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Financial statements**Contents****Accounts**

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Financial statements

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

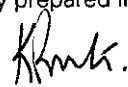
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

6 March 1996



KPMG

Chartered Accountants
Registered Auditors
8 Salisbury Square
London EC4Y 8BB

Financial statements

Group profit and loss account

For the year ended 31 December

	Notes	1995 £m	1994 £m
Turnover			
Operating costs		4,898	4,480
Ongoing	2	(4,175)	(3,928)
Exceptional		(4,110)	(3,790)
Other operating income	4	(65)	(138)
	2	106	107
Operating profit			
Operating profit before exceptional items	2	829	659
Exceptional items charged to operating profit		894	797
Share of profits less losses of associated undertakings	4	(65)	(138)
Losses less profits on sale or closure of operations*		3	4
Profit on sale of fixed assets	4	(194)	20
	4	-	14
Profit on ordinary activities before interest			
Net interest payable		638	697
	5	(19)	(38)
Profit on ordinary activities before taxation			
Profit before exceptional items		619	659
Exceptional items*		878	763
Taxation	4	(259)	(104)
	6	(268)	(210)
Profit on ordinary activities after taxation			
Attributable to minorities		351	449
		(15)	(6)
Net profit for the financial year			
Dividends to Shareholders		336	443
	7	(293)	(270)
Profit retained for the year*		43	173
Earnings per 25p Ordinary Share before exceptional items (pence)			
Earnings per 25p Ordinary Share (pence)	8	62.0p	55.2p
Weighted average number of Ordinary Shares in issue (millions)	8	35.6p	46.8p
	8	946	946

*Exceptional items include £197m of historical acquisition goodwill which was written off against reserves in prior years. These charges have no effect on Group cash flow, net assets, shareholders' funds or financial gearing.

Statement of total recognised gains and losses

For the year ended 31 December

	Notes	1995 £m	1994 £m
Net profit for the financial year			
Net unrealized holding gains (losses) on short-term investments		336	443
Net foreign currency translation differences and recognised exchange gains	14	5	(11)
	20	30	4
Total recognised gains and losses relating to the year			
Prior period adjustment – post-retirement benefits other than pensions		371	436
Total gains and losses recognised since the last annual report		-	(103)
		371	333

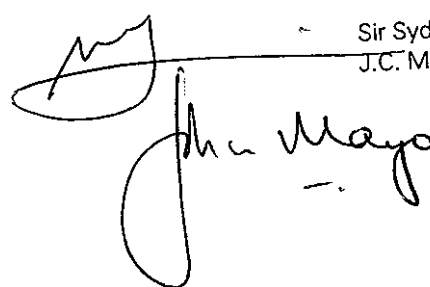
£m means millions of pounds sterling

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Balance sheets

As at 31 December	Notes	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Fixed assets	10	1,905	1,733	-	-
Tangible fixed assets	11	40	39	562	558
Fixed asset investments		1,945	1,772	562	558
Current assets	12	851	776	-	-
Stocks	13	1,504	1,396	1,808	1,765
Debtors	13	55	56	-	-
Securitisised rent receivables	13	(54)	(54)	-	-
Less: Non-recourse Secured Notes	14	662	594	-	-
Short-term investments	14	130	141	-	-
Cash		3,148	2,909	1,808	1,765
Total assets		5,093	4,681	2,370	2,323
Creditors due within one year	15	(241)	(208)	(1)	-
Short-term borrowings	17	(25)	(12)	-	-
Current instalments of loans	16	(1,758)	(1,676)	(275)	(235)
Other creditors		(2,024)	(1,896)	(276)	(235)
Net current assets		1,124	1,013	1,532	1,530
Total assets less current liabilities		3,069	2,785	2,094	2,088
Creditors due after more than one year	17	(536)	(520)	(384)	(378)
Loans	16	(31)	(32)	-	-
Other creditors		(567)	(552)	(384)	(378)
Provisions for liabilities and charges	18	(537)	(490)	-	-
Net assets		1,965	1,743	1,710	1,710
Capital and reserves	19	237	236	237	236
Called-up share capital	20	7	4	7	4
Share premium account	20	285	285	-	-
Merger reserve	20	265	204	1,255	1,255
Other reserves	20	1,067	956	211	215
Profit and loss account	21	1,861	1,685	1,710	1,710
Shareholders' funds - equity interests		104	58	-	-
Minority equity interests		1,965	1,743	1,710	1,710
Shareholders' funds and minority interests					

The accounts on pages 39 to 67 were approved by the Board of Directors on 6 March 1996 and were signed on its behalf by:



Sir Sydney Lipworth
J.C. Mayo

Director
Director

Financial statements

Statement of Group cash flow

For the year ended 31 December

	Notes	1995 £m	1994 £m
Cash flow from operating activities			
Net cash inflow from trading operations before exceptional items	22	1,052	957
Outflow related to exceptional items	23	(96)	(85)
Net cash inflow from operating activities		956	872
Returns on investments and servicing of finance			
Interest and dividends received	24	48	48
Interest paid		(60)	(87)
Dividends paid to Shareholders		(274)	(263)
Dividends paid by subsidiary undertakings to minority interests		(13)	(7)
Net cash outflow from returns on investments and servicing of finance		(299)	(309)
Tax paid		(278)	(163)
Net cash inflow before investing and financing		379	400
Investing activities			
Cash expenditure on tangible fixed assets	10	(279)	(315)
Acquisitions and new fixed asset investments	25	(153)	(12)
Disposals of business operations	26	17	89
Disposals of fixed assets		8	26
Purchase of short-term investments and deposits	27	(232)	(331)
Sale of short-term investments and deposits	27	361	255
Net cash outflow from investing activities		(278)	(288)
Net cash inflow before financing		101	112
Financing			
Issue of Zeneca Group PLC Ordinary Shares	28	4	3
Issue of shares by subsidiaries to minority interests	28	2	—
Net increase (decrease) in loans	28	22	(578)
Repayment of lease finance	28	(4)	(6)
Net increase in short-term borrowings	28	18	66
Net cash inflow (outflow) from financing		42	(515)
Increase (decrease) in cash and cash equivalents	29	143	(403)

Financial statements

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 Group 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.

Basis of Presentation

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.

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 operating 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 the fair value of 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 Group subsidiaries 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. The principal Group subsidiaries concerned are Zeneca's insurance companies, where current asset investments are actively matched against insurance liabilities, and Salick Health Care, Inc.

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.

Financial statements

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 207 at 31 December 1995, including one quasi-subsidiary. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, two subsidiaries prepare accounts to 30 September and one to 31 March; the Salick Health Care Group prepares its accounts to 31 August but interim accounts to 30 November are drawn up for consolidation purposes.

2 OPERATING PROFIT

	1995 £m	1994 £m
Turnover	4,898	4,480
Operating costs		
Cost of sales	(2,102)	(1,977)
Distribution costs	(180)	(171)
Research and development	(549)	(518)
Administrative and other expenses	(1,344)	(1,262)
	(4,175)	(3,928)
Other operating income		
Government grants	1	1
Royalties	73	80
Other income	32	26
	106	107
Operating profit	829	659
Charge for depreciation included above*	194	211
Gross profit, as defined by the Companies Act 1985	2,796	2,503

*Includes exceptional depreciation of £nil (1994 £34m).

	1995 £m	1994 £m
Effect of Group insurance activities		
Insurance results are reported within the following headings		
Miscellaneous operating profit (included in Note 9)	1	(3)
Share of profits less losses of associated undertakings	—	1
Interest receivable and similar income (included in Note 5)	19	19
	20	17

3 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.

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4 EXCEPTIONAL ITEMS

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

	1995 £m	1994 £m
Charged in arriving at operating profit		
Provisions for restructuring of Pharmaceuticals' distribution, manufacturing and R&D activities	(59)	—
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	(6)	(42)
Exceptional operating items	(65)	(138)
Losses less profits on sale or closure of operations and related provisions		
Goodwill write down of Seeds business in anticipation of joint venture*	(159)	—
Provision for disposal of Specialties' Inks business*	(45)	—
Disposal of interests in associated undertakings	10	—
Disposal of Agrochemicals Garden Products business	—	20
	(194)	20
Profit on sale of fixed assets	—	14
Exceptional items within profit on ordinary activities before taxation	(259)	(104)
Tax credits on exceptional items (see Note 6)	9	25
	(250)	(79)

Exceptional items included in operating profit were charged to Cost of sales £nil (1994 £77m) and Administrative and other expenses £65m (1994 £61m).

*On 21 February 1996 Zeneca and Suiker Unie announced that they were at an advanced stage of negotiation to merge their global seeds businesses, Zeneca Seeds and Royal VanderHave Group, through the formation of a 50:50 joint venture to be known as Zeneca VanderHave. The proposed merger is subject to the satisfactory completion of due diligence and clearance by the appropriate regulatory authorities. Losses less profits on sale or closure of operations includes an exceptional charge of £159m for goodwill which was written off to reserves when different seeds businesses were acquired pre-demerger. In anticipation of the formation of the joint venture those reserves have been written back and the goodwill has been written off through the profit and loss account.

An offer has been accepted from Sun Chemical Corporation for the sale of the Specialties' Inks business. It is expected that the deal, which is subject to regulatory approval, will be completed by 31 March 1996, and an exceptional charge of £45m has been made for loss on disposal, of which £38m relates to goodwill which had also already been written off to reserves.

As the goodwill associated with both Seeds and Specialty Inks had already been written off to reserves when the businesses were originally acquired, the goodwill write off of £197m in this year (1994 £24m) has no effect on Group cash flow, net assets, shareholders' funds or financial gearing.

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Notes relating to the accounts

5 NET INTEREST PAYABLE

	1995 £m	1994 £m
Interest payable and similar charges		
Loan interest ⁺	36	36
Interest on short-term borrowings and other financing costs	26	39
	62	75
Interest receivable and similar income from investments		
Listed securities	(12)	(16)
Unlisted securities	(5)	(3)
Short-term deposits	(26)	(18)
	(43)	(37)
Net interest payable	19	38

⁺Loan interest includes £34m (1994 £33m) on loans not wholly repayable within 5 years.

6 TAXATION

Profit and loss account	1995 £m	1994 £m
UK taxation		
Corporation tax	113	129
Double taxation relief	(5)	(3)
Deferred taxation	13	(4)
	121	122
Overseas taxation		
Overseas taxes	168	85
Deferred taxation	(22)	2
	146	87
Associated undertakings	1	1
Tax on profit on ordinary activities	268	210

UK and overseas taxation have been provided at current rates on the profits earned for the periods covered by the Group accounts. The current rate of UK corporation tax is 33 per cent (1994 33 per cent). To the extent that dividends remitted from overseas subsidiaries and associated undertakings are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for unremitted earnings of Group companies overseas, as these are, in the main, considered permanently employed in the businesses of these companies and, in the case of associated undertakings, the taxes would not be material. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends.

Exceptional items included in tax on ordinary activities

Tax relief on exceptional items*	(9)	(25)
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*Including deferred tax relief of £4m (1994 £19m). Only marginal reliefs are available for the 1995 exceptional charges, a large proportion of which represent historical goodwill which will not qualify for relief.

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6 TAXATION (continued)

Balance sheet	1995 £m	1994 £m
Deferred taxation asset movement		
At beginning of year	48	49
Profit and loss account	9	2
Other movements	4	(3)
At end of year	61	48

Deferred taxation

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

Accounted for at 31 December

Timing differences on UK capital allowances and depreciation	—	—
Exceptional item provisions	24	42
Miscellaneous timing differences	37	6
ACT recoverable (see Note 13)	45	40
	106	88

Not accounted for at 31 December

UK capital allowances utilised in excess of depreciation	(187)	(167)
Exceptional item provisions and miscellaneous timing differences	165	126
	(22)	(41)

Full potential deferred taxation asset	84	47
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No deferred tax asset has been provided for in respect of post-retirement benefits.

The parent Company had no deferred tax assets or liabilities (actual or potential) at 31 December 1995.

7 DIVIDENDS

	1995 Pence per 25p Share	1994 Pence per 25p Share	1995 £m	1994 £m
Interim, paid 6 November 1995	11.25p	10.75p	106	102
Second interim, to be confirmed as final, payable 7 May 1996	19.75p	17.75p	187	168
	31.0p	28.5p	293	270

8 EARNINGS PER 25p ORDINARY SHARE

	1995	1994
Net profit for the financial year before exceptional items (£m)	586	522
Exceptional items after tax (£m) (see Note 4)	(250)	(79)
Net profit for the financial year (£m)	336	443
Average number of Ordinary Shares in issue (millions)	946	946
Earnings per Ordinary Share before exceptional items (pence)	62.0p	55.2p
Earnings (loss) per Ordinary Share on exceptional items (pence)	(26.4)p	(8.4)p
Earnings per Ordinary Share (pence)	35.6p	46.8p

The effect on earnings per 25p Ordinary Share of the issue of shares under option (see Note 19) would not be material.

Earnings per Ordinary Share before exceptional items has been calculated to eliminate the impact of exceptional items on the underlying results of the business.

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Notes relating to the accounts

9 SEGMENT INFORMATION

Classes of Business

	Turnover		Profit			
	1995 £m	1994 £m	1995 £m	1994 £m	1995* £m	1994* £m
Pharmaceuticals	2,163	1,958	628	629	687	629
Salick Healthcare	62	—	7	—	7	—
Agrochemicals	1,639	1,521	144	34	144	130
Agrochemicals	1,495	1,374	192	107	192	152
Seeds	144	147	(48)	(73)	(48)	(22)
Specialties	1,040	1,008	50	14	56	56
Inter-business eliminations and Miscellaneous	(6)	(7)	—	(18)	—	(18)
	4,898	4,480	829	659	894	797
Share of profits less losses of associated undertakings			3	4	3	4
Losses less profits on sale or closure of operations			(194)	20		
Profit on sale of fixed assets			—	14		
Net interest payable			(19)	(38)	(19)	(38)
Profit before taxation			619	659	878	763

*Before exceptional items

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

Inter-business eliminations and Miscellaneous

The results in 1995 include the recovery of past environmental litigation costs from external insurers.

	Sales/closure of operations		Profits (losses) on Sale of fixed assets	
	1995 £m	1994 £m	1995 £m	1994 £m
Pharmaceuticals	1	—	—	7
Agrochemicals	(159)	20	—	—
Specialties	(36)	—	—	7
	(194)	20	—	14

	Capital expenditure		Depreciation		Net assets	
	1995 £m	1994 £m	1995 £m	1994* £m	1995 £m	1994 £m
Pharmaceuticals	124	130	84	77	1,044	1,069
Salick Healthcare	7	—	3	—	58	—
Agrochemicals	91	86	59	77	836	773
Specialties	51	83	42	52	637	621
Miscellaneous	10	19	6	5	(41)	(79)
	283	318	194	211		
Net operating assets					2,534	2,384
Net non-operating liabilities					(569)	(641)
					1,965	1,743

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.

*Includes exceptional depreciation of £34m, of which Agrochemicals £21m and Specialties £13m.

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9 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			
	1995	1994	1995	1994	1995	1994	1995*	1994*
	£m	£m	£m	£m	£m	£m	£m	£m
United Kingdom								
Sales in the United Kingdom			291	313				
Export sales			1,881	1,826				
	1,363	1,406	2,172	2,139	345	379	402	458
Continental Europe	367	325	1,507	1,351	79	85	80	102
The Americas	513	330	2,269	2,047	327	149	333	191
Asia Pacific	222	181	648	582	70	45	71	45
Other countries	69	142	79	63	8	1	8	1
	2,534	2,384	6,675	6,182	829	659	894	797
Inter-area eliminations			(1,777)	(1,702)	—	—	—	—
	2,534	2,384	4,898	4,480	829	659	894	797
Share of profits less losses of associated undertakings					3	4	3	4
Losses less profits on sale or closure of operations					(194)	20		
Profit on sale of fixed assets					—	14		
Net interest payable					(19)	(38)	(19)	(38)
Profit before taxation					619	659	878	763

*Before exceptional items

Inter-area turnover shown above includes sales from the UK to overseas subsidiaries of £1,481m (1994 £1,446m).

	Profits (losses) on			
	Sales/closure of operations		Sale of fixed assets	
	1995	1994	1995	1994
	£m	£m	£m	£m
United Kingdom	(1)	26	—	7
Continental Europe	(111)	11	—	7
The Americas	(81)	(17)	—	—
Asia Pacific	(10)	—	—	—
Other countries	9	—	—	—
	(194)	20	—	14

Geographic markets

	1995	1994
	£m	£m
Turnover in each geographic market in which customers are located		
United Kingdom	303	324
Continental Europe	1,457	1,296
The Americas	2,182	1,982
Asia Pacific	769	710
Other countries	187	168
Total turnover	4,898	4,480

Employees

	1995	1994
Average number of people employed by the Group in		
United Kingdom	12,300	12,600
Continental Europe	6,200	6,400
The Americas	10,200	9,300
Asia Pacific	2,000	1,900
Other countries	700	600
Total employees	31,400	30,800

The number of people employed by the Group at the end of 1995 was 32,000 (1994 30,400).

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10 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	791	2,061	266	3,118
Exchange adjustments	14	28	3	45
Capital expenditure	—	—	283	283
Transfer of assets into use	51	273	(324)	—
Acquisitions (disposals)	18	(38)	17	(3)
At end of year	874	2,324	245	3,443
Depreciation				
At beginning of year	244	1,141		1,385
Exchange adjustments	6	18		24
Disposals and other movements	(7)	(58)		(65)
Charge for year	29	165		194
At end of year	272	1,266		1,538
Net book value at 31 December 1995	602	1,058	245	1,905
Net book value at 31 December 1994	547	920	266	1,733

Capital expenditure in the year of £283m includes capitalized finance leases of £9m; cash expenditure on tangible fixed assets was £279m. Land and buildings includes non-depreciated land which cost £68m.

The net book value of the tangible fixed assets of the Group at 31 December 1995 includes capitalized finance leases of £21m, comprising cost of £31m and accumulated depreciation thereon of £10m. In respect of capitalized leases, the depreciation charge for the year was £4m and finance charges were £1m.

	Group	
	1995 £m	1994 £m
The net book value of land and buildings comprised		
Freeholds	590	537
Long leases (over 50 years unexpired)	3	3
Short leases	9	7
	602	547

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11 FIXED ASSET INVESTMENTS

GROUP	Associated undertakings £m	Other investments Listed £m	Unlisted £m	Total £m
Cost				
At beginning of year	10	9	11	30
Additions less disposals	(1)	10	1	10
At end of year	9	19	12	40
Share of post-acquisition reserves				
At beginning of year	14			14
Retained profit	1			1
Disposals	(6)			(6)
Other movements	(5)			(5)
At end of year	4			4
Provisions				
At beginning of year	—	—	(5)	(5)
Released	—	—	1	1
At end of year	—	—	(4)	(4)
Net book value at 31 December 1995	13	19	8	40
Net book value at 31 December 1994	24	9	6	39

The market value of the listed investments at 31 December 1995 was £25m (1994 £8m).

COMPANY	Subsidiary investments Shares £m	Loans £m	Total £m
Cost			
At beginning of year	180	378	558
Exchange adjustments	—	4	4
Net book value at 31 December 1995	180	382	562
Net book value at 31 December 1994	180	378	558

None of the investments held directly by the parent Company are listed.

Information on principal subsidiary undertakings of the Group is given on page 67.

12 STOCKS

	Group	
	1995 £m	1994 £m
Raw materials and consumables	208	193
Stocks in process	229	211
Finished goods and goods for resale	414	372
	851	776

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13 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1995 £m</i>	<i>1994 £m</i>	<i>1995 £m</i>	<i>1994 £m</i>
Amounts due within one year				
Trade debtors	980	895	—	—
Amounts owed by subsidiary undertakings			1,808	1,765
Deferred taxation (see Note 6)	18	26	—	—
Other debtors	290	301	—	—
Prepayments and accrued income*	70	52	—	—
	1,358	1,274	1,808	1,765
Amounts due after more than one year				
Other debtors	38	42	—	—
Deferred taxation (see Note 6)	43	22	—	—
ACT recoverable	45	40	—	—
Prepayments and accrued income*	20	18	—	—
Debtors	1,504	1,396	1,808	1,765
Securitised rent receivables	1	2	—	—
	1,505	1,398	1,808	1,765

*Group figures include prepaid pension costs (Note 35).

Included in debtors are amounts totalling £138m (1994 £177m) 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 (1994 £6m) – this asset was recorded in the accounts as part of the acquisition accounting of Stauffer since 1987, and is reported in the balance sheet as an asset of £55m and a liability of £54m, using a linked presentation, with £5m included in cash and short-term investments. The net income recorded in the Group accounts amounted to £1m (1994 £1m). A summary of the financial statements of Stauffer Chemical Company Trust is set out below.

Stauffer Chemical Company Trust	<i>1995 £m</i>	<i>1994 £m</i>
Income and Expenditure account		
Surplus for the financial year	1	1
Trust distributions	(1)	(1)
Surplus retained for the year	—	—
Balance sheet		
Debtors	55	56
Cash and short-term investments	5	4
Total assets	60	60
Creditors	(54)	(54)
Net assets	6	6
Cash flow		
Increase in cash and cash equivalents	—	—

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14 CASH AND SHORT-TERM INVESTMENTS

The Group's short-term investments were classified as available-for-sale at year ends 1995 and 1994. Carrying value was substantially the same as fair value at both year ends.

GROUP

<i>At 31 December 1995</i>	<i>Cost £m</i>	<i>Estimated fair value £m</i>	<i>Gross unrealized gains £m</i>	<i>Gross unrealized losses £m</i>	<i>Net gains and losses £m</i>
Securities listed on the London Stock Exchange:					
UK Government bonds	74	68	–	(6)	(6)
Other debt securities	28	28	–	–	–
	102	96	–	(6)	(6)
Other listed investments	3	3	–	–	–
Unlisted investments	1	1	–	–	–
Deposits (more than three months to maturity)	4	4	–	–	–
	110	104	–	(6)	(6)
Short-term deposits (less than three months to maturity) (see Note 29)	558	558			
Short-term investments	668	662			
Cash	130	130			
	798	792			

At 31 December 1994

Securities listed on the London Stock Exchange:					
UK Government bonds	141	129	–	(12)	(12)
Other redeemable securities	9	9	–	–	–
Other listed debt 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) (see Note 29)	407	407			
Short-term investments	610	594			
Cash	141	141			
	751	735			
Net change in unrealized holding gains and losses					10

Current asset investments held by Group subsidiaries are marked to market on a specific identification basis. The net change in unrealized holding gains and losses is a gain of £10m (1994 £22m loss). The net change, after minority interests, of £5m gain (1994 £11m loss) has been taken to reserves via the statement of total recognised gains and losses.

The proceeds from sales of these investment securities were £361m (1994 £255m). Realized gains and losses are taken to the profit and loss account. In 1995 gross realized gains were £7m (1994 £6m) and gross realized losses were £6m (1994 £7m), producing a net realized gain of £1m (1994 £1m loss).

Included in cash and short-term investments are amounts totalling £252m (1994 £294m) held by the Group's insurance subsidiaries, of which £155m (1994 £216m) 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 1995 (1994 £nil).

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14 CASH AND SHORT-TERM INVESTMENTS (continued)

Contractual maturities of debt securities are as follows:

	Cost £m	Estimated fair value £m
1996	6	6
1997 – 2000	34	31
2001 – 2005	52	49
Thereafter	10	10
	102	96

15 SHORT-TERM BORROWINGS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Bank borrowings				
Secured by floating charge	1	1	–	–
Unsecured	151	141	1	–
	152	142	1	–
Other borrowings (unsecured)	89	66	–	–
	241	208	1	–
Included in cash and cash equivalents (see Note 29)	139	139	1	–

16 OTHER CREDITORS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Amounts due within one year				
Trade creditors	532	506	–	–
Amounts owed to subsidiary undertakings			88	67
Corporate taxation	222	208	–	–
Value added and payroll taxes and social security	38	35	–	–
Obligations under finance leases	5	2	–	–
Other creditors*	570	602	–	–
Accruals	204	155	–	–
Dividends to Shareholders	187	168	187	168
	1,758	1,676	275	235
Amounts due after more than one year				
Corporate taxation	1	–	–	–
Obligations under finance leases	14	6	–	–
Other creditors*	15	24	–	–
Grants not yet credited to income	1	2	–	–
	31	32	–	–

*Included in other creditors are amounts totalling £245m (1994 £305m) 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 35).

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17 LOANS

	<i>Repayment dates</i>	<i>Group</i>		<i>Company</i>	
		<i>1995 £m</i>	<i>1994 £m</i>	<i>1995 £m</i>	<i>1994 £m</i>
Secured loans					
US Dollars (5.9 to 8%), secured by fixed charge	1996/2012	12	10	–	–
Indian Rupees (17.5%), secured by fixed charge	1996/1998	2	–	–	–
Total secured		14	10	–	–
Unsecured loans					
Sterling					
Bank loan – variable rate	1996/2002	44	50	–	–
US Dollars					
Bank loan – variable rate	2001	52	51	–	–
6.30% Guaranteed Notes	2003	191	189	–	–
7% Guaranteed Debentures	2023	190	189	–	–
6.58% Loan	2003	–	–	192	189
7.2% Loan	2023	–	–	192	189
Others	1998/2013	10	6	–	–
Yen (1.95 to 5%)	1996/2000	53	28	–	–
Other foreign currencies	1996/2000	7	9	–	–
Total unsecured		547	522	384	378
Total loans		561	532	384	378
Loans or instalments thereof are repayable					
After 5 years from balance sheet date					
Lump sums		446	441	384	378
Instalments		14	22	–	–
		460	463	384	378
From 2 to 5 years		63	35	–	–
From 1 to 2 years		13	22	–	–
Total due after more than one year		536	520	384	378
Total due within one year		25	12	–	–
Total loans		561	532	384	378
Aggregate amount of loans repayable by instalments					
any of which fall due after 5 years		52	48	–	–

Loans from banks included in the table above amounted to £165m (1994 £142m) of which £2m (1994 £nil) was secured.

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18 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Employee benefits* £m	Reorganisation, environmental, and other provisions £m	Total £m
At beginning of year	267	223	490
Profit and loss account	60	114	174
Net amounts paid or becoming current	(41)	(96)	(137)
Other movements, including exchange	10	—	10
At end of year	296	241	537

*Includes provisions for unfunded post-retirement benefits (Note 35)

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

19 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized 1995 £m	Allotted, called-up and fully paid 1995 £m	1994 £m
Ordinary Shares (25p each)	237	237	236
Unissued Ordinary Shares (25p each)	63		
	300	237	236

The number of Ordinary Shares issued during the year totalled 672,184, comprising issues in respect of the exercise of options.

At 31 December 1995 there were options outstanding in respect of 3,812,340 Ordinary Shares of 25p under the Zeneca 1993 Senior Staff Share Option Scheme and the Zeneca 1994 Executive Share Option Scheme (1994 3,315,338) and 3,581,630 Ordinary Shares of 25p under the Zeneca Savings-Related Share Option Scheme (1994 2,576,187). These options are normally exercisable in the period 1996 to 2005 (1995 to 2004) at subscription prices of £4.09 to £11.28 (1994 £4.09 to £8.26). 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 1995 was £7.98.

Options granted to Directors are shown in Note 31.

During 1995 movements in the number of shares under option comprised new options issued 2,308,201, options exercised 672,184, and options lapsed or waived 133,572. At the end of 1995 there were 19,359,358 shares available for the granting of options (1994 21,513,821).

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20 RESERVES

GROUP	Share premium account £m	Merger reserve £m	Goodwill and other reserves £m	Associated under- takings £m	Profit and loss account £m	1995 Total £m	1994 Total £m
Reserves attributable to parent company							
At beginning of year	4	285	190	14	956	1,449	1,263
Profit retained for year				1	42	43	173
Amounts taken direct to reserves							
Share premiums	3					3	3
Goodwill on acquisitions/disposals			99			99	24
Disposals				(6)	6	—	—
Exchange adjustments : Goodwill			(33)		33		
Net assets					30	30	4
Net unrealized holding gains (losses) on short-term investments			5			5	(11)
Other movements				(5)		(5)	(7)
	3		71	(11)	69	132	13
At end of year	7	285	261	4	1,067	1,624	1,449

In the Group accounts, exchange adjustments of £nil (1994 £3m gains) on foreign currency loans have been offset in reserves against exchange movements on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £98m (1994 £nil) of goodwill on acquisitions written off against reserves and £197m (1994 £24m) of goodwill relating to disposals written back to reserves and charged to the profit and loss account.

The cumulative amount of goodwill resulting from acquisitions, net of disposals, amounted to £991m (1994 £1,057m), using 1995 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.

COMPANY	Share premium account £m	Other reserves £m	Profit and loss account £m	1995 Total £m	1994 Total £m
Reserves					
At beginning of year	4	1,255	215	1,474	1,267
Net profit for the financial year			289	289	474
Dividends			(293)	(293)	(270)
Share premiums	3			3	3
At end of year	7	1,255	211	1,473	1,474

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

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21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	1995 £m	1994 £m
Shareholders' funds at beginning of year	1,685	1,499
Net profit for the financial year	336	443
Dividends	(293)	(270)
	43	173
Issues of Zeneca Group PLC Ordinary Shares	4	3
Goodwill on acquisitions/disposals	99	24
Net foreign currency translation differences and recognised exchange gains	30	4
Net unrealized holding gains (losses) on short-term investments (see Note 14)	5	(11)
Other movements	(5)	(7)
Net addition to shareholders' funds	176	186
Shareholders' funds at end of year	1,861	1,685

22 NET CASH INFLOW FROM TRADING OPERATIONS BEFORE EXCEPTIONAL ITEMS

	1995 £m	1994 £m
Operating profit	829	659
Exceptional items within operating profit	65	138
Operating profit before exceptional items	894	797
Depreciation	194	177
Stocks increase	(40)	(51)
Debtors (increase) decrease	(27)	16
Creditors increase	26	3
Other non-cash movements, including exchange	5	15
	1,052	957

23 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.

24 INTEREST AND DIVIDENDS RECEIVED

	1995 £m	1994 £m
Interest received	46	41
Dividends received from equity accounted associated undertakings	2	7
	48	48

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25 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

	<i>Acquiree book values</i>	<i>Fair value adjustments</i>	<i>1995</i>	<i>1994</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Acquisitions of subsidiary undertakings involving				
Tangible fixed assets	71	(1)	70	–
Intangible fixed assets	8	(8)	–	–
Fixed asset investments	1	–	1	–
Current assets	84	–	84	–
Liabilities	(77)	1	(76)	–
Minorities	(33)	–	(33)	–
Net assets of subsidiary undertakings acquired	54	(8)	46	–
Goodwill			98	–
Fair value of consideration for subsidiary undertakings			144	–
Investment in participating interests			10	12
Total consideration			154	12
Cash and cash equivalents acquired			(1)	–
Net cash consideration			153	12

Assets and liabilities are adjusted to fair values on external valuations and internal reviews. The principal acquisition was the purchase of a 50% shareholding in Salick Health Care, Inc. (SHC) on 13 April 1995 for a consideration of £127m, with a call option to purchase the remaining 50% shareholding, exercisable within a four year period. By virtue of the call option, SHC has been regarded as a subsidiary of Zeneca and its results have been consolidated into the Group results, with a 50% minority interest allowed for. Other acquisitions included the purchase of Glaxo Wellcome's 50% shareholding in Zeneca Farmaceutica do Brasil Ltda and a majority owned joint venture, Zeneca ICI Agrochemicals Ltd, in India.

26 DISPOSALS OF BUSINESS OPERATIONS

	<i>1995</i>	<i>1994</i>
	<i>£m</i>	<i>£m</i>
Disposals of business operations resulted in the following net asset movements		
Tangible fixed assets	1	14
Net current assets	–	32
Liabilities due after more than one year	7	(1)
	8	45
Goodwill	197	24
Profit and loss account – exceptional items	(194)	20
	11	89
Investments in participating interests	7	1
Total consideration	18	90
Deferred consideration	(1)	(1)
Cash consideration	17	89

The cash consideration for disposals of business operations and investments in participating interests in 1995 includes £17m (1994 £88m) with respect to items accounted for as exceptional items in the current and previous years. The cash consideration for disposals includes £16m (1994 £nil) relating to equity accounted participating interests. Apart from the disposal proceeds, the contribution of the divested businesses and subsidiary undertakings to the cash flows of the Group was not material.

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27 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.

28 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 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 beginning of 1995	236	4	—	532	8	69	849
Exchange adjustments				(1)	1	—	—
New finance leases					9		9
New finance	1	3		35	—	359	398
Finance repaid				(13)	(4)	(341)	(358)
Acquired on acquisitions				8	5	15	28
At 31 December 1995	237	7	—	561	19	102	926

A further source of new finance in 1995 was a £2m issue of shares to minorities by a subsidiary undertaking (1994 £nil).

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

29 CASH AND CASH EQUIVALENTS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Balance of cash and cash equivalents				
Cash	130	141	—	—
Investments and short-term deposits which were within 3 months of maturity when acquired (see Note 14)	558	407	—	—
Short-term borrowings repayable within 3 months from date of advance (see Note 15)	(139)	(139)	(1)	—
	549	409	(1)	—
Change in the balance of cash and cash equivalents				
At beginning of year	409	818	—	—
Exchange adjustments	(3)	(6)	—	—
Cash inflow (outflow) for year	143	(403)	(1)	—
At end of year	549	409	(1)	—

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 also include amounts with maturities greater than three months.

Included in cash and cash equivalents are amounts totalling £183m (1994 £107m) held by the Group's insurance subsidiaries, of which £86m (1994 £30m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

30 EMPLOYEE COSTS AND SHARE SCHEMES

The average number of people employed by the Group in 1995 was 31,400 (1994 30,800) and the costs incurred during the year in respect of these employees were:

	1995 £m	1994 £m
Salaries	928	847
Social security costs	112	104
Pension costs	95	94
Other employment costs	88	89
	1,223	1,134

The Directors believe that, together with the basic salary system, the Group's employee incentive schemes, which have been approved by shareholders, 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 Group's UK schemes are described below; other arrangements apply outside the UK.

The Zeneca Employee Performance Bonus Plan

A discretionary bonus scheme based on the Group's trading results, related to the achievement of performance targets at both individual business unit and Zeneca Group overall levels.

Employees are offered the opportunity to take any bonus that may be payable under the scheme in the form of cash or of Ordinary Shares in the Company through a share retention scheme.

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. An outline of this plan is given in the Report of the Remuneration and Nomination Committee on page 32. 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

Options to subscribe for Ordinary Shares in the Company may be granted to selected qualifying employees. The Remuneration and Nomination Committee is responsible for the Scheme and a brief description is also included in their Report on page 33. In particular, it sets performance conditions 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

Employees may make regular monthly savings contributions over a five year period and may apply for options to acquire Zeneca shares at a 10% discount to market price at the time of grant.

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31 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1995 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.

	<i>Interest in Ordinary Shares at 1 January 1995</i>	<i>Shares bought (sold)</i>	<i>Shares held in trust at 31 December 1995</i>	<i>Interest in Ordinary Shares, including shares held in trust, at 31 December 1995</i>
J. D. F. Barnes	18,691	63,372	4,814	86,877
Sir Peter Bonfield	500			500
P. Doyle	8,444		2,788	11,232
Sir Richard Greenbury	500			500
Miss G. M. Lewis	500			500
Sir Sydney Lipworth	5,000			5,000
J. C. Mayo	20,000	(10,000)	1,504	11,504
Sir Jeremy Morse	2,387			2,387
A. I. H. Pink	1,564		6,920	8,484
T. H. Wyman	656			656

Shares held in trust above are long-term incentive bonus shares appropriated under the Zeneca Executive Performance Bonus Plan which have not yet been released. During the period 1 January 1996 to 6 March 1996 there was no change in the interests of Directors shown in this note. In the event that Ordinary Shares are appropriated in 1996 to Directors pursuant to the Executive Performance Bonus Plan in respect of the year to 31 December 1995 the Directors would have an interest in such appropriated shares.

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.

		<i>No of Shares Under Option</i>	<i>Exercise price per share⁺</i>	<i>Market price at date of exercise</i>	<i>First date exercisable[*]</i>	<i>Last date exercisable[*]</i>
J. D. F. Barnes	At 1 Jan 1995	257,639	563p		24.06.93	04.04.04
	Granted	10,992	891p		27.03.98	26.03.05
	Exercised	35,605	471p	1189p	24.06.93	01.04.96
	Exercised	27,767	485p	1189p	24.06.93	09.09.96
	At 31 Dec 1995	205,259	607p		24.06.93	26.03.05
P. Doyle	At 1 Jan 1995	99,533	580p		24.06.93	04.04.04
	Granted	42,285	891p		27.03.98	26.03.05
	At 31 Dec 1995	141,818	673p		24.06.93	26.03.05
J. C. Mayo	At 1 Jan 1995	140,059	598p		22.03.96	04.04.04
	Granted	12,090	891p		27.03.98	26.03.05
	At 31 Dec 1995	152,149	621p		22.03.96	26.03.05
A. I. H. Pink	At 1 Jan 1995	145,143	589p		24.06.93	04.04.04
	Granted	8,995	891p		27.03.98	26.03.05
	At 31 Dec 1995	154,138	606p		24.06.93	26.03.05

No options lapsed during the year. The market price of the shares at 31 December 1995 was 1246p and the range during 1995 was 841.5p to 1334p. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

⁺Exercise prices at 1 January and 31 December are weighted averages.

^{*}First and last exercise dates of groups of options, within which periods there are shorter exercise periods.

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32 EMOLUMENTS OF DIRECTORS

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

	<i>Salary and fees £'000</i>	<i>Bonuses Cash £'000</i>	<i>Shares* £'000</i>	<i>Taxable benefits £'000</i>	<i>Other £'000</i>	<i>Sub-total £'000</i>	<i>Pension contribs. £'000</i>	<i>Total 1995 £'000</i>	<i>Total 1994 £'000</i>
Sir Denys Henderson	114	172		2		288		288	342
Sir Sydney Lipworth	71					71		71	3
J. D. F. Barnes	440	66	132	12		650	1	651	435
P. Doyle	255	38	77	8		378	45	423	316
J. C. Mayo	275	41	83	17		416	13	429	293
A. I. H. Pink	275		165	15		455	48	503	337
A. T. G. Rodgers	180	54		6	420*	660	32	692*	306
Sir Peter Bonfield	21					21		21	—
Lord Chilver	8					8		8	21
Sir Richard Greenbury	24					24		24	24
Miss G. M. Lewis	21					21		21	21
Sir Jeremy Morse	21					21		21	21
T. H. Wyman	40					40		40	41
	1,745	371	457	60	420	3,053	139	3,192	2,160

*The figures stated above include the cost to the Company of providing the matching contribution of shares in respect of that part of the bonus which is to be taken in shares by each Director. All such shares are held in trust and will be released to each Director upon fulfilment of the conditions and under the terms of the plan described on page 32 as part of the Report of the Remuneration and Nomination Committee.

+The emoluments of Mr A.T.G. Rodgers, who left the Company on 30 September 1995, include £420,000 in respect of compensation for loss of office.

Sir Denys Henderson retired as Chairman in May 1995 and was succeeded by Sir Sydney Lipworth.

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.

<i>Emoluments</i>	<i>Number</i>		<i>Emoluments</i>	<i>Number</i>	
	<i>1995</i>	<i>1994</i>		<i>1995</i>	<i>1994</i>
£0 – 5,000	—	1	£270,001 – 275,000	—	2
£5,001 – 10,000	1	—	£285,001 – 290,000	1	—
£20,001 – 25,000	4	4	£290,001 – 295,000	—	1
£35,001 – 40,000	1	—	£340,001 – 345,000	—	1
£40,001 – 45,000	—	1	£375,001 – 380,000	1	—
£70,001 – 75,000	1	—	£415,001 – 420,000	1	—
£240,001 – 245,000	1	—	£430,001 – 435,000	—	1
£260,001 – 265,000	—	1	£455,001 – 460,000	1	—
			£645,001 – 650,000	1	—

Three of the Directors whose emoluments are shown above for 1995 were Directors for part of the year only (1994 one).

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Notes relating to the accounts

33 LEASES

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

	1995 £m	1994 £m
Hire of plant and machinery	4	8
Other	26	28
	30	36

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	6	3
Expiring during years 2 to 5	3	3
Expiring thereafter	2	4
	11	10

Other assets

Expiring within 1 year	4	7
Expiring during years 2 to 5	7	6
Expiring thereafter	2	—
	13	13

Obligations under finance leases comprise

Rentals due within 1 year	6	2
Rentals due during years 2 to 5	14	6
Rentals due thereafter	3	2
Less interest element	(4)	(2)
	19	8

Obligations under finance leases are included in other creditors (Note 16).

The Group had commitments totalling £13m (1994 £6m) under finance leases at the balance sheet date which were due to commence thereafter.

34 COMMITMENTS AND CONTINGENT LIABILITIES

	1995 £m	1994 £m
Commitments for capital expenditure not provided for in these accounts		
Contracts placed for future expenditure	90	64
Expenditure authorized but not yet contracted	188	163
	278	227

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.

Financial instruments

At 31 December 1995, Zeneca had outstanding forward foreign exchange contracts to sell currency with nominal principal amounts of £395m (1994 £365m). 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. At 31 December 1995, the Group held interest and cross currency swaps totalling £29m (1994 £nil) which were taken out with commercial banks for the purpose of hedging interest rate and currency movements on external borrowings.

34 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Zeneca has also entered into forward foreign exchange and currency option contracts to hedge anticipated, but not firmly committed, non-sterling commercial transactions for 1996. The contracts were taken out with commercial banks. In relation to these Zeneca had, at 31 December 1995, outstanding forward foreign exchange contracts to sell currency with a notional principal value of £216m (1994 £263m) equivalent, and currency option contracts to sell with a notional principal value of £328m (1994 £218m) equivalent. Gains and losses on these transactions are recognised in income in the same period as the hedged transaction.

Environmental

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 1995 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.

Salick Healthcare

In April 1995 Zeneca purchased 50% of Salick Health Care, Inc. ('SHC'), a leading US provider of disease-specific healthcare services, for US\$204 million cash (£127m equivalent). The remaining 50% may be bought by Zeneca within a four year period from the date of the initial purchase at a price which will be set according to a number of variables, but which will not exceed US\$280 million (£181m at £1=\$1.55). SHC shareholders have a Put option over the remaining 50% shareholding, exercisable at two and one half years from the date of initial purchase. 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 has 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.

Litigation

Zeneca has brought patent infringement proceedings, under its US patent for its breast cancer medicine, 'Nolvadex', against the Canadian generic drug company, Novopharm Limited ('Novopharm'). The suit was brought as a result of Novopharm filing an Abbreviated New Drug Application (ANDA) with the US FDA seeking to enable it to commercialise a generic version of 'Nolvadex'. A claim by Novopharm that Zeneca was estopped from bringing a patent infringement suit has been rejected by the Court. The matter is now expected to go to trial in April 1996.

In January and February 1996 Zeneca received separate notifications that each of Mylan Pharmaceuticals Inc ('Mylan') and Pharmachemie BV ('Pharmachemie') respectively had filed an ANDA with the US FDA to commercialise a generic version of 'Nolvadex' and asserting that Zeneca's relevant patent property was invalid and unenforceable. Zeneca completely disputes the position taken by Mylan and Pharmachemie. Zeneca has initiated patent infringement proceedings against Mylan and similarly intends to prosecute fully its rights against Pharmachemie.

Proceedings have been brought against Zeneca Inc. in the US by Schering Corporation ('Schering') alleging that use of Zeneca's prostate cancer product 'Casodex' in association with LHRH analogues infringes patent property owned jointly by Schering and Roussel UCLAF S.A. ('Roussel'). Zeneca is defending this action vigorously, including contesting the validity of the patent, having established an agreement with Roussel which gives Zeneca a licence to commercialise 'Casodex' in the US with LHRH analogues. Zeneca has obtained summary judgement which will, subject to an appeal by Schering, dispose of the litigation in Zeneca's favour. 'Casodex' itself is protected by patents which are unaffected by this litigation.

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Notes relating to the accounts

34 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Group has provisions as at 31 December 1995 in respect of costs associated with the proposed settlement of certain anti-trust class actions initiated by retail pharmacies against more than 20 major drug manufacturers including Zeneca Inc. While Zeneca has consistently denied liability and continues to believe it has meritorious defences to these claims, it has concluded this settlement is the prudent course of action given the inherent risks and costs of litigation and to avoid further business disruption. The settlement terms require Court approval.

Zeneca is also involved in various other legal proceedings, which include some remaining retail pharmacy anti-trust class and individual actions in the US outside the scope of the settlement described above, and other litigation considered typical to its businesses, covering product liability, infringements of intellectual property rights and validity of certain patents.

35 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.

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 return on investments was 9 per cent. The weighted average rates of increase of future earnings and future pensions were 6 per cent and 3 per cent respectively. After allowing for future increases in earnings and pensions, 92 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 £1,672m.

The total pension cost for the Group for 1995 was £95m (1994 £94m). In Zeneca's Group balance sheet at 31 December 1995, accrued pension costs amounted to £43m (1994 £27m) and are included in other creditors (Note 16); provisions for unfunded benefit obligations, included in provisions (Note 18) amounted to £125m (1994 £114m). Prepaid pension costs amounting to £16m (1994 £15m) are included in debtors (Note 13).

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 are covered dependants currently benefit from these provisions and some 9,500 current employees will be eligible on retirement. Zeneca accrues for the present value of such retiree benefit obligations over the working life of the employee.

The cost of post-retirement benefits other than pensions for the Group in 1995 was £12m (1994 £14m). Provisions for the benefit obligations at 31 December 1995 amounted to £142m and are included in provisions for employee benefits (Note 18). There were no plan assets at 31 December 1995. 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 7 per cent and a weighted average assumed healthcare costs trend rate of 9 per cent reducing to 5.5 per cent per annum.

36 STATUTORY AND OTHER INFORMATION

Included in debtors are interest free loans of £55,000 to three officers 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 1995 was £2.5m (1994 £2.2m); fees paid to the auditors of the parent Company and its UK subsidiaries for non-statutory 'audit' work were £0.4m (1994 £0.4m), accounting, information systems, project support and taxation advice £2.5m (1994 £1.0m) and to the rest of the Group worldwide £0.5m (1994 £0.5m).

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

Financial statements

Principal subsidiary undertakings

<i>At 31 December 1995</i>	<i>Class of capital</i>	<i>Percentage of voting share capital held</i>	<i>Principal activity</i>
United Kingdom			
Zeneca Limited England	Ordinary	100	Research and manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchandising of Zeneca products
IC Insurance Holdings Limited England	Ordinary	51#	Insurance and reinsurance underwriting
Continental Europe			
Zeneca Pharma S.A. France	Ordinary	100#	Research, manufacture and merchandising of pharmaceuticals
Zeneca Holding GmbH Germany	Ordinary	100#	Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; merchandising of Zeneca products
Zeneca S.p.a. Italy	Ordinary	100#	Manufacture of pharmaceuticals; merchandising of Zeneca products
Stauffer Chemical B.V. The Netherlands	Common	100#	Manufacture of agrochemicals
The Americas			
Zeneca Brasil S.A. Brazil	Ordinary	100#	Manufacture of agrochemicals and specialty chemicals; merchandising of Zeneca products
Zeneca Holdings Inc. USA	Common	100#	Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchandising of Zeneca products
IPR Pharmaceuticals Inc. Puerto Rico	Common	100#	Manufacture of pharmaceuticals
Salick Health Care, Inc. USA	Common	50#	Provision of disease-specific healthcare services
Asia Pacific			
Zeneca China Limited Hong Kong	Ordinary	100#	Merchandising of Zeneca products
Zeneca Yakuhin K.K. Japan	Ordinary	60#	Merchandising of pharmaceutical products
Zeneca K.K. Japan	Ordinary	100#	Manufacture of pharmaceuticals; merchandising 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, except for Salick Health Care, Inc. which is 31 August.

Zeneca operates through 207 subsidiary companies. Products are manufactured in some 25 countries worldwide and are sold in well over 100 countries.

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Group financial record

For the years ended 31 December

	1991* £m	1992* £m	1993 £m	1994 £m	1995 £m
Turnover and profits					
Turnover	3,929	3,979	4,440	4,480	4,898
Operating profit before exceptional items	682	587	704	797	894
Exceptional items charged to operating profit	–	(304)	–	(138)	(65)
Operating profit after exceptional items	682	283	704	659	829
Profit on ordinary activities before interest	697	254	721	697	638
Net interest payable	(166)	(152)	(88)	(38)	(19)
Profit on ordinary activities before taxation	531	102	633	659	619
Net profit for the financial year	345	80	431	443	336
Dividends to Shareholders	n/a	n/a	(260)	(270)	(293)
Return on sales					
Operating profit before exceptional items as a percentage of sales	17.4%	14.8%	15.9%	17.8%	18.3%

Balance sheets

Tangible fixed assets	1,357	1,559	1,684	1,733	1,905
Fixed asset investments	28	33	26	39	40
Current assets	2,083	2,488	3,309	2,909	3,148
Total assets	3,468	4,080	5,019	4,681	5,093
Creditors due within one year	(993)	(2,617)	(2,360)	(1,896)	(2,024)
Total assets less current liabilities	2,475	1,463	2,659	2,785	3,069
Creditors due after more than one year	1,910	932	587	552	567
Provisions for liabilities and charges	232	419	501	490	537
Minority equity interests	72	57	72	58	104
Shareholders' equity	261	55	1,499	1,685	1,861
	2,475	1,463	2,659	2,785	3,069

Capital gearing

Net debt as a percentage of shareholders' funds	n/a	n/a	12.5%	0.3%	0.5%
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The capital gearing ratio for 1993 was restated to 12.5% from 11.7% as a result of a prior period adjustment for post-retirement healthcare benefits.

Cash flow

Net cash inflow from operating activities	726	682	833	872	956
Net cash inflow before investing and financing	270	136	477	400	379
Net cash outflow from investing activities	(109)	(176)	(263)	(288)	(278)
Net cash (outflow) inflow from financing	(140)	60	454	(515)	42
Increase (decrease) in cash and cash equivalents	21	20	668	(403)	143

*Not restated for FRS 5 or UITF 6 as pro forma information only was available for Zeneca.

Zeneca share information

	1993	1994	1995
Ordinary Shares in issue – millions			
At year end	945	946	947
Weighted average for year	850	946	946
Stock Market price – per 25p Ordinary Share	Pence	Pence	Pence
Highest	841.5	898.5	1334.0
Lowest	594.5	674.5	841.5
At year end	840.5	878.5	1246.0
Earnings per 25p Ordinary Share before exceptional items	48.9	55.2	62.0
Earnings per 25p Ordinary Share	50.7	46.8	35.6
Dividends (net of tax credit)	27.5	28.5	31.0

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.

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.

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.

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.

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.

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.

Restructuring costs

Under US GAAP the criteria for recognition of restructuring costs, particularly employee termination benefits, are more restrictive than under UK GAAP.

Financial statements

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 1995 rate of £1 = \$1.55.

SUMMARISED INCOME STATEMENT	Years ended 31 December			
	1995 £m	1994 £m	1995 \$m	1994 \$m
Sales	4,898	4,480	7,592	6,944
Operating income	829	659	1,285	1,021
Income from ordinary activities before interest	638	697	989	1,080
Net interest expense	(19)	(38)	(30)	(59)
Income from ordinary activities before taxation	619	659	959	1,021
Taxes on income from ordinary activities	(268)	(210)	(415)	(325)
Income from ordinary activities after taxation	351	449	544	696
Income attributable to minorities	(15)	(6)	(23)	(9)
Net income (UK GAAP)	336	443	521	687
Adjustments to conform to US GAAP				
Deferred taxation	(15)	24	(23)	37
Capitalization, less disposals and amortization of interest	1	2	2	3
Pension expense	(16)	(52)	(25)	(81)
Post-retirement benefits	2	3	3	5
Purchase accounting adjustments, including goodwill and intangibles : amortization	(35)	(38)	(54)	(59)
sale or closure of operations	73	9	113	14
Restructuring costs	14	—	21	—
Unrealized gains (losses) on foreign exchange	5	(12)	8	(19)
	29	(64)	45	(100)
Net income in accordance with US GAAP	365	379	566	587
Net income (US GAAP) per Ordinary Share	38.6p	40.1p	+\$1.79	+\$1.86
Dividends per 25p Ordinary Share	31.0p	28.5p	+\$1.80	+\$1.66

+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 31.0 pence per Ordinary Share would represent \$1.80 per ADS using the conversion rate of £1 = \$1.55. The UK tax credit of 20/80ths is based on the lower rate of income tax prevailing in the UK on 6 March 1996, the date on which the Zeneca Group audited financial statements were signed.

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SUMMARISED CONSOLIDATED BALANCE SHEET	At 31 December			
	1995 £m	1994 £m	1995 \$m	1994 \$m
UK Basis				
Assets				
Current assets				
Cash and marketable securities	792	735	1,228	1,139
Receivables	1,505	1,398	2,332	2,167
Inventories	851	776	1,319	1,203
Total current assets	3,148	2,909	4,879	4,509
Other assets: non-current investments	40	39	62	61
Property, plant and equipment (net of depreciation)	1,905	1,733	2,953	2,686
Total assets	5,093	4,681	7,894	7,256
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	1,758	1,676	2,724	2,598
Short-term debt	241	208	374	322
Long-term debt due within one year	25	12	39	19
Total current liabilities	2,024	1,896	3,137	2,939
Long-term debt not due within one year	536	520	831	806
Other liabilities and deferred income	568	522	880	809
Minority interests	104	58	161	90
Shareholders' equity	1,861	1,685	2,885	2,612
Issued Shares	237	236	367	366
Premiums paid in excess of par value	7	4	11	6
Merger reserve	285	285	442	442
Income retained and other reserves	1,332	1,160	2,065	1,798
Total liabilities and shareholders' equity (UK basis)	5,093	4,681	7,894	7,256
Total shareholders' equity (UK basis)	1,861	1,685	2,885	2,612
Adjustments to conform to US GAAP				
Capitalization, less disposals and amortization of interest	106	105	164	163
Dividends	187	168	290	260
Deferred taxation	(27)	3	(42)	5
Pension expense	(109)	(85)	(169)	(132)
Post-retirement benefits	(35)	(37)	(54)	(57)
Purchase accounting adjustments, including goodwill and intangibles	627	670	972	1,038
Restructuring costs	14	–	22	–
Unrealized gains (losses) on foreign exchange	–	(5)	–	(8)
	763	819	1,183	1,269
Shareholders' equity in accordance with US GAAP	2,624	2,504	4,068	3,881

Zeneca acquired a 50 per cent shareholding in Salick Health Care, Inc. ('SHC') on 13 April 1995 with a call option to purchase the remaining 50 per cent shareholding, exercisable within a four year period. By virtue of the call option, SHC has been regarded as a subsidiary of Zeneca and its results have been consolidated into the Group results, with a 50 per cent minority interest allowed for. Under US GAAP the investment in SHC could be treated as an equity accounted investment. The difference in treatment would have no effect on net income or shareholders' equity.

Zeneca is active in the following areas of business: Zeneca Pharmaceuticals researches, develops and makes ethical medicines for six therapeutic areas:– cancer, cardiovascular and metabolism, central nervous system, infection, respiratory, and arthritis and bone disease; Salick Health Care is the leading US multi-site provider of comprehensive cancer diagnostic and treatment services; Zeneca Agrochemicals makes crop protection products and develops improved plant varieties; Zeneca Specialties is a family of businesses which provide a range of products including leather coatings, colours, resins and biocides.

Key achievements in 1995

Three new anti-cancer products commercialised in 1995:

- ‘Casodex’, which complements ‘Zoladex’, and reinforces Zeneca’s position in prostate cancer therapy**
 - ‘Arimidex’ breast cancer treatment, which was developed in only 64 months, gained UK approval in just 19 weeks**
 - ‘Tomudex’, the first new cytotoxic treatment for colo-rectal cancer in 30 years, also gained UK approval in just 19 weeks**
-

In an independent survey of US Health Maintenance Organisations (HIRC, Summer 1995), Salick Health Care was rated by senior executives as the number one supplier based on the value of its Cancer Care Disease Management Service, and Stuart Disease Management Services was voted number two as the “best” overall Disease Management Company by HMO panelists

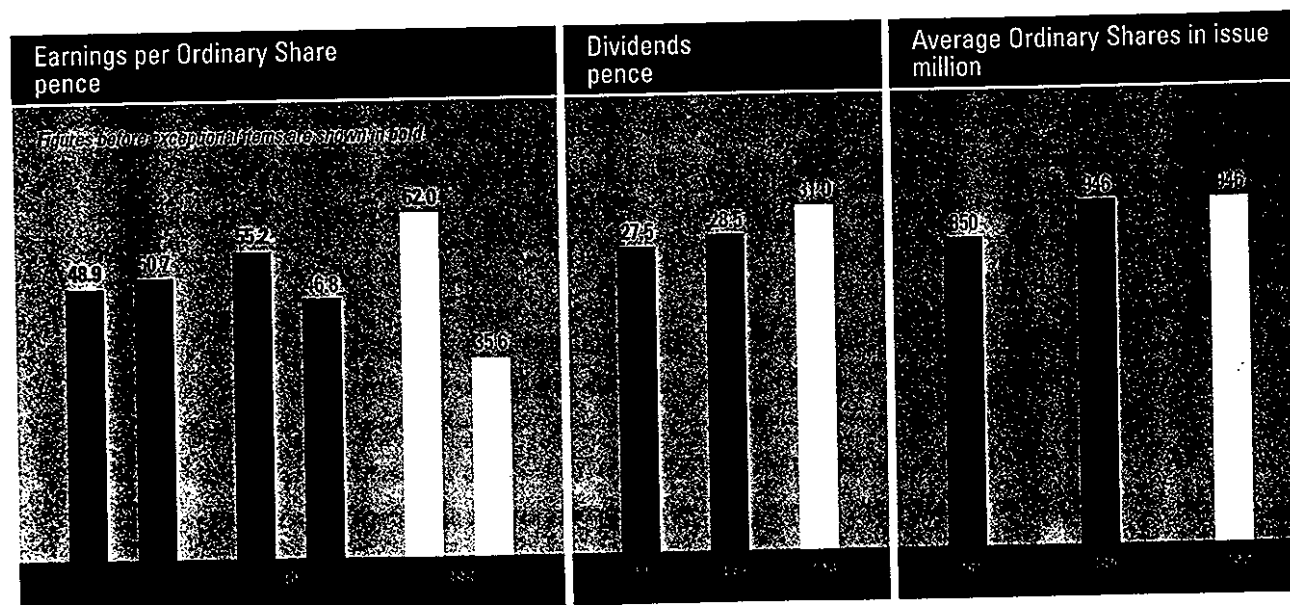
Novel fungicide, 5504, named ‘Amistar’, met all its development milestones and is on schedule to reach the market in 1997

Group Return on Sales improved from 17.8% to a record 18.3%, enabling further investment in research and development and capital projects

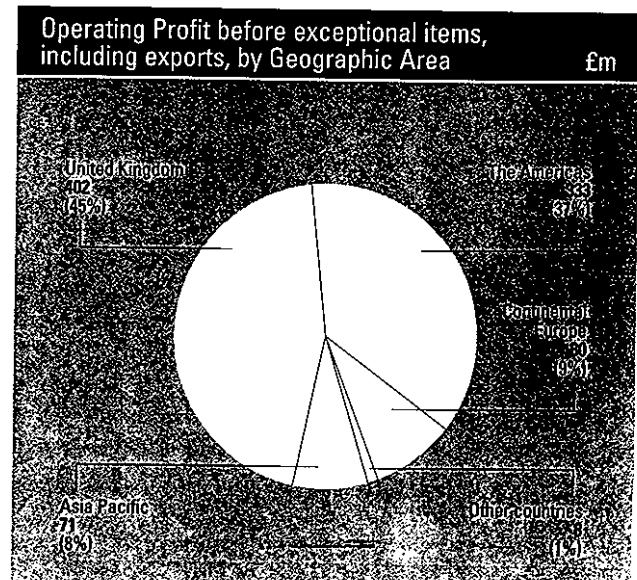
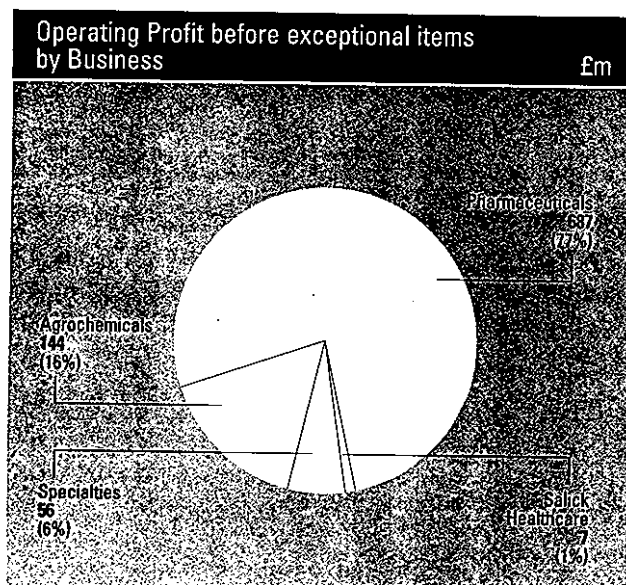
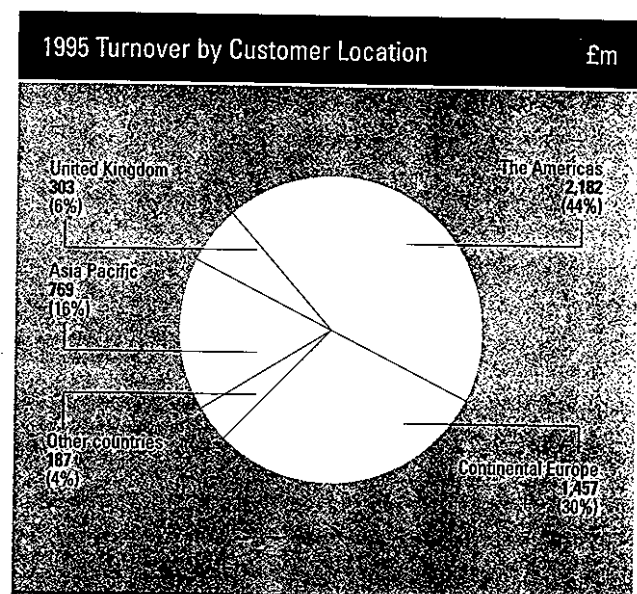
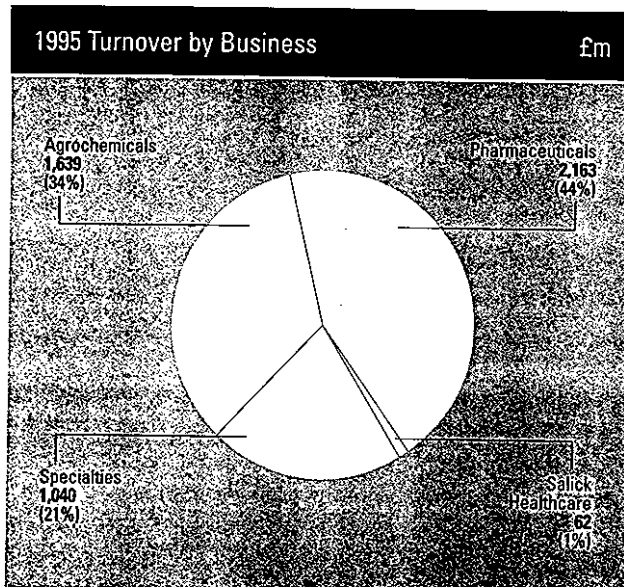
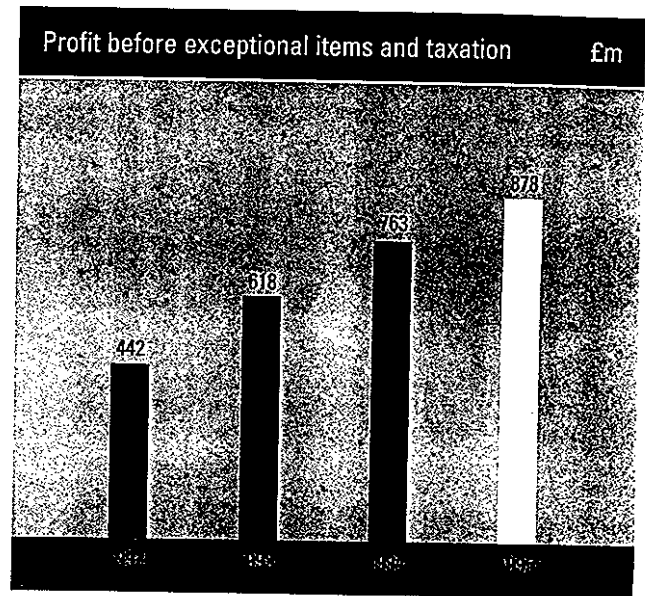
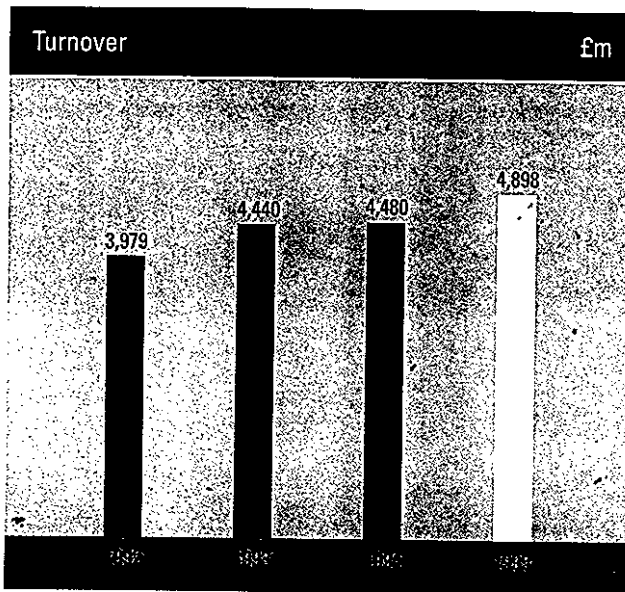
Group financial highlights

	1995 £m	1994 £m	% change
Turnover	4,898	4,480	+9
Operating profit before exceptional items	894	797	+12
Profit before exceptional items and taxation	878	763	+15
Profit before taxation	619	659	-6
Net profit for the financial year	336	443	-24
Earnings per Ordinary Share	35.6p	46.8p	-24
Earnings per Ordinary Share before exceptional items	62.0p	55.2p	+12
Dividend per Ordinary Share	31.0p	28.5p	+9

Dividend for 1995 (net of tax credit)	Pence	Payment Date
First interim dividend	11.25	6 November 1995
Second interim dividend	19.75	7 May 1996



*Restated

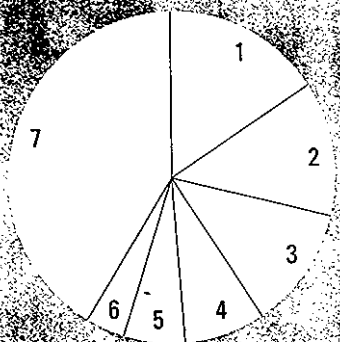


*Restated

The businesses at a glance

PHARMACEUTICALS

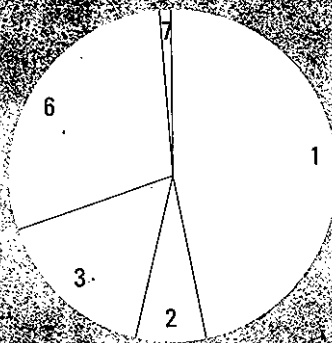
WORLD MARKET BY THERAPEUTIC AREA*



1	CARDIOVASCULAR	16%
2	INFECTION	13%
3	CENTRAL NERVOUS SYSTEM	12%
4	RESPIRATORY	8%
5	ARTHRITIS	6%
6	CANCER	4%
7	OTHERS	41%

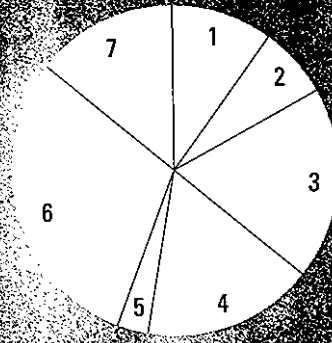
Source: IMS AG (1994 data)

ZENECA SALES BY THERAPEUTIC AREA



1	CARDIOVASCULAR	47%
2	INFECTION	7%
3	CENTRAL NERVOUS SYSTEM	16%
4	RESPIRATORY	0%
5	ARTHRITIS	0%
6	CANCER	28%
7	OTHERS	1%

ZENECA R&D EXPENDITURE BY THERAPEUTIC AREA



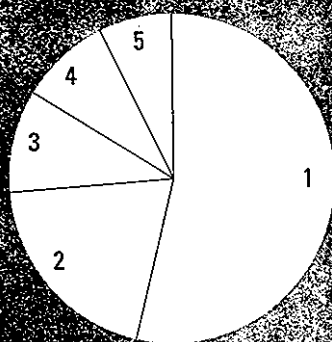
1	CARDIOVASCULAR	10%
2	INFECTION	7%
3	CENTRAL NERVOUS SYSTEM	19%
4	RESPIRATORY	17%
5	ARTHRITIS	3%
6	CANCER	30%
7	OTHERS	4%

SALICK HEALTHCARE

Zeneca has a 50% interest in Salick Health Care, Inc., the leading US multi-site provider of comprehensive cancer diagnostic and treatment services.

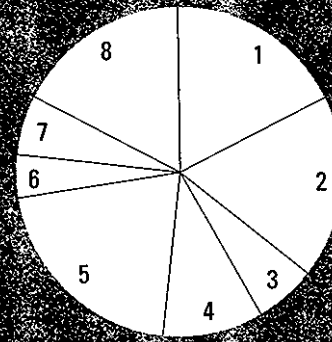
AGROCHEMICALS

ZENECA SALES BY PRODUCT AREA



1	HERBICIDES	54%
2	INSECTICIDES	20%
3	FUNGICIDES	10%
4	SEEDS	9%
5	OTHERS	7%

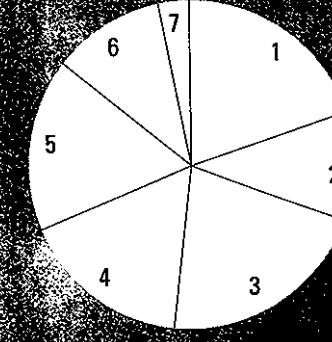
ZENECA SALES BY CROP TYPE



1	MAIZE	18%
2	OILSEEDS	16%
3	COTTON	5%
4	WHEAT & BARLEY	10%
5	FRUIT & VEGETABLES	21%
6	SUGAR BEET	6%
7	RICE	6%
8	OTHERS	17%

SPECIALTIES

ZENECA SALES BY BUSINESS AREA



1	TEXTILE COLOURS	20%
2	INDUSTRIAL COLOURS	11%
3	OTHER ORGANICS BUSINESSES	26%
4	RESINS	17%
5	STARCH	7%
6	OTHER COATINGS BUSINESSES	11%
7	DEVELOPMENT BUSINESSES	8%

PHARMACEUTICALS: Major Products and Development Pipeline

	Development compounds	Regulatory and launch phases	Established products
Cancer	Zoladex, Nolvadex, Metastron*		
	Zoladex LA, Casodex, Arimidex, Tamoxifen, Kadian*		
	182780		
	ZD2767, ZD9331, ZD1839		
Cardiovascular & Metabolism	Inderal, Tenormin, Tenoretic, Zestril, Zestoretic		
	Sular*		
	ZD9583, ZD6169, ZD2486		
Central Nervous System	Diprivan, Fluothane, Elavil		
	Seroquel, 311C90†		
	ZD3638, ZD4953, ZD9379		
Infection	Hibitane, Apatel*		
	Merrem, Amphocil*		
	ZD0870*		
Respiratory	Accolate		
	ZD7944, ZD3523, ZD8321		

(Further details of the Pharmaceuticals product range, mode of action, indications and licensing arrangements can be found on the inside back cover.)

*See inside back cover.

† Subject to definitive agreement and FTC approval in the US.

AGROCHEMICALS: Major Products

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

* Late stage development phase

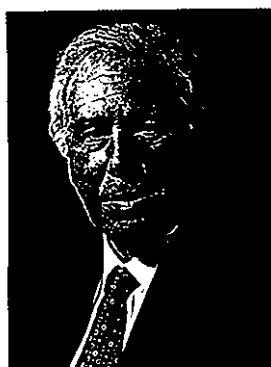
Note: the light shaded areas represent major segments of the world agrochemicals market

SPECIALTIES: Major Products*

Business	Applications
ORGANIC CHEMICALS	
Textile Colours	Reactive, disperse, VAT and Indigo dyes for cellulosic fibres, polyester and their blends
Industrial Colours	Pigments for paints and plastics, paper dyes, specialist colours for reprographics
Biocides	Industrial biocides eg <i>Proxel</i> and <i>Formexal</i> preservatives, <i>Densil</i> fungicides, <i>Vantoch</i> disinfectants and <i>Cosmoal</i> preservative for personal care
Life Science Molecules	Swimming pool products eg <i>Baquacil</i>
Performance & Intermediate Chemicals	Complex intermediates and active ingredients to support the development and manufacture of new medicinal, nutritional and agrochemical products based on the application of innovative biotechnology and organic chemistry
COATINGS	Mining chemicals, fine organics, specialising mixtures, polymer and monomer stabilisers and intermediates, and bioaromatic phosphorus intermediates for agrochemicals
Resins	Binders and additives for architectural and industrial coatings and adhesives/printing inks
Stahl	Leather chemicals, shoe finishes and coatings for fabrics
Novacote	Novacote laminating adhesives and flexible packaging coatings
Specialty Inks	Flexographic and rotogravure inks and coatings for consumer packaging
OTHERS	
Marlow Foods	<i>Quorn</i> myco-protein food
Bio Products	<i>Biopol</i> biodegradable plastic

* This table shows the Specialties portfolio as at 1 January 1996

Chairman's statement



Group performance

1995 was a good year for Zeneca Pharmaceuticals and Zeneca Agrochemicals, with strong sales and profits growth. The year saw many new product launches and regulatory filings in Pharmaceuticals and excellent performances by the newer products in Agrochemicals. Zeneca Specialties experienced difficult trading conditions but despite this, profits were maintained.

The good overall performance saw growth in Group sales of 9% to £4.90 billion in 1995 from £4.48 billion in 1994, and profit before exceptional items rose by 15% to £878 million from £763 million. The Group balance sheet was strengthened and at the year end Group debt was less than 1% of net assets.

The Board has recommended a second interim dividend of 19.75p, bringing the dividend for the year to 31.0p, representing an increase of 9% over the 1994 payment of 28.5p. This reflects both our confidence in the sustainability of our progress and our objective of enabling shareholders to benefit more fully from that progress.

We have continued to focus both resource and effort on those areas of activity which present the best opportunities for growth. We have demonstrated our determination to compete more effectively in global markets by taking decisive action if parts of the business fail to perform to a standard acceptable to the Group, or if they cease to have a strategic place within the Group.

Corporate Governance

On Corporate Governance, Zeneca's Board fully complies with the official codes of practice. I am pleased to report

that these external codes are viewed as a baseline, and that the Company has devised its own comprehensive Code of Ethics for worldwide application which reflects Zeneca's high standards and its concern for the welfare of local communities, customers, staff and the environment. Zeneca's employees, with their strong sense of individual responsibility, share this commitment.

Further information on Corporate Governance can be found in the Report of the Directors on page 34.

Zeneca's people

On a more personal note, 1995 was my first year as Non-Executive Chairman and I visited many of Zeneca's sites around the world. In every location I have been struck by the high quality of Zeneca's people. At every level they exhibit an outstanding degree of dedication and professionalism and our performance this year reflects their energetic, enthusiastic and flexible approach. Since Zeneca's formation a strong sense of corporate identity has been achieved, with a firm commitment to its aims and principles.

Changes in Board and senior management

The year saw significant changes to the Zeneca Board. My predecessor, Sir Denys Henderson, stood down as Chairman in May 1995. Sir Denys was largely responsible for the demerger, and Zeneca's performance to date is a fitting tribute to his vision and ability to convert that vision into reality. Tony Rodgers also left the Company after 35 years, and we are indebted to him for the invaluable contribution he has made over the years. Lord Chilver retired as Non-Executive Director in 1995, and Gill Lewis will retire as Non-Executive Director at the 1996 Annual General Meeting. Both played an important role in Zeneca's

demerger and in its early years. I am most grateful to them for their service to the Company.

In April 1995, Alan Pink relinquished his position as Chief Executive Officer of Zeneca Agrochemicals in order to assume wider executive responsibilities on the Board, and on 1 January 1996 Dr Tom McKillop was promoted to the Board in addition to his position as Chief Executive Officer of Zeneca Pharmaceuticals. In another important step for the Group, Michael Pragnell joined Zeneca as the Chief Executive Officer of the Agrochemicals business, succeeding Alan Pink in this key position. I warmly welcome them to their expanded and new roles.

I would like to take this opportunity to congratulate Sir Peter Bonfield, who became a Non-Executive Director at the beginning of 1995, on receiving his knighthood in the 1996 New Year's Honours List.

Future prospects

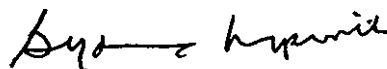
During the year we were pleased to complete the purchase of 50% of Salick Health Care, Inc., a leading US comprehensive cancer care provider. We look forward to developing our association with Salick, further details of which are given later in this Report.

Zeneca's reputation continues to grow with its key audiences. Given the quality of our past performance and the strong prospects for the future, I am confident that Zeneca will continue to gain yet wider recognition for its achievement and performance.

I feel privileged to have joined Zeneca, and it is proving a great pleasure to work with David Barnes and the Executive Council and employees around the world. I should like to

extend my warm thanks to all of them and to the members of the Board for their dedication and exceptional efforts throughout the year.

Given Zeneca's strategy, its improving cost base and the quality of its new product portfolio I am confident that 1996 will be another good year.



Sir Sydney Lipworth

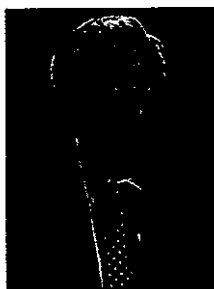
Chairman

Board of Directors

Sir Sydney Lipworth OC (64)

Chairman

Deputy Chairman and Director of National Westminster Bank Plc, Director of Carlton Communications Plc, and Chairman of the Financial Reporting Council (all Non-Executive). Formerly Chairman of the Monopolies and Mergers Commission.



David Barnes CBE (60)

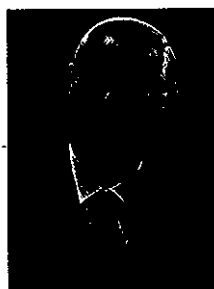
Chief Executive

Non-Executive Director of Redland PLC.



Sir Richard Greenbury (59)

Non-Executive Director and Chairman of the Remuneration and Nomination Committee
Chairman and Chief Executive Officer of Marks and Spencer p.l.c. Non-Executive Director of Lloyds Bank Plc.



Tom Wyman (66), US citizen

Non-Executive Director and Chairman of the Audit Committee

Chairman of S.G. Warburg & Co. Inc., Vice Chairman and Executive Director of S.G. Warburg Group plc (1993-1995), Non-Executive Director of AT&T, General Motors Corporation, Hughes Electronic Corporation and United Biscuits (Holdings) PLC.



Peter Doyle CBE (57)

Executive Director

Has overall responsibility for research and development, manufacturing, safety, health and the environment, and Europe. Member of The Royal Commission on Environmental Pollution and the Central Research and Development Committee for the National Health Service.



John Mayo (39)

Executive Director

Has overall responsibility for finance, insurance, information technology, and Asia Pacific. Non-Executive Director of Pentland Group plc.



Alan Pink (58)

Executive Director

Has overall responsibility for strategic planning, human resources, public affairs and the Americas, and is Chairman of the Zeneca Pensions Trustee Limited and a Director of Salick Health Care, Inc. Non-Executive Director of Smiths Industries PLC.



Sir Jeremy Morse KCMG (67)

Non-Executive Director

Non-Executive Director of the Bank of England and a Nominated Member of the Council of Lloyds.



Gill Lewis (52)

Non-Executive Director

Managing Partner, Consumer Practice of Heidrick Struggles and a Non-Executive Director of Pearson PLC.



Sir Peter Bonfield CBE, FEng (51)

Non-Executive Director

Chief Executive of British Telecommunications plc, Non-Executive Chairman of ICL plc, a Non-Executive Director of BICC plc, Chairman of DESC Limited and Deputy Chairman of the Quality Foundation.



Tom McKillop (52), Chief Executive Officer of the Pharmaceuticals business and a Director of Salick Health Care, Inc., was appointed to the Board as an Executive Director with effect from 1 January 1996. Also a Non-Executive Director of Amersham International PLC.



A year of substantial achievement

1995 has been a rewarding year during which Zeneca has grown in stature. At demerger, the Company showed great potential and in the last two and a half years we have begun to realise some of that promise.

During 1995 our new products made substantial headway, with some gaining their first marketing approvals. Their progress contributed to a re-rating of the Company and a significant increase on the flotation share price.

In 1995 the Group's exports were nearly £2 billion, exceeding those of any other FTSE 100 pharmaceutical company. The contribution made by the Pharmaceuticals business was recognised in a Queen's Award for Export.

Successful research and development (R&D) is the cornerstone of Zeneca's success. Due to the skills and dedication of our scientists the future looks promising. Pharmaceuticals and Agrochemicals both have strong R&D pipelines containing innovative products which are targeted at substantial and unmet market needs. The challenge now is to convert successful R&D into outstanding commercial performance on a global scale, and the Board will ensure that the necessary investment is made to support this process.

In April we completed the acquisition of 50% of Salick Health Care, Inc. which, together with Stuart Disease Management Services Inc. (SDMS) forms part of our evolutionary entry into the broader US healthcare market. Salick and SDMS interests include cancer and cardiovascular disorders respectively, and they give Zeneca access to the significant majority of healthcare expenditure in these areas which is not directed at medicines. Salick and SDMS therefore enable Zeneca to offer its customers a fuller range of healthcare services rather than a single component of their overall needs.

Business performance

For Pharmaceuticals the year was one of substantial progress, particularly for our new product pipeline. In addition, we have recently completed negotiations to acquire two new products and one new development product which, together with our own portfolio and pipeline, will strengthen significantly our medium and longer term prospects for growth. World governments continue to focus on limiting healthcare expenditure by seeking to curtail pharmaceutical prices. Within this challenging environment Zeneca was able to increase sales in many territories because of the novelty of its products and the way they address unmet medical needs.

Agrochemicals' outstanding performance follows the excellent 1994 results and confirms that we have made sustainable improvements in the quality of the business. In terms of future growth, the R&D pipeline is very promising and I look forward to reporting on its progress in the next few years.

In Seeds, difficult trading conditions led to flat sales and poor overall performance. Last year we underlined our commitment to restructure the Seeds business and this has been achieved through the proposed 50:50 joint venture with Royal VanderHave Group. This will enable Zeneca to retain an interest in hybrid field crops and modern plant breeding techniques which complement Agrochemicals' R&D. The combined commercial strengths of the two companies should enable the joint venture to capitalise on its leading technology in the market place.

The commercial environment for most of the Specialties businesses was tough in 1995; this was especially true for Textile Colours. Whereas some businesses did well, others suffered from steep rises in

Chief Executive's review

raw material costs which were only partially recovered through increased prices and some volume was lost.

Active portfolio management

At demerger we promised that we would actively manage our portfolio of businesses and rigorously review performance. We remain committed to this undertaking.

A fundamental review has been carried out of the individual businesses within the Group's Specialties portfolio. As a consequence, agreement has been reached with Sun Chemical Corporation to sell the Specialty Inks business to them for \$62 million. All employees will transfer with the business. A decision has also been made in principle to sell the Textile Colours business. Discussions are taking place with a number of interested companies and it is expected that a further announcement will be made in due course. Once completed, these divestments will move the overall performance of Zeneca Specialties well into the range of the challenging financial targets set by the Group. It is the intention of the Board to resource and manage the reshaped Specialties portfolio so as to capture opportunities for future growth and robust returns.

In 1995 we have continued to review Zeneca Pharmaceuticals' manufacturing procedures and develop plans for restructuring the supply chain. In consequence we have taken an exceptional charge in the year's accounts to provide for such restructuring.

Collaborations to supplement organic growth

Zeneca must be outwardly focused and alert to opportunities outside the Company. In 1995 we entered into a number of marketing and R&D collaborations which complement our in-house capabilities. The rapid rate of scientific advance, particularly in the areas of modern

biotechnology and genomics, make it impossible for any single company to encompass all aspects. We have therefore established carefully selected external alliances and would expect to see their number increase in 1996.

Enhancing trade in world markets

Zeneca operates a global marketing organisation and is well placed to capitalise on the General Agreement on Tariffs and Trade which liberalises international trade. We also welcome the European Medicines Evaluation Agency's 300 day procedure for the rigorous but rapid approval of new pharmaceuticals.

Safety, health and environment

The Company is committed to continuous improvement in its safety, health and environmental performance and further progress has been made in 1995, details of which are given on pages 24 and 25.

Looking to the future

Zeneca has achieved a great deal in 1995, particularly in terms of progress with new products and business restructuring. We have secured further margin increases, increased the dividend by 9% and retained a strong balance sheet. The Company continues to show great potential for the future and I am certain that 1996 will be a further year of substantial achievement.



David Barnes
Chief Executive

Zeneca Pharmaceuticals

Turnover		£m
1994		1,958
1995		2,163
Operating profit (before exceptional items)		£m
1994		629
1995		687

PHARMACEUTICALS

A strategy to maximise growth

Zeneca Pharmaceuticals raised profits in 1995 largely through sustained volume growth. This performance gives continued confidence in the business strategy which focuses on maximising returns from existing products, as well as discovering new compounds and investing in their development to bring them swiftly to market, understanding customer needs, and the selective pursuit of external collaborations to supplement organic growth.

Developing and growing the core business

In 1995, the Pharmaceuticals business continued its vigorous support of its established products, with sales of key therapies benefiting from innovative marketing approaches, the active pursuit of additional approvals, new indications and novel formulations, and expansion in emerging markets.

Cardiovascular products

In the US, as a result of Zeneca's increased penetration of the managed care market and its innovative promotional strategies in the retail pharmacy sector, 'Zestril' was the year's second-largest selling ACE-inhibitor by volume.

'Zestril' also gained approval in a number of countries, including the US, for use in saving lives within 24 hours of myocardial infarction (heart attack), and this relatively new indication should improve future sales.

'Zestril' has patents in the major markets until December 1999 or later, affording a considerable period of protection from direct generic competitors. However, the patents on captopril, the first ACE-inhibitor to be

introduced, are beginning to expire and this is having some indirect effects on the market for 'Zestril'. In Germany, the captopril patent expired in 1995, allowing generic competition to enter the market and the Federal authorities to reduce the re-imbursement price (reference price) for all ACE-inhibitors to generic captopril levels. Despite the resulting 8% reduction in 'Zestril' prices, total sales value increased by 8%. 'Zestoretic', the combination of 'Zestril' with diuretic, performed even better, being unaffected by reference pricing and sales advanced by 37%. Of more immediate concern are the mandatory price cuts in the ACE-inhibitor class which were enforced by the Italian government in 1995. These reduced profitability, but Zeneca's successful marketing effort supported good volume growth in the country and enabled the business to maintain market share.

Although increased prescriptions of low priced generics continued to reduce sales of the beta blocker 'Tenormin' in

the US, worldwide sales of the 'Tenormin' range levelled out at £415 million.

**Lisinopril ('Zestril')
is the first
ACE-inhibitor to
receive US
clearance for use
within 24 hours
of a heart attack**

The Oncology portfolio

German sales of 'Zoladex', for the treatment of prostate cancer, benefited from the increased marketing strength of the expanded oncology sales team. Successful marketing in Japan also

grew sales of the product for the treatment of both prostate and breast cancer, against a background of increasing disease incidence there. 'Zoladex' also gained approvals, notably in the US, for use in advanced breast cancer in pre- and peri-menopausal women.

Zeneca Pharmaceuticals gains competitive advantage by providing product formulations which reduce disruption to a patient's lifestyle. 1995 saw the launch of a longer-

Operational review

Zeneca Pharmaceuticals

Sales of key products

		1995 Sales £m	Growth % over 1994 Sterling constant
Anti-cancer	'Nolvadex'	359	4%
	'Zoladex'	261	29%
Cardiovascular	'Zestril'	547	12%
	'Tenomin'	415	(2)%
Anaesthesia	'Diprivan'	300	23%
Others		281	5%
Total		2,163	10%

acting version of 'Zoladex': 'Zoladex' LA or 10.8 mg, the effect of which lasts for 12 weeks compared with the 4 weeks offered by the first depot formulation. This cuts down the number of injections, saves patients' time and should reduce related healthcare costs because of the fewer number of hospital visits required.

'Nolvadex' continues to be the world's largest selling breast cancer medicine. In 1995 sales increased to almost £360 million, despite the expiry of patent protection everywhere except the US where protection continues until August 2002. In the US, the profile of 'Nolvadex' should be enhanced by the launch of a convenient once-daily 20mg tablet formulation late in 1995. The US patent infringement litigation against Novopharm Limited, noted in the 1994 Annual Report, is scheduled for trial in April 1996. Zeneca will oppose vigorously any challenge to the validity of its US tamoxifen patent in this or in any future litigation, such as that arising from the recent US challenges by Mylan Pharmaceuticals Inc. and Pharmachemie BV.

Anaesthesia

Growth of well over 20% was again achieved by 'Diprivan', the world's largest-selling intravenous anaesthetic and sales reached £300 million. In December 1995, Zeneca launched 'Diprivan' in Japan, the world's third largest anaesthesia market. Unlike many competitive products, 'Diprivan' is appropriate in a broad range of settings which simplifies decision-making and usage. The economic case is also convincing, given that the use of 'Diprivan' reduces the time in hospital needed for patient recovery. In the US, commercial teams are using a newly developed computer model to demonstrate the cost savings in cardiac

An independent study shows that use of 'Diprivan' can reduce the total cost of neuro-surgical procedures by 23% compared with inhalation anaesthetics*

Zeneca Pharmaceuticals: Strategy

Develop core business and drive growth

Invent, develop, launch and market new products

Work more closely with customers to anticipate and meet their needs more effectively

Actively pursue external collaborations to complement organic growth

intensive care. Such economic benefits have contributed to greater use in intensive care, and gains in specialised areas like cardiac and neuro-surgery in the US. 'Diprivan' should benefit from continuing patent protection until March 1997, following US implementation of the patent provisions associated with GATT (General Agreement on Tariffs and Trade).

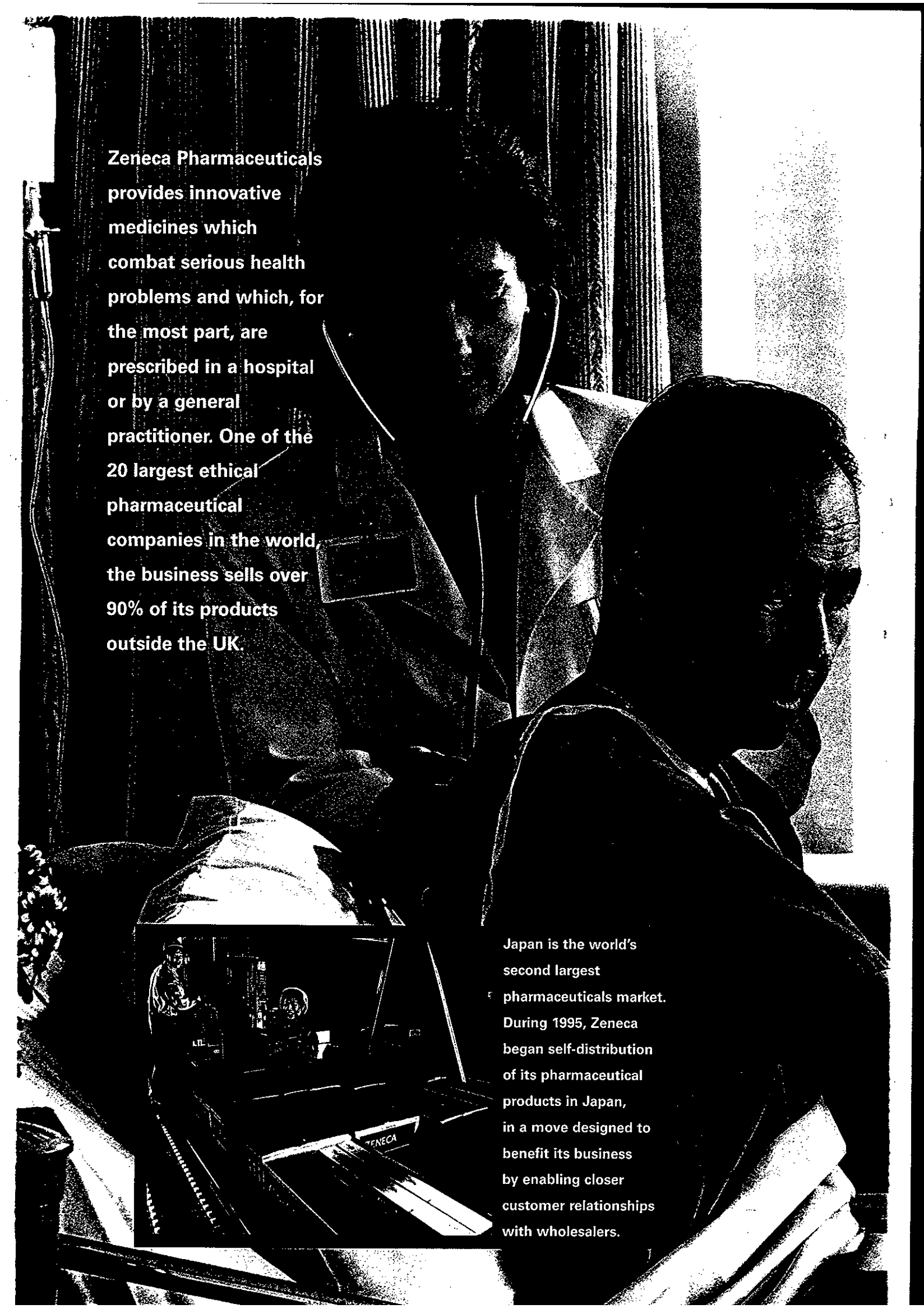
Infection

Following approvals in Europe, the intravenous antibiotic 'Merrem' was launched in a number of markets in 1995 for adult and paediatric infections. The product offers good central nervous system and gastro-intestinal tolerability which are particularly important factors in the treatment of children.


Delivering new products

New products are the cornerstone of Zeneca Pharmaceuticals' future success, and the business is committed to supporting them fully. Many of these products will strengthen Zeneca's number two position in oncology and support its aim of becoming the world's number one in sales of anti-cancer medicines by the year 2000.

The full benefits of Pharmaceuticals' streamlined development were manifest with the first approvals and launches of two new products: 'Arimidex' for advanced breast cancer and 'Tomudex' for colo-rectal cancer. Their fast track development programmes entailed running certain Phase II and Phase III studies in parallel and the clinical trial programmes were condensed following discussions with the regulatory authorities. Improved in-house registration



Zeneca Pharmaceuticals provides innovative medicines which combat serious health problems and which, for the most part, are prescribed in a hospital or by a general practitioner. One of the 20 largest ethical pharmaceutical companies in the world, the business sells over 90% of its products outside the UK.



Japan is the world's second largest pharmaceuticals market. During 1995, Zeneca began self-distribution of its pharmaceutical products in Japan, in a move designed to benefit its business by enabling closer customer relationships with wholesalers.

Operational review

Zeneca Pharmaceuticals: Investing in the future

Facility	Investment	Investment Rationale
Bulk medicine and clinical trial material development facilities	£23 million	Meets demand for greater volumes of bulk and trial compounds
Development facility for injectable products and oral solutions	£12 million	Enables development timescales to be reduced and maintains flow of new compounds
Refurbishing and upgrading research laboratories	£7 million	Continuing investment to improve working environment and maintain modern standards
High throughput screening	£6 million	Automation of compound screening against potential targets to increase throughput
'Zoladex' expansion	£3.5 million	Additional automated packing capacity in response to rapid product growth

processes allowed regulatory submissions for 'Arimidex' to be made concurrently to the US and UK authorities for the first time. Furthermore, the quality of the regulatory applications and the efficiency of the regulatory review enabled both products to achieve another record: UK marketing approval for both in just 19 weeks.

'Arimidex' builds and complements the market position of Zeneca's established product, 'Nolvadex'. Clinical trials are in progress to enable Zeneca to seek approval for the use of 'Arimidex' following surgery in patients with early stage breast cancer. The new product has an improved side-effects profile compared with older aromatase inhibitors in its class, and can be taken more conveniently as a tablet once a day, compared with the injection formulations of some competitive products.

Another new anti-cancer therapy, 'Casodex', received its first approvals for use in combination with medical or surgical castration in the treatment of advanced prostate cancer. Early sales performance has been encouraging and reflects the effectiveness and convenience of the one-tablet-a-day dosage.

Zeneca has received summary judgement in its favour in a case where the pharmaceutical company Schering Corporation has alleged that use in the US of 'Casodex' in conjunction with LHRH (Luteinising Hormone Releasing Hormone) analogues infringes a US patent jointly owned by them and Roussel-UCLAF S.A. Zeneca contested this litigation vigorously, including the validity of the patent, having established an agreement with Roussel-UCLAF S.A. which gave Zeneca a non-exclusive licence to commercialise 'Casodex' in the US with LHRH analogues. This judgement will, subject to an appeal by Schering Corporation, dispose of the litigation in Zeneca's

favour. 'Casodex' itself is protected by patents and unaffected by this litigation.

Following the successful completion of trials involving some 3,000 patients, Zeneca filed regulatory submissions in more than 20 countries for 'Accolate' as first choice maintenance treatment of asthma in patients aged over 12 years. Meetings will take place with the UK and US regulatory authorities to review the submissions in the first half of 1996. The regulatory submissions in other markets are also progressing and approval has been received in

Ireland. An innovative international programme of market education is underway to explain the benefits of 'Accolate', including how its oral tablet formulation overcomes difficulties sometimes associated with inhalers. Development programmes initiated in 1995 for the additional indications of rhinitis and paediatric asthma aim to broaden the product applications in the future.

The development of 'Seroquel', a novel treatment for schizophrenia, has also progressed, with recent Phase III trial results showing good efficacy and an improved side effect profile compared with existing therapies. The business aims to make the first regulatory applications in the first half of 1996.

In addition to the products being progressed to the market, six new compounds entered development in 1995: two for respiratory disorders and one each for musculo-skeletal pain, stroke, unstable angina and cancer. Other compounds in early stage development address heart, kidney and lung disease, and urinary incontinence.

Identifying potential products for the future is the focus of two new departments established by the business in 1995 as part of its streamlined, accelerated research and development programme. The new Target Discovery and

**'Tomudex' is
the first new
cytotoxic
treatment for
advanced
colo-rectal cancer
in 30 years**

Zeneca Pharmaceuticals: R&D Alliances in 1995

Partner	Project
Sugen	Five year research collaboration into signal transduction inhibitors as potential anti-cancer agents (complements Zeneca's in-house signal transduction inhibitor research projects)
Celltech Therapeutics Limited	Licensing deal allowing Zeneca to explore anti-cancer and osteoarthritis therapies based on Celltech's proteinase inhibitors
Boston Life Sciences, Inc	R&D collaboration to develop small molecule inhibitors as potential therapies for autoimmune diseases such as rheumatoid arthritis, multiple sclerosis and diabetes
Oxford University & The Wellcome Trust Ltd*	Research into the genetic basis for rheumatoid and osteoarthritis to find new targets for therapeutic intervention
Cambridge University	Using combinatorial chemistry to fast track the synthesis and evaluation of new compounds as potential pharmaceutical candidates

*Nuffield Departments of Medicine and Surgery

Lead Discovery Departments aim to provide 20 new research targets a year, and generate leads for each target using high throughput screening to give rise to six new candidates for development each year.

The business closely monitors developments in medical science, particularly the 'genetic revolution'. Many diseases have a genetic component and modern techniques allow the identification of disease-causing genetic defects, thereby providing new targets for drug intervention. Zeneca Pharmaceuticals has increased and re-oriented its scientific resource to ensure it can capitalise on this emerging area of science. Within the new international Target Discovery Department, the US and UK groups search gene databases for new targets, while the UK-based Genome Group focuses on the physical mapping of genes implicated in disease. A new Technology Access Group has been set up to identify high quality R&D collaboration opportunities and to keep Zeneca close to the US science base.

Collaborations complement organic growth

During 1995 Zeneca Pharmaceuticals has proactively sought alliances with other companies. It has secured US rights to market Bayer's calcium channel blocker, Sular, which was launched in January 1996 and now strengthens Zeneca's existing cardiovascular portfolio. In February 1996 the business signed a memorandum of understanding whereby Zeneca will acquire Glaxo-Wellcome's product 311C90, a 5HT_{1D} agonist in Phase III development. The memorandum, which is subject to definitive agreement and approval by the US Federal Trade Commission, gives Zeneca access to the worldwide market for migraine products which is expected to be valued at £1.5 billion by the year 2000. Also in February 1996, the business reached a definitive agreement with Faulding Services Inc. for

exclusive US rights to purchase, distribute and promote Faulding's oral, sustained-release morphine sulphate product, Kadian, to complement the cancer product portfolio. The New Drug Application (NDA) for Kadian is currently under review by the US Food and Drug Administration (FDA) for the treatment of moderate to severe chronic pain. In addition to marketing alliances, more collaborations with key research groups such as those detailed in the table above will complement organic growth and strengthen Zeneca's research base.

Expansion in emerging markets

In order to maximise sales of existing products, Zeneca continues to assess the opportunities in emerging markets, and is ready to invest when conditions are appropriate.

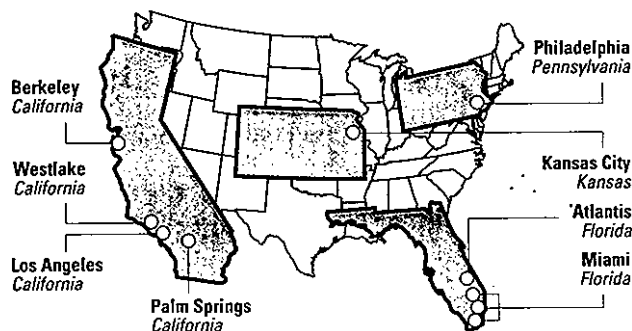
In Thailand, Zeneca Pharmaceuticals has traditionally operated through a local distributor. However, given the country's growing significance as a pharmaceutical market and its 60 million population, the business announced a joint venture in 1995 with EAC (East Asiatic Thailand Public Company Ltd), called Zeneca Pharma Asiatic Ltd, to commercialise Zeneca's products.

Brazil is another growth market. In 1995, Zeneca bought out Glaxo-Wellcome's 50% share in the Brazilian joint venture, now Zeneca Farmaceutica do Brasil Limitada. Full ownership of Zeneca Farmaceutica, which employs some 500 people in sales, marketing and manufacturing, will reinforce the business' position at a time when patent protection for innovative products appears to be strengthening in Brazil.

The Chinese joint venture with Sinopharm now employs over 50 people and is actively recruiting medical marketing and sales teams to improve access to the \$4 billion Chinese medicines market. The sudden

Operational review

Salick Health Care: Principal comprehensive cancer care centres in the US



Radiation oncology facility at Salick, Miami, US



introduction of value added tax in China at the beginning of 1995 and hospital discounting there have led to difficult trading conditions for the new company.

Effective and efficient supply

As reported in the 1994 Annual Report, in that year Zeneca Pharmaceuticals launched a fundamental review of its supply chain: Logistics and Supply re-Engineering Review (LASER). This review is designed to reduce the average lead times for manufacture of its products to four weeks. Initial work on the manufacture of 'Zestril' and 'Diprivan' has been successfully extended to other products and all major manufacturing sites worldwide have been involved. Bulk active ingredient manufacture has also been reviewed. Once fully implemented, the improved systems will enable Pharmaceuticals to deliver customer service which is second to none and will, through the fundamental change in the way the supply chain is managed and operated, epitomise Zeneca's reputation for excellence. The cost of implementing LASER has been incorporated in the exceptional item referred to in the Financial Review, page 28.

Understanding customer needs

Over the last few years, the business has refined its marketing approach to become more closely involved with its customers and gain a greater understanding of their total healthcare needs.

Stuart Disease Management Services Inc. (SDMS), formed in 1994 in the US, is part of Zeneca's drive to provide a fuller service to healthcare providers. SDMS works alongside Managed Care Organisations by providing an integrated, tailored system of disease management services, designed to extend the healthcare

organisation's own internal resources. Customised disease management programmes target total patient care, including drug and medical treatments, to assist in lowering cost and enhancing the quality of healthcare. SDMS is currently involved in the implementation and negotiation of a number of cardiovascular disease management programmes, with plans that between them provide healthcare to over four million members. Preparations have also been made to extend the SDMS range to new disease areas through partnerships with "Centers of Excellence." The first such programme, in asthma, is scheduled to begin in 1996.

US anti-trust litigation

Zeneca has, together with a number of other pharmaceutical companies, entered into a settlement of the largest and potentially most costly component of a series of anti-trust lawsuits brought against over 20 companies in the US. Zeneca has consistently denied liability and continues to believe it has meritorious defences to these claims but has decided to participate in this settlement after considering the costs of the litigation and to avoid further business disruption. Zeneca's contribution to the settlement is payable in four equal annual instalments each of \$3.85 million.

Zeneca Diagnostics

Zeneca Diagnostics was formed in 1995 and will apply skills learned within the Cellmark Diagnostics' DNA fingerprinting business to the development and production of diagnostics for human healthcare. These DNA-based tests will identify disease at an earlier stage, enabling timely treatment with a better outcome for the patient. In the short term, the Zeneca Diagnostics business

Operational review

Zeneca Agrochemicals

Turnover		£m
1994		1521
1995		1639
Operating profit (before exceptional items)		£m
1994		130
1995		144

will focus on inherited diseases such as cystic fibrosis, where an active research and development programme has been established. For the longer term, the business is researching into the genetics of cancer and in 1995 it formed a partnership in which the Imperial Cancer Research Fund will receive up to £1.2 million funding for evaluating prototype DNA-based tests for the detection and diagnosis of cancer. Those which show potential will be developed and commercialised by Zeneca Diagnostics. This work complements Zeneca Pharmaceuticals' activities in anti-cancer medicines, and the business also benefits from its links with Salick Health Care which routinely uses diagnostic tests for cancer.

SALICK HEALTH CARE, INC.

In 1995 Zeneca completed the acquisition of 50% of Salick Health Care, Inc. for \$204 million.

Salick is a leading US provider of diagnostic and therapeutic services to patients with cancer and other complex chronic illnesses. The purchase enables the Zeneca Group to provide a broad range of services to health insurers, oncologists, other specialists and their patients. This alliance with Salick gives direct access to the 93% of the cancer care market not accounted for by pharmaceuticals, and puts Zeneca in a unique position as the only pharmaceutical company able to offer health insurers a commercially viable contract for comprehensive cancer care.

In 1995 Salick continued to show solid business performance. Two new facilities, the Alta Bates Comprehensive Cancer Center in California and the Mount Sinai Comprehensive Cancer Center in Florida, were opened in 1995 and further major cancer centre alliances are under consideration.

AGROCHEMICALS

Another excellent year

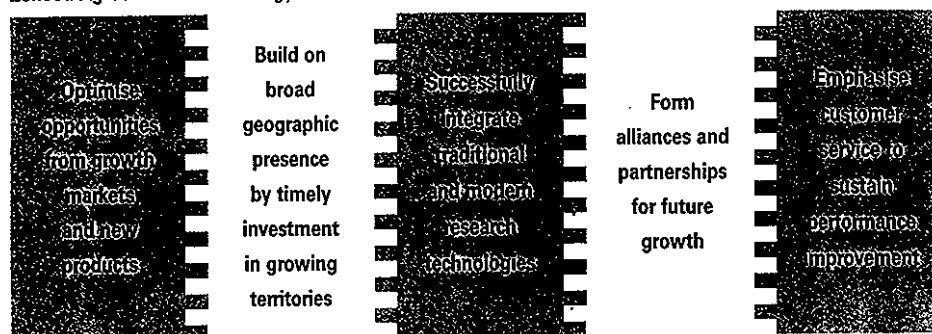
Zeneca Agrochemicals had another strong year in 1995. Sales increased in all its major product areas and this, coupled with continuing cost control and the benefits of rationalisation activities, improved profitability. The business was able to exploit its extensive geographic coverage and broad product range to capitalise on a second consecutive year of overall market growth.

The outlook for world agrochemical demand is positive and Zeneca is positioning itself for future growth with substantial investment in its established and development products. This includes an increasing sales and marketing presence in the fast-growing markets of Asia; a sustained commitment to research and development; and a major three-year capital expenditure programme. The new fungicide, 5504, now known as 'Amistar', is on track for a 1997 launch.

Zeneca has announced that negotiations are well advanced to merge its Seeds business into a global joint venture with Royal VanderHave Group, a long-established seed company based in The Netherlands. The proposed merger is subject to the satisfactory completion of due diligence and clearance by the appropriate external regulatory authorities. The proposed new company would rank amongst the world's top five seeds companies and have a leading position in key agricultural crops with a strong research base. In anticipation of the formation of the joint venture, historical goodwill of £159 million has been written back to reserves and taken as an exceptional charge in the profit and loss account. This is more fully explained in the Financial Review on page 28 and in Note 4 to the accounts on page 45.

Operational review

Zeneca Agrochemicals: Strategy



Difficult trading conditions in some seeds markets, stock write-downs, and costs incurred in preparation for the joint venture have given rise to losses in the Seeds business which have masked the excellent results in the remaining business area.

Zeneca is one of the leading companies in agricultural biotechnology. Key to the research strategy is the increasing integration of bioscience activities across Agrochemicals and Seeds. This integrated approach enables Zeneca to offer farmers improved crop quality and yield with better crop protection solutions. The proposed Seeds joint venture further enhances this capability.

Europe and CIS

In West Europe a warm, wet spring increased demand for herbicides and fungicides to control weeds and plant diseases. Successful marketing campaigns grew sales and increased market share of the new total vegetation control product, 'Touchdown', recently launched in many European markets. Sales of 'Fusilade', for the control of grass weeds in broad-leaved crops such as sugar beet and oilseed rape, were boosted by the introduction of a novel, water-based micro-emulsion formulation. The potato fungicide, 'Shirlan', enjoyed especially strong demand.

Progress in Central Europe and the CIS was strong despite economic difficulties, and sales to the Balkans showed impressive growth.

North America

Zeneca enjoyed a particularly successful year in North America, significantly increasing market share. 'Surpass' herbicide sales more than doubled following its launch in

1994, despite the reduced maize area. The continuing trend towards minimum tillage contributed to a strong performance from 'Gramoxone'. 'Flex', for selective broad-leaf weed control in soyabeans, posted record sales. Insecticide sales were boosted by the performance of 'Karate', which benefited from increased cotton plantings and an extended label.

Latin America

In Latin America, strong market growth was substantially reduced from the high level of 1994, because of the severe economic downturn in Mexico. Zeneca out-performed the market and sales grew strongly. Performance in Argentina, where 'Racer'/'Surpass' made significant gains in sunflower, was outstanding and progress in Brazil and

Colombia was good. 'Touchdown' has now been launched in all key markets and, together with 'Gramoxone', generated exciting growth in the total vegetation control sector.

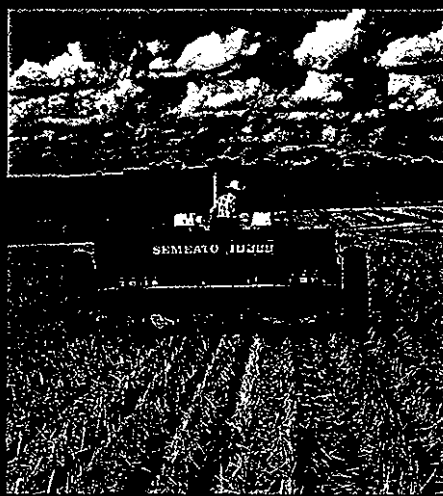
Asia Pacific and India

1995 was another good year for Zeneca in Japan with strong sales of the rice herbicides 'Fujigrass' and 'Ordram' and a sound performance from the total vegetation control products.

In China the Zeneca team launched a determined market development programme, and increased sales of 'Gramoxone' and 'Karate' by more than 50%. Plans for Chinese 'Gramoxone' manufacture are progressing well and the initial local and regional government approvals have now been obtained.

Zeneca's commitment to the growing markets of the region was demonstrated by the formation of a majority-owned joint venture with ICI in India. Australia saw the

In 1995 'Karate' reinforced its position as the world's leading agricultural pyrethroid insecticide



Use of 'Gramoxone' to prevent weed growth in wheat stubble enables a farmer in Brazil to plant soya without having to till the land. This minimises soil disturbance and reduces soil erosion.

Zeneca Agrochemicals is one of the world's top five agrochemical companies. Its global distribution offers farmers worldwide a broad range of plant protection options. New products include 'Amistar' for the control of disease in key crops such as wheat, rice, fruit and vegetables.

Operational review

Zeneca Agrochemicals: Investing in the future

Facility	Investment	Investment Rationale
'Gramoxone' plant (Huddersfield, UK)	£40 million	To meet increasing world demand as the market for total vegetation control continues to expand, driven by general economic development and growth in conservation tillage
'Gramoxone' plant (Nantong, China)	£39 million	
'Touchdown' manufacture (UK, Belgium, Indonesia, Brazil)	£61 million	
'Amistar' plants (Grangemouth and Yalding, UK; Cold Creek, US)	£31 million	To cover supply of intermediate, active ingredient and formulated product for 1997 launch

first launch of 'Falcon', the new selective grasskiller complementary to 'Fusilade', and further launches in selected southern hemisphere markets are planned for 1996.

Investing for growth

Zeneca Agrochemicals is in the second year of a substantial capital expenditure programme for both established and new products. In January 1995 a new 'Gramoxone' plant was opened in Huddersfield, UK which, together with planned manufacture in China, will provide for continuing growth; 'Gramoxone' sales set yet another new record in 1995. Zeneca's position in the fast-growing total vegetation control market will be further bolstered by investment in a new plant, also at Huddersfield, to make the key intermediate for 'Touchdown'.

Plant construction for Zeneca's novel fungicide, 'Amistar' is well underway. 'Amistar' has met all of its development milestones and is on track for a 1997 launch in Europe, the US and Japan.

An exciting pipeline

Longer term, Zeneca Agrochemicals' investment in research is expected to sustain the momentum of new product introduction.

During the year, three promising new early compounds were announced: another fungicide from the same area of chemistry as 'Amistar', with a complementary profile; a maize herbicide, ZA1296, from the novel triketone area of chemistry; and a soil-acting pesticide with a novel mode of action and improved environmental and toxicological properties.

Zeneca Plant Science (ZPS)

ZPS is creating new opportunities by applying Zeneca's bioscience skills to enhance the quality and efficiency of downstream food production whilst conferring environmental benefits.

ZPS's first crop of genetically modified tomatoes was harvested and processed in the USA, and the purée went on sale in selected outlets of two UK store groups, Safeway (part of the Argyll Group plc) and J Sainsbury plc, early in 1996.

The tomato has been modified to increase the levels of pectin – the natural thickening agent – which leads to reduced harvesting waste and enables less energy to be used in processing. ZPS will be applying for permission to grow and sell the tomato in other countries.

**Zeneca
Agrochemicals
has patented a
cost effective
new process for
the manufacture
of 'Touchdown',
a leading
herbicide in
the fast growing
total vegetation
control market**

The outlook for agrochemicals

The outlook for world agriculture and the agrochemicals market is positive: stocks of a number of major crops are low and prices are firm. Forecasts suggest that this will remain the case for the foreseeable future.

For 1996, a further 2% reduction in set-aside in West Europe has been agreed by the European Union. The fundamental drivers of food demand – population and economic growth – remain strong and are expected to be sustained well into the next century. Ever-improving crop protection solutions are contributing to the intensification and sustainability of agriculture and are key to meeting this demand.

Zeneca Specialties

Turnover		£m
1994		1003
1995		1040
Operating profit (before exceptional items)		£m
1994		56
1995		56

SPECIALTIES

A challenging year

Specialties' performance before exceptional items was constant in 1995 compared with 1994. Following an extensive review of the Specialties business during the latter half of 1995, initiatives were taken to improve its overall performance. Specifically, the decision in principle was taken to sell both the Textile Colours and the Specialty Inks businesses. Whilst the arrangements for the sale of Textile Colours are still being finalised, Zeneca has announced that it has accepted an offer from Sun Chemical Corporation for the purchase of the Specialty Inks business. It is expected that the sale, which is still subject to regulatory approval, will be completed by 31 March 1996 and an exceptional charge has been made of £45 million for loss on disposal, of which £38 million relates to goodwill written off against reserves in earlier years.

The remaining Specialties businesses have benefited from the introduction of innovative products and from restructuring to enhance efficiency.

The Organics businesses

Industrial Colours continued to enjoy volume and price growth in 1995. Its strategy is to focus on high performance pigments and its leading position in this market will be underpinned by the investment at its Grangemouth facility.

The full colour spectrum of smudge resistant ink jet printing dyes is now available, and the business is developing the next generation of products with improved lightfastness, increased optical density and more rapid full colour fastness.

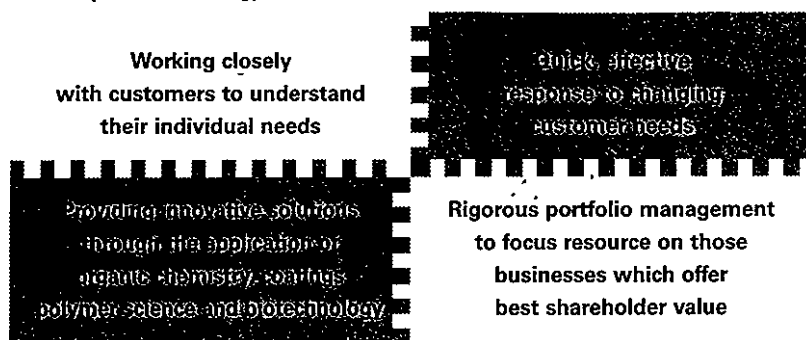
Adverse weather in the US in the early part of the year reduced the selling season for Biocides' pool products, resulting in flat sales in 1995. The business continues to build its share of the US market by targeting customers who use chlorine pool treatments, and is re-focusing its efforts outside the US to grow sales in other territories. The current R&D project to develop a new swimming pool sanitiser progressed from laboratory trials to evaluation in residential test pools in 1995.

Depressed demand in some key downstream industry sectors and a pause in recent regulatory and environmental trends resulted in difficult trading conditions for Industrial Biocides in 1995. Continued competition from generic suppliers contributed to downward price pressure. Looking to the future, a local business organisation has been established in Singapore to capitalise on growing demand in Asia Pacific markets.

An important element of Zeneca Specialties' management action has been the re-grouping of the Effects and Fine Chemicals and Bio Products businesses to form two new businesses: Performance & Intermediate Chemicals and LifeScience Molecules, effective from 1 January 1996. The new structure will combine the technical and commercial strengths of the individual activities and permit sharper focus, building on the improved performance by the Effects and Fine Chemicals business in 1995. The polymer stabiliser business increased sales in Japanese markets by 50%. The same business also supplies a key intermediate for a customer's new ultra-violet photoinitiator, a development which created a significantly increased demand for this intermediate during 1995. Mining Chemicals capitalised on high copper prices which encouraged mining companies to invest in new solvent extraction technologies. In the Fine Chemicals

Operational review

Zeneca Specialties: Strategy



business, major supply contracts were secured for fluoroaromatics and chiral intermediates with agrochemical and healthcare companies.

The Coatings businesses

Resins' performance was robust but adversely affected by increased raw material costs. Despite a competitive market, these costs were recovered through price increases but some volume was lost.

The business launched several new products including the first based on innovative bimodal technology. This technology offers resins with high solids content, which is successful in applications such as road markings where its fast dry property minimises traffic disturbance.

Building on a highly successful partnership with Mitsui Toatsu, which supplies toner resins to the North American reprographics market, Zeneca Resins has formed a new 50:50 joint venture with Mitsui Toatsu to manufacture similar products in Europe. The new partnership, Image Polymers Europe (UK), will construct a £13 million plant on Zeneca's Grangemouth site to meet the strongly growing demand for these products in Europe.

Stahl increased sales in 1995 despite depressed leather markets. It was affected by increased raw material costs and adverse currency effects, but the Permutthane business which makes coatings and finishes for flexible coated materials performed strongly. Stahl established new laboratories and offices in Toluca, Mexico and Peabody, Massachusetts, US, to strengthen its position in these important leather markets.

Bio Products

Sales of 'Quorn' again doubled in 1995 following the launch of several new products in the UK and Europe.

'Quorn' burgers, launched into the UK frozen burger market at the end of 1994, are now the best selling frozen non-meat burger and are the second best selling retail branded burger in the UK. Further business growth in 1996 will be fuelled by new chilled products such as sausages and fillets.

Within the Biologicals business, new partnerships were established with industry leaders including the supply of nucleic acid-based products for antisense DNA drugs and complex biomolecules for nutritional and therapeutic applications.

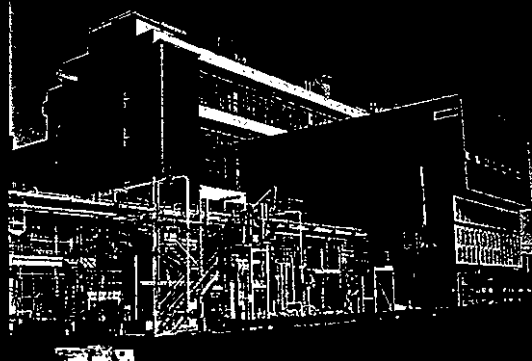
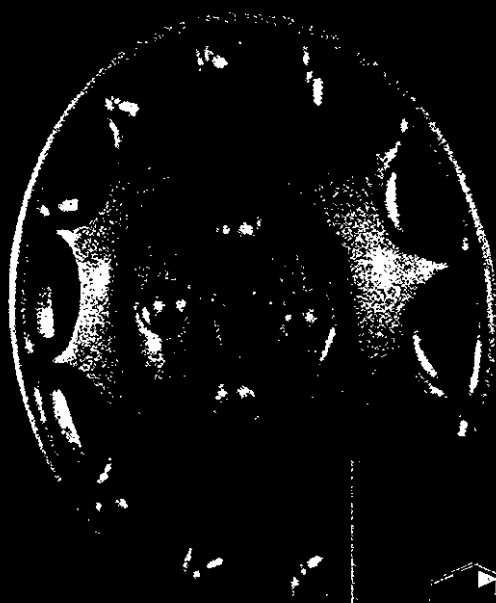
Manufacturing and capital investments

The Fine Chemicals Manufacturing Organisation, which managed key Specialties and Agrochemicals manufacturing sites in the UK, was replaced with the Zeneca Manufacturing Partnership (ZMP) in 1995.

The ZMP aims to integrate manufacturing, technical, functional and business management and help those businesses which share production facilities and resources to work more closely together.

In the UK, new strategies are being developed for the use of existing assets and the benefits of the partnership approach are already bearing fruit. For example, at Mount Pleasant in the US, fixed cost reductions have resulted from the concerted actions of a management partnership derived from the Effects and Fine Chemicals, Biocides and Agrochemicals businesses.

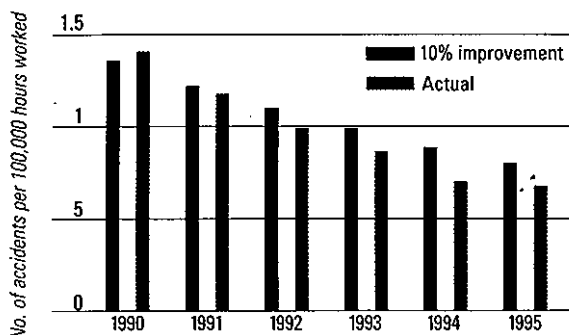
Zeneca Specialties is a family of businesses, linked by common technology and customer alliances, which provide a broad range of products to meet specialised market needs. Its Industrial Colours business, for example, is a leading supplier of high performance pigments for automotive paints, offering the high quality and sustained technical performance essential to that industry.



Zeneca Specialties' £10 million investment at Grangemouth will enable the development of new products which will further enhance the range of high performance pigments for a variety of industrial applications.

Safety, health and environment

Zeneca classified accident rates:
10% improvement glidepath vs actuals



To help prevent illness whilst travelling on Zeneca business, the Company offers employees an immunisation service, medical travel packs and contact points in case of emergency.

The safety, health and environmental (SHE) impact of Zeneca's products and processes is a fundamental Company consideration and the Group is committed to continuous improvement in its performance in this respect.

Every Zeneca employee has a responsibility to protect the environment and preserve not only their own health, but also that of other employees, local communities and customers.

Safety

The number of occupationally related injuries to employees has continued to reduce, and for 1995 the classified accident rate (incidents requiring more than first aid) now stands at 48% of the 1990 level.

Driving accidents remain a major cause of injury, with employees collectively driving around 100 million miles annually on Company business. Sadly two employees, one in Canada and one in the US, died in road accidents in 1995 despite active programmes to reduce motor vehicle accidents. These programmes cover areas such as driver education and training, the careful management of travel arrangements, and specification of vehicle and safety equipment – all aimed at reducing the overall level of risk.

During the year, Zeneca's good safety performance has been recognised, for example, through the RoSPA and CIA safety awards. In addition, many sites are achieving over one million working hours without 'notifiable' accidents, reflecting the contribution made by all employees to good performance and the quality of safety programmes in place.

Health

Many of Zeneca's products are designed to affect living systems and the Company takes great care to protect those involved in their production and handling.

The new advanced breast cancer therapy, 'Arimidex', is one of Zeneca Pharmaceuticals' most potent products and a very low Occupational Exposure Limit was set. Compliance with this standard required pioneering work at production sites in Macclesfield, UK and Newark, US.

Statistics show that the occupationally related conditions which occur most frequently, and have the potential for prolonged absence from work, fall into four categories: skin conditions, musculo-skeletal problems,

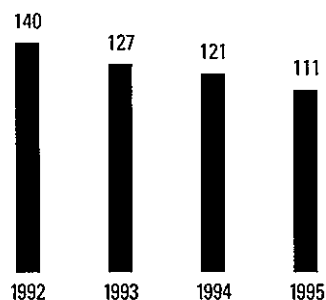
**ZENECA
SAFETY HEALTH AND
ENVIRONMENTAL POLICY**

In pursuit of its business objectives, it is Zeneca's policy to manage its activities to give benefit to society ensuring that:

- They meet all relevant laws, regulations and international agreements
- They are conducted safely, protecting the health of all employees and all persons who may be affected
- They are acceptable to the community at large
- Their environmental impact is reduced to a practicable minimum at an acceptable cost to the Group and society

Safety, health and environment

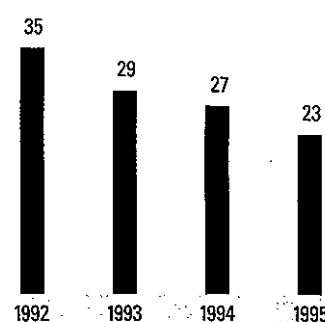
Improving trends in hazardous wastes
'000 Tonnes per year



Emissions (tonnes)

	1992	1993	1994	1995
To land	135,000	122,000	117,000	107,000
To air	4,600	4,800	3,800	3,700
To water	140	90	100	90
Total	140,000	127,000	121,000	111,000

Tonnes per £ million turnover



respiratory allergy, and other conditions like business travel and stress related illness. From 1995 the incidence of these conditions has been monitored globally as part of the Company's drive continuously to improve health at work. The topics chosen for health promotion are based on these statistics and are being progressed worldwide.

Environmental protection

A key element of Zeneca's SHE policy is to seek to reduce environmental impact. For existing manufacturing facilities this is achieved by modifying processes to reduce wastes, and introducing more comprehensive waste treatment programmes such as the new liquid effluent treatment plant under construction at Grangemouth in the UK. This unit will remove metals, acidity and organic compounds from the present discharge.

When new and replacement plants are sanctioned, Zeneca's engineers and process technologists are able to apply their skills and knowledge to introduce more substantial environmental improvements. For example, the environmental protection measures built into the new paraquat plant at Huddersfield, UK, include impervious membranes under the working areas to minimise the risk of any contamination of soil or groundwater.

These, and other improvements at production sites around the world, are aimed at reducing waste emissions. Zeneca is particularly concerned that it should curtail its hazardous wastes, and has made significant progress in limiting the volume produced. This is particularly encouraging because overall Group sales (and hence the volume of product manufactured) have increased in recent years.

All waste emissions, whether from vents, discharges to sewers and water courses, or disposals to landfill,

are disposed of safely and in accordance with local regulations, and as such do not normally cause environmental problems. Operating procedures ensure that risks of accidental leaks or spills are minimised and that swift action is taken to contain their effect. All such events are recorded and investigated to pinpoint the cause and apply the lessons learned to make improvements.

Product safety

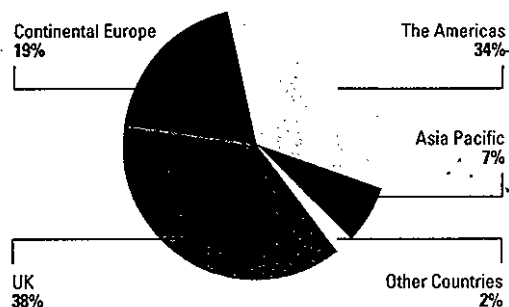
Zeneca's concern for safety, health and environment extends to its products and their use by customers. For example, in Indonesia, under the umbrella of the Company's stewardship activities, farmer education and training is provided for the use of 'Gramoxone' in a newly developed tidal rice cultivation system which expands the area of rice grown and thus increases self-sufficiency.

Improved formulations of existing products also contribute to safe use and reduced potential environmental impact. A new water-based formulation of the herbicide, 'Fusilade', for example, eliminates the use of organic solvents, improving safety for the user.

Microencapsulated formulations, where crop protection products such as acetochlor (the active ingredient in 'Surpass') are enveloped in a benign biodegradable polymer, pose much less hazard to spray operators and are more easily degraded in the environment.

People

Number of employees by geographic area (at end 1995) %



Zeneca respects the different cultures of its global workforce. Shown here are Zeneca Japan's employees exercising together before the start of the working day.

Essential to Zeneca's prosperity

Zeneca recognises that its people are the principal source of its prosperity and renewal, and seeks to create a stimulating environment which encourages high performance and continuous individual development.

The Group employs over 30,000 people worldwide, and their diversity is a great source of strength and creativity. Zeneca's people are bound together as a global community by the sharing of their knowledge and ideas, and by their positive and constructive behaviour which reflects the Group's values of being open, honest and worthy of trust and respect.

Whilst observing national customs and laws, and recognising the differing business needs, Zeneca aims to apply common employment principles: equality of opportunity, competitive remuneration, performance coaching, support in acquiring new skills and opportunities for personal development. The Company also encourages people to participate to the full extent of their capabilities and provides regular information and consultation opportunities for them to do so.

In this way, Zeneca seeks to promote a sense of pride in people's personal achievement and in their contribution to business success.

Communication and consultation

Zeneca recognises the importance of information-sharing and dialogue to give employees around the world an understanding of the wider business context and the requirements for future success.

In 1995, Zeneca's commitment to joint consultation was demonstrated by the success of a pilot meeting of the newly formed European Consultation Committee. Over fifty employee and management representatives from sixteen countries, including the UK, met to discuss the

strategic direction of Zeneca's business and the implications for its people.

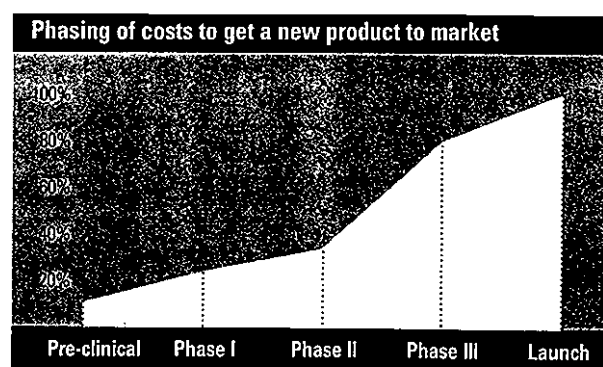
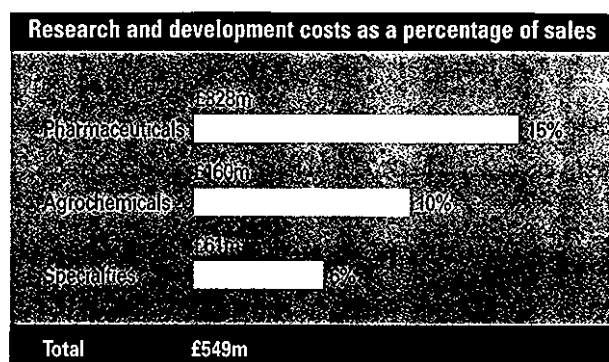
Global and local responsibility

It is Zeneca's policy to support charitable and community initiatives at a level consistent with the interests of both its business and its shareholders, and to support in particular those charitable activities which promote health, nutrition, young people and the community.

Whilst Zeneca corporately supports a number of international charities, such as the British Red Cross, the Company also recognises the importance of local initiatives.

In addition, Zeneca's employees are ambassadors for the Company, not only in the business world, but also within the communities in which they live and as such, they are encouraged to support local projects where they can be more directly involved. For example, a group from Zeneca Agrochemicals in the US sponsor the local Ronald McDonald house which provides temporary 'family style' housing for families which have travelled far from home to visit their children in the nearby hospital.

Zeneca must co-exist harmoniously with local communities in order to retain its licence to operate. Opening sites for visits is one way of improving understanding of the Company's activities. In 1995, Zeneca held a number of Open Days including one at the Central Toxicology Laboratory in Macclesfield, UK, when employees' families and friends were given the opportunity to see the facilities and gain a better understanding of how the staff there work to protect the health of people who use Zeneca's products.



Sales

The Group's sales in 1995 were £4,898 million, 9% higher than in 1994. Sales volumes increased by 8% and the acquisition of Salick Health Care added a further 1% to sales. Prices were largely unchanged and the effects of the weakness of the US dollar during the year were offset by the strength of European and Asian currencies.

Pharmaceuticals' sales increased by 10% to £2,163 million, which was due to volume growth, with other factors netting out. 'Zestril' sales increased by 12%, with strongest growth in the US and UK. Sales of 'Zoladex' increased by 31% and 'Diprivan' by 22%. 'Nolvadex' showed growth of 4%, with strong volume growth in the US partially offset by a greater proportion of US sales being made at lower prices through Barr Laboratories. The decline of 'Tenormin' sales eased and sales were at the same level as in 1994.

Salick Healthcare contributed to the Group's results for the first time with sales of £62 million for the period 14 April to 30 November 1995.

The Agrochemicals business increased sales by 8% to £1,639 million. Underlying sales volume growth was 10% and price increases of 1% were offset by adverse exchange rate movements. The disposal of the garden products business reduced sales by 2%. Herbicide sales increased by 15%, with strong performances from 'Gramoxone', 'Touchdown', and 'Surpass'. Insecticide sales grew by 8% due to strong demand for 'Karate', while fungicide sales increased by 3%. Seeds' sales were £3 million lower than in 1994 at £144 million, mainly due to prolonged rainfall in the mid-West of the US and the strategic withdrawal from Eastern European markets last year. Agrochemicals' sales in North America increased by 10%, with underlying growth of 15% partially offset by adverse exchange rate movements. Underlying sales

growth in Europe was 9%, Asia Pacific 7%, and Latin America 12%.

Specialties' sales, at £1,040 million, were 3% higher than in 1994. Overall, sales volumes grew by 3% and prices increased by 1%. The disposal of non-core business activities reduced sales by 1%. The performance across businesses within this segment was mixed with strong performances from Effects, Fine Chemicals, and Industrial Colours, while Textile Colours were 5% down due to competitive market conditions. Coatings' underlying sales increased by 4%, though price increases to recoup higher raw material costs led to some volume losses.

The spread of Group sales by geographic market in which customers are located was largely unchanged from

last year. Group export sales from the UK reached a record £1.9 billion. The Group results are summarised on page 2, and the charts on page 3 show the relative size of sales and operating profit by class of business and geographic area.

Additional information is shown by business segment in Note 9 to the accounts on pages 48 and 49.

**Profit before
exceptional
items was
up 15% to
£878 million**

Research, development and licensing

Zeneca's businesses require high levels of investment in the research, development, licensing and launch of new products, and the enhancement of existing products. This activity provides the dynamic for the Group's existence and growth, and the resulting products and related intellectual property are the Group's most valuable assets. The areas covered range from initial broad-range research, including collaboration with other parties, through targetted exploratory development, regulatory approval, and commercialisation, to individual product support in the market. Products may also be licensed at any particular stage of development.

Financial review

The Group's R&D expenditure in 1995 amounted to £549 million, an increase of 20% in the last three years. In addition, licensing, collaboration agreements (which are further described in the Operational Review on page 15), and market launch costs were over £100 million. These research, development, licensing and launch costs are likely to increase in the future as more new products are successfully brought to market. The table on page 27 shows the typical research, development and launch cost profile to get a new product to market.

Profits

Operating profit, before exceptional items, amounted to £894 million, an increase of 12% on 1994. Excluding the effects of adverse exchange rate movements and acquisitions and disposals, the underlying increase was 15%. Sales volume growth increased profits by 32% and price increases added 4%. These were partially offset by higher fixed costs, mainly due to higher volume throughput, increased research and development costs, and marketing costs relating to new product launches.

Pharmaceuticals' operating profit before exceptional items increased by 9% to £687 million. Excluding the effects of adverse exchange rate movements, underlying profits were up by 11%.

Agrochemicals' segment increased operating profit before exceptional items by 11% to £144 million. However, losses on the Seeds business, due to difficult trading conditions in some markets, stock write-downs, and costs incurred in preparation for the formation of the Seeds joint venture company, have masked an underlying increase in the profits of the rest of the business of 26%. This increase arose from strong volume sales, the fine performance of newer products, and the benefits of rationalisation activity.

Operating profit before exceptional items in the Specialties business was unchanged from 1994 at £56 million. Despite some volume gains, the business suffered from highly competitive markets with downward pressure on sales prices in some segments and increases in raw material costs. Foreign exchange effects were unfavourable also, as a greater proportion of costs were denominated in hard currencies.

Within the Miscellaneous business segment, results include the recovery of past environmental litigation costs from external insurers. This item is not expected to recur in 1996.

Significant, but differing, proportions of Zeneca's revenues, costs, assets, and liabilities are denominated in currencies other than pounds sterling. Over 90% of Zeneca's sales in 1995 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 £65 million have been made against operating profits for restructuring

of Pharmaceuticals' distribution, manufacturing and R&D activities – including the LASER project, which is explained more fully in the Operational Review on page 16, and further restructuring of the Specialties businesses. These charges are itemised in Note 4 to the accounts on page 45.

Losses less profits on sale or closure of operations show exceptional charges of £194 million. Of these charges, also explained in Note 4, £159 million relates to historical goodwill on the acquisition of the Seeds business prior to demerger, which has been written back to reserves and taken as an exceptional charge through the profit and loss account in preparation for the formation of a joint venture company with Suiker Unie. £45 million, of which £38 million relates to similar goodwill, arises on disposal of the Specialty Inks business which is being sold to Sun Chemical Corporation. These goodwill write offs, amounting to £197 million, have no effect on Group cash flow, net assets, shareholders' funds or financial gearing. A profit of £10 million was realised on the disposal of our shareholding in Atic Industries.

**Return on
sales
increased
from 17.8%
to 18.3%
in 1995**

Cash flow		£m
Cash generated from trading operations		1,052
Applied to:	Taxation	278
	Shareholder dividends	274
	Manufacturing facilities	279
	Acquisitions and reshaping	249
	Sundry other	(28)

Net interest expense, at £19 million, was half the level incurred in 1994 due to strong Group liquidity.

Group profit before exceptional items and tax increased by £115 million to £878 million, an increase of 15% on 1994. Group profit before tax was £619 million. The taxation charge for 1995 was £268 million, representing an effective tax rate of 43.3%. This reflects the limited availability of tax relief on the exceptional charges. On a pre-exceptional basis, which is a better guide to the underlying rate, the 1995 effective rate was 31.5%, slightly up on 1994 (30.8%) due to improved profitability in the US and Europe.

Net profit attributable to Ordinary Shareholders amounted to £336 million compared with £443 million in 1994 (£586 million versus £522 million before exceptional items). Earnings per 25p Ordinary Share were 35.6p compared with 46.8p in 1994. Before exceptional items earnings per share were 62.0p compared with 55.2p in 1994, an increase of 12%.

Dividends

Zeneca Group PLC paid a first interim dividend for 1995 of 11.25p (net of tax credit) per 25p Ordinary Share on 6 November 1995. The Annual General Meeting will be asked to confirm a second interim dividend of 19.75p, payable on 7 May 1996, as the final dividend for 1995, making a total dividend of 31.0p for the year, an increase of 9% on the 1994 dividend. The payment of these dividends requires £293 million (1994 £270 million), excluding Advance Corporation Tax, leaving £43 million (1994 £173 million) retained in the Group. However, as the exceptional charges in respect of historical goodwill amounting to £197 million are written back to reserves, the effective net transfer to reserves from the profit and loss

account for 1995 is £240 million (1994 £197 million). The dividend was covered twice based on earnings before exceptional items.

Investment

Fixed capital expenditure amounted to £283 million compared with £318 million in 1994. In January 1995 Zeneca opened its new £40 million herbicide plant at Huddersfield, in the UK. During the year new investments in manufacturing plant in the UK of the order of £100 million were announced (Pharmaceuticals £35 million, Agrochemicals £55 million and Specialties £10 million), with a further £10 million in the US for Agrochemicals. Meanwhile, the Group's investment plans in China, announced last year, continue on track. In April

**Dividend
up by 9%
and covered
twice**

Zeneca completed the purchase of 50% of Salick Health Care, Inc. for \$204 million. Zeneca may buy the remaining 50% within a four year period from the date of the initial purchase at a price set according to a number of variables, but

not exceeding \$280 million. More information about the acquisition and business development is included in the Operational Review on page 17. The Group also formed an Agrochemicals joint venture with ICI in India, and purchased Glaxo Wellcome's 50% holding in the joint venture Pharmaceuticals company in Brazil, strengthening Zeneca's presence in this developing market. In addition, the Group has invested in a number of collaborative research agreements which are described in the Operational Review on page 15.

Cash flow

The movements in the Group's cash and cash equivalents are set out in the Statement of Group Cash Flow on page 41, the main elements of which are shown in the table above.

Financial review

The increase in taxation payments compared with 1994 reflects higher taxable profits in Europe and the US. Investing activities led to a net cash outflow of £278 million. Cash expenditure on fixed assets, acquisitions, and new fixed asset investments was partially offset by £129 million apparent cash inflow from the sale of longer-term investments which, although liquid, were not classified as cash equivalents. Net cash inflow before financing amounted to £101 million.

There was a net cash inflow of £42 million from financing activities in the year. However, the Group's operations, including investments in new manufacturing facilities and acquisitions, were essentially self-funded during the year and the level of cash and cash equivalents was largely unchanged when allowance is made for the switch in investments mentioned above.

Capitalisation

The Group's net debt remained largely unchanged at £10 million. The gearing ratio (net debt as a percentage of shareholders' funds) was 0.5% compared with 0.3% at the end of 1994.

Zeneca issued 0.7 million Ordinary Shares in 1995 under the Company share option schemes, bringing the number of shares in issue to 946.6 million at year end.

Group reserves were reduced by the write off of £98 million of goodwill on acquisitions, principally Salick Health Care, nevertheless, shareholders' funds increased by a net £176 million to £1,861 million at year end.

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 13 years; roughly 70% is US dollar denominated with fixed rates of interest of around 7% or less.

Undrawn committed bank facilities at 31 December 1995 totalled \$1,650 million with maturities ranging from 1996 through to 2002. 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 maintains a universal shelf registration with the Securities and Exchange Commission in the US for an amount of \$750 million, providing further 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.

Employees

The number of people employed by the Group increased by 1,600 during the year due to acquisitions in the US (1,400), Brazil (500), and India (200), partially offset by reductions in the UK and Continental Europe.

Report of the Directors

The Directors of Zeneca Group PLC present their report for the year ended 31 December 1995 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 10 May 1996.

The Notice of Annual General Meeting is contained in the document addressed to shareholders dated 25 March 1996.

The dividends for 1995 of 31 pence per Ordinary Share amount to £293 million. The amount transferred to Group reserves is £43 million.

Directors

Details of the Board appear on page 8. During 1995 Sir Sydney Lipworth became Non-Executive Chairman following the AGM, Sir Peter Bonfield was appointed a Non-Executive Director (1 January) and Sir Denys Henderson and Lord Chilver retired (12 May) as did Tony Rodgers (30 September).

At the Annual General Meeting in 1996 Tom McKillop, who was appointed as an Executive Director on 1 January 1996, retires under Article 72 of the Company's Articles of Association; John Mayo and Alan Pink retire under Article 90. All are recommended for re-election. Gill Lewis retires also under Article 90 and will not be presenting herself for re-election.

None of the Directors has, or has had at any time during 1995, any material interest in a contract with the Company or any subsidiary, being a contract of significance in relation to the Group's business.

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.

The following details are included in this report by reference: Operational Review and Financial Review (pages 11 to 23 and pages 27 to 30 inclusive); principal subsidiary undertakings and the countries in which they operate (page 67); and employees' health, safety and welfare at work (pages 24 and 25).

Asset values

Details of the changes during 1995 in the values of assets held by the Group are given in Note 10 and Note 11 relating to the accounts.

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, UK and Europe 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 employees' share schemes appear in Note 30 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.

Report of the Directors

Following the publication of the Report of a Study Group chaired by Sir Richard Greenbury on Directors' Remuneration and the new disclosure requirements of the Listing Rules of the London Stock Exchange, the Remuneration and Nomination Committee, on behalf of the Board of the Company, is making a report to shareholders for the first time on executive remuneration policy.

REMUNERATION AND NOMINATION COMMITTEE

Membership and remit

The members of the Committee are Sir Richard Greenbury (Chairman of the Committee), Sir Peter Bonfield, Gill Lewis, Sir Jeremy Morse and Tom Wyman. They are all Non-Executive Directors of the Company and have no personal financial interest in matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the Company.

The remit of the Committee, *inter alia*, is to determine the Company's policy for executive remuneration and the entire individual remuneration package for the Executive Directors and the most senior management. It also makes proposals to the Board for any new appointments as Directors of the Company, and the Chairman of the Company, Sir Sydney Lipworth, attends as a full member of the Committee to consider proposed new appointments.

Policy on Executive Directors' remuneration

The remuneration package for Executive Directors should, in its components and overall value:

- attract and retain Directors of the highest quality, and
- motivate them to achieve the highest level of Company performance consistent with the best interests of shareholders.

The package should also:

- take account of the design and overall value of the package provided by other employers with whom the Company competes for such Directors
- reflect the annual and longer term performance of the Company and Directors, as measured against targets agreed by the Committee
- encourage individual shareholding, and

- be seen to be fair by comparison with the packages of other groups of employees within the Company.

Components of the remuneration package

The package, which will be reviewed from time to time, comprises at present:

- a competitive base salary
- an annual performance incentive
- a longer term performance incentive
- pension and other benefits

Competitive base salary: salary bands and the actual salary for each of the Executive Directors are determined by the Committee and are effective from 1 January each year. The bands are sufficiently wide to reflect the experience and sustained performance of the individuals to whom they apply, as judged annually by the Committee.

Annual performance incentive: an annual bonus is available to the Executive Directors, calculated on the performance of the Company as measured against targets agreed with the Committee for that particular year. For Directors the annual bonus calculated on this basis is 20% of salary for 100% achievement of targets. This could increase (on a sliding scale) to a maximum of 40% where achievement is greater than 100% of target. The Committee may apply an individual multiplier of 0 to 1.5 to the bonus 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 is normally matched by an equivalent contribution of shares by the Company. Shares are 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 exceptions, is that the Director must remain employed by the Company for four years after the appropriation. Shares are otherwise forfeited. No dividends are payable during the four year period.

Longer term performance incentive: Directors are also rewarded for improvement in the performance of the Group sustained over a period of years in the form of share options granted incrementally to the value of four times each Director's salary. The exercise of options granted under the 1994 Executive Share Option Scheme is subject to the performance criteria disclosed to and approved by shareholders at the Annual General Meeting in 1994. Before any exercise, earnings per share must grow by at least 1.25 times the UK Retail Price Index over three years.

Full details of Directors' interests in Ordinary Shares of the Company and its subsidiaries (including options) together with options granted and exercised in 1995 are set out in Note 31 relating to the accounts.

Pension and other benefits: Directors participate in the Zeneca contributory pension scheme and are members of the Zeneca Pension Fund which provides a pension of up to two-thirds of basic salary on retirement dependent on service. The scheme also provides for dependants' pensions and lump sums on death in service. No decision has yet been taken by the London Stock Exchange on the method of implementing the proposal in the Greenbury Report relating to disclosure of pension entitlements. As a result, the pension figures set out in Note 32 relating to the accounts are the contributions paid by the Company in respect of each Director.

In addition, there is an unfunded promise by the Company executed by Deed Poll to maintain the pension of one Executive Director, John Mayo, in respect of his pensionable earnings in excess of the earnings limit imposed by the Finance Act 1989. By its terms he will

receive a pension on retirement at the same level that would have otherwise been applied.

Other customary benefits, e.g. car and fuel, health benefits, Savings Related Share Option Scheme, are made available as required.

Balance of components: the balance in the content and value of the individual components of the remuneration package are reviewed from time to time, taking account of market comparisons and effectiveness.

Value and market positioning of the remuneration package: the total value of the remuneration package is judged by comparison with the value of the packages of a 'basket' of UK headquartered competitor companies. These are chosen on the basis of: similarity of business, turnover, profitability, general performance, and structure, but are not restricted to bioscience and pharmaceutical companies.

Emoluments in 1995: the total emoluments of each of the Directors of the Company in 1995 are set out in Note 32 relating to the accounts.

Service contracts

Each Executive Director has a service contract with a notice period of two years subject to retirement, normally, at the age of 62. To comply with the Listing Rules of the London Stock Exchange, it can be stated that the unexpired term of the service contract of Executive Directors standing for re-election is therefore two years.

External appointments

With the specific approval of the Board in each case, Executive Directors may accept external appointments as non-executive directors of other companies and retain any related fees paid to them.

Report of the Directors

During 1995 Zeneca fully complied with the Code of Best Practice issued by the Cadbury Committee on the Financial Aspects of Corporate Governance.

Greenbury Code of Best Practice

The Company complies with the Greenbury Code of Best Practice and the best practice provisions annexed to the Listing Rules of the London Stock Exchange with the following exceptions:

(1) Executive Directors have service contracts with a notice period of two years. Until the beginning of 1995, the service contracts provided for a notice period of three years and the Executive Directors agreed voluntarily to reduce this to two years. It is not proposed that this should be reduced further. Any compensation payment for termination would be subject to mitigation but a reduction to one year's notice would place the Executive Directors in a substantially worse position than many of the Company's UK workforce. For example, employees aged in their mid-fifties, with over 10 years' service, can expect to receive 21 months' salary in the event of redundancy under the Company's contractual severance arrangements.

(2) Two Directors, David Barnes and Peter Doyle, were, prior to demerger, directors of Imperial Chemical Industries PLC and pursuant to the then practice in ICI their pensions are to be calculated on the basis of salary plus the average of the previous three years' performance bonuses prior to retirement, subject to a maximum of 110% of salary. This provision has been incorporated into their contracts with the Company and there is no similar provision in the contracts of the other Executive Directors.

(3) A Committee of Executive Directors determines the remuneration of the Non-Executive Directors, which complies completely with the spirit of the best practice provisions.

INTERNAL CONTROL

The Board has overall responsibility for Zeneca's system of internal financial control, the effectiveness of which has been reviewed and reported on to the Board by the Group Audit Committee. Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatement and loss.

A brief description of the principal elements underlying the Group's system of financial control follows.

Group values and standards

Zeneca believes that the values of the Company, which stress integrity, competence, fairness and responsibility, make a significant contribution to Group control. During 1995, the Group Code of Ethics, which the Board adopted in 1994, was extended worldwide, translated into local language, and communicated to employees.

Organisation

The Board is the body responsible for the Group's objectives, policies and stewardship of the Group's resources. It meets at least nine times a year and focuses mainly on strategy and financial performance.

The Zeneca Executive Council is responsible for the management of the business and its members comprise the Executive Directors of the Board and the Business Chief Executive Officers. It meets twice a month for prompt review of business issues and decisions on matters not reserved to the Board. Business Chief Executive Officers are responsible for the management and performance of their respective businesses within the framework of Group policies, reserved powers and routine reporting requirements. They are supported in their duty to maintain effective internal controls within their businesses by business audit committees, made up

of business team members, and with the business internal audit manager and external audit partner in attendance.

Financial information and control

The Group's businesses undergo periodic strategy reviews, which include consideration of long-term financial projections and the evaluation of alternative options. All material capital investments must be submitted for approval with the support of defined information including discussion of risks and alternatives.

Businesses are subject to an annual budget process requiring forecasts for the following two years and the identification of risks against achievement. Forecasts are updated quarterly and there is monthly and quarterly reporting of actual results and variances. Group and individual performance is thus monitored, risks identified and actions agreed.

Monitoring of controls

The Group 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, which meets quarterly, is comprised of Tom Wyman (Chairman), Sir Jeremy Morse and Sir Peter Bonfield all of whom are Non-Executive Directors. The Committee meets annually with the chairmen of each of the business audit committees for their report of control developments at business level and to review their remit and membership. Once a year, the Group Committee receives reports on the state of controls from the internal audit function, the external auditors, as part of their normal audit work, and from management. The latter is based on

an Annual Letter of Assurance request which is cascaded down through the organisation. In response, individual operating managers personally confirm the adequacy of their systems of control, their compliance with Group policies, and report any control weaknesses encountered in the past year.

GOING CONCERN

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.

AUDITORS' REVIEW OF CADBURY COMPLIANCE

The auditors, KPMG, have confirmed that in their opinion, with respect to the Directors' statements on internal control and going concern above, the Directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements; and that the Directors' statement on page 34 appropriately reflects the Company's compliance with the other paragraphs of the Code specified by the Listing Rules for their review.

The auditors have carried out their review in accordance with the relevant Bulletin issued by the Auditing Practices Board, which does not require them to perform any additional work necessary to express a separate opinion on the effectiveness of either the Company's system of internal financial control or corporate governance procedures, or on the ability of the Group and Company to continue in operational existence.

Report of the Directors

Notification to all shareholders of Directors' resolution relating to the CREST System

This is to give you notice, in accordance with the Uncertificated Securities Regulations 1995 ('the Regulations'), that, on 15 February 1996, the Company resolved by a resolution of its Directors that title to the Ordinary Shares of 25p each in the capital of the Company, in issue or to be issued, may be transferred by means of a relevant system. The resolution of the Directors became effective immediately. Further details on CREST are given below.

Auditors

The Company's auditors, KPMG, have indicated that a limited liability company, KPMG Audit Plc, is to assume responsibility for certain aspects of their audit business. Accordingly, a resolution is to be proposed at the Annual General Meeting for the appointment of KPMG Audit Plc as auditors of the Company.

Charitable contributions

The Group contributed £1.9 million (£0.7 million in the UK) to charity in 1995.

Taxation status

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

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 19 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.

Political contributions

No political contributions were made in 1995.

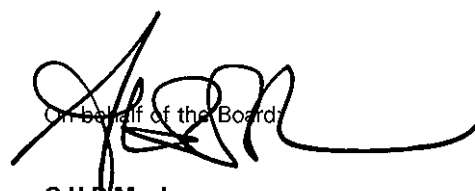
Purchase of own shares

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

CREST: new settlement system

The above notice is the notice that the Company is obliged to give its members, under the Regulations, of the passing of a 'Directors' resolution' (as defined in the Regulations) in relation to its Ordinary Shares. The reference in the notice to a 'relevant system' is to CREST, which is a new settlement system for shares currently being built by the Bank of England to replace the existing settlement system. It is a voluntary system which will become operational in late 1996 and will enable shareholders to hold and transfer their shareholdings in electronic form rather than on paper if they so wish. Shareholders who wish to retain their certificates will be able to continue to do so.

Since CREST is voluntary and does not change shareholders' existing rights, the Company is able to make its shares available for settlement in CREST without the approval of the Annual General Meeting. The Directors' resolution will enable the Company's Ordinary Shares to join CREST in due course and this is currently expected to take place in October 1996.



On behalf of the Board

G H R Musker

Secretary

6 March 1996

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Financial statements

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 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

6 March 1996

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

Group profit and loss account

For the year ended 31 December

	Notes	1995 £m	1994 £m
Turnover		4,898	4,480
Operating costs	2	(4,175)	(3,928)
Ongoing		(4,110)	(3,790)
Exceptional	4	(65)	(138)
Other operating income	2	106	107
Operating profit	2	829	659
Operating profit before exceptional items		894	797
Exceptional items charged to operating profit	4	(65)	(138)
Share of profits less losses of associated undertakings		3	4
Losses less profits on sale or closure of operations*	4	(194)	20
Profit on sale of fixed assets	4	-	14
Profit on ordinary activities before interest		638	697
Net interest payable	5	(19)	(38)
Profit on ordinary activities before taxation		619	659
Profit before exceptional items		878	763
Exceptional items*	4	(259)	(104)
Taxation	6	(268)	(210)
Profit on ordinary activities after taxation		351	449
Attributable to minorities		(15)	(6)
Net profit for the financial year		336	443
Dividends to Shareholders	7	(293)	(270)
Profit retained for the year*		43	173
Earnings per 25p Ordinary Share before exceptional items (pence)	8	62.0p	55.2p
Earnings per 25p Ordinary Share (pence)	8	35.6p	46.8p
Weighted average number of Ordinary Shares in issue (millions)	8	946	946

*Exceptional items include £197m of historical acquisition goodwill which was written off against reserves in prior years. These charges have no effect on Group cash flow, net assets, shareholders' funds or financial gearing.

Statement of total recognised gains and losses

For the year ended 31 December

	Notes	1995 £m	1994 £m
Net profit for the financial year		336	443
Net unrealized holding gains (losses) on short-term investments	14	5	(11)
Net foreign currency translation differences and recognised exchange gains	20	30	4
Total recognised gains and losses relating to the year		371	436
Prior period adjustment – post-retirement benefits other than pensions		-	(103)
Total gains and losses recognised since the last annual report		371	333

£m means millions of pounds sterling

Financial statements

Balance sheets

As at 31 December	Notes	Group		Company	
		1995 £m	1994 £m	1995 £m	1994 £m
Fixed assets					
Tangible fixed assets	10	1,905	1,733	–	–
Fixed asset investments	11	40	39	562	558
		1,945	1,772	562	558
Current assets					
Stocks	12	851	776	–	–
Debtors	13	1,504	1,396	1,808	1,765
Securitised rent receivables	13	55	56	–	–
Less: Non-recourse Secured Notes	13	(54)	(54)	–	–
Short-term investments	14	662	594	–	–
Cash	14	130	141	–	–
		3,148	2,909	1,808	1,765
Total assets		5,093	4,681	2,370	2,323
Creditors due within one year					
Short-term borrowings	15	(241)	(208)	(1)	–
Current instalments of loans	17	(25)	(12)	–	–
Other creditors	16	(1,758)	(1,676)	(275)	(235)
		(2,024)	(1,896)	(276)	(235)
Net current assets		1,124	1,013	1,532	1,530
Total assets less current liabilities		3,069	2,785	2,094	2,088
Creditors due after more than one year					
Loans	17	(536)	(520)	(384)	(378)
Other creditors	16	(31)	(32)	–	–
		(567)	(552)	(384)	(378)
Provisions for liabilities and charges	18	(537)	(490)	–	–
Net assets		1,965	1,743	1,710	1,710
Capital and reserves					
Called-up share capital	19	237	236	237	236
Share premium account	20	7	4	7	4
Merger reserve	20	285	285	–	–
Other reserves	20	265	204	1,255	1,255
Profit and loss account	20	1,067	956	211	215
Shareholders' funds - equity interests	21	1,861	1,685	1,710	1,710
Minority equity interests		104	58	–	–
Shareholders' funds and minority interests		1,965	1,743	1,710	1,710

The accounts on pages 39 to 67 were approved by the Board of Directors on 6 March 1996 and were signed on its behalf by:

Sir Sydney Lipworth
J.C. Mayo

Director
Director

Financial statements

Statement of Group cash flow

For the year ended 31 December

	Notes	1995 £m	1994 £m
Cash flow from operating activities			
Net cash inflow from trading operations before exceptional items	22	1,052	957
Outflow related to exceptional items	23	(96)	(85)
Net cash inflow from operating activities		956	872
Returns on investments and servicing of finance			
Interest and dividends received	24	48	48
Interest paid		(60)	(87)
Dividends paid to Shareholders		(274)	(263)
Dividends paid by subsidiary undertakings to minority interests		(13)	(7)
Net cash outflow from returns on investments and servicing of finance		(299)	(309)
Tax paid		(278)	(163)
Net cash inflow before investing and financing		379	400
Investing activities			
Cash expenditure on tangible fixed assets	10	(279)	(315)
Acquisitions and new fixed asset investments	25	(153)	(12)
Disposals of business operations	26	17	89
Disposals of fixed assets		8	26
Purchase of short-term investments and deposits	27	(232)	(331)
Sale of short-term investments and deposits	27	361	255
Net cash outflow from investing activities		(278)	(288)
Net cash inflow before financing		101	112
Financing			
Issue of Zeneca Group PLC Ordinary Shares	28	4	3
Issue of shares by subsidiaries to minority interests	28	2	-
Net increase (decrease) in loans	28	22	(578)
Repayment of lease finance	28	(4)	(6)
Net increase in short-term borrowings	28	18	66
Net cash inflow (outflow) from financing		42	(515)
Increase (decrease) in cash and cash equivalents	29	143	(403)

Financial statements

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 Group 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.

Basis of Presentation

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.

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 operating 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 the fair value of 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 Group subsidiaries 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. The principal Group subsidiaries concerned are Zeneca's insurance companies, where current asset investments are actively matched against insurance liabilities, and Salick Health Care, Inc.

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.

Financial statements

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 207 at 31 December 1995, including one quasi-subsidiary. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, two subsidiaries prepare accounts to 30 September and one to 31 March; the Salick Health Care Group prepares its accounts to 31 August but interim accounts to 30 November are drawn up for consolidation purposes.

2 OPERATING PROFIT

	1995 £m	1994 £m
Turnover	4,898	4,480
Operating costs		
Cost of sales	(2,102)	(1,977)
Distribution costs	(180)	(171)
Research and development	(549)	(518)
Administrative and other expenses	(1,344)	(1,262)
	(4,175)	(3,928)
Other operating income		
Government grants	1	1
Royalties	73	80
Other income	32	26
	106	107
Operating profit	829	659
Charge for depreciation included above*	194	211
Gross profit, as defined by the Companies Act 1985	2,796	2,503

*Includes exceptional depreciation of £nil (1994 £34m).

	1995 £m	1994 £m
Effect of Group insurance activities		
Insurance results are reported within the following headings		
Miscellaneous operating profit (included in Note 9)	1	(3)
Share of profits less losses of associated undertakings	—	1
Interest receivable and similar income (included in Note 5)	19	19
	20	17

3 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.

4 EXCEPTIONAL ITEMS

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

	1995 £m	1994 £m
Charged in arriving at operating profit		
Provisions for restructuring of Pharmaceuticals' distribution, manufacturing and R&D activities	(59)	–
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	(6)	(42)
Exceptional operating items	(65)	(138)
Losses less profits on sale or closure of operations and related provisions		
Goodwill write down of Seeds business in anticipation of joint venture*	(159)	–
Provision for disposal of Specialties' Inks business*	(45)	–
Disposal of interests in associated undertakings	10	–
Disposal of Agrochemicals Garden Products business	–	20
	(194)	20
Profit on sale of fixed assets	–	14
Exceptional items within profit on ordinary activities before taxation	(259)	(104)
Tax credits on exceptional items (see Note 6)	9	25
	(250)	(79)

Exceptional items included in operating profit were charged to Cost of sales £nil (1994 £77m) and Administrative and other expenses £65m (1994 £61m).

*On 21 February 1996 Zeneca and Suiker Unie announced that they were at an advanced stage of negotiation to merge their global seeds businesses, Zeneca Seeds and Royal VanderHave Group, through the formation of a 50:50 joint venture to be known as Zeneca VanderHave. The proposed merger is subject to the satisfactory completion of due diligence and clearance by the appropriate regulatory authorities. Losses less profits on sale or closure of operations includes an exceptional charge of £159m for goodwill which was written off to reserves when different seeds businesses were acquired pre-demerger. In anticipation of the formation of the joint venture those reserves have been written back and the goodwill has been written off through the profit and loss account.

An offer has been accepted from Sun Chemical Corporation for the sale of the Specialties' Inks business. It is expected that the deal, which is subject to regulatory approval, will be completed by 31 March 1996, and an exceptional charge of £45m has been made for loss on disposal, of which £38m relates to goodwill which had also already been written off to reserves.

As the goodwill associated with both Seeds and Specialty Inks had already been written off to reserves when the businesses were originally acquired, the goodwill write off of £197m in this year (1994 £24m) has no effect on Group cash flow, net assets, shareholders' funds or financial gearing.

Financial statements

Notes relating to the accounts

5 NET INTEREST PAYABLE

	1995 £m	1994 £m
Interest payable and similar charges		
Loan interest ⁺	36	36
Interest on short-term borrowings and other financing costs	26	39
	62	75
Interest receivable and similar income from investments		
Listed securities	(12)	(16)
Unlisted securities	(5)	(3)
Short-term deposits	(26)	(18)
	(43)	(37)
Net interest payable	19	38

⁺Loan interest includes £34m (1994 £33m) on loans not wholly repayable within 5 years.

6 TAXATION

	1995 £m	1994 £m
Profit and loss account		
UK taxation		
Corporation tax	113	129
Double taxation relief	(5)	(3)
Deferred taxation	13	(4)
	121	122
Overseas taxation		
Overseas taxes	168	85
Deferred taxation	(22)	2
	146	87
Associated undertakings	1	1
Tax on profit on ordinary activities	268	210

UK and overseas taxation have been provided at current rates on the profits earned for the periods covered by the Group accounts. The current rate of UK corporation tax is 33 per cent (1994 33 per cent). To the extent that dividends remitted from overseas subsidiaries and associated undertakings are expected to result in additional taxes, appropriate amounts have been provided. No taxes have been provided for unremitted earnings of Group companies overseas, as these are, in the main, considered permanently employed in the businesses of these companies and, in the case of associated undertakings, the taxes would not be material. Unremitted earnings may be liable to overseas taxes and/or UK taxation (after allowing for double taxation relief) if they were to be distributed as dividends.

Exceptional items included in tax on ordinary activities

Tax relief on exceptional items*	(9)	(25)
----------------------------------	-----	------

*Including deferred tax relief of £4m (1994 £19m). Only marginal reliefs are available for the 1995 exceptional charges, a large proportion of which represent historical goodwill which will not qualify for relief.

6 TAXATION (continued)

	1995 £m	1994 £m
Balance sheet		
Deferred taxation asset movement		
At beginning of year	48	49
Profit and loss account	9	2
Other movements	4	(3)
At end of year	61	48

Deferred taxation

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

Accounted for at 31 December

Timing differences on UK capital allowances and depreciation	—	—
Exceptional item provisions	24	42
Miscellaneous timing differences	37	6
ACT recoverable (see Note 13)	45	40
	106	88

Not accounted for at 31 December

UK capital allowances utilised in excess of depreciation	(187)	(167)
Exceptional item provisions and miscellaneous timing differences	165	126
	(22)	(41)

Full potential deferred taxation asset

	84	47
--	----	----

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

The parent Company had no deferred tax assets or liabilities (actual or potential) at 31 December 1995.

7 DIVIDENDS

	1995 Pence per 25p Share	1994 Pence per 25p Share	1995 £m	1994 £m
Interim, paid 6 November 1995	11.25p	10.75p	106	102
Second interim, to be confirmed as final, payable 7 May 1996	19.75p	17.75p	187	168
	31.0p	28.5p	293	270

8 EARNINGS PER 25p ORDINARY SHARE

	1995	1994
Net profit for the financial year before exceptional items (£m)	586	522
Exceptional items after tax (£m) (see Note 4)	(250)	(79)
Net profit for the financial year (£m)	336	443
Average number of Ordinary Shares in issue (millions)	946	946
Earnings per Ordinary Share before exceptional items (pence)	62.0p	55.2p
Earnings (loss) per Ordinary Share on exceptional items (pence)	(26.4)p	(8.4)p
Earnings per Ordinary Share (pence)	35.6p	46.8p

The effect on earnings per 25p Ordinary Share of the issue of shares under option (see Note 19) would not be material.

Earnings per Ordinary Share before exceptional items has been calculated to eliminate the impact of exceptional items on the underlying results of the business.

Financial statements

Notes relating to the accounts

9 SEGMENT INFORMATION

Classes of Business

	Turnover		Profit			
	1995 £m	1994 £m	1995 £m	1994 £m	1995* £m	1994* £m
Pharmaceuticals	2,163	1,958	628	629	687	629
Salick Healthcare	62	—	7	—	7	—
Agrochemicals	1,639	1,521	144	34	144	130
Agrochemicals	1,495	1,374	192	107	192	152
Seeds	144	147	(48)	(73)	(48)	(22)
Specialties	1,040	1,008	50	14	56	56
Inter-business eliminations and Miscellaneous	(6)	(7)	—	(18)	—	(18)
	4,898	4,480	829	659	894	797
Share of profits less losses of associated undertakings			3	4	3	4
Losses less profits on sale or closure of operations			(194)	20		
Profit on sale of fixed assets			—	14		
Net interest payable			(19)	(38)	(19)	(38)
Profit before taxation			619	659	878	763

*Before exceptional items

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

Inter-business eliminations and Miscellaneous

The results in 1995 include the recovery of past environmental litigation costs from external insurers.

	Sales/closure of operations		Profits (losses) on Sale of fixed assets	
	1995 £m	1994 £m	1995 £m	1994 £m
Pharmaceuticals	1	—	—	7
Agrochemicals	(159)	20	—	—
Specialties	(36)	—	—	7
	(194)	20	—	14

	Capital expenditure		Depreciation		Net assets	
	1995 £m	1994 £m	1995 £m	1994* £m	1995 £m	1994 £m
Pharmaceuticals	124	130	84	77	1,044	1,069
Salick Healthcare	7	—	3	—	58	—
Agrochemicals	91	86	59	77	836	773
Specialties	51	83	42	52	637	621
Miscellaneous	10	19	6	5	(41)	(79)
	283	318	194	211		
Net operating assets					2,534	2,384
Net non-operating liabilities					(569)	(641)
					1,965	1,743

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.

*Includes exceptional depreciation of £34m, of which Agrochemicals £21m and Specialties £13m.

Financial statements

9 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			
	1995 £m	1994 £m	1995 £m	1994 £m	1995 £m	1994 £m	1995* £m	1994* £m
United Kingdom								
Sales in the United Kingdom			291	313				
Export sales			1,881	1,826				
	1,363	1,406	2,172	2,139	345	379	402	458
Continental Europe	367	325	1,507	1,351	79	85	80	102
The Americas	513	330	2,269	2,047	327	149	333	191
Asia Pacific	222	181	648	582	70	45	71	45
Other countries	69	142	79	63	8	1	8	1
	2,534	2,384	6,675	6,182	829	659	894	797
Inter-area eliminations			(1,777)	(1,702)	—	—	—	—
	2,534	2,384	4,898	4,480	829	659	894	797
Share of profits less losses of associated undertakings					3	4	3	4
Losses less profits on sale or closure of operations					(194)	20		
Profit on sale of fixed assets					—	14		
Net interest payable					(19)	(38)	(19)	(38)
Profit before taxation					619	659	878	763

*Before exceptional items

Inter-area turnover shown above includes sales from the UK to overseas subsidiaries of £1,481m (1994 £1,446m).

	Sales/closure of operations		Profits (losses) on Sale of fixed assets	
	1995 £m	1994 £m	1995 £m	1994 £m
United Kingdom	(1)	26	—	7
Continental Europe	(111)	11	—	7
The Americas	(81)	(17)	—	—
Asia Pacific	(10)	—	—	—
Other countries	9	—	—	—
	(194)	20	—	14

Geographic markets	1995 £m	1994 £m
Turnover in each geographic market in which customers are located		
United Kingdom	303	324
Continental Europe	1,457	1,296
The Americas	2,182	1,982
Asia Pacific	769	710
Other countries	187	168
Total turnover	4,898	4,480

Employees	1995	1994
Average number of people employed by the Group in		
United Kingdom	12,300	12,600
Continental Europe	6,200	6,400
The Americas	10,200	9,300
Asia Pacific	2,000	1,900
Other countries	700	600
Total employees	31,400	30,800

The number of people employed by the Group at the end of 1995 was 32,000 (1994 30,400).

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10 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	791	2,061	266	3,118
Exchange adjustments	14	28	3	45
Capital expenditure	—	—	283	283
Transfer of assets into use	51	273	(324)	—
Acquisitions (disposals)	18	(38)	17	(3)
At end of year	874	2,324	245	3,443
Depreciation				
At beginning of year	244	1,141		1,385
Exchange adjustments	6	18		24
Disposals and other movements	(7)	(58)		(65)
Charge for year	29	165		194
At end of year	272	1,266		1,538
Net book value at 31 December 1995	602	1,058	245	1,905
Net book value at 31 December 1994	547	920	266	1,733

Capital expenditure in the year of £283m includes capitalized finance leases of £9m; cash expenditure on tangible fixed assets was £279m. Land and buildings includes non-depreciated land which cost £68m.

The net book value of the tangible fixed assets of the Group at 31 December 1995 includes capitalized finance leases of £21m, comprising cost of £31m and accumulated depreciation thereon of £10m. In respect of capitalized leases, the depreciation charge for the year was £4m and finance charges were £1m.

	Group	
	1995 £m	1994 £m
The net book value of land and buildings comprised		
Freeholds	590	537
Long leases (over 50 years unexpired)	3	3
Short leases	9	7
	602	547

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11 FIXED ASSET INVESTMENTS

GROUP	Associated undertakings £m	Other investments		Total £m
		Listed £m	Unlisted £m	
Cost				
At beginning of year	10	9	11	30
Additions less disposals	(1)	10	1	10
At end of year	9	19	12	40
Share of post-acquisition reserves				
At beginning of year	14			14
Retained profit	1			1
Disposals	(6)			(6)
Other movements	(5)			(5)
At end of year	4			4
Provisions				
At beginning of year	–	–	(5)	(5)
Released	–	–	1	1
At end of year	–	–	(4)	(4)
Net book value at 31 December 1995	13	19	8	40
Net book value at 31 December 1994	24	9	6	39

The market value of the listed investments at 31 December 1995 was £25m (1994 £8m).

COMPANY	Subsidiary investments		Total £m
	Shares £m	Loans £m	
Cost			
At beginning of year	180	378	558
Exchange adjustments	–	4	4
Net book value at 31 December 1995	180	382	562
Net book value at 31 December 1994	180	378	558

None of the investments held directly by the parent Company are listed.

Information on principal subsidiary undertakings of the Group is given on page 67.

12 STOCKS

	Group	
	1995 £m	1994 £m
Raw materials and consumables	208	193
Stocks in process	229	211
Finished goods and goods for resale	414	372
	851	776

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13 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>1995 £m</i>	<i>1994 £m</i>	<i>1995 £m</i>	<i>1994 £m</i>
Amounts due within one year				
Trade debtors	980	895	–	–
Amounts owed by subsidiary undertakings			1,808	1,765
Deferred taxation (see Note 6)	18	26	–	–
Other debtors	290	301	–	–
Prepayments and accrued income*	70	52	–	–
	1,358	1,274	1,808	1,765
Amounts due after more than one year				
Other debtors	38	42	–	–
Deferred taxation (see Note 6)	43	22	–	–
ACT recoverable	45	40	–	–
Prepayments and accrued income*	20	18	–	–
Debtors	1,504	1,396	1,808	1,765
Securitised rent receivables	1	2	–	–
	1,505	1,398	1,808	1,765

*Group figures include prepaid pension costs (Note 35).

Included in debtors are amounts totalling £138m (1994 £177m) 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 (1994 £6m) – this asset was recorded in the accounts as part of the acquisition accounting of Stauffer since 1987, and is reported in the balance sheet as an asset of £55m and a liability of £54m, using a linked presentation, with £5m included in cash and short-term investments. The net income recorded in the Group accounts amounted to £1m (1994 £1m). A summary of the financial statements of Stauffer Chemical Company Trust is set out below.

Stauffer Chemical Company Trust	<i>1995 £m</i>	<i>1994 £m</i>
Income and expenditure account		
Surplus for the financial year	1	1
Trust distributions	(1)	(1)
Surplus retained for the year	–	–
Balance sheet		
Debtors	55	56
Cash and short-term investments	5	4
Total assets	60	60
Creditors	(54)	(54)
Net assets	6	6
Cash flow		
Increase in cash and cash equivalents	–	–

14 CASH AND SHORT-TERM INVESTMENTS

The Group's short-term investments were classified as available-for-sale at year ends 1995 and 1994. Carrying value was substantially the same as fair value at both year ends.

GROUP

<i>At 31 December 1995</i>	<i>Cost £m</i>	<i>Estimated fair value £m</i>	<i>Gross unrealized gains £m</i>	<i>Gross unrealized losses £m</i>	<i>Net gains and losses £m</i>
Securities listed on the London Stock Exchange:					
UK Government bonds	74	68	—	(6)	(6)
Other debt securities	28	28	—	—	—
	102	96	—	(6)	(6)
Other listed investments	3	3	—	—	—
Unlisted investments	1	1	—	—	—
Deposits (more than three months to maturity)	4	4	—	—	—
	110	104	—	(6)	(6)
Short-term deposits (less than three months to maturity) (see Note 29)	558	558			
Short-term investments	668	662			
Cash	130	130			
	798	792			

At 31 December 1994

Securities listed on the London Stock Exchange:					
UK Government bonds	141	129	—	(12)	(12)
Other redeemable securities	9	9	—	—	—
Other listed debt 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) (see Note 29)	407	407			
Short-term investments	610	594			
Cash	141	141			
	751	735			

Net change in unrealized holding gains and losses	10
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Current asset investments held by Group subsidiaries are marked to market on a specific identification basis. The net change in unrealized holding gains and losses is a gain of £10m (1994 £22m loss). The net change, after minority interests, of £5m gain (1994 £11m loss) has been taken to reserves via the statement of total recognised gains and losses.

The proceeds from sales of these investment securities were £361m (1994 £255m). Realized gains and losses are taken to the profit and loss account. In 1995 gross realized gains were £7m (1994 £6m) and gross realized losses were £6m (1994 £7m), producing a net realized gain of £1m (1994 £1m loss).

Included in cash and short-term investments are amounts totalling £252m (1994 £294m) held by the Group's insurance subsidiaries, of which £155m (1994 £216m) 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 1995 (1994 £nil).

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14 CASH AND SHORT-TERM INVESTMENTS (continued)

Contractual maturities of debt securities are as follows:

	Cost £m	Estimated fair value £m
1996	6	6
1997 – 2000	34	31
2001 – 2005	52	49
Thereafter	10	10
	102	96

15 SHORT-TERM BORROWINGS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Bank borrowings				
Secured by floating charge	1	1	–	–
Unsecured	151	141	1	–
	152	142	1	–
Other borrowings (unsecured)	89	66	–	–
	241	208	1	–
Included in cash and cash equivalents (see Note 29)	139	139	1	–

16 OTHER CREDITORS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Amounts due within one year				
Trade creditors	532	506	–	–
Amounts owed to subsidiary undertakings			88	67
Corporate taxation	222	208	–	–
Value added and payroll taxes and social security	38	35	–	–
Obligations under finance leases	5	2	–	–
Other creditors*	570	602	–	–
Accruals	204	155	–	–
Dividends to Shareholders	187	168	187	168
	1,758	1,676	275	235
Amounts due after more than one year				
Corporate taxation	1	–	–	–
Obligations under finance leases	14	6	–	–
Other creditors*	15	24	–	–
Grants not yet credited to income	1	2	–	–
	31	32	–	–

*Included in other creditors are amounts totalling £245m (1994 £305m) 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 35).

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17 LOANS

	<i>Repayment dates</i>	<i>Group</i>		<i>Company</i>	
		<i>1995 £m</i>	<i>1994 £m</i>	<i>1995 £m</i>	<i>1994 £m</i>
Secured loans					
US Dollars (5.9 to 8%), secured by fixed charge	1996/2012	12	10	–	–
Indian Rupees (17.5%), secured by fixed charge	1996/1998	2	–	–	–
Total secured		14	10	–	–
Unsecured loans					
Sterling					
Bank loan – variable rate	1996/2002	44	50	–	–
US Dollars					
Bank loan – variable rate	2001	52	51	–	–
6.30% Guaranteed Notes	2003	191	189	–	–
7% Guaranteed Debentures	2023	190	189	–	–
6.58% Loan	2003	–	–	192	189
7.2% Loan	2023	–	–	192	189
Others	1998/2013	10	6	–	–
Yen (1.95 to 5%)	1996/2000	53	28	–	–
Other foreign currencies	1996/2000	7	9	–	–
Total unsecured		547	522	384	378
Total loans		561	532	384	378
Loans or instalments thereof are repayable					
After 5 years from balance sheet date					
Lump sums		446	441	384	378
Instalments		14	22	–	–
		460	463	384	378
From 2 to 5 years		63	35	–	–
From 1 to 2 years		13	22	–	–
Total due after more than one year		536	520	384	378
Total due within one year		25	12	–	–
Total loans		561	532	384	378
Aggregate amount of loans repayable by instalments					
any of which fall due after 5 years		52	48	–	–

Loans from banks included in the table above amounted to £165m (1994 £142m) of which £2m (1994 £nil) was secured.

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18 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	<i>Employee benefits*</i> £m	<i>Reorganisation, environmental, and other provisions</i> £m	<i>Total</i> £m
At beginning of year	267	223	490
Profit and loss account	60	114	174
Net amounts paid or becoming current	(41)	(96)	(137)
Other movements, including exchange	10	—	10
At end of year	296	241	537

*Includes provisions for unfunded post-retirement benefits (Note 35)

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

19 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	<i>Authorized 1995</i> £m	<i>Allotted, called-up and fully paid</i> 1995 £m	1994 £m
Ordinary Shares (25p each)	237	237	236
Unissued Ordinary Shares (25p each)	63		
	300	237	236

The number of Ordinary Shares issued during the year totalled 672,184, comprising issues in respect of the exercise of options.

At 31 December 1995 there were options outstanding in respect of 3,812,340 Ordinary Shares of 25p under the Zeneca 1993 Senior Staff Share Option Scheme and the Zeneca 1994 Executive Share Option Scheme (1994 3,315,338) and 3,581,630 Ordinary Shares of 25p under the Zeneca Savings-Related Share Option Scheme (1994 2,576,187). These options are normally exercisable in the period 1996 to 2005 (1995 to 2004) at subscription prices of £4.09 to £11.28 (1994 £4.09 to £8.26). 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 1995 was £7.98.

Options granted to Directors are shown in Note 31.

During 1995 movements in the number of shares under option comprised new options issued 2,308,201, options exercised 672,184, and options lapsed or waived 133,572. At the end of 1995 there were 19,359,358 shares available for the granting of options (1994 21,513,821).

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20 RESERVES

GROUP	<i>Share premium account £m</i>	<i>Merger reserve £m</i>	<i>Goodwill and other reserves £m</i>	<i>Associated under- takings £m</i>	<i>Profit and loss account £m</i>	<i>1995 Total £m</i>	<i>1994 Total £m</i>
Reserves attributable to parent company							
At beginning of year	4	285	190	14	956	1,449	1,263
Profit retained for year				1	42	43	173
Amounts taken direct to reserves							
Share premiums	3					3	3
Goodwill on acquisitions/disposals			99			99	24
Disposals				(6)	6	—	—
Exchange adjustments : Goodwill			(33)		33		
Net assets					30	30	4
Net unrealized holding gains (losses) on short-term investments			5			5	(11)
Other movements				(5)		(5)	(7)
	3		71	(11)	69	132	13
At end of year	7	285	261	4	1,067	1,624	1,449

In the Group accounts, exchange adjustments of £nil (1994 £3m gains) on foreign currency loans have been offset in reserves against exchange movements on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £98m (1994 £nil) of goodwill on acquisitions written off against reserves and £197m (1994 £24m) of goodwill relating to disposals written back to reserves and charged to the profit and loss account.

The cumulative amount of goodwill resulting from acquisitions, net of disposals, amounted to £991m (1994 £1,057m), using 1995 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.

COMPANY	<i>Share premium account £m</i>	<i>Other reserves £m</i>	<i>Profit and loss account £m</i>	<i>1995 Total £m</i>	<i>1994 Total £m</i>
Reserves					
At beginning of year	4	1,255	215	1,474	1,267
Net profit for the financial year			289	289	474
Dividends			(293)	(293)	(270)
Share premiums	3			3	3
At end of year	7	1,255	211	1,473	1,474

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

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21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

GROUP	1995 £m	1994 £m
Shareholders' funds at beginning of year	1,685	1,499
Net profit for the financial year	336	443
Dividends	(293)	(270)
	43	173
Issues of Zeneca Group PLC Ordinary Shares	4	3
Goodwill on acquisitions/disposals	99	24
Net foreign currency translation differences and recognised exchange gains	30	4
Net unrealized holding gains (losses) on short-term investments (see Note 14)	5	(11)
Other movements	(5)	(7)
Net addition to shareholders' funds	176	186
Shareholders' funds at end of year	1,861	1,685

22 NET CASH INFLOW FROM TRADING OPERATIONS BEFORE EXCEPTIONAL ITEMS

	1995 £m	1994 £m
Operating profit	829	659
Exceptional items within operating profit	65	138
Operating profit before exceptional items	894	797
Depreciation	194	177
Stocks increase	(40)	(51)
Debtors (increase) decrease	(27)	16
Creditors increase	26	3
Other non-cash movements, including exchange	5	15
	1,052	957

23 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.

24 INTEREST AND DIVIDENDS RECEIVED

	1995 £m	1994 £m
Interest received	46	41
Dividends received from equity accounted associated undertakings	2	7
	48	48

25 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

	Acquiree book values £m	Fair value adjustments £m	1995 £m	1994 £m
Acquisitions of subsidiary undertakings involving				
Tangible fixed assets	71	(1)	70	—
Intangible fixed assets	8	(8)	—	—
Fixed asset investments	1	—	1	—
Current assets	84	—	84	—
Liabilities	(77)	1	(76)	—
Minorities	(33)	—	(33)	—
Net assets of subsidiary undertakings acquired	54	(8)	46	—
Goodwill			98	—
Fair value of consideration for subsidiary undertakings			144	—
Investment in participating interests			10	12
Total consideration			154	12
Cash and cash equivalents acquired			(1)	—
Net cash consideration			153	12

Assets and liabilities are adjusted to fair values on external valuations and internal reviews. The principal acquisition was the purchase of a 50% shareholding in Salick Health Care, Inc. (SHC) on 13 April 1995 for a consideration of £127m, with a call option to purchase the remaining 50% shareholding, exercisable within a four year period. By virtue of the call option, SHC has been regarded as a subsidiary of Zeneca and its results have been consolidated into the Group results, with a 50% minority interest allowed for. Other acquisitions included the purchase of Glaxo Wellcome's 50% shareholding in Zeneca Farmaceutica do Brasil Ltda and a majority owned joint venture, Zeneca ICI Agrochemicals Ltd, in India.

26 DISPOSALS OF BUSINESS OPERATIONS

	1995 £m	1994 £m
Disposals of business operations resulted in the following net asset movements		
Tangible fixed assets	1	14
Net current assets	—	32
Liabilities due after more than one year	7	(1)
	8	45
Goodwill	197	24
Profit and loss account – exceptional items	(194)	20
	11	89
Investments in participating interests	7	1
Total consideration	18	90
Deferred consideration	(1)	(1)
Cash consideration	17	89

The cash consideration for disposals of business operations and investments in participating interests in 1995 includes £17m (1994 £88m) with respect to items accounted for as exceptional items in the current and previous years. The cash consideration for disposals includes £16m (1994 £nil) relating to equity accounted participating interests. Apart from the disposal proceeds, the contribution of the divested businesses and subsidiary undertakings to the cash flows of the Group was not material.

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27 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.

28 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 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 beginning of 1995	236	4	—	532	8	69	849
Exchange adjustments				(1)	1	—	—
New finance leases					9		9
New finance	1	3		35	—	359	398
Finance repaid				(13)	(4)	(341)	(358)
Acquired on acquisitions				8	5	15	28
At 31 December 1995	237	7	—	561	19	102	926

A further source of new finance in 1995 was a £2m issue of shares to minorities by a subsidiary undertaking (1994 £nil).

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

29 CASH AND CASH EQUIVALENTS

	Group		Company	
	1995 £m	1994 £m	1995 £m	1994 £m
Balance of cash and cash equivalents				
Cash	130	141	—	—
Investments and short-term deposits which were within 3 months of maturity when acquired (see Note 14)	558	407	—	—
Short-term borrowings repayable within 3 months from date of advance (see Note 15)	(139)	(139)	(1)	—
	549	409	(1)	—
Change in the balance of cash and cash equivalents				
At beginning of year	409	818	—	—
Exchange adjustments	(3)	(6)	—	—
Cash inflow (outflow) for year	143	(403)	(1)	—
At end of year	549	409	(1)	—

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 also include amounts with maturities greater than 3 months.

Included in cash and cash equivalents are amounts totalling £183m (1994 £107m) held by the Group's insurance subsidiaries, of which £86m (1994 £30m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

30 EMPLOYEE COSTS AND SHARE SCHEMES

The average number of people employed by the Group in 1995 was 31,400 (1994 30,800) and the costs incurred during the year in respect of these employees were:

	1995 £m	1994 £m
Salaries	928	847
Social security costs	112	104
Pension costs	95	94
Other employment costs	88	89
	1,223	1,134

The Directors believe that, together with the basic salary system, the Group's employee incentive schemes, which have been approved by shareholders, 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 Group's UK schemes are described below; other arrangements apply outside the UK.

The Zeneca Employee Performance Bonus Plan

A discretionary bonus scheme based on the Group's trading results, related to the achievement of performance targets at both individual business unit and Zeneca Group overall levels.

Employees are offered the opportunity to take any bonus that may be payable under the scheme in the form of cash or of Ordinary Shares in the Company through a share retention scheme.

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. An outline of this plan is given in the Report of the Remuneration and Nomination Committee on page 32. 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

Options to subscribe for Ordinary Shares in the Company may be granted to selected qualifying employees. The Remuneration and Nomination Committee is responsible for the Scheme and a brief description is also included in their Report on page 33. In particular, it sets performance conditions 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

Employees may make regular monthly savings contributions over a five year period and may apply for options to acquire Zeneca shares at a 10% discount to market price at the time of grant.

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31 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1995 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.

	<i>Interest in Ordinary Shares at 1 January 1995</i>	<i>Shares bought (sold)</i>	<i>Shares held in trust at 31 December 1995</i>	<i>Interest in Ordinary Shares, including shares held in trust, at 31 December 1995</i>
J. D. F. Barnes	18,691	63,372	4,814	86,877
Sir Peter Bonfield	500			500
P. Doyle	8,444		2,788	11,232
Sir Richard Greenbury	500			500
Miss G. M. Lewis	500			500
Sir Sydney Lipworth	5,000			5,000
J. C. Mayo	20,000	(10,000)	1,504	11,504
Sir Jeremy Morse	2,387			2,387
A. I. H. Pink	1,564		6,920	8,484
T. H. Wyman	656			656

Shares held in trust above are long-term incentive bonus shares appropriated under the Zeneca Executive Performance Bonus Plan which have not yet been released. During the period 1 January 1996 to 6 March 1996 there was no change in the interests of Directors shown in this note. In the event that Ordinary Shares are appropriated in 1996 to Directors pursuant to the Executive Performance Bonus Plan in respect of the year to 31 December 1995 the Directors would have an interest in such appropriated shares.

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.

		<i>No. of shares under option</i>	<i>Exercise price per share⁺</i>	<i>Market price at date of exercise</i>	<i>First date exercisable[*]</i>	<i>Last date exercisable[*]</i>
J. D. F. Barnes	At 1 Jan 1995	257,639	563p		24.06.93	04.04.04
	Granted	10,992	891p		27.03.98	26.03.05
	Exercised	35,605	471p	1189p	24.06.93	01.04.96
	Exercised	27,767	485p	1189p	24.06.93	09.09.96
	At 31 Dec 1995	205,259	607p		24.06.93	26.03.05
P. Doyle	At 1 Jan 1995	99,533	580p		24.06.93	04.04.04
	Granted	42,285	891p		27.03.98	26.03.05
	At 31 Dec 1995	141,818	673p		24.06.93	26.03.05
J. C. Mayo	At 1 Jan 1995	140,059	598p		22.03.96	04.04.04
	Granted	12,090	891p		27.03.98	26.03.05
	At 31 Dec 1995	152,149	621p		22.03.96	26.03.05
A. I. H. Pink	At 1 Jan 1995	145,143	589p		24.06.93	04.04.04
	Granted	8,995	891p		27.03.98	26.03.05
	At 31 Dec 1995	154,138	606p		24.06.93	26.03.05

No options lapsed during the year. The market price of the shares at 31 December 1995 was 1246p and the range during 1995 was 841.5p to 1334p. The Register of Directors' Interests (which is open to inspection) contains full details of Directors' shareholdings and options to subscribe.

⁺Exercise prices at 1 January and 31 December are weighted averages.

^{*}First and last exercise dates of groups of options, within which periods there are shorter exercise periods.

32 EMOLUMENTS OF DIRECTORS

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

	Salary and fees £'000	Bonuses Cash £'000	Shares* £'000	Taxable benefits £'000	Other £'000	Sub-total £'000	Pension contribs. £'000	Total 1995 £'000	Total 1994 £'000
Sir Denys Henderson	114	172		2		288		288	342
Sir Sydney Lipworth	71					71		71	3
J. D. F. Barnes	440	66	132	12		650	1	651	435
P. Doyle	255	38	77	8		378	45	423	316
J. C. Mayo	275	41	83	17		416	13	429	293
A. I. H. Pink	275		165	15		455	48	503	337
A. T. G. Rodgers	180	54		6	420 ⁺	660	32	692 ⁺	306
Sir Peter Bonfield	21					21		21	—
Lord Chilver	8					8		8	21
Sir Richard Greenbury	24					24		24	24
Miss G. M. Lewis	21					21		21	21
Sir Jeremy Morse	21					21		21	21
T. H. Wyman	40					40		40	41
	1,745	371	457	60	420	3,053	139	3,192	2,160

*The figures stated above include the cost to the Company of providing the matching contribution of shares in respect of that part of the bonus which is to be taken in shares by each Director. All such shares are held in trust and will be released to each Director upon fulfilment of the conditions and under the terms of the plan described on page 32 as part of the Report of the Remuneration and Nomination Committee.

⁺The emoluments of Mr A.T.G. Rodgers, who left the Company on 30 September 1995, include £420,000 in respect of compensation for loss of office.

Sir Denys Henderson retired as Chairman in May 1995 and was succeeded by Sir Sydney Lipworth.

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		Emoluments	Number	
	1995	1994		1995	1994
£0 – 5,000	—	1	£270,001 – 275,000	—	2
£5,001 – 10,000	1	—	£285,001 – 290,000	1	—
£20,001 – 25,000	4	4	£290,001 – 295,000	—	1
£35,001 – 40,000	1	—	£340,001 – 345,000	—	1
£40,001 – 45,000	—	1	£375,001 – 380,000	1	—
£70,001 – 75,000	1	—	£415,001 – 420,000	1	—
£240,001 – 245,000	1	—	£430,001 – 435,000	—	1
£260,001 – 265,000	—	1	£455,001 – 460,000	1	—
			£645,001 – 650,000	1	—

Three of the Directors whose emoluments are shown above for 1995 were Directors for part of the year only (1994 one).

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Notes relating to the accounts

33 LEASES

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

	1995 £m	1994 £m
Hire of plant and machinery	4	8
Other	26	28
	30	36

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	6	3
Expiring during years 2 to 5	3	3
Expiring thereafter	2	4
	11	10

Other assets

Expiring within 1 year	4	7
Expiring during years 2 to 5	7	6
Expiring thereafter	2	—
	13	13

Obligations under finance leases comprise

Rentals due within 1 year	6	2
Rentals due during years 2 to 5	14	6
Rentals due thereafter	3	2
Less interest element	(4)	(2)
	19	8

Obligations under finance leases are included in other creditors (Note 16).

The Group had commitments totalling £13m (1994 £6m) under finance leases at the balance sheet date which were due to commence thereafter.

34 COMMITMENTS AND CONTINGENT LIABILITIES

	1995 £m	1994 £m
Commitments for capital expenditure not provided for in these accounts		
Contracts placed for future expenditure	90	64
Expenditure authorized but not yet contracted	188	163
	278	227

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.

Financial instruments

At 31 December 1995, Zeneca had outstanding forward foreign exchange contracts to sell currency with nominal principal amounts of £395m (1994 £365m). 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. At 31 December 1995, the Group held interest and cross currency swaps totalling £29m (1994 £nil) which were taken out with commercial banks for the purpose of hedging interest rate and currency movements on external borrowings.

34 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Zeneca has also entered into forward foreign exchange and currency option contracts to hedge anticipated, but not firmly committed, non-sterling commercial transactions for 1996. The contracts were taken out with commercial banks. In relation to these Zeneca had, at 31 December 1995, outstanding forward foreign exchange contracts to sell currency with a notional principal value of £216m (1994 £263m) equivalent, and currency option contracts to sell with a notional principal value of £328m (1994 £218m) equivalent. Gains and losses on these transactions are recognised in income in the same period as the hedged transaction.

Environmental

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 1995 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.

Salick Healthcare

In April 1995 Zeneca purchased 50% of Salick Health Care, Inc. ('SHC'), a leading US provider of disease-specific healthcare services, for US\$204 million cash (£127m equivalent). The remaining 50% may be bought by Zeneca within a four year period from the date of the initial purchase at a price which will be set according to a number of variables, but which will not exceed US\$280 million (£181m at £1=\$1.55). SHC shareholders have a Put option over the remaining 50% shareholding, exercisable at two and one half years from the date of initial purchase. 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 has 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.

Litigation

Zeneca has brought patent infringement proceedings, under its US patent for its breast cancer medicine, 'Nolvadex', against the Canadian generic drug company, Novopharm Limited ('Novopharm'). The suit was brought as a result of Novopharm filing an Abbreviated New Drug Application (ANDA) with the US FDA seeking to enable it to commercialise a generic version of 'Nolvadex'. A claim by Novopharm that Zeneca was estopped from bringing a patent infringement suit has been rejected by the Court. The matter is now expected to go to trial in April 1996.

In January and February 1996 Zeneca received separate notifications that each of Mylan Pharmaceuticals Inc ('Mylan') and Pharmachemie BV ('Pharmachemie') respectively had filed an ANDA with the US FDA to commercialise a generic version of 'Nolvadex' and asserting that Zeneca's relevant patent property was invalid and unenforceable. Zeneca completely disputes the position taken by Mylan and Pharmachemie. Zeneca has initiated patent infringement proceedings against Mylan and similarly intends to prosecute fully its rights against Pharmachemie.

Proceedings have been brought against Zeneca Inc. in the US by Schering Corporation ('Schering') alleging that use of Zeneca's prostate cancer product 'Casodex' in association with LHRH analogues infringes patent property owned jointly by Schering and Roussel UCLAF S.A. ('Roussel'). Zeneca is defending this action vigorously, including contesting the validity of the patent, having established an agreement with Roussel which gives Zeneca a licence to commercialise 'Casodex' in the US with LHRH analogues. Zeneca has obtained summary judgement which will, subject to an appeal by Schering, dispose of the litigation in Zeneca's favour. 'Casodex' itself is protected by patents which are unaffected by this litigation.

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Notes relating to the accounts

34 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

The Group has provisions as at 31 December 1995 in respect of costs associated with the proposed settlement of certain anti-trust class actions initiated by retail pharmacies against more than 20 major drug manufacturers including Zeneca Inc. While Zeneca has consistently denied liability and continues to believe it has meritorious defences to these claims, it has concluded this settlement is the prudent course of action given the inherent risks and costs of litigation and to avoid further business disruption. The settlement terms require Court approval.

Zeneca is also involved in various other legal proceedings, which include some remaining retail pharmacy anti-trust class and individual actions in the US outside the scope of the settlement described above, and other litigation considered typical to its businesses, covering product liability, infringements of intellectual property rights and validity of certain patents.

35 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.

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 return on investments was 9 per cent. The weighted average rates of increase of future earnings and future pensions were 6 per cent and 3 per cent respectively. After allowing for future increases in earnings and pensions, 92 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 £1,672m.

The total pension cost for the Group for 1995 was £95m (1994 £94m). In Zeneca's Group balance sheet at 31 December 1995, accrued pension costs amounted to £43m (1994 £27m) and are included in other creditors (Note 16); provisions for unfunded benefit obligations, included in provisions (Note 18) amounted to £125m (1994 £114m). Prepaid pension costs amounting to £16m (1994 £15m) are included in debtors (Note 13).

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 and covered dependants currently benefit from these provisions and some 9,500 current employees will be eligible on retirement. Zeneca accrues for the present value of such retiree benefit obligations over the working life of the employee.

The cost of post-retirement benefits other than pensions for the Group in 1995 was £12m (1994 £14m). Provisions for the benefit obligations at 31 December 1995 amounted to £142m and are included in provisions for employee benefits (Note 18). There were no plan assets at 31 December 1995. 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 7 per cent and a weighted average assumed healthcare costs trend rate of 9 per cent reducing to 5.5 per cent per annum.

36 STATUTORY AND OTHER INFORMATION

Included in debtors are interest free loans of £55,000 to three officers 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 1995 was £2.5m (1994 £2.2m); fees paid to the auditors of the parent Company and its UK subsidiaries for non-statutory 'audit' work were £0.4m (1994 £0.4m), accounting, information systems, project support and taxation advice £2.5m (1994 £1.0m) and to the rest of the Group worldwide £0.5m (1994 £0.5m).

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

Principal subsidiary undertakings

<i>At 31 December 1995</i>	<i>Class of capital</i>	<i>Percentage of voting share capital held</i>	<i>Principal activity</i>
United Kingdom			
Zeneca Limited England	Ordinary	100	Research and manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchandising of Zeneca products
IC Insurance Holdings Limited England	Ordinary	51#	Insurance and reinsurance underwriting
Continental Europe			
Zeneca Pharma S.A. France	Ordinary	100#	Research, manufacture and merchandising of pharmaceuticals
Zeneca Holding GmbH Germany	Ordinary	100#	Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; merchandising of Zeneca products
Zeneca S.p.a. Italy	Ordinary	100#	Manufacture of pharmaceuticals; merchandising of Zeneca products
Stauffer Chemical B.V. The Netherlands	Common	100#	Manufacture of agrochemicals
The Americas			
Zeneca Brasil S.A. Brazil	Ordinary	100#	Manufacture of agrochemicals and specialty chemicals; merchandising of Zeneca products
Zeneca Holdings Inc. USA	Common	100#	Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; processing of seeds; merchandising of Zeneca products
IPR Pharmaceuticals Inc. Puerto Rico	Common	100#	Manufacture of pharmaceuticals
Salick Health Care, Inc. USA	Common	50#	Provision of disease-specific healthcare services
Asia Pacific			
Zeneca China Limited Hong Kong	Ordinary	100#	Merchandising of Zeneca products
Zeneca Yakuhin K.K. Japan	Ordinary	60#	Merchandising of pharmaceutical products
Zeneca K.K. Japan	Ordinary	100#	Manufacture of pharmaceuticals; merchandising 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, except for Salick Health Care, Inc. which is 31 August.

Zeneca operates through 207 subsidiary companies. Products are manufactured in some 25 countries worldwide and are sold in well over 100 countries.

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Group financial record

For the years ended 31 December

	1991* £m	1992* £m	1993 £m	1994 £m	1995 £m
Turnover and profits					
Turnover	3,929	3,979	4,440	4,480	4,898
Operating profit before exceptional items	682	587	704	797	894
Exceptional items charged to operating profit	—	(304)	—	(138)	(65)
Operating profit after exceptional items	682	283	704	659	829
Profit on ordinary activities before interest	697	254	721	697	638
Net interest payable	(166)	(152)	(88)	(38)	(19)
Profit on ordinary activities before taxation	531	102	633	659	619
Net profit for the financial year	345	80	431	443	336
Dividends to Shareholders	n/a	n/a	(260)	(270)	(293)
Return on sales					
Operating profit before exceptional items as a percentage of sales	17.4%	14.8%	15.9%	17.8%	18.3%

Balance sheets

Tangible fixed assets	1,357	1,559	1,684	1,733	1,905
Fixed asset investments	28	33	26	39	40
Current assets	2,083	2,488	3,309	2,909	3,148
Total assets	3,468	4,080	5,019	4,681	5,093
Creditors due within one year	(993)	(2,617)	(2,360)	(1,896)	(2,024)
Total assets less current liabilities	2,475	1,463	2,659	2,785	3,069
Creditors due after more than one year	1,910	932	587	552	567
Provisions for liabilities and charges	232	419	501	490	537
Minority equity interests	72	57	72	58	104
Shareholders' equity	261	55	1,499	1,685	1,861
	2,475	1,463	2,659	2,785	3,069

Capital gearing

Net debt as a percentage of shareholders' funds	n/a	n/a	12.5%	0.3%	0.5%
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The capital gearing ratio for 1993 was restated to 12.5% from 11.7% as a result of a prior period adjustment for post-retirement healthcare benefits.

Cash flow

Net cash inflow from operating activities	726	682	833	872	956
Net cash inflow before investing and financing	270	136	477	400	379
Net cash outflow from investing activities	(109)	(176)	(263)	(288)	(278)
Net cash (outflow) inflow from financing	(140)	60	454	(515)	42
Increase (decrease) in cash and cash equivalents	21	20	668	(403)	143

*Not restated for FRS 5 or UITF 6 as pro forma information only was available for Zeneca.

Zeneca share information

	1993	1994	1995
Ordinary Shares in issue – millions			
At year end	945	946	947
Weighted average for year	850	946	946
Stock Market price – per 25p Ordinary Share	Pence	Pence	Pence
Highest	841.5	898.5	1334.0
Lowest	594.5	674.5	841.5
At year end	840.5	878.5	1246.0
Earnings per 25p Ordinary Share before exceptional items	48.9	55.2	62.0
Earnings per 25p Ordinary Share	50.7	46.8	35.6
Dividends (net of tax credit)	27.5	28.5	31.0

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.

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.

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.

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.

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.

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.

Restructuring costs

Under US GAAP the criteria for recognition of restructuring costs, particularly employee termination benefits, are more restrictive than under UK GAAP.

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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 1995 rate of £1 = \$1.55.

SUMMARISED INCOME STATEMENT	Years ended 31 December			
	1995 £m	1994 £m	1995 \$m	1994 \$m
Sales	4,898	4,480	7,592	6,944
Operating income	829	659	1,285	1,021
Income from ordinary activities before interest	638	697	989	1,080
Net interest expense	(19)	(38)	(30)	(59)
Income from ordinary activities before taxation	619	659	959	1,021
Taxes on income from ordinary activities	(268)	(210)	(415)	(325)
Income from ordinary activities after taxation	351	449	544	696
Income attributable to minorities	(15)	(6)	(23)	(9)
Net income (UK GAAP)	336	443	521	687
Adjustments to conform to US GAAP				
Deferred taxation	(15)	24	(23)	37
Capitalization, less disposals and amortization of interest	1	2	2	3
Pension expense	(16)	(52)	(25)	(81)
Post-retirement benefits	2	3	3	5
Purchase accounting adjustments, including goodwill and intangibles : amortization	(35)	(38)	(54)	(59)
sale or closure of operations	73	9	113	14
Restructuring costs	14	-	21	-
Unrealized gains (losses) on foreign exchange	5	(12)	8	(19)
	-29-	(64)	45	(100)
Net income in accordance with US GAAP	365	379	566	587
Net income (US GAAP) per Ordinary Share	38.6p	40.1p	+\$1.79	+\$1.86
Dividends per 25p Ordinary Share	31.0p	28.5p	+\$1.80	+\$1.66

+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 31.0 pence per Ordinary Share would represent \$1.80 per ADS using the conversion rate of £1 = \$1.55. The UK tax credit of 20/80ths is based on the lower rate of income tax prevailing in the UK on 6 March 1996, the date on which the Zeneca Group audited financial statements were signed.

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SUMMARISED CONSOLIDATED BALANCE SHEET	At 31 December			
	1995 £m	1994 £m	1995 \$m	1994 \$m
UK Basis				
Assets				
Current assets				
Cash and marketable securities	792	735	1,228	1,139
Receivables	1,505	1,398	2,332	2,167
Inventories	851	776	1,319	1,203
Total current assets	3,148	2,909	4,879	4,509
Other assets: non-current investments	40	39	62	61
Property, plant and equipment (net of depreciation)	1,905	1,733	2,953	2,686
Total assets	5,093	4,681	7,894	7,256
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	1,758	1,676	2,724	2,598
Short-term debt	241	208	374	322
Long-term debt due within one year	25	12	39	19
Total current liabilities	2,024	1,896	3,137	2,939
Long-term debt not due within one year	536	520	831	806
Other liabilities and deferred income	568	522	880	809
Minority interests	104	58	161	90
Shareholders' equity	1,861	1,685	2,885	2,612
Issued Shares	237	236	367	366
Premiums paid in excess of par value	7	4	11	6
Merger reserve	285	285	442	442
Income retained and other reserves	1,332	1,160	2,065	1,798
Total liabilities and shareholders' equity (UK basis)	5,093	4,681	7,894	7,256
Total shareholders' equity (UK basis)	1,861	1,685	2,885	2,612
Adjustments to conform to US GAAP				
Capitalization, less disposals and amortization of interest	106	105	164	163
Dividends	187	168	290	260
Deferred taxation	(27)	3	(42)	5
Pension expense	(109)	(85)	(169)	(132)
Post-retirement benefits	(35)	(37)	(54)	(57)
Purchase accounting adjustments, including goodwill and intangibles	627	670	972	1,038
Restructuring costs	14	—	22	—
Unrealized gains (losses) on foreign exchange	—	(5)	—	(8)
	763	819	1,183	1,269
Shareholders' equity in accordance with US GAAP	2,624	2,504	4,068	3,881

Zeneca acquired a 50 per cent shareholding in Salick Health Care, Inc. ('SHC') on 13 April 1995 with a Call option to purchase the remaining 50 per cent shareholding, exercisable within a four year period. By virtue of the Call option, SHC has been regarded as a subsidiary of Zeneca and its results have been consolidated into the Group results, with a 50 per cent minority interest allowed for. Under US GAAP the investment in SHC could be treated as an equity accounted investment. The difference in treatment would have no effect on net income or shareholders' equity.

Shareholder information

Shareholders

Percentage analysis at 31 December of issued share capital

<i>By fund type</i>	<i>1995</i>	<i>1994</i>	<i>By size of account No. of shares</i>	<i>1995</i>	<i>1994</i>
Managed pension funds	23.8	26.2	1 – 250	1.4	1.4
Self-administered pension funds	15.4	13.5	251 – 500	2.4	2.6
Insurance companies	12.9	13.9	501 – 1,000	3.5	3.9
Overseas institutions	12.6	11.3	1,001 – 5,000	5.4	5.8
Unit trusts	6.4	7.5	5,001 – 10,000	0.8	0.7
	71.1	72.4	10,001 – 50,000	2.8	2.7
Others	12.6	10.5	50,001 – 1,000,000	21.9	24.1
Holdings 50,000 shares or less	16.3	17.1	Over 1,000,000	61.8	58.8
Issued share capital	100.0	100.0		100.0	100.0

At 31 December 1995, Zeneca Group PLC had 247,817 registered holders of 946,649,172 Ordinary Shares of 25 pence each. In addition, there were approximately 10,000 holders of American Depositary Receipts representing 3.68 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 25 February 1996 (one month prior to the date of the Notice of Annual General Meeting) no person held a notifiable interest in 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 7 May 1996 (in the UK) and 14 May 1996 (in the US) is 26 March 1996. Shares will trade ex-dividend on the London Stock Exchange from 18 March 1996. ADRs will trade ex-dividend on the New York Stock Exchange from 22 March 1996. Future dividends will normally be paid as follows:

First interim Announced in early August and paid in November

Second interim Announced in early 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 1996, on 6 August 1996.

Capital gains tax base cost 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

The Zeneca Registrar
Lloyds Bank Registrars
The Causeway
Worthing
West Sussex BN99 6DA
Telephone (01903) 502541

Depositary for ADRs

Morgan Guaranty Trust Company of New York
60 Wall Street
New York
New York 10260
Telephone (212) 648 3208

Full Name: ATIC INDUSTRIES LIMITED Country of Incorporation: INDIA Country of Registration : N/A (UK Companies only)	Class of Capital ----- ORDINARY	Held by ----- Subsidiary(ies)	Held % ----- 50.00
Full Name: TEIJIN AGROCHEMICALS LTD Country of Incorporation: JAPAN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	50.00
Full Name: AGROPROGRESS Country of Incorporation: UKRAINE Country of Registration : N/A (UK Companies only)	'A' SHARES	Subsidiary(ies)	50.00
Full Name: GARST RESEARCH FARMS, INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	49.00
Full Name: AGROPLANT SES SAATZUCHT GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY A	Subsidiary(ies)	50.00
Full Name: MONTROSE CHEMICAL CORPORATION OF CALIFORNIA Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	NOMINATIVE NO PAR VALUE	Subsidiary(ies)	50.00
Full Name: CORPUS CHRISTI GLOBAL CHEMICALS COMPANY Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	PARTNERSHIP	Subsidiary(ies)	37.50

Zeneca Group PLC and subsidiary undertakings
 SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS
 (Companies Act 1985 - S231; Schedule 5 Part (I))
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Full Name: UNISIGMA G.I.E. DE RECHERCHE ET SELECTION Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	Class of Capital ORDINARY	Held by Subsidiary(ies)	Held % 46.00
Full Name: S.E.S. IBERICA S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY ORDINARY 10% PAID	Subsidiary(ies) Subsidiary(ies)	50.00 50.00
Full Name: IMAGE POLYMERS COMPANY Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	GENERAL PARTNERSHIP CAPITAL	Subsidiary(ies)	50.00
Full Name: COLOMBIANA DE COLINA LTDA Country of Incorporation: COLOMBIA Country of Registration : N/A (UK Companies only)	QUOTAS	Subsidiary(ies)	49.00
Full Name: BARCLAYS DE ZOETE WEDD SECURITIES (ASIA) LTD Country of Incorporation: HONG KONG Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	50.00
Full Name: HIFLON PLASTICOS AVANCADOS LTDA Country of Incorporation: BRAZIL Country of Registration : N/A (UK Companies only)	QUOTAS	Subsidiary(ies)	50.00
Full Name: CCM BIOSCIENCE SDN BHD Country of Incorporation: MALAYSIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	25.00

Zeneca Group PLC and subsidiary undertakings
 SHAREHOLDINGS IN ASSOCIATED UNDERTAKINGS
 (Companies Act 1985 - S231; Schedule 5 Part II)
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Full Name:	Class of Capital	Held by	Held %
SWAZILAND AGRICULTURAL SUPPLIES LTD	ORDINARY	Subsidiary(ies)	38.10
Country of Incorporation: SWAZILAND			
Country of Registration : N/A			
(UK Companies only)			
Full Name: I.C. INSURANCE SERVICES LIMITED	ORDINARY STOCK	Subsidiary(ies)	50.00
Country of Incorporation: UNITED KINGDOM			
Country of Registration : ENGLAND			
(UK Companies only)			
No of Companies listed: 16			

Full Name: N.V. BEDRIJVENCENTRUM TIENEN Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	Class of Capital ORDINARY	Held by Subsidiary(ies)	Held % 4.00
Full Name: ATUL PRODUCTS LIMITED Country of Incorporation: INDIA Country of Registration : N/A (UK Companies only)	EQUITY	Subsidiary(ies)	2.33
Full Name: UNITED INSURANCE COMPANY Country of Incorporation: CAYMAN ISLANDS Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	3.64
Full Name: OVERSEAS MEDICAL VENTURES NV-NETHERLANDS ANTILLES Country of Incorporation: NED. ANTILLES Country of Registration : N/A (UK Companies only)	PREFERENCE	Subsidiary(ies)	12.33
Full Name: TORTUGA CASUALTY COMPANY Country of Incorporation: CAYMAN ISLANDS Country of Registration : N/A (UK Companies only)	CLASS A COMMON NON-VOTING CLASS B VOTING REDEEMABLE PREFERENCE	Subsidiary(ies) Subsidiary(ies)	2.43 2.43
Full Name: N.V. INNOVATIE EN INCUBATIECENTRUM K.U. LEUVEN Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	'A' SHARES	Subsidiary(ies)	8.77
Full Name: MEDGENIX GROUP N.V. Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	3.00

Zeneca Group PLC and subsidiary undertakings
 OTHER SIGNIFICANT SHAREHOLDINGS
 (Companies Act 1985 - S231; Schedule 5 Part II)
 As at 31ST DECEMBER 1995

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Full Name: UKRAGROBUSINESS
 Country of Incorporation: UKRAINE
 Country of Registration : N/A
 (UK Companies only)
 Number of Companies listed 8

Class of Capital	Held by	Held %
ORDINARY	Subsidiary(ies)	17.50

ZENECA Group PLC

COMPANY NO: 2723534

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by	Held %
Full Name: ZENECA LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Zeneca Group PLC	100.00
Full Name: ZENCO (NO 5) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00
Full Name: ZENCO (NO 6) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00
Full Name: ZENCO (NO 7) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00
Full Name: ZENECA EMPLOYEE SHARE TRUST LTD Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA SHARE TRUST LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENCO (NO 4) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00

System Ref : CISR0162C

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by		Held %
			Subsidiary(ies)	
Full Name: ZENCO (NO 8) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY			0.00
Full Name: ZENCO (NO 9) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY		Subsidiary(ies)	0.00
Full Name: ZENCO (NO 10) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY		Subsidiary(ies)	0.00
Full Name: DTBA LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: IVEAGH TECHNOLOGY DEVELOPMENTS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: PLANT PROTECTION LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: MARLBOROUGH BIO-POLYMERS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00

System Ref : CISR0162C

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by	Held %
Full Name: AVLEX LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	CUM PREFERENCE 10% ORDINARY	Subsidiary(ies) Subsidiary(ies)	100.00 100.00
Full Name: STUART PHARMACEUTICALS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: IC INSURANCE LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY STOCK	Subsidiary(ies)	51.00
Full Name: CARE LABORATORIES LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: CARE PRODUCTS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENCO CFD LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: PLANT SCIENCE LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	DEFERRED ORDINARY	Subsidiary(ies) Subsidiary(ies)	100.00 100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by		Held %
			Subsidiary(ies)	
Full Name: STAHL GB LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY			100.00
Full Name: CAMBRIDGE RESEARCH BIOCHEMICALS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: DOCKING SEEDS PLC Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: PINNACLE SEEDS PLC Country of Incorporation: UNITED KINGDOM Country of Registration : SCOTLAND (UK Companies only)	ORDINARY STOCK PREFERENCE		Subsidiary(ies) Subsidiary(ies)	100.00 100.00
Full Name: DOCKING (R & D) LTD Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00
Full Name: PINNACLE (R & D) LTD Country of Incorporation: UNITED KINGDOM Country of Registration : SCOTLAND (UK Companies only)	ORDINARY PREFERENCE		Subsidiary(ies) Subsidiary(ies)	100.00 100.00
Full Name: STAHL AUSTRALIA PTY. LTD. Country of Incorporation: AUSTRALIA Country of Registration : N/A (UK Companies only)	ORDINARY		Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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Full Name: PACIFIC SEEDS PTY LTD Country of Incorporation: AUSTRALIA Country of Registration : N/A (UK Companies only)	Class of Capital	Held by	Held %
	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA CANADA INC. Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON NPV	Subsidiary(ies)	100.00
Full Name: ZENECA CORP. Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON NPV CLASS 'X' REDEEMABLE PREFERRED	Subsidiary(ies) Subsidiary(ies)	100.00 100.00
Full Name: STAHL CANADA LIMITED Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON NPV	Subsidiary(ies)	100.00
Full Name: ZENECA SPECIALTY INKS CORP Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA DELAWARE HOLDINGS INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ATKEMIX NINE INC Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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Full Name: ATKEMIX TEN INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	Class of Capital COMMON	Held by Subsidiary(ies)	Held % 100.00
Full Name: ATKEMIX TWELVE INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA INTERNATIONAL INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: GARST SEED COMPANY Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: STUART DISEASE MANAGEMENT SERVICES INC Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: STAUFFER MANAGEMENT COMPANY INC Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ATKEMIX THIRTY-SEVEN INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the
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Full Name:	Class of Capital	Held by	Held %
Full Name: STAUFFER CHEMICAL CO CANADA Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA REINSURANCE COMPANY LIMITED Country of Incorporation: CAYMAN ISLANDS Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	
Full Name: ACORGA LIMITED Country of Incorporation: BERMUDA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA FOREIGN SALES CORPORATION Country of Incorporation: BARBADOS Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ARBIL INTERNATIONAL INSURANCE LIMITED Country of Incorporation: CAYMAN ISLANDS Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	51.00
Full Name: ATKEMIX THIRTY-EIGHT INC Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDINGS FINANCIAL CORP. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the
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	Class of Capital	Held by	Held %
Full Name: CAMBRIDGE RESEARCH BIOCHEMICALS INCORPORATED Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON STOCK	Subsidiary(ies)	100.00
Full Name: ZENECA RESINS HOLDINGS INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDINGS INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA PHARMA INC Country of Incorporation: CANADA Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: CORPUS CHRISTI HOLDINGS INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA METALEX INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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Full Name: ACABADOS STAHL DE MEXICO, S.A. DE C.V. Country of Incorporation: MEXICO Country of Registration : N/A (UK Companies only)	Class of Capital ORDINARY	Held by Subsidiary(ies)	Held % 100.00
Full Name: STAHL DE MEXICO, S.A. DE C.V. Country of Incorporation: MEXICO Country of Registration : N/A (UK Companies only)	NO PAR VALUE : ORDINARY	Subsidiary(ies)	100.00
Full Name: ICI NICARAGUA, SOCIEDAD ANONIMA Country of Incorporation: NICARAGUA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA PHARMA INC. Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDING GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: SES DEUTSCHLAND GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by	Held %
	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA ITALIA SRL Country of Incorporation: ITALY Country of Registration : N/A (UK Companies only)			
Full Name: ZENECA GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: RHEIN-PHARMA ARZNEIMITTELWERK GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: ZENECA AS Country of Incorporation: DENMARK Country of Registration : N/A (UK Companies only)	'A' SHARES	Subsidiary(ies)	100.00
Full Name: ZENECA S.A. Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	ORDINARY A	Subsidiary(ies)	100.00
Full Name: ZENECA PHARMA Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA IRELAND LIMITED Country of Incorporation: REPUBLIC OF IRELAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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Full Name: ZENECA S.p.A. Country of Incorporation: ITALY Country of Registration : N/A (UK Companies only)	Class of Capital	Held by	Held %
	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA NV Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00
Full Name: SOPRA S.A. Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	ORDINARY STOCK	Subsidiary(ies)	100.00
Full Name: SOLPLANT S.p.A. Country of Incorporation: ITALY Country of Registration : N/A (UK Companies only)	ORDINARY A	Subsidiary(ies)	100.00
Full Name: STAHL INTERNATIONAL B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA OY Country of Incorporation: FINLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA A/S Country of Incorporation: NORWAY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by	Held %
Full Name: ZENECA AB Country of Incorporation: SWEDEN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA EPSILON B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: STAHL ITALIA SPA Country of Incorporation: ITALY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: STAHL (DEUTSCHLAND) GMBH Country of Incorporation: GERMANY Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: STAHL POLYVINYL INTERNATIONAL BV Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: STAHL HOLLAND B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: ZENECA RESINS B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY STOCK	Subsidiary(ies)	100.00

SHAREHOLDINGS IN SUBSIDIARY UNDERTAKINGS included in the consolidated accounts of Zeneca Group PLC and its subsidiary undertakings
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	Class of Capital	Held by	Held %
	SERIES A	Subsidiary(ies)	100.00
	SERIES B	Subsidiary(ies)	100.00
Full Name: STAHL IBERICA, S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA LAMBDA B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	PARTS SOCIALES	Subsidiary(ies)	100.00
Full Name: STAHL FRANCE SARL Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: S.A.P.S.A. - S.E.S. S.A. Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	75.00
Full Name: SOCIETE EUROPEENNE DE MAIS SA Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: SES-HOLLAND KWEKBEDRIJF EN ZAADHANDEL B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: S.E.S. FRANCE S.A. Country of Incorporation: FRANCE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

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Full Name: STUART PHARMA AB Country of Incorporation: SWEDEN Country of Registration : N/A (UK Companies only)	Class of Capital ORDINARY	Held by Subsidiary(ies)	Held % 100.00
Full Name: ZENECA FARMA S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDINGS B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA (CZ) S.R.O. Country of Incorporation: CZECH REPUBLIC Country of Registration : N/A (UK Companies only)	'A' SHARES	Subsidiary(ies)	100.00
Full Name: AO ZENECA Country of Incorporation: RUSSIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA OESTERREICH GmbH Country of Incorporation: AUSTRIA Country of Registration : N/A (UK Companies only)	CAPITAL STOCK	Subsidiary(ies)	100.00
Full Name: ZENECA - PRODUCTOS BIOCIENCIA, LDA Country of Incorporation: PORTUGAL Country of Registration : N/A (UK Companies only)	QUOTAS	Subsidiary(ies)	100.00

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	Class of Capital	Held by	Held %
	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: ZENECA AG Country of Incorporation: SWITZERLAND Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: STAHL CHEMICAL INDUSTRIES BV GMBH Country of Incorporation: AUSTRIA Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: STAUFFER CHEMICAL B.V. Country of Incorporation: HOLLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: SES EUROPE N.V./S.A. Country of Incorporation: BELGIUM Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA POLSKA SP. Z.O.O. Country of Incorporation: POLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA HUNGARY KFT Country of Incorporation: HUNGARY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA YUGOSLAVIA D.O.O. Country of Incorporation: YUGOSLAVIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

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	Class of Capital	Held by	Held %
Full Name: SES-BETA KFT Country of Incorporation: HUNGARY Country of Registration : N/A (UK Companies only)	QUOTAS	Subsidiary(ies)	52.40
Full Name: ZENECA SLOVAKIA s.r.o Country of Incorporation: SLOVAKIA Country of Registration : N/A (UK Companies only)	'A' SHARES	Subsidiary(ies)	100.00
Full Name: STAUFFER CHEMICAL (EUROPE) S.A. Country of Incorporation: SWITZERLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA COLOURS OY Country of Incorporation: FINLAND Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA HELLAS S.A. Country of Incorporation: GREECE Country of Registration : N/A (UK Companies only)	NOMINATIVE	Subsidiary(ies)	100.00
Full Name: ZENECA AGRO - PRODUTOS PARA E AGRICULTURA, Country of Incorporation: PORTUGAL Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDING SPAIN S A (SPAIN) Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

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Full Name: ZENECA AGRO, S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	Class of Capital	Held by	Held %
	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA SPECIALTIES S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: SES SEMILLAS, S.A. Country of Incorporation: SPAIN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA MEXICANA, S.A. DE C.V. Country of Incorporation: MEXICO Country of Registration : N/A (UK Companies only)	ORDINARY A ORDINARY CLASS I ORDINARY CLASS II	Subsidiary(ies) Subsidiary(ies) Subsidiary(ies)	100.00 100.00 100.00
Full Name: ZENECA FARMACEUTICA DO BRASIL LTDA Country of Incorporation: BRAZIL Country of Registration : N/A (UK Companies only)	QUOTAS	Subsidiary(ies)	100.00
Full Name: ZENECA URUGUAY S.A. Country of Incorporation: URUGUAY Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	100.00
Full Name: ZENECA PANAMERICANA, S.A. Country of Incorporation: GUATEMALA Country of Registration : N/A (UK Companies only)	COMMON	Subsidiary(ies)	100.00

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

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

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Full Name: PRODUCTOS STAHL DE COLOMBIA Country of Incorporation: COLOMBIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA S.A. Country of Incorporation: CHILE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA MEXICO, S.A. DE C.V. Country of Incorporation: MEXICO Country of Registration : N/A (UK Companies only)	ORDINARY CLASS I ORDINARY CLASS II	Subsidiary(ies) Subsidiary(ies)	100.00 100.00
Full Name: ZENECA ICI AGROCHEMICALS LIMITED Country of Incorporation: INDIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	51.00
Full Name: ZENECA CHINA LIMITED Country of Incorporation: HONG KONG Country of Registration : N/A (UK Companies only)	ORDINARY NON-VOTING DEFERRED SHARE	Subsidiary(ies) Subsidiary(ies)	99.00 99.00
Full Name: ICI ASIATIC (AGRICULTURE) COMPANY LIMITED Country of Incorporation: THAILAND Country of Registration : N/A (UK Companies only)	ORDINARY A ORDINARY B	Subsidiary(ies) Subsidiary(ies)	51.00 51.00
Full Name: STAHL ASIA PTE LTD Country of Incorporation: SINGAPORE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	80.00

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	Class of Capital	Held by	Held %
	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA TURKIYE LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)			
Full Name: PT.ZENECA PHARMA INDONESIA Country of Incorporation: INDONESIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	70.00
Full Name: PT ZENECA AGRI PRODUCTS INDONESIA Country of Incorporation: INDONESIA Country of Registration : N/A (UK Companies only)	ORDINARY STOCK 'A'	Subsidiary(ies)	70.00
Full Name: ZENECA K.K. Country of Incorporation: JAPAN Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: PACIFIC SEEDS (THAI) LTD Country of Incorporation: THAILAND Country of Registration : N/A (UK Companies only)	ORDINARY 25% PAID	Subsidiary(ies)	75.00
Full Name: ZENECA ABDI IBRAHIM ILAC SANAYI VE TICARET A.S. Country of Incorporation: TURKEY Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	70.00
Full Name: ZENECA RESINS PTE LTD Country of Incorporation: SINGAPORE Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

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	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA PHARMA (SINGAPORE) PTE LIMITED Country of Incorporation: SINGAPORE Country of Registration : N/A (UK Companies only)			
Full Name: PT ZENECA COLOURS INDONESIA Country of Incorporation: INDONESIA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	0.00
Full Name: ZENECA SOUTH AFRICA (PTY) LTD Country of Incorporation: SOUTH AFRICA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ICI SOUTH AFRICA PHARMACEUTICALS (PROPRIETARY) Country of Incorporation: SOUTH AFRICA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA MALAWI LIMITED Country of Incorporation: MALAWI Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA AGROCHEMICALS SA (PTY) LIMITED Country of Incorporation: SOUTH AFRICA Country of Registration : N/A (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: MAGADI SODA (1975) LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00

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

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

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Full Name: ZENECA NOMINEES LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	Class of Capital ORDINARY	Held by Subsidiary(ies)	Held % 100.00
Full Name: ZENECA WILMINGTON INC Country of Incorporation: U.S.A. Country of Registration : N/A (UK Companies only)	COMMON	Zeneca Group PLC	100.00
Full Name: ZENECA FINANCE (NETHERLANDS) COMPANY Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA FINANCE LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : ENGLAND (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA HOLDINGS LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Full Name: ZENECA BIOSCIENCE LIMITED Country of Incorporation: UNITED KINGDOM Country of Registration : UK (UK Companies only)	ORDINARY	Subsidiary(ies)	100.00
Number of Companies listed 174			