

## ACCOUNTING POLICIES

### 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 1985 and UK Generally Accepted Accounting Principles (UK GAAP). The Group Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented on pages 121 to 123.

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

### NEW ACCOUNTING STANDARDS

The Company has adopted the following accounting standard in the year:

Financial Reporting Standard No. 29 'Financial Instruments: Disclosures' (FRS 29). FRS 29 sets out the requirements for the presentation of, and disclosures relating to, financial instruments, and replaces the disclosure requirements of FRS 25 'Financial Instruments: Disclosure and Presentation'. The Company is exempt from the requirements of FRS 29 because the Company is included in AstraZeneca PLC's publicly available Consolidated Financial Statements for 2007, which include disclosures that comply with IFRS 7, the equivalent International Financial Reporting Standard.

The Company has also adopted Amendment to FRS 26 'Financial Instruments: Measurement', UITF Abstract 42 'Reassessment of Embedded Derivatives' and UITF Abstract 45 'Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment'. The adoption of these standards and abstracts did not have a significant impact on net results, net assets or disclosures of the Company.

UITF Abstract 44 (IFRIC 11): 'FRS 20 (IFRS 2) Group and Treasury Transactions' has been issued but has not yet been adopted by the Company.

### 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 charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and for accounting purposes. Full provision is made for the effects of these differences. Deferred tax asset valuation allowances are made where it is more likely than not that the asset will not be realised in the future. These valuations require judgements to be made including the forecast of future taxable income. Deferred tax balances are not discounted.

Accruals for tax contingencies require management to make judgements and estimates 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 recorded exposure to interest on tax liabilities is provided for in the tax charge. All provisions are included in creditors due within one year.

### 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.

### FINANCIAL INSTRUMENTS

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

### CONTINGENT LIABILITIES

Through the normal course of business, AstraZeneca 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.