 2015	8	n/a	32.32
Shares awarded in November 2015	7	2178	33.31

The AstraZeneca Investment Plan

This plan was introduced in 2010 and approved by shareholders at the 2010 AGM. The main grant of awards in 2015 under the plan was in March, with a further, smaller grant in August. Awards granted under the plan vest after eight years and are subject to performance conditions measured over a period of between three and eight years. For awards granted in 2015, the performance conditions relate to the annual dividend paid to shareholders and dividend cover over a four-year performance period. The awards are then subject to a four-year holding period before they can vest. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the way in which the plan should be operated, including agreeing performance targets and which employees should be invited to participate. Further details of this plan can be found in the Directors' Remuneration Report from page 103.

	Shares '000	WAFV pence	WAFV $
Shares awarded in June 2013	157	3297	51.45
Shares awarded in August 2013	8	3302	n/a
Shares awarded in March 2014	67	3904	64.68
Shares awarded in September 2014	7	4499	n/a
Shares awarded in March 2015	64	4762	70.58
Shares awarded in August 2015	4	n/a	66.42

The AstraZeneca Global Restricted Stock Plan

This plan was introduced in 2010. The main grant of awards in 2015 under the plan was in March, with a further, smaller grant in August. This plan provides for the grant of restricted stock unit (RSU) awards to selected below SET-level employees and is used in conjunction with the AstraZeneca Performance Share Plan to provide a mix of RSUs and performance shares. Awards typically vest on the third anniversary of the date of grant and are contingent on continued employment with the Company. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the way in which the plan should be operated.

	Shares '000	WAFV pence	WAFV $
Shares awarded in March 2013	1,417	3254	49.42
Shares awarded in June 2013	986	3297	51.45
Shares awarded in August 2013	13	3206	50.23
Shares awarded in March 2014	2,076	3904	64.68
Shares awarded in August 2014	25	4312	71.57
Shares awarded in March 2015	1,966	4762	70.58
Shares awarded in August 2015	17	4245	66.42

26 Employee costs and share plans for employees continued

The AstraZeneca Restricted Share Plan

This plan was introduced in 2008 and provides for the grant of restricted share awards to key employees, excluding Executive Directors. Awards are made on an *ad hoc* basis with variable vesting dates. The plan has been used five times in 2015 to make awards to 365 employees. The Remuneration Committee has responsibility for agreeing any awards under the plan and for setting the policy for the way in which the plan should be operated.

	Shares '000	WAFV pence	WAFV $
Shares awarded in February 2013	2	3125	n/a
Shares awarded in March 2013	144	n/a	49.23
Shares awarded in June 2013	25	n/a	51.45
Shares awarded in August 2013	119	3302	50.23
Shares awarded in September 2013	85	n/a	49.21
Shares awarded in November 2013	739	3297	52.76
Shares awarded in February 2014	115	4042	61.10
Shares awarded in March 2014	155	n/a	64.68
Shares awarded in May 2014	134	4265	71.50
Shares awarded in August 2014	72	4312	71.57
Shares awarded in September 2014	64	4499	74.05
Shares awarded in November 2014	9	4672	73.23
Shares awarded in March 2015	164	4762	70.58
Shares awarded in June 2015	69	4174	66.09
Shares awarded in August 2015	31	4245	66.42
Shares awarded in September 2015	41	4199	64.64
Shares awarded in November 2015	41	4355	66.62

The fair values were determined using a modified version of the binomial model. This method incorporated expected dividends but no other features into the measurements of fair value. The grant date fair values of share awards disclosed in this section do not take account of service and non-market related performance conditions.

27 Commitments and contingent liabilities

	2015 $m	2014 $m	2013 $m
Commitments			
Contracts placed for future capital expenditure on property, plant and equipment and software development costs not provided for in these accounts	**518**	438	481

Guarantees and contingencies arising in the ordinary course of business, for which no security has been given, are not expected to result in any material financial loss.

Research and development collaboration payments

The Group has various ongoing collaborations, including in-licensing and similar arrangements with development partners. Such collaborations may require the Group to make payments on achievement of stages of development, launch or revenue milestones, although the Group generally has the right to terminate these agreements at no cost. The Group recognises research and development milestones as intangible assets once it is committed to payment, which is generally when the Group reaches set trigger points in the development cycle. Revenue-related milestones are recognised as intangible assets on product launch at a value based on the Group's long-term revenue forecasts for the related product. The table below indicates potential development and revenue-related payments that the Group may be required to make under such collaborations.

	Total $m	Under 1 year $m	Years 1 and 2 $m	Years 3 and 4 $m	Years 5 and greater $m
Future potential research and development milestone payments	**8,818**	**428**	**1,464**	**1,952**	**4,974**
Future potential revenue milestone payments	**4,754**	**3**	**279**	**1,270**	**3,202**

The table includes all potential payments for achievement of milestones under ongoing research and development arrangements. Revenue-related milestone payments represent the maximum possible amount payable on achievement of specified levels of revenue as set out in individual contract agreements, but exclude variable payments that are based on unit sales (eg royalty-type payments) which are expensed as the associated sale is recognised. The table excludes any payments already capitalised in the Financial Statements for the year ended 31 December 2015.

The future payments we disclose represent contracted payments and, as such, are not discounted and are not risk adjusted. As detailed in the Risk section from page 212, the development of any pharmaceutical product candidate is a complex and risky process that may fail at any stage in the development process due to a number of factors (including items such as failure to obtain regulatory approval, unfavourable data from key studies, adverse reactions to the product candidate or indications of other safety concerns). The timing of the payments is based on the Group's current best estimate of achievement of the relevant milestone.

Environmental costs and liabilities

The Group's expenditure on environmental protection, including both capital and revenue items, relates to costs that are necessary for implementing internal systems and programmes, and meeting legal and regulatory requirements for processes and products.

They are an integral part of normal ongoing expenditure for carrying out the Group's research, manufacturing and commercial operations and are not separated from overall operating and development costs. There are no known changes in legal, regulatory or other requirements resulting in material changes to the levels of expenditure for 2013, 2014 or 2015.

In addition to expenditure for meeting current and foreseen environmental protection requirements, the Group incurs costs in investigating and cleaning up land and groundwater contamination. In particular, AstraZeneca has environmental liabilities at some currently or formerly owned, leased and third party sites.

In the US, Zeneca Inc., and/or its indemnitees, have been named as potentially responsible parties (PRPs) or defendants at approximately 15 sites where Zeneca Inc. is likely to incur future environmental investigation, remediation, operation and maintenance costs under federal, state, statutory or common law environmental liability allocation schemes (together, US Environmental Consequences). Similarly, Stauffer Management Company LLC (SMC), which was established in 1987 to own and manage certain assets of Stauffer Chemical Company acquired that year, and/or its indemnitees, have been named as PRPs or defendants at 33 sites where SMC is likely to incur US Environmental Consequences. AstraZeneca has also given indemnities to third parties for a number of sites outside the US. These environmental liabilities arise from legacy operations that are not currently part of the Group's business and, at most of these sites, remediation, where required, is either completed or nearing completion.

AstraZeneca has made provisions for the estimated costs of future environmental investigation, remediation, operation and maintenance activity beyond normal ongoing expenditure for maintaining the Group's R&D and manufacturing capacity and product ranges, where a present obligation exists, it is probable that such costs will be incurred and they can be estimated reliably. With respect to such estimated future costs, there were provisions at 31 December 2015 in the aggregate of $67m (2014: $84m; 2013: $87m), mainly relating to the US. Where we are jointly liable or otherwise have cost-sharing agreements with third parties, we reflect only our share of the obligation. Where the liability is insured in part or in whole by insurance or other arrangements for reimbursement, an asset is recognised to the extent that this recovery is virtually certain.

It is possible that AstraZeneca could incur future environmental costs beyond the extent of our current provisions. The extent of such possible additional costs is inherently difficult to estimate due to a number of factors, including: (1) the nature and extent of claims that may be asserted in the future; (2) whether AstraZeneca has or will have any legal obligation with respect to asserted or unasserted claims; (3) the type of remedial action, if any, that may be selected at sites where the remedy is presently not known; (4) the potential for recoveries from or allocation of liability to third parties; and (5) the length of time that the environmental investigation, remediation and liability allocation process can take. Notwithstanding and subject to the foregoing, we estimate the potential additional loss for future environmental investigation, remediation, remedial operation and maintenance activity above and beyond our provisions to be, in aggregate, between $71m and $119m (2014: $50m and $80m; 2013: $50m and $90m), which relates mainly to the US.

27 Commitments and contingent liabilities continued

Legal proceedings

AstraZeneca is involved in various legal proceedings considered typical to its business, including actual or threatened litigation and/or 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. The more significant matters are discussed below.

Most of the claims involve highly complex issues. Often these issues are subject to substantial uncertainties and, therefore, the probability of a loss, if any, being sustained and an estimate of the amount of any loss is difficult to ascertain. Consequently, for a majority of these claims, it is not possible to make a reasonable estimate of the expected financial effect, if any, that will result from ultimate resolution of the proceedings. In these cases, AstraZeneca discloses information with respect to the nature and facts of the cases.

With respect to each of the legal proceedings described below, other than those for which provision has been made, we are unable to make estimates of the possible loss or range of possible losses at this stage, other than as set forth in this section. We also do not believe that disclosure of the amount sought by plaintiffs, if known, would be meaningful with respect to those legal proceedings. This is due to a number of factors, including (1) the stage of the proceedings (in many cases trial dates have not been set) and the overall length and extent of pre-trial discovery; (2) the entitlement of the parties to an action to appeal a decision; (3) clarity as to theories of liability, damages and governing law; (4) uncertainties in timing of litigation; and (5) the possible need for further legal proceedings to establish the appropriate amount of damages, if any.

While there can be no assurance regarding the outcome of any of the legal proceedings referred to in this Note 27, based on management's current and considered view of each situation, we do not currently expect them to have a material adverse effect on our financial position. This position could of course change over time, not least because of the factors referred to above.

In cases that have been settled or adjudicated, or where quantifiable fines and penalties have been assessed and which are not subject to appeal (or other similar forms of relief), or where a loss is probable and we are able to make a reasonable estimate of the loss, we generally indicate the loss absorbed or make provision for our best estimate of the expected loss.

Where it is considered that the Group is more likely than not to prevail, legal costs involved in defending the claim are charged to profit as they are incurred.

Where it is considered that the Group has a valid contract which provides the right to reimbursement (from insurance or otherwise) of legal costs and/or all or part of any loss incurred or for which a provision has been established, and we consider recovery to be virtually certain, the best estimate of the amount expected to be received is recognised as an asset.

Assessments as to whether or not to recognise provisions or assets, and of the amounts concerned, usually involve a series of complex judgements about future events and can rely heavily on estimates and assumptions. AstraZeneca believes that the provisions recorded are adequate based on currently available information and that the insurance recoveries recorded will be received. However, given the inherent uncertainties involved in assessing the outcomes of these cases, and in estimating the amount of the potential losses and the associated insurance recoveries, we could in the future incur judgments or insurance settlements that could have a material adverse effect on our results in any particular period.

IP claims include challenges to the Group's patents on various products or processes and assertions of non-infringement of patents. A loss in any of these cases could result in loss of patent protection on the related product. The consequences of any such loss could be a significant decrease in product sales, which could have a material adverse effect on our results. The lawsuits filed by AstraZeneca for patent infringement against companies that have filed ANDAs in the US, seeking to market generic forms of products sold by the Group prior to the expiry of the applicable patents covering these products, typically also involve allegations of non-infringement, invalidity and unenforceability of these patents by the ANDA filers. In the event that the Group is unsuccessful in these actions or the statutory 30-month stay expires before a ruling is obtained, the ANDA filers involved will also have the ability, subject to FDA approval, to introduce generic versions of the product concerned.

AstraZeneca has full confidence in, and will vigorously defend and enforce, its IP.

Over the course of the past several years, including in 2015, a significant number of commercial litigation claims in which AstraZeneca is involved have been resolved, particularly in the US, thereby reducing potential contingent liability exposure arising from such litigation. Similarly, in part due to patent litigation and settlement developments, greater certainty has been achieved regarding possible generic entry dates with respect to some of our patented products. At the same time, like other companies in the pharmaceutical sector and other industries, AstraZeneca continues to be subject to government investigations around the world.

Patent litigation

Brilinta (ticagrelor)

US patent litigation

In September and October 2015, AstraZeneca received Paragraph IV notices challenging patents listed in the FDA Orange Book with reference to *Brilinta*. AstraZeneca has received notice from 15 companies that each submitted an ANDA seeking to market ticagrelor. In October and November 2015, in the US District Court for the District of Delaware, AstraZeneca filed patent infringement lawsuits in response to these Paragraph IV notices from the ANDA filers. Litigation is at an early stage and no trial dates have been set.

Byetta (exenatide)

US patent litigation

In December 2014, AstraZeneca commenced patent litigation in response to a Paragraph IV notice from Teva Pharmaceuticals USA, Inc. (Teva). Trial is scheduled for December 2016 in the US District Court for the District of Delaware (the District Court). In December 2015, AstraZeneca commenced patent litigation in response to a Paragraph IV notice from Amneal Pharmaceuticals LLC (Amneal) in the District Court. The Amneal proceedings are at an early stage and no trial date has been set.

In November 2015, Sanofi-Aventis U.S. LLC and Sanofi-Aventis Deutschland GmbH (together, Sanofi) served AstraZeneca with a complaint for declaratory judgment that Sanofi's proposed lixisenatide product would not infringe three AstraZeneca patents. Sanofi also alleges invalidity of the patents. In December 2015, AstraZeneca filed an answer including counterclaims that Sanofi's proposed lixisenatide product would infringe several AstraZeneca patents. Certain patents-at-issue are listed in the FDA Orange Book with reference to *Byetta*. Proceedings are in the early stages in the US District Court for the District of Delaware. No trial date has been set in the proceedings against Sanofi.

Separately, in December 2015, Sanofi filed petitions in the US Patent Trial and Appeals Board for *inter partes* review of certain patents that are also at issue in the above-referenced District Court litigation against Sanofi. Proceedings are at an early stage.

27 Commitments and contingent liabilities continued

***Crestor* (rosuvastatin calcium)**

US patent litigation

AstraZeneca is defending three patent infringement lawsuits in the US District Court for the District of South Carolina (the District Court) which, among other things, claim that AstraZeneca's *Crestor* sales induce infringement of the plaintiffs' patents. The first was filed in April 2011 by plaintiff Palmetto Pharmaceuticals, LLC (Palmetto), and the other two, which have been consolidated, were filed in July and December 2013 by co-plaintiffs Medical University of South Carolina Foundation for Research Development and Charleston Medical Therapeutics, Inc. In December 2015, the District Court issued an order dismissing the first of these cases, filed by Palmetto, and entered judgment in AstraZeneca's favour. In January 2015, Palmetto filed notice that it intends to appeal.

Patent proceedings outside the US

In Australia, in 2011 and 2012, AstraZeneca instituted proceedings against Actavis Australia Pty Ltd, Apotex Pty Ltd and Watson Pharma Pty Ltd asserting infringement of three formulation and method patents for *Crestor*. AstraZeneca was unsuccessful in defending the validity of these patents, at trial and on appeal. This patent litigation concluded in September 2015 when the High Court of Australia dismissed an appeal filed by AstraZeneca. Relevant parties could pursue damages claims against AstraZeneca. A provision has been taken in respect of generic entities which were prevented by court order from launching their products in Australia before AstraZeneca's patents were subsequently found invalid.

In Japan, in 2014, Teva Pharma Japan Inc. (Teva) filed a patent invalidation request with the Japanese Patent Office (JPO) in relation to the *Crestor* substance patent. In June 2015, the JPO dismissed Teva's request. Teva appealed the decision but subsequently withdrew the appeal. A second invalidation action relating to the same patent has been filed by an individual.

In the Netherlands, in 2014, AstraZeneca received a letter from Resolution Chemicals Ltd. (Resolution) indicating that it had sought marketing authorisation for a rosuvastatin zinc product. In April 2014, AstraZeneca received a writ of summons from Resolution alleging partial invalidity and non-infringement of the supplementary protection certificate (SPC) related to the *Crestor* substance patent. In July 2015, the District Court of the Hague determined that the SPC does not extend to zinc salts of rosuvastatin and that Resolution's product does not infringe the SPC. AstraZeneca appealed and the appeal was heard in November 2015. A decision is expected in the first quarter of 2016.

In the UK, in October 2015, Resolution Chemicals Ltd., commenced an action alleging partial invalidity and non-infringement of the supplementary protection certificate related to the *Crestor* substance patent. AstraZeneca has responded.

***Daliresp* (roflumilast)**

US patent litigation

In April 2015, AstraZeneca received Paragraph IV notices challenging patents listed in the FDA Orange Book with reference to *Daliresp*. AstraZeneca has received notice from 11 companies that each submitted an ANDA seeking to market roflumilast. In May 2015 and subsequently, in the US District Court for the District of New Jersey, AstraZeneca filed patent infringement lawsuits in response to these Paragraph IV notices from the ANDA filers. Litigation is at an early stage and no trial dates have been set.

***Faslodex* (fulvestrant)**

US patent litigation

In 2014, 2015 and 2016, AstraZeneca filed patent infringement lawsuits in the US District Court in New Jersey relating to four patents listed in the FDA Orange Book with reference to *Faslodex*, after AstraZeneca received seven Paragraph IV notices relating to six ANDAs seeking FDA approval to market generic versions of *Faslodex* prior to the expiration of AstraZeneca's patents. The first trial is expected to be scheduled for the second half of 2016.

In September 2015, AstraZeneca also filed a patent infringement lawsuit relating to one of the seven Paragraph IV notices in the US District Court in West Virginia which is currently stayed by the West Virginia court.

Patent proceedings outside the US

In Brazil, in February 2013, Eurofarma Laboratorios S.A. (Eurofarma) filed a nullity action against a formulation patent for *Faslodex* in the 31st Specialized Intellectual Property Federal Court of Rio de Janeiro (the Court). In October 2015, the Court ruled in Eurofarma's favour and invalidated AstraZeneca's patent. In November 2015, AstraZeneca appealed the decision.

In Germany, in July 2015, AstraZeneca was served with a nullity complaint by Hexal AG (Hexal), commencing invalidity proceedings before the Federal Patent Court, and requesting revocation of the German part of the *Faslodex* formulation use patent, European Patent No. 1,250,138 (the '138 patent). In September 2015, AstraZeneca filed a request for a provisional injunction against Hexal in the Regional Court of Düsseldorf after Hexal threatened to launch a generic *Faslodex* product in the fourth quarter of 2015. The provisional injunction request was denied in November 2015. AstraZeneca filed an appeal against this decision in November 2015. In December 2015, AstraZeneca filed an infringement suit against Hexal in the Regional Court of Mannheim referring to their threatened launch of a generic *Faslodex* product.

In October 2015, Hexal filed a notice of opposition against European Patent No. 2,266,573 (the '573 Patent) granted in June 2015. The '573 Patent is related to the '138 patent referred to above.

***Losec/Prilosec* (omeprazole)**

US patent litigation

In 2008, Apotex Inc. (Apotex) was found to infringe AstraZeneca's US Patent Nos. 4,786,505 and 4,853,230. In 2013, the US District Court for the Southern District of New York (the District Court) ordered Apotex to pay $76 million in damages with an additional sum of $28 million in pre-judgment interest, and an unspecified amount of post-judgment interest. Apotex appealed. In April 2015, the US Court of Appeals for the Federal Circuit affirmed the bulk of the damages award, with the exception of a small portion of the award which related to sales post patent expiration during a portion of the paediatric exclusivity period. In July 2015, the District Court ordered Apotex to pay approximately $99m to AstraZeneca. The proceeding is now closed and AstraZeneca has recognised the income.

Patent proceedings outside the US

In Canada, in 2004, AstraZeneca brought proceedings against Apotex Inc. (Apotex) for infringement of several patents related to *Losec*. In February 2015, the Federal Court of Canada found that Apotex had infringed AstraZeneca's Canadian Patent No. 1,292,693. Apotex has appealed.

***Movantik/Moventig* (naloxegol)**

US patent litigation

In October 2015, Neptune Generics LLC, an affiliate of Gerchen Keller Capital LLC, filed for *inter partes* review (IPR) with the US Patent Office challenging the validity of one of the six patents listed in the FDA Orange Book with reference to *Movantik*. The IPR relates to US Patent No. 7,786,133, which is licensed to AstraZeneca from Nektar Therapeutics. AstraZeneca is considering its response.

Patent proceedings outside the US

In Europe, in October 2014, Generics UK Ltd. (trading as Mylan) filed an opposition to the grant of European Patent No. 1,694,363. This matter is scheduled for oral proceedings on 25 February 2016.

***Nexium* (esomeprazole magnesium)**

US patent litigation

In September 2015, AstraZeneca received a Paragraph IV notice from Zydus Pharmaceuticals (USA) Inc. and Cadila Healthcare Ltd. (together, Zydus) challenging certain patents listed in the FDA Orange Book with reference to *Nexium* oral suspension. Zydus submitted an ANDA seeking to market esomeprazole magnesium oral suspension. In October 2015, in response to Zydus' notice, AstraZeneca filed a patent infringement lawsuit against Zydus in the US District Court for the District of New Jersey (the District Court). The *Nexium* oral suspension litigation

27 Commitments and contingent liabilities continued

is at an early stage and no trial date has been set. Separately, several *Nexium* and *Nexium* 24HR (OTC) patent litigations are ongoing in the District Court. Proceedings are at various stages and no trial dates have been set.

Patent proceedings outside the US

In Canada, in July 2014, the Federal Court found Canadian Patent No. 2,139,653 invalid and not infringed by Apotex Inc. On 6 July 2015, AstraZeneca's appeal was dismissed. AstraZeneca has sought leave to appeal to the Supreme Court of Canada.

In Canada, in July 2014, AstraZeneca received a notice of allegation from Teva Canada Limited (Teva) alleging either that Teva's esomeprazole magnesium product would not infringe the patents listed on the Canadian Patent Register in relation to *Nexium* or, alternatively, that certain of the patents were invalid. AstraZeneca commenced a proceeding in 2014, but has now discontinued its application pursuant to a settlement agreement.

In Canada, in July 2015, Pharmascience Inc. commenced an action for damages allegedly suffered during the period while it was unable to launch its esomeprazole product due to ongoing proceedings under the Patented Medicines (Notice of Compliance) Regulations. AstraZeneca is defending the claim.

Onglyza (saxagliptin) and *Kombiglyze XR* (saxagliptin and metformin)

US patent litigation

Beginning April 2014 and continuing into 2015, a number of generics companies sent notices that they had submitted ANDAs for saxagliptin hydrochloride 2.5mg and 5mg tablets containing a Paragraph IV Certification alleging that US Patent Nos. 7,951,400 (the '400 Patent) and RE44,186 (the '186 Patent), listed in the FDA Orange Book with reference to *Onglyza*, are invalid, unenforceable and/or will not be infringed by the products as described in the ANDAs. Several of these companies also sent notices that they had submitted ANDAs for saxagliptin hydrochloride and metformin 2.5mg/1000mg, 5mg/1000mg, and 5mg/500mg tablets containing a Paragraph IV Certification alleging that US Patent Nos. 8,628,799 (the '799 Patent) and/or the '186 Patent listed in the FDA Orange Book with reference to *Kombiglyze XR*, are invalid, unenforceable and/or will not be infringed by the products as described in the ANDAs. AstraZeneca initiated patent infringement proceedings asserting the '400 Patent, the '186 Patent and the '799 Patent in the US District Court for the District of Delaware (District Court) against all of the above-referenced patent challenges. The District Court dismissed without prejudice all claims and counterclaims with respect to the '799 Patent and the '400 Patent.

Following the District Court's denial of Mylan Pharmaceuticals, Inc.'s (Mylan) motion to dismiss for lack of jurisdiction in 2014, Mylan was granted the right to appeal that decision to the US Court of Appeals for the Federal Circuit and argument was heard on that appeal in January 2016.

In June 2015, Mylan filed a petition for an *inter partes* review (IPR) with the US Patent and Trademark Office (USPTO) challenging the validity of the '186 Patent. In December 2015, the USPTO declined to institute the IPR (the December Decision). In January 2016, Mylan filed a Request for Rehearing with the USPTO seeking reconsideration of the December Decision.

Pulmicort Respules (budesonide inhalation suspension)

US patent litigation

In February 2015, the US District Court for the District of New Jersey (the District Court) determined that the asserted claims of US Patent No. 7,524,834 were invalid and denied AstraZeneca's motion for an injunction against Apotex, Inc. and Apotex Corp., Breath Limited, Sandoz, Inc. and Watson Laboratories, Inc. (together, the Generic Challengers) pending an appeal of the District Court's decision. AstraZeneca appealed that decision to the US Court of Appeals for the Federal Circuit (the Court of Appeals) and filed an Emergency Motion for an Injunction Pending Appeal. The Court of Appeals granted AstraZeneca's motion and issued an injunction against the Generic Challengers pending appeal. In May 2015, the Court of Appeals affirmed the District Court's decision and lifted the injunction that was issued. Since 2009, various injunctions were issued in this matter. Damages claims based on those injunctions have been filed and a provision has been taken.

Seroquel XR (quetiapine fumarate)

US patent litigation

In February 2015, AstraZeneca settled patent infringement litigation against Pharmadax, Inc. and Pharmadax USA, Inc. (together, Pharmadax) that was pending in the US District Court for the District of New Jersey by granting Pharmadax a licence to the *Seroquel XR* product patent effective from 1 November 2016, or earlier in certain circumstances.

In February 2015, AstraZeneca filed a patent infringement lawsuit against Macleods Pharmaceuticals, Ltd., Macleods Pharma USA, Inc. and AB Pharmaceuticals, LLC. (together, Macleods) in the US District Court for the District of New Jersey. In June 2015, AstraZeneca settled the patent infringement litigation by granting Macleods a licence to the *Seroquel XR* product patent effective from 1 November 2016, or earlier in certain circumstances.

Patent proceedings outside the US

In Canada, in April 2015, AstraZeneca and Teva Canada Limited (Teva) entered into a settlement agreement ending the ongoing patent litigation between the parties, as well as a claim for section 8 damages, and allowing Teva to continue selling generic *Seroquel XR* in Canada.

In Italy, in June 2015, following a challenge to the validity of the formulation patent covering *Seroquel XR* by Sandoz S.p.A. and Sandoz A/S, the Court of Turin found the *Seroquel XR* formulation patent invalid.

In Germany, generic entities have claimed, or could claim, damages relating to the preliminary injunction issued in April 2012 that prevented generic *Seroquel XR* sales by those entities until the injunction was lifted following a November 2012 Federal Patent Court decision that held that the *Seroquel XR* patent was invalid. A provision has been taken.

In France, in April 2015, Mylan SAS (Mylan) brought a patent invalidation action against AstraZeneca's French designation of the *Seroquel XR* formulation patent, European Patent No. 0,907,364 (the '364 Patent). AstraZeneca is defending that action and has brought a claim against Mylan for infringement of the '364 Patent. In the third quarter of 2015, Mylan launched its generic *Seroquel XR* product at-risk. In November 2015, AstraZeneca obtained a preliminary injunction against Mylan, which was overturned on appeal in December 2015. AstraZeneca had a similar litigation pending against Accord Healthcare France SAS and Accord Healthcare Limited that was settled in January 2016.

Vimovo (naproxen/esomeprazole magnesium)

Patent proceedings outside the US

In Canada, in January 2015, AstraZeneca received two notices of allegation from Mylan Pharmaceuticals ULC. In response, AstraZeneca and Pozen Inc. (the licensee and patent holder, respectively), commenced proceedings in relation to Canadian Patent No. 2,449,098.

Product liability litigation

Byetta/*Bydureon* (exenatide)

Amylin Pharmaceuticals, LLC, a wholly owned subsidiary of AstraZeneca, and/or AstraZeneca are among multiple defendants in various lawsuits filed in federal and state courts in the US involving approximately 2,500 claims of physical injury from treatment with *Byetta* and/or *Bydureon*. The lawsuits allege multiple types of injuries including pancreatitis, pancreatic cancer, thyroid cancer, and kidney cancer. A multi-district litigation has been established in the US District Court for the Southern District of California (the District Court) in regard to the alleged pancreatic cancer cases in federal courts. Further, a co-ordinated proceeding has been established in Los Angeles, California in regard to the various lawsuits in California state courts.

27 Commitments and contingent liabilities continued

In November 2015, the District Court granted the defendants' motion for summary judgment and dismissed all claims alleging pancreatic cancer that accrued prior to 11 September 2015. The plaintiffs have appealed that ruling. A similar motion was granted in favour of the defendants in the California state co-ordinated proceeding, and judgment has not yet been entered.

A single case pending in Alabama state court has been set for trial on 21 June 2016. A motion for summary judgment is pending.

***Crestor* (rosuvastatin calcium)**

AstraZeneca is defending a number of lawsuits alleging multiple types of injuries caused by the use of *Crestor*, including diabetes mellitus, various cardiac injuries, rhabdomyolysis, and/or liver and kidney injuries. The claims of approximately 600 plaintiffs, comprising approximately 100 California residents and approximately 500 non-California residents, were aggregated in one co-ordinated proceeding in Los Angeles, California. The claims of approximately 600 additional plaintiffs are waiting to be added to the co-ordination. In October 2014, the co-ordination judge dismissed the claims of the non-California plaintiffs whose claims were in the co-ordinated proceeding. The plaintiffs have appealed the October 2014 order dismissing the non-California plaintiffs from the proceeding. There are now approximately 700 plaintiffs remaining with claims pending in California state court. The claims that were pending in the Eastern District of Kentucky have been dismissed, and the two plaintiffs involved are seeking to have their claims reinstated in California.

***Farxiga* (dapagliflozin)**

AstraZeneca has been named as one of multiple defendants in a lawsuit filed in the US District Court for the Western District of Kentucky involving one plaintiff claiming physical injury, including diabetic ketoacidosis and kidney failure, from treatment with *Farxiga*.

***Nexium* (esomeprazole magnesium)**

AstraZeneca has been defending product liability lawsuits brought in federal and state courts by approximately 1,900 plaintiffs who alleged that *Nexium* caused osteoporotic injuries, such as bone deterioration, loss of bone density and/or bone fractures, but all such claims have now been dismissed with judgment entered in AstraZeneca's favour. Approximately 270 plaintiffs have appealed the dismissal of their claims to the US Court of Appeals for the Ninth Circuit, and fewer than 40 plaintiffs have appealed the dismissal of their claims to the California Second Appellate Division.

***Onglyza* (saxagliptin)**

Amylin Pharmaceuticals, LLC, a wholly owned subsidiary of AstraZeneca, and/or AstraZeneca are among multiple defendants in various lawsuits filed in federal and state courts in the US involving multiple plaintiffs claiming physical injury from treatment with *Onglyza*. The lawsuits allege injuries including pancreatic cancer. The lawsuit that was pending claiming congestive heart failure from treatment with *Onglyza* has been dismissed.

***Seroquel IR* (quetiapine fumarate)**

With regard to the *Seroquel* product liability litigation in the US, AstraZeneca is currently defending one case in active litigation involving a single plaintiff.

With regard to insurance coverage for the legal defence costs and settlements that have been incurred in connection with the *Seroquel IR* product liability claims in the US related to alleged diabetes and/or other related alleged injuries, all disputes with insurers have now been settled.

Commercial litigation

***Crestor* (rosuvastatin calcium)**

Qui tam litigation

In January and February 2014, AstraZeneca was served with lawsuits filed in the US District Court for the District of Delaware under the *qui tam* (whistleblower) provisions of the federal False Claims Act and related state statutes, alleging that AstraZeneca directed certain employees to promote *Crestor* off-label and provided unlawful remuneration to physicians in connection with the promotion of *Crestor*. The DOJ and all US states have declined to intervene in the lawsuits. This litigation has been stayed pending trial court disposition or earlier resolution of the Texas Attorney General litigation involving *Crestor* disclosed below.

Texas Attorney General litigation

In January 2015, following a previously disclosed investigation by the State of Texas into AstraZeneca's sales and marketing activities involving *Crestor*, AstraZeneca was served with a lawsuit in which the Texas Attorney General's Office intervened in a state whistleblower action pending in Travis County Court, Texas. The lawsuit alleges that AstraZeneca engaged in inappropriate promotion of *Crestor* and improperly influenced the formulary status of *Crestor*.

Israel

In November 2012, a Motion to Certify a Claim as a Class Action and Statement of Claim were filed in Israel in the District Court in Tel Aviv, Jaffa, against AstraZeneca and four other pharmaceutical companies for alleged deception and failure to disclose material facts to consumers regarding potential adverse events associated with certain drugs, including *Crestor*. In July 2013, an amended Motion to Certify a Claim as a Class Action and Statement of Claim containing similar allegations to those in the first action were filed in the same court against the same defendants. The court has not yet ruled on the Motion to Certify.

***Nexium* (esomeprazole magnesium)**

Consumer litigation

AstraZeneca is a defendant in a class action filed in Delaware State Court alleging that AstraZeneca's promotion, advertising and pricing of *Nexium* to physicians, consumers and third party payers was unfair, unlawful and deceptive. This action is the last of a number of similar, previously resolved lawsuits. In July 2015, the court granted AstraZeneca's motion to dismiss and entered judgment in AstraZeneca's favour. The plaintiffs are appealing to the Delaware Supreme Court.

Settlement anti-trust litigation

AstraZeneca is a defendant in a multi-district litigation class action and individual lawsuit alleging that AstraZeneca's settlements of certain patent litigation in the US relating to *Nexium* violated US anti-trust law and various state laws. A trial in the US District Court for the District of Massachusetts commenced in October 2014 and, in December 2014, a jury returned a verdict in favour of AstraZeneca. Following the court's denial of plaintiffs' motion for a new trial and preliminary injunction, the court entered judgment in favour of AstraZeneca in September 2015. The plaintiffs have appealed that judgment.

***Nexium*/*Prilosec* trademark litigation**

AstraZeneca filed separate complaints in the US District Court for the District of Delaware (the Delaware District Court) against Camber Pharmaceuticals, Inc. (Camber) and Dr. Reddy's Laboratories, Inc. (Dr. Reddy's) to enforce certain AstraZeneca trademark rights related to *Nexium* and *Prilosec*. Dr. Reddy's has filed its own separate claims against AstraZeneca in both the Delaware District Court and the US District Court for the District of New Jersey. The Delaware District Court has issued preliminary injunctions against Camber's and Dr. Reddy's sales of generic esomeprazole magnesium in purple capsules. Dr. Reddy's has appealed the decision of the Delaware District Court to the US Court of Appeals for the Third Circuit, and the appeal is pending. All cases related to this matter have been stayed pending this appeal.

***Seroquel IR* (quetiapine fumarate) and *Seroquel XR* (quetiapine fumarate)**

In relation to the state law claims brought by state Attorneys General generally alleging that AstraZeneca made false and/or misleading statements in marketing and promoting *Seroquel*, AstraZeneca remains in litigation with the Attorney General of Mississippi.

27 Commitments and contingent liabilities continued

Qui tam litigation in New York

In September 2015, AstraZeneca was served with a lawsuit filed in US Federal Court in New York under the *qui tam* (whistleblower) provisions of the federal and certain state False Claims Acts. The lawsuit alleges that AstraZeneca misrepresented the safety profile of, and improperly promoted, *Seroquel IR* and *Seroquel XR*. The US government and the named states have declined to intervene in this case.

Qui tam litigation in Delaware

In January and February 2014, AstraZeneca was served with lawsuits filed in the US District Court for the District of Delaware under the *qui tam* (whistleblower) provisions of the federal False Claims Act and related state statutes, alleging that AstraZeneca directed certain employees to promote *Seroquel* off-label and provided unlawful remuneration to physicians in connection with the promotion of *Seroquel*. The DOJ and all US states have declined to intervene in the lawsuits. This litigation has been stayed pending trial court disposition or earlier resolution of the Texas Attorney General litigation involving *Seroquel* disclosed below.

Texas Attorney General litigation

In October 2014, following a previously disclosed investigation by the State of Texas into AstraZeneca's sales and marketing activities involving *Seroquel*, the Texas Attorney General's Office intervened in a state whistleblower action pending in Travis County Court, Texas. The lawsuit alleges that AstraZeneca engaged in inappropriate promotion of *Seroquel* and made improper payments intended to influence the formulary status of *Seroquel*.

Synagis (palivizumab)

In September 2011, MedImmune filed an action against AbbVie, Inc. (AbbVie) (formerly Abbott International, LLC) in the Circuit Court of Montgomery County, Maryland, seeking a declaratory judgment in a contract dispute. AbbVie's motion to dismiss was granted. In September 2011, AbbVie filed a parallel action against MedImmune in Illinois State Court and trial began in August 2015. In September 2015, a jury returned a verdict in favour of AbbVie and awarded AbbVie damages in the amount of approximately $94 million. In December 2015, MedImmune and AbbVie reached a settlement of this matter bringing this litigation to a conclusion.

Toprol-XL (metoprolol succinate)

In March 2015, AstraZeneca was served with a state court complaint filed by the Attorney General for the State of Louisiana alleging that, in connection with enforcement of its patents for *Toprol-XL*, it had engaged in unlawful monopolisation and unfair trade practices, causing the state government to pay increased prices for *Toprol-XL*. The complaint is very similar to prior class action complaints filed by private parties against AstraZeneca relating to *Toprol-XL* in 2006 and resolved by settlement in 2012. The State seeks an unspecified amount of trebled damages and pre-judgment interest.

Other commercial litigation

Average Manufacturer's Price *qui tam* litigation (Streck)

AstraZeneca was one of several manufacturers named as a defendant in a lawsuit filed in the US Federal Court in Philadelphia under the *qui tam* (whistleblower) provisions of the federal and certain state False Claims Acts alleging inaccurate reporting of Average Manufacturer's prices to the Centers for Medicare and Medicaid Services. The action was initially filed in October 2008 but remained under seal until May 2011. In July 2015, AstraZeneca agreed upon a negotiated settlement to resolve the dispute. This matter is now concluded.

Medco *qui tam* litigation (Schumann)

AstraZeneca had been named as a defendant in a lawsuit filed in the Federal Court in Philadelphia (the Federal Court) under the *qui tam* (whistleblower) provisions of the federal and certain state False Claims Acts alleging overpayments by federal and state governments resulting from alleged false pricing information reported to the government and alleged improper payments intended to influence the formulary status of *Prilosec* and *Nexium* to Medco and its customers. In January 2013, the Federal Court granted AstraZeneca's motion and dismissed the case with prejudice. The plaintiff appealed. In October 2014, the US Court of Appeals for the Third Circuit affirmed the Federal Court's decision to dismiss AstraZeneca from the litigation with prejudice. The matter is now concluded.

Ocimum Lawsuit

In December 2015, AstraZeneca was served with a complaint filed by Ocimum Biosciences, Ltd. (Ocimum) in the Superior Court for the State of Delaware that alleges, among other things, breaches of contractual obligations and misappropriation of trade secrets, relating to a now terminated 2001 licensing agreement between AstraZeneca and Gene Logic, Inc. (Gene Logic), the rights to which Ocimum purports to have acquired from Gene Logic.

Government investigations/proceedings

Crestor (rosuvastatin calcium)

The DOJ and all US states have declined to intervene in the civil component of an investigation regarding *Crestor*. Prior to September 2015, one additional component of the investigation remained. In September 2015, AstraZeneca was informed that the additional component of the investigation has been closed, bringing this matter to a conclusion.

Synagis (palivizumab)

In June 2011, MedImmune received a demand from the US Attorney's Office for the Southern District of New York requesting certain documents related to the sales and marketing activities of *Synagis*. In July 2011, MedImmune received a similar court order to produce documents from the Office of the Attorney General for the State of New York Medicaid and Fraud Control Unit pursuant to what the government attorneys advised was a joint investigation. MedImmune is co-operating with these inquiries.

In May 2012, MedImmune received a subpoena *duces tecum* from the Office of Attorney General for the State of Florida Medicaid and Fraud Control Unit requesting certain documents related to the sales and marketing activities of *Synagis*. MedImmune has accepted receipt of the request and has co-ordinated with the Florida government to provide the appropriate responses and co-operate with any related investigation. AstraZeneca is unaware of the nature or focus of the investigation, however, based on the nature of the requests, it appears to be similar to the inquiries from the State of New York and DOJ (which are described above).

Other government investigations/proceedings

Foreign Corrupt Practices Act

In connection with investigations into anti-bribery and corruption issues in the pharmaceutical industry, AstraZeneca has received inquiries from enforcement agencies, including the DOJ and the SEC, regarding, among other things, sales practices, internal controls, certain distributors and interactions with healthcare providers and other government officials in several countries. AstraZeneca is co-operating with these inquiries. AstraZeneca's investigation has involved indications of inappropriate conduct in certain countries, including China. Resolution of these matters could involve the payment of fines and/or other remedies.

Good Manufacturing Practices subpoena

In March 2013, AstraZeneca received a subpoena *duces tecum* from the US Attorney's Office in Boston seeking documents and information relating to products manufactured or packaged at AstraZeneca's Macclesfield facility in the UK. AstraZeneca co-operated with this inquiry which is now closed.

Additional government inquiries

As is true for most, if not all, major prescription pharmaceutical companies operating in the US, AstraZeneca is currently involved in multiple US federal and state inquiries into drug marketing and pricing practices. In addition to the investigations described above, various federal and state law enforcement offices have, from time to time, requested information from the Group. There have been no material developments in those matters.

27 Commitments and contingent liabilities continued

Tax

Where tax exposures can be quantified, an accrual is made based on best estimates and management's judgement. Details of the movements in relation to material tax exposures are discussed below. As accruals can be built up over a long period of time but the ultimate resolution of tax exposures usually occurs at a point in time, and given the inherent uncertainties in assessing the outcomes of these exposures (which sometimes can be binary in nature), we could, in future periods, experience adjustments to these accruals that have a material positive or negative effect on our results in any particular period.

Transfer pricing and other international tax contingencies

The total net accrual included in the Group Financial Statements to cover the worldwide exposure to transfer pricing audits is $361m, a decrease of $234m compared to 2014 mainly due to releases following tax authority agreement and exchange rate effects.

AstraZeneca faces a number of transfer pricing audits in jurisdictions around the world 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. Accruals for tax contingencies require management to make estimates and judgements with respect to the ultimate outcome of a tax audit, and actual results could vary from these estimates. The international tax environment presents increasingly challenging dynamics for the resolution of transfer pricing disputes. These disputes usually result in taxable profits being increased in one territory and correspondingly decreased in another. Our balance sheet positions for these matters reflect appropriate corresponding relief in the territories affected. Management considers that at present such corresponding relief will be available, but given the challenges in the international tax environment will keep this aspect under careful review.

Management continues to believe that AstraZeneca's positions on all its transfer pricing audits and disputes are robust and that AstraZeneca is appropriately provided.

For transfer pricing audits where AstraZeneca and the tax authorities are in dispute, AstraZeneca estimates the potential for reasonably possible additional losses above and beyond the amount provided to be up to $357m (2014: $521m; 2013: $529m), however, management believes that it is unlikely that these additional losses will arise. It is possible that some of these contingencies may reduce in the future to the extent that any tax authority challenge is unsuccessful, or matters lapse following expiry of the relevant statutes of limitation resulting in a reduction in the tax charge in future periods.

Other tax contingencies

Included in the tax accrual is $1,373m relating to a number of other tax contingencies, a decrease of $307m mainly due to releases following expiry of statute of limitations and exchange rate effects offset by the impact of an additional year of transactions relating to contingencies for which accruals had already been established. For these tax exposures, AstraZeneca does not expect material additional losses. It is, however, possible that some of these contingencies may reduce in the future if any tax authority challenge is unsuccessful or matters lapse following expiry of the relevant statutes of limitation resulting in a reduction in the tax charge in future periods.

Timing of cash flows and interest

It is not possible to estimate the timing of tax cash flows in relation to each outcome, however, it is anticipated that a number of significant disputes may be resolved over the next one to two years. Included in the provision is an amount of interest of $174m (2014: $227m; 2013: $344m). Interest is accrued as a tax expense.

28 Operating leases

Total rentals under operating leases charged to profit were as follows:

	2015 $m	2014 $m	2013 $m
Operating leases	**185**	185	188

The future minimum lease payments under operating leases that have initial or remaining terms in excess of one year at 31 December 2015 were as follows:

	2015 $m	2014 $m	2013 $m
Obligations under leases comprise:			
Not later than one year	**95**	100	92
Later than one year and not later than five years	**245**	247	248
Later than five years	**69**	91	110
Total future minimum lease payments	**409**	438	450

29 Statutory and other information

	2015 $m	2014 $m	2013 $m
Fees payable to KPMG LLP and its associates:			
Group audit fee	**3.2**	2.5	2.2
Fees payable to KPMG LLP and its associates for other services:			
The audit of subsidiaries pursuant to legislation	**5.4**	5.0	5.0
Audit-related assurance services	**2.5**	2.5	2.6
Tax compliance services	**0.1**	0.3	0.6
Tax advisory services	**–**	–	–
Other assurance services	**0.5**	0.5	0.6
Corporate finance services	**–**	–	0.5
Fees payable to KPMG LLP in respect of the Group's pension schemes:			
The audit of subsidiaries' pension schemes	**0.6**	0.5	0.4
	12.3[1]	11.3[1]	11.9[1]

[1] 2015 and 2014 fees payable to KPMG LLP (2013: Fees payable to KPMG Audit Plc).

Audit-related assurance services include fees of $1.8m (2014: $1.8m; 2013: $1.7m) in respect of section 404 of the Sarbanes-Oxley Act.

Related party transactions

The Group had no material related party transactions which might reasonably be expected to influence decisions made by the users of these Financial Statements.

Key management personnel compensation

Key management personnel are defined for the purpose of disclosure under IAS 24 'Related Party Disclosures' as the members of the Board and the members of the SET.

	2015 $'000	2014 $'000	2013 $'000
Short-term employee benefits	**29,265**	30,252	25,029
Post-employment benefits	**2,636**	2,265	2,323
Termination benefits	**–**	–	3,855
Share-based payments	**17,885**	20,253	16,509
	49,786	52,770	47,716

Total remuneration is included within employee costs (see Note 26). Further details of Directors' emoluments are included in the Directors' Remuneration Report from pages 103 to 134.

30 Subsequent events

On 2 February 2016, AstraZeneca completed an agreement to invest in a majority equity stake in Acerta Pharma B.V. (Acerta), a privately-owned biopharmaceutical company based in the Netherlands and US. The transaction provides AstraZeneca with a potential best-in-class irreversible oral Bruton's tyrosine kinase (BTK) inhibitor, acalabrutinib (ACP-196), currently in Phase III development for B-cell blood cancers and in Phase I/II clinical trials in multiple solid tumours.

Under the terms of the agreement, AstraZeneca has acquired 55% of the issued share capital of Acerta for an upfront payment of $2.5bn. A further payment of $1.5bn will be paid either on receipt of the first regulatory approval for acalabrutinib for any indication in the US, or the end of 2018, depending on which is first. The agreement also includes options which, if exercised, provide the opportunity for Acerta shareholders to sell, and AstraZeneca to buy, the remaining 45% of shares in Acerta. The options can be exercised at various points in time, conditional on the first approval of acalabrutinib in both the US and Europe and when the extent of the commercial opportunity has been fully established, at a price of approximately $3bn net of certain costs and payments incurred by AstraZeneca and net of agreed future adjusting items, using a pre-agreed pricing mechanism. Acerta has approximately 150 employees.

AstraZeneca's 55% holding is a controlling interest and Acerta's combination of intangible product rights with an established workforce and their operating processes requires that the transaction is accounted for as a business combination in accordance with IFRS 3. Acerta's results and net assets will be consolidated into the Company's results from 2 February 2016.

Given the close proximity of the completion of the transaction to the date the Financial Statements were approved, the accounting entries for this transaction have not yet been determined. Our provisional assessment of the fair values of the assets and liabilities acquired will be completed in 2016.

Group Subsidiaries and Holdings

In accordance with Section 409 of the Companies Act 2006 a full list of subsidiaries, partnerships, associates and joint ventures, the country of incorporation and the effective percentage of equity owned as at 31 December 2015 are disclosed below. Unless otherwise stated the share capital disclosed comprises ordinary shares which are indirectly held by AstraZeneca PLC.

Unless otherwise stated the accounting year ends of subsidiaries are 31 December. Products are manufactured in 17 countries worldwide and are sold in over 100 countries. The Group Financial Statements consolidate the Financial Statements of the Company and its subsidiaries at 31 December 2015.

At 31 December 2015	Country	Percentage of voting share capital held
Wholly owned subsidiaries		
Aktiebolaget Hässle	Sweden	100
AlphaCore Pharma Limited	England	100
AlphaCore Pharma, LLC[1]	United States	100
Amylin Ohio LLC[1]	United States	100
Amylin Pharmaceuticals LLC[1]	United States	100
Ardea Biosciences Limited	England	100
Ardea Biosciences, Inc.	United States	100
Arrow Therapeutics Limited	England	100
Astra Alpha Produtos Farmaceuticos Lda	Portugal	100
Astra Export & Trading Aktiebolag	Sweden	100
Astra Läkemedel Aktiebolag	Sweden	100
Astra Pharmaceuticals (Pty) Limited	South Africa	100
Astra Pharmaceuticals Limited	England	100
Astra Tech International Aktiebolag	Sweden	100
AstraPharm[2]	England	100
AstraZeneca A/S	Denmark	100
AstraZeneca do Brasil Limitada	Brazil	100
AstraZeneca (Thailand) Limited	Thailand	100
AstraZeneca (Wuxi) Trading Co. Ltd	China	100
AstraZeneca AB	Sweden	100
AstraZeneca AG	Switzerland	100
AstraZeneca AS	Norway	100
AstraZeneca Asia-Pacific Business Services SDN BHD	Malaysia	100
AstraZeneca B.V.	Netherlands	100
AstraZeneca Biotech AB	Sweden	100
AstraZeneca BioVentureHub AB	Sweden	100
AstraZeneca Bulgaria EOOD	Bulgaria	100
AstraZeneca CAMCAR Costa Rica, S.A.	Costa Rica	100
AstraZeneca CAMCAR, S.A.	Panama	100
AstraZeneca Canada Inc.[3]	Canada	100
AstraZeneca China UK Limited	England	100
AstraZeneca Collaboration Ventures LLC[1]	United States	100
AstraZeneca Colombia S.A.	Colombia	100
AstraZeneca Continent B.V.	Netherlands	100
AstraZeneca Czech Republic, s.r.o.	Czech Republic	100
AstraZeneca d.o.o.	Croatia	100
AstraZeneca Death In Service Trustee Limited	England	100
AstraZeneca Dunkerque Production SCS	France	100
AstraZeneca Eesti OÜ	Estonia	100
AstraZeneca Egypt for Pharmaceutical Industries JSC	Egypt	100
AstraZeneca Egypt for Trading LLC	Egypt	100
AstraZeneca Employee Share Trust Limited	England	100
AstraZeneca Farmaceutica Chile Limitada	Chile	100
AstraZeneca Farmaceutica Holding Spain, S.A.	Spain	100
AstraZeneca Farmaceutica Spain S.A.	Spain	100
AstraZeneca Finance Coöperatief WA	Netherlands	100
AstraZeneca Finance Limited	England	100
AstraZeneca Finance S.A.S.	France	100
AstraZeneca FZ-LLC	United Arab Emirates	100
AstraZeneca Gamma B.V.	Netherlands	100

At 31 December 2015	Country	Percentage of voting share capital held
AstraZeneca GmbH	Germany	100
AstraZeneca Health Care S.A. de C.V.	Mexico	100
AstraZeneca Holding Aktiebolag[4]	Sweden	100
AstraZeneca Holding France S.A.S.	France	100
AstraZeneca Holding GmbH	Germany	100
AstraZeneca Holdings B.V.	Netherlands	100
AstraZeneca Holdings Pty Limited	Australia	100
AstraZeneca Hong Kong Limited	Hong Kong	100
AstraZeneca Ilac Sanayi ve Ticaret Limited Sirketi	Turkey	100
AstraZeneca India Private Limited[5]	India	100
AstraZeneca Industries, LLC	Russia	100
AstraZeneca Insurance Company Limited	England	100
AstraZeneca Intermediate Holdings Limited[4]	England	100
AstraZeneca International Holdings Aktiebolag[2]	Sweden	100
AstraZeneca Investment (China) Co., Ltd	China	100
AstraZeneca Investments Limited	England	100
AstraZeneca Israel Ltd	Israel	100
AstraZeneca Japan Limited	England	100
AstraZeneca Jota B.V.	Netherlands	100
AstraZeneca K.K.	Japan	100
AstraZeneca Kft	Hungary	100
AstraZeneca Korea Co. Ltd	Republic of Korea	100
AstraZeneca Latvija SIA	Latvia	100
AstraZeneca Lietuva UAB	Lithuania	100
AstraZeneca Limited	New Zealand	100
AstraZeneca Luxembourg S.A.	Luxembourg	100
AstraZeneca Maroc SARLAU	Morocco	100
AstraZeneca Nigeria Limited	Nigeria	100
AstraZeneca Nominees Limited	England	100
AstraZeneca Nordic AB	Sweden	100
AstraZeneca Österreich GmbH	Austria	100
AstraZeneca OY.	Finland	100
AstraZeneca Peru S.A.	Peru	100
AstraZeneca Pharma Poland Sp.z.o.o.	Poland	100
AstraZeneca Pharma S.R.L.	Romania	100
AstraZeneca Pharmaceutical (China) Co. Ltd	China	100
AstraZeneca Pharmaceuticals (Phils.) Inc.	Philippines	100
AstraZeneca Pharmaceuticals (Pty) Limited	South Africa	100
AstraZeneca Pharmaceuticals Aktiebolag	Sweden	100
AstraZeneca Pharmaceuticals Co., Limited.	China	100
AstraZeneca Pharmaceuticals Ireland Limited	Ireland	100
AstraZeneca Pharmaceuticals Limited	Kenya	100
AstraZeneca Pharmaceuticals, LLC	Russia	100
AstraZeneca Pharmaceuticals Pakistan (Private) Limited	Pakistan	100
AstraZeneca Pharmaceuticals, LP[6]	United States	100
AstraZeneca Produtos Farmaceuticos Lda	Portugal	100
AstraZeneca PTY Limited	Australia	100
AstraZeneca Quest Limited	England	100
AstraZeneca Reims S.A.S.	France	100
AstraZeneca Rho B.V.	Netherlands	100
AstraZeneca S.A.	Greece	100
AstraZeneca S.A.	Chile	100

At 31 December 2015	Country	Percentage of voting share capital held
AstraZeneca S.A.	Argentina	100
AstraZeneca S.A. / N.V.	Belgium	100
AstraZeneca S.A.S.	France	100
AstraZeneca S.A.[3]	Uruguay	100
AstraZeneca Sdn Bhd	Malaysia	100
AstraZeneca Share Trust Limited	England	100
AstraZeneca Sigma B.V.	Netherlands	100
AstraZeneca Singapore Pte Limited	Singapore	100
AstraZeneca Södertalje 1 AB	Sweden	100
AstraZeneca Södertalje 2 AB	Sweden	100
AstraZeneca SpA	Italy	100
AstraZeneca Sweden Investments Limited	England	100
AstraZeneca Taiwan Limited[3]	Taiwan	100
AstraZeneca Treasury Limited[2]	England	100
AstraZeneca Tunisie SaRL	Tunisia	100
AstraZeneca UK Limited	England	100
AstraZeneca Ukraina LLC	Ukraine	100
AstraZeneca US Investments Limited[4]	England	100
AstraZeneca Venezuela S.A.	Bolivarian Republic of Venezuela	100
AstraZeneca Zeta B.V.	Netherlands	100
AstraZeneca, LP[6]	United States	100
AstraZeneca, S.A. de C.V.	Mexico	100
Atkemix Nine Inc.	United States	100
Atkemix Ten Inc.	United States	100
Ayzee 1 Limited	England	100
AYZEE 2 Limited	England	100
AYZEE 3 Limited	England	100
AYZEE 4 Limited	England	100
AZ Reinsurance Limited	Cayman Islands	100
AZENCO2 Limited	England	100
AZLP Holdings LLC[1]	United States	100
AZ-Mont Insurance Company	United States	100
BMS Holdco Inc.	United States	100
Cambridge Antibody Technology Group Limited	England	100
Corpus Christi Holdings Inc.	United States	100
Cresco Ti Systems GmbH	Germany	100
Definiens AG	Germany	100
Definiens Inc.	United States	100
Drimex LLC	Egypt	100
Entasis Therapeutics Inc.	United States	100
Entasis Therapeutics Limited[7]	England	100
Gotland Pharma S.A.	Bolivarian Republic of Venezuela	100
IPR Pharmaceuticals, Inc.	Puerto Rico	100
KuDOS Horsham Limited	England	100
KuDOS Pharmaceuticals Limited	England	100
Laboratorio Beta, S.A.	Spain	100
Laboratorio Icaro S.A.	Spain	100
Laboratorio Lailan, S.A.	Spain	100
Laboratorio Odin, S.A.	Spain	100
Laboratorio Tau S.A.	Spain	100
MedImmune Biologics Inc.	United States	100
MedImmune Limited	England	100
MedImmune Pharma B.V.	Netherlands	100
MedImmune U.K. Limited	England	100
MedImmune Ventures, Inc.	United States	100
MedImmune, LLC[1]	United States	100
Meronem Group Limited	England	100
Novastra Promoção e Comércio Farmacêutico Lda	Portugal	100
Novastuart Produtos Farmaceuticos Lda	Portugal	100
Omthera Pharmaceuticals Inc.	United States	100
Optein, Inc.	United States	100
Pearl Therapeutics, Inc.	United States	100
Pharmaceutical Manufacturing Company Pty Limited	Australia	100
Pharmaceutical Manufacturing Division Pty Limited	Australia	100
Simesa SpA	Italy	100
Sofotec GmbH	Germany	100
Spirogen Sarl[2]	Switzerland	100
Stauffer Management Company LLC[1]	United States	100
Stuart-Produtos Farmacêuticos Lda	Portugal	100
Stuart Pharma Aktiebolag	Sweden	100
Symbicom Aktiebolag[2]	Sweden	100
Tika Läkemedel Aktiebolag	Sweden	100
Zenco (No 8) Limited	England	100
Zeneca Epsilon – Produtos Farmacêuticos Lda	Portugal	100
Zeneca Finance (Netherlands) Company	England	100
Zeneca Holdings Inc.	United States	100
Zeneca Ilac Sanayi Ve Ticaret Anonim Sirketi	Turkey	100
Zeneca Inc.	United States	100
Zeneca Wilmington Inc.[4]	United States	100
Zenecapharma Produtos Farmaceuticos Lda	Portugal	100
ZS Pharma Inc.	United States	100
Subsidiaries where the effective interest is less than 100%		
AstraZeneca Pharma India Limited[5]	India	75
I.C. Insurance Holdings Limited	England	51
P.T. AstraZeneca Indonesia	Indonesia	95
SPA AstraZeneca Al Djazair[8]	Algeria	65.77
Joint ventures		
Archigen Biotech Limited[8]	England	50
Centus Biotherapeutics Limited[8]	England	50
Montrose Chemical Corporation of California	United States	50
Significant holdings		
Albireo Limited[9]	England	23.5
C.C.Global Chemicals Company	United States	37.5
Other holdings		
ADC Therapeutics Sàrl[10]	Switzerland	8.84
Adherium Limited	New Zealand	5.6
Affinita Biotech, Inc.[11]	United States	16.22
Armaron Bio Pty Ltd[12]	Australia	17.43
BlinkBio Inc.[12]	United States	18.49
Catabasis Pharmaceuticals, Inc.	United States	10.7
Cerapedics, Inc.[13]	United States	8.61
Elusys Therapeutics, Inc.[14]	United States	7.2
Fibrogen, Inc.	United States	1.8
G1 Therapeutics, Inc.[15]	United States	18.03
Hydra Biosciences Inc.	United States	4.27
Inotek Pharmaceuticals Corporation	United States	7.3
Moderna Therapeutics Inc.[16]	United States	7
PhaseBio Pharmaceuticals, Inc.[13]	United States	14.5
Regulus Therapeutics Inc.	United States	6.7
Silence Therapeutics PLC	England	0.17
VentiRx Pharmaceuticals, Inc.[17]	United States	12

1 Ownership held as membership interest.
2 Ownership held in class A and B shares.
3 Ownership held in ordinary and special shares.
4 Directly held by AstraZeneca PLC.
5 Accounting year end is 31 March.
6 Ownership held as partnership interest.
7 Ownership held in preference, deferred and ordinary shares.
8 Ownership held in class A shares.
9 Ownership held in class A voting preference shares, class A non-voting preference shares, and class B voting preference shares.
10 Ownership held in class B ordinary shares and class C ordinary shares.
11 Ownership held in class A voting and class A non-voting shares.
12 Ownership held in class B preference shares.
13 Ownership held in class C preference shares.
14 Ownership held in class D preference shares.
15 Ownership held in class A preference shares and class B preference shares.
16 Ownership held in class D preference shares and class E preference shares.
17 Ownership held in class A preference shares.

Independent Auditor's Report to the Members of AstraZeneca PLC only

Opinions and conclusions arising from our audit

1 Our opinion on the Parent Company Financial Statements is unmodified

We have audited the Parent Company Financial Statements of AstraZeneca PLC for the year ended 31 December 2015 set out on pages 197 to 201. In our opinion the Parent Company Financial Statements:

> give a true and fair view of the state of the Company's affairs as at 31 December 2015
> have been properly prepared in accordance with UK Accounting Standards, including FRS 101 'Reduced Disclosure Framework'; and
> have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
> the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Parent Company Financial Statements.

3 We have nothing to report in respect of the matters on which we are required to report by exception

The Companies Act 2006 requires us to report to you if, in our opinion:

> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited 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.

We have nothing to report in respect of the above responsibilities.

4 Other matter – we have reported separately on the Group Financial Statements

We have reported separately on the Group Financial Statements of AstraZeneca PLC for the year ended 31 December 2015.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 135, the Directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. 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. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Antony Cates (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
4 February 2016

Company Balance Sheet

at 31 December

AstraZeneca PLC

	Notes	2015 $m	2014 $m
Fixed assets			
Fixed asset investments	1	**30,047**	27,426
Current assets			
Debtors – other		**15**	15
Debtors – amounts owed by Group undertakings		**7,283**	7,303
		7,298	7,318
Creditors: Amounts falling due within one year			
Non-trade creditors	2	**(814)**	(1,467)
Interest-bearing loans and borrowings	3	**–**	(912)
		(814)	(2,379)
Net current assets		**6,484**	4,939
Total assets less current liabilities		**36,531**	32,365
Creditors: Amounts falling due after more than one year			
Amounts owed to Group undertakings	3	**(283)**	(283)
Interest-bearing loans and borrowings	3	**(13,705)**	(7,889)
		(13,988)	(8,172)
Net assets		**22,543**	24,193
Capital and reserves			
Called-up share capital	4	**316**	316
Share premium account		**4,304**	4,261
Capital redemption reserve		**153**	153
Other reserves		**2,623**	2,754
Profit and loss account		**15,147**	16,709
Shareholders' funds		**22,543**	24,193

$m means millions of US dollars.

The Company Financial Statements from page 197 to 201 were approved by the Board on 4 February 2016 and were signed on its behalf by

Pascal Soriot Director

Marc Dunoyer Director

Company's registered number 2723534

Statement of Changes in Equity

for the year ended 31 December

	Share capital $m	Share premium account $m	Capital redemption reserve $m	Other reserves $m	Profit and loss account $m	Total equity $m
At 1 January 2014	315	3,983	153	2,847	17,656	24,954
Total comprehensive income for the period						
Profit for the period	–	–	–	–	2,584	2,584
Amortisation of loss on cash flow hedge	–	–	–	–	1	1
Total comprehensive income for the period	–	–	–	–	2,585	2,585
Transactions with owners, recorded directly in equity						
Dividends	–	–	–	–	(3,532)	(3,532)
Equity-settled share-based payment transactions	–	–	–	(93)	–	(93)
Issue of Ordinary Shares	1	278	–	–	–	279
Total contributions by and distributions to owners	1	278	–	(93)	(3,532)	(3,346)
At 31 December 2014	316	4,261	153	2,754	16,709	24,193
Total comprehensive income for the period						
Profit for the period	**–**	**–**	**–**	**–**	**1,974**	**1,974**
Amortisation of loss on cash flow hedge	**–**	**–**	**–**	**–**	**1**	**1**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**1,975**	**1,975**
Transactions with owners, recorded directly in equity						
Dividends	**–**	**–**	**–**	**–**	**(3,537)**	**(3,537)**
Equity-settled share-based payment transactions	**–**	**–**	**–**	**(131)**	**–**	**(131)**
Issue of Ordinary Shares	**–**	**43**	**–**	**–**	**–**	**43**
Total contributions by and distributions to owners	**–**	**43**	**–**	**(131)**	**(3,537)**	**(3,625)**
At 31 December 2015	**316**	**4,304**	**153**	**2,623**	**15,147**	**22,543**

At 31 December 2015, $15,147m (31 December 2014: $16,709m) of the profit and loss account reserve was available for distribution. Included in other reserves is a special reserve of $157m, arising on the redenomination of share capital in 1999.

Included within other reserves at 31 December 2015 is $782m (31 December 2014: $913m) in respect of cumulative share-based payment awards. These amounts are not available for distribution.

Company Accounting Policies

Basis of presentation of financial information

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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 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.

In the transition to FRS 101, the Company has applied IFRS 1 while ensuring that its assets and liabilities are measured in compliance with FRS 101. On transition to IFRS no GAAP differences arose.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures

- Statement of Cash Flows and related notes
- comparative period reconciliations for share capital
- 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 Group Financial Statements (presented on pages 140 to 195) include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures

- IFRS 2 Share-based Payment in respect of group settled share-based payments.

No individual profit and loss account is prepared as provided by Section 408 of the Companies Act 2006. The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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 Company Financial Statements are prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below, in accordance with the Companies Act 2006. The Group Financial Statements are presented on pages 140 to 195 and have been prepared in accordance with IFRSs as adopted by the EU and as issued by the IASB and in accordance with the Group Accounting Policies set out on pages 144 to 148.

The following paragraphs describe the main accounting policies, which have been applied consistently.

Foreign currencies

Profit and loss account items in foreign currencies are translated into US dollars at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates prevailing at the date of the Company Balance Sheet. Exchange gains and losses on loans and on short-term foreign currency borrowings and deposits are included within net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

Taxation

The current tax payable is based on taxable profit for the year. 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 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.

Accruals for tax contingencies require management to make judgements and estimates of exposures in relation to tax audit issues. Tax benefits are not recognised unless the tax positions will probably be sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of that benefit on the basis of potential settlement through negotiation and/or litigation. Any liability to interest on tax liabilities is provided for in the tax charge.

Investments

Fixed asset investments, including investments in subsidiaries, are stated at cost and reviewed for impairment if there are indications that the carrying value may not be recoverable.

Share-based payments

The issuance by the Company to employees of its subsidiaries of a grant of awards over the Company's shares, represents additional capital contributions by the Company to its subsidiaries. An additional investment in subsidiaries results in a corresponding increase in shareholders' equity. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period, less the market cost of shares charged to subsidiaries in settlement of such share awards.

Financial instruments

Loans and other receivables are held at amortised cost. Long-term loans payable are held at amortised cost.

Litigation

Through the normal course of business, the AstraZeneca Group is involved in legal disputes, the settlement of which may involve cost to the Company. Provision is made where an adverse outcome is probable and associated costs can be estimated reliably. In other cases, appropriate descriptions are included.

Notes to the Company Financial Statements

1 Fixed asset investments

	Investments in subsidiaries		
	Shares $m	Loans $m	Total $m
At 1 January 2015	**16,186**	**11,240**	**27,426**
Additions	**–**	**5,934**	**5,934**
Disposals	**–**	**(3,069)**	**(3,069)**
Capital reimbursement	**(133)**	**–**	**(133)**
Exchange	**–**	**(116)**	**(116)**
Amortisation	**–**	**5**	**5**
At 31 December 2015	**16,053**	**13,994**	**30,047**

A list of subsidiaries is included on pages 194 and 195.

2 Non-trade creditors

	2015 $m	2014 $m
Amounts due within one year		
Short-term borrowings	**679**	1,309
Other creditors	**128**	150
Amounts owed to Group undertakings	**7**	8
	814	1,467

3 Loans

		Repayment dates	2015 $m	2014 $m
Amounts due within one year				
Interest-bearing loans and borrowings				
5.125% Non-callable bond	euros	2015	**–**	912
			–	912
Amounts due after more than one year				
Amounts owed to subsidiaries				
7.2% Loan	US dollars	2023	**283**	283
Interest-bearing loans and borrowings				
5.9% Callable bond	US dollars	2017	**1,747**	1,747
Floating rate notes	US dollars	2018	**399**	–
1.75% Callable bond	US dollars	2018	**997**	–
1.95% Callable bond	US dollars	2019	**997**	996
2.375% Callable bond	US dollars	2020	**1,586**	–
0.875% Non-callable bond	euros	2021	**812**	902
3.375% Callable bond	US dollars	2025	**1,971**	–
5.75% Non-callable bond	pounds sterling	2031	**515**	540
6.45% Callable bond	US dollars	2037	**2,719**	2,718
4% Callable bond	US dollars	2042	**986**	986
4.375% Callable bond	US dollars	2045	**976**	–
			13,705	7,889

All loans and borrowings are unsecured.

	2015 $m	2014 $m
Loans or instalments thereof are repayable:		
After five years from balance sheet date	**8,262**	5,429
From two to five years	**3,979**	2,743
From one to two years	**1,747**	–
Within one year	**–**	912
Total unsecured	**13,988**	9,084

With the exception of the 2018 floating rate notes, all loans are at fixed interest rates. Accordingly, the fair values of the loans will change as market rates change. However, since the loans are held at amortised cost, changes in interest rates and the credit rating of the Company do not have any effect on the Company's net assets.

4 Share capital

Details of share capital movements in the year and share option schemes are included in Note 22 to the Group Financial Statements.

5 Contingent liabilities

In addition to the matter disclosed below, there are other cases where the Company is named as a party to legal proceedings. These include the *Byetta* and *Farxiga* product liability litigations, each of which are described more fully in Note 27 to the Group Financial Statements.

Foreign Corrupt Practices Act

In connection with investigations into anti-bribery and corruption issues in the pharmaceutical industry, AstraZeneca has received inquiries from enforcement agencies, including the DOJ and the SEC, regarding, among other things, sales practices, internal controls, certain distributors and interactions with healthcare providers and other government officials in several countries. AstraZeneca is co-operating with these inquiries. AstraZeneca's investigation has involved indications of inappropriate conduct in certain countries, including China. Resolution of these matters could involve the payment of fines and/or other remedies.

Other

The Company has guaranteed the external borrowing of a subsidiary in the amount of $288m.

6 Statutory and other information

The Directors were paid by another Group company in 2015 and 2014.

Group Financial Record

For the year ended 31 December	2011 Restated* $m	2012 Restated* $m	2013 Restated* $m	2014 Restated* $m	**2015 $m**
Revenue and profits					
Product Sales	33,591	27,973	25,711	26,095	**23,641**
Externalisation Revenue	29	451	95	452	**1,067**
Cost of sales	(6,026)	(5,393)	(5,261)	(5,842)	**(4,646)**
Distribution costs	(346)	(320)	(306)	(324)	**(339)**
Research and development expense	(5,523)	(5,243)	(4,821)	(5,579)	**(5,997)**
Selling, general and administrative costs	(11,161)	(9,839)	(12,206)	(13,000)	**(11,112)**
Profit on disposal of subsidiary	1,483	–	–	–	**–**
Other operating income and expense	748	519	500	335	**1,500**
Operating profit	12,795	8,148	3,712	2,137	**4,114**
Finance income	50	42	50	78	**46**
Finance expense	(562)	(544)	(495)	(963)	**(1,075)**
Share of after tax losses of joint ventures	–	–	–	(6)	**(16)**
Profit before tax	12,283	7,646	3,267	1,246	**3,069**
Taxation	(2,333)	(1,376)	(696)	(11)	**(243)**
Profit for the period	9,950	6,270	2,571	1,235	**2,826**
Other comprehensive income for the period, net of tax	(480)	135	(113)	(1,506)	**(338)**
Total comprehensive income for the period	9,470	6,405	2,458	(271)	**2,488**
Profit attributable to:					
Equity holders of the Company	9,917	6,240	2,556	1,233	**2,825**
Non-controlling interests	33	30	15	2	**1**
Earnings per share					
Earnings per $0.25 Ordinary Share (basic)	$7.29	$4.95	$2.04	$0.98	**$2.23**
Earnings per $0.25 Ordinary Share (diluted)	$7.25	$4.94	$2.04	$0.98	**$2.23**
Dividends	$2.70	$2.85	$2.80	$2.80	**$2.80**
Return on revenues					
Operating profit as a percentage of Total Revenue	38.1%	28.7%	14.4%	8.0%	**16.7%**
Ratio of earnings to fixed charges	29.5	19.9	9.9	6.1	**11.3**

At 31 December	2011 $m	2012 $m	2013 $m	2014 $m	**2015 $m**
Statement of Financial Position					
Property, plant and equipment, goodwill and intangible assets	27,267	32,435	31,846	38,541	**40,927**
Other investments and non-current receivables	543	940	2,513	2,138	**1,896**
Deferred tax assets	1,514	1,111	1,205	1,219	**1,294**
Current assets	23,506	19,048	20,335	16,697	**16,007**
Total assets	52,830	53,534	55,899	58,595	**60,124**
Current liabilities	(15,752)	(13,903)	(16,051)	(17,330)	**(14,869)**
Non-current liabilities	(13,612)	(15,685)	(16,595)	(21,619)	**(26,746)**
Net assets	23,466	23,946	23,253	19,646	**18,509**
Share capital	323	312	315	316	**316**
Reserves attributable to equity holders of the Company	22,917	23,419	22,909	19,311	**18,174**
Non-controlling interests	226	215	29	19	**19**
Total equity and reserves	23,466	23,946	23,253	19,646	**18,509**

For the year ended 31 December	2011 $m	2012 $m	2013 $m	2014 $m	**2015 $m**
Cash flows					
Net cash inflow/(outflow) from:					
Operating activities	7,821	6,948	7,400	7,058	**3,324**
Investing activities	(2,022)	(1,859)	(2,889)	(7,032)	**(4,239)**
Financing activities	(9,321)	(4,923)	(3,047)	(2,705)	**878**
	(3,522)	166	1,464	(2,679)	**(37)**

* Comparatives have been restated to reflect the reclassification of externalisation revenue from other operating income and expense as detailed in Group Accounting Policies.

For the purpose of computing the ratio of earnings to fixed charges, earnings consist of the income from continuing ordinary activities before taxation of Group companies and income received from companies owned 50% or less, plus fixed charges. Fixed charges consist of interest on all indebtedness, amortisation of debt discount and expense, and that portion of rental expense representative of the interest factor.