ASTRAZENECA TREASURY LIMITED

Report and Financial Statements

31 December 2019

Registered number: 2910116

AstraZeneca Treasury Limited

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Notes

STRATEGIC REPORT

Principal activities

The principal activities of AstraZeneca Treasury Limited (the "**Company**") are to act as an investment holding company for a number of AstraZeneca PLC subsidiaries ("**Group companies**") and to centrally manage, conduct and coordinate substantially all the AstraZeneca's group foreign exchange and cash management activities. These activities are carried out in compliance with clearly defined policies and procedures, which have been approved by the Board of AstraZeneca PLC.

Business review

The Company's Financial Statements ("**Financial Statements**") have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("**FRS 101**"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("**Adopted IFRSs**"), but adds to these requirements where necessary in order to comply with Companies Act 2006. Business performance outlined below is disclosed in accordance with FRS 101.

The profit on ordinary activities after taxation for the year was $9,533m (2018: $2,460m). The increase in profit was primarily due to increased dividend income from the AstraZeneca Group from $3,109m in 2018 to $10,215m in 2019.

During the year ended 31 December 2019, the Company paid dividends amounting to $10,124m (2018: $1,672m) to its parent company, AstraZeneca UK Limited. The Company had net assets of $15,338m at 31 December 2019 (2018: $15,985m).

Future outlook

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

Key performance indicators

The operations of the Company are overseen at a global level by AstraZeneca's Senior Executive Team. For this reason, the Company's Directors believe that analysis using KPIs for the Company is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of the Group is discussed in the Financial Review section of the AstraZeneca Annual Report and Form 20-F Information 2019 which can be obtained from the address given in Note 17.

Financial risk management

The principal financial risks to which the Company is exposed are those of liquidity, interest rate, foreign currency and credit. Each of these is managed in accordance with AstraZeneca PLC Board-approved policies.

For full details of these financial risks and AstraZeneca Group's approach to financial risk and management, see Note 27 Financial risk management objectives and policies within the Notes to the Group Financial Statements section of the AstraZeneca Annual Report and Form 20-F Information 2019, which is available online of can be obtained from the address given in Note 17.

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

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

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

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

Strategic Report (continued)

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

Noting the size and spread of the Company's stakeholders and close alignment with the stakeholders of the AstraZeneca Group, the Company conducted its stakeholder engagement at Group level. Engaging at Group level was deemed the most efficient and effective method of engagement, to help achieve a greater positive impact on environmental, social and other related matters. The AstraZeneca Group engaged with key stakeholders throughout the year to understand the issues and factors that are significant for these stakeholders, and a number of actions were taken as a result of this engagement at Group level. The interaction with stakeholders, and the impact of these interactions, is set out in the Strategic Report of the AstraZeneca PLC Annual Report and Form 20-F 2019. In particular, the consideration and impact of the Group's operations on the environment are contained throughout the Strategic Report, including on pages 38-39 and Ambition Zero Carbon on page 53 of the AstraZeneca PLC Annual Report and Form 20-F Information 2019.

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

Principal risks and uncertainties

The Company manages certain financial risks of the AstraZeneca Group through the use of financial instruments. For information on the Company's use of financial instruments, see the Accounting Policies section on pages 12 to 14 of the Financial Statements. The Company is exposed to credit risk on financial assets, such as cash balances (including fixed deposits, cash and cash equivalents), fixed income securities and derivative instruments.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). Following Royal Assent of the European Union (Withdrawal Agreement) Act on 23 January 2020 and ratification of the Withdrawal Agreement by the European Parliament on 24 January 2020, the UK left the EU on 31 January 2020 and became a third country with a transition period running to 31 December 2020. The progress of current negotiations between the UK Government and the EU on their future relationship and the ratification of the outcome of those negotiations will likely determine the future terms of the UK's relationship with the EU following the end of the transition period. Until these negotiations and parliamentary ratification processes are completed, it is difficult to anticipate the potential impact on AstraZeneca's market share, sales, profitability and results of operations. The Group operates from a global footprint and retains flexibility to adapt to changing circumstances. The uncertainty during and after the period of negotiation is expected to increase volatility and may have an economic impact, particularly in the UK and Eurozone. Since the time of the referendum in 2016, the Group has responded by engaging proactively with key external stakeholders and establishing a cross-functional internal steering and implementation committee to understand, assess, plan and implement operational actions that may be required. The vast majority of these actions have already been implemented based on an assumption that the UK would have left the EU without a deal in 2019 (hard Brexit/no deal) such that the Group has been able to mitigate the risks arising from variable external outcomes. In June 2020, the UK Government announced that there was to be no request for an extension to the Brexit transition period. The transition period will therefore end, as planned, on 31 December 2020. Current EU/UK negotiations will continue at pace, as they look to finalise a deal. There is no guarantee that a deal will be finalised by the end of the transition period however the Group continues to monitor the situation closely. Currently, the vast majority of the operational actions necessary to respond to this scenario have been implemented including, but not limited to: engagement with government and regulators; duplication of release testing and procedures for products for the EU27 and the UK markets; transfer of regulatory licences, redesign of packaging and labelling, additional inventory builds and changes to logistics plans and shipping routes; customs and duties set up for introduction or amendment of existing tariffs or processes; associated IT systems reconfigurations; and banking arrangement changes.

The AstraZeneca Plc Board reviews the potential impact of Brexit regularly as an integral part of its Principal Risks rather than as a standalone risk. The AstraZeneca Plc Board continues to assess the impact of the Group's Brexit readiness plans.

On behalf of the board

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Alistair Collins

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Iain Alistair Collins
Director

20 November 2020

AstraZeneca Treasury Limited

Directors:	Iain Alistair Collins Jonathan Slade Adrian Kemp	**Registered Office:**	1 Francis Crick Avenue Cambridge Biomedical Campus Cambridge CB2 0AA United Kingdom
Secretary:	Katie Jackson-Turner (resigned 27 February 2019) Matthew Shaun Bowden (appointed 27 February 2019)	**Independent auditors:**	PricewaterhouseCoopers LLP Chartered Accountants Registered Auditors 1 Embankment Place London WC2N 6RH

Date: **20 November 2020**

DIRECTORS' REPORT

The Directors of the Company present their report and the audited Financial Statements of the Company for the year ended 31 December 2019.

Directors

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

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

Going concern

The COVID-19 outbreak has spread rapidly since the end of the financial year. Governments across the globe, including in the UK, have undertaken various measures to contain the spread of the virus including restrictions on travel, social distancing and other emergency measures. These measures have had a direct impact on businesses and have affected the supply chains and production of goods. The Company is engaged in the business of financing activities to Group undertakings.

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

Dividends

During the year dividends were paid amounting to $10,124m (2018: $1,672m).

Political donations

The Company has made no political donations during the year (2018: $nil).

Post balance sheet events

The COVID-19 outbreak has spread rapidly since the end of the financial year. The impact on the Company is outlined in the going concern section above.

In 2020 the Company has received dividends totaling $3,757m. The Company declared and paid an interim dividend of $1,000m in July 2020.

In August 2020 AstraZeneca PLC issued bonds with an aggregated nominal value of $3,000m. The proceeds were on lent to the Company. $1,200m of the issuance matures in April 2026, $1,300m in August 2030 and $500m in August 2050.

The Company is party to the Group's committed bank facilities. These comprise a $3,375m facility signed in October 2020, a $250m facility signed in November 2020 and a further $500m also signed in November 2020.

During 2020 the Company decreased its investment in AstraZeneca Sweden Investments Limited with the sale of 272,313,731 shares to AstraZeneca affiliates for total consideration USD 323,000,000.

Directors' Report (continued)

Statement as to disclosure of information to auditor

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

Independent auditors

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

On behalf of the board

DocuSigned by:
Alistair Collins
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Iain Alistair Collins
Director
20 November 2020

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

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and irregularities.

Independent auditors' report to the members of AstraZeneca Treasury Limited

Report on the audit of the financial statements

Opinion

In our opinion, AstraZeneca Treasury Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; the Accounting Policies; and the Notes to the Financial Statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Linda Kempenaar

Linda Kempenaar (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 November 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	Note	2019 $m	2018 $m
Income from shares in Group undertakings		**10,215**	3,109
Other operating income	1	**36**	33
Finance income	2	**791**	735
Finance expense	2	**(1,485)**	(1,415)
Profit before taxation		**9,557**	2,462
Tax on profit	4	**(24)**	(2)
Profit for the year		**9,533**	2,460
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Net gain on fixed income securities measured at fair value through other comprehensive income		**2**	2
Fair value movements related to own credit risk on bonds designated as FV through P&L		**(6)**	9
		(4)	11
Items that may be reclassified subsequently to profit or loss:			
Fair value movements on cashflow hedges		**(100)**	(38)
Fair value movements on cashflow hedges transferred to profit and loss		**52**	111
Deferred tax on fair value movements taken to OCI		**10**	–
Costs of hedging		**(14)**	(58)
		(52)	15
Other comprehensive (expense)/income for the year, net of tax		**(56)**	26
Total comprehensive income for the year		**9,477**	2,486

All activities were in respect of continuing operations.

The accounting policies on pages 12 to 14 and the Notes to the financial statements on pages 15 to 30 form part of these financial statements.

AstraZeneca Treasury Limited

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

	Note	31 December 2019 $m	(Restated) 31 December 2018 $m
Non-current assets			
Investments in subsidiaries[1]	8	**66,618**	59,983
Other investments	9	**63**	46
Derivative financial instruments	10	**60**	157
Deferred tax asset	4	**15**	28
		66,756	60,214
Current assets			
Debtors[1]	11	**4,247**	3,036
Derivative financial instruments	10	**36**	258
Other investments	9	**810**	809
Cash and cash equivalents	12	**4,778**	4,063
		9,871	8,166
Current liabilities			
Amounts owed to Group undertakings	13	**(45,906)**	(34,673)
Derivative financial instruments	10	**(36)**	(27)
Other creditors	13	**(72)**	(405)
		(46,014)	(35,105)
Net current liabilities		**(36,143)**	(26,939)
Total assets less current liabilities		**30,613**	33,275
Non-current liabilities			
Amounts owed to Group undertakings	13	**(15,256)**	(17,285)
Derivative financial instruments	10	**(18)**	(4)
Other payables	13	**(1)**	(1)
Net assets		**15,338**	15,985
Capital and reserves			
Share capital	15	**5,965**	5,965
Retained earnings		**9,373**	10,020
Total equity		**15,338**	15,985

[1] Prior period figures contain a restatement related to the reclassification of balances due from group undertakings. See Accounting Policies (pg 14) for more details.

The accounting policies on pages 12 to 14 and the Notes to the financial statements on pages 15 to 30 form part of these financial statements.

These financial statements were approved by the Board of Directors on 20 November 2020 and were signed on its behalf by

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Alistair Collins

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Iain Alistair Collins
Director

Company registered number: 2910116

STATEMENT OF CHANGES IN EQUITY

	Share capital $m	Profit and Loss account $m	Total equity $m
At 1 January 2018	**5,965**	**9,206**	**15,171**
Profit for the year	–	2,460	2,460
Other comprehensive income	–	26	26
Total comprehensive income	–	2,486	2,486
Transactions with owners			
Dividends	–	(1,672)	(1,672)
At 31 December 2018	**5,965**	**10,020**	**15,985**
Profit for the year	–	9,533	9,533
Other comprehensive income / (expense)[1]	–	(56)	(56)
Total comprehensive income	–	9,477	9,477
Transactions with owners			
Dividends	–	(10,124)	(10,124)
At 31 December 2019	**5,965**	**9,373**	**15,338**

[1] Included within Other comprehensive expense of $(56m) for the year ended 31 December 2019 is a charge of $14m relating to Costs of hedging (2018: $58m charge).

ACCOUNTING POLICIES

Basis of presentation of financial information

The Company is a private limited liability company, limited by shares, incorporated and domiciled in England and Wales. The Company's financial statements are prepared in United States Dollars, which is the functional currency of the Company rounded to the nearest $ million.

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("**Adopted IFRSs**"), but adds to these requirements 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.

The Company's ultimate parent undertaking, AstraZeneca PLC, includes the Company in its consolidated financial statements. The consolidated financial statements of AstraZeneca PLC are prepared in accordance with International Financial Reporting Standards and are available to the public online and can be obtained from the address given in Note 17.

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

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.
- disclosures in respect of comparatives of investments in subsidiaries
- statement of financial position as at the beginning of the preceding period when an accounting policy is applied retrospectively or there is a retrospective restatement

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

Basis of accounting

These financial statements are prepared under the historical cost convention, modified to include revaluation to fair value of certain financial instruments as described below.

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

The Company has early adopted the amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures'. These relate to interbank offered rates (IBORs) reform and were endorsed by the EU on 6 January 2020. The replacement of benchmark interest rates such as LIBOR and other IBORs is a priority for global regulators. The amendments provide relief from applying specific hedge accounting requirements to hedge relationships directly affected by IBOR reform and have the effect that IBOR reform should generally not cause hedge accounting to terminate. There is no financial impact from the early adoption of these amendments.

The Company has one IFRS 9 designated hedge relationship that is potentially impacted by IBOR reform: our € 300m cross currency interest rate swap in a fair value hedge relationship with € 300m of our € 750m 0.875% 2021 non-callable bond. This swap references three month US dollar LIBOR and uncertainty arising from the Group's exposure to IBOR reform will cease when the swap matures in 2021. The implications on the wider business of IBOR reform will be assessed during 2020.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 to 3.

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

Significant accounting judgements estimates and assumptions

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

ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgements estimates and assumptions (continued)

The accounting policy descriptions set out the areas where judgements and estimates need exercising. There are no significant judgements and estimates.

Foreign currencies

Foreign currency transactions, being transactions denominated in a currency other than the Company's functional currency (US dollar), 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 recognized in Operating profit in the Company's accounting records.

Taxation

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

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

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

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

Investments

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

Dividends on shares

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised in the Income Statement on the date the Company's right to receive payments is established.

Financial instruments

All financial instruments held by the Company are used to manage financial risks within the AstraZeneca Group.

Financial instruments are recorded initially at fair value. Subsequent measurement depends on the designation of the instrument:

- Forward foreign exchange contracts: the Company has forward foreign exchange contracts to sell currency for the purpose of hedging non-US dollar commercial transaction exposures which existed within the AstraZeneca Group at the date of the balance sheet. The majority of the contracts for existing transactions had a maturity of six months or less from the year end. These contracts are stated at fair value at the balance sheet date and gains or losses arising are recognised in the Statement of Comprehensive Income. The fair value of forward foreign exchange contracts is based on market forward foreign exchange rates at the balance sheet date.
- 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 under the hold to collect classification, where they meet the hold to collect 'solely payments of principal and interest' test criteria under IFRS 9. Those not meeting these criteria are held at fair value through profit and loss.

ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

- Amounts due to or from Group undertakings and interest rate swaps: the AstraZeneca Group uses derivatives, principally interest rate swaps, to hedge the interest rate exposure inherent in a portion of its fixed interest rate debt. The AstraZeneca Group also uses cross currency interest rate swaps to hedge its foreign currency exposures. The Company holds these interest rate swaps on behalf of the AstraZeneca Group. Where derivatives are used for hedging interest rate risk, the Company will either designate the associated debt as fair value through profit or loss, when certain criteria are met, or as the hedged item under a fair value hedge or a cash flow hedge.
- Where the debt instrument is designated as fair value through profit or loss, the debt is initially measured at fair value and is remeasured to fair value at each balance sheet date with changes in carrying value being recognised in the Statement of Comprehensive Income (along with changes in the fair value of the related derivative), with the exception of changes in the fair value of the debt instrument relating to own credit risk which are recorded in Other comprehensive income.
- Where the debt instrument is designated as the hedged item under a fair value hedge, the debt is initially measured at fair value and is remeasured for fair value changes in respect of the hedged risk at each balance sheet date with changes in carrying value being recognised in the Statement of Comprehensive Income (along with changes in the fair value of the related derivative).
- Where the debt instrument is designated as the hedged item under a cash flow hedge, the debt is measured at amortised cost (with gains or losses taken to profit and direct transaction costs being amortised over the life of the debt). The related derivative is remeasured for fair value changes at each reporting date with the portion of the gain or loss on the derivative that is determined to be an effective hedge recognised in other comprehensive income. The amounts that have been recognised in other comprehensive income are reclassified to profit in the same period that the hedged forecast cash flows affect profit.
- All other amounts due from or due to Group undertakings not designated as described above are recorded at amortised cost.

Prior year restatement

The financial statements have been prepared on a consistent basis with the prior year with one exception. During the year we reviewed the classification of loans to group undertakings. We determined that $315m of loans receivable classified as current at 31 December 2018 should have been non-current (investment in subsidiaries) to reflect the directors' expectations that settlement will not occur within 12 months from the balance sheet date. The impact at 31 December 2018 is an increase in non-current assets (investment in subsidiaries – loans to subsidiaries) of $315m and a decrease in amounts owed by group undertakings of $315m

The balance sheet as at 31 December 2018 has been restated on that basis. There is no impact on equity or the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

1. Other operating income

	2019	2018
	$m	$m
Operating income		
Gain on disposal of fixed asset investments	**36**	33

The gain on disposal of fixed assets investments during the year relates to the sale of shares in AstraZeneca Sweden Investments Limited in both the current and prior years.

2. Finance income and expenses

	2019	2018
	$m	$m
Finance income		
Interest receivable - Group undertakings	**438**	429
Interest on short term investments	**109**	73
Exchange gains on foreign currency loans and deposits	**244**	233
Total	**791**	735
Finance expenses		
Interest payable - Group undertakings	**(1,181)**	(1,087)
Other financial charges	**(45)**	(49)
Fair value changes on debt and interest rate swaps	**(31)**	(3)
Exchange losses on foreign currency loans and deposits	**(228)**	(276)
Total	**(1,485)**	(1,415)
Net finance expenses	**(694)**	(680)

$5m fair value losses (2018: $13m fair value losses) on interest rate fair value hedging instruments and $8m fair value gains (2018: $10m fair value gains) on the related hedged items have been included within fair value changes on debt and interest rate swaps. All fair value hedge relationships were effective during the year.

$4m fair value gains (2018: $13m fair value losses) on derivatives related to debt instruments designated at fair value through profit or loss and $4m fair value losses (2018: $13m fair value gains) on debt instruments designated at fair value through profit or loss have been included within fair value changes on debt and interest rate swaps.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Auditors' remuneration

The auditors' remuneration was borne by AstraZeneca UK Limited, a subsidiary of AstraZeneca PLC. The fee assigned to the 2019 year end audit of the Company is $62,500 (2018: $62,500). The Company has applied the exemption to not disclose the amount of remuneration given to the Company's auditors for non-audit services. Full disclosure of the amounts of remuneration given to the Company's auditors for the supply of non-audit services to the Company is included, on a Group-wide basis, in the AstraZeneca Group financial statements. These can be obtained online or from the address given in Note 17.

4. Tax on profit

	2019 $m	2018 $m
Overseas tax	1	–
Current tax charge on income for the year	1	–
Deferred tax	23	(9)
Adjustments in respect of prior years	–	11
Total tax on profit	24	2

Taxation reconciliation to UK statutory rate

The total tax expense for the year is lower (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019 $m	2018 $m
Profit on ordinary activities before taxation	9,557	2,462
Tax at 19% (2018: 19%)	1,816	468
Non-taxable dividend income	(1,941)	(591)
Group relief surrendered for nil consideration	196	134
Non-taxable income / non-deductible expenses	(44)	(21)
Adjustments in respect of prior years	–	11
Effects of tax rates and laws	(3)	1
Total tax on profit	24	2

Factors affecting future tax rate charges

A reduction in the UK corporation tax rate to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. During March 2020, a Parliamentary Notice was enacted such that the UK corporation tax rate continues to be 19% after 1 April 2020.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Tax on profit (continued)

Deferred taxation

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

	Other $m	Total $m
Net deferred tax balance at 31 December 2017	**30**	**30**
Taxation credit	(2)	(2)
Net deferred tax balance at 31 December 2018	**28**	**28**
Taxation debit to P&L	(23)	(23)
Taxation credit to OCI	10	10
Net deferred tax balance at 31 December 2019	**15**	**15**

The net deferred tax balance consists of:

	Other $m	Total $m
Deferred tax assets at 31 December 2018	28	28
Deferred tax liabilities at 31 December 2018	–	–
Net deferred tax balance at 31 December 2018	**28**	**28**
Deferred tax assets at 31 December 2019	15	15
Deferred tax liabilities at 31 December 2019	–	–
Net deferred tax balance at 31 December 2019	**15**	**15**

The Company has recognised $15m deferred tax assets on the basis of sufficient forecast future taxable profits against which the temporary difference can be utilised.

Deferred tax has been measured at 17% (2018: 17%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Emoluments of Directors

The total emoluments of the Directors of the Company for the year, net of pension contributions, were $605,012 (2018: $332,131) in respect of services to the Company, and were borne by another company in the AstraZeneca Group. The aggregate amount of Company contributions to defined benefit and money purchase schemes was $1,001 (2018: $538), and were borne by another company in the AstraZeneca Group.

During 2019 and during 2018 two of the three Directors participated in defined benefit or defined contribution schemes sponsored by other Group companies. The details of these schemes are disclosed in the AstraZeneca Group consolidated financial statements, which can be obtained online or from the address given in Note 17.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid Director, net of pension contributions were $442,377 (2018: $177,807) and the pension contributions were $Nil (2018: $Nil). During 2018, the highest paid Director was awarded the right to receive shares in future years, but no shares were received under the scheme. During 2019, the highest paid Director was both awarded the rights to receive shares in future years and received shares under the scheme.

	2019 **Number**	2018 Number
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**1**	1
Defined benefit schemes	**1**	1
The number of Directors who exercised share options was	**–**	–
The number of Directors in respect of whose services shares were received or receivable under long-term incentive schemes was	**3**	3

6. Employee costs

The Company had no employees during 2019 (2018: nil).

7. Dividends to shareholders

	2019 **cents per share**	2018 cents per share	**2019** **$m**	2018 $m
Ordinary shareholders				
Dividends on Ordinary 'B' Shares	**169.72**	28.03	**10,124**	1,672

8. Investments in subsidiaries

Net book value	**Shares in subsidiaries** **$m**	**Loans to subsidiaries** **$m**	**Total** **$m**
Carrying amount at 1 January 2018 (Restated)[1]	54,732	6,293	61,025
Additions	–	–	–
Disposals and other movements[2]	(758)	(284)	(1,042)
Carrying amount at 1 January 2019	**53,974**	**6,009**	**59,983**
Additions[3]	7,191	–	7,191
Disposals and other movements[4]	(574)	18	(556)
Carrying amount at 31 December 2019	**60,591**	**6,027**	**66,618**

[1] See Accounting Policies (pg 14) for more details. The impact as at 1 January 2018 is an increase in this account of $342m and a decrease in amounts owed by group undertakings of $342m.

[2] Disposals and other movements of $1,042m consists of $758m relating to the disposal of shares in a subsidiary, AstraZeneca Sweden Investments Limited, the maturing of a $144m loan to AstraZeneca Sweden Investments Limited and a $113m loan to AstraZeneca UK Limited, the parent company, and $27m from changes during 2018 to the opening carrying value of receivables classed as quasi-equity.

[3] Additions is a $7,191m investment in Zeneca Holdings Inc.

[4] Disposals and other movements consists of $574m relating to the disposal of shares in a subsidiary, AstraZeneca Sweden Investments Limited, $3m from the increase of a loan to AstraZeneca Sweden Investments Limited, $(1m) loss from FX movements on loans to subsidiaries and $16m increase to interco receivables designated as non-current Quasi Equity balances.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Investments in subsidiaries and holdings (continued)

The companies in which the Company has an interest at 31 December 2019 are as follows:

Subsidiaries or Holdings	Country of registration	Address	Percentage of ordinary shares held
Affinita Biotech, Inc. *	United States	329 Oyster Point Blvd., 3rd Floor, South San Francisco, CA 94080, United States	16.23%
AstraZeneca Holdings B.V.	Netherlands	Prinses Beatrixlaan 582, 2595BM, The Hague, The Netherlands	100%
AstraZeneca Treasury B.V.	Netherlands	Prinses Beatrixlaan 582, 2595BM, The Hague, The Netherlands	100%
AstraZeneca AB	Sweden	SE-151 85 Södertälje, Sweden	100%
AstraZeneca Egypt for Pharmaceutical Industries JSC	Egypt	Villa 133, Road 90 North, New Cairo, Egypt	98%
AstraZeneca Egypt LLC	Egypt	14C Ahmed Kamel Street, New Maadi, Cairo, Egypt	50%
AstraZeneca Pharmaceuticals, LLC	Russia	125284, Begovaya Str, 3, block 1, Moscow, Russian Federation	100%
AstraZeneca S.A.	Chile	Av. Isidora Goyenechea 3477, 2nd Floor, Las Condes, Santiago, Chile	99.9%
AstraZeneca Maroc SARLAU	Morocco	92 Boulevard Anfa ETG 2, Casablanca 20000, Morocco	100%
AstraZeneca Tunisie SaRL	Tunisia	Lot n°1.5.5 les jardins du lac, bloc B les berges du lac, Tunis, Tunisia	99.999%
AstraZeneca Taiwan Limited	Taiwan	21st Floor, Taipei Metro Building 207, Tun Hwa South Road, SEC 2 Taipei, Taiwan, Republic of China	100%
AstraZeneca Sweden Investments Limited	United Kingdom	1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA, United Kingdom	79.304%
AstraZeneca Vietnam Company Limited	Vietnam	18th Floor, A&B Tower, 76 Le Lai, Ben Thanh Ward, District 1, Ho Chi Minh City, Hanoi, Vietnam	100%
AstraZeneca Asia-Pacific Business Services Sdn Bhd	Malaysia	Level 8, Unit 8.01-8.05 Menara UAC, Jalan PJU 7/5, Mutiara Damansara, 47800 Petaling Jaya, Selangor, Malaysia	100%
AstraZeneca Health Care Division, S.A. de C.V.	Mexico	Avenida Lomas Verdes 67 Colonia Lomas Verdes, Naucalpan de Juarez, CP 53120, Mexico	0.2%
AstraZeneca, S.A. de C.V.	Mexico	Av. Periferico Sur 4305 interior 5, Colonia Jardines en la Montana, Mexico City, Tlalpan Distrito Federal, CP14210, Mexico	0.02%
AZENCO4 Limited	United Kingdom	1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA, United Kingdom	100%
Zeneca Holdings Inc.	United States	1800 Concord Pike Wilmington DE 19803 United States	100%

*Associated holding.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Other investments

	2019 $m	2018 $m
Fixed income securities at fair value through profit and loss – non-current asset	63	46
Fixed income securities at fair value through profit and loss – current asset	810	809
Total other investments	**873**	855

The Company has appointed four investment managers to invest a proportion of the AstraZeneca Group's cash across a wide range of high quality fixed income securities including; corporate bonds, government bonds, commercial paper, asset backed securities, certificates of deposit and covered bonds. These fixed income securities were classified according to their maturity profile. Fixed income securities – current assets have a maturity greater than 3 months but less than 1 year. Other investments are carried at fair value using a level 1 valuation method: quoted prices (unadjusted) in active markets for identical assets or liabilities.

10. Derivative financial instruments

	2019 $m	2018 $m
Non-current assets	60	157
Current assets	36	258
Current liabilities	(36)	(27)
Non-current liabilities	(18)	(4)
Net Derivative Asset	**42**	384

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 interest rate swaps (included in instruments designated in a fair value hedge relationship or a cash flow hedge relationship if formally designated in a fair value hedge relationship or cash flow hedge relationship), and forward foreign exchange contracts.

	2019 $m	2018 $m
Interest rate swaps	42	40
Cross currency interest rate swaps [1,2]	-	326
Forward foreign exchange contracts	-	18
Net Derivative Asset	**42**	384

[1] Cross currency interest rate swaps includes swaps designated in a cash flow hedge. These swaps have total nominal amounts of € 2,200m and effectively convert fixed rate € 500m 0.25% 2021, € 900m 0.75% 2024 and € 800m 1.25% 2028 external borrowings, on-lent to the Company by AstraZeneca PLC, into fixed rate US dollar borrowings to hedge the exposure to foreign exchange spot rate and interest rate risk.

[2] Cross currency interest rate swaps includes a swap designated in a fair value hedge. This swap hedges a designated € 300m portion of a € 750m 0.875% 2021 non-callable external bond, on-lent to the Company by AstraZeneca PLC, against exposure to movements in the euro:US dollar exchange rate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Derivative financial instruments (Continued)

Fair value hierarchy

Financial instruments carried at fair value can be analysed 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 (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair value of cross-currency interest rate swaps and interest rate 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 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.

11. Debtors

	2019 $m	(Restated) 2018 $m
Amounts owed by Group undertakings[1]	**4,226**	3,007
Prepayments and accrued income	**21**	23
Other debtors	**–**	6
Total debtors	**4,247**	3,036

[1] See Accounting Policies (pg 14) for more details.

The Company has financial assets that are subject to the IFRS 9 expected credit loss model. The Company was required to revise its impairment methodology for these assets when IFRS 9 was adopted on 1 January 2018. The Company identified that there was no material impact on the company's financial assets or retained earnings as at 1 January 2018.

In applying the expected credit loss model to Amounts owed by Group undertakings, no impairment has been recognised given the principal financial risks to which Group companies are exposed, being those of liquidity, interest rate, foreign currency and credit, are managed in accordance with AstraZeneca PLC Board-approved policies.

12. Cash and cash equivalents

	2019 $m	2018 $m
Cash at bank and in hand	**168**	126
Other investments	**4,610**	3,937
Total cash and cash equivalents	**4,778**	4,063

Other investments of $4,610m (2018: $3,937m) principally comprise investments in constant net asset value Money Market Liquidity Funds measured at fair value through profit or loss with same day access for subscription and redemption and Triparty Repurchase Agreements held directly with third party managers with a weighted average life at 31 December 2019 of 76 days (2018: 63 days).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Analysis of debt by maturity

	2019[1] Loans $m	**2019 Other $m**	**2019 Total $m**	2018 Loans $m	2018 Other $m	2018 Total $m
Amounts owed to Group undertakings	**1,793**	**44,113**	**45,906**	999	33,674	34,673
Other creditors	**–**	**72**	**72**	–	405	405
In less than 1 year	**1,793**	**44,185**	**45,978**	999	34,079	35,078
1-2 years	**1,396**	**1**	**1,397**	1,595	1	1,596
2-5 years	**3,827**	–	**3,827**	4,622	–	4,622
5+ years	**10,033**	–	**10,033**	11,068	–	11,068
Greater than 1 year	**15,256**	1	**15,257[2]**	17,285	1	17,286[2]
Total debt	**17,049**	**44,186**	**61,235**	18,284	34,080	52,364

[1]'Loans' includes an instrument with a carrying value of $339m designated as the hedged item in a fair value hedge relationship. This relates to a designated € 300m portion of a € 750m 0.875% 2021 non-callable external bond, on-lent to the Company by AstraZeneca PLC. The accumulated amount of fair value hedge adjustments to the bond is a loss of $11m. 'Loans' also includes instruments with a carrying value of $2,449m designated in a cash flow hedge. These relate to € 500m 0.25% 2021, € 900m 0.75% 2024 and € 800m 1.25% 2028 external bonds, on-lent to the Company by AstraZeneca PLC.

[2]Of the $15,257m (2018:$17,286m) debt due in greater than 1 year, $15,256m (2018: $17,285m) relates to Amounts owed to Group undertakings and $1m (2018: $1m) to Other creditors.

'Other' primarily comprises of amounts owed to Group undertakings under interest bearing call account facilities which bear interest based on a margin to London Interbank Offered Rates (LIBOR). These facilities may be terminated by not less than one month's written notice given by either party to the other. Fair value approximates to carrying value. Included in 'Other' is also an amount due to the ultimate parent company, AstraZeneca PLC, for $7,111m (2018: $3,422m) and other creditors of $71m (2018: $384m) relating to bank collateral arrangements.

'Loans' primarily comprises external borrowings on-lent to the Company by AstraZeneca PLC. The amounts owed to Group undertakings includes a fair value adjustment of $49m on these loans (2018: $41m). At 31 December 2019, the unamortised discount on borrowings from AstraZeneca PLC was $122m (2018: $139m). The total fair value of 'Loans' as at 31 December 2019 was $19,244m (2018: $18,591m). Also included in 'Loans' are debt instruments designated at fair value through profit or loss. The amount payable at maturity on these bonds is $287m (2018: $287m), and their fair value was $335m at 31 December 2019 (2018: $325m). Fair values, as disclosed in this note are based on the Level 1 valuation method as defined in Note 10.

A loss of $4m (2018: $8m gain) was made during the year on the fair value of bonds designated at fair value through profit or loss, due to decreased credit risk. A gain of $30m (2018: $34m) has been made on these bonds since designation due to increased credit risk. The Company records the component of fair value changes relating to the component of own credit risk through Other comprehensive income. Changes in credit risk had no material effect on any other financial assets and liabilities recognised at fair value in the 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies

The Company's principal financial instruments, other than derivatives, comprise bank overdrafts, loans, current and non-current investments, cash and short-term deposits. The main purpose of these financial instruments is to manage the Company's funding and liquidity requirements.

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

Hedge accounting

The Company uses foreign currency borrowings, foreign currency forwards and swaps, currency options, interest rate swaps and cross-currency interest rate swaps for the purpose of hedging its foreign currency and interest rate risks. The Company may designate certain financial instruments as fair value hedges or cash flow hedges in accordance with IFRS 9. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. Sources of hedge effectiveness will depend on the hedge relationship designation but may include:

- A significant change in the credit risk of either party to the hedging relationship.
- A timing mismatch between the hedging instrument and the hedged item.
- Movements in foreign currency basis spread for derivatives in a fair value hedge.

The hedge ratio for each designation will be established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for all of the Company's existing hedge relationships the hedge ratio has been determined as 1:1.

The following table represents the Group's continuing designated hedge relationships under IFRS 9.

31 December 2018

			Other Comprehensive Income						
	Nominal amounts in local currency	Carrying value	Opening balance 1 January 2018	Fair value (gain)/loss deferred to OCI	Fair value (gain)/loss recycled to the income statement	Closing balance 31 December 2018	Average maturity year	Average USD FX rate	Average pay interest rate
		$m	$m	$m	$m	$m			
Fair value hedge - foreign currency and interest rate risk [1]									
Cross currency interest rate swap – Euro bond	EUR 300m	16	–	–	–	–	2021	1.09	USD libor + 1.27%
Cash flow hedges – foreign currency and interest rate risk[2, 3]									
Cross currency interest rate swaps – Euro bonds	EUR 2,200m	101	(76)	95	(111)	(92)	2025	1.14	USD 2.69%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

31 December 2019

			Other Comprehensive Income						
	Nominal amounts in local currency	Carrying value	Opening balance 1 January 2019	Fair value (gain)/loss deferred to OCI	Fair value (gain)/loss recycled to the income statement	Closing balance 31 December 2019	Average maturity year	Average USD FX rate	Average pay interest rate
		$m	$m	$m	$m	$m			
Fair value hedge - foreign currency and interest rate risk [1]									
Cross currency interest rate swap – Euro bond	EUR 300m	10	–	–	–	–	2021	1.09	USD libor + 1.27%
Cash flow hedges – foreign currency and interest rate risk[2,3]									
Cross currency interest rate swaps – Euro bonds	EUR 2,200m	(13)	(92)	114	(52)	(30)	2025	1.14	USD 2.69%

[1] Hedge ineffectiveness recognised on swaps designated in a fair value hedge during the year was a gain of $3m (2018: loss of $3m).
[2] Hedge ineffectiveness recognised on swaps designated in a cash flow hedge during the year was $nil (2018: $nil).
[3] Fair value movements on cross currency interest rate swaps in cash flow hedge and net investment hedge relationships are shown inclusive of impact of costs of hedging.

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 Company is not a net seller of options, and does not use derivative financial instruments for speculative purposes.

Capital management

The capital structure of the Company consists of shareholders' equity (Note 15), borrowings from Group undertakings (Note 13), cash (Note 12) and other investments (Note 9). For the foreseeable future, the Board will maintain a capital structure that supports the wider AstraZeneca Group's strategic objectives through:

- managing funding and liquidity risk for the AstraZeneca Group;
- optimising shareholder return for the shareholders of AstraZeneca PLC, the ultimate parent company; and
- contributing towards maintaining a strong, investment-grade credit rating for the AstraZeneca Group.

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

Liquidity risk

The Company holds the majority of cash balances for the AstraZeneca Group. As such the Company's liquidity risk is linked to the wider AstraZeneca Group. The Board reviews the wider AstraZeneca 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 commercial paper, bank loans, committed bank facilities and cash resources to manage short-term liquidity and manages long-term liquidity by raising funds through the capital markets.

Specifically, the Company manages liquidity risk by having access to a number of sources of funding including taking deposits from Group undertakings, overdraft facilities and cash resources to manage short-term liquidity and manages long-term liquidity with funds raised through the capital markets on-lent to the Company by AstraZeneca PLC, the ultimate parent company of the AstraZeneca Group.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

	Short-term Borrowings from Group undertakings	Other creditors	Loans from Group undertakings	Total non-derivative financial instruments	Total derivative financial instrument receivables	Total derivative financial instrument payables	Total derivative financial instruments[1]	Total
	$m	$m	$m	$m	$m	$m	$m	$m
In less than 1 year	(33,858)	(405)	(1,672)	(35,935)	10,368	(10,171)	197	(35,738)
1-2 years	–	(1)	(2,633)	(2,634)	35	(82)	(47)	(2,681)
2-3 years	–	–	(2,412)	(2,412)	950	(974)	(24)	(2,436)
3-4 years	–	–	(1,836)	(1,836)	30	(58)	(28)	(1,864)
4-5 years	–	–	(2,095)	(2,095)	30	(58)	(28)	(2,123)
Greater than 5 years	–	–	(17,406)	(17,406)	2,084	(2,154)	(70)	(17,476)
	(33,858)	(406)	(28,054)	(62,318)	13,497	(13,497)	–	(62,318)
Effect of interest	184	–	8,782	8,966	(251)	509	258	9,224
Effect of discounting, fair values and issue costs	–	–	988	988	9	117	126	1,114
31 December 2018	**(33,674)**	**(406)**	**(18,284)**	**(52,364)**	**13,255**	**(12,871)**	**384**	**(51,980)**

	Short-term Borrowings from Group undertakings	Other creditors	Loans from Group undertakings	Total non-derivative financial instruments	Total derivative financial instrument receivables	Total derivative financial instrument payables	Total derivative financial instruments	Total
	$m	$m	$m	$m	$m	$m	$m	$m
In less than 1 year	(44,823)	(72)	(2,379)	(47,274)	11,956	(11,985)	(29)	(47,303)
1-2 years	–	(1)	(1,943)	(1,944)	955	(976)	(21)	(1,965)
2-3 years	–	–	(1,784)	(1,784)	54	(67)	(13)	(1,797)
3-4 years	–	–	(2,041)	(2,041)	54	(67)	(13)	(2,054)
4-5 years	–	–	(1,452)	(1,452)	1,051	(1,079)	(28)	(1,480)
Greater than 5 years	–	–	(15,262)	(15,262)	1,647	(1,654)	(7)	(15,269)
	(44,823)	(73)	(24,861)	(69,757)	15,717	(15,828)	(111)	(69,868)
Effect of interest	710	–	7,722	8,432	(409)	488	79	8,511
Effect of discounting, fair values and issue costs	–	–	90	90	20	54	74	164
31 December 2019	**(44,113)**	**(73)**	**(17,049)**	**(61,235)**	**15,328**	**(15,286)**	**42**	**(61,193)**

[1] The maturity profile table has been amended in 2019 to show gross derivative flows and to include all derivatives shown in Note 10 on page 20. In previous years the table separately disclosed the net cash flows on interest rate swaps and cross-currency swaps. Other derivative instruments amounting to $18m in 2018 were not included in the table.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Company maintains a mix of fixed and floating rate debt, in line with policies approved by the AstraZeneca Group Board. The Company uses interest rate swaps to manage this mix.

A significant portion of the AstraZeneca Group long-term debt is held at fixed rates of interest.

At 31 December 2019, the Company held interest rate swaps with a notional value of $288m, converting the AstraZeneca Group's 7% guaranteed debentures payable in 2023 to floating rates. No new interest rate swaps were entered into during 2019. At 31 December 2019, swaps with a notional value of $288m 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 12.

The majority of surplus cash is currently invested in US dollar liquidity funds, fixed income securities or repurchase agreements earning floating rates of interest.

The interest rate profile of the Company's interest-bearing financial instruments, as at 31 December 2019 and 31 December 2018 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.

	2019 Fixed rate $m	**2019 Floating rate $m**	**2019 Total $m**	2018 Fixed rate $m	2018 Floating rate $m	2018 Total $m
Financial liabilities						
Short-term borrowings from Group undertakings	–	44,113	44,113	–	33,674	33,674
Loans from Group undertakings	15,534	1,515	17,049	16,586	1,698	18,284
Collateral balances included in Other creditors	–	71	71	–	384	384
Other liabilities included in Other creditors	–	2	2	–	22	22
Total financial liabilities	**15,534**	**45,701**	**61,235**	16,586	35,778	52,364
Financial assets						
Amounts owed by Group undertakings	220	4,337	4,557	205	3,117	3,322
Long term loans to subsidiaries	5,696	–	5,696	5,694	–	5,694
Other investments	–	873	873	–	855	855
Cash and cash equivalents	–	4,778	4,778	–	4,063	4,063
Total financial assets	**5,916**	**9,988**	**15,904**	5,899	8,035	13,934

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

Foreign currency risk

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

Translational

Approximately 67% of the wider AstraZeneca Group's external sales in 2019 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.

Foreign currency risk principally arises where the Company has non-US dollar denominated intercompany balances with subsidiaries. This exposure is regularly monitored against agreed limits and managed to minimise the effect on the Statement of Comprehensive Income.

Transactional

The Company's policy is to hedge, wherever practically possible, the wider AstraZeneca Group's major transactional currency exposures on working capital balances, which typically extend for up to three months, using forward foreign exchange contracts. Foreign exchange gains and losses on forward contracts transacted for transactional hedging are taken to profit or loss. In addition, the AstraZeneca Group's external dividend, which is paid principally in pounds sterling and Swedish krona, is fully hedged by the Company from announcement to payment date.

Sensitivity analysis

The sensitivity analysis set out overleaf summarises the sensitivity of the market value of the Company's financial instruments to hypothetical changes in market rates and prices. The range of variables chosen for the sensitivity analysis reflects the Group's 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 fixed rate 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 2019, with all other variables held constant. Based on the composition of the wider AstraZeneca Group's long-term debt portfolio as at 31 December 2019, a 1% increase in interest rates would result in an additional $15m 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 2019, 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.

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 incremental 1% change in interest rates would have approximately the same effect as the 1% detailed in the table overleaf.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

31 December 2018	Interest rates		Exchange rates	
	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments	1,235	(1,274)	(144)	158
Impact on profit: (loss)/profit	–	–	(244)	280
Impact on equity: (loss)/profit	–	–	100	(122)

31 December 2019	Interest rates		Exchange rates	
	+1%	-1%	+10%	-10%
Increase/(decrease) in fair value of financial instruments	1,360	(1,458)	(23)	(13)
Impact on profit: (loss)/profit	–	–	(133)	122
Impact on equity: (loss)/profit	–	–	110	(135)

Credit risk

The Company is exposed to credit risk on financial assets, such as cash balances (including fixed deposits and cash and cash equivalents), derivative instruments and amounts due from Group undertakings. The Company is also exposed in its net asset position to the credit risk of the AstraZeneca Group in respect of the 7% Guaranteed debentures maturing in 2023 which are accounted for at fair value through profit or loss.

Financial counterparty credit risk

The majority of the wider AstraZeneca Group's cash is centralised within the Company and is subject to counterparty risk on the principal invested. The level of the Group's cash investments and hence credit risk will depend on the cash flow generated by the Group and the timing of the use of that cash. The credit 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 Company's principal financial counterparty credit risks at 31 December 2019 were as follows:

Current assets:

	2019	2018
	$m	$m
Cash at bank and in hand	**168**	126
Money market liquidity funds	**4,109**	3,435
Collateralised repurchase agreement	**400**	400
Other short-term cash equivalents	**101**	102
Total cash and cash equivalents (Note 12)	**4,778**	4,063
Fixed income securities (Note 9)	**810**	809
Derivative financial instruments (Note 10)	**36**	258
Current assets subject to credit risk	**5,624**	5,130

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. Financial risk management objectives and policies (continued)

Non-current assets:

	2019 $m	2018 $m
Fixed income securities (Note 9)	63	46
Derivative financial instruments (Note 10)	60	157
Non-current assets subject to credit risk	**123**	203

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 money market liquidity fund portfolios are managed by five external third-party fund managers to maintain an AAA rating. The Group's investments represent no more than 10% of each overall fund value. There were no significant concentrations of financial credit risk at the reporting date.

At 31 December 2019, the Company had invested through four investment fund managers $967m (2018: $942m) in fixed income securities and recognised $63m (2018: $46m) of long-term investments, $810m (2018: $809m) of short-term investments, $96m (2018: $88m) of cash and cash equivalents and $2m of derivative liabilities (2018: $1m derivative liabilities).

At 31 December 2019, the Company had investments of $400m (2018: $400m) in short-term repurchase agreements, which are fully collateralised investments. In the event of any default, ownership of the collateral would revert to the Company and would be readily convertible to cash. The value of the collateral held at 31 December 2019 was $401m (2018: $403m).

All financial derivatives are transacted with commercial banks, in line with standard market practice. The Company 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 Company at 31 December 2019 was $71m (2018: $384m) and the carrying value of cash collateral posted by the Group at 31 December 2019 was $10m (2018: $14m).

15. Share capital

	2019 $m	2018 $m
Allotted, called-up and fully paid share capital		
100 (2018: 100) Ordinary A shares of £1 each	-	-
5,964,882,232 (2018: 5,964,882,232) Ordinary B shares of $1 each	**5,965**	5,965
Total share capital	**5,965**	5,965

16. Related party transactions

As the Company is a wholly-owned subsidiary of AstraZeneca PLC, the Company has taken advantage of the exemption contained in FRS 101.8(k) and has therefore not disclosed transactions or balances with wholly-owned subsidiaries which form part of the Group. There are no other related party transactions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The smallest and largest group in which the results of the Company are consolidated is that headed by AstraZeneca PLC, which is the ultimate controlling party. The consolidated accounts of this group are available to the public online and may be obtained from the registered office, 1 Francis Crick Avenue, Cambridge Biomedical Campus, Cambridge, CB2 0AA.

18. Post balance sheet events

In 2020 the Company received dividends totaling $3,757m. The Company declared and paid an interim dividend of $1,000m in July 2020 (16.76 cents per ordinary share).

In August 2020 AstraZeneca PLC issued bonds with an aggregated nominal value of $3,000m. The proceeds were on lent to the Company. $1,200m of the issuance matures in April 2026, $1,300m in August 2030 and $500m in August 2050.

The Company is party to the Group's committed bank facilities. These comprise a $3,375m facility signed in October 2020, a $250m facility signed in November 2020 and a further $500m also signed in November 2020.

During 2020 the Company decreased its investment in AstraZeneca Sweden Investments Limited with the sale of 272,313,731 shares to AstraZeneca affiliates for total consideration USD 323,000,000.

The impact of COVID-19 is set out in the going concern section within the Director's Report on page 4.