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ZENECA Group PLC
COMPANY NO: 2723534

# ZENECA

ANNUAL REPORT AND ACCOUNTS

1994

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Zeneca is a leading international bioscience group which creates new products and services to improve human health and nutrition and the quality of life.

Its culture is based on encouraging people to achieve their best and to be bold, imaginative, caring and responsible.

We aim to be the best in our chosen fields and thereby to increase the wealth of our shareholders and enhance the prosperity and well-being of our customers, employees and the communities of which we are a part.

## CONTENTS

# Key achievements in 1994

Focused development of a Disease Management business built on Zeneca's areas of pharmaceutical strength:

Cancer: Proposal to acquire 50% of Salick Health Care, Inc., a leading provider of complete cancer and chronic disease care, for $205 million.

Cardiovascular: Formation of Stuart Disease Management Services Inc. to work with US healthcare organisations to devise cost-effective treatment programmes.

'Merrem' broad spectrum antibiotic launched in first market, Italy, and recommended for authorisation by the European Committee on Medicines (CPMP).

Completion of certain key clinical trials on development drugs 'Accolate', 'Tomudex', 'Arimidex', and first regulatory applications for 'Casodex' oral prostate cancer therapy in the US and major European territories, to be followed by other countries.

Agrochemicals lifts trading profit before exceptional items by 55%.

US launch of maize herbicide 'Surpass'.

First national registration submission made for 5504, Agrochemicals' new broad-spectrum fungicide.

Resins invests in new plant and technical facilities in Singapore.

Cellmark Diagnostics forms collaboration with Eastman Kodak for the development of novel medical diagnostic tests.

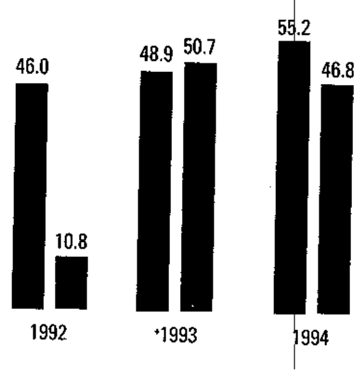
Cross-business expansion programme into China initiated.

# Group financial highlights

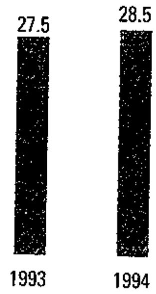
| | 1994 £m | +1993 £m | % change |
|---|---|---|---|
| Turnover | **4,480** | 4,440 | +1 |
| Trading profit before exceptional items | **797** | 704 | +13 |
| Profit before exceptional items and taxation | **763** | 618 | +23 |
| Profit before taxation | **659** | 633 | +4 |
| Net profit for the financial year | **443** | 431 | +3 |
| Weighted average Ordinary Shares in issue | **946** | 850 | +11 |
| Earnings per Ordinary Share | **46.8p** | 50.7p | -8 |
| Earnings per Ordinary Share before exceptional items | **55.2p** | 48.9p | +13 |
| Dividend per Ordinary Share | **28.5p** | 27.5p | +4 |

| Dividend for 1994 (net of tax credit) | pence | payment date |
|---|---|---|
| First interim dividend | 10.75 | 7 November 1994 |
| Second interim dividend | 17.75 | 9 May 1995 |

Earnings per Ordinary Share
pence




Dividends
pence

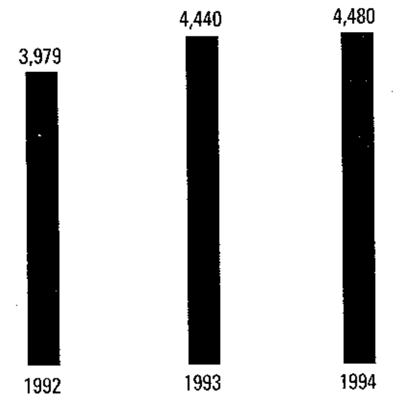



Average Ordinary Shares in issue
million

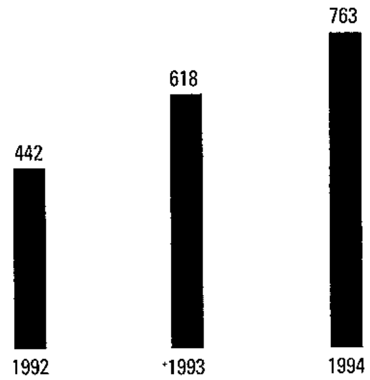

Before exceptional items    After exceptional items

* Restated

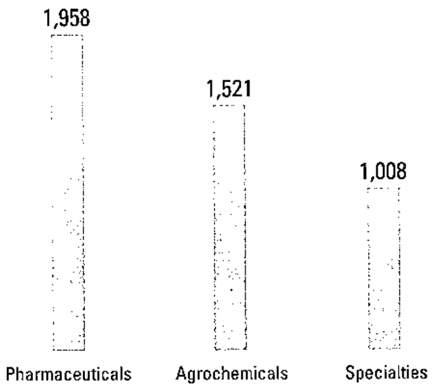
## Turnover £m



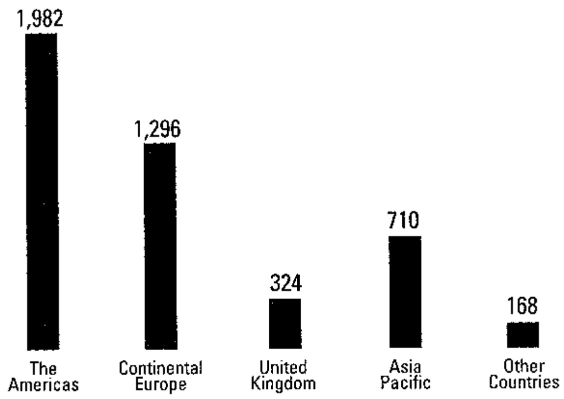

## Profit before exceptional items and taxation £m



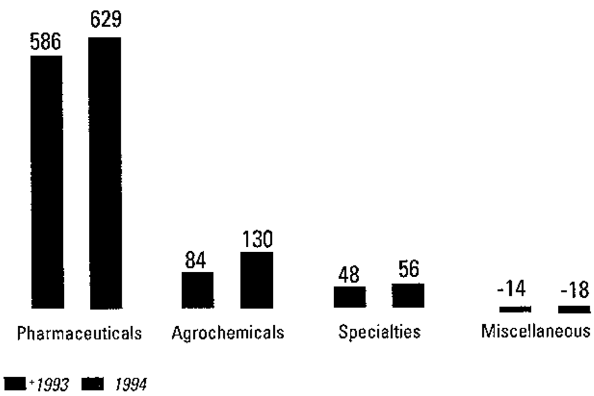

## 1994 Turnover by Business £m




## 1994 Turnover by Geographic area £m

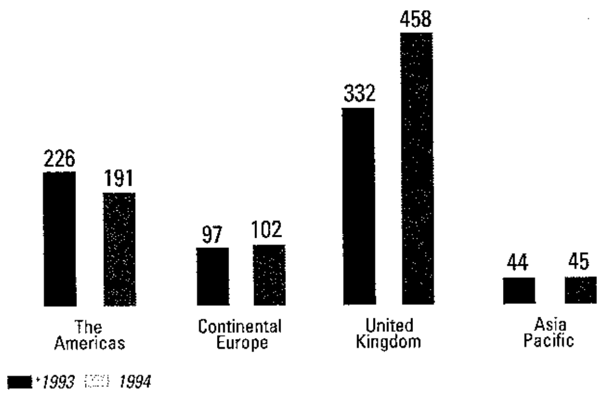



## Trading Profit before exceptional items by Business £m



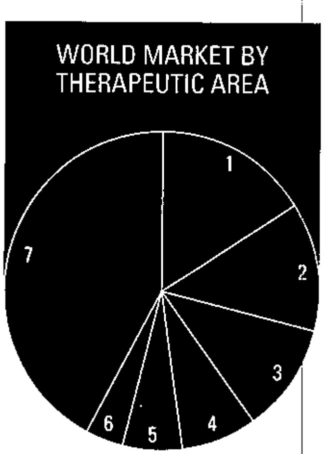

* Restated

## Trading Profit before exceptional items by Geographic area £m

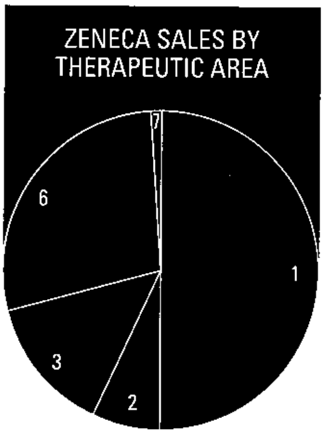


# The businesses at a glance

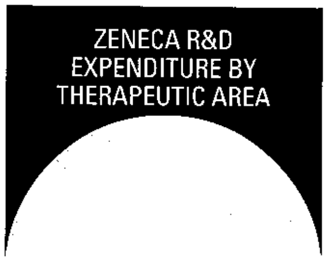
## PHARMACEUTICALS




| | | |
|---|---|---|
| 1 | CARDIOVASCULAR | 16% |
| 2 | INFECTION | 13% |
| 3 | CENTRAL NERVOUS SYSTEM | 11% |
| 4 | RESPIRATORY | 8% |
| 5 | ARTHRITIS | 6% |
| 6 | CANCER | 4% |
| 7 | OTHERS | 42% |



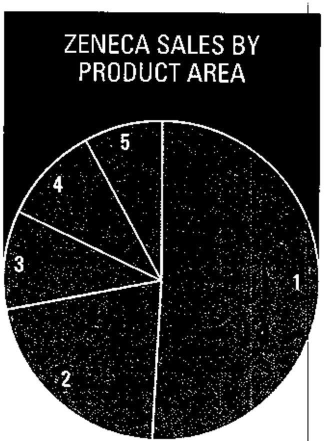

| | | |
|---|---|---|
| 1 | CARDIOVASCULAR | 50% |
| 2 | INFECTION | 7% |
| 3 | CENTRAL NERVOUS SYSTEM | 14% |
| 4 | RESPIRATORY | 0% |
| 5 | ARTHRITIS | 0% |
| 6 | CANCER | 28% |
| 7 | OTHERS | 1% |



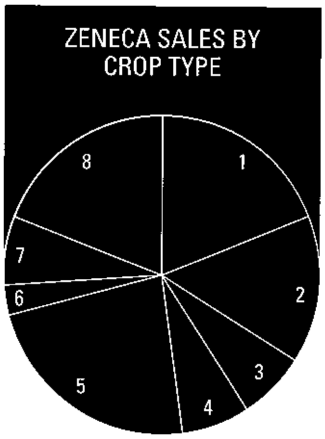

| | |
|---|---|
| CARDIOVASCULAR | 13% |
| INFECTION | 10% |
| CENTRAL NERVOUS SYSTEM | 19% |
| RESPIRATORY | 19% |
| ARTHRITIS | 3% |
| CANCER | 24% |
| OTHERS | 12% |

Source: IMS AG (1993 Data)

## AGROCHEMICALS

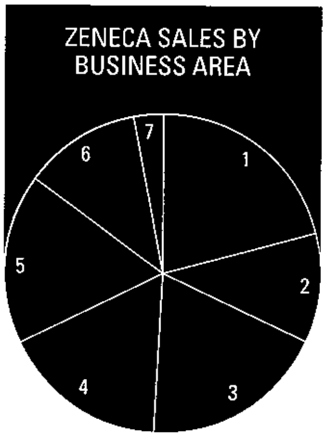



| | | |
|---|---|---|
| 1 | HERBICIDES | 51% |
| 2 | INSECTICIDES | 21% |
| 3 | FUNGICIDES | 10% |
| 4 | SEEDS | 10% |
| 5 | OTHERS | 8% |




| | | |
|---|---|---|
| 1 | MAIZE | 19% |
| 2 | OILSEEDS | 15% |
| 3 | COTTON | 7% |
| 4 | WHEAT & BARLEY | 7% |
| 5 | FRUIT AND VEGETABLES | 23% |
| 6 | SUGAR BEET | 3% |
| 7 | RICE | 7% |
| 8 | OTHERS | 19% |

## SPECIALTIES




| | | |
|---|---|---|
| 1 | TEXTILE COLOURS | 21% |
| 2 | INDUSTRIAL COLOURS | 11% |
| 3 | OTHER ORGANICS BUSINESSES | 19% |
| 4 | RESINS | 17% |
| 5 | STAHL | 17% |
| 6 | OTHER COATINGS BUSINESSES | 12% |
| 7 | DEVELOPMENT BUSINESSES | 3% |

## PHARMACEUTICALS: Major Products and Key Development Projects

| | | Phase 1/2 | Phase 3 | Launch phase | In market |
|---|---|---|---|---|---|
| Cancer | *Zoladex, Nolvadex,* Metastron*<br>*Casodex, Arimidex, Tomudex*<br>ZM182780, ZD9331, ZD2767 | | | | |
| Cardiovascular | *Inderal, Tenormin, Tenoretic, Zestril, Zestoretic* | | | | |
| Central Nervous System | *Diprivan, Fluothane, Elavil*<br>*Seroquel* | | | | |
| Infection | *Hibitane,* Apatef*<br>*Merrem/Meronem,* Amphocil*<br>ZD0870 | | | | |
| Respiratory | *Accolate*<br>ZD2138 | | | | |

(Further details of the Pharmaceuticals product range can be found on the inside back cover.)
*See inside back cover.

## AGROCHEMICALS: Major Products

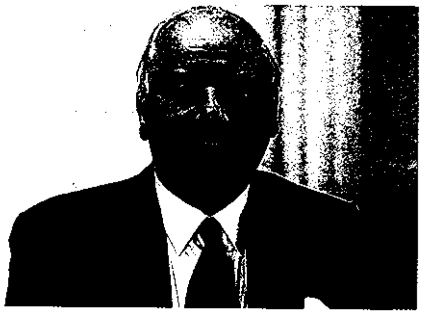
| Crops treated | Herbicides | Insecticides | Fungicides | Seeds: crops produced |
|---|---|---|---|---|
| Maize | *Eradicane*<br>*Surpass*<br>*Mikado* | *Dyfonate*<br>*Force* | | Maize |
| Soya | *Fusilade*<br>*Flex* | | | Soya |
| Cotton | *Fusilade* | *Ambush/Cymbush*<br>*Karate* | | |
| Wheat and Barley | *Grasp/Achieve*<br>*Boxer* | | *Impact*<br>*Planete/Anvil*<br>*5504** | Wheat and Barley |
| Fruit and vegetables | *Fusilade*<br>*Touchdown*<br>*Gramoxone*<br>*Reglone*<br>*Devrinol* | *Pirimor*<br>*Ambush/Cymbush*<br>*Karate*<br>*Actellic* | *Anvil*<br>Captan<br>*Nimrod*<br>*5504** | Fruit and vegetables including tomatoes and bananas |
| Sugar beet | *Fusilade*<br>*Ro-Neet* | *Force*<br>*Pirimor* | | Sugar beet |
| Rice | *Ordram*<br>*Fujigrass* | *Karate/Cymbush* | *Anvil*<br>*5504** | |
| Oilseed rape | *Fusilade†*<br>*Devrinol*<br>*Reglone* | | | Oilseed rape |
| Sunflower | *Racer*<br>*Reglone* | | | Sunflower |
| Sorghum | | | | Sorghum |

** Development phase*
*† Also sold as 'Venture' in Canada*
*Note: the dark shaded areas represent major segments of the world agrochemicals market*

## SPECIALTIES: Major Products

| Business | Applications |
|---|---|
| **ORGANIC CHEMICALS** | |
| Colours: Textile | Reactive, disperse, VATs and Indigo dyes for cellulosic fibres, polyester and their blends |
| Industrial | Pigments for paints and plastics; paper dyes; specialist colours for reprographics |
| Biocides | Industrial biocides eg *Proxel* and *Promexal* preservatives, *Densil* fungicides, *Vantocil* disinfectants and *Cosmocil* preservative for personal care<br>Swimming pool products eg *Baquacil* |
| Fine Chemicals | Intermediates for pharmaceuticals and agrochemicals including chiral technology |
| Effects | Metal extractants for the recovery of copper; polymer stabilisers; fabric protection finishes; special drug mixtures |
| **COATINGS** | |
| Resins | Binders and additives for architectural and industrial coatings and adhesives/printing inks |
| Stahl | Leather and shoe finishes; coatings for fabrics |
| Novacote | *Novacote* laminating adhesives and flexible packaging coatings |
| Specialty Inks | Flexographic and rotogravure inks and coatings for consumer packaging |
| **BIO PRODUCTS** | |
| Biopolymers | *Biopol* biodegradable plastic |
| Cellmark Diagnostics | Genetic fingerprinting; medical diagnostics |
| Cambridge Research Biochemicals | Drug discovery, biomolecule synthesis technology |
| Marlow Foods | *Quorn* natural protein food |

# Chairman's statement



1994 has been a year of solid achievement for Zeneca, built on the excellent start we made in our foundation year of 1993.. Sales increased from £4.44 billion to £4.48 billion and trading profits before exceptional items improved satisfactorily from £704 million to £797 million.

Zeneca's steady performance was achieved under competitive market conditions and against an improving economic backdrop of good growth in the USA and UK economies, with some evidence of modest recovery in the rest of Europe emerging mid-year. With the exception of Japan, which appeared to be coming out of the trough of their recession until the tragic Kobe earthquake, the Asia Pacific markets continued to power ahead, although in some countries inflation is now at high levels.

Thankfully, none of our employees were injured in the earthquake and we were also fortunate that it had a minimal effect on our operations there, although business conditions are very difficult.

In 1994, we drove forward vigorously our strategy of focusing selectively on strengthening the three key businesses, divesting non-core activities and reducing costs wherever possible to ensure our long-term competitiveness, even though this meant we had to take a significant exceptional charge of £138 million, offset by disposal profit of £34 million.

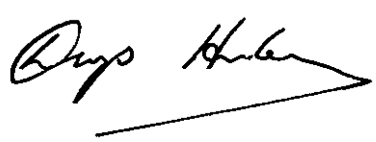
During 1994 we also concluded a number of important strategic moves such as our agreement to invest in the leading US cancer care provider Salick Health Care, Inc., the creation of Stuart Disease Management Services, and the launch of our exciting five-year programme for expansion in China. Additionally we have continued to divest non-core activities such as the Garden and Professional Products business, which was sold satisfactorily at the end of 1994, while still protecting the job security of our employees in that particular area.

The rapidly changing environment in which Zeneca operates is increasingly competitive, and there has been considerable restructuring and consolidation in the last 12 months. Despite the uncertain climate, I am confident that Zeneca has the innovative skills and the right strategy to compete successfully on its own terms. Zeneca's shareholders have benefited from the sharper focus afforded by demerger and the management has taken early and appropriate steps to capitalise on the changing market. The Company is constantly evaluating relevant development options and, as in the case of Salick, is ready to move quickly to take advantage of opportunities which enhance shareholder value.

The global outlook looks promising with the World Bank forecasting a period of strong economic growth for both developed and developing countries. The ratification of the General Agreement on Tariffs and Trade (GATT) was a major development. The signing of the US implementing legislation should extend patents on four of Zeneca's drugs (including two development compounds). In a broader sense, GATT should also serve to underpin improved economic prospects for the second half of this decade. Therefore, while market conditions for most of our businesses will remain competitive, the Board is confident that Zeneca will continue to take advantage of the better trading climate, our improving cost base and an enhanced product range from our new product pipeline. Consequently, the Board believes it is appropriate to recommend an increased 1994 dividend of 28.5 pence. Dividend cover is now approaching a satisfactory level.

There are Board changes to which I should refer. Lord Chilver will retire as a Non-Executive Director at the 1995 AGM. I should like to express my gratitude to him for his valued contribution, both during his time with Zeneca and with ICI prior to demerger – we shall miss his wise counsel. I would like to welcome Peter Bonfield who joined us on 1 January 1995 and Sir Sydney Lipworth who was appointed to the Board in October 1994. Sir Sydney will take over from me as Chairman on my retirement at the end of the 1995 AGM. I am sure his broad business experience and financial acumen will complement the talents of David Barnes, whose industry experience and extensive knowledge of Zeneca has enabled him to lead the Company with great skill and determination since its inception. Mr Barnes will continue as Chief Executive and I am confident that he and Sir Sydney will make a formidable partnership which will maintain Zeneca's forward momentum.

When I wrote to shareholders in February 1993 to explain the reasons for demerger, I said that I believed that this radical move would be in the best interests of shareholders, employees and customers. I believe that Zeneca's performance since then has fully justified that prediction. I also said that it appeared to be the best way in an increasingly competitive global marketplace to allow each company to achieve its fullest potential. Thanks to the extraordinary effort put in by Zeneca's employees, we can claim that great progress has been made on that count too. My grateful thanks are therefore most sincerely offered to all my colleagues in Zeneca who have worked so hard to achieve our Company's success. The future will undoubtedly hold new challenges, but I am confident that Zeneca will continue to build on the excellent progress made so far. It has been a great privilege to have been Zeneca's first Chairman, and I am happy that Sir Sydney Lipworth will succeed me in that role. I wish him, David Barnes, the management team and all my Zeneca colleagues worldwide, continued success in what I know will be an exciting future.



Sir Denys Henderson
*Chairman*

# Board of directors

*Sir Richard Greenbury, Sir Denys Henderson, David Barnes*

*Peter Doyle, Lord Chilver, Sir Jeremy Morse*

*Alan Pink, Tom Wyman*

*Gill Lewis, Tony Rodgers*

*Sir Sydney Lipworth, John Mayo*

**Sir Denys Henderson** (62) Chairman. Also Chairman of Imperial Chemical Industries PLC and The Rank Organisation Plc. Also a Non-Executive Director of Barclays PLC and The RTZ Corporation PLC. Retires as Chairman of Zeneca on 12 May 1995.

**David Barnes** CBE (59) Chief Executive. Also a Non-Executive Director of Redland PLC.

**Peter Doyle** CBE (56) Executive Director. With overall responsibility for research and development, manufacturing, safety, health and the environment. Also a member of The Royal Commission on Environmental Pollution and has been appointed, with effect from January 1995, as a member of the Central Research and Development Committee for the National Health Service.

**John Mayo** (38) Executive Director. With overall responsibility for finance, insurance and information technology. Also a Non-Executive Director of Pentland Group plc.

**Alan Pink** (57) Executive Director and Chief Executive Officer of Agrochemicals and Seeds. Also a Non-Executive Director of Smiths Industries PLC.

**Tony Rodgers** (54) Executive Director. With overall responsibility for human resources and public affairs. Also Chairman of the Zeneca Pension Fund corporate trustee.

**Sir Sydney Lipworth** QC (63) Non-Executive Director. Deputy Chairman of National Westminster Bank Plc, Director of Carlton Communications Plc, Chairman of the Financial Reporting Council, and was formerly Chairman of the Monopolies and Mergers Commission.

**Lord Chilver** FRS (68) Non-Executive Director. Chairman of English China Clays plc and RJB Mining PLC.

**Sir Richard Greenbury** (58) Non-Executive Director. Chairman and Chief Executive Officer of Marks and Spencer p.l.c. Also Non-Executive Director of Lloyds Bank Plc.

**Gill Lewis** (51) Non-Executive Director. Also a Non-Executive Director of Pearson PLC. During 1994, she was Senior Vice President and Director of Human Resources for Nestlé S.A.

**Sir Jeremy Morse** KCMG (66) Non-Executive Director. Also Non-Executive Director of the Bank of England and a nominated member of the Council of Lloyds.

**Tom Wyman** (65) US citizen, Non-Executive Director. Also Chairman of S.G. Warburg & Co. Inc., Vice Chairman and Executive Director of S.G. Warburg Group plc and Non-Executive Director of AT&T, General Motors Corporation and United Biscuits (Holdings) PLC.

*On 1 January 1995, **Peter Bonfield** CBE, FEng (50) joined Zeneca as a Non-Executive Director. He is Chairman and Chief Executive of ICL plc, a Director of BICC plc, DESC Limited and Deputy Chairman of the British Quality Foundation.*

# Chief Executive's review

I am pleased to report that all of the main businesses produced increased profits in 1994. We have consolidated our leadership positions in the markets where we operate and continued to progress vigorously our research and development (R&D) programmes so as to secure earliest possible market entry for new products. The 13% growth in Group trading profit demonstrates our ability to continue to grow the business and deliver shareholder value.

Zeneca was launched in a year of unprecedented change in the healthcare sector. In its second year of independent existence, that pace of change has increased. In developed countries, improved quality of life and the greater availability of sophisticated healthcare technologies mean that on average people live longer, leading to increased demand for healthcare. The resultant escalating healthcare expenditures have posed difficult problems for most governments which are seeking to curtail these increases. In the largest healthcare market, the US, an increasing number of patients are subscribing to large buying groups, like Health Maintenance Organisations (HMOs), which purchase healthcare for them. Their increased buying power has led to severe price competition and sustained downward pressure on pharmaceutical margins.

Pharmaceutical companies have developed different responses to these challenges, but whichever route is chosen, the first and absolute requirement for future success is to maintain R&D capable of producing a steady stream of innovative medicines. At Zeneca's inception we stated that we intended, on average, to launch one new therapy each year. In September 1994 'Merrem', our new broad spectrum antibiotic, was launched in Italy and during the year we also filed for regulatory approval for a new oral prostate cancer treatment, 'Casodex', in a number of countries. Filings should be made for three further products ('Arimidex' and 'Tomudex' anti-cancer therapies and the anti-asthma compound 'Accolate') in 1995, and for our schizophrenia therapy 'Seroquel' in 1996. I am confident that Zeneca has the requisite skill to maintain our high quality new product pipeline and that we shall exceed by some margin our target of launching one new therapy each year.

In healthcare, Zeneca's primary policy in 1994 has been to get closer to its customers (clinicians, HMOs, etc). The most significant action in this respect was the agreement for Zeneca to acquire an initial 50% shareholding in the leading US comprehensive cancer care provider, Salick Healthcare, Inc. Salick is a profitable business, and the transaction gives us access to its new subsidiary, SalickNet, which recently signed its first contract to provide capitated cancer care.

The Salick purchase is designed to give Zeneca a better insight into complete cancer care, thereby improving the focus of our R&D, and should enable us to develop better and more cost effective patient care regimes through the application of its clinical database.

# Chief Executive's review

1994 was a particularly good year for our Agrochemicals business. The European Common Agricultural Policy reforms introduced a year earlier appear to have been accommodated by the market, and in the US the acreage under cultivation was increased to compensate for crop shortfalls caused by widespread flooding in 1993. Because of the quality and breadth of its product range, Zeneca Agrochemicals was able to capitalise on the resultant increased demand.

In 1995 we intend to build on our position as one of the leading Agrochemicals companies by improving further the quality and effectiveness of the existing product range, through the introduction of new formulations and uses, and the vigorous marketing of both existing and new products in developed and developing markets.

External factors have impacted differentially on our Specialties businesses. The strong US economic recovery has benefited the coatings businesses, whereas European markets for the organic chemicals businesses remain extremely tough and competitive. Despite these challenges the aggregate result from Specialties has for the third year running shown significant improvement and the business has lifted performance closer to that of leading companies in the sector.

Profitability at both Agrochemicals and Specialties benefited from continued restructuring, improved manufacturing efficiency and a strong focus on customer service.

Ninety-three per cent of Zeneca's sales are outside the UK. In 1994, Group exports exceeded £1.8 billion and the Pharmaceuticals business received a Queen's Award for Export. We intend to extend our presence in new regions which show potential for good returns and therefore announced the formation of three joint ventures in China this year.

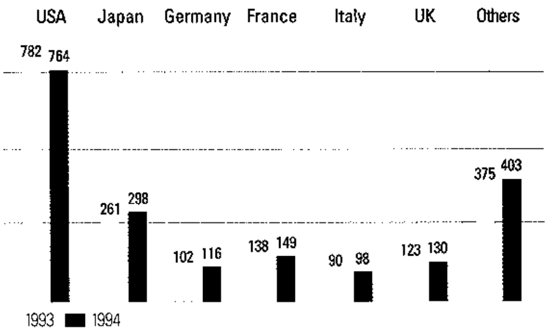
Zeneca is committed to the achievement of high standards of ethics, care and responsibility and I am pleased that we have secured further improvements in safety, health and environmental performance during 1994, as detailed on page 26 of this report.

I would like to take this opportunity to pay tribute to Sir Denys Henderson who retires as Chairman at the end of the 1995 AGM. Sir Denys had the vision to recognise the potential benefits of demerging Zeneca from ICI and provided the leadership and courage to see that vision realised. As Chief Executive, I have greatly valued his advice, experience and support. I am sure that shareholders and employees alike will join me in wishing him and Lady Henderson much success and happiness in the future.

David Barnes
*Chief Executive*

# In the market place

Zeneca Pharmaceuticals
Sales by major market 1993/94 *£ million*




## PHARMACEUTICALS

**Sales and trading profits for the Pharmaceuticals business grew by 5% and 7% to £1,958 million and £629 million respectively. Established products ('Zestril', 'Zoladex' and 'Diprivan') continued to show double digit sales growth and these products alone achieved worldwide sales of £934 million compared with £771 million in 1993. The compounds in late development are all progressing towards regulatory submissions in 1995 or early 1996.**

### *Evolution of pharmaceuticals market gathers pace*

In 1994 the rate of change in the pharmaceutical market increased. In the US a growing number of people are joining large provider organisations like Health Maintenance Organisations (HMOs) or Preferred Provider Organisations (PPOs) which organise customers' healthcare in return for insurance payments or discounted fee-for-service payments. These groups seek to limit costs in order to contain premiums.

Other developed countries are adopting different measures to limit healthcare costs, ranging from the

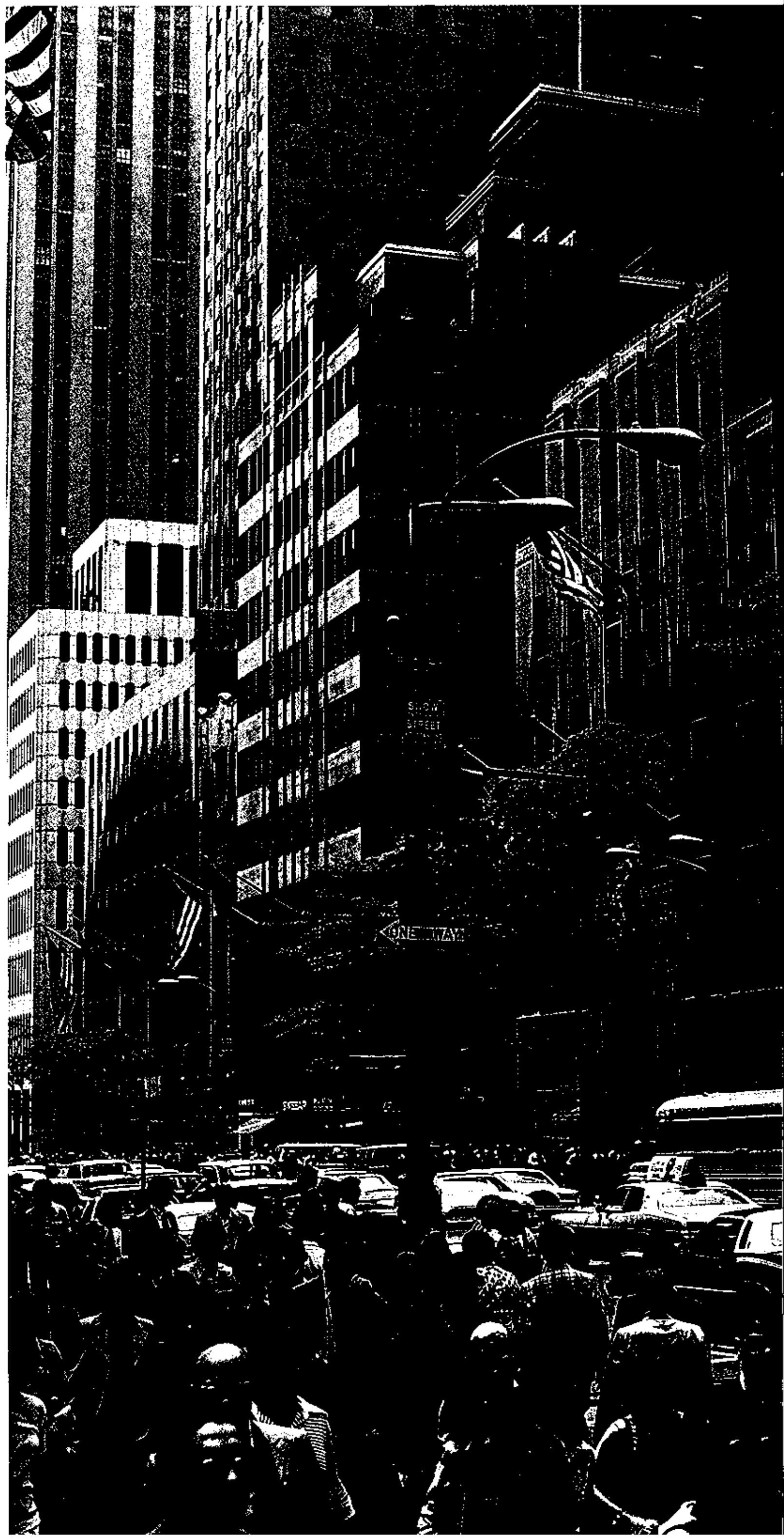


*Photo: 1 in 4 of the US population suffers from heart disease. 1 in 5 has high blood pressure, 1 in 100 heart failure and each year 1 in 200 will suffer a heart attack.* 'Zestril' *is effective in all three indications.*

# In the market place

Sales of key products in 1994 and percentage change in sales compared with 1993

| | | 1994 sales £m | Growth % over 1993 Sterling constant |
|---|---|---|---|
| ANTI-CANCER | 'Zoladex' | 199 | +33% |
| | 'Nolvadex' | 346 | -5% |
| CARDIOVASCULAR | 'Zestril' | 490 | +20% |
| | 'Tenormin' | 413 | -11% |
| ANAESTHESIA | 'Diprivan' | 245 | +23% |
| OTHERS | | 265 | -1% |
| **TOTAL** | | **1,958** | **+6%** |

During December, Zeneca received a challenge to its US patent for 'Nolvadex' from the generics company Novopharm Limited. Zeneca will vigorously pursue Novopharm for patent infringement in the US courts.

**In Europe:** Zeneca recorded performances amongst the best in the industry with strong growth in the four largest markets: Germany, Italy, France and the UK.

In Italy, reimbursement reforms have caused a switch towards clinically proven, ethical medicines which in spite of a mandatory price reduction has greatly enhanced Zeneca's position, leading to a significant increase in market share.

In the UK, the commercial teams are managing change by creating eight business sub-units to mirror the proposed regional National Health Service offices which will have considerable purchasing power.

**IN 1994, ZENECA'S MACCLESFIELD WORKS PRODUCED THE EQUIVALENT OF 2,000 MILLION DOSES OF MEDICINES – ENOUGH TO TREAT 60 PATIENTS EVERY SECOND OF THE YEAR.**

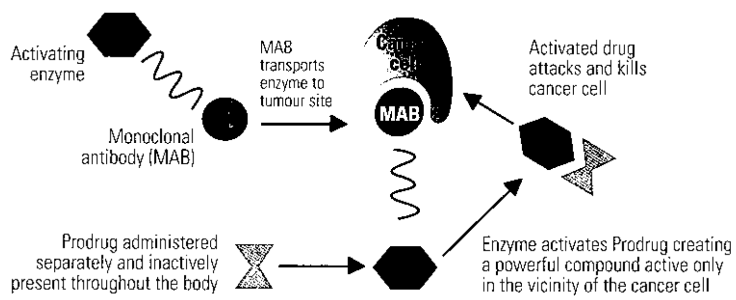
In Germany, 1994 has seen some market recovery (6% growth) while Zeneca has outperformed the market with 14% growth based on a strong performance across the portfolio, especially for the newer products 'Diprivan' (23%) and 'Zoladex' (13%). Sales also benefited from the business's early entry into East Germany and successful marketing campaigns for 'Zestoretic' and 'Zoladex'.

Central and East European markets pose different challenges such as effective distribution and secure payment arrangements. In spite of these problems, Zeneca increased sales by more than 30% and received 34 product licence approvals there during the year.

**In Asia Pacific:** The Company's move to undertake its own distribution in Japan and split its sales force between hospital and general practice doctors will allow greater customer focus. Further approvals, like that anticipated in Japan for the injectable anaesthetic 'Diprivan', should enable Zeneca to build on its £245 million 1994 worldwide sales for the product.

The expanding $4 billion Chinese medicines market represents a clear opportunity, provided intellectual property rights become more reliable. 'Diprivan', 'Zoladex', 'Tenormin' and 'Zestril' were launched in China in 1994, and during 1995 the emphasis will be placed on successful commercialisation of this portfolio. This process will be facilitated by the 75% Zeneca-owned joint venture with Sinopharm, the State Pharmaceutical Administration of China. This agreement will enable the partners to share good practice, facilitate technology transfer and enhance access to the Chinese markets.

How Antibody Directed Enzyme Prodrug Therapy (ADEPT) combats cancer




*This highly targeted method of attacking cancer cells reduces the toxic side-effects associated with many older therapies.*

Other Asia Pacific markets, such as Indonesia and India, are showing good progress towards more open markets and some progress is being made towards more protective intellectual property laws in Taiwan and Thailand.

Worldwide sales of the cardiovascular therapy 'Tenormin' declined by 11% overall – half the 1993 rate of decline.

***Broadening the product range***

In addition to its drive to develop novel drugs, Zeneca has expanded its existing range in 1994 through improved formulations, new approvals and additional indications.

'Zoladex' gained approval for breast cancer and certain benign gynaecological indications in Japan, and in October Zeneca filed for approval of its long-acting depot formulation of 'Zoladex', for the treatment of prostate cancer, in the US. This will build on the success of the one month depot, benefiting patients by reducing the frequency of injections, and GPs by saving them time and therefore money.

An independent trial showing 'Zestril' to be beneficial in heart attack patients is also expected to extend further the use of this product.

***Developing new products***

In 1994 the development pipeline progressed towards planned registrations and Zeneca Pharmaceuticals' first new product, the broad spectrum intravenous antibiotic 'Merrem', was launched in Italy, and recommended for authorisation by the European Committee on Medicines (CPMP).

Anti-cancer therapies represent 28% of Zeneca Pharmaceuticals' sales and Zeneca consolidated its leading position in this area by making regulatory applications for 'Casodex', the oral anti-androgen for prostate cancer, on schedule in 1994. Applications for 'Arimidex', the aromatase inhibitor for advanced breast cancer, and 'Tomudex', a novel cytotoxic for colo-rectal cancer, are expected early in 1995.

In earlier development, the anti-cancer portfolio includes a pure anti-oestrogen, a further cancer cytotoxic and an anti-cancer agent based on Antibody Directed Enzyme Prodrug Therapy (ADEPT), a programme which resulted from collaboration with the Cancer Research Campaign.

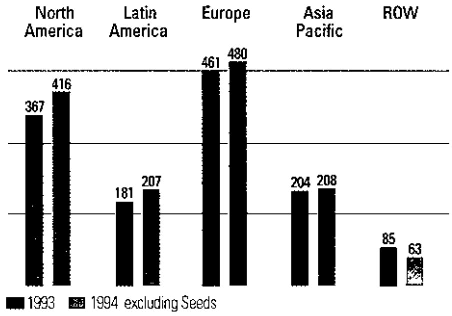
In respiratory R&D, Phase III trials with 'Accolate', the oral anti-asthmatic, are now complete and the first submissions for marketing approval will be made in mid-1995.

In Central Nervous System R&D, filings for the fifth compound in Phase III development, the schizophrenia therapy, 'Seroquel', are scheduled for 1996.

Anti-infection products in early development include the anti-fungal ZD0870 which Zeneca is co-developing with Mochida Pharmaceutical Co Ltd of Japan.

# In the market place

Zeneca Agrochemicals
Sales by region 1993/94 *£ million*




## AGROCHEMICALS

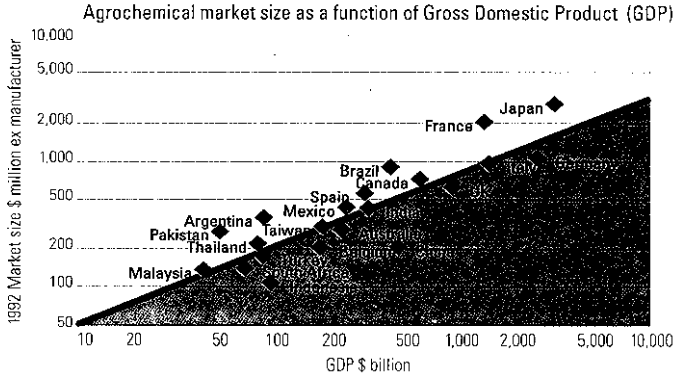
**1994 was a year of strong performance for Agrochemicals. The 4% increase in sales to £1,521 million and the 55% increase in profits before exceptional items to £130 million reflect strong volume growth of new and existing products and gains made through continued cost controls. The volume growth can be attributed to both a general upturn in the world agrochemical market, which grew for the first time in three years reflecting a more buoyant agricultural economy, and the success of Zeneca's strategies and operations in the different regions.**

### *Agrochemicals in the market*

In North and Latin America: Zeneca Agrochemicals was among the best industry performers in the US in 1994. The 14% sales increase on 1993 reflects strong uptake of new products like the maize herbicide 'Surpass', and good performance of established products like the herbicide 'Fusilade' and the soil insecticide 'Force'. US sales of the herbicide 'Gramoxone' were strong again, reflecting increases in conservation tillage farming methods which favour weed control agents that minimise soil disturbance. 'Karate' continues to be the leading pyrethroid insecticide product in US cotton.

*Photo: About 95% of US planted corn acres are treated with grass herbicides each year. The first consignments of* 'Surpass' *were on their way to customers within 90 minutes of Environmental Protection Agency approval.*

*As countries become more developed and their GDP increases, so their demand for agrochemicals increases. In China and India for example, the use of agrochemicals is escalating in line with economic growth.*




Favourable weather conditions, increased plantings (particularly of maize, soya and cotton), and the economic upturn which has released more money for agrochemical expenditure, all contributed to an outstanding year.

Sales of 'Venture' and 'Reglone' herbicides were bright spots in Canada. Despite the reduction in planted wheat and barley acreage, 'Achieve' herbicide sales also advanced.

Latin America showed excellent sales growth of 17%. There were exceptional increases in key crops in Brazil (soya, maize) and in Argentina (sunflower). Sales of the products 'Flex', 'Karate', 'Gramoxone', 'Racer' and acetochlor all grew strongly. Good growth was also seen in Colombia, another of the major markets in the region. The market was flat in Mexico and Central America due to drought and illiquidity.

**In Europe:** There are welcome signs that the effects of the recent reform of the Common Agricultural Policy (CAP), which depressed sales in past years, have levelled out.

The new herbicide 'Touchdown', launched most recently in the UK and Germany and so far registered in 50 countries globally, is proving particularly successful in Europe. There, its diverse uses include weed control on set aside land, the area of which has increased because of CAP reforms. As weeds flourished in the wet spring in southern Europe, sales growth of other herbicides like 'Grasp' and 'Mikado' also reached double digit levels. Zeneca purchased the remaining 50% of its Spanish operation Zeltia (now known as Zeneca Agro S.A.) at the end of 1993 and in its first year of full ownership, sales in Spain increased by 16% in local currency.

At the end of the year, Zeneca sold its Garden and Professional Products business, which operates primarily in the UK and the Republic of Ireland, for approximately £37 million. The business was no longer regarded as a core activity.

**In Asia Pacific:** Sales in the region, which increased overall compared with 1993, allowed Zeneca to maintain its strong market presence. Japan had a record year, assisted by strong growth in rice herbicides, which benefited from an increased crop area and the development of new mixtures.

### *Continued cost control worldwide*

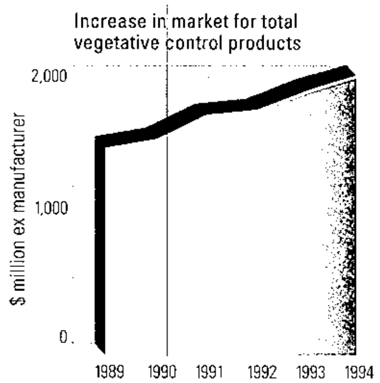
Agrochemicals is continuing to look for cost savings wherever it operates. In 1994 the business made a £45 million provision, a sum which will cover business restructuring and the closures of an old 'Gramoxone' plant at Widnes in the UK and a formulation plant at Bernay in France. These closures represent a further rationalisation of production and formulation in Europe.

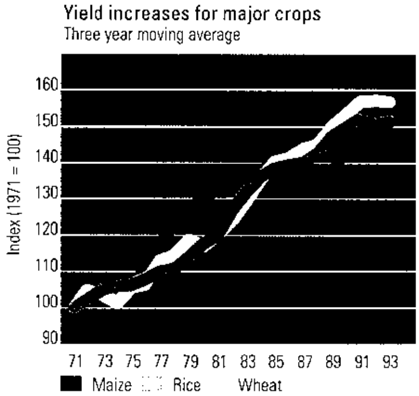
### *The Seeds Business*

Seeds' hybrid field crops (HFC) business increased its market share in key sunflower markets such as Argentina, India and South Africa in 1994, but

# In the market place

*Soil erosion can result in the equivalent of 1% of GDP per year being lost in some countries. In order to limit it, farmers are increasingly using total vegetative control agents like* 'Gramoxone' *and* 'Touchdown' *which control weeds without disturbing or destabilising top soils.*




*Yield of the world's major crops have increased by about 2% per year over the last 20 years. Agrochemical products have played an integral role in achieving this increase.*

maize sales in the US fell as a result of fierce competition. In East Europe, poor infrastructure, uncertain political climates and extended credit risk have combined to make profitable trade for the HFC business difficult. Zeneca has therefore elected to withdraw from a number of markets in the region, particularly those with the problems described above, and made an exceptional charge of £51 million for this and other restructuring during the year. These changes, plus the fast track development of improved maize hybrids, are aimed at making Seeds profitable.

During the year, Zeneca Plant Science came a step closer to marketing its genetically modified processing tomato by obtaining clearance for sales to customers in both the US and the UK. Zeneca Plant Science has modified the ripening process to improve the quality of the tomatoes used in processed products. As they ripen, the modified tomatoes retain their firmness, ensuring thicker consistency in processing that yields benefits at all stages of food production. Losses due to spoilage during harvest and transport are also reduced by the firmer ripe tomato. This technology has application in other crops, such as bananas.

***Future prospects: Agrochemicals and Seeds***

To improve access to growth markets, Zeneca is making significant investments in developing countries which it considers of strategic importance. Plans for the $60 million joint venture to build a 3,000 tonne 'Gramoxone' plant in China are progressing well with the intention to supply the market in 1997.

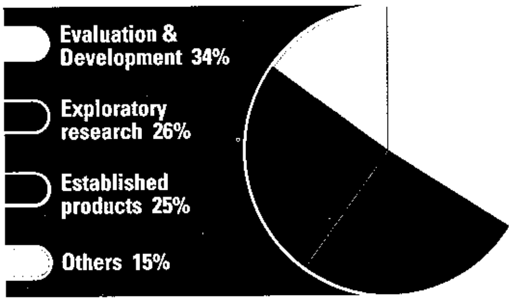
Zeneca's interest in China at this point is driven by a number of factors. China has over a fifth of the world's population living off 7% of the world's arable land. Land scarcity and the migration of the rural labour force to the cities mean that yields and efficiency must increase to meet the rising demand for food created by economic and population growth. These factors promote the use of fast-acting, labour-saving products such as 'Gramoxone'.

**ZENECA AGROCHEMICALS HAS OVER 40 REGISTERED ACTIVE INGREDIENTS – ONE OF THE BROADEST PORTFOLIOS IN THE INDUSTRY.**

Zeneca's commitment to its largest established product is further illustrated by its investment in a new 'Gramoxone' plant at Huddersfield.

The signing of the General Agreement on Tariffs and Trade is likely to impact on demand for agrochemicals and seeds through both its stimulant effect on the global world economy and the direct effects of its agricultural provisions. In West Europe, while the impact of the 1992 CAP reforms now seems to have been accommodated by the market, there may be the need for further reform, particularly with the accession of Central and East European countries around the turn of the century.

Zeneca Agrochemicals
R&D Expenditure 1994* %




*excluding Seeds

A major part of Agrochemicals research and development effort is being devoted to the new, broad spectrum fungicide 5504. Field trials on a broad range of crops worldwide have confirmed that this new product, from a chemical area in which Zeneca was the first to gain patents, will be a significant addition to the fungicide portfolio of Agrochemicals. Working through a novel mode of action, the product will offer farmers an alternative chemical approach for the control of fungi on crops. The first national registration submission has been made and others will follow in 1995.

The seeds of certain plants, like radish, produce proteins which combat fungal attack. Agrochemicals and Seeds are working together to isolate the genes coding for these anti-fungal proteins and transfer them to other commercially important crops. In this way the business aims to provide farmers with the full range of crop protection agents; from seeds with innate fungal resistance, to agrochemicals which protect seeds and plants from disease.

Substantial R&D effort is devoted to the full exploitation of the existing, extensive Agrochemicals' product range through product line extensions and securing re-registrations. Product line extension includes formulation and packaging developments, where Zeneca is in the forefront of technology in areas such as water dispersible granules and microencapsulation. The business gained 280 product registrations and re-registrations in 54 countries in 1994.

## SPECIALTIES

**Underlying sales for Specialties, allowing for the effect of disposals, grew steadily by 4% and profits before exceptional items rose by 24%. Reported sales, however, were down 2% from £1,027 million in 1993 to £1,008 million in 1994.**

**Specialties comprises three business clusters: Organics, Coatings and Bio Products. The Organics and Coatings businesses are established and generally performing strongly. These businesses have achieved, overall, an impressive increase in profitability allowing for the effect of disposals. The third cluster, Bio Products, comprises developing businesses.**

***Innovation at Organics counteracts difficult market conditions***

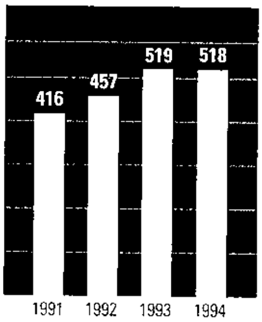
Innovation and product differentiation have enabled the organic chemicals businesses to grow sales despite intense competition and price pressures combined with adverse currency movements.

1994 sales for the Colours business were underpinned by a particularly good year for Industrial Colours where tight cost controls and strong sales contributed to increased profitability.

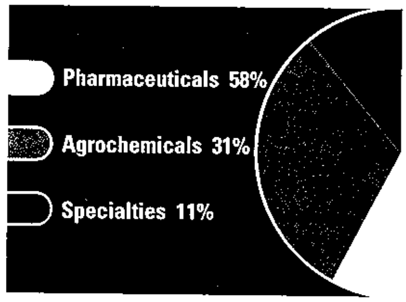
The business commissioned a new specialist colour facility at Zeneca's Chemical Engineering Laboratories in the US to provide a platform for future growth.

# The bioscience/organic chemistry network

Zeneca R&D expenditure *£ million*




Zeneca 1994 R&D expenditure by business %




**Zeneca is a research based company which applies its scientific skills to invent, develop and refine products and processes which improve human health, nutrition and quality of life.**

Zeneca's research and development (R&D) success is founded on the application of bioscience, which studies living organisms, and organic chemistry, the study of carbon compounds which form the building blocks of life.

### *Prime technologies complement bioscience and organic chemistry*

Bioscience and organic chemistry are complemented by a number of key disciplines such as formulation and process technologies. While the former concerns presentations of the product to the customer, the latter provides the means to scale up laboratory discoveries to commercial production. Specialties relies heavily on polymer science and coating technology.

### *Strong skills and an impressive R&D pipeline will sustain organic growth*

Zeneca's R&D priorities are determined by the overall business strategy. The initial priority is the vigorous development of the Pharmaceuticals business but with selective pursuit of other profitable development opportunities throughout the Group. The five pharmaceutical compounds in the late stages of development will require substantial investment in 1995 to secure optimum market access. These will form the platform for profitable growth in the latter years of the decade.

A substantial proportion of R&D investment at Agrochemicals and Specialties is spent on improving existing products, customising them to meet different needs and generating new environmental and toxicology data to allow rapid re-registration in countries which have revised their approval criteria.

### *Novel research techniques*

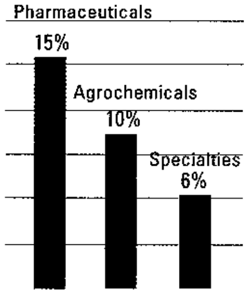
Zeneca's 7,000 R&D staff have an excellent track record of new product and process invention, and are equally resourceful when finding ways to accelerate or simplify research. A new technique for inserting genetic material into plant cells has recently been discovered by researchers at Seeds. It uses whiskers of silicon carbide crystals to pierce plant cells and microinject novel genetic material. This technique is now being used to develop new strains of crop plants with enhanced characteristics.

### *Global network of external collaboration*

The common dependence on bioscience and organic chemistry makes cross-business collaboration within Zeneca invaluable. The Group's scientific community also fosters links with external groups in order to broaden access to new areas of science. For example:

- The antibiotic 'Merrem', launched in 1994, was jointly researched and developed with the Japanese drug company Sumitomo Pharmaceuticals Co Ltd.

Business R&D spend
as a % of their 1994 sales




ZENECA R&D

**ORGANIC CHEMISTRY**

*Examples*

Molecular Design
Computer-aided design of new compounds
Synthetic Chemistry
Making new compounds on both laboratory and production scale
Analytical Chemistry
Determining the purity of new compounds

**BIOSCIENCE**

*Examples*

Genetics
How a living organism's genes influence its life or the products it makes
Microbiology
The study of micro-organisms like bacteria
Biotechnology
A research tool whereby living things are harnessed to make useful products or undertake useful processes

MARKET FOCUSED INNOVATION

- Zeneca has taken a $20 million stake in the US biotechnology company, Sugen Inc., and entered into a five year collaborative research project with them to develop new anti-cancer compounds.
- The Group has also invested £5 million in N. M. Rothschild's International Biotechnology Trust (IBT) which, through active collaboration with Rothschild, gives Zeneca a window on the rapidly changing biotechnology market.
- Specialties' Textile Colours business is collaborating with Stork, a textile machinery manufacturer, on dyes for novel ink jet printing of textiles.

Zeneca also derives benefits from its extensive academic links. For example, the anti-cancer compound 'Tomudex', which is in Phase III development at Pharmaceuticals, is the result of a collaborative project with The Institute of Cancer Research. The business has also established a Genome Group, charged with fostering collaboration with leading clinical and academic laboratories in order to discover new genetic targets for medical treatment.

Zeneca's corporate laboratories for toxicological and environmental studies are centres of excellence available to all businesses to help with the development and regulatory approval of new products and processes.

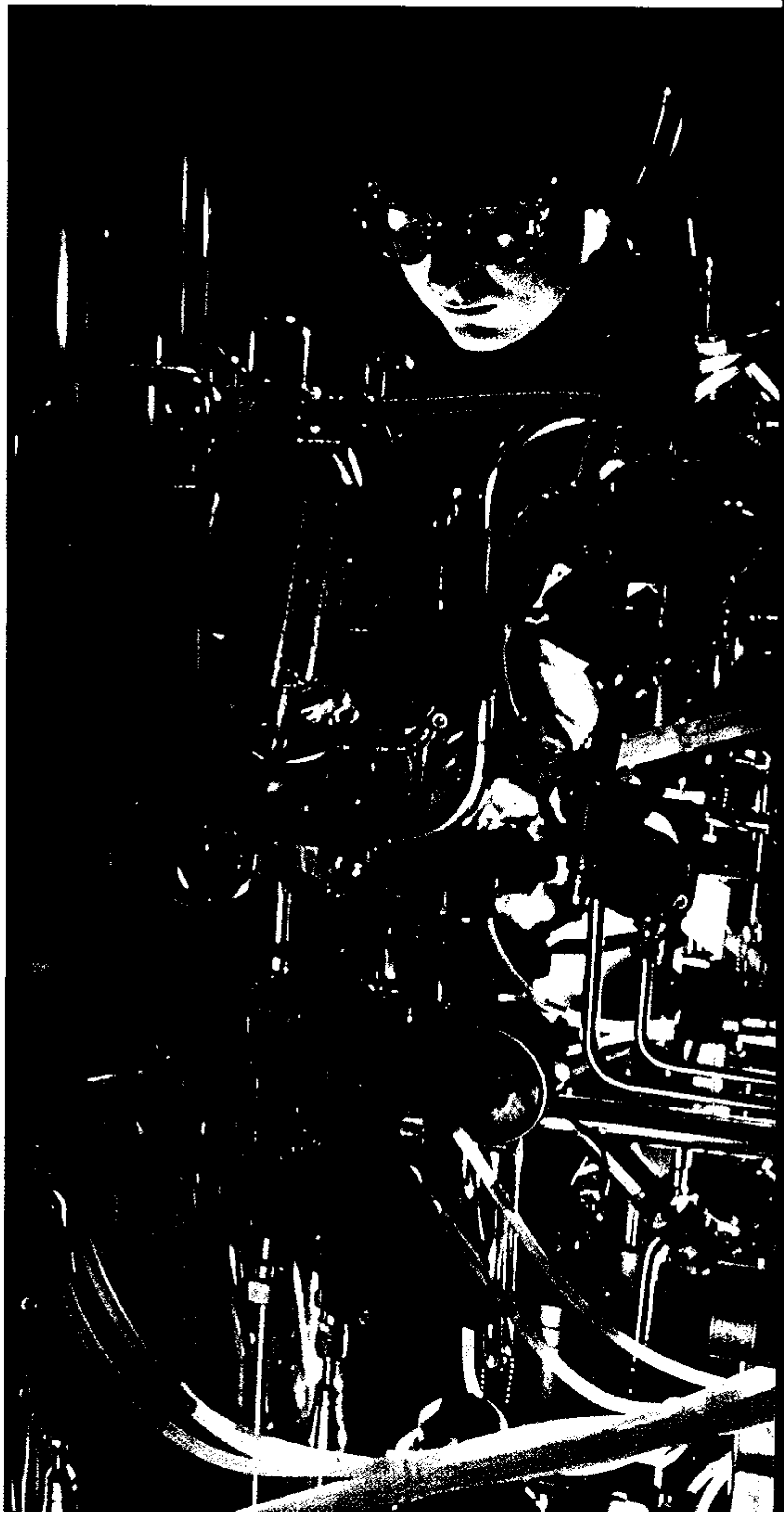
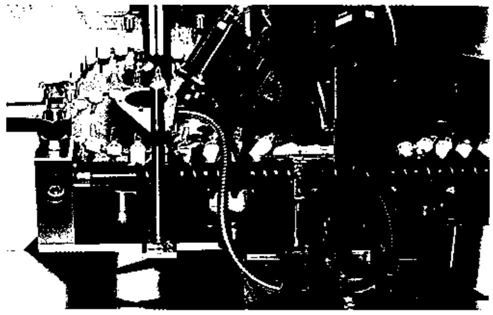


*Photo: Biotechnology at work: a fermentation experiment at Zeneca Pharmaceuticals. Zeneca uses bacterial and mammalian cell fermentation to produce novel proteins as part of the pharmaceutical research process.*

# The supply chain

*The 'Diprivan' production unit at Caponago, Italy is one of the first manufacturing facilities to be reviewed under Zeneca Pharmaceuticals' Logistics And Supply re-Engineering Review (LASER).*



**The supply chain stretches from raw material supplier through to the customer. Customers may not give it much thought – indeed they shouldn't have to – but in 1994 all three Zeneca businesses have refined their supply chains. The aim is to make them more responsive and cost effective, meeting customer needs on time, to specification and at a competitive price.**

### *Increasing market responsiveness at Agrochemicals*

About 70% of Zeneca Agrochemicals' costs lie in the supply chain. The current programme to improve supply chain efficiency focuses on deriving competitive advantage by producing high-quality products that cost less to manufacture and are available to the customer faster than before.

**SUPPLY CHAIN RE-ORGANISATION HAS IMPROVED RESPONSIVENESS TO MARKET NEEDS AND REDUCED MONEY TIED UP IN WORKING CAPITAL AT AGROCHEMICALS BY ONE QUARTER.**

A key goal is to reduce the amount of money tied up in working capital – be it in the form of raw materials, stock, or outstanding debts.

New systems and procedures covering purchasing, manufacturing, forecasting and order fulfilment have been put in place in the US and in 1995 these will be implemented internationally to provide a consistent supply chain operation across the Agrochemicals business.

In Europe, manufacturing lead times for selected products were reduced from three weeks to one week by streamlining information and material flows, decision making and production.

In the UK, distribution efficiency will also be improved by using a single company for transport and warehousing. This will allow the business to concentrate on what it does best in the supply chain: manufacturing, formulating and packing product.

### *Improving competitive edge at Specialties*

As part of Zeneca Specialties' ongoing supply chain refinement, one of the most recent initiatives has benefited production at the 'Procion' dye facility in the UK.

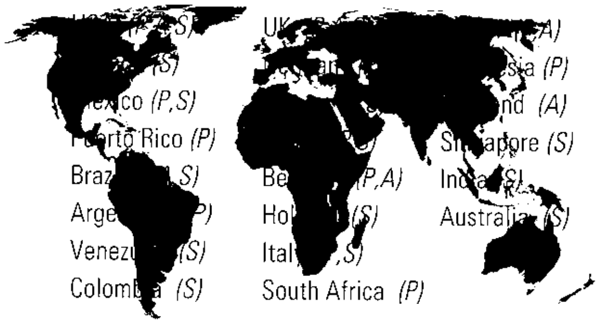
'Procion' dyes are used to colour brightly coloured cotton fabrics. Sales contributed to 55% of Textile Colours' 1994 turnover.

Historically, dye production was geared to manufacturing large volumes of one colour dye for long periods before switching to another colour. This limited the frequency of plant wash outs and time consuming restarts, but affected the business's capacity to respond swiftly to changing customer needs. It also meant a substantial amount of stock was warehoused for some time.

In today's dynamic fashion world, a certain shade or colour can be all the rage one moment and out of

*In order to encourage success through teamwork, individual roles and responsibilities, from product research through to sales, are being carefully defined and aligned.*

Zeneca has 88 principal manufacturing facilities in 22 countries




*P* = Pharmaceuticals, *A* = Agrochemicals, *S* = Specialties

vogue the next. By re-organising the 'Procion' supply chain to make smaller batches more frequently, the business has reduced working capital and is now more flexible, responding faster to changing customer needs.

By developing new systems and technology, the time taken to switch production from one colour to the next has been reduced – for example, the number of plant wash outs required between batches has been cut by controlling the sequence of dye manufacture. Instead of switching production from very different colours, for example, from yellow to blue, a set production schedule, working up through closely related

**LEAD TIMES FOR KEY DYES AT SPECIALTIES' 'PROCION' DYE FACILITY AT GRANGEMOUTH HAVE BEEN REDUCED BY 60% THROUGH SUPPLY CHAIN REFINEMENT.**

shades – from red, through yellow and blue and so on, is now in operation. Zeneca Specialties estimates it has secured annual savings of £3 million through these changes.

Supply chain re-engineering at Zeneca's Grangemouth Works has enabled the business to respond faster and more flexibly to changing customer requirements in a matter of days rather than months, with better service leading to more sales.

***Reviewing the supply chain at Pharmaceuticals***

As cost containment pressures in the healthcare industry increase, a faster, more responsive and flexible supply chain is an important competitive

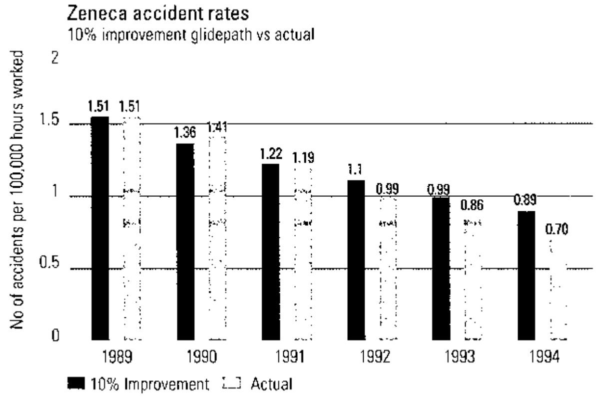
**INCREASED SUPPLY EFFICIENCY AT PHARMACEUTICALS MAY CONTRIBUTE THE FINANCIAL RETURN OF A MEDIUM SIZED NEW DRUG BUT WITH FAR LOWER RISK.**

advantage. Zeneca Pharmaceuticals is conducting a Logistics And Supply re-Engineering Review (LASER) of product formulation. The manufacture of bulk active ingredients is also under review.

The aim is for a constant product progress along the supply chain and an average production time of four weeks has been set as an objective. Initial work will focus on 'Diprivan' and 'Zestril' as their production and supply captures many of the challenges which apply to other product supply chains.

LASER will take approximately two years to implement and should help Pharmaceuticals to provide the best market service to customers and their patients.

# Safety, health and environment




*A key SHE objective is to improve overall Zeneca accident performance by a minimum of 10% per annum.*

**Zeneca's safety, health and environment (SHE) policy underlines the Company's commitment to continuous improvement in SHE performance. In order to translate these words into actions the Group has a SHE Management System which is consistent with the world chemical industry's Responsible Care programmes, and which is designed to help every employee make a difference in a practical way.**

***Environment***

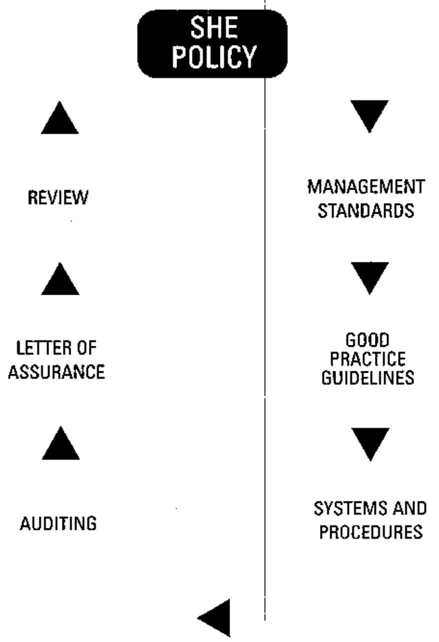
In 1994, Zeneca achieved a 5% reduction in hazardous wastes (as defined by local legislation) giving a 26% reduction on the total 1990 benchmark figure of 163,000 tonnes.

Continued efforts to ensure regulatory compliance across the Group were maintained throughout the year, although regrettably there were four minor incidents of environmental non-compliance resulting in fines.

Zeneca's scientists have a key role to play in the Group's drive to continuous SHE improvement. The new two stage process to make Specialties' P50 mining chemical halves the raw material costs, reduces wastes fivefold and is versatile enough to allow production in a general purpose plant, rather than a specialised, dedicated unit.

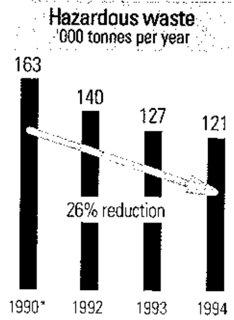
## THE SHE MANAGEMENT SYSTEM

The SHE management system is designed to promote continuous improvement in SHE performance.




- The Zeneca SHE Policy is supported by 19 **SHE Management Standards** which must be followed worldwide. For example, there are standards covering process and product design, communication and training, and auditing.
- **Good Practice Guidelines** provide managers with more detailed information and advice – much of which is distilled from past experience and knowledge coupled with modern good practice.
- Having referred to the Group Standards and Guidelines every site must establish the **Systems and Procedures** by which they will operate in a safe, healthy and environmentally responsible way.
- The SHE performance of every site is regularly **audited**.
- This information is combined into an annual Review of Business performance which is presented to the Zeneca Executive Council (ZEC) in the form of a **Letter of Assurance** from the business Chief Executive Officers. This letter also contains information on how the businesses aim to improve performance in the future.
- The **ZEC reviews** overall compliance with the Standards and, in the light of business reports, considers whether any changes to the Policy are required.

Zeneca environmental performance




* Benchmark figures derived from ICI data

**1993/94 Hazardous waste**
Emissions (tonnes)

| | 1993 | 1994 |
|---|---|---|
| To land | 122,000 | 117,000 |
| To air | 4,800 | 3,800 |
| To water | 90 | 100 |
| TOTAL | 127,000 | 120,900 |

*Zeneca has prioritised hazardous waste reduction.*

About 25% of the hazardous material was non-hazardous calcium sulphate waste, but was described as hazardous due to contamination with metals and other chemicals.

### *Health and safety*

The Group has a good record of improving its safety performance, achieving a 50% reduction in accident rates since 1990.

Sadly in 1994 there was one fatality, associated with a road accident. Mindful of the amount of driving done by staff worldwide and the hazards of driving, the businesses have started a driver safety training initiative for all Zeneca drivers worldwide.

Zeneca recognises the benefits of giving staff the skills to manage busy, demanding jobs and lives. In Zeneca Pharmaceuticals, over 1,000 employees have attended stress management workshops, designed to encourage staff to take a balanced approach to life.

### *In the community*

Zeneca's SHE policy recognises the importance of involving, informing and supporting the local communities in which the company operates. In 1994 the UK sites at Huddersfield, Widnes, Macclesfield, Yalding and Jealott's Hill held Open Days which over 10,000 people attended.

In the US and Canada, Zeneca operates a BioGrant programme which awards funding to employee nominated environmental projects such as wildlife care and waste management initiatives.

*Photo: Regular on-site health screening at Zeneca Pharmaceuticals is part of the Company's Employee Health Review programme.*

# Financial review

Agrochemicals' trading profit before exceptional items increased by 55% to £130 million, with strong volume gains in the Americas. Underlying volume growth was 53%. Additional contributions from price mix and our Spanish subsidiary were partially offset by adverse exchange rate movements and cost increases.

Specialties' operating income before exceptional items increased by 17% to £56 million. Underlying volume growth of 29% was partially offset by the effect of disposals, fixed cost increases, particularly for development products, and adverse exchange rate movements.

A significant proportion of Zeneca's revenues, costs, assets and liabilities is denominated in currencies other than pounds sterling. Over 90% of Zeneca's sales in 1994 were denominated in foreign currencies, while a significant proportion of Zeneca's costs is denominated in pounds. As a result, Zeneca's profit can be significantly affected by movements in exchange rates, in particular movements of the pound against the US dollar. It is estimated that a 5% appreciation in sterling would reduce profit after tax by some £50 million in an unhedged situation. Zeneca's policy, where appropriate, is to seek to reduce the impact of exchange rate movements on its transactional exposures through forward contracts or options and by structuring debt to reflect the currencies of the underlying asset base.

The Group continues to seek opportunities to rationalise the cost base and to reshape where appropriate its business activities. Exceptional charges of £138 million have been made against trading profits for rationalisation of Agrochemicals production capacity, restructuring of the Seeds business and its withdrawal from certain East European markets, and further restructuring of the Specialties businesses. These charges are itemised in Note 4 to the accounts and are partially offset by exceptional gains from the disposal of the garden products business and the sale of fixed assets, leaving net exceptional charges of £104 million for the year. In 1993 there were exceptional gains of £15 million from disposals, but no equivalent exceptional charges.

Other operating income, principally commissions, royalties and the results of insurance activities increased by £3 million to £107 million.

Net interest expense, at £38 million, was £50 million lower than in 1993. Zeneca's indebtedness to the ICI Group was reduced in June 1993 from the proceeds of the rights issue, with a consequent reduction in interest expense thereafter.

Group profit before exceptional items and tax was £763 million, an increase of £145 million on 1993. Group profit before tax was £659 million. The charge for taxation of £210 million, represented an effective tax rate of 31.9%. The underlying rate, allowing for the limited amount of tax relief on certain elements of the exceptional charge, was 30.8%.

Net profit attributable to Ordinary Shareholders amounted to £443 million (£522 million before exceptional items) compared with £431 million (restated) in 1993. The weighted average number of shares in issue in 1994 was 946 million, an increase of 96 million on 1993, reflecting the full year effect of the rights issue in June 1993. Earnings per 25p Ordinary Share were 46.8p compared with 50.7p in 1993, on a lower share base. Before exceptional items earnings per share were 55.2p compared with 48.9p in 1993. Return on sales rose to 17.8% in 1994 from 15.9% in 1993.

***Dividends***

Zeneca Group PLC paid a first interim dividend for 1994 of 10.75p (net of tax credit) per 25p Ordinary Share on 7 November 1994. The Annual General Meeting will be asked to confirm a second interim dividend of 17.75p, payable on 9 May 1995, as the final dividend for 1994, making a total dividend of 28.5p for the year. The payment of these dividends requires £270 million (1993 £260 million), excluding Advanced Corporation Tax, leaving £173 million (1993 £101 million) retained in the Group.

**CAPITAL AUTHORIZATION AND EXPENDITURE**

| *£m* | *Authorized* | | *Expenditure* | |
|---|---|---|---|---|
| | *1994* | *1993* | *1994* | *1993* |
| *Tangible fixed assets* | 273 | 341 | 318 | 315 |
| *Authorized but unspent at year end* | | | 227 | 255 |
| *Acquisitions and new investments* | | | 12 | 22 |
| *Disposals of business operations and fixed assets* | | | (116) | (79) |

***Investment***

Fixed capital authorizations and expenditure in 1994 are shown in the table above. In addition, Zeneca announced investment of around $100 million over the next five years in China and signed agreements for pharmaceutical and agrochemical developments, including plans for a $60 million agrochemicals plant for 'Gramoxone'. In December agreement to purchase 50% of Salick Health Care, Inc. for $205 million was announced. Zeneca may buy the remaining 50% within the next four years at a price set according to a number of variables, but not exceeding $280 million. More information about the acquisition is included in the Operational Review on page 12. The Group also made strategic investments in two biotechnology companies, International Biotechnology Trust Ltd. (£5 million) and Sugen Inc. ($7.5 million, increased to $20 million in January 1995).

Disposals and sales of fixed assets amounted to £116 million in 1994, including disposal of the garden products business, which was sold for £37 million.

***Cash flow***

Net cash inflow from operating activities was £872 million, an increase of £39 million on 1993, reflecting strong trading cash flow and tight control of working capital. Cash outflow related to exceptional items was £85 million, two thirds of which related to provisions raised in 1992. Exceptional charges in 1994 are expected to have a cash cost of £49 million with a payback of projected benefits in two and a half years.

Net cash outflow from returns on investments and servicing finance increased by £69 million to £309 million, mainly due to dividend payments to shareholders, partially offset by reduced interest payments.

Net cash inflow before investing and financing was £400 million, £77 million less than 1993 mainly due to dividend payments. Investing activities led to a cash outflow of £288 million, principally related to cash expenditure on fixed assets. Disposals and sales of fixed assets realized £115 million. £76 million apparent outflow related to a switch from short-term to longer-term investments not classified as cash equivalents. Net cash inflow before financing was £112 million.

The remaining debt due to the ICI Group of £575 million was repaid in January 1994 using funds raised in 1993, resulting in an overall reduction in cash and cash equivalents of £403 million for the year.

***Capitalization***

Zeneca had net indebtedness of £5 million at 31 December 1994 compared with £188 million a year earlier. The gearing ratio (net debt as a percentage of shareholders' funds) was reduced from 12.5% to 0.3%. The impact of the Salick investment would have only a modest effect on gearing.

A commercial paper facility was established during the year and £66 million of funds was raised via this source.

Zeneca issued 0.5 million Ordinary Shares in 1994 under the Company share option schemes, bringing the number of shares in issue to 946 million.

# Financial review

Group reserves were reduced by £94 million at 1 January 1994 in respect of a provision for post-retirement benefits other than pensions (see Note 2 to the accounts), nevertheless shareholders' funds increased by a net £186 million during the year.

***Treasury policy and liquidity***

The Group's treasury activities are co-ordinated and managed by the Group Treasury in accordance with policies and procedures approved by the Board. UK and overseas treasury activities are subject to close management supervision and internal and external audit.

The principal financial exposure of the Group is to movements in foreign exchange rates, particularly the US dollar. This results from the international range of the Group's business activities, which in itself provides a balance against dependence on any area. The Group's exposure is managed centrally by the Group Treasury using cash and currency forecasts updated monthly by the Business units.

100% of transaction exposures on working capital balances, which typically extend for a period of three months, are hedged using forward foreign exchange contracts with the purpose of removing short-term volatility. A benchmark of 50% of forecast future transaction exposures extending a further nine months are selectively hedged using a mixture of purchased currency options and forward foreign exchange contracts.

The Group is relatively unexposed to movements in interest rates due to the low level of debt and the nature of its businesses, which do not show significant sensitivity to interest rate changes.

The Group's debt has an average maturity of 15 years; over 80% is US dollar denominated with fixed rates of interest of around 7% or less.

Undrawn committed bank facilities at 31 December 1994 totalled \$1,450 million with maturities ranging from 1996 through to 2000. These facilities are used, in part, to support the Group's US commercial paper programme. Uncommitted facilities and issues of commercial paper are used mainly to finance the Group's seasonal working capital requirements. Zeneca filed a universal shelf registration with the Securities and Exchange Commission in the US for an amount of \$750 million, providing increased flexibility in accessing US capital markets.

The Group's exposure to counterparty credit risk is tightly controlled through its treasury activities, with specific limits applied to counterparties and to transaction categories.

The Group trades in well over 100 countries worldwide. Trading in some developing countries, which are subject to political and economic uncertainty, can give rise to exposure to sovereign risk and payment difficulties. The Group has a policy of reducing such exposure where possible through appropriate insurance, the use of third party trade finance and letters of credit.

The Directors have a reasonable expectation that the Group and the parent company have adequate resources to continue in operational existence for the foreseeable future and therefore continue to adopt the going concern basis in preparing the accounts. The auditors, KPMG, have confirmed that they are satisfied that the Directors' comments comply with the guidance issued to directors on reporting on going concern in accordance with the Code of Best Practice and are consistent with the information of which they are aware based on their normal audit work. They have not carried out any additional work necessary to give an opinion that the Group and the parent company have adequate resources to continue in operational existence.

# Directors' report

**The Directors of Zeneca Group PLC present their report for the year ended 31 December 1994 together with the accounts of the Company for the year. These will be laid before the shareholders at the Annual General Meeting to be held on 12 May 1995.**

**The Notice of Annual General Meeting is contained in the document addressed to shareholders dated 20 March 1995.**

***Principal activities***

The Company is a holding company for subsidiaries researching, manufacturing and selling pharmaceutical and agrochemical products, seeds, specialty chemicals and other related products worldwide. Further details on the Group's activities (including research and development) together with information on significant changes and developments in the businesses during the year and their respective positions at the end of the year are given on pages 11 to 25 and on pages 29 to 32 inclusive and are included in this report by reference. Details of the principal subsidiary undertakings and the countries in which they operate are given on page 67.

***Directors***

Other than Sir Sydney Lipworth, who became a Non-Executive Director on 1 October 1994, all of the Directors who held office during 1994 were appointed in 1993 during the demerger from Imperial Chemical Industries PLC. On 1 January 1995 Peter Bonfield became a Non-Executive Director. Details of the Board appear on page 8.

Under Article 72 of the Company's Articles of Association, Sir Sydney Lipworth and Peter Bonfield retire. David Barnes and Sir Richard Greenbury retire under Article 90. All are recommended for re-election at the Annual General Meeting. Sir Denys Henderson and Lord Chilver retire under Article 90 and will not be presenting themselves for re-election.

David Barnes has a service contract with Zeneca Limited, a wholly owned subsidiary of the Company, from which the Company is contractually entitled to benefit. The contract is subject to termination upon either party giving not less than 2 years notice (or, in the absence of further agreement, by David Barnes attaining the age of 62, if earlier). None of Peter Bonfield, Sir Richard Greenbury or Sir Sydney Lipworth has a service contract with Zeneca Limited or the Company.

None of the Directors has, or has had at any time during 1994, any material interest in a contract with the Company or any subsidiary, being a contract of significance in relation to the Group's business.

A statement of Directors' interests in shares and debentures of the Company and its subsidiaries is set out in Note 33 relating to the accounts.

***Asset values***

Details of the changes during 1994 in the values of assets held by the Group are given in Note 12 relating to the accounts.

***Allotments***

Changes in the Company's Ordinary Share capital during the year, including allotments of shares under the Company's share option schemes, are given in Note 21 relating to the accounts.

***Insurance***

The Company maintains directors' and officers' liability insurance to provide insurance cover for the directors and officers of companies in the Group.

# Directors' report

**The dividends for 1994 of 28.5 pence per Ordinary Share amount to £270 million. The amount transferred to Group reserves is £173 million.**

***Political contributions***

No political contributions were made in 1994.

***Purchase of own shares***

At the Annual General Meeting, the Company will be seeking a renewal of its current permission from shareholders to purchase its own shares.

***Employee involvement***

Zeneca maintains an open management style and involves its employees both in daily decisions and longer term matters. Informal consultation within work groups is supplemented by formal consultation at the levels of department, business and the UK as a whole. Also, a small group of employee representatives from the businesses and senior corporate management, chaired by an Executive Director, periodically discusses business prospects and investment plans in more detail. Details of the employees' share schemes implemented during 1994 appear in Note 32 relating to the accounts.

***Employment of the disabled***

It is the Company's policy that disabled people should have the same consideration as others for job vacancies. Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising their potential.

***Equal opportunities***

Zeneca believes that every employee should be treated with the same respect and dignity. It values the rich diversity and creative potential of people with differing backgrounds and abilities and encourages a culture of equal opportunities in which personal success depends on personal merit and performance.

It is the Company's policy that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job. All judgements about people for the purposes of recruitment, development and promotion will be made solely on the basis of their ability and potential in relation to the needs of the job.

Every manager is responsible for implementing this policy.

***Charitable contributions***

The Group contributed £1.6 million (£500,000 in the UK) to charity in 1994.

***Taxation status***

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

***Auditors***

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly have signed their report in their new name. A resolution to re-appoint KPMG as auditors of the Company and authorising the Directors to agree their remuneration will be submitted to the Annual General Meeting.

On behalf of the Board: **G.H.R. Musker**

*Secretary*

1 March 1995

# Corporate governance

**During 1994 Zeneca fully complied with the operative provisions of the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.**

The auditors, KPMG, have confirmed to the Directors that they are satisfied that the above statement appropriately reflects the Company's compliance with the Code, in so far as it relates to the paragraphs of the Code which The London Stock Exchange has specified for their review. Final guidance on the requirement for Directors to report on internal control did not come into effect until 1995 and this topic did not form part of the auditors' 1994 compliance review.

***Board and Board Committees***

The Board of Zeneca Group PLC is the body responsible for the Group's objectives, policies and stewardship of the Group's resources. There are six Executive and seven Non-Executive Directors. The **Zeneca Executive Council** is responsible for the management of the business and its members comprise the Executive Directors of the Board and the Chief Executive Officer of each of the Pharmaceuticals, Agrochemicals and Specialties businesses. The **Remuneration and Nomination Committee** makes proposals to the Board for the appointment of Directors and determines the remuneration of the Chairman, Executive Directors and senior managers. It also assists the Board in formulating remuneration policy generally. It is comprised of all the Non-Executive Directors and is chaired by Sir Richard Greenbury. The **Audit Committee** reviews, on behalf of the Board, the Group's accounting and financial reporting practices, its internal controls, the work of the internal and external auditors, and Group compliance with policies, regulations and laws. The Committee is comprised of Tom Wyman, Lord Chilver and Sir Jeremy Morse, all of whom are Non-Executive Directors. It is chaired by Tom Wyman. The **Appeals Committee** determines Zeneca's policy and practice for making charitable donations. Its members are David Barnes, Sir Jeremy Morse, Gill Lewis, Peter Doyle and Tony Rodgers. It is chaired by David Barnes.

***Internal control***

The Directors are responsible for the Group's system of internal financial control which aims to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement and loss.

Key features of the Group's system of internal financial control are as follows:

**Group culture and standards**

By its statements and actions the Group emphasises a culture of integrity, competence, fairness and responsibility. In support of this, in 1994, the Board adopted a Group Code of Ethics which stresses these values and gives guidance on their application

# Corporate governance

in practice. Copies of the Code have been issued to all UK employees and are available from the Secretary. The boards of overseas companies are taking action to translate and adopt the provisions of the Code in their territories during the first half of 1995.

### Organisation

The Board meets at least nine times a year and concentrates mainly on strategic issues and financial performance. The Zeneca Executive Council meets fortnightly to allow prompt decision making and communication of business issues. The Business Chief Executive Officers manage their businesses with the support of business team members whose appointment requires endorsement by the Council. The Council and the Businesses operate within a framework of delegated authorities and reserved powers which seek to ensure that certain transactions, significant in terms of their size or type, are undertaken only after careful corporate review.

### Financial information and control

Group businesses undergo periodic strategy reviews which include consideration of long-term financial projections and the evaluation of alternative business options. Businesses are also subject to an annual budget process requiring forecasts for the following two years together with a sensitivity analysis, to quarterly updates of these forecasts, and to monthly and quarterly reporting of actual results and variances. These business projections and results are consolidated and presented to the Board. By these means Group and business performance is monitored, risks identified, their financial implications assessed, control procedures re-evaluated and actions agreed.

### Monitoring of controls

The Group Audit Committee meets quarterly. Its remit includes a review of the effectiveness of the Group's system of internal control. Business audit committees have also been formed to act as a focus for control issues at business level. The Group Audit Committee receives reports on the state of control from the internal audit function, from the external auditors and from management. The latter is based on an annual 'Letter of Assurance' request which is sent out on behalf of the Board and cascaded down through the business organisation. In reply each responsible manager, and the Business Chief Executive Officers, in turn personally confirm, back up through the management structure, the adequacy of their systems of internal control and their compliance with Group policies. It also requires the reporting of any significant control issues which have emerged so that areas of Group concern can be identified and experience can be shared.

# Financial statements

## Contents



## Notes relating to the accounts

# Directors' responsibilities in respect of the preparation of financial statements

The Directors are required by UK company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss of the Group for that period. In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Auditors' report

### To the Members of Zeneca Group PLC.

We have audited the financial statements on pages 39 to 67.

**Respective responsibilities of directors and auditors**

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1 March 1995

KPMG
Chartered Accountants
Registered Auditors
8 Salisbury Square
London EC4Y 8BB

# Group profit and loss account

| *For the year ended 31 December* | *Notes* | *1994* *£m* | **1993* *£m* |
|---|---|---|---|
| **Turnover** | | 4,480 | 4,440 |
| Operating costs | 3 | (3,928) | (3,840) |
| Ongoing | | (3,790) | (3,840) |
| Exceptional | 4 | (138) | – |
| Other operating income | 3 | 107 | 104 |
| **Trading profit** | 3 | 659 | 704 |
| **Trading profit before exceptional items** | | 797 | 704 |
| Exceptional items charged to trading profit | 4 | (138) | – |
| Share of profits less losses of associated undertakings | | 4 | 2 |
| Profits less losses on sale or closure of operations | 4 | 20 | 15 |
| Profit on sale of fixed assets | 4 | 14 | – |
| **Profit on ordinary activities before interest** | | 697 | 721 |
| Net interest payable | 7 | (38) | (88) |
| **Profit on ordinary activities before taxation** | | 659 | 633 |
| **Profit before exceptional items** | | 763 | 618 |
| Exceptional items | 4 | (104) | 15 |
| Taxation | 8 | (210) | (189) |
| **Profit on ordinary activities after taxation** | | 449 | 444 |
| Attributable to minorities | | (6) | (13) |
| **Net profit for the financial year** | | 443 | 431 |
| Pre-demerger dividend to ICI | | – | (70) |
| Dividends to Shareholders | 9 | (270) | (260) |
| **Profit retained for the year** | | 173 | 101 |
| **Earnings per 25p Ordinary Share before exceptional items (pence)** | 10 | 55.2p | 48.9p |
| **Earnings per 25p Ordinary Share (pence)** | 10 | 46.8p | 50.7p |
| Weighted average number of Ordinary Shares in issue | 10 | 946 | 850 |

* See Note 2

# Statement of total recognised gains and losses

| *For the year ended 31 December* | *Notes* | *1994* *£m* | *1993* *£m* |
|---|---|---|---|
| **Net profit for the financial year** | | 443 | 431 |
| Net unrealized holding gains (losses) on short-term investments | 16 | (11) | 1 |
| Net foreign currency translation differences and recognised exchange gains (losses) | 22 | 4 | (35) |
| **Total recognised gains and losses relating to the year** | | 436 | 397 |
| Prior period adjustment – post-retirement benefits other than pensions | 2 | (103) | – |
| Total gains and losses recognised since the last annual report | | 333 | 397 |

£m means millions of pounds sterling

# Balance sheets

| As at 31 December | Notes | | Group 1994 £m | | *1993 £m | Company 1994 £m | 1993 £m |
|---|---|---|---|---|---|---|---|
| **Fixed assets** | | | | | | | |
| Tangible fixed assets | 12 | | 1,733 | | 1,684 | – | – |
| Fixed asset investments | 13 | | 39 | | 26 | 558 | 180 |
| | | | 1,772 | | 1,710 | 558 | 180 |
| **Current assets** | | | | | | | |
| Stocks | 14 | | 776 | | 776 | – | – |
| Debtors | 15 | | 1,396 | | 1,483 | 1,765 | 1,483 |
| Securitised rent receivables | 15 | 56 | | 58 | | – | – |
| Less : Non-recourse Secured Notes | 15 | (54) | 2 | (57) | 1 | – | – |
| Short-term investments | 16 | | 594 | | 925 | – | 401 |
| Cash | 16 | | 141 | | 124 | – | – |
| | | | 2,909 | | 3,309 | 1,765 | 1,884 |
| **Total assets** | | | 4,681 | | 5,019 | 2,323 | 2,064 |
| **Creditors due within one year** | | | | | | | |
| Short-term borrowings | 17 | | (208) | | (101) | – | – |
| Current instalments of loans | 19 | | (12) | | (580) | – | – |
| Other creditors | 18 | | (1,676) | | (1,679) | (235) | (162) |
| | | | (1,896) | | (2,360) | (235) | (162) |
| **Net current assets** | | | 1,013 | | 949 | 1,530 | 1,722 |
| **Total assets less current liabilities** | | | 2,785 | | 2,659 | 2,088 | 1,902 |
| **Creditors due after more than one year** | | | | | | | |
| Loans | 19 | | (520) | | (556) | (378) | – |
| Other creditors | 18 | | (32) | | (31) | – | (399) |
| | | | (552) | | (587) | (378) | (399) |
| **Provisions for liabilities and charges** | 20 | | (490) | | (501) | – | – |
| **Net assets** | | | 1,743 | | 1,571 | 1,710 | 1,503 |
| **Capital and reserves** | | | | | | | |
| Called up share capital | 21 | | 236 | | 236 | 236 | 236 |
| Share premium account | 22 | | 4 | | 1 | 4 | 1 |
| Merger reserve | 22 | | 285 | | 285 | – | – |
| Other reserves | 22 | | 204 | | 170 | 1,255 | 1,255 |
| Profit and loss account | 22 | | 956 | | 807 | 215 | 11 |
| **Shareholders' funds - equity interests** | 23 | | 1,685 | | 1,499 | 1,710 | 1,503 |
| **Minority equity interests** | | | 58 | | 72 | – | – |
| **Shareholders' funds and minority interests** | | | 1,743 | | 1,571 | 1,710 | 1,503 |

* See Note 2

The accounts on pages 39 to 67 were approved by the Board of Directors on 1 March 1995 and were signed on its behalf by:

Sir Denys Henderson Director
J.C. Mayo Director

# Statement of Group cash flow

| *For the year ended 31 December* | *Notes* | *1994 £m* | *1993 £m* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net cash inflow from trading operations before exceptional items | 24 | 957 | 974 |
| Outflow related to exceptional items | 25 | (85) | (141) |
| **Net cash inflow from operating activities** | | 872 | 833 |
| **Returns on investments and servicing of finance** | | | |
| Interest and dividends received | 26 | 48 | 83 |
| Interest paid | | (87) | (137) |
| Distributions and transfers to the ICI Group | | – | (75) |
| Dividends paid to Shareholders | | (263) | (99) |
| Dividends paid by subsidiary undertakings to minority interests | | (7) | (12) |
| **Net cash outflow from returns on investments and servicing of finance** | | (309) | (240) |
| **Tax paid** | | (163) | (116) |
| **Net cash inflow before investing and financing** | | 400 | 477 |
| **Investing activities** | | | |
| Cash expenditure on tangible fixed assets | 12 | (315) | (313) |
| Acquisitions and new fixed asset investments | 27 | (12) | (17) |
| Disposals of business operations | 28 | 89 | 58 |
| Disposals of fixed assets | | 26 | 16 |
| Purchase of short-term investments and deposits | 29 | (331) | (267) |
| Sale of short-term investments and deposits | 29 | 255 | 260 |
| **Net cash outflow from investing activities** | | (288) | (263) |
| **Net cash inflow before financing** | | 112 | 214 |
| **Financing** | | | |
| Issue of Zeneca Group PLC Ordinary Shares | 30 | 3 | 1,351 |
| Costs of rights issue | 30 | – | (39) |
| Net decrease in loans | 30 | (578) | (852) |
| Costs of loan issues | 30 | – | (7) |
| Repayment of lease finance | 30 | (6) | (3) |
| Net increase in short-term borrowings | 30 | 66 | 4 |
| **Net cash (outflow) inflow from financing** | | (515) | 454 |
| **(Decrease) increase in cash and cash equivalents** | 31 | (403) | 668 |

# Accounting policies

### Basis of Accounting

The accounts are prepared under the historical cost convention, modified to include the market value of certain current asset investments held by the Group's insurance subsidiaries as described below, in accordance with the Companies Act 1985 and applicable accounting standards. The following paragraphs describe the main accounting policies. The accounting policies of some overseas subsidiaries do not conform with UK Accounting Standards and, where appropriate, adjustments are made on consolidation in order to present the Group accounts on a consistent basis.

### Depreciation

Zeneca's policy is to write off the book value of each tangible fixed asset evenly over its estimated remaining life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impracticable to calculate average asset lives exactly; however, the total lives approximate to 25 years for buildings and 10 years for plant and equipment. Depreciation of assets qualifying for grants is calculated on their full cost.

### Environmental Liabilities

Zeneca 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 expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

### Foreign Currencies

Profit and loss accounts in foreign currencies are translated into sterling at average rates for the relevant accounting periods. Assets and liabilities are translated at exchange rates prevailing at the date of the Group balance sheet. The results of operations in hyper-inflationary economies are measured using a relatively stable currency as the functional currency, with gains and losses arising on net monetary assets or liabilities taken to the profit and loss account.

Exchange differences on short-term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to trading profit. In the consolidated financial statements exchange differences arising on consolidation of the net investments in overseas subsidiary undertakings and associated undertakings are taken directly to reserves via the statement of total recognised gains and losses. Differences on relevant foreign currency loans are taken to reserves via the statement of total recognised gains and losses and offset against the differences on net investments, as they are considered to be a hedge against movements on the net investments.

### Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. UK Accounting Standards require that purchased goodwill be eliminated either upon acquisition against reserves or by amortization over a period. Elimination against reserves has been selected as appropriate to the goodwill purchases made during the periods presented. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount, at current exchange rates, of any related goodwill previously taken directly to reserves.

### Investments

An associated undertaking is a company in which Zeneca has a participating interest (between 20 per cent and 50 per cent inclusive) and on whose commercial and financial policy decisions Zeneca exercises significant influence.

Zeneca's share of the profits less losses of all significant associated undertakings is included in the Group profit and loss account on the equity accounting basis. The holding value of significant associated undertakings in the Group balance sheet is calculated by reference to Zeneca's equity in the net tangible assets of such undertakings, as shown by the most recent accounts available, adjusted where appropriate.

Fixed asset investments, other than in associates, are stated at cost less provision for any permanent diminution in value.

Current asset investments held by the Group's insurance subsidiaries are actively matched against insurance liabilities. In accordance with insurance accounting principles, such current asset investments are valued at market value and unrealized gains and losses are taken directly to reserves via the statement of total recognised gains and losses. Realized gains and losses are taken to profit and loss account.

### Leases

Assets held under finance leases are capitalized and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future periods, are included as appropriate under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period. Rentals under operating leases are charged to profit and loss account as incurred.

### Post-retirement benefits

The pension costs relating to UK retirement plans are assessed in accordance with the advice of independent qualified actuaries. The amounts so determined include the regular cost of providing the benefits under the plans which it is intended should remain a level percentage of current and expected future earnings of the employees covered under the plans. Variations from the regular pension cost are spread on a systematic basis over the estimated average remaining service lives of current employees in the plans. Retirement plans of non-UK subsidiary undertakings are accounted for in accordance with local conditions and practice. With minor exceptions, these subsidiary undertakings recognise the expected cost of providing pensions on a systematic basis over the average remaining service lives of employees in accordance with the advice of independent qualified actuaries.

The costs of providing post-retirement benefits other than pensions, principally healthcare, are charged to the profit and loss account on a consistent basis over the average service lives of employees. Such costs are assessed in accordance with the advice of independent qualified actuaries.

### Research and Development

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

### Stock Valuation

Finished goods are stated at the lower of cost or net realisable value and raw materials and other stocks at the lower of cost or replacement price. The first in, first out or an average method of valuation is used. In determining cost, depreciation is included but selling expenses and certain overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as estimated selling price less costs of disposal.

### Taxation

The charge for taxation is based on the profits 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. However, no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the future.

### Turnover

Turnover excludes inter-company turnover and value added taxes.

# Notes relating to the accounts

## 1 COMPOSITION OF THE GROUP

The Group accounts consolidate the accounts of Zeneca Group PLC (the "Company") and its subsidiary undertakings, of which there were 181 at 31 December 1994, including 1 quasi-subsidiary as required under FRS 5 (see Note 15). Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 2 subsidiaries made up accounts to 30 September.

## 2 BASIS OF PRESENTATION OF FINANCIAL INFORMATION

There have been a number of changes in reporting requirements in 1994 as a result of new accounting standards. These changes have been reflected as appropriate in the 1994 financial statements, with corresponding changes to 1993 comparative figures where necessary.

The Group adopted the accounting requirements of Urgent Issues Task Force Abstract 6 "Accounting for post-retirement benefits other than pensions" on 1 January 1994. The obligation relating to these benefits has been introduced to the accounts by means of a prior period adjustment and the comparative figures for 1993 restated accordingly. The effect of this change in accounting policy was to reduce trading profit in 1993 by £9 million. Shareholders' equity at 1 January 1994 was reduced by £103 million.

In accordance with the provisions of FRS 5 "Reporting the Substance of Transactions", the financial statements include the securitisation of rent receivables from a property which had been effected by Stauffer Chemical Company in 1984, prior to its acquisition by the Group in 1987 (see Note 15). The net effect of these transactions was recorded in the accounts as part of the acquisition accounting in 1987. The adoption of FRS 5 also resulted in recognition of an insurance liability and its related reinsurance recovery, with separate recording in debtors and creditors.

As more fully explained in Note 2 to the 1993 financial statements, the conditions for merger accounting set out in accounting standards and the Companies Act 1985, which were used as the basis for the presentation of the 1993 financial statements, were not all met for the reorganisation of subsidiaries and the transfer of unincorporated businesses to Zeneca on its formation. However, the Directors considered that if acquisition accounting had been applied the financial statements would have failed to give a true and fair view for the shareholders, since they had had a continuing interest in the Zeneca businesses both before and after the demerger. Accordingly merger accounting was applied. As explained in that note, it was not practicable to quantify the effect of the departure.

# Notes relating to the accounts

## 3 TRADING PROFIT

| | *1994* *£m* | *1993* *£m* |
|---|---|---|
| **Turnover** | 4,480 | 4,440 |
| **Operating costs** | | |
| Cost of sales | (1,977) | (1,885) |
| Distribution costs | (171) | (160) |
| Research and development | (518) | (519) |
| Administrative and other expenses | (1,262) | (1,276) |
| | (3,928) | (3,840) |
| **Other operating income** | | |
| Government grants | 1 | 2 |
| Royalties | 80 | 45 |
| Other income | 26 | 57 |
| | 107 | 104 |
| **Trading profit** | 659 | 704 |
| Charge for depreciation included above | 211 | 172 |
| Gross profit, as defined by the Companies Act 1985 | 2,503 | 2,555 |

## 4 EXCEPTIONAL ITEMS

Owing to the material impact that exceptional items had on the reported results for 1994, these items have been disclosed in detail so that their overall effect may be better appreciated.

| | *1994* *£m* | *1993* *£m* |
|---|---|---|
| Charged in arriving at trading profit | | |
| Provisions for rationalisation of Agrochemicals production capacity | (45) | – |
| Provisions for restructuring of the Seeds business and withdrawal from East European markets | (51) | – |
| Provisions for restructuring of Specialties businesses | (42) | – |
| Exceptional operating items | (138) | – |
| Profits less losses on sale or closure of operations and related provisions | | |
| Profits | 22 | 20 |
| Losses/provisions | (2) | (5) |
| | 20 | 15 |
| Profit on sale of fixed assets | 14 | – |
| Exceptional items within profit on ordinary activities before taxation | (104) | 15 |
| Tax credits on exceptional items (see Note 8) | 25 | – |
| | (79) | 15 |

Exceptional items included in trading profit were charged to Cost of sales £77 million and Administrative and other expenses £61 million.

## 5 NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax.

## 6 LEASES

The total rentals under operating leases, charged as an expense in the profit and loss account, are disclosed below.

| | 1994 £m | 1993 £m |
|---|---|---|
| Hire of plant and machinery | 8 | 6 |
| Other | 28 | 29 |
| | 36 | 35 |

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires.

| | | |
|---|---|---|
| Obligations under operating leases comprise | | |
| Land and buildings | | |
| Expiring within 1 year | 3 | 1 |
| Expiring during years 2 to 5 | 3 | 3 |
| Expiring thereafter | 4 | 4 |
| | 10 | 8 |
| Other assets | | |
| Expiring within 1 year | 7 | 4 |
| Expiring during years 2 to 5 | 6 | 12 |
| Expiring thereafter | – | – |
| | 13 | 16 |
| Obligations under finance leases comprise | | |
| Rentals due within 1 year | 2 | 4 |
| Rentals due during years 2 to 5 | 6 | 5 |
| Rentals due thereafter | 2 | 2 |
| Less interest element | (2) | (2) |
| | 8 | 9 |

Obligations under finance leases are included in other creditors (Note 18).

The Group had commitments totalling £6m (1993 £nil) under finance leases at the balance sheet date which were due to commence thereafter.

## 7 NET INTEREST PAYABLE

| | 1994 £m | 1993 £m |
|---|---|---|
| **Interest payable and similar charges** | | |
| Loan interest* | 34 | 21 |
| Interest on short-term borrowings and other financing costs | 39 | 30 |
| Net interest payable to the ICI Group | 2 | 86 |
| | 75 | 137 |
| **Interest receivable and similar income from current asset investments** | | |
| Listed redeemable securities | (16) | (15) |
| Unlisted redeemable securities | (3) | – |
| Short-term deposits | (18) | (34) |
| | (37) | (49) |
| **Net interest payable** | 38 | 88 |

* Loan interest includes £33m (1993 £12m) on loans not wholly repayable within 5 years.

# Notes relating to the accounts

## 8 TAXATION

| | 1994 £m | 1993 £m |
|---|---|---|
| **Zeneca Group PLC and subsidiary undertakings** | | |
| UK taxation | | |
| Corporation tax | 129 | 150 |
| Double taxation relief | (3) | (64) |
| Deferred taxation | (4) | 42 |
| | 122 | 128 |
| Overseas taxation | | |
| Overseas taxes | 85 | 56 |
| Deferred taxation | 2 | 4 |
| | 87 | 60 |
| **Associated undertakings** | 1 | 1 |
| **Tax on profit on ordinary activities** | 210 | 189 |

UK and overseas taxation have been provided on the profits earned for the periods covered by the Group accounts. UK corporation tax has been provided at the rate of 33 per cent (1993 33 per cent).

| | 1994 £m | 1993 £m |
|---|---|---|
| **Exceptional items included in tax on ordinary activities** | | |
| Tax relief on exceptional items* | (25) | – |

* Including deferred tax relief of £19m (1993 £nil).

**Analysis of deferred taxation charge**
The components of the timing differences giving rise to the total UK and overseas deferred taxation charge (credit) is analysed as follows:

| | 1994 £m | 1993 £m |
|---|---|---|
| Reorganisation and rationalisation provisions | (7) | 15 |
| Environmental and other provisions | 5 | 3 |
| Unrealized profits on a non-recurring inter-company stock transfer | – | 26 |
| Other items | – | 2 |
| | (2) | 46 |

| | 1994 £m | 1993 £m |
|---|---|---|
| **Deferred taxation asset movement** | | |
| At beginning of year | 49 | 87 |
| Profit and loss account | 2 | (46) |
| Other movements | (3) | 8 |
| At end of year | 48 | 49 |

## 8 TAXATION (continued)

### Deferred taxation

The deferred tax assets accounted for at the balance sheet date and the potential amounts of deferred taxation are disclosed below.

| | Group 1994 £m | Group 1993 £m | Company 1994 £m | Company 1993 £m |
|---|---|---|---|---|
| **Accounted for at 31 December** | | | | |
| Timing differences on UK capital allowances and depreciation | – | – | – | – |
| Exceptional items and miscellaneous timing differences | 48 | 49 | – | – |
| ACT recoverable (see Note 15) | 40 | 56 | – | – |
| | 88 | 105 | – | – |
| **Not accounted for at 31 December** | | | | |
| UK capital allowances utilised in excess of depreciation | (167) | (150) | – | – |
| Exceptional items and miscellaneous timing differences | 126 | 108 | – | – |
| | (41) | (42) | – | – |
| **Full potential deferred taxation asset** | 47 | 63 | – | – |

No deferred tax asset has been provided for in respect of post-retirement benefits.

## 9 DIVIDENDS

| | *1994 Pence per 25p Share* | *1993 Pence per 25p Share* | *1994 £m* | *1993 £m* |
|---|---|---|---|---|
| Interim, paid 7 November 1994 | 10.75p | 10.5p | 102 | 99 |
| Second interim, to be confirmed as final, payable 9 May 1995 | 17.75p | 17.0p | 168 | 161 |
| | 28.5p | 27.5p | 270 | 260 |

## 10 EARNINGS PER 25p ORDINARY SHARE

| | *1994* | *1993* |
|---|---|---|
| Net profit for the financial year before exceptional items (£m) | 522 | 416 |
| Exceptional items after tax and minorities (£m) (see Note 4) | (79) | 15 |
| Net profit for the financial year (£m) | 443 | 431 |
| Average number of Ordinary Shares in issue (millions) | 946 | 850 |
| Earnings per Ordinary Share before exceptional items | 55.2p | 48.9p |
| Earnings (loss) per Ordinary Share on exceptional items | (8.4)p | 1.8p |
| Earnings per Ordinary Share | 46.8p | 50.7p |

The increase in the average number of shares in issue reflects the full year effect of the rights issue in June 1993. The effect on earnings per 25p Ordinary Share of the issue of shares under option (see Note 21) would not be material.

Earnings per Ordinary Share before exceptional items has been calculated to show the impact of exceptional items on the results, as such items can have a distorting effect on earnings from year to year and therefore warrant separate consideration.

# Notes relating to the accounts

## 11 SEGMENT INFORMATION

### Classes of Business

| | Turnover 1994 £m | Turnover 1993 £m | Profit 1994 £m | Profit 1994* £m | Profit 1993 £m |
|---|---|---|---|---|---|
| Pharmaceuticals | 1,958 | 1,871 | 629 | 629 | 586 |
| Agrochemicals | 1,521 | 1,467 | 34 | 130 | 84 |
| Specialties | 1,008 | 1,027 | 14 | 56 | 48 |
| Inter-business eliminations and Miscellaneous | (7) | 75 | (18) | (18) | (14) |
| | 4,480 | 4,440 | 659 | 797 | 704 |
| Share of profits less losses of associated undertakings | | | 4 | 4 | 2 |
| Profits less losses on sale or closure of operations | | | 20 | | 15 |
| Profit on sale of fixed assets | | | 14 | | – |
| Net interest payable | | | (38) | (38) | (88) |
| Profit before taxation | | | 659 | 763 | 633 |

* Before exceptional items

Zeneca's policy is to transfer products internally at external market prices.

The profit before taxation includes £17m (1993 £31m) relating to the Group's insurance activities, of which a loss of £3m (1993 £12m profit) is included in trading profit and classified as Miscellaneous; £1m (1993 £nil) is included in profits of associated undertakings and £19m (1993 £19m) is included in net interest payable.

Profits less losses on sale or closure of operations in 1994 related to Pharmaceuticals £nil (1993 £17m profit), Agrochemicals £20m (1993 £nil), Specialties £nil (1993 £4m loss) and Miscellaneous £nil (1993 £2m profit). Profits on sale of fixed assets in 1994 related to Pharmaceuticals £7m (1993 £nil) and Specialties £7m (1993 £nil).

| | Capital expenditure 1994 £m | Capital expenditure 1993 £m | Depreciation 1994 £m | Depreciation 1993 £m | Net assets 1994 £m | Net assets 1993 £m |
|---|---|---|---|---|---|---|
| Pharmaceuticals | 130 | 128 | 77 | 70 | 1,069 | 923 |
| Agrochemicals | 86 | 77 | 77 | 54 | 773 | 870 |
| Specialties | 83 | 91 | 52 | 38 | 621 | 640 |
| Miscellaneous | 19 | 19 | 5 | 10 | (79) | (99) |
| | 318 | 315 | 211 | 172 | | |
| Net operating assets | | | | | 2,384 | 2,334 |
| Net non-operating liabilities | | | | | (641) | (763) |
| | | | | | 1,743 | 1,571 |

Net non-operating liabilities include current asset investments, short-term deposits and cash, short-term borrowings, loans, and debtors and creditors not attributable to business segments.

## 11 SEGMENT INFORMATION (continued)

### Geographic areas

The information opposite is re-analysed in the table below by geographic area. The figures for each geographic area show the net operating assets owned by and the turnover and profit made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

| | *Net operating assets* | | *Turnover* | | *Profit* | | |
|---|---|---|---|---|---|---|---|
| | *1994* | *1993* | *1994* | *1993* | *1994* | *1994** | *1993* |
| | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* |
| United Kingdom | | | | | | | |
| Sales in the United Kingdom | | | 313 | 313 | | | |
| Export sales | | | 1,826 | 1,675 | | | |
| | 1,406 | 1,240 | 2,139 | 1,988 | 379 | 458 | 332 |
| Continental Europe | 325 | 338 | 1,351 | 1,287 | 85 | 102 | 97 |
| The Americas | 330 | 474 | 2,047 | 2,038 | 149 | 191 | 226 |
| Asia Pacific | 181 | 200 | 582 | 524 | 45 | 45 | 44 |
| Other countries | 142 | 82 | 63 | 68 | 1 | 1 | 5 |
| | 2,384 | 2,334 | 6,182 | 5,905 | 659 | 797 | 704 |
| Inter-area eliminations | | | (1,702) | (1,465) | – | – | – |
| | 2,384 | 2,334 | 4,480 | 4,440 | 659 | 797 | 704 |
| Share of profits less losses of associated undertakings | | | | | 4 | 4 | 2 |
| Profits less losses on sale or closure of operations | | | | | 20 | | 15 |
| Profit on sale of fixed assets | | | | | 14 | | – |
| Net interest payable | | | | | (38) | (38) | (88) |
| Profit before taxation | | | | | 659 | 763 | 633 |

* Before exceptional items

Inter-area turnover shown above includes sales from the UK to overseas subsidiaries of £1,446m (1993 £1,231m). Inter-area net eliminations of the corresponding working capital has been attributed to the recipient territory in 1994 and 1993 has been adjusted to reflect this convention. Profits less losses on sale or closure of operations in 1994 arose in the United Kingdom £26m profit (1993 £12m profit), Continental Europe £11m profit (1993 £9m profit) and The Americas £17m loss (1993 £6m loss). Profit on sale of fixed assets in 1994 arose in the United Kingdom £7m (1993 £nil) and Continental Europe £7m (1993 £nil).

| **Geographic markets** | *1994* | *1993* |
|---|---|---|
| | *£m* | *£m* |
| Turnover in each geographic market in which customers are located | | |
| United Kingdom | 324 | 322 |
| Continental Europe | 1,296 | 1,301 |
| The Americas | 1,982 | 1,966 |
| Asia Pacific | 710 | 665 |
| Other countries | 168 | 186 |
| Total turnover | 4,480 | 4,440 |

| **Employees** | *1994* | *1993* |
|---|---|---|
| Average number of people employed by Zeneca in | | |
| United Kingdom | 12,600 | 12,800 |
| Continental Europe | 6,400 | 6,400 |
| The Americas | 9,300 | 10,700 |
| Asia Pacific | 1,900 | 1,800 |
| Other countries | 600 | 600 |
| Total employees | 30,800 | 32,300 |

The number of people employed by Zeneca at the end of 1994 was 30,400 (1993 30,900).

# Notes relating to the accounts

## 12 TANGIBLE FIXED ASSETS

| GROUP | Land and buildings £m | Plant and equipment £m | Capital expenditure and assets in course of construction £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 769 | 1,930 | 243 | 2,942 |
| Exchange adjustments | (15) | (27) | 7 | (35) |
| Capital expenditure | – | – | 318 | 318 |
| Transfer of assets into use | 56 | 248 | (304) | – |
| Disposals and other movements | (19) | (90) | 2 | (107) |
| At end of year | 791 | 2,061 | 266 | 3,118 |
| **Depreciation** | | | | |
| At beginning of year | 220 | 1,038 | | 1,258 |
| Exchange adjustments | (2) | (11) | | (13) |
| Disposals and other movements | (6) | (65) | | (71) |
| Charge for year | 32 | 179 | | 211 |
| At end of year | 244 | 1,141 | | 1,385 |
| **Net book value at 31 December 1994** | 547 | 920 | 266 | 1,733 |
| Net book value at 31 December 1993 | 549 | 892 | 243 | 1,684 |

The Group depreciation charge of £211m shown above comprises £177m charged to ongoing operational costs and £34m charged to exceptional operating costs.

Capital expenditure in the year of £318m includes capitalized finance leases of £5m; cash expenditure on tangible fixed assets was £315m. The cost of non-depreciated assets, comprising principally land, was £65m.

The net book value of the tangible fixed assets of the Group at 31 December 1994 includes capitalized finance leases of £10m, comprising cost of £17m and accumulated depreciation thereon of £7m. The depreciation charge for the year in respect of capitalized leases was £2m and finance charges £1m.

| | Group 1994 £m | Group 1993 £m |
|---|---|---|
| The net book value of land and buildings comprised | | |
| Freeholds | 537 | 539 |
| Long leases (over 50 years unexpired) | 3 | 7 |
| Short leases | 7 | 3 |
| | 547 | 549 |

## 13 FIXED ASSET INVESTMENTS

| GROUP | Associated undertakings £m | Other investments Listed £m | Other investments Unlisted £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 10 | – | 10 | 20 |
| Additions less disposals | – | 9 | 2 | 11 |
| Other movements | – | – | (1) | (1) |
| At end of year | 10 | 9 | 11 | 30 |
| **Share of post-acquisition reserves** | | | | |
| At beginning of year | 10 | – | – | 10 |
| Retained losses | (3) | – | – | (3) |
| Equity accounting uplift | 7 | – | – | 7 |
| At end of year | 14 | – | – | 14 |
| **Provisions** | | | | |
| At beginning of year | – | – | (4) | (4) |
| Additions | – | – | (1) | (1) |
| At end of year | – | – | (5) | (5) |
| **Net book value at 31 December 1994** | 24 | 9 | 6 | 39 |
| Net book value at 31 December 1993 | 20 | – | 6 | 26 |

The market value of the listed investments at 31 December 1994 was £8m (1993 £nil).

| COMPANY | Subsidiary investments Shares £m | Subsidiary investments Loans £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At beginning of year | 180 | – | 180 |
| New investments/New loans | – | 378 | 378 |
| **Net book value at 31 December 1994** | 180 | 378 | 558 |
| Net book value at 31 December 1993 | 180 | – | 180 |

None of the investments are listed.

Information on principal subsidiary undertakings is given on page 67.

## 14 STOCKS

| | Group 1994 £m | Group 1993 £m |
|---|---|---|
| Raw materials and consumables | 193 | 233 |
| Stocks in process | 211 | 267 |
| Finished goods and goods for resale | 372 | 276 |
| | 776 | 776 |

# Notes relating to the accounts

## 15 DEBTORS

| | Group 1994 £m | Group 1993 £m | Company 1994 £m | Company 1993 £m |
|---|---|---|---|---|
| **Amounts due within one year** | | | | |
| Trade debtors | 895 | 956 | – | – |
| Amounts owed by subsidiary undertakings | | | 1,765 | 1,481 |
| Deferred taxation (see Note 8) | 48 | 49 | – | – |
| Other debtors | 301 | 280 | – | – |
| Prepayments and accrued income* | 52 | 55 | – | 2 |
| | 1,296 | 1,340 | 1,765 | 1,483 |
| **Amounts due after more than one year** | | | | |
| Other debtors | 42 | 43 | – | – |
| ACT recoverable | 40 | 56 | – | – |
| Prepayments and accrued income* | 18 | 44 | – | – |
| **Debtors** | 1,396 | 1,483 | 1,765 | 1,483 |
| **Securitised rent receivables** | 2 | 1 | – | – |
| | 1,398 | 1,484 | 1,765 | 1,483 |

* Group figures include prepaid pension costs (Note 36).

Included in debtors are amounts totalling £177m (1993 £145m) in respect of the Group's insurance subsidiaries relating to reinsurance contracts.

Rent receivables in respect of a property were securitised under an arrangement established by Stauffer Chemical Company (SCC) in 1984. The receivables were securitised under a Trust Indenture in connection with the issue of $245m of non-recourse Zero Coupon Secured Notes due 1994-2018 on behalf of SCC. SCC's interest in the receivables and its obligations under the Trust Indenture were vested in Zeneca Holdings Inc. (ZHI) by way of an assignment and assumption agreement. Neither SCC as the issuer of the notes nor ZHI as assignee of SCC's interest is obliged to support any losses of the assets pledged under the trust indenture, nor does either intend to do so. Repayment of the finance is solely secured by rent receivables from the property, payment of which is further secured by an irrevocable letter of credit drawn on a first class bank. The net present value of these arrangements amounts to a net asset of £6m – this asset was recorded in the accounts as part of the acquisition accounting of Stauffer since 1987. Under FRS 5 this is now reported as an asset of £56m and a liability of £54m, using a linked presentation, with £4m included in cash and short-term investments. The net income recorded in the Group accounts amounted to £1m (1993 £1m). A summary of the financial statements of Stauffer Chemical Company Trust is set out below.

| **Stauffer Chemical Company Trust** | 1994 £m | 1993 £m |
|---|---|---|
| **Income and Expenditure account** | | |
| Surplus for the financial year | 1 | 1 |
| Trust distributions | (1) | – |
| Surplus retained for the year | – | 1 |
| **Balance sheet** | | |
| Debtors | 56 | 58 |
| Cash and short-term investments | 4 | 5 |
| Total assets | 60 | 63 |
| Creditors | (54) | (57) |
| Net assets | 6 | 6 |
| **Cash flow** | | |
| Increase in cash and cash equivalents | – | – |

## 16 CASH AND SHORT-TERM INVESTMENTS

Zeneca's investments were classified as available-for-sale at year ends 1994 and 1993. Carrying value was substantially the same as fair value at both year ends.

**GROUP**

| *At 31 December 1994* | *Cost* *£m* | *Estimated fair value* *£m* | *Gross unrealized gains* *£m* | *Gross unrealized losses* *£m* | *Net gains and losses* *£m* |
|---|---|---|---|---|---|
| Securities listed on the London Stock Exchange: | | | | | |
| UK Government bonds | 141 | 129 | – | (12) | (12) |
| Other redeemable securities | 9 | 9 | – | – | – |
| Other listed investments | 30 | 28 | – | (2) | (2) |
| Other debt securities | 5 | 5 | – | – | – |
| | 185 | 171 | – | (14) | (14) |
| Equity investments listed on the London Stock Exchange | 17 | 15 | 1 | (3) | (2) |
| Unlisted investments | 1 | 1 | – | – | – |
| | 203 | 187 | 1 | (17) | (16) |
| Short-term deposits (less than three months to maturity) | 407 | 407 | | | |
| | 610 | 594 | 1 | (17) | (16) |
| Cash | 141 | 141 | | | |
| | 751 | 735 | 1 | (17) | (16) |
| Included in cash and cash equivalents (see Note 31) | | 548 | | | |
| *At 31 December 1993* | | | | | |
| Securities listed on the London Stock Exchange: | | | | | |
| UK Government bonds | 60 | 61 | 1 | – | 1 |
| Other redeemable securities | 17 | 18 | 1 | – | 1 |
| Other listed investments | 28 | 29 | 1 | – | 1 |
| Other debt securities | 10 | 10 | – | – | – |
| | 115 | 118 | 3 | – | 3 |
| Equity investments listed on the London Stock Exchange | 13 | 16 | 3 | – | 3 |
| Unlisted investments | 1 | 1 | – | – | – |
| | 129 | 135 | 6 | – | 6 |
| Short-term deposits (less than three months to maturity) | 790 | 790 | | | |
| | 919 | 925 | 6 | – | 6 |
| Cash | 124 | 124 | | | |
| | 1,043 | 1,049 | 6 | – | 6 |
| Included in cash and cash equivalents (see Note 31) | | 914 | | | |
| Net change in unrealized holding gains and losses | | | | | (22) |

Investments held by the Group's insurance subsidiaries are marked to market on a specific identification basis under insurance accounting principles. The net change in unrealized holding gains and losses is a loss of £22m. The net change, after minority interests in the Group's insurance subsidiaries, of £11m (1993 gain £1m) has been taken to reserves via the statement of total recognised gains and losses.

The proceeds from sales of these investment securities were £255m (1993 £260m). Realized gains and losses are taken to the profit and loss account. In 1994 gross realized gains were £6m (1993 £10m) and gross realized losses were £7m (1993 £nil), producing a net realized loss of £1m (1993 gain £10m).

Included in cash and short-term investments are amounts totalling £294m (1993 £305m) held by the Group's insurance subsidiaries, of which £216m (1993 £213m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

The parent Company held no cash and short-term investments at 31 December 1994 (1993 £401m).

# Notes relating to the accounts

## 16 CASH AND SHORT-TERM INVESTMENTS (continued)

Contractual maturities of debt securities are as follows:

| | *Cost* *£m* | *Estimated fair value* *£m* |
|---|---|---|
| 1995 | 4 | 4 |
| 1996 – 1999 | 69 | 64 |
| 2000 – 2004 | 93 | 85 |
| Thereafter | 19 | 18 |
| | 185 | 171 |

## 17 SHORT-TERM BORROWINGS

| | *Group* | |
|---|---|---|
| | *1994* *£m* | *1993* *£m* |
| **Bank borrowings** | | |
| Secured by floating charge | 1 | 1 |
| Unsecured | 141 | 99 |
| | 142 | 100 |
| **Other borrowings (unsecured)** | 66 | 1 |
| | 208 | 101 |
| Included in cash and cash equivalents (see Note 31) | 139 | 96 |

## 18 OTHER CREDITORS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *1994* *£m* | *1993* *£m* | *1994* *£m* | *1993* *£m* |
| **Amounts due within one year** | | | | |
| Trade creditors | 506 | 423 | – | – |
| Amounts owed to subsidiary undertakings | | | 67 | 2 |
| Corporate taxation | 208 | 181 | – | (1) |
| Value added and payroll taxes and social security | 35 | 24 | – | – |
| Obligations under finance leases | 2 | 4 | – | – |
| Other creditors* | 602 | 597 | – | – |
| Accruals | 155 | 289 | – | – |
| Dividends to Shareholders | 168 | 161 | 168 | 161 |
| | 1,676 | 1,679 | 235 | 162 |
| **Amounts due after more than one year** | | | | |
| Amounts owed to subsidiary undertakings | | | – | 399 |
| Obligations under finance leases | 6 | 5 | – | – |
| Other creditors* | 24 | 23 | – | – |
| Grants not yet credited to income | 2 | 3 | – | – |
| | 32 | 31 | – | 399 |

* Included in other creditors are amounts totalling £305m (1993 £316m) to meet insurance obligations of the Group's insurance subsidiaries. Other creditors also include costs charged as exceptional items (Note 4) and accrued pension costs (Note 36).

## 19 LOANS

| | Repayment dates | Group 1994 £m | Group 1993 £m | Company 1994 £m | Company 1993 £m |
|---|---|---|---|---|---|
| **Creditors due within one year** | | | | | |
| Current instalments of loans | | 12 | 580 | – | – |
| **Creditors due after more than one year** | | | | | |
| Loans | | 520 | 556 | 378 | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| **Secured loans** | | | | | |
| US Dollars (5.9 to 8%), secured by fixed charge | 2004/2012 | 10 | 11 | – | – |
| **Unsecured loans** | | | | | |
| Sterling | | | | | |
| Bank loan – variable rate | 1995/2002 | 50 | 50 | – | – |
| US Dollars | | | | | |
| Bank loan – variable rate | 2001 | 51 | 54 | – | – |
| 6.30% Guaranteed Notes | 2003 | 189 | 200 | – | – |
| 7% Guaranteed Debentures | 2023 | 189 | 199 | – | – |
| 6.58% Loan | 2003 | – | – | 189 | – |
| 7.2% Loan | 2023 | – | – | 189 | – |
| Others | 1995/2013 | 6 | 7 | – | – |
| Other foreign currencies | 1995/2000 | 37 | 40 | – | – |
| Amounts due to the ICI Group | | – | 575 | – | – |
| **Total unsecured** | | 522 | 1,125 | 378 | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| Loans or instalments thereof are repayable | | | | | |
| After 5 years from balance sheet date | | | | | |
| Lump sums | | 441 | 465 | 378 | – |
| Instalments | | 22 | 29 | – | – |
| | | 463 | 494 | 378 | – |
| From 2 to 5 years | | 35 | 48 | – | – |
| From 1 to 2 years | | 22 | 14 | – | – |
| **Total due after more than one year** | | 520 | 556 | 378 | – |
| **Total due within one year** | | 12 | 580 | – | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| Aggregate amount of loans repayable by instalments any of which fall due after 5 years | | 48 | 56 | – | – |

Loans from banks included in the table above amounted to £142m (1993 £150m) of which £nil (1993 £1m) was secured.

# Notes relating to the accounts

## 20 PROVISIONS FOR LIABILITIES AND CHARGES

| GROUP | *Employee benefits ** *£m* | *Reorganisation, environmental, and other provisions* *£m* | *Total* *£m* |
|---|---|---|---|
| At beginning of year | 148 | 250 | 398 |
| Prior period adjustment – post-retirement benefits (see Note 2) | 103 | | 103 |
| At beginning of year – restated | 251 | 250 | 501 |
| Profit and loss account | 51 | 29 | 80 |
| Net amounts paid or becoming current | (31) | (41) | (72) |
| Other movements, including exchange | (4) | (15) | (19) |
| At end of year | 267 | 223 | 490 |

* Includes provisions for unfunded post-retirement benefits (Note 36)

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

## 21 CALLED UP SHARE CAPITAL OF PARENT COMPANY

| | *Authorized* | *Allotted, called up and fully paid* | |
|---|---|---|---|
| | *1994* *£m* | *1994* *£m* | *1993* *£m* |
| Ordinary Shares (25p each) | 236 | 236 | 236 |
| Unissued Ordinary Shares (25p each) | 64 | | |
| | 300 | 236 | 236 |

The number of Ordinary Shares issued during the year totalled 493,288, comprising issues in respect of the exercise of options.

At 31 December 1994 there were options outstanding in respect of 3,315,338 Ordinary Shares of 25p under the Zeneca 1993 Senior Staff Share Option Scheme and the Zeneca 1994 Executive Share Option Scheme (1993 2,855,255) and 2,576,187 Ordinary Shares of 25p under the Zeneca Savings-Related Share Option Scheme (1993 nil). These options are normally exercisable in the period 1996 to 2004 (1994 to 2003) at subscription prices of £4.09 to £8.26 (1993 £2.87 to £7.30). The prices of certain of the above options were set relative to options granted to employees prior to demerger. The weighted average subscription price of options outstanding at 31 December 1994 was £6.94.

Options granted to Directors are shown in Note 33.

During 1994 movements in the number of shares under option comprised new options issued 3,593,458, options exercised 493,288, and options lapsed or waived 63,900. At the end of 1994 there were 21,513,821 shares available for the granting of options (1993 25,028,580).

## 22 RESERVES

| GROUP | *Share premium account £m* | *Merger reserve £m* | *Goodwill and other reserves £m* | *Associated under-takings £m* | *Profit and loss account £m* | *1994 Total £m* | *1993 Total £m* |
|---|---|---|---|---|---|---|---|
| **Reserves attributable to parent company** | | | | | | | |
| As previously reported | 1 | 285 | 161 | 9 | 910 | 1,366 | (125) |
| Prior period adjustment (see Note 2) | | | | | (103) | (103) | (94) |
| At beginning of year – restated | 1 | 285 | 161 | 9 | 807 | 1,263 | (219) |
| Profit retained for year | | | | (1) | 174 | 173 | 101 |
| Amounts taken direct to reserves | | | | | | | |
| Share premiums | 3 | | | | | 3 | 1,256 |
| Goodwill (net) | | | 24 | | | 24 | 11 |
| Capitalization of pre-demerger debt | | | | | | | 157 |
| Exchange adjustments | | | 13 | (1) | (8) | 4 | (35) |
| Net unrealized holding gains (losses) on short-term investments | | | (11) | | | (11) | 1 |
| Other movements | | | 3 | 7 | (17) | (7) | (9) |
| | 3 | | 29 | 6 | (25) | 13 | 1,381 |
| At end of year | 4 | 285 | 190 | 14 | 956 | 1,449 | 1,263 |

In the Group accounts, £3m of net exchange gains (1993 £24m loss) on foreign currency loans have been offset in reserves against exchange losses on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £24m relating to goodwill transferred to the profit and loss account on the disposal of subsidiaries.

The cumulative amount of goodwill resulting from acquisitions prior to 31 December 1994, net of goodwill attributable to subsidiary undertakings or businesses disposed of prior to 31 December 1994, amounted to £1,057m (1993 £1,094m) derived by calculating the amount of historic goodwill in the currency of acquisition, at year end rates of exchange.

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

| COMPANY | *Share premium account £m* | *Other reserves £m* | *Profit and loss account £m* | *1994 Total £m* | *1993 Total £m* |
|---|---|---|---|---|---|
| **Reserves** | | | | | |
| At beginning of year | 1 | 1,255 | 11 | 1,267 | – |
| Profit retained for year | | | 204 | 204 | 11 |
| Share premiums | 3 | | | 3 | 1,256 |
| At end of year | 4 | 1,255 | 215 | 1,474 | 1,267 |

As permitted by section 230 of the Companies Act 1985, the Company has not presented its profit and loss account.

# Notes relating to the accounts

## 23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 1994 £m | 1993 £m |
|---|---|---|
| Shareholders' funds as previously reported | 1,602 | 55 |
| Prior period adjustment – post-retirement benefits (see Note 2) | (103) | (94) |
| Shareholders' funds at beginning of year – restated | 1,499 | (39) |
| Net profit for the financial year | 443 | 431 |
| Dividends | (270) | (330) |
| | 173 | 101 |
| Issues of Zeneca Group PLC Ordinary Shares | 3 | 1,312 |
| Goodwill on acquisitions/disposals | 24 | 11 |
| Merger reserve on capitalization of debt | | 157 |
| Net foreign currency translation differences and recognised exchange gains (losses) | 4 | (35) |
| Net unrealized holding gains (losses) on short-term investments | (11) | 1 |
| Other movements | (7) | (9) |
| Net addition to shareholders' funds | 186 | 1,538 |
| Shareholders' funds at end of year | 1,685 | 1,499 |

## 24 NET CASH INFLOW FROM TRADING OPERATIONS BEFORE EXCEPTIONAL ITEMS

| | 1994 £m | 1993 £m |
|---|---|---|
| Trading profit | 659 | 704 |
| Exceptional items within trading profit | 138 | – |
| Trading profit before exceptional items | 797 | 704 |
| Depreciation | 177 | 172 |
| Stocks (increase) decrease | (51) | 51 |
| Debtors decrease (increase) | 16 | (198) |
| Creditors increase | 3 | 216 |
| Other non-cash movements, including exchange | 15 | 29 |
| | 957 | 974 |

## 25 OUTFLOW RELATED TO EXCEPTIONAL ITEMS

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring and for sale or closure of operations, including severance and other employee costs, plant demolition and site clearance.

## 26 INTEREST AND DIVIDENDS RECEIVED

| | 1994 £m | 1993 £m |
|---|---|---|
| Interest received | 41 | 66 |
| Dividends received from equity accounted associated undertakings | 7 | 16 |
| Other dividends received | – | 1 |
| | 48 | 83 |

## 27 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

| | 1994 £m | 1993 £m |
|---|---|---|
| Acquisitions of subsidiary undertakings involving | | |
| Tangible fixed assets | – | 3 |
| Net current assets | – | 6 |
| Net assets of subsidiary undertakings acquired | – | 9 |
| Goodwill | – | 9 |
| Fair value of consideration for subsidiary undertakings | – | 18 |
| Investment in equity accounted undertakings | – | 4 |
| Investment in other participating interests | 12 | – |
| **Total consideration** | 12 | 22 |
| Cash and cash equivalents acquired | – | (4) |
| Deferred consideration and non-cash consideration | – | (1) |
| **Net cash consideration** | 12 | 17 |

Fixed and current assets are adjusted to fair value on external valuations and internal reviews; provisions for closure are made where appropriate.

## 28 DISPOSALS OF BUSINESS OPERATIONS

| | 1994 £m | 1993 £m |
|---|---|---|
| Disposals of business operations resulted in the following net asset movements | | |
| Tangible fixed assets | 14 | 10 |
| Net current assets | 32 | 17 |
| Liabilities due after more than one year | (1) | (1) |
| | 45 | 26 |
| Goodwill | 24 | 20 |
| Profit and loss account – exceptional items | 20 | 15 |
| | 89 | 61 |
| Investments in participating interests | 1 | 1 |
| **Total consideration** | 90 | 62 |
| Deferred consideration | (1) | (3) |
| Non-cash consideration | – | (1) |
| **Cash consideration** | 89 | 58 |

The cash consideration for disposals of business operations in 1994 includes £88m (1993 £58m) with respect to items accounted for as exceptional items in the current and previous years. Apart from the disposal proceeds, the contribution of the divested businesses and subsidiary undertakings to the cash flows of the Group was not material.

# Notes relating to the accounts

## 29 SHORT-TERM INVESTMENTS AND DEPOSITS

Insurance liabilities within the Group's insurance subsidiaries are actively matched by the purchase and sale of short-term investments and deposits.

## 30 CHANGES IN FINANCING DURING THE YEAR

| | *Share capital £m* | *Share premium account £m* | *Amounts due to the ICI Group £m* | *External loans £m* | *Finance leases £m* | *Short-term borrowings* * *£m* | *Total £m* |
|---|---|---|---|---|---|---|---|
| At beginning of 1993 | 180 | – | 2,080 | 47 | 10 | – | 2,317 |
| Exchange adjustments | | | 16 | 9 | – | 1 | 26 |
| New finance | 56 | 1,256 | | 524 | | 4 | 1,840 |
| Finance repaid | | | (1,364) | (12) | (3) | – | (1,379) |
| Costs of loan issues | | | | (7) | | | (7) |
| Other movements | | (1,255) | (157) | | 2 | – | (1,410) |
| At beginning of 1994 | 236 | 1 | 575 | 561 | 9 | 5 | 1,387 |
| Exchange adjustments | | | (4) | (23) | – | (2) | (29) |
| New finance leases | | | | | 5 | | 5 |
| New finance | | 3 | – | – | – | 566 | 569 |
| Finance repaid | | | (571) | (7) | (6) | (500) | (1,084) |
| Other movements | | | | 1 | – | – | 1 |
| At 31 December 1994 | 236 | 4 | – | 532 | 8 | 69 | 849 |

* Amount of short-term borrowings repayable more than 3 months from date of advance.

## 31 CASH AND CASH EQUIVALENTS

| | *1994 £m* | *1993 £m* |
|---|---|---|
| **Balance of cash and cash equivalents** | | |
| Cash | 141 | 124 |
| Investments and short-term deposits which were within 3 months of maturity when acquired | 407 | 790 |
| | 548 | 914 |
| Short-term borrowings repayable within 3 months from date of advance (see Note 17) | (139) | (96) |
| | 409 | 818 |
| **Change in the balance of cash and cash equivalents** | | |
| At beginning of year | 818 | 156 |
| Exchange adjustments | (6) | (6) |
| Cash (outflow) inflow for year | (403) | 668 |
| At end of year | 409 | 818 |

Cash and cash equivalents comprise cash, investments and short-term deposits which were within 3 months of maturity when acquired and short-term borrowings repayable within 3 months of their advance. The balance sheet headings for short-term borrowings and short-term investments include amounts with a maturity, at the year end date, of less than one year.

Included in cash and cash equivalents are amounts totalling £107m (1993 £171m) held by the Group's insurance subsidiaries, of which £30m (1993 £79m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

## 32 EMPLOYEE COSTS AND SHARE SCHEMES

The average number of people employed by the Group in 1994 was 30,800 (1993 32,300) and the costs incurred during the year in respect of these employees were:

| | *1994* *£m* | *1993* *£m* |
|---|---|---|
| Salaries | 847 | 820 |
| Social security costs | 104 | 104 |
| Pension costs | 94 | 85 |
| Other employment costs | 89 | 60 |
| | 1,134 | 1,069 |

Following the demerger from ICI, a comprehensive review of the overall remuneration package for employees and directors (together "employees") has been undertaken. The Directors believe that, together with the basic salary system, the schemes approved by shareholders on 6 May 1994 should provide a competitive and market-related package 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 employees working for the Company and its subsidiaries (the "Zeneca Group") in the UK are mainly employed by Zeneca Limited and initially the schemes are to be established by the Company for the benefit of employees of the Company and Zeneca Limited, but with the ability to extend them to employees of other Zeneca Group companies.

### The Zeneca Employee Performance Bonus Plan

The Company has established a discretionary cash bonus scheme based on the Group's trading results. The level of the bonus award will be determined by reference to the achievement of two separate measures, one based on the trading performance of the Zeneca Group overall and one based on individual business unit performance, but both related to the achievement of performance targets.

Employees are offered the opportunity to take any bonus that may be payable under the discretionary cash bonus scheme in the form of Ordinary Shares in the Company and the Company has established a profit-sharing scheme for this purpose which has been approved by the Inland Revenue under the Income and Corporate Taxes Act 1988 (the "Scheme"). It will operate as a share retention scheme, the first trustee of which will be Zeneca Employee Share Trust Limited, a subsidiary of Zeneca Limited. The period of retention of shares by the trustee is two years from appropriation but shares may be left with the trustee for a period of five years from appropriation, after which employees may take the shares free of income tax. Dividends accrue to participants during the retention period.

The discretionary cash bonus scheme and the Scheme are together known as the Employee Performance Bonus Plan.

### The Zeneca Executive Performance Bonus Plan

A similar bonus scheme and share retention scheme for senior employees who do not participate in the Zeneca Employee Performance Bonus Plan has also been established. An outline of this plan is given in Note 34 – Emoluments of Directors. Bonuses for senior employees, as well as reflecting corporate and business performance, can also be affected (both up and down) by individual performance.

### The Zeneca 1994 Executive Share Option Scheme

The Company's 1993 Senior Staff Share Option Scheme was introduced at the time of the demerger in 1993, principally to grant options to Zeneca employees who had renounced their options under the ICI Senior Staff Share Option Scheme. The last date for the grant of options was 19 May 1994 and the 1993 scheme has now been replaced with the Zeneca 1994 Executive Share Option Scheme under which options to subscribe for Ordinary Shares in the Company may be granted to selected qualifying employees over the next ten years. The Remuneration and Nomination Committee is responsible for the Scheme. In particular, it will set a performance condition for the exercise of options from time to time. The initial performance condition is that earnings per share should show growth of at least 1.25 times the UK Retail Price Index over a three year period.

### The Zeneca Savings Related Share Option Scheme

The Zeneca Savings Related Share Option Scheme has also been established by the Company and approved by the Inland Revenue under the Income and Corporation Taxes Act 1988. This is in substitution for the SAYE scheme which ICI previously operated.

# Notes relating to the accounts

## 33 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1994 of the persons who on that date were Directors (including the interests of their families) in shares and debentures of the Company and its subsidiaries, are shown below, all of which were beneficial.

| | *Interest in Ordinary Shares at 1 January 1994 or appointment date** | *Interest in Ordinary Shares at 31 December 1994* |
|---|---|---|
| J. D. F. Barnes | 18,691 | 18,691 |
| Lord Chilver | 1,312 | 1,312 |
| P. Doyle | 8,444 | 8,444 |
| Sir Richard Greenbury | 500 | 500 |
| Sir Denys Henderson | 33,586 | 33,586 |
| Miss G. M. Lewis | 500 | 500 |
| Sir Sydney Lipworth | 5,000* | 5,000 |
| J. C. Mayo | 20,000 | 20,000 |
| Sir Jeremy Morse | 2,387 | 2,387 |
| A. I. H. Pink | 1,564 | 1,564 |
| A. T. G. Rodgers | 1,787 | 1,787 |
| T. H. Wyman | 656 | 656 |

During the period 1 January 1995 to 1 March 1995 there was no change in the interests of Directors shown in this note. In the event that Ordinary Shares are appropriated in 1995 to Directors pursuant to the Executive Performance Bonus Plan in respect of the year to 31 December 1994 the Directors would have an interest in such appropriated shares.

## 33 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

The interests of Directors in options to subscribe for Ordinary Shares of the Company, which include options granted under the Savings Related Share Option Scheme, together with options granted and exercised during the year are included in the table below.

| | | *No. of shares under option* | *Exercise price per share+* | *Market price at date of exercise* | *First date exercisable+* | *Last date exercisable+* |
|---|---|---|---|---|---|---|
| J. D. F. Barnes | At 1 Jan 1994 | 237,517 | 547p | | 24.06.93 | 23.06.03 |
| | Granted | 18,750 | 748p | | 05.04.97 | 04.04.04 |
| | Granted | 1,372 | 754p | | 01.11.99 | 30.04.00 |
| | At 31 Dec 1994 | 257,639 | 563p | | 24.06.93 | 04.04.04 |
| P. Doyle | At 1 Jan 1994 | 161,788 | 543p | | 24.06.93 | 23.06.00 |
| | Granted | 2,850 | 748p | | 05.04.97 | 04.04.04 |
| | Granted | 1,372 | 754p | | 01.11.99 | 30.04.00 |
| | Exercised | 24,012 | 471p | 817p | 24.06.93 | 01.04.96 |
| | Exercised | 26,317 | 526p | 817p | 24.06.93 | 27.03.00 |
| | Exercised | 16,148 | 498p | 817p | 03.04.94 | 23.06.00 |
| | At 31 Dec 1994 | 99,533 | 580p | | 24.06.93 | 04.04.04 |
| Sir Denys Henderson | At 1 Jan 1994 | 187,760 | 548p | | 24.06.93 | 27.05.02 |
| | At 31 Dec 1994 | 187,760 | 548p | | 24.06.93 | 27.05.02 |
| J. C. Mayo | At 1 Jan 1994 | 128,687 | 585p | | 22.03.96 | 23.06.03 |
| | Granted | 10,000 | 748p | | 05.04.97 | 04.04.04 |
| | Granted | 1,372 | 754p | | 01.11.99 | 30.04.00 |
| | At 31 Dec 1994 | 140,059 | 598p | | 22.03.96 | 04.04.04 |
| A. I. H. Pink | At 1 Jan 1994 | 138,893 | 582p | | 24.06.93 | 23.06.03 |
| | Granted | 6,250 | 748p | | 05.04.97 | 04.04.04 |
| | At 31 Dec 1994 | 145,143 | 589p | | 24.06.93 | 04.04.04 |
| A. T. G. Rodgers | At 1 Jan 1994 | 142,860 | 550p | | 24.06.93 | 23.06.03 |
| | Granted | 7,750 | 748p | | 05.04.97 | 04.04.04 |
| | Granted | 1,372 | 754p | | 01.11.99 | 30.04.00 |
| | Exercised | 50,768 | 568p | 817p | 24.06.93 | 28.03.99 |
| | Exercised | 19,057 | 588p | 817p | 24.06.93 | 30.05.99 |
| | Exercised | 45,132 | 498p | 817p | 03.04.94 | 23.06.00 |
| | At 31 Dec 1994 | 37,025 | 619p | | 24.06.93 | 04.04.04 |

No options lapsed during the year. The market price of the shares at 31 December 1994 was 878.5p and the range during 1994 was 674.5p to 898.5p. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

+ Weighted average exercise prices at 1 January and 31 December and first and last exercise dates of groups of options, within which periods there are shorter exercise periods.

## 34 EMOLUMENTS OF DIRECTORS

The remuneration of the Executive Directors is determined by the Remuneration and Nomination Committee comprised entirely of Non-Executive Directors and chaired by Sir Richard Greenbury. Remuneration consists of annual salary, health and car benefits, a bonus scheme and an executive share option scheme. Salaries are reviewed each year in the light of comparison with other companies, the performance of the Company and individual experience and contribution.

In respect of 1994 onwards the Executive Directors are entitled to participate in the Zeneca Executive Performance Bonus Plan with bonuses based initially on the performance of the Group against profit targets set each year by the Remuneration and Nomination Committee. The bonus calculated on this basis could amount to 40% of salary and a

# Notes relating to the accounts

## 34 EMOLUMENTS OF DIRECTORS (continued)

multiplier of 0 to $1\frac{1}{2}$ times the bonus can be applied by the Remuneration and Nomination Committee on a discretionary and exceptional basis, to reward or reflect individual performance. 50% of the bonus must be taken in Ordinary Shares in the Company and the remainder may be taken in cash or shares, at the option of the individual Director. Bonus taken in shares may be matched by an equivalent contribution of shares by the Company. Shares will be awarded through an employee benefit trust, by way of a conditional appropriation and will be released to the Director upon satisfaction of the condition which, subject to certain exceptions, is that the Director must remain in the employment of the Company until the fourth anniversary of the appropriation. The shares are forfeited if this condition is not met. No dividends will be payable to Directors during the four year period and income tax will be paid by the Director on the value of the shares when they are released from the trust. The trustee is Zeneca Share Trust Limited, a subsidiary company of Zeneca Limited.

In addition, Executive Directors participated in the 1993 Senior Staff Share Option Scheme now replaced by the 1994 Executive Share Option Scheme (as described in Note 33 above). The 1994 scheme is subject to the satisfaction of a performance condition by the Company which is initially that earnings per share should show growth of at least 1.25 times the UK Retail Price Index over a three year period. No Directors were granted options under the new scheme in 1994.

No Director has a service contract with a notice period greater than two years. Executive Directors are entitled to a pension of up to two thirds of pensionable salary on retirement at age 62. They are eligible for dependents' pensions and lump sums for death in service.

The total emoluments of the Directors of the Company for the year are set out below.

| *Emoluments for 1994* | *Remuneration £'000* | *Bonuses £'000* | *Fees £'000* | *Sub-total £'000* | *Contributions to Pension Fund £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| Chairman | 319 | 23 | – | 342 | – | 342 |
| Highest paid director | 412 | 22 | – | 434 | 1 | 435 |
| Other directors | 1,029 | 71 | 131 | 1,231 | 152 | 1,383 |
| **Total** | 1,760 | 116 | 131 | 2,007 | 153 | 2,160 |

| *Emoluments for 1993** | *Remuneration £'000* | *Bonuses £'000* | *Fees £'000* | *Sub-total £'000* | *Contributions to Pension Fund £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| Chairman | 244 | 80 | – | 324 | – | 324 |
| Highest paid director | 300 | 72 | – | 372 | 1 | 373 |
| Other directors | 822 | 151 | 108 | 1,081 | 141 | 1,222 |
| **Total** | 1,366 | 303 | 108 | 1,777 | 142 | 1,919 |

The Non-Executive Directors were not eligible for performance related bonuses or share options and no pension contributions were made on their behalf.

The table which follows shows the number of Directors of the Company whose emoluments, excluding Company pension contributions, during the year were within the bands stated.

| *Emoluments* | *Number 1994* | *Number 1993** | *Emoluments* | *Number 1994* | *Number 1993** |
|---|---|---|---|---|---|
| £0 – 5,000 | 1 | – | £260,001 – 265,000 | 1 | – |
| £15,001 – 20,000 | – | 4 | £270,001 – 275,000 | 2 | – |
| £20,001 – 25,000 | 4 | – | £290,001 – 295,000 | 1 | – |
| £35,001 – 40,000 | – | 1 | £320,001 – 325,000 | – | 1 |
| £40,001 – 45,000 | 1 | – | £340,001 – 345,000 | 1 | – |
| £230,001 – 235,000 | – | 2 | £370,001 – 375,000 | – | 1 |
| £250,001 – 255,000 | – | 2 | £430,001 – 435,000 | 1 | – |

One of the Non-Executive Directors whose emoluments are shown above for 1994 was a Director for part of the year only. One Director waived fees amounting to £1,750 (1993 £nil).

* It should be noted that data in respect of 1993 represents emoluments for the period from dates of appointment in February 1993 to 31 December 1993.

## 35 COMMITMENTS AND CONTINGENT LIABILITIES

| | *Group* | |
|---|---|---|
| | *1994* | *1993* |
| | *£m* | *£m* |
| Commitments for capital expenditure not provided for in these accounts (including acquisitions) | | |
| Contracts placed for future expenditure | 64 | 101 |
| Expenditure authorized but not yet contracted | 163 | 154 |
| | 227 | 255 |

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.

At 31 December 1994, Zeneca had outstanding forward foreign exchange contracts to sell currency with nominal principal amounts of £365m (1993 £442m). The contracts were taken out with commercial banks for the purpose of hedging non-sterling commercial transactions which existed at the date of the balance sheet. The majority of the contracts had a maturity of six months or less from that date. The Group had no outstanding interest rate swaps at year end (1993 £242m).

Zeneca has also entered into forward foreign exchange and currency option contracts to hedge anticipated, but not firmly committed, non-sterling commercial transactions for 1995. The contracts were taken out with commercial banks. In relation to these Zeneca had, at 31 December 1994, outstanding forward foreign exchange contracts to sell currency with a notional principal value of £263m (1993 £213m) equivalent, and currency option contracts to sell with a notional principal value of £218m (1993 £160m) equivalent. Gains and losses on these transactions are recognised in income in the same period as the hedged transaction.

Zeneca has environmental liabilities at some currently or formerly owned, leased and third party sites in the US. Zeneca, or its indemnitees, have been named under US legislation as a potentially responsible party (PRP) in respect of a considerable number of sites (although Zeneca expects to be indemnified against liabilities associated with certain of these sites by the seller of the businesses associated with such sites) and actively participates in, or monitors, the clean-up activities of sites at which it is a PRP. Stauffer Management Company, a subsidiary of the Company, established in 1987 to own and manage certain assets and liabilities of Stauffer Chemical Company, which was acquired that year, has identified a number of environmentally impaired sites for which it may have responsibility that will, in aggregate, require significant expenditure on clean-up and monitoring.

The requirement in the future for Zeneca ultimately to take action to correct the effects on the environment of prior disposal or release of chemical substances by Zeneca or other parties, and its cost, pursuant to environmental laws and regulations, is inherently difficult to estimate. The Group has provisions at 31 December 1994 in respect of such costs in accordance with the accounting policy on page 42. Although there can be no assurance, management believes that, taking account of these provisions, the cost of addressing currently identified environmental obligations, as Zeneca currently views these obligations, is unlikely to impair materially Zeneca's financial position. Such contingent costs, to the extent that they exceed applicable provisions, could have a material adverse effect on Zeneca's results of operations for the relevant period.

In December 1994 Zeneca announced agreement to purchase 50% of Salick Health Care, Inc. (SHC), a leading US provider of disease-specific healthcare services, for US$205 million cash (£131m at £1=$1.56) (assuming all outstanding share options are exercised before the transaction effective date). The transaction is subject to approval by SHC shareholders. The remaining 50% may be bought by Zeneca within the next four years at a price which will be set according to a number of variables, but which will not exceed US$280 million (£179m at £1=$1.56). The closing of the agreement is expected at the end of the first quarter of 1995. SHC shareholders will have a Put option over the remaining 50% shareholding, exercisable at two and one half years. Zeneca will be obliged to pay or to procure payment to SHC of all monies required to finance the cash consideration for the purchase by SHC of the Put shares at a Put price of US$42 per share, approximating US$229 million. As indicated above, Zeneca will have a Call option with a minimum and maximum price (in the range US$229 million to US$280 million), exercisable within a four year period. Zeneca has also entered into a number of agreements and indemnities with SHC in relation to the transaction.

Zeneca has recently begun patent infringement proceedings, under its US patent for its major breast cancer medicine, 'Nolvadex', against the Canadian generic drug company, Novopharm Limited. The suit has been brought as a result of Novopharm filing an Abbreviated New Drug Application (ANDA) with the US FDA to enable it to commercialise a generic version of the Zeneca medicine, 'Nolvadex'.

Zeneca is also involved in various other legal proceedings which include anti-trust class and individual actions in the US initiated by retail pharmacies against more than 20 major pharmaceutical manufacturers and other litigation considered typical to its businesses, covering product liability, infringements of intellectual property rights and validity of certain patents.

# Notes relating to the accounts

## 36 POST-RETIREMENT BENEFITS

### Pensions

The Company, and most of its subsidiaries, operate or participate in retirement plans which cover the majority of employees (including Directors) in the Group. These plans are generally of the defined benefit type under which benefits are based on employees' years of service and average final remuneration and are funded through separate trustee-administered funds.

In the UK, where the largest group of employees is located, pension provision was made through the participation of Zeneca Limited in the ICI Pension Fund. This position, which formed part of the arrangements for the demerger of Zeneca from the ICI Group, continued until 31 March 1994. Zeneca Limited established a new pension fund, with effect from 1 April 1994, and took over from the ICI Fund the liabilities and the related fund assets of Zeneca's active members, and the deferred pensioners and pensioners whose last employment was with a Zeneca business. A full actuarial review of the new Zeneca Pension Fund took place as at 1 April 1994. During the course of the year the Trustee Company has reviewed the investment arrangements for the new UK Fund and four independent investment managers have been appointed. All material overseas pension plans have also now been split to take account of the demerger of Zeneca from ICI.

With regard to the main Group plans, formal actuarial valuations are undertaken triennially on varying dates. The actuarial assumptions used to calculate the value of the past service liabilities of the Group's pension plans vary according to the economic conditions of the country in which they are situated and relate to the latest actuarial valuations of the plans. The weighted average discount rate used in determining the actuarial present values of the benefit obligations was 8.5 per cent. The weighted average expected long-term rate of the return on investments was 9 per cent. The weighted average rate of increase of future earnings was 6.5 per cent. After allowing for future increases in earnings and pensions, 89 per cent of the benefit obligation that had accrued to members at the valuation dates was covered by the actuarial value of the assets of the plans and by the value of provisions set aside in subsidiary companies accounts at the same dates. The market value of the fund assets of the main Group plans at the most recent valuation dates was £1,658m. A formal actuarial review of the UK fund at 1 April 1994 showed that the actuarial value of its assets (£1,281m) covered 92 per cent of its projected benefit obligations and the Company has adjusted the contribution it pays to the fund in accordance with actuarial advice in order to fund the benefits accruing to employees over their active working lives.

The total pension cost for the Group for 1994 was £94m (1993 £85m). In Zeneca's Group balance sheet at 31 December 1994, accrued pension costs amounted to £27m (1993 £31m) and are included in other creditors (Note 18); provisions for unfunded benefit obligations, included in provisions for employee benefits (Note 20) amounted to £114m (1993 £101m). Prepaid pension costs amounting to £15m (1993 £13m) are included in debtors (Note 15).

### Post-retirement benefits other than pensions

In the US, and to a lesser extent in some other countries, Zeneca's employment practices include the provision of healthcare and life insurance benefits for retired employees. Some 6,200 retired employees currently benefit from these provisions and some 9,500 current employees will be eligible on retirement.

Urgent Issues Task Force Abstract 6, "Accounting for post-retirement benefits other than pensions", the accounting requirements of which were adopted by the Group on 1 January 1994, requires the accrual of the present value of such retiree benefit obligations over the working life of the employee. The amount provided for at 31 December 1993 was £33m. The unprovided obligation before tax for Zeneca at 1 January 1994 was £103m. This amount has been recognised by means of a prior period adjustment and 1993 figures have been restated accordingly. No deferred tax asset has been provided for this obligation.

The cost of post-retirement benefits other than pensions for the Group in 1994 was £14m (1993 £14m). Provisions for the benefit obligations at 31 December 1994 amounted to £137m and are included in provisions for employee benefits (Note 20). There were no plan assets at 31 December 1994. The future costs of benefits are assessed in accordance with the advice of independent qualified actuaries and are based on a weighted average discount rate of 8.5 per cent and a weighted average assumed healthcare costs trend rate of 10 per cent reducing to 6 per cent per annum.

## 37 STATUTORY AND OTHER INFORMATION

Included in debtors are interest free loans of £55,000 to three officers (1993 £37,000 to one officer) of the Company. These loans are provided in accordance with the Company's policy of providing relocation assistance to staff who have been transferred.

Remuneration of auditors for the statutory audit charged in the Group accounts for 1994 was £2.2m (1993 £2.1m); fees paid to the auditors of the parent Company for services other than statutory audit supplied to the Company and its UK subsidiaries in 1994 were £1.4m (1993 £1.3m), and to the rest of the Group worldwide were £0.5m (1993 £0.6m).

# Principal subsidiary undertakings

| *At 31 December 1994* | *Class of capital* | *Percentage of share capital held* | *Principal activity* |
|---|---|---|---|
| **United Kingdom** | | | |
| Zeneca Limited<br>England | Ordinary | 100 | Research and manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchanting of Zeneca products |
| IC Insurance Holdings Limited<br>England | Ordinary | 51# | Insurance and reinsurance underwriting |
| **Continental Europe** | | | |
| Zeneca Holding GmbH<br>Germany | Ordinary | 100# | Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; merchanting of Zeneca products |
| Stauffer Chemical B.V.<br>The Netherlands | Common | 100# | Manufacture of agrochemicals |
| **The Americas** | | | |
| Zeneca Holdings Inc<br>USA | Common | 100# | Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchanting of Zeneca products |
| IPR Pharmaceuticals Inc<br>Puerto Rico | Common | 100# | Manufacture of pharmaceuticals |
| **Asia Pacific** | | | |
| Zeneca Yakuhin K.K.<br>Japan | Ordinary | 60# | Merchanting of pharmaceutical products |
| Zeneca K.K.<br>Japan | Ordinary | 100# | Manufacture of pharmaceuticals; merchanting of Zeneca products |

# shares held indirectly

The country of principal operations and registration or incorporation is stated below each company.
The accounting dates of principal subsidiary undertakings are 31 December.

Zeneca operates through 181 subsidiary companies. Products are manufactured in 25 countries worldwide and are sold in well over 100 countries.

# Group financial record

| *For the years ended 31 December* | *1990** £m | *1991** £m | *1992** £m | *1993* £m | *1994* £m |
|---|---|---|---|---|---|
| **Turnover and profits** | | | | | |
| Turnover | 3,810 | 3,929 | 3,979 | 4,440 | 4,480 |
| Trading profit before exceptional items | 600 | 682 | 587 | 704 | 797 |
| Exceptional items charged to trading profit | – | – | (304) | – | (138) |
| Trading profit after exceptional items | 600 | 682 | 283 | 704 | 659 |
| Profit on ordinary activities before interest | 525 | 697 | 254 | 721 | 697 |
| Net interest payable | (171) | (166) | (152) | (88) | (38) |
| Profit on ordinary activities before taxation | 354 | 531 | 102 | 633 | 659 |
| Net profit for the financial year | 222 | 345 | 80 | 431 | 443 |
| Dividends to Shareholders | n/a | n/a | n/a | (260) | (270) |
| **Return on sales** | | | | | |
| Trading profit before exceptional items as a percentage of sales | 15.7% | 17.4% | 14.8% | 15.9% | 17.8% |
| **Statement of net assets/Balance sheet** | | | | | |
| Tangible fixed assets | 1,295 | 1,357 | 1,559 | 1,684 | 1,733 |
| Fixed asset investments | 29 | 28 | 33 | 26 | 39 |
| Current assets | 1,917 | 2,083 | 2,488 | 3,309 | 2,909 |
| Total assets | 3,241 | 3,468 | 4,080 | 5,019 | 4,681 |
| Creditors due within one year | (916) | (993) | (2,617) | (2,360) | (1,896) |
| **Total assets less current liabilities** | 2,325 | 2,475 | 1,463 | 2,659 | 2,785 |
| Creditors due after more than one year | 1,890 | 1,910 | 932 | 587 | 552 |
| Provisions for liabilities and charges | 238 | 232 | 419 | 501 | 490 |
| Minority equity interests | 58 | 72 | 57 | 72 | 58 |
| Shareholders' equity | 139 | 261 | 55 | 1,499 | 1,685 |
| | 2,325 | 2,475 | 1,463 | 2,659 | 2,785 |
| **Capital gearing** | | | | | |
| Net debt as a percentage of shareholders' funds | n/a | n/a | n/a | 12.5% | 0.3% |

The capital gearing ratio for 1993 has been restated to 12.5% from 11.7% as a result of a prior period adjustment for post-retirement healthcare benefits (see Note 2).

| | *1990** £m | *1991** £m | *1992** £m | *1993* £m | *1994* £m |
|---|---|---|---|---|---|
| **Cash flow** | | | | | |
| Net cash inflow from operating activities | 779 | 726 | 682 | 833 | 872 |
| Net cash inflow before investing and financing | 418 | 270 | 136 | 477 | 400 |
| Net cash outflow from investing activities | (34) | (109) | (176) | (263) | (288) |
| Net cash (outflow) inflow from financing | (288) | (140) | 60 | 454 | (515) |
| Increase (decrease) in cash and cash equivalents | 96 | 21 | 20 | 668 | (403) |

* Not restated for FRS 5 or UITF 6 (see Note 2) as pro forma information only was available for Zeneca.

# Zeneca share information

| | 1993 | 1994 |
|---|---|---|
| **Ordinary Shares in issue** - millions | | |
| At year end | 945 | 946 |
| Weighted average for year | 850 | 946 |
| **Stock Market price** - per 25p Ordinary Share | *Pence* | *Pence* |
| Highest | 841.5 | 898.5 |
| Lowest | 594.5 | 674.5 |
| At year end | 840.5 | 878.5 |
| **Earnings per 25p Ordinary Share before exceptional items** | 48.9 | 55.2 |
| **Earnings per 25p Ordinary Share** | 50.7 | 46.8 |
| **Dividends (net of tax credit)** | 27.5 | 28.5 |

# Additional information for US investors

## DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES ACCOUNTING PRINCIPLES

The Group's financial statements are prepared in accordance with generally accepted accounting principles applicable in the United Kingdom (UK GAAP), which differ in certain significant respects from those applicable in the United States (US GAAP). The following are the main differences which are relevant to the Group's financial statements.

### Deferred taxation

Deferred taxation is provided on a full liability basis under US GAAP; in the UK no provision is made for taxation deferred by reliefs unless there is reasonable evidence that such deferred taxation will be payable in the foreseeable future.

### Capitalization of interest

Interest incurred as part of the cost of constructing fixed assets is capitalized and amortized over the life of the asset under US GAAP. In accordance with common UK practice, Zeneca does not capitalize such interest in its financial statements.

### Post–retirement benefits

US GAAP requires employers to accrue for the expected cost of providing post–retirement benefits other than pensions (principally healthcare benefits) during the years that employees render the necessary qualifying service. UK GAAP introduced similar requirements with effect from 1 January 1994, with the cumulative obligation at that date to be accounted for as a prior period adjustment. 1993 figures have been restated accordingly.

### Pension expense

UK and US pension expense accounting standards differ notably in the permitted valuation methods and in the way surpluses and deficits are accounted for. In addition, under UK GAAP assets are valued at the discounted present value of income streams whilst under US GAAP market related values are used.

### Goodwill

Under US GAAP goodwill arising on acquisitions accounted for under the purchase method is capitalized and amortized over its estimated useful life. Goodwill is amortized using the straight line method over periods up to 40 years. Goodwill is computed under US GAAP after ascribing fair values to all assets acquired including identifiable intangible assets, which are amortized over their useful lives. In the UK the normal practice is for goodwill and intangible assets which are inseparable from the business to be eliminated immediately upon acquisition against income retained and other reserves.

### Dividends

Under UK GAAP ordinary share dividends proposed are provided for in the year in respect of which they are recommended by the Board of directors for approval by the shareholders. Under US GAAP such dividends are not provided for until declared by the Board.

# Additional information for US investors (continued)

### Statement of consolidated income and balance sheet

Set out below is a summarised version of the UK GAAP financial statements using a format and terminology customary in the USA. These have been prepared from, and should be read in conjunction with, the audited results of the Group. Each statement is followed by details of the adjustments necessary to restate net income and shareholders' equity to US GAAP. For convenience only, sterling figures have been translated into US dollars at the 31 December 1994 rate of £1 = $1.56.

| SUMMARISED INCOME STATEMENT | *Years ended 31 December* 1994 £m | *1993 £m | 1994 $m | *1993 $m |
|---|---|---|---|---|
| Sales | 4,480 | 4,440 | 6,989 | 6,926 |
| Operating income | 659 | 704 | 1,028 | 1,098 |
| Income from ordinary activities before interest | 697 | 721 | 1,087 | 1,124 |
| Net interest expense | (38) | (88) | (59) | (137) |
| Income from ordinary activities before taxation | 659 | 633 | 1,028 | 987 |
| Taxes on income from ordinary activities | (210) | (189) | (328) | (295) |
| Income from ordinary activities after taxation | 449 | 444 | 700 | 692 |
| Income attributable to minorities | (6) | (13) | (9) | (20) |
| **Net income (UK GAAP)** | 443 | 431 | 691 | 672 |
| **Net income as previously reported** | | 440 | | 686 |
| Prior period adjustment under UK GAAP (see Note 2) | | (9) | | (14) |
| **Net income under UK GAAP (1993 restated)** | 443 | 431 | 691 | 672 |
| **Adjustments to conform to US GAAP** | | | | |
| Deferred taxation | 24 | 9 | 37 | 14 |
| Capitalization, less disposals and amortization of interest | 2 | – | 3 | – |
| Pension expense | (52) | (33) | (81) | (51) |
| Post-retirement benefits | 3 | (5) | 5 | (8) |
| Purchase accounting adjustments, including goodwill and intangibles | (29) | (48) | (45) | (75) |
| Unrealized (losses) gains on foreign exchange | (12) | 7 | (19) | 11 |
| | 379 | 361 | 591 | 563 |
| Cumulative post-tax effect to 1 January 1993 of adopting SFAS No. 106 "Employers' Accounting for Post-Retirement Benefits other than Pensions" | | (81) | | (126) |
| Cumulative effect to 1 January 1993 of adopting SFAS No. 109 "Accounting for Income Taxes" | | 76 | | 118 |
| **Net income in accordance with US GAAP** | 379 | 356 | 591 | 555 |
| Net income (US GAAP) per Ordinary Share | 40.1p | 42.4p | +$1.87 | +$1.98 |
| Dividends per 25p Ordinary Share | 28.5p | 27.5p | +$1.67 | +$1.61 |

+ Per American Depositary Share (ADS). Three Zeneca Ordinary Shares are represented by each ADS.

The current income tax convention between the UK and the USA includes provisions which entitle qualifying US resident ADS holders to a refund of the UK tax credit of 20/80ths attaching to the dividend less a 15% withholding tax charged on the sum of the dividend and the credit. Subject to certain limitations the withholding tax may be offset against US federal taxes on certain overseas income. For ADS holders able to benefit fully under these arrangements the dividend of 28.5 pence per Ordinary Share would represent $1.67 per ADS using the conversion rate of £1 = $1.56. The UK tax credit of 20/80ths is based on the lower rate of income tax prevailing in the UK on 1 March 1995, the date on which the Zeneca Group audited financial statements were signed.

* See Note 2

| SUMMARISED CONSOLIDATED BALANCE SHEET | At 31 December 1994 £m | *1993 £m | 1994 $m | *1993 $m |
|---|---|---|---|---|
| **UK Basis** | | | | |
| Assets | | | | |
| Current assets | | | | |
| Cash and marketable securities | 735 | 1,049 | 1,146 | 1,636 |
| Receivables | 1,398 | 1,484 | 2,181 | 2,315 |
| Inventories | 776 | 776 | 1,211 | 1,211 |
| Total current assets | 2,909 | 3,309 | 4,538 | 5,162 |
| Other assets: non-current investments | 39 | 26 | 61 | 41 |
| Property, plant and equipment (net of depreciation) | 1,733 | 1,684 | 2,703 | 2,627 |
| Total assets | 4,681 | 5,019 | 7,302 | 7,830 |
| Liabilities and shareholders' equity | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | 1,676 | 1,679 | 2,615 | 2,619 |
| Short-term debt | 208 | 101 | 324 | 158 |
| Long-term debt due within one year | 12 | 580 | 19 | 905 |
| Total current liabilities | 1,896 | 2,360 | 2,958 | 3,682 |
| Long-term debt not due within one year | 520 | 556 | 811 | 867 |
| Other liabilities and deferred income | 522 | 532 | 814 | 830 |
| Minority interests | 58 | 72 | 90 | 112 |
| Shareholders' equity/net assets | 1,685 | 1,499 | 2,629 | 2,339 |
| Issued Shares | 236 | 236 | 368 | 368 |
| Premiums paid in excess of par value | 4 | 1 | 6 | 2 |
| Merger reserve | 285 | 285 | 445 | 445 |
| Income retained and other reserves | 1,160 | 977 | 1,810 | 1,524 |
| **Total liabilities and shareholders' equity (UK basis)** | 4,681 | 5,019 | 7,302 | 7,830 |
| **Total shareholders' equity (UK basis)** | 1,685 | 1,499 | 2,629 | 2,339 |
| **Shareholders' equity as previously reported** | | 1,602 | | 2,500 |
| Prior period adjustment under UK GAAP (see Note 2) | | (103) | | (161) |
| **Shareholders' equity under UK GAAP (1993 restated)** | 1,685 | 1,499 | 2,629 | 2,339 |
| **Adjustments to conform to US GAAP** | | | | |
| Deferred taxation | 3 | (22) | 5 | (34) |
| Capitalization, less disposals and amortization of interest | 105 | 103 | 164 | 161 |
| Pension expense | (85) | (33) | (133) | (52) |
| Post-retirement benefit plan amendment | (37) | (44) | (57) | (69) |
| Purchase accounting adjustments, including goodwill and intangibles | 670 | 725 | 1,045 | 1,131 |
| Dividends | 168 | 161 | 262 | 251 |
| Unrealized gains on foreign exchange | (5) | 7 | (8) | 11 |
| | 819 | 897 | 1,278 | 1,399 |
| **Shareholders' equity in accordance with US GAAP** | 2,504 | 2,396 | 3,907 | 3,738 |

* See Note 2

# Shareholder information

## SHAREHOLDERS

**PERCENTAGE ANALYSIS AT 31 DECEMBER OF ISSUED SHARE CAPITAL:**

| ***By fund type*** | *1994* | *1993* |
|---|---|---|
| Managed pension funds | 26.2 | 24.2 |
| Self-administered pension funds | 13.5 | 13.8 |
| Insurance companies | 13.9 | 13.0 |
| Overseas institutions | 11.3 | 11.7 |
| Unit trusts | 7.5 | 9.1 |
| | 72.4 | 71.8 |
| Others >50,000 shares | 10.5 | 10.3 |
| Holdings 50,000 shares or less | 17.1 | 17.9 |
| Issued share capital | 100.0 | 100.0 |

***By size of account***

| ***No. of shares*** | *1994* | *1993* |
|---|---|---|
| 1 – 250 | 1.4 | 1.5 |
| 251 – 500 | 2.6 | 2.7 |
| 501 – 1,000 | 3.9 | 4.2 |
| 1,001 – 5,000 | 5.8 | 5.9 |
| 5,001 – 10,000 | 0.7 | 0.8 |
| 10,001 – 50,000 | 2.7 | 2.8 |
| 50,001 – 1,000,000 | 24.1 | 24.4 |
| over 1,000,000 | 58.8 | 57.7 |
| | 100.0 | 100.0 |

At 31 December 1994, Zeneca Group PLC had 267,127 registered holders of 945,976,988 Ordinary Shares of 25 pence each. In addition there were approximately 15,700 holders of American Depositary Receipts representing 4.02 per cent of the issued share capital. The ADRs, each of which is equivalent to three Ordinary Shares, are issued by Morgan Guaranty Trust Company of New York.

## SUBSTANTIAL SHAREHOLDINGS

On 20 February 1995 (one month prior to the date of the Notice of Annual General Meeting) S.G. Warburg Group plc had disclosed an interest in 106,723,083 Ordinary Shares of the Company, being 11.28 per cent of the issued Ordinary Share capital in accordance with the requirements of Sections 198-208 of the Companies Act 1985. This interest included 104,500,281 shares (11.05 per cent) which relate to discretionary management agreements entered into by subsidiaries of Mercury Asset Management plc, itself a subsidiary of S.G. Warburg Group plc. No other person held a notifiable interest in shares, comprising three per cent or more of the issued Ordinary Share capital of the Company, appearing in the register of interests in shares maintained under the provisions of Section 211 of the Companies Act 1985.

## DIVIDEND PAYMENTS

The record date for the second interim dividend payable on 9 May 1995 (in the UK) and 16 May 1995 (in the US) is 30 March 1995. Shares will trade ex-dividend on The London Stock Exchange from 13 March 1995. ADRs will trade ex-dividend on the New York Stock Exchange from 24 March 1995. Future dividends will normally be paid as follows:

| | |
|---|---|
| *First interim* | Announced on the first Thursday in August and paid in November. |
| *Second interim* | Announced on the first Thursday in March and paid in May. |

## RESULTS

Unaudited trading results of Zeneca Group PLC are published six monthly, and in respect of the first six months of 1995, on 3 August 1995.

## VALUE OF SHARES AT DEMERGER

Shares in Zeneca Group PLC acquired on demerger from ICI will be treated as having a base cost for capital gains tax purposes ascertained by reference to the values of Zeneca and ICI Shares on 1 June 1993 calculated in accordance with the provisions of Section 272 of the Taxation of Chargeable Gains Act 1992. The base cost of any holding of ICI Shares on that date will be adjusted on the same basis.

The relevant prices on The London Stock Exchange on 1 June 1993 were:

**Zeneca – 625.75p and ICI – 631.75p**

The base cost of the pre-demerger ICI Shares will therefore be split between the post-demerger Zeneca and ICI Shares in the proportion:

**Zeneca – 0.49761 and ICI – 0.50239**

## REGISTRAR AND TRANSFER OFFICE

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# PHARMACEUTICALS – MAJOR PRODUCTS : MODE OF ACTION AND INDICATION

**Cardiovascular**

*Inderal* – beta blocker for hypertension, angina and other uses

*Tenormin* – beta blocker for hypertension, angina and other cardiovascular uses

*Tenoretic* – combination beta-blocker/ diuretic for hypertension, IHD

*Zestril* – ACE inhibitor for hypertension, congestive heart failure (under licence from Merck & Co)

*Zestoretic* – ACE inhibitor/diuretic for hypertension (under licence from Merck & Co)

**Anti-cancer**

*Zoladex* – LHRH analogue for prostate cancer, pre- and peri-menopausal breast cancer, certain benign gynaecological disorders

*Nolvadex* – cytostatic hormone, anti-oestrogen for breast cancer

Metastron* – radiopharmaceutical treatment for relief of bone pain associated with prostate cancer (co-promotion agreement from Amersham International plc)

*Casodex* – oral anti-androgen for prostate cancer – filed in 1994

*Arimidex* – aromatase inhibitor for breast cancer – in clinical trials – filing expected early 1995

*Tomudex* – thymidylate synthase inhibitor for colo-rectal cancer – in clinical trials – filing expected early 1995

182780 – anti-oestrogen for breast cancer – early development

ADEPT – biopharmaceutical for colon cancer – early development

ZD9331 – cytotoxic for solid tumours – early development

**Central Nervous System**

*Diprivan* – intravenous anaesthetic for induction and maintenance of anaesthesia, sedation of adult intensive care patients

*Fluothane* – inhalation anaesthetic

*Seroquel* – dopamine & serotonin antagonist for schizophrenia and other psychotic disorders – in Phase III trials – filing expected 1996

**Infection**

*Merrem/Meronem* – broad spectrum injectable antibiotic for use against a wide range of infections (licensed from Sumitomo Pharmaceuticals Co Ltd)

*Hibitane* – hospital skin antiseptic

Apatef* – antibiotic for serious bacterial infections (licensed from Yamanouchi Pharmaceutical Co., Ltd)

Amphocil* – proprietary formulation of amphotericin B for severe systemic fungal infections (rights from Liposome Technology, Inc)

ZD0870 – azole antifungal for systemic mycoses – co-development with Mochida Pharmaceutical Co Ltd – early development

**Respiratory**

*Accolate* – oral leukotriene antagonist for mild to moderate asthma – in Phase III trials – filings expected mid 1995

ZD2138 – lipoxygenase inhibitor – asthma – early development

* Metastron *is a trademark owned by Amersham International plc.*
Apatef *is a trademark owned by Yamanouchi Pharmaceutical Co., Ltd.*
Amphocil *is a trademark owned by Liposome Technology, Inc.*
*Words in this table and the tables on page 5 which appear in italics, and words which appear in the text [illegible] refer to trademarks owned by the Zeneca Group unless otherwise indicated.*

# Profit and loss account

| *For the year ended 31 December* | *Notes* | *1994* *£m* | *1993* *£m* |
|---|---|---|---|
| **Turnover** | | – | – |
| Operating costs | 1 | (1.8) | (1.3) |
| **Trading Loss** | 1 | (1.8) | (1.3) |
| Income from shares in subsidiary undertakings | | 544.4 | 344.0 |
| **Profit on ordinary activities before interest** | | 542.6 | 342.7 |
| Net interest payable | 2 | (3.7) | (4.1) |
| **Profit on ordinary activities before taxation** | | 538.9 | 338.6 |
| Taxation | | (64.8) | (68.0) |
| **Net profit for the financial year** | | 474.1 | 270.6 |
| Dividends to Shareholders | | (269.6) | (260.0) |
| **Profit retained for the year** | | 204.5 | 10.6 |

The Profit and Loss Account and accompanying notes were approved by the Board of Directors on 1 March 1995 and were signed on its behalf by:

| | |
|---|---|
| Sir Denys Henderson | Director |
| J.C. Mayo | Director |

# Contents

## Accounts



## Notes relating to the accounts

# Directors' responsibilities in respect of the preparation of financial statements

The Directors are required by UK company law to prepare for each accounting period financial statements which give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of the profit or loss of the Group for that period. In preparing the financial statements the Directors are required to select and apply consistently suitable accounting policies framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards also have to be followed and a statement made to that effect in the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. The Directors are responsible for ensuring proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Auditors' report

### To the Members of Zeneca Group PLC.

We have audited the financial statements on pages 39 to 67.

### Respective responsibilities of directors and auditors

As described above the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

1 March 1995

KPMG

KPMG
Chartered Accountants
Registered Auditors
8 Salisbury Square
London EC4Y 8BB

# Group profit and loss account

| *For the year ended 31 December* | *Notes* | *1994* *£m* | **1993* *£m* |
|---|---|---|---|
| **Turnover** | | 4,480 | 4,440 |
| Operating costs | 3 | (3,928) | (3,840) |
| Ongoing | | (3,790) | (3,840) |
| Exceptional | 4 | (138) | – |
| Other operating income | 3 | 107 | 104 |
| **Trading profit** | 3 | 659 | 704 |
| **Trading profit before exceptional items** | | 797 | 704 |
| Exceptional items charged to trading profit | 4 | (138) | – |
| Share of profits less losses of associated undertakings | | 4 | 2 |
| Profits less losses on sale or closure of operations | 4 | 20 | 15 |
| Profit on sale of fixed assets | 4 | 14 | – |
| **Profit on ordinary activities before interest** | | 697 | 721 |
| Net interest payable | 7 | (38) | (88) |
| **Profit on ordinary activities before taxation** | | 659 | 633 |
| **Profit before exceptional items** | | 763 | 618 |
| Exceptional items | 4 | (104) | 15 |
| Taxation | 8 | (210) | (189) |
| **Profit on ordinary activities after taxation** | | 449 | 444 |
| Attributable to minorities | | (6) | (13) |
| **Net profit for the financial year** | | 443 | 431 |
| Pre-demerger dividend to ICI | | – | (70) |
| Dividends to Shareholders | 9 | (270) | (260) |
| **Profit retained for the year** | | 173 | 101 |
| **Earnings per 25p Ordinary Share before exceptional items (pence)** | 10 | 55.2p | 48.9p |
| **Earnings per 25p Ordinary Share (pence)** | 10 | 46.8p | 50.7p |
| Weighted average number of Ordinary Shares in issue | 10 | 946 | 850 |

* See Note 2

# Statement of total recognised gains and losses

| *For the year ended 31 December* | *Notes* | *1994* *£m* | *1993* *£m* |
|---|---|---|---|
| **Net profit for the financial year** | | 443 | 431 |
| Net unrealized holding gains (losses) on short-term investments | 16 | (11) | 1 |
| Net foreign currency translation differences and recognised exchange gains (losses) | 22 | 4 | (35) |
| **Total recognised gains and losses relating to the year** | | 436 | 397 |
| Prior period adjustment – post-retirement benefits other than pensions | 2 | (103) | – |
| Total gains and losses recognised since the last annual report | | 333 | 397 |

£m means millions of pounds sterling

# Balance sheets

| As at 31 December | Notes | | Group 1994 £m | | Group *1993 £m | Company 1994 £m | Company 1993 £m |
|---|---|---|---|---|---|---|---|
| **Fixed assets** | | | | | | | |
| Tangible fixed assets | 12 | | 1,733 | | 1,684 | – | – |
| Fixed asset investments | 13 | | 39 | | 26 | 558 | 180 |
| | | | 1,772 | | 1,710 | 558 | 180 |
| **Current assets** | | | | | | | |
| Stocks | 14 | | 776 | | 776 | – | – |
| Debtors | 15 | | 1,396 | | 1,483 | 1,765 | 1,483 |
| Securitised rent receivables | 15 | 56 | | 58 | | – | – |
| Less : Non-recourse Secured Notes | 15 | (54) | 2 | (57) | 1 | – | – |
| Short-term investments | 16 | | 594 | | 925 | – | 401 |
| Cash | 16 | | 141 | | 124 | – | – |
| | | | 2,909 | | 3,309 | 1,765 | 1,884 |
| **Total assets** | | | 4,681 | | 5,019 | 2,323 | 2,064 |
| **Creditors due within one year** | | | | | | | |
| Short-term borrowings | 17 | | (208) | | (101) | – | – |
| Current instalments of loans | 19 | | (12) | | (580) | – | – |
| Other creditors | 18 | | (1,676) | | (1,679) | (235) | (162) |
| | | | (1,896) | | (2,360) | (235) | (162) |
| **Net current assets** | | | 1,013 | | 949 | 1,530 | 1,722 |
| **Total assets less current liabilities** | | | 2,785 | | 2,659 | 2,088 | 1,902 |
| **Creditors due after more than one year** | | | | | | | |
| Loans | 19 | | (520) | | (556) | (378) | – |
| Other creditors | 18 | | (32) | | (31) | – | (399) |
| | | | (552) | | (587) | (378) | (399) |
| **Provisions for liabilities and charges** | 20 | | (490) | | (501) | – | – |
| **Net assets** | | | 1,743 | | 1,571 | 1,710 | 1,503 |
| **Capital and reserves** | | | | | | | |
| Called up share capital | 21 | | 236 | | 236 | 236 | 236 |
| Share premium account | 22 | | 4 | | 1 | 4 | 1 |
| Merger reserve | 22 | | 285 | | 285 | – | – |
| Other reserves | 22 | | 204 | | 170 | 1,255 | 1,255 |
| Profit and loss account | 22 | | 956 | | 807 | 215 | 11 |
| **Shareholders' funds - equity interests** | 23 | | 1,685 | | 1,499 | 1,710 | 1,503 |
| **Minority equity interests** | | | 58 | | 72 | – | – |
| **Shareholders' funds and minority interests** | | | 1,743 | | 1,571 | 1,710 | 1,503 |

* See Note 2

The accounts on pages 39 to 67 were approved by the Board of Directors on 1 March 1995 and were signed on its behalf by:

Sir Denys Henderson — Director
J.C. Mayo — Director

# Statement of Group cash flow

| *For the year ended 31 December* | *Notes* | *1994* *£m* | *1993* *£m* |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net cash inflow from trading operations before exceptional items | 24 | 957 | 974 |
| Outflow related to exceptional items | 25 | (85) | (141) |
| **Net cash inflow from operating activities** | | 872 | 833 |
| **Returns on investments and servicing of finance** | | | |
| Interest and dividends received | 26 | 48 | 83 |
| Interest paid | | (87) | (137) |
| Distributions and transfers to the ICI Group | | – | (75) |
| Dividends paid to Shareholders | | (263) | (99) |
| Dividends paid by subsidiary undertakings to minority interests | | (7) | (12) |
| **Net cash outflow from returns on investments and servicing of finance** | | (309) | (240) |
| **Tax paid** | | (163) | (116) |
| **Net cash inflow before investing and financing** | | 400 | 477 |
| **Investing activities** | | | |
| Cash expenditure on tangible fixed assets | 12 | (315) | (313) |
| Acquisitions and new fixed asset investments | 27 | (12) | (17) |
| Disposals of business operations | 28 | 89 | 58 |
| Disposals of fixed assets | | 26 | 16 |
| Purchase of short-term investments and deposits | 29 | (331) | (267) |
| Sale of short-term investments and deposits | 29 | 255 | 260 |
| **Net cash outflow from investing activities** | | (288) | (263) |
| **Net cash inflow before financing** | | 112 | 214 |
| **Financing** | | | |
| Issue of Zeneca Group PLC Ordinary Shares | 30 | 3 | 1,351 |
| Costs of rights issue | 30 | – | (39) |
| Net decrease in loans | 30 | (578) | (852) |
| Costs of loan issues | 30 | – | (7) |
| Repayment of lease finance | 30 | (6) | (3) |
| Net increase in short-term borrowings | 30 | 66 | 4 |
| **Net cash (outflow) inflow from financing** | | (515) | 454 |
| **(Decrease) increase in cash and cash equivalents** | 31 | (403) | 668 |

# Notes relating to the accounts

## 3 TRADING PROFIT

| | 1994 £m | 1993 £m |
|---|---|---|
| **Turnover** | 4,480 | 4,440 |
| **Operating costs** | | |
| Cost of sales | (1,977) | (1,885) |
| Distribution costs | (171) | (160) |
| Research and development | (518) | (519) |
| Administrative and other expenses | (1,262) | (1,276) |
| | (3,928) | (3,840) |
| **Other operating income** | | |
| Government grants | 1 | 2 |
| Royalties | 80 | 45 |
| Other income | 26 | 57 |
| | 107 | 104 |
| **Trading profit** | 659 | 704 |
| Charge for depreciation included above | 211 | 172 |
| Gross profit, as defined by the Companies Act 1985 | 2,503 | 2,555 |

## 4 EXCEPTIONAL ITEMS

Owing to the material impact that exceptional items had on the reported results for 1994, these items have been disclosed in detail so that their overall effect may be better appreciated.

| | 1994 £m | 1993 £m |
|---|---|---|
| Charged in arriving at trading profit | | |
| Provisions for rationalisation of Agrochemicals production capacity | (45) | – |
| Provisions for restructuring of the Seeds business and withdrawal from East European markets | (51) | – |
| Provisions for restructuring of Specialties businesses | (42) | – |
| Exceptional operating items | (138) | – |
| Profits less losses on sale or closure of operations and related provisions | | |
| Profits | 22 | 20 |
| Losses/provisions | (2) | (5) |
| | 20 | 15 |
| Profit on sale of fixed assets | 14 | – |
| Exceptional items within profit on ordinary activities before taxation | (104) | 15 |
| Tax credits on exceptional items (see Note 8) | 25 | – |
| | (79) | 15 |

Exceptional items included in trading profit were charged to Cost of sales £77 million and Administrative and other expenses £61 million.

## 5 NOTE OF HISTORICAL COST PROFITS AND LOSSES

There were no material differences between reported profits and losses and historical cost profits and losses on ordinary activities before tax.

## 6 LEASES

The total rentals under operating leases, charged as an expense in the profit and loss account, are disclosed below.

| | 1994 £m | 1993 £m |
|---|---|---|
| Hire of plant and machinery | 8 | 6 |
| Other | 28 | 29 |
| | 36 | 35 |

Commitments under leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which each lease expires.

| | | |
|---|---|---|
| Obligations under operating leases comprise | | |
| Land and buildings | | |
| Expiring within 1 year | 3 | 1 |
| Expiring during years 2 to 5 | 3 | 3 |
| Expiring thereafter | 4 | 4 |
| | 10 | 8 |
| Other assets | | |
| Expiring within 1 year | 7 | 4 |
| Expiring during years 2 to 5 | 6 | 12 |
| Expiring thereafter | – | – |
| | 13 | 16 |
| Obligations under finance leases comprise | | |
| Rentals due within 1 year | 2 | 4 |
| Rentals due during years 2 to 5 | 6 | 5 |
| Rentals due thereafter | 2 | 2 |
| Less interest element | (2) | (2) |
| | 8 | 9 |

Obligations under finance leases are included in other creditors (Note 18).

The Group had commitments totalling £6m (1993 £nil) under finance leases at the balance sheet date which were due to commence thereafter.

## 7 NET INTEREST PAYABLE

| | 1994 £m | 1993 £m |
|---|---|---|
| **Interest payable and similar charges** | | |
| Loan interest* | 34 | 21 |
| Interest on short-term borrowings and other financing costs | 39 | 30 |
| Net interest payable to the ICI Group | 2 | 86 |
| | 75 | 137 |
| **Interest receivable and similar income from current asset investments** | | |
| Listed redeemable securities | (16) | (15) |
| Unlisted redeemable securities | (3) | – |
| Short-term deposits | (18) | (34) |
| | (37) | (49) |
| **Net interest payable** | 38 | 88 |

* Loan interest includes £33m (1993 £12m) on loans not wholly repayable within 5 years.

# Notes relating to the accounts

## 11 SEGMENT INFORMATION

### Classes of Business

| | Turnover | | Profit | | |
|---|---|---|---|---|---|
| | *1994* | *1993* | *1994* | *1994** | *1993* |
| | *£m* | *£m* | *£m* | *£m* | *£m* |
| Pharmaceuticals | 1,958 | 1,871 | 629 | 629 | 586 |
| Agrochemicals | 1,521 | 1,467 | 34 | 130 | 84 |
| Specialties | 1,008 | 1,027 | 14 | 56 | 48 |
| Inter-business eliminations and Miscellaneous | (7) | 75 | (18) | (18) | (14) |
| | 4,480 | 4,440 | 659 | 797 | 704 |
| Share of profits less losses of associated undertakings | | | 4 | 4 | 2 |
| Profits less losses on sale or closure of operations | | | 20 | | 15 |
| Profit on sale of fixed assets | | | 14 | | – |
| Net interest payable | | | (38) | (38) | (88) |
| Profit before taxation | | | 659 | 763 | 633 |

* Before exceptional items

Zeneca's policy is to transfer products internally at external market prices.

The profit before taxation includes £17m (1993 £31m) relating to the Group's insurance activities, of which a loss of £3m (1993 £12m profit) is included in trading profit and classified as Miscellaneous; £1m (1993 £nil) is included in profits of associated undertakings and £19m (1993 £19m) is included in net interest payable.

Profits less losses on sale or closure of operations in 1994 related to Pharmaceuticals £nil (1993 £17m profit), Agrochemicals £20m (1993 £nil), Specialties £nil (1993 £4m loss) and Miscellaneous £nil (1993 £2m profit). Profits on sale of fixed assets in 1994 related to Pharmaceuticals £7m (1993 £nil) and Specialties £7m (1993 £nil).

| | Capital expenditure | | Depreciation | | Net assets | |
|---|---|---|---|---|---|---|
| | *1994* | *1993* | *1994* | *1993* | *1994* | *1993* |
| | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* |
| Pharmaceuticals | 130 | 128 | 77 | 70 | 1,069 | 923 |
| Agrochemicals | 86 | 77 | 77 | 54 | 773 | 870 |
| Specialties | 83 | 91 | 52 | 38 | 621 | 640 |
| Miscellaneous | 19 | 19 | 5 | 10 | (79) | (99) |
| | 318 | 315 | 211 | 172 | | |
| Net operating assets | | | | | 2,384 | 2,334 |
| Net non-operating liabilities | | | | | (641) | (763) |
| | | | | | 1,743 | 1,571 |

Net non-operating liabilities include current asset investments, short-term deposits and cash, short-term borrowings, loans, and debtors and creditors not attributable to business segments.

## 11 SEGMENT INFORMATION (continued)

### Geographic areas

The information opposite is re-analysed in the table below by geographic area. The figures for each geographic area show the net operating assets owned by and the turnover and profit made by companies located in that area; export sales and related profits are included in the areas from which those sales were made.

| | *Net operating assets* | | *Turnover* | | *Profit* | | |
|---|---|---|---|---|---|---|---|
| | *1994* | *1993* | *1994* | *1993* | *1994* | *1994** | *1993* |
| | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* | *£m* |
| United Kingdom | | | | | | | |
| Sales in the United Kingdom | | | 313 | 313 | | | |
| Export sales | | | 1,826 | 1,675 | | | |
| | 1,406 | 1,240 | 2,139 | 1,988 | 379 | 458 | 332 |
| Continental Europe | 325 | 338 | 1,351 | 1,287 | 85 | 102 | 97 |
| The Americas | 330 | 474 | 2,047 | 2,038 | 149 | 191 | 226 |
| Asia Pacific | 181 | 200 | 582 | 524 | 45 | 45 | 44 |
| Other countries | 142 | 82 | 63 | 68 | 1 | 1 | 5 |
| | 2,384 | 2,334 | 6,182 | 5,905 | 659 | 797 | 704 |
| Inter-area eliminations | | | (1,702) | (1,465) | – | – | – |
| | 2,384 | 2,334 | 4,480 | 4,440 | 659 | 797 | 704 |
| Share of profits less losses of associated undertakings | | | | | 4 | 4 | 2 |
| Profits less losses on sale or closure of operations | | | | | 20 | | 15 |
| Profit on sale of fixed assets | | | | | 14 | | – |
| Net interest payable | | | | | (38) | (38) | (88) |
| Profit before taxation | | | | | 659 | 763 | 633 |

* Before exceptional items

Inter-area turnover shown above includes sales from the UK to overseas subsidiaries of £1,446m (1993 £1,231m). Inter-area net eliminations of the corresponding working capital has been attributed to the recipient territory in 1994 and 1993 has been adjusted to reflect this convention. Profits less losses on sale or closure of operations in 1994 arose in the United Kingdom £26m profit (1993 £12m profit), Continental Europe £11m profit (1993 £9m profit) and The Americas £17m loss (1993 £6m loss). Profit on sale of fixed assets in 1994 arose in the United Kingdom £7m (1993 £nil) and Continental Europe £7m (1993 £nil).

| | *1994* | *1993* |
|---|---|---|
| **Geographic markets** | *£m* | *£m* |
| Turnover in each geographic market in which customers are located | | |
| United Kingdom | 324 | 322 |
| Continental Europe | 1,296 | 1,301 |
| The Americas | 1,982 | 1,966 |
| Asia Pacific | 710 | 665 |
| Other countries | 168 | 186 |
| Total turnover | 4,480 | 4,440 |

| **Employees** | *1994* | *1993* |
|---|---|---|
| Average number of people employed by Zeneca in | | |
| United Kingdom | 12,600 | 12,800 |
| Continental Europe | 6,400 | 6,400 |
| The Americas | 9,300 | 10,700 |
| Asia Pacific | 1,900 | 1,800 |
| Other countries | 600 | 600 |
| Total employees | 30,800 | 32,300 |

The number of people employed by Zeneca at the end of 1994 was 30,400 (1993 30,900).

# Notes relating to the accounts

## 12 TANGIBLE FIXED ASSETS

| GROUP | *Land and buildings* *£m* | *Plant and equipment* *£m* | *Capital expenditure and assets in course of construction* *£m* | *Total* *£m* |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 769 | 1,930 | 243 | 2,942 |
| Exchange adjustments | (15) | (27) | 7 | (35) |
| Capital expenditure | – | – | 318 | 318 |
| Transfer of assets into use | 56 | 248 | (304) | – |
| Disposals and other movements | (19) | (90) | 2 | (107) |
| At end of year | 791 | 2,061 | 266 | 3,118 |
| **Depreciation** | | | | |
| At beginning of year | 220 | 1,038 | | 1,258 |
| Exchange adjustments | (2) | (11) | | (13) |
| Disposals and other movements | (6) | (65) | | (71) |
| Charge for year | 32 | 179 | | 211 |
| At end of year | 244 | 1,141 | | 1,385 |
| **Net book value at 31 December 1994** | 547 | 920 | 266 | 1,733 |
| Net book value at 31 December 1993 | 549 | 892 | 243 | 1,684 |

The Group depreciation charge of £211m shown above comprises £177m charged to ongoing operational costs and £34m charged to exceptional operating costs.

Capital expenditure in the year of £318m includes capitalized finance leases of £5m; cash expenditure on tangible fixed assets was £315m. The cost of non-depreciated assets, comprising principally land, was £65m.

The net book value of the tangible fixed assets of the Group at 31 December 1994 includes capitalized finance leases of £10m, comprising cost of £17m and accumulated depreciation thereon of £7m. The depreciation charge for the year in respect of capitalized leases was £2m and finance charges £1m.

| | *Group* *1994* *£m* | *1993* *£m* |
|---|---|---|
| The net book value of land and buildings comprised | | |
| Freeholds | 537 | 539 |
| Long leases (over 50 years unexpired) | 3 | 7 |
| Short leases | 7 | 3 |
| | 547 | 549 |

## 13 FIXED ASSET INVESTMENTS

| GROUP | *Associated undertakings* *£m* | *Other investments* *Listed* *£m* | *Unlisted* *£m* | *Total* *£m* |
|---|---|---|---|---|
| **Cost** | | | | |
| At beginning of year | 10 | – | 10 | 20 |
| Additions less disposals | – | 9 | 2 | 11 |
| Other movements | – | – | (1) | (1) |
| At end of year | 10 | 9 | 11 | 30 |
| **Share of post-acquisition reserves** | | | | |
| At beginning of year | 10 | – | – | 10 |
| Retained losses | (3) | – | – | (3) |
| Equity accounting uplift | 7 | – | – | 7 |
| At end of year | 14 | – | – | 14 |
| **Provisions** | | | | |
| At beginning of year | – | – | (4) | (4) |
| Additions | – | – | (1) | (1) |
| At end of year | – | – | (5) | (5) |
| **Net book value at 31 December 1994** | 24 | 9 | 6 | 39 |
| Net book value at 31 December 1993 | 20 | – | 6 | 26 |

The market value of the listed investments at 31 December 1994 was £8m (1993 £nil).

| COMPANY | *Subsidiary investments* *Shares* £m | *Loans* £m | *Total* £m |
|---|---|---|---|
| **Cost** | | | |
| At beginning of year | 180 | – | 180 |
| New investments/New loans | – | 378 | 378 |
| **Net book value at 31 December 1994** | 180 | 378 | 558 |
| Net book value at 31 December 1993 | 180 | – | 180 |

None of the investments are listed.

Information on principal subsidiary undertakings is given on page 67.

## 14 STOCKS

| | *Group* *1994* *£m* | *1993* *£m* |
|---|---|---|
| Raw materials and consumables | 193 | 233 |
| Stocks in process | 211 | 267 |
| Finished goods and goods for resale | 372 | 276 |
| | 776 | 776 |

# Notes relating to the accounts

## 16 CASH AND SHORT-TERM INVESTMENTS (continued)

Contractual maturities of debt securities are as follows:

| | *Cost* *£m* | *Estimated fair value* *£m* |
|---|---|---|
| 1995 | 4 | 4 |
| 1996 – 1999 | 69 | 64 |
| 2000 – 2004 | 93 | 85 |
| Thereafter | 19 | 18 |
| | 185 | 171 |

## 17 SHORT-TERM BORROWINGS

| | *Group* | |
|---|---|---|
| | *1994* *£m* | *1993* *£m* |
| **Bank borrowings** | | |
| Secured by floating charge | 1 | 1 |
| Unsecured | 141 | 99 |
| | 142 | 100 |
| **Other borrowings (unsecured)** | 66 | 1 |
| | 208 | 101 |
| Included in cash and cash equivalents (see Note 31) | 139 | 96 |

## 18 OTHER CREDITORS

| | *Group* | | *Company* | |
|---|---|---|---|---|
| | *1994* *£m* | *1993* *£m* | *1994* *£m* | *1993* *£m* |
| **Amounts due within one year** | | | | |
| Trade creditors | 506 | 423 | – | – |
| Amounts owed to subsidiary undertakings | | | 67 | 2 |
| Corporate taxation | 208 | 181 | – | (1) |
| Value added and payroll taxes and social security | 35 | 24 | – | – |
| Obligations under finance leases | 2 | 4 | – | – |
| Other creditors* | 602 | 597 | – | – |
| Accruals | 155 | 289 | – | – |
| Dividends to Shareholders | 168 | 161 | 168 | 161 |
| | 1,676 | 1,679 | 235 | 162 |
| **Amounts due after more than one year** | | | | |
| Amounts owed to subsidiary undertakings | | | – | 399 |
| Obligations under finance leases | 6 | 5 | – | – |
| Other creditors* | 24 | 23 | – | – |
| Grants not yet credited to income | 2 | 3 | – | – |
| | 32 | 31 | – | 399 |

* Included in other creditors are amounts totalling £305m (1993 £316m) to meet insurance obligations of the Group's insurance subsidiaries. Other creditors also include costs charged as exceptional items (Note 4) and accrued pension costs (Note 36).

## 19 LOANS

| | Repayment dates | Group 1994 £m | Group 1993 £m | Company 1994 £m | Company 1993 £m |
|---|---|---|---|---|---|
| **Creditors due within one year** | | | | | |
| Current instalment of loans | | 12 | 580 | – | – |
| **Creditors due after more than one year** | | | | | |
| Loans | | 520 | 556 | 378 | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| **Secured loans** | | | | | |
| US Dollars (5.9 to 8%), secured by fixed charge | 2004/2012 | 10 | 11 | – | – |
| **Unsecured loans** | | | | | |
| Sterling | | | | | |
| Bank loan – variable rate | 1995/2002 | 50 | 50 | – | – |
| US Dollars | | | | | |
| Bank loan – variable rate | 2001 | 51 | 54 | – | – |
| 6.30% Guaranteed Notes | 2003 | 189 | 200 | – | – |
| 7% Guaranteed Debentures | 2023 | 189 | 199 | – | – |
| 6.58% Loan | 2003 | – | – | 189 | – |
| 7.2% Loan | 2023 | – | – | 189 | – |
| Others | 1995/2013 | 6 | 7 | – | – |
| Other foreign currencies | 1995/2000 | 37 | 40 | – | – |
| Amounts due to the ICI Group | | – | 575 | – | – |
| **Total unsecured** | | 522 | 1,125 | 378 | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| Loans or instalments thereof are repayable | | | | | |
| After 5 years from balance sheet date | | | | | |
| Lump sums | | 441 | 465 | 378 | – |
| Instalments | | 22 | 29 | – | – |
| | | 463 | 494 | 378 | – |
| From 2 to 5 years | | 35 | 48 | – | – |
| From 1 to 2 years | | 22 | 14 | – | – |
| **Total due after more than one year** | | 520 | 556 | 378 | – |
| **Total due within one year** | | 12 | 580 | – | – |
| **Total loans** | | 532 | 1,136 | 378 | – |
| Aggregate amount of loans repayable by instalments any of which fall due after 5 years | | 48 | 56 | – | – |

Loans from banks included in the table above amounted to £142m (1993 £150m) of which £nil (1993 £1m) was secured.

# Notes relating to the accounts

## 29 SHORT-TERM INVESTMENTS AND DEPOSITS

Insurance liabilities within the Group's insurance subsidiaries are actively matched by the purchase and sale of short-term investments and deposits.

## 30 CHANGES IN FINANCING DURING THE YEAR

| | *Share capital* *£m* | *Share premium account* *£m* | *Amounts due to the ICI Group* *£m* | *External loans* *£m* | *Finance leases* *£m* | *Short-term borrowings** *£m* | *Total* *£m* |
|---|---|---|---|---|---|---|---|
| At beginning of 1993 | 180 | – | 2,080 | 47 | 10 | – | 2,317 |
| Exchange adjustments | | | 16 | 9 | – | 1 | 26 |
| New finance | 56 | 1,256 | | 524 | | 4 | 1,840 |
| Finance repaid | | | (1,364) | (12) | (3) | – | (1,379) |
| Costs of loan issues | | | | (7) | | | (7) |
| Other movements | | (1,255) | (157) | | 2 | – | (1,410) |
| At beginning of 1994 | 236 | 1 | 575 | 561 | 9 | 5 | 1,387 |
| Exchange adjustments | | | (4) | (23) | – | (2) | (29) |
| New finance leases | | | | | 5 | | 5 |
| New finance | | 3 | – | – | – | 566 | 569 |
| Finance repaid | | | (571) | (7) | (6) | (500) | (1,084) |
| Other movements | | | | 1 | – | – | 1 |
| At 31 December 1994 | 236 | 4 | – | 532 | 8 | 69 | 849 |

* Amount of short-term borrowings repayable more than 3 months from date of advance.

## 31 CASH AND CASH EQUIVALENTS

| | *1994* *£m* | *1993* *£m* |
|---|---|---|
| **Balance of cash and cash equivalents** | | |
| Cash | 141 | 124 |
| Investments and short-term deposits which were within 3 months of maturity when acquired | 407 | 790 |
| | 548 | 914 |
| Short-term borrowings repayable within 3 months from date of advance (see Note 17) | (139) | (96) |
| | 409 | 818 |
| **Change in the balance of cash and cash equivalents** | | |
| At beginning of year | 818 | 156 |
| Exchange adjustments | (6) | (6) |
| Cash (outflow) inflow for year | (403) | 668 |
| At end of year | 409 | 818 |

Cash and cash equivalents comprise cash, investments and short-term deposits which were within 3 months of maturity when acquired and short-term borrowings repayable within 3 months of their advance. The balance sheet headings for short-term borrowings and short-term investments include amounts with a maturity, at the year end date, of less than one year.

Included in cash and cash equivalents are amounts totalling £107m (1993 £171m) held by the Group's insurance subsidiaries, of which £30m (1993 £79m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

## 32 EMPLOYEE COSTS AND SHARE SCHEMES

The average number of people employed by the Group in 1994 was 30,800 (1993 32,300) and the costs incurred during the year in respect of these employees were:

| | *1994* £m | *1993* £m |
|---|---|---|
| Salaries | 847 | 820 |
| Social security costs | 104 | 104 |
| Pension costs | 94 | 85 |
| Other employment costs | 89 | 60 |
| | 1,134 | 1,069 |

Following the demerger from ICI, a comprehensive review of the overall remuneration package for employees and directors (together "employees") has been undertaken. The Directors believe that, together with the basic salary system, the schemes approved by shareholders on 6 May 1994 should provide a competitive and market-related package 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 employees working for the Company and its subsidiaries (the "Zeneca Group") in the UK are mainly employed by Zeneca Limited and initially the schemes are to be established by the Company for the benefit of employees of the Company and Zeneca Limited, but with the ability to extend them to employees of other Zeneca Group companies.

### The Zeneca Employee Performance Bonus Plan

The Company has established a discretionary cash bonus scheme based on the Group's trading results. The level of the bonus award will be determined by reference to the achievement of two separate measures, one based on the trading performance of the Zeneca Group overall and one based on individual business unit performance, but both related to the achievement of performance targets.

Employees are offered the opportunity to take any bonus that may be payable under the discretionary cash bonus scheme in the form of Ordinary Shares in the Company and the Company has established a profit-sharing scheme for this purpose which has been approved by the Inland Revenue under the Income and Corporate Taxes Act 1988 (the "Scheme"). It will operate as a share retention scheme, the first trustee of which will be Zeneca Employee Share Trust Limited, a subsidiary of Zeneca Limited. The period of retention of shares by the trustee is two years from appropriation but shares may be left with the trustee for a period of five years from appropriation, after which employees may take the shares free of income tax. Dividends accrue to participants during the retention period.

The discretionary cash bonus scheme and the Scheme are together known as the Employee Performance Bonus Plan.

### The Zeneca Executive Performance Bonus Plan

A similar bonus scheme and share retention scheme for senior employees who do not participate in the Zeneca Employee Performance Bonus Plan has also been established. An outline of this plan is given in Note 34 – Emoluments of Directors. Bonuses for senior employees, as well as reflecting corporate and business performance, can also be affected (both up and down) by individual performance.

### The Zeneca 1994 Executive Share Option Scheme

The Company's 1993 Senior Staff Share Option Scheme was introduced at the time of the demerger in 1993, principally to grant options to Zeneca employees who had renounced their options under the ICI Senior Staff Share Option Scheme. The last date for the grant of options was 19 May 1994 and the 1993 scheme has now been replaced with the Zeneca 1994 Executive Share Option Scheme under which options to subscribe for Ordinary Shares in the Company may be granted to selected qualifying employees over the next ten years. The Remuneration and Nomination Committee is responsible for the Scheme. In particular, it will set a performance condition for the exercise of options from time to time. The initial performance condition is that earnings per share should show growth of at least 1.25 times the UK Retail Price Index over a three year period.

### The Zeneca Savings Related Share Option Scheme

The Zeneca Savings Related Share Option Scheme has also been established by the Company and approved by the Inland Revenue under the Income and Corporation Taxes Act 1988. This is in substitution for the SAYE scheme which ICI previously operated.

# Notes relating to the accounts

## 34 EMOLUMENTS OF DIRECTORS (continued)

multiplier of 0 to $1\frac{1}{2}$ times the bonus can be applied by the Remuneration and Nomination Committee on a discretionary and exceptional basis, to reward or reflect individual performance. 50% of the bonus must be taken in Ordinary Shares in the Company and the remainder may be taken in cash or shares, at the option of the individual Director. Bonus taken in shares may be matched by an equivalent contribution of shares by the Company. Shares will be awarded through an employee benefit trust, by way of a conditional appropriation and will be released to the Director upon satisfaction of the condition which, subject to certain exceptions, is that the Director must remain in the employment of the Company until the fourth anniversary of the appropriation. The shares are forfeited if this condition is not met. No dividends will be payable to Directors during the four year period and income tax will be paid by the Director on the value of the shares when they are released from the trust. The trustee is Zeneca Share Trust Limited, a subsidiary company of Zeneca Limited.

In addition, Executive Directors participated in the 1993 Senior Staff Share Option Scheme now replaced by the 1994 Executive Share Option Scheme (as described in Note 33 above). The 1994 scheme is subject to the satisfaction of a performance condition by the Company which is initially that earnings per share should show growth of at least 1.25 times the UK Retail Price Index over a three year period. No Directors were granted options under the new scheme in 1994.

No Director has a service contract with a notice period greater than two years. Executive Directors are entitled to a pension of up to two thirds of pensionable salary on retirement at age 62. They are eligible for dependents' pensions and lump sums for death in service.

The total emoluments of the directors of the Company for the year are set out below.

| *Emoluments for 1994* | *Remuneration £'000* | *Bonuses £'000* | *Fees £'000* | *Sub-total £'000* | *Contributions to Pension Fund £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| Chairman | 319 | 23 | – | 342 | – | 342 |
| Highest paid director | 412 | 22 | – | 434 | 1 | 435 |
| Other directors | 1,029 | 71 | 131 | 1,231 | 152 | 1,383 |
| **Total** | 1,760 | 116 | 131 | 2,007 | 153 | 2,160 |

| *Emoluments for 1993** | *Remuneration £'000* | *Bonuses £'000* | *Fees £'000* | *Sub-total £'000* | *Contributions to Pension Fund £'000* | *Total £'000* |
|---|---|---|---|---|---|---|
| Chairman | 244 | 80 | – | 324 | – | 324 |
| Highest paid director | 300 | 72 | – | 372 | 1 | 373 |
| Other directors | 822 | 151 | 108 | 1,081 | 141 | 1,222 |
| **Total** | 1,366 | 303 | 108 | 1,777 | 142 | 1,919 |

The Non-Executive Directors were not eligible for performance related bonuses or share options and no pension contributions were made on their behalf.

The table which follows shows the number of Directors of the Company whose emoluments, excluding Company pension contributions, during the year were within the bands stated.

| *Emoluments* | *Number 1994* | *Number 1993** | *Emoluments* | *Number 1994* | *Number 1993** |
|---|---|---|---|---|---|
| £0 – 5,000 | 1 | – | £260,001 – 265,000 | 1 | – |
| £15,001 – 20,000 | – | 4 | £270,001 – 275,000 | 2 | – |
| £20,001 – 25,000 | 4 | – | £290,001 – 295,000 | 1 | – |
| £35,001 – 40,000 | – | 1 | £320,001 – 325,000 | – | 1 |
| £40,001 – 45,000 | 1 | – | £340,001 – 345,000 | 1 | – |
| £230,001 – 235,000 | – | 2 | £370,001 – 375,000 | – | 1 |
| £250,001 – 255,000 | – | 2 | £430,001 – 435,000 | 1 | – |

One of the Non-Executive Directors whose emoluments are shown above for 1994 was a Director for part of the year only. One Director waived fees amounting to £1,750 (1993 nil).

* It should be noted that data in respect of 1993 represents emoluments for the period from dates of appointment in February 1993 to 31 December 1993.

## 35 COMMITMENTS AND CONTINGENT LIABILITIES

| | Group 1994 £m | Group 1993 £m |
|---|---|---|
| Commitments for capital expenditure not provided for in these accounts (including acquisitions) | | |
| Contracts placed for future expenditure | 64 | 101 |
| Expenditure authorized but not yet contracted | 163 | 154 |
| | 227 | 255 |

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.

At 31 December 1994, Zeneca had outstanding forward foreign exchange contracts to sell currency with nominal principal amounts of £365m (1993 £442m). The contracts were taken out with commercial banks for the purpose of hedging non-sterling commercial transactions which existed at the date of the balance sheet. The majority of the contracts had a maturity of six months or less from that date. The Group had no outstanding interest rate swaps at year end (1993 £242m).

Zeneca has also entered into forward foreign exchange and currency option contracts to hedge anticipated, but not firmly committed, non-sterling commercial transactions for 1995. The contracts were taken out with commercial banks. In relation to these Zeneca had, at 31 December 1994, outstanding forward foreign exchange contracts to sell currency with a notional principal value of £263m (1993 £213m) equivalent, and currency option contracts to sell with a notional principal value of £218m (1993 £160m) equivalent. Gains and losses on these transactions are recognised in income in the same period as the hedged transaction.

Zeneca has environmental liabilities at some currently or formerly owned, leased and third party sites in the US. Zeneca, or its indemnitees, have been named under US legislation as a potentially responsible party ('PRP') in respect of a considerable number of sites (although Zeneca expects to be indemnified against liabilities associated with certain of these sites by the seller of the businesses associated with such sites) and actively participates in, or monitors, the clean-up activities of sites at which it is a PRP. Stauffer Management Company, a subsidiary of the Company, established in 1987 to own and manage certain assets and liabilities of Stauffer Chemical Company, which was acquired that year, has identified a number of environmentally impaired sites for which it may have responsibility that will, in aggregate, require significant expenditure on clean-up and monitoring.

The requirement in the future for Zeneca ultimately to take action to correct the effects on the environment of prior disposal or release of chemical substances by Zeneca or other parties, and its cost, pursuant to environmental laws and regulations, is inherently difficult to estimate. The Group has provisions at 31 December 1994 in respect of such costs in accordance with the accounting policy on page 42. Although there can be no assurance, management believes that, taking account of these provisions, the cost of addressing currently identified environmental obligations, as Zeneca currently views these obligations, is unlikely to impair materially Zeneca's financial position. Such contingent costs, to the extent that they exceed applicable provisions, could have a material adverse effect on Zeneca's results of operations for the relevant period.

In December 1994 Zeneca announced agreement to purchase 50% of Salick Health Care, Inc. (SHC), a leading US provider of disease-specific healthcare services, for US$205 million cash (£131m at £1=$1.56) (assuming all outstanding share options are exercised before the transaction effective date). The transaction is subject to approval by SHC shareholders. The remaining 50% may be bought by Zeneca within the next four years at a price which will be set according to a number of variables, but which will not exceed US$280 million (£179m at £1=$1.56). The closing of the agreement is expected at the end of the first quarter of 1995. SHC shareholders will have a Put option over the remaining 50% shareholding, exercisable at two and one half years. Zeneca will be obliged to pay or to procure payment to SHC of all monies required to finance the cash consideration for the purchase by SHC of the Put shares at a Put price of US$42 per share, approximating US$229 million. As indicated above, Zeneca will have a Call option with a minimum and maximum price (in the range US$229 million to US$280 million), exercisable within a four year period. Zeneca has also entered into a number of agreements and indemnities with SHC in relation to the transaction.

Zeneca has recently begun patent infringement proceedings, under its US patent for its major breast cancer medicine, 'Nolvadex', against the Canadian generic drug company, Novopharm Limited. The suit has been brought as a result of Novopharm filing an Abbreviated New Drug Application (ANDA) with the US FDA to enable it to commercialise a generic version of the Zeneca medicine, 'Nolvadex'.

Zeneca is also involved in various other legal proceedings which include anti-trust class and individual actions in the US initiated by retail pharmacies against more than 20 major pharmaceutical manufacturers and other litigation considered typical to its businesses, covering product liability, infringements of intellectual property rights and validity of certain patents.

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Zeneca Group PLC | 100.00 |
| Full Name: ZENCO (NO 5) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO (NO 6) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO (NO 7) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA EMPLOYEE SHARE TRUST LTD<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SHARE TRUST LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO (NO 4) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994



| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENCO (NO 8) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO (NO 9) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO (NO 10) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: DTBA LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: IVEAGH TECHNOLOGY DEVELOPMENTS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: DRAGONDALE LTD<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PLANT PROTECTION LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: MARLBOROUGH BIO-POLYMERS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: AVLEX LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | CUM PREFERENCE 10%<br>ORDINARY | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: STUART PHARMACEUTICALS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: IC INSURANCE LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY STOCK | Subsidiary(ies) | 51.00 |
| Full Name: CARE LABORATORIES LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: CARE PRODUCTS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENCO CFD LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: FARM PROTECTION LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | DEFERRED ORDINARY<br>ORDINARY | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: STAHL GB LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: CAMBRIDGE RESEARCH BIOCHEMICALS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: DOCKING SEEDS PLC<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PINNACLE SEEDS PLC<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : SCOTLAND | ORDINARY STOCK<br>PREFERENCE | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: DOCKING (R & D) LTD<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PINNACLE (R & D) LTD<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : SCOTLAND | PREFERENCE<br>ORDINARY | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: STAHL AUSTRALIA PTY. LTD.<br>Country of Incorporation: AUSTRALIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA NEW ZEALAND LIMITED<br>Country of Incorporation: NEW ZEALAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PACIFIC SEEDS PTY LTD<br>Country of Incorporation: AUSTRALIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA CANADA INC.<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON NPV | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA CORP.<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON NPV<br>CLASS 'X' REDEEMABLE PREFERRED | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: STAHL CANADA LIMITED<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON NPV | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SPECIALTY INKS CORP<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA DELAWARE HOLDINGS INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ATKEMIX NINE INC<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ATKEMIX TEN INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ATKEMIX TWELVE INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA INTERNATIONAL INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: GARST SEED COMPANY<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: STUART DISEASE MANAGEMENT SERVICES INC<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994



| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: STAUFFER MANAGEMENT COMPANY INC<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ATKEMIX THIRTY-SEVEN INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: STAUFFER CHEMICAL CO CANADA<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA REINSURANCE COMPANY LIMITED<br>Country of Incorporation: CAYMAN ISLANDS<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ACORGA LIMITED<br>Country of Incorporation: BERMUDA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA FOREIGN SALES CORPORATION<br>Country of Incorporation: BARBADOS<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ARBIL INTERNATIONAL INSURANCE LIMITED<br>Country of Incorporation: CAYMAN ISLANDS<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 51.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA PHARMA INC<br>Country of Incorporation: CANADA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: CORPUS CHRISTI HOLDINGS INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA METALEX INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ACABADOS STAHL DE MEXICO, S.A. DE C.V.<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STAHL DE MEXICO, S.A. DE C.V.<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | NO PAR VALUE :<br>ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ICI NICARAGUA, SOCIEDAD ANONIMA<br>Country of Incorporation: NICARAGUA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA PHARMA INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |

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|---|---|---|---|
| Full Name: BLAIRMONT INSURANCE COMPANY<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 51.00 |
| Full Name: ZENECA HOLDING GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: SES DEUTSCHLAND GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA ITALIA SRL<br>Country of Incorporation: ITALY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: RHEIN-PHARMA ARZNEIMITTELWERK GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |

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| Company | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA AS<br>Country of Incorporation: DENMARK<br>Country of Registration<br>(UK Companies only) : N/A | 'A' SHARES | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA S.A.<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA PHARMA<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA IRELAND LIMITED<br>Country of Incorporation: REPUBLIC OF IRELAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA S.p.A.<br>Country of Incorporation: ITALY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA NV<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: SOPRA S.A.<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: SOLPLANT S.p.A.<br>Country of Incorporation: ITALY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 100.00 |
| Full Name: STAHL INTERNATIONAL B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA OY<br>Country of Incorporation: FINLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA A/S<br>Country of Incorporation: NORWAY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AB<br>Country of Incorporation: SWEDEN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA EPSILON B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STAHL ITALIA SPA<br>Country of Incorporation: ITALY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: STAHL (DEUTSCHLAND) GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: STAHL POLYVINYL INTERNATIONAL BV<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: STAHL HOLLAND B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA RESINS B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK | Subsidiary(ies) | 100.00 |
| Full Name: STAHL IBERICA, S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | SERIES A<br>SERIES B | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: ZENECA LAMBDA B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STAHL FRANCE SARL<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | PARTS SOCIALES | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: S.A.P.S.A. - S.E.S. S.A.<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: SOCIETE EUROPEENNE DE MAIS SA<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 75.00 |
| Full Name: SES-HOLLAND KWEEKBEDRIJF EN ZAADHANDEL B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: S.E.S. FRANCE S.A.<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STUART PHARMA AB<br>Country of Incorporation: SWEDEN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA FARMA S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA HOLDINGS B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA (CZ) S.R.O.<br>Country of Incorporation: CZECH REPUBLIC<br>Country of Registration<br>(UK Companies only) : N/A | 'A' SHARES | Subsidiary(ies) | 100.00 |
| Full Name: AO ZENECA<br>Country of Incorporation: RUSSIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA OESTERREICH GmbH<br>Country of Incorporation: AUSTRIA<br>Country of Registration<br>(UK Companies only) : N/A | CAPITAL STOCK | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA - PRODUCTOS BIOCIENCIA, LDA<br>Country of Incorporation: PORTUGAL<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AG<br>Country of Incorporation: SWITZERLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: STAHL CHEMICAL INDUSTRIES BV GMBH<br>Country of Incorporation: AUSTRIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: STAHL PORTUGUESA ACABAMENTOS PARA PELES E<br>Country of Incorporation: PORTUGAL<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 100.00 |

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|---|---|---|---|
| Full Name: STAUFFER CHEMICAL B.V.<br>Country of Incorporation: HOLLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: SES EUROPE N.V./S.A.<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA POLSKA SP. Z.O.O.<br>Country of Incorporation: POLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA HUNGARY KFT<br>Country of Incorporation: HUNGARY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA YUGOSLAVIA D.O.O.<br>Country of Incorporation: YUGOSLAVIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: SES-BETA KFT<br>Country of Incorporation: HUNGARY<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 52.52 |
| Full Name: ZENECA SLOVAKIA s.r.o<br>Country of Incorporation: SLOVAKIA<br>Country of Registration<br>(UK Companies only) : N/A | 'A' SHARES | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: STAUFFER CHEMICAL (EUROPE) S.A.<br>Country of Incorporation: SWITZERLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA COLOURS OY<br>Country of Incorporation: FINLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA HELLAS S.A.<br>Country of Incorporation: GREECE<br>Country of Registration<br>(UK Companies only) : N/A | NOMINATIVE | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AGRO - PRODUTOS PARA E AGRICULTURA,<br>Country of Incorporation: PORTUGAL<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA RESINS SA<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AGRO, S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SPECIALTIES S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: SES SEMILLAS, S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA MEXICANA, S.A. DE C.V.<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A<br>ORDINARY B<br>ORDINARY CLASS I | Subsidiary(ies)<br>Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00<br>100.00 |
| Full Name: ZENECA BRASIL S.A.<br>Country of Incorporation: BRAZIL<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A<br>ORDINARY B | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: ZENECA URUGUAY S.A.<br>Country of Incorporation: URUGUAY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA PANAMERICANA, S.A.<br>Country of Incorporation: GUATEMALA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK | Subsidiary(ies) | 100.00 |
| Full Name: AGROQUIMICOS ALPHA SOCIEDAD ANONIMA<br>Country of Incorporation: GUATEMALA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK | Subsidiary(ies) | 100.00 |
| Full Name: AGRO INSUMOS, S.A.<br>Country of Incorporation: GUATEMALA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ANYL-MEX SA DE CV<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY B<br>ORDINARY A | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: IPR PHARMACEUTICALS, INC<br>Country of Incorporation: PUERTO RICO<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA DOMINICANA, S.A.<br>Country of Incorporation: DOMINICAN REPUBLIC<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA COSTA RICA, S.A.<br>Country of Incorporation: COSTA RICA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 100.00 |
| Full Name: STAHL BRASIL S.A.<br>Country of Incorporation: BRAZIL<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA COLOMBIA S.A.<br>Country of Incorporation: COLOMBIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SEMENTES LTDA<br>Country of Incorporation: BRAZIL<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 100.00 |

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| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA CHILE SA<br>Country of Incorporation: CHILE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA (MALAYSIA) SDN. BHD.<br>Country of Incorporation: MALAYSIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA VENEZUELA S.A.<br>Country of Incorporation: VENEZUELA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA S.A.I.C.<br>Country of Incorporation: ARGENTINA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: TECNOLOGIA Y PRODUCTOS ESPECIALIZADOS, S.A. DE<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A'<br>ORDINARY STOCK 'B' | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: GRUPO QUIMICO ANGLO-MEXICANO S.A. DE C.V.<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A'<br>ORDINARY STOCK 'B' | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: PRODUCTOS STAHL DE COLOMBIA<br>Country of Incorporation: COLOMBIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

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|---|---|---|---|
| Full Name: ZENECA S.A.<br>Country of Incorporation: CHILE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA MEXICO, S.A. DE C.V.<br>Country of Incorporation: MEXICO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY CLASS I<br>ORDINARY CLASS II | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: ZENECA CHINA LIMITED<br>Country of Incorporation: HONG KONG<br>Country of Registration<br>(UK Companies only) : N/A | NON-VOTING DEFERRED SHARE<br>ORDINARY | Subsidiary(ies)<br>Subsidiary(ies) | 100.00<br>100.00 |
| Full Name: ICI ASIATIC (AGRICULTURE) COMPANY LIMITED<br>Country of Incorporation: THAILAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A<br>ORDINARY B | Subsidiary(ies)<br>Subsidiary(ies) | 51.00<br>51.00 |
| Full Name: STAHL ASIA PTE LTD<br>Country of Incorporation: SINGAPORE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 80.00 |
| Full Name: ZENECA TURKIYE LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PT.ZENECA PHARMA INDONESIA<br>Country of Incorporation: INDONESIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 70.00 |

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|---|---|---|---|
| Full Name: PT ZENECA AGRI PRODUCTS INDONESIA<br>Country of Incorporation: INDONESIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY STOCK 'A' | Subsidiary(ies) | 70.00 |
| Full Name: ZENECA YAKUHIN K.K.<br>Country of Incorporation: JAPAN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 60.00 |
| Full Name: ZENECA K.K.<br>Country of Incorporation: JAPAN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PACIFIC SEEDS (THAI) LTD<br>Country of Incorporation: THAILAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY 25% PAID | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA ABDI IBRAHIM ILAC SANAYI VE TICARET A.S.<br>Country of Incorporation: TURKEY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 70.00 |
| Full Name: ZENECA RESINS PTE LTD<br>Country of Incorporation: SINGAPORE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA PHARMA (SINGAPORE) PTE LIMITED<br>Country of Incorporation: SINGAPORE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

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|---|---|---|---|
| Full Name: PT ZENECA COLOURS INDONESIA<br>Country of Incorporation: INDONESIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SOUTH AFRICA (PTY) LTD<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ICI SOUTH AFRICA (PHARMACEUTICALS) LIMITED<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA MALAWI LIMITED<br>Country of Incorporation: MALAWI<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AGROCHEMICALS SA (PTY) LIMITED<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: MAGADI SODA (1975) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: FARMERS ORGANISATION (PTY) LTD<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ICI PLANT-CHEM (PTY) LTD<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA ZIMBABWE (PRIVATE) LIMITED<br>Country of Incorporation: ZIMBABWE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STUART PHARMACEUTICALS (SOUTH AFRICA)<br>Country of Incorporation: SOUTH AFRICA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA AGROCHEMICALS MAROC<br>Country of Incorporation: MOROCCO<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 51.00 |
| Full Name: ZENECA INTERNATIONAL LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: PRODUCTOS STAHL DE VENEZUELA C.A.<br>Country of Incorporation: VENEZUELA<br>Country of Registration<br>(UK Companies only) : N/A | COMMON A<br>COMMON B | Subsidiary(ies)<br>Subsidiary(ies) | 51.10<br>51.10 |
| Full Name: IMPERIAL CHEMICAL (PHARMACEUTICALS) LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: I.C. INSURANCE HOLDINGS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY STOCK | Subsidiary(ies) | 51.00 |
| Full Name: ZENECA INSURANCE COMPANY LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: MARLOW FOODS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA SEEDS UK LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: HOLDEN FLEXPACK LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA INVESTMENTS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA NOMINEES LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ZENECA WILMINGTON INC<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Zeneca Group PLC | 100.00 |
| Full Name: ZENECA FINANCE (NETHERLANDS) COMPANY<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA FINANCE LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA HOLDINGS LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: ZENECA BIOSCIENCE LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : UK | ORDINARY | Subsidiary(ies) | 100.00 |
| Full Name: STAUFFER CHEMICAL COMPANY TRUST<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 100.00 |

Number of Companies listed 181

Zeneca Group PLC and subsidiary undertakings
SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: CORPUS CHRISTI GLOBAL CHEMICALS COMPANY<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | PARTNERSHIP | Subsidiary(ies) | 37.50 |
| Full Name: UNISIGMA G.I.E. DE RECHERCHE ET SELECTION<br>Country of Incorporation: FRANCE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 46.00 |
| Full Name: S.E.S. IBERICA S.A.<br>Country of Incorporation: SPAIN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 50.00 |
| Full Name: HYDROMETALS JOINT VENTURE<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | PARTNERSHIP | Subsidiary(ies) | 33.33 |
| Full Name: IMAGE POLYMERS COMPANY<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | GENERAL PARTNERSHIP CAPITAL | Subsidiary(ies) | 50.00 |
| Full Name: IC INSURANCE SERVICES INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 50.00 |
| Full Name: LABORATORIOS WELLCOME - ZENECA LIMITADA<br>Country of Incorporation: BRAZIL<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 50.00 |

System Ref : CISR0162B

Zeneca Group PLC and subsidiary undertakings
SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994



| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: COLOMBIANA DE COLINA LTDA<br>Country of Incorporation: COLOMBIA<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 49.00 |
| Full Name: BARCLAYS DE ZOETE WEDD SECURITIES (ASIA) LTD<br>Country of Incorporation: HONG KONG<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 50.00 |
| Full Name: HIFLON PLASTICOS AVANCADOS LTDA<br>Country of Incorporation: BRAZIL<br>Country of Registration<br>(UK Companies only) : N/A | QUOTAS | Subsidiary(ies) | 50.00 |
| Full Name: CCM BIOSCIENCE SDN BHD<br>Country of Incorporation: MALAYSIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 25.00 |
| Full Name: SWAZILAND AGRICULTURAL SUPPLIES LTD<br>Country of Incorporation: SWAZILAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 38.10 |
| Full Name: I.C. INSURANCE SERVICES LIMITED<br>Country of Incorporation: UNITED KINGDOM<br>Country of Registration<br>(UK Companies only) : ENGLAND | ORDINARY STOCK | Subsidiary(ies) | 50.00 |

No of Companies listed: 20

Zeneca Group PLC and subsidiary undertakings
SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: ATIC INDUSTRIES LIMITED<br>Country of Incorporation: INDIA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 50.00 |
| Full Name: TEIJIN AGROCHEMICALS LTD<br>Country of Incorporation: JAPAN<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 50.00 |
| Full Name: BLAIR INTERNATIONAL INSURANCE LTD<br>Country of Incorporation: BERMUDA<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A<br>ORDINARY B | Subsidiary(ies)<br>Subsidiary(ies) | 25.50<br>25.50 |
| Full Name: AGROPROGRESS<br>Country of Incorporation: UKRAINE<br>Country of Registration<br>(UK Companies only) : N/A | 'A' SHARES | Subsidiary(ies) | 50.00 |
| Full Name: GARST RESEARCH FARMS, INC.<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | COMMON | Subsidiary(ies) | 49.00 |
| Full Name: AGROPLANT SES SAATZUCHT GMBH<br>Country of Incorporation: GERMANY<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY A | Subsidiary(ies) | 33.33 |
| Full Name: MONTROSE CHEMICAL CORPORATION OF CALIFORNIA<br>Country of Incorporation: U.S.A.<br>Country of Registration<br>(UK Companies only) : N/A | NOMINATIVE NO PAR VALUE | Subsidiary(ies) | 50.00 |

Zeneca Group PLC and subsidiary undertakings
OTHER SIGNIFICANT SHAREHOLDINGS
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: N.V. BEDRIJVENCENTRUM TIENEN<br>Country of Incorporation: SWITZERLAND<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 4.00 |
| Full Name: ATUL PRODUCTS LIMITED<br>Country of Incorporation: INDIA<br>Country of Registration<br>(UK Companies only) : N/A | EQUITY | Subsidiary(ies) | 2.33 |
| Full Name: UNITED INSURANCE COMPANY<br>Country of Incorporation: CAYMAN ISLANDS<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 1.60 |
| Full Name: OVERSEAS MEDICAL VENTURES NV-NETHERLANDS ANTILLES<br>Country of Incorporation: NED. ANTILLES<br>Country of Registration<br>(UK Companies only) : N/A | PREFERENCE | Subsidiary(ies) | 12.33 |
| Full Name: TORTUGA CASUALTY COMPANY<br>Country of Incorporation: CAYMAN ISLANDS<br>Country of Registration<br>(UK Companies only) : N/A | CLASS A COMMON NON-VOTING | Subsidiary(ies) | 2.04 |
| | CLASS B VOTING REDEEMABLE PREFERENCE | Subsidiary(ies) | 2.04 |
| Full Name: N.V. INNOVATIE EN INCUBATIECENTRUM K.U. LEUVEN<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | 'A' SHARES | Subsidiary(ies) | 8.77 |
| Full Name: MEDGENIX GROUP N.V.<br>Country of Incorporation: BELGIUM<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 3.00 |

System Ref : CISR0162A

Zeneca Group PLC and subsidiary undertakings
OTHER SIGNIFICANT SHAREHOLDINGS
(Companies Act 1985 - S231; Schedule 5 Part II)
As at 31st December 1994

| | Class of Capital | Held by | Held % |
|---|---|---|---|
| Full Name: UKRAGROBUSINESS<br>Country of Incorporation: UKRAINE<br>Country of Registration<br>(UK Companies only) : N/A | ORDINARY | Subsidiary(ies) | 8.00 |

Number of Companies listed 8