

ZENECA Group PLC
COMPANY NO: 2723534

To Be Filled In
By the Company
on 31 December 1993

ZENECA Group PLC

Group Accounts

For the year ended 31 December 1993

ZENECA



AJX3G2YV

[A02] RECEIPT DATE: 15/07/94

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 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 34 to 63.

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 1993 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London
3 March 1994

KPMG Peat Marwick
KPMG Peat Marwick
Chartered Accountants
Registered Auditors

Accounts

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Group profit and loss account

For the year ended 31 December

	Notes	1993 £m	1992 £m
Turnover		4,440	3,979
Operating costs			
Ongoing	3	(3,831)	(3,445)
Exceptional	4	—	(304)
	3	(3,831)	(3,749)
Other operating income	3	104	53
Trading Profit		713	283
Share of profits less losses of associated undertakings	6	2	7
Profits less losses on sale or closure of operations	4	15	16
Provisions for costs of reorganisation	4	—	(52)
Profit on ordinary activities before interest		730	254
Net interest payable	7	(88)	(152)
Profit on ordinary activities before taxation		642	102
Taxation	8	(189)	(10)
Profit on ordinary activities after taxation		453	92
Attributable to minorities		(13)	(12)
Net profit for the financial year		440	80
Pre-demerger dividend to ICI		(70)	—
Dividends to Shareholders	9	(260)	—
Profit retained for the year		110	80
Earnings per 25p Ordinary Share before exceptional items (pence)	10	50.0p	46.0p
Earnings per 25p Ordinary Share (pence)	10	51.7p	10.8p
Weighted average number of Ordinary Shares in issue	10	850	743

Statement of total recognised gains and losses

For the year ended 31 December

		1993 £m	1992 £m
Net profit for the financial year		440	80
Foreign currency translation differences and recognised exchange gains and losses (net)	23	(35)	93
Total recognised gains and losses relating to the year		405	173

£m means millions of pounds sterling

Balance sheets

As at 31 December	Notes	Group		Company	
		1993 £m	1992 £m	1993 £m	1992 £m
Fixed assets					
Tangible fixed assets	12	1,684	1,559	-	-
Investments in subsidiary undertakings	13			180	-
Investments in participating interests	14	26	33	-	-
		1,710	1,592	180	-
Current assets					
Stocks	15	776	836	-	-
Debtors	16	1,427	1,234	1,483	-
Short-term investments	17	925	315	401	-
Cash	17	124	103	-	-
		3,252	2,488	1,884	-
Total assets		4,962	4,080	2,064	-
Creditors due within one year					
Short-term borrowings	18	(101)	(149)	-	-
Current instalments of loans	20	(5)	(11)	-	-
Other creditors	19	(1,622)	(1,236)	(162)	-
Amounts due to the ICI Group	20	(575)	(1,064)	-	-
Amounts due to the ICI Group capitalized pre-demerger	2/20/23	-	(157)	-	-
		(2,303)	(2,617)	(162)	-
Net current assets		949	(129)	1,722	-
Total assets less current liabilities		2,659	1,463	1,902	-
Creditors due after more than one year					
Loans	20	(556)	(36)	-	-
Other creditors	19	(31)	(37)	(399)	-
Amounts due to the ICI Group	20	-	(859)	-	-
		(587)	(932)	(399)	-
Provisions for liabilities and charges	21	(398)	(419)	-	-
Net assets		1,674	112	1,503	-
Capital and reserves					
Called-up share capital	22	236	180	236	-
Share premium account	23	1	-	1	-
Merger reserve	23	235	128	-	-
Other reserves	23	170	(1,080)	1,255	-
Profit and loss account	23	910	827	11	-
Shareholders' funds - equity interests	24	1,602	55	1,503	-
Minority equity interests		72	57	-	-
Shareholders' funds and minority interests		1,674	112	1,503	-

The accounts on pages 34 to 63 were approved by the Board of Directors on 3 March 1994 and were signed on its behalf by:

Denis H. Henderson
J.C. Mayo

Sir Denys Henderson Director
J.C. Mayo Director

Statement of Group cash flow

For the year ended 31 December

	Notes	1992 £m	1991 £m
Cash inflow from operating activities			
Net cash inflow from trading operations	25	974	716
Outflow related to exceptional items	26	(141)	(34)
Net cash inflow from operating activities		833	682
Returns on investments and servicing of finance			
Interest and dividends received	27	83	40
Interest paid		(78)	(38)
Interest paid to the ICI Group		(59)	(20)
Distributions and transfers to the ICI Group		(75)	(421)
Dividends paid to Shareholders	9	(99)	—
Dividends paid by subsidiary undertakings to minority interests		(12)	(33)
Net cash outflow from returns on investments and servicing of finance		(240)	(472)
Tax paid		(116)	(74)
Net cash inflow before investing and financing		477	136
Investing activities			
Cash expenditure on tangible fixed assets	12	(313)	(268)
Acquisitions and new fixed asset investments	28	(17)	(2)
Disposals	29	74	104
Purchase of short-term investments and deposits	30	(267)	(219)
Sale of short-term investments and deposits	30	260	209
Net cash outflow from investing activities		(263)	(176)
Net cash inflow (outflow) before financing		214	(40)
Financing			
Issue of ZENECA Group PLC Ordinary Shares	31	1,351	—
Costs of rights issue	31	(39)	—
Net increase (decrease) in loans	31	512	(69)
Costs of loan issues	31	(7)	—
Net decrease in lease finance	31	(3)	(2)
Net increase (decrease) in short-term borrowings	31	4	(3)
Net (decrease) increase in debt to the ICI Group	31	(1,364)	134
Net cash inflow from financing		454	60
Increase in cash and cash equivalents	32	668	20

Accounting policies

Basis of Accounting

The accounts are prepared under the historical cost convention and 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.

Associated Undertakings

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.

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 20 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.

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

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. UK Accounting Standards require that purchased goodwill be eliminated either upon acquisition against reserves or by amortisation 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.

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.

Pension Costs

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.

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, 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. Revenue is recognised at the point at which title passes.

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 179 at 31 December 1993. Owing to local conditions and to avoid undue delay in the presentation of the Group accounts, 3 subsidiaries made up accounts to 30 September.

2 BASIS OF CONSOLIDATION AND PRESENTATION OF FINANCIAL INFORMATION

In accordance with an agreement dated 12 May 1993 providing for the demerger of the bioscience interests of Imperial Chemical Industries PLC ("ICI") and its subsidiaries, ICI transferred its shares in its wholly-owned subsidiary ZENECA Limited to the Company. The consideration for this transfer was satisfied by the issue to ICI shareholders of one Ordinary Share of 25 pence in the Company, credited as fully paid, for each Ordinary Share in ICI held on 1 June 1993.

The transfer of ZENECA Limited to the Company has been accounted for in accordance with the principles of merger accounting set out in Statement of Standard Accounting Practice No.23 (SSAP23) and Schedule 4(A) to the Companies Act 1985. The financial statements are therefore presented as if ZENECA Limited and its subsidiaries had been owned and controlled by the Company throughout.

ZENECA Limited was created through an internal reorganisation within ICI which resulted in the transfer to it of ICI's bioscience activities with effect from 1 January 1993. The bioscience interests included both subsidiaries, some of which were themselves subject to reorganisation prior to transfer, and certain unincorporated business activities of ICI. These transactions have also been accounted for in these group accounts using the principles of merger accounting as if ZENECA Limited had been in existence throughout. This is not in accordance with SSAP23 and Schedule 4(A) to the Companies Act 1985 as the transfer of the unincorporated business activities and the reorganisation of certain subsidiaries prior to their transfer to ZENECA Limited do not meet all the conditions laid down for merger accounting.

The directors consider that to apply acquisition accounting to any part of the reorganisation of the Zeneca businesses, with consequent adjustments to the fair values of the related assets and liabilities and the reflection of post reorganisation results only within Zeneca Group PLC's accounts, would fail to give a true and fair view of the Group's state of affairs and results for the shareholders since they have had a continuing interest in the Zeneca businesses both before and after the demerger. Due to the number and complexity of transactions involved, it is not practicable to quantify the effect of this departure.

The net assets, merger reserve, other reserves and amounts due to the ICI Group included in the Zeneca Group balance sheet at 31 December 1992 differ from those included in the Listing Particulars issued on 12 May 1993 by an amount of £157m. This amount was repaid to ICI by capitalizing the debt and ZENECA Limited issuing £157m of shares to the ICI Group on 14 April 1993. In the Listing Particulars this was treated as a 1992 transaction so that the Listing Particulars reflected the capital structure of the Group at the time of flotation; in these statutory accounts this transaction has been recorded on the date it occurred.

In the Company's financial statements the investment in ZENECA Limited is stated at the nominal value of shares issued. As permitted by Sections 131 and 133 of the Companies Act 1985, no premium has been recorded on the ordinary shares issued in connection with this acquisition. On consolidation the difference between the nominal value of the shares issued and received has been credited to a merger reserve.

The Group has changed the presentation adopted in the Listing Particulars in relation to its insurance activities whereby insurance liabilities and reinsurance recoveries are no longer netted, but are shown gross in the Group consolidated balance sheet. This has had the effect of increasing both liabilities and assets by £88m at 31 December 1993 and £73m at 31 December 1992.

Notes relating to the accounts

3 TRADING PROFIT

	1993	1992
	£m	£m
Turnover	4,440	3,979
Operating costs		
Cost of sales	(1,885)	(1,621)
Distribution costs	(160)	(156)
Research and development	(490)	(446)
Technical service	(29)	(23)
Administrative and other expenses	(1,267)	(1,394)
Exceptional provisions for environmental liabilities*	-	(109)
	(3,831)	(3,749)
Other operating income		
Government grants	2	2
Royalties	45	37
Other income	57	14
	104	53
Trading profit	713	283
Charge for depreciation included above	172	164
Gross profit, as defined by the Companies Act 1985	2,555	2,358

* Environmental provisions would be classified as administrative and other expenses.

4 EXCEPTIONAL ITEMS

Owing to the material impact that exceptional items had on the reported results for 1992, these items have been disclosed in detail so that their overall effect may be better appreciated.

	1993	1992
	£m	£m
Charged in arriving at trading profit		
Provisions for business rationalisation, charged to		
Cost of sales	-	(4)
Distribution costs	-	(1)
Research and development	-	(12)
Administrative and other expenses	-	(178)
	-	(195)
Provisions for environmental liabilities	-	(109)
	-	(304)
Profits less losses on sale or closure of operations and related provisions		
Profits	20	55
Losses/provisions	(5)	(39)
	15	16
Provisions for costs of reorganisation in preparation for demerger, including professional fees, product registration and labelling costs	-	(52)
Exceptional items within profit on ordinary activities before taxation	15	(340)
Exceptional tax credits (see Note 8)	-	78
	15	(262)

5 NOTE OF HISTORICAL COST PROFITS AND LOSSES

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

6 SHARE OF PROFITS LESS LOSSES OF ASSOCIATED UNDERTAKINGS

	1993	1992
	£m	£m
Share of profits less losses before tax	2	4
Gains less losses on disposals of investments	—	3
	2	7

7 NET INTEREST PAYABLE

	1993	1992
	£m	£m
Interest payable and similar charges		
Loan interest*	21	6
Interest on short-term borrowings and other financing costs	30	25
	51	31
Interest receivable and similar income from current asset investments		
Listed redeemable securities	(15)	(7)
Short-term deposits	(34)	(28)
	(49)	(35)
Net interest payable to the ICI Group	86	156
Net interest payable	88	152

* Loan interest includes £12m (1992 £2m) on loans not wholly repayable within 5 years.

Notes relating to the accounts

8 TAXATION

	1993 £m	1992 £m
Zeneca Group PLC and subsidiary undertakings		
UK taxation		
Corporation tax	150	99
Double taxation relief	(64)	(68)
Deferred taxation	42	(56)
	128	(25)
Overseas taxation		
Overseas taxes	56	93
Deferred taxation	4	(59)
	60	34
Associated undertakings	1	1
Tax on profit on ordinary activities	189	10
UK and overseas taxation has been provided on the profits earned for the periods covered by the Group accounts. UK corporation tax has been provided at the rate of 33 per cent (1992 33 per cent).		
Exceptional items included in tax on ordinary activities		
Tax costs of reorganisation in preparation for demerger	–	13
Tax relief on exceptional items*	–	(91)
Total exceptional tax	–	(78)
* Including deferred tax relief of £nil (1992 £88m).		
Analysis of deferred taxation charge		
The components of the timing differences giving rise to the total UK and overseas deferred taxation charge (credit) is analysed as follows:		
Reorganisation and rationalisation provisions	15	(30)
Environmental and other provisions	3	(43)
Unrealised profits on a non-recurring intercompany stock transfer	26	(26)
Other items	2	(16)
	46	(115)
Deferred taxation asset movement		
At beginning of year	87	(10)
Profit and loss account	(46)	115
Net amounts paid or becoming current	1	(22)
Other movements	7	4
At end of year	49	87

8 TAXATION (continued)

Deferred taxation

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

	Group		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Accounted for at 31 December				
Timing differences on UK capital allowances and depreciation	—	—	—	—
Exceptional items and miscellaneous timing differences	49	87	—	—
ACT recoverable (see Note 16)	56	—	—	—
	105	87	—	—
Not accounted for at 31 December				
UK capital allowances utilised in excess of depreciation	(150)	(118)	—	—
Exceptional items and miscellaneous timing differences	108	91	—	—
	(42)	(17)	—	—
Full potential deferred taxation asset	63	70	—	—

No deferred tax has been provided for in relation to UK pension costs.

9 DIVIDENDS

	1993 Pence per 25p Share	1993 £m
Interim, paid 8 November 1993	10.5p	99
Second interim, to be confirmed as final, payable 5 May 1994	17.0p	161
	27.5p	260

ZENECA Limited declared and paid a dividend to ICI of £70 million (net of tax credit) on 27 May 1993. Prior to demerger the businesses comprising Zeneca were owned directly by ICI and appropriations of cash and other assets were treated as a diminution in net assets as the businesses were not incorporated.

10 EARNINGS PER 25p ORDINARY SHARE

	1993	1992
Net profit for the financial year before exceptional items (£m)	425	342
Exceptional items after tax and minorities (£m) (see Note 4)	15	(262)
Net profit for the financial year (£m)	440	80
Ordinary Shares (millions)	850	743
Earnings per Ordinary Share before exceptional items	50.0p	46.0p
Earnings (loss) per Ordinary Share on exceptional items	1.7p	(35.2)p
Earnings per Ordinary Share	51.7p	10.8p

The earnings per Ordinary Share for the year ended 31 December 1992 are calculated on the basis of 720 million Ordinary Shares issued by the Company on demerger, adjusted to 743 million to give effect to the bonus element of the rights issue. The calculation of 850 million Ordinary Shares for the year ended 31 December 1993 is the weighted average of the above adjusted demerger shares, the 225 million Ordinary Shares issued in connection with the rights issue in June, and Ordinary Shares issued since demerger.

The effect on earnings per 25p Ordinary Share of the issue of shares under option (see Note 22) would not be material. Earnings per Ordinary Share before exceptional items has been calculated to show the impact of exceptional items on the results, as such items can have a distorting effect on earnings from year to year and therefore warrant separate consideration.

Notes relating to the accounts

11 SEGMENT INFORMATION

Classes of Business

	Turnover		Profit		
	1993	1992	1993	1992	1992*
	£m	£m	£m	£m	£m
Pharmaceuticals	1,371	1,607	589	437	488
Agrochemicals	1,467	1,283	86	39	85
Specialties	1,027	936	50	(17)	26
Trading and Miscellaneous	75	148	(12)	(67)	(12)
	4,440	3,979			
Exceptional provisions for environmental liabilities			—	(109)	
			713	283	587
Share of profits less losses of associated undertakings			2	7	7
Profits less losses on sale or closure of operations			15	16	
Provisions for costs of reorganisation			—	(52)	
Net interest payable			(88)	(152)	(152)
Profit before taxation			642	102	442

* Before exceptional items

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

The profit on ordinary activities before taxation includes £31m (1992 £27m) relating to the Group's 51 per cent owned insurance subsidiaries, £12m (1992 nil) is included in trading profit and classified as Trading and Miscellaneous and £19m (1992 £27m) is included in net interest receivable.

Profits less losses on sale or closure of operations in 1993 related to Pharmaceuticals £17m profit (1992 £55m profit), Agrochemicals £nil (1992 £16m loss), Specialties £4m loss (1992 £23m loss) and Trading and Miscellaneous £2m profit (1992 nil).

The exceptional environmental provisions are largely associated with former plant sites, and third party sites, not related to current business operations. Provisions for the cost of reorganisation in 1992 are not attributable to classes of business.

	Capital expenditure		Depreciation		Net assets	
	1993	1992	1993	1992	1993	1992
	£m	£m	£m	£m	£m	£m
Pharmaceuticals	128	121	70	63	960	861
Agrochemicals and Seeds	77	64	54	60	889	952
Specialties	91	69	38	48	665	567
Trading and Miscellaneous	19	14	10	10	(77)	(96)
	315	268	172	181		
Net operating assets					2,437	2,284
Amounts due to the ICI Group					(575)	(2,080)
Net non-operating assets					(188)	(92)
					1,674	112

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

11 SEGMENT INFORMATION (continued)

Geographic areas

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

	Net operating assets		Turnover		Profit		
	1993	1992	1993	1992	1993	1992	1992*
	£m	£m	£m	£m	£m	£m	£m
United Kingdom							
Sales in the United Kingdom			313	302			
Export sales			1,675	1,403			
	1,009	850	1,988	1,705	334	126	203
Continental Europe	418	560	1,287	1,326	97	104	119
The Americas	696	652	2,038	1,687	233	135	238
Asia Pacific	227	162	524	394	44	31	31
Other countries	87	60	68	72	5	(8)	(8)
	2,437	2,284	5,905	5,184	713	388	583
Inter-area eliminations			(1,465)	(1,205)	—	4	4
Exceptional provisions for environmental liabilities					—	(109)	—
	2,437	2,284	4,440	3,979	713	283	587
Share of profits less losses of associated undertakings					2	7	7
Profits less losses on sale or closure of operations					15	16	
Provisions for costs of reorganisation					—	(52)	
Net interest payable					(88)	(152)	(152)
Profit before taxation					642	102	442

* Before exceptional items

Inter-area turnover shown above includes sales from the UK to overseas subsidiaries of £1,231m (1992 £1,032m). Profits less losses on sale or closure of operations in 1993 arose in the United Kingdom £12m profit (1992 £41m profit), Continental Europe £9m profit (1992 £16m loss) and The Americas £6m loss (1992 £9m loss).

Exceptional provisions for environmental liabilities are related principally to sites in The Americas.

Geographic markets	1993	1992
	£m	£m
Turnover in each geographic market in which customers are located		
United Kingdom	322	312
Continental Europe	1,301	1,315
The Americas	1,966	1,645
Asia Pacific	665	526
Other countries	186	181
Total turnover	4,440	3,979

Employees	1993	1992
Average number of people employed by Zeneca in		
United Kingdom	12,800	13,600
Continental Europe	6,400	6,900
The Americas	10,700	11,000
Asia Pacific	1,800	1,700
Other countries	600	700
Total employees	32,300	33,900

The number of people employed by Zeneca at the end of 1993 was 30,900 (1992 33,300).

Notes relating to the accounts

12 TANGIBLE FIXED ASSETS

GROUP	Land and buildings £m	Plant and equipment £m	Capital expenditure and assets in course of construction £m	Total £m
Cost				
At beginning of year	725	1,733	256	2,714
Exchange adjustments	3	1	(2)	2
New subsidiary undertakings	1	2		3
Capital expenditure	—	—	315	315
Transfer of assets into use	56	273	(329)	—
Disposals and other movements	(16)	(79)	3	(92)
At end of year	769	1,930	243	2,942
Depreciation				
At beginning of year	195	960		1,155
Exchange adjustments	—	1		1
Disposals and other movements	(5)	(65)		(70)
Charge for year	30	142		172
At end of year	220	1,038		1,258
Net book value at 31 December 1993	549	892	243	1,684
Net book value at 31 December 1992	530	773	256	1,559

Capital expenditure in the year of £315m includes capitalized finance leases of £2m; cash expenditure on tangible fixed assets was £313m. The value of non-depreciated assets, comprising principally land, was £70m.

The net book value of the tangible fixed assets of the Group at 31 December 1993 includes capitalized finance leases of £12m comprising cost of £19m and accumulated depreciation thereon of £7m. The depreciation charge for the year in respect of capitalized leases was £1m and finance charges £1m.

	Group	
	1993 £m	1992 £m
The net book value of land and buildings comprised		
Freeholds	539	518
Long leases (over 50 years unexpired)	7	9
Short leases	3	3
	549	530

13 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

COMPANY	Shares £m	Loans £m	Total £m
Cost	-	-	-
At beginning of year	180	-	180
Arising on demerger	-	-	-
Balance sheet value at 31 December 1993	180	-	180

None of the investments are listed.

Information on principal subsidiary undertakings is given on page 63.

14 INVESTMENTS IN PARTICIPATING INTERESTS

GROUP	Associated undertakings £m	Other participating interests £m	Total £m
Cost	4	11	15
At beginning of year	1	(1)	-
Additions (Disposals)	5	-	5
Other movements	-	-	-
At end of year	10	10	20
Share of post-acquisition reserves less losses	21	-	21
At beginning of year	(12)	-	(12)
Retained profits less losses	1	-	1
Other movements	-	-	-
At end of year	10	-	10
Provisions	-	(3)	(3)
At beginning of year	-	(1)	(1)
Additions	-	-	-
At end of year	-	(4)	(4)
Net book value at 31 December 1993	20	6	26
Net book value at 31 December 1992	25	8	33

None of the investments are listed.

Notes relating to the accounts

15 STOCKS

	Group	
	1993	1992
	£m	£m
Raw materials and consumables	233	228
Stocks in process	267	257
Finished goods and goods for resale	276	351
	776	836

16 DEBTORS

	Group		Company	
	1993	1992	1993	1992
	£m	£m	£m	£m
Amounts due within one year	956	858	-	-
Trade debtors			1,481	-
Amounts owed by subsidiary undertakings	49	87	-	-
Deferred taxation (see Note 8)	223	201	-	-
Other debtors	55	36	2	-
Prepayments and accrued income*	1,283	1,182	1,483	-
Amounts due after more than one year	44	26	-	-
Other debtors	56	-	-	-
ACT recoverable	44	26	-	-
Prepayments and accrued income*	144	52	-	-
	1,427	1,234	1,483	-

* Group figures include prepaid pension costs (Note 38).

Included in debtors are amounts totalling £88m (1992 £73m) in respect of the Group's 51 per cent owned insurance subsidiaries relating to monies expected to be received from reinsurance companies to meet part of the insurance obligations included in other creditors (Note 19). The 1992 figures reflect the Group's change in presentation to show gross insurance obligations that are covered by reinsurance contracts.

17 CASH AND SHORT-TERM INVESTMENTS

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Redeemable securities listed on The London Stock Exchange	95	80	—	—
Other listed investments	29	27	—	—
Total listed investments	124	107	—	—
Unlisted investments	1	4	—	—
	125	111	—	—
Short-term deposits	800	204	401	—
Cash	124	103	—	—
	1,049	418	401	—
Included in cash and cash equivalents (see Note 32)	914	305		
Market value of listed investments	124	107		

Included in cash and short-term investments are amounts totalling £305m (1992 £305m) held by the Group's 51 per cent owned insurance subsidiaries, of which £213m (1992 £210m) is required to meet insurance solvency requirements and which, as a result, is not readily available for the general purposes of the Group.

18 SHORT-TERM BORROWINGS

	Group	
	1993 £m	1992 £m
Bank borrowings		
Secured by floating charge	1	1
Unsecured	99	147
	100	148
Other borrowings (unsecured)	1	1
	101	149
Included in cash and cash equivalents (see Note 32)	96	149

Notes relating to the accounts

19 OTHER CREDITORS

	Group		Company	
	1993 £m	1992 £m	1993 £m	1992 £m
Amounts due within one year				
Trade creditors	423	350	—	—
Amounts owed to subsidiary undertakings			2	—
Corporate taxation	181	76	(1)	—
Value added and payroll taxes and social security	24	33	—	—
Obligations under finance leases	4	1	—	—
Other creditors*	540	541	—	—
Accruals	289	235	—	—
Dividends to Shareholders	161	—	161	—
	1,622	1,236	162	—
Amounts due after more than one year				
Amounts owed to subsidiary undertakings			399	—
Obligations under finance leases	5	9	—	—
Other creditors*	23	22	—	—
Grants not yet credited to income	3	6	—	—
	31	37	399	—

* Included in other creditors are amounts totalling £259m (1992 £223m) to meet the insurance obligations of the Group's 51 per cent owned insurance subsidiaries. The figures reflect the Group's change in presentation to show gross insurance obligations that are covered by reinsurance contracts of £88m (1992 £73m), with corresponding amounts included in debtors (Note 16). Other creditors also include costs charged as exceptional items (Note 4) and accrued pension costs (Note 38).

20 LOANS

	Group	
	1993 £m	1992 £m
Creditors due within one year		
Current instalment of loans	5	11
Amounts due to the ICI Group	575	1,064
Amounts due to the ICI Group capitalized pre-demerger	—	157
	580	1,232
Creditors due after more than one year		
Loans	556	36
Amounts due to the ICI Group	—	859
	556	895
	1,136	2,127

20 LOANS (continued)

		Group	
	Repayment dates	1993 £m	1992 £m
Secured loans			
US Dollars (5½ to 10¾%)	1994/2012	11	16
Other currencies	1994/1996	—	1
Total secured		11	17
Secured by fixed charge		11	16
Secured by floating charge		—	1
Unsecured loans			
Sterling			
Bank loan – variable rate	2002	50	—
US Dollars			
Bank loan – variable rate	1996/2001	54	—
6.30% Guaranteed Notes	2003	200	—
7% Guaranteed Debentures	2023	199	—
Others	1994/2013	7	2
		510	2
Other foreign currencies	1994/2000	40	28
		550	30
Amounts due to the ICI Group (see note below)		575	2,080
Total unsecured		1,125	2,110
Total loans		1,136	2,127

Loans from banks included in the table above amounted to £150m (1992 £29m) of which £1m (1992 £1m) was secured.

New borrowings during the year by subsidiary undertakings included US\$300m 6.30% Guaranteed Notes 2003, US\$300m 7% Guaranteed Debentures 2023 and two loans amounting to £104m novated from ICI: the proceeds of these were used to repay certain third party indebtedness of the Group including, on 14 January 1994, the remaining indebtedness owed to the ICI Group.

	Group	
	1993 £m	1992 £m
Loans or instalments thereof are repayable		
After 5 years from balance sheet date		
Lump sums	465	12
Instalments	29	4
	494	16
From 2 to 5 years	48	164
From 1 to 2 years	14	715
Total due after more than one year	556	895
Total due within one year	580	1,232
	1,136	2,127
Aggregate amount of loans repayable by instalments		
any of which fall due after 5 years	56	4

Notes relating to the accounts

21 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Employee benefits *	Reorganisation, environmental, and other provisions	Total
	£m	£m	£m
At beginning of year	142	277	419
Profit and loss account	41	20	61
Net amounts paid or becoming current	(48)	(53)	(101)
Other movements, including exchange	13	6	19
At end of year	148	250	398

* Includes provisions for unfunded pension costs (Note 38)

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

22 CALLED-UP SHARE CAPITAL OF PARENT COMPANY

	Authorized 1993	Allotted, called-up and fully paid 1993	1992
	£m	£m	£m
Ordinary Shares (25p each)	236	236	-
Unissued Ordinary Shares (25p each)	64		
	300	236	-

At 31 December 1992 the issued share capital of the Company comprised 2 Ordinary Shares of £1 each and the authorized share capital was 100,000 Ordinary Shares of £1 each. On 15 February 1993, 49,998 Ordinary Shares of £1 each were allotted by the Company to enable it to obtain a certificate to commence business under Section 117 Companies Act 1985. On 20 April 1993 the authorized share capital was increased to £300m and the authorized and issued share capital was sub-divided into Ordinary Shares of 25p each.

The number of Ordinary Shares issued during the year totalled 945,483,692, comprising issues in respect of demerger 720,002,296, rights issue 225,000,720 and the exercise of options 430,676.

The 225 million Zeneca rights shares issued by the Company on demerger were allotted on the basis of 5 Zeneca rights shares for every 16 Zeneca demerger shares, at a price of £6.00 per Zeneca rights share. Underwriting commissions and offering expenses associated with the rights issue amounted to £40 million. Share premium of £1,255m, net of costs written off, arose on the transaction.

At 31 December 1993 there were options outstanding in respect of 2,855,255 Ordinary Shares of 25p under the Company's Senior Staff Share Option Scheme (1992 nil) normally exercisable in the period 1994 to 2003 at subscription prices of £2.87 (1984 reference price) to £7.30 (1987 reference price). Options granted included "A" options. The Scheme rules enabled the Remuneration and Nomination Committee to have regard to a " " options under the ICI Senior Staff Share Option Schemes which had been renounced and to fix the price and exercise period of the "A" options by reference to such ICI options. The weighted average subscription price of options outstanding at 31 December 1993 was £5.67.

Options granted to directors are shown in Note 35.

During 1993 movements in the number of shares under option comprised new options issued 3,335,931, options exercised 480,676, and options lapsed or waived nil. At the end of 1993 there were 25,028,580 shares available for the granting of options.

23 RESERVES

GROUP	Share premium account £m	Merger reserve £m	Goodwill and other reserves £m	Profit and loss account £m	Associated under- takings £m	1993 Total £m	1992 Total £m
Reserves attributable to parent company							
At beginning of year	-	128	(1,101)	827	21	(125)	81
Profit retained for year				122	(12)	110	(299)
Amounts taken direct to reserves							
Share premiums	1,256					1,256	-
Goodwill (net)			11		-	11	-
Exchange adjustments			(4)	(31)	-	(35)	93
Capitalization of pre-demerger debt		157				157	-
Other movements				(8)	-	(8)	-
	1,256	157	7	(39)	-	1,381	93
Share premium transfer	(1,255)		1,255				
At end of year	1	285	161	910	9	1,366	(125)

In the Group accounts, £24m (1992 nil) of net exchange losses on foreign currency loans in 1993 have been offset in reserves against exchange gains on the net investment in overseas subsidiaries and associated undertakings.

The movement in goodwill includes £9m of goodwill written off on the acquisition of a new subsidiary and £20m relating to goodwill transferred to the profit and loss account on the disposal of subsidiaries.

The cumulative amount of goodwill resulting from acquisitions prior to 31 December 1993, net of goodwill attributable to subsidiary undertakings or businesses disposed of prior to 31 December 1993, amounted to £1,094m (1992 £1,101m) derived by calculating the amount of historic goodwill in the currency of acquisition, at year end rates of exchange.

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

In accordance with the special resolution passed by the Company on 20 April 1993, subsequently confirmed by court order, the share premium generated by the June rights issue of £1,255m was cancelled and transferred to a special reserve included below as "other" reserves in the Company's balance sheet. The special reserve is available for writing off goodwill arising on consolidation and, subject to guarantees given to preserve the rights of creditors as at the date of the court order, is available for distribution. In the Group balance sheet goodwill generated from the acquisition of various businesses which at 1 January 1993 amounted to £1,101m, at 1992 year end rates of exchange, has been offset against this reserve.

The movement of £157m on the merger reserve relates to the final Zeneca Limited capitalization step which arose on 14 April 1993. In the Listing Particulars this was treated as a 1992 transaction; in the statutory accounts this transaction has been recorded on the date it occurred (see Note 2).

COMPANY	Share premium account £m	Other £m	Profit and loss account £m	1993 Total £m	1992 Total £m
Reserves					
At beginning of year	-	-	-	-	-
Profit retained for year			11	11	-
Share premiums	1,256			1,256	-
Share premium transfer	(1,255)	1,255			
At end of year	1	1,255	11	1,267	-

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

Notes relating to the accounts

24 RECONCILIATION OF MOVEMENTS IN NET ASSETS/SHAREHOLDERS' FUNDS

	1993 £m	1992 £m
Net profit for the financial year	440	80
Dividends/distributions and transfers to the ICI Group	(330)	(379)
	110	(299)
Issues of Zeneca Ordinary Shares	1,312	-
Goodwill on acquisitions/disposals	11	-
Foreign currency translation differences and recognised exchange gains and losses (net)	(35)	93
Merger reserve on capitalization of debt	157	-
Other movements	(8)	-
Net addition to net assets/shareholders' funds	1,547	(206)
Net assets/shareholders' funds at beginning of year	55	261
Net assets/shareholders' funds at end of year	1,602	55

25 NET CASH INFLOW FROM TRADING OPERATIONS

	1993 £m	1992 £m
Trading profit	713	283
Exceptional items within trading profit	-	304
Trading profit before exceptional items	713	587
Depreciation	172	160
Stocks decrease (increase)	51	(34)
Debtors increase	(198)	(13)
Creditors increase	216	57
Other non-cash movements, including exchange	20	(41)
	974	716

26 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. The major part of the 1993 expenditure relates to provisions raised in 1992.

27 INTEREST AND DIVIDENDS RECEIVED

	1993 £m	1992 £m
Interest received	66	37
Dividends received from equity accounted associated undertakings	16	3
Other dividends received	1	-
	83	40

28 ACQUISITIONS AND NEW FIXED ASSET INVESTMENTS

	1993 £m	1992 £m
Acquisitions and new fixed asset investments		
Acquisitions of subsidiary undertakings involving		
Fixed assets	3	1
Current assets	16	2
Total liabilities	(10)	(1)
Net assets of subsidiary undertakings acquired	9	2
Goodwill	9	-
Fair value of consideration for subsidiary undertakings	18	2
Investment in equity accounted undertakings	4	-
	22	2
Consideration for acquisitions and new investments		
Cash and cash equivalents acquired	4	-
Deferred consideration and non-cash consideration	1	-
Net cash investment	17	2
	22	2

Fixed and current assets are adjusted to fair value on external valuations and internal reviews; provisions for closure are made where appropriate. The acquisition of 50% of the shareholding not already owned in Agrochemicals joint venture company, ICI-Zeltia, S.A. for a consideration of £17m was effected on 22 December 1993.

29 DISPOSALS

	1993 £m	1992 £m
Disposals in the year resulted in the following net asset movements		
Tangible fixed assets	31	31
Investments in participating interests	1	4
Other net current assets	16	20
Creditors due after more than one year	-	(4)
Provisions for liabilities and charges	(1)	(3)
Minority interests	-	2
	47	50
Goodwill	20	1
Profit and loss account - Ordinary activities	(3)	(2)
- Exceptional items	15	55
	79	104
Satisfied by		
Cash consideration	74	104
Other consideration	1	-
Deferred consideration	4	-
	79	104

The cash consideration for disposals in 1993 includes £58m (1992 £57m) with respect to items accounted for as exceptional items in the current and previous years. The cash consideration for disposals includes £nil (1992 £3m) relating to equity accounted participating interests. Apart from the disposal proceeds, the contribution of the divested businesses and subsidiary undertakings to the cash flows was not material.

30 SHORT-TERM INVESTMENTS AND DEPOSITS

Insurance liabilities within the Group's 51% owned insurance subsidiaries are actively matched by the purchase and sale of short-term investments and deposits.

Notes relating to the accounts

31 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 1992	180 ⁺	—	1,783	102	6	—	2,071
Exchange adjustments	—	—	71	18	3	—	92
New finance	—	—	134	12	—	2	148
Finance repaid	—	—	—	(81)	(2)	(5)	(88)
Non-cash movements [†]	—	—	92	—	—	—	92
Other movements	—	—	—	(4)	3	3	2
At beginning of 1993	180	—	2,080	47	10	—	2,317
Exchange adjustments	—	—	16	9	—	1	26
New finance	56	1,256	—	524	—	4	1,840
Finance repaid	—	—	(1,364)	(12)	(3)	—	(1,379)
Costs of loan issues	—	—	—	(7)	—	—	(7)
Other movements	—	(1,255) [*]	(157)	—	2	—	(1,410)
At 31 December 1993	236	1	575	561	9	5	1,387

[#] Amount of short-term borrowings repayable more than 3 months from date of advance.

⁺ Merger accounting for 720 million demerger shares at 25 pence each.

[†] Non-cash movements represent allocated interest from the ICI Group (net of tax relief) on the indebtedness assumed by Zeneca prior to demerger.

^{*} Share premium generated by the June 1993 rights issue has been transferred to a special reserve (see Note 23).

32 CASH AND CASH EQUIVALENTS

	1993 £m	1992 £m
Balance of cash and cash equivalents		
Cash	124	103
Investments and short-term deposits which were within 3 months of maturity when acquired	790	202
	914	305
Short-term borrowings repayable within 3 months from date of advance (see Note 18)	(96)	(149)
	818	156
Change in the balance of cash and cash equivalents		
At beginning of year	156	157
Exchange adjustments	(6)	(21)
Cash inflow for year	668	20
At end of year	818	156

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

Included in cash and cash equivalents are amounts totalling £171m (1992 £201m) held by the Group's 51 per cent owned insurance subsidiaries, of which £79m (1992 £106m) is required to meet insurance solvency requirements and which, as a result, are not readily available for the general purposes of the Group.

33 LEASES

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

	1993	1992
	£m	£m
Hire of plant and machinery	6	6
Other	29	26
	35	32

Commitments under leases to pay rentals during the years 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	1	1
Expiring in years 2 to 5	3	5
Expiring thereafter	4	2
	8	8

Other assets

Expiring within 1 year	4	3
Expiring in years 2 to 5	12	10
Expiring thereafter	—	1
	16	14

Obligations under finance leases comprise

Rentals due within 1 year	4	3
Rentals due in years 2 to 5	5	9
Rentals due thereafter	2	7
Less interest element	(2)	(9)
	9	10

Obligations under finance leases are included in other creditors (Note 19).

The Group had no commitments under finance leases at the balance sheet date which were due to commence thereafter.

34 EMPLOYEE COSTS

The average number of people employed by the Group in 1993 was 32,300 (1992 33,900) and the costs incurred during the year in respect of these employees were:

	1993	1992
	£m	£m
Salaries	820	768
Social security costs	104	93
Pension costs	85	75
Other employment costs	51	52
	1,060	988

Notes relating to the accounts

35 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The interests at 31 December 1993 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 the directors listed below were appointed during the year, and none held shares in the Company at the date of their appointment. In common with all other ICI shareholders shares in the Company were allotted to the directors on 1 June 1993 based on their ICI shareholdings at that date.

	<i>Allotted on demerger 1 June 1993</i>	<i>Total interest in Ordinary Shares at 31 December 1993</i>
J. D. F. Barnes	2,813	18,691
Lord Chilver	1,000	1,312
P. Doyle	3,386	8,444
Sir Richard Greenbury	500	500
Sir Denys Henderson	21,274	33,586
Miss G. M. Lewis	—	500
J. C. Mayo	—	20,000
Sir Jeremy Morse	1,819	2,387
A. I. H. Pink	430	1,564
A. T. G. Rodgers	600	1,787
T. H. Wyman	500	656

During the period 1 January 1994 to 3 March 1994 there was no change in the interests of directors shown in this note.

35 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

Options to subscribe for Ordinary Shares granted to and exercised by directors during 1993 are included in the table below:

	"A" Options granted*	Exercise price per share	Options granted	Exercise price per share	Last date exercisable	Options exercised	Total number of shares under option at 31 Dec 1993
J. D. F. Barnes	35,605	471p			01.04.96		
	27,767	485p			09.09.96		
	77,498	568p			28.03.99		
	28,596	526p			27.03.00		
	18,425	498p			23.06.00		
	6,626	664p			27.05.02		
			43,000	630p	23.06.03	nil	237,517
P. Doyle	24,012	471p			01.04.96		
	72,111	568p			28.03.99		
	23,200	588p			30.05.99		
	26,317	526p			27.03.00		
	16,148	498p	nil		23.06.00	nil	161,788
Sir Denys Henderson	40,469	471p			01.04.96		
	14,401	485p			09.09.96		
	17,812	730p			01.09.97		
	41,340	568p			28.03.99		
	18,539	588p			30.05.99		
	27,664	526p			27.03.00		
	20,081	498p			23.06.00		
	7,454	664p	nil		27.05.02	nil	187,760
J. C. Mayo	104,487	574p			23.06.00		
			24,200	630p	23.06.03	nil	128,687
A. I. H. Pink	34,727	568p			28.03.99		
	31,278	588p			30.05.99		
	24,663	620p			30.08.99		
	13,469	526p			27.03.00		
	12,421	498p			23.06.00		
	1,035	664p			27.05.02		
			21,300	630p	23.06.03	nil	138,893
A. T. G. Rodgers	5,387	485p			09.09.96		
	50,768	568p			28.03.99		
	19,057	588p			30.05.99		
	16,787	620p			30.08.99		
	5,215	526p			27.03.00		
	45,132	498p			23.06.00		
	414	664p			27.05.02		
			100	630p	23.06.03	nil	142,860

* Options granted under the Company's Senior Staff Share Option Scheme include "A" options. The Company has ensured that participants in the Scheme who were formerly members of the ICI Senior Staff Share Option Schemes will not enjoy any advantage or suffer any disadvantage as a result of the demerger.

Notes relating to the accounts

36 EMOLUMENTS OF DIRECTORS

The remuneration and bonuses of the executive directors are decided by the Remuneration and Nomination Committee comprised entirely of non-executive directors. The reward structure in 1993 included provision for a bonus related to the achievement of certain performance related profit and cash targets. Additionally in recognition of the contribution of executive directors in accomplishing the demerger from ICI special bonuses were paid.

The total emoluments of the directors of the Company for the period from their appointment in February 1993 to the end of the year are set out below. There were no emoluments paid to, or pension contributions paid in respect of, the directors for the year ended 31 December 1992.

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

Some directors were granted options to subscribe for Ordinary Shares under the Company's existing Senior Staff Share Option Scheme (Note 35). No director had a service contract with a notice period greater than three years.

From 1994 onwards the executive directors will be entitled to participate in a bonus scheme to be established by the Company with bonuses principally based initially on the performance of the Group against profit targets set each year by the Remuneration and Nomination Committee. As part of the policy of encouraging long term share ownership in the Company, 50% of the bonus will be taken in Ordinary Shares in the Company and the remainder may be taken in cash or shares. Bonus taken in shares will be matched by an equivalent contribution of shares by the Company and will be retained in the scheme for four years. In addition, Executive Directors may also be eligible to participate in a new share option scheme to be established by the Company, subject to shareholder approval at the Annual General Meeting on 6 May 1994 and to the approval of the Inland Revenue, under which they would be granted options to subscribe for Ordinary Shares in the Company. This will replace the existing Senior Staff Share Option Scheme; exercise of options under the new scheme will be subject however to the satisfaction of a performance condition by the Company.

The table which follows shows the number of directors of the Company whose emoluments excluding Company pension contributions during the period from appointment to the end of the year were within the bands stated.

Emoluments	Number
£15,001 - 20,000	4
£35,001 - 40,000	1
£230,001 - 235,000	2
£250,001 - 255,000	2
£320,001 - 325,000	1
£370,001 - 375,000	1

All of the directors whose emoluments are shown above were directors for part of the year only, i.e. from the dates of their appointment in February. £383,000 of the total emoluments shown above, including £114,000 in respect of emoluments of the Chairman and £104,000 in respect of the highest paid director have also been reported by ICI, in compliance with statutory reporting requirements.

37 COMMITMENTS AND CONTINGENT LIABILITIES

	Group	
	1993	1992
	£m	£m
Commitments for capital expenditure not provided for in these accounts (including acquisitions)		
Contracts placed for future expenditure	101	83
Expenditure authorized but not yet contracted	154	141
	255	224

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

At 31 December 1993, Zeneca had outstanding forward foreign exchange contracts to sell currency with nominal principal amounts of £442m (1992 £438m). The contracts were taken out with commercial banks for the purpose of hedging currency transaction exposures 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.

Zeneca has also entered into forward foreign exchange and currency option contracts to hedge anticipated, but not firmly committed, foreign currency transactions for 1994. The contracts were taken out with commercial banks. At 31 December 1993, Zeneca had outstanding forward foreign exchange contracts to sell currency with a notional principal value of £213m (1992 £66m) equivalent, and currency option contracts to sell with a notional principal value of £160m (1992 £394m) equivalent. Gains and losses on these foreign currency transactions are recognised in income in the same period as the hedged transaction.

At 31 December 1993, the Group had outstanding interest rate swaps with notional principal values of £242m (1992 £nil).

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 1993 in respect of such costs in accordance with the accounting policy on page 38. 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.

Zeneca is also involved in various other legal proceedings of a nature considered typical to its businesses, including litigation relating to product liability, infringements of intellectual property rights and validity of certain patents.

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 5,700 retired employees currently benefit from these provisions, and some 9,800 current employees will be eligible on retirement. The benefits are currently accounted for on a cash paid basis which resulted in an annual charge to profits of some £5m in 1993. In the UK a new accounting standard effective from 1 January 1994 requires the accrual of the present value of such retiree benefit obligations over the working life of the employee. This standard will be adopted in the UK accounts for the year ended 31 December 1994. It is estimated that the unprovided obligation for Zeneca at the end of 1993, calculated in accordance with the new standard, amounts to some £103m gross which will be charged directly to reserves in 1994. It is also estimated that, apart from accounting for this unprovided initial liability, the implementation of accrual accounting will reduce profit before tax by some £9m per annum.

Notes relating to the accounts

37 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

ICI and Zeneca have agreed, with effect from 1 January 1993, to indemnify each other, subject to certain limitations, against certain actual and contingent liabilities associated with the businesses allocated to them in connection with the reorganisation of the ICI Group that was undertaken in contemplation of the demerger. The broad principle underlying these indemnities is to ensure that legal effect is given to the principles upon which it was agreed that assets and liabilities should be divided between ICI and Zeneca. The arrangements cover a range of matters including liability for breach of warranties and indemnities relating to past disposals of businesses and companies, liabilities arising in respect of current and former employees, environmental liabilities, product liabilities, obligations arising under restrictive covenants, the allocation of liabilities and expenses arising from the restructuring and certain tax liabilities. No claims or payments have been made under these indemnities at the date of these accounts.

38 PENSION COSTS

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

In the UK, where the largest group of employees is located, pension provision is currently made through the participation of ZENECA Limited in the ICI Pension Fund. This position, which formed part of the arrangements for the demerger of Zeneca from the ICI Group, will continue until 31 March 1994. ZENECA Limited will establish a new pension fund, with effect from 1 April 1994, to take over from the ICI Fund the liabilities and the related fund assets of Zeneca's active members, and the deferred pensioners and pensioners whose last employment was with a Zeneca business. The Group pension statistics given below include the actuary's estimate of ZENECA Limited's share at 31 March 1993 of the ICI Pension Fund, applied to the ICI Pension Fund statistics at the time of the Fund's last triennial valuation at 1 April 1992. No interim review of the ICI Pension Fund was carried out in 1993, but a full actuarial review of the new Zeneca Pension Fund will take place as at 1 April 1994.

Some overseas pension schemes have also been split to take account of the demerger of Zeneca from ICI and again the statistics below refer to the proportion of the relevant schemes relating to Zeneca.

With regard to the main plans in which the Group participates, 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 9.1 per cent. The weighted average expected long-term rate of the return on investments was 9.3 per cent. The weighted average rate of increase of future earnings was 6.8 per cent. After allowing for future increases in earnings and pensions, 94 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, as they relate to Zeneca, and by the value of provisions set aside in subsidiary companies accounts at the same dates. The contribution rate paid by the Company to the major plan was increased in line with actuarial advice following the last formal review. The market value of the fund assets of the main plans, at the most recent valuation dates and as they relate to Zeneca, was £1,525m.

The total pension cost for the Group for 1993 was £85m (1992 £75m). In Zeneca's Group balance sheet at 31 December 1993, accrued pension costs amounted to £31m (1992 £23m) and are included in other creditors (Note 19); provisions for the benefit obligations of a small number of unfunded plans amounted to £101m (1992 £103m) and are included in provisions for employee benefits (Note 21). Prepaid pension costs amounting to £13m (1992 £14m) are included in debtors (Note 16).

39 STATUTORY AND OTHER INFORMATION

Included in debtors is an interest free loan of £37,000 to one officer of the Company. This loan is provided in accordance with the Company's policy of providing housing assistance to staff who have been transferred.

Prior to his appointment as a Director of the Company on 24 February 1993, Mr A. I. H. Pink was in receipt of interest free housing finance from the Company of £30,000 in connection with a Company initiated employment move. The loan which existed at 31 December 1992 was repaid in full by 31 March 1993.

Remuneration of auditors charged in the Group accounts for 1993 was £2.1m (1992 £1.8m); fees paid to the auditors of the parent Company for services other than statutory audit supplied to the Company and its UK subsidiaries in 1993 were £1.3m (1992 £1.9m), and to the rest of the Group worldwide were £0.6m (1992 £0.3m).

Principal subsidiary undertakings

<i>At 31 December 1993</i>	<i>Class of capital</i>	<i>Percentage of share capital held</i>	<i>Principal activity</i>
United Kingdom			
Zeneca Limited England	Ordinary	100	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds; merchandising of Zeneca products
IC Insurance Limited England	Ordinary	51#	Insurance and reinsurance underwriting
Continental Europe			
Zeneca Holding GmbH Germany	Ordinary	100#	Manufacture of pharmaceuticals, agrochemicals and specialty chemicals; merchandising of Zeneca products
Stauffer Chemical B.V. The Netherlands	Common	100#	Manufacture of agrochemicals
The Americas			
Zeneca Holdings Inc USA	Common	100#	Manufacture of pharmaceuticals, agrochemicals, specialty chemicals and processing of seeds; merchandising of Zeneca products
IPR Pharmaceuticals Inc Puerto Rico	Common	100#	Manufacture of pharmaceuticals
Asia Pacific			
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.

Zeneca operates through 179 subsidiary companies. Products are manufactured in 25 countries worldwide and are sold in well over 100 countries.

Group financial record

For the years ended 31 December

	1990 £m	1991 £m	1992 £m	1993 £m
Turnover and profits				
Turnover	3,810	3,929	3,979	4,440
Trading profit before exceptional items	600	682	587	713
Exceptional items charged to trading profit	—	—	(304)	—
Trading profit after exceptional items	600	682	283	713
Profit on ordinary activities before interest	525	697	254	730
Net interest payable	(171)	(166)	(152)	(88)
Profit on ordinary activities before taxation	354	531	102	642
Net profit for the financial year	222	345	80	440
Dividends paid to shareholders	n/a	n/a	n/a	(260)
Return on sales				
Trading profit before exceptional items as a percentage of sales	15.7%	17.4%	14.8%	16.1%
Statement of net assets/Balance sheet				
Tangible fixed assets	1,295	1,357	1,559	1,684
Investments in participating interests	29	28	33	26
Current assets	1,917	2,083	2,488	3,252
Total assets	3,241	3,468	4,080	4,962
Creditors due within one year	(916)	(993)	(2,617)	(2,303)
Total assets less current liabilities	2,325	2,475	1,463	2,659
Creditors due after more than one year	1,890	1,910	932	587
Provisions for liabilities and charges	238	232	419	398
Minority equity interests	58	72	57	72
Net assets/shareholders' equity	139	261	55	1,602
	2,325	2,475	1,463	2,659
Capital gearing				
Net debt as a percentage of shareholders' funds	n/a	n/a	n/a	11.7%

The Statements of net assets/Balance sheets shown above for 1990, 1991 and 1992, taken from the Listing Particulars issued on 12 May 1993, have been adjusted for the capitalization of debt of £157m which occurred on 14 April 1993 and the grossing up of current assets and current liabilities for insurance liabilities covered by reinsurance contracts (see Note 2 of Notes relating to the accounts).

Cash flow				
Net cash inflow from operating activities	779	726	682	833
Net cash inflow before investing and financing	418	270	136	477
Net cash outflow from investing activities	(34)	(109)	(176)	(263)
Net cash (outflow) inflow from financing	(288)	(140)	60	454
Increase in cash and cash equivalents	96	21	20	668

Zeneca share information

	1993
Ordinary Shares in issue - millions	
At year end	945
Weighted average for year	850
Stock Market price - per 25p Ordinary Share	<i>Pence</i>
Highest	841.5
Lowest	594.5
At year end	840.5
Earnings per 25p Ordinary Share before exceptional items	50.0
Earnings per 25p Ordinary Share	51.7
Dividends (net of tax credit)	27.5

Additional information for US investors

DIFFERENCES BETWEEN UNITED KINGDOM AND UNITED STATES ACCOUNTING PRINCIPLES

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

Deferred taxation

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

Capitalization of interest

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

Post-retirement benefits

US GAAP requires employers to accrue for the expected cost of providing post-retirement benefits other than pensions (principally health care benefits) during the years that employees render the necessary qualifying service. UK GAAP will introduce similar requirements with effect from 1 January 1994.

Pension expense

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

Goodwill

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

Dividends

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

Additional information for US investors (continued)

Statement of consolidated income and balance sheet

Set out below is a summarised version of the UK GAAP financial statements using a format and terminology customary in the USA. These have been prepared from, and should be read in conjunction with, the audited results of the Group and in particular Note 2 which sets out the basis of consolidation and presentation. 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 1993 rate of £1 = \$1.48.

SUMMARISED INCOME STATEMENT	Year ended 31 December			
	1993 £m	1992 £m	1993 \$m	1992 \$m
Sales	4,440	3,979	6,571	5,889
Operating income	713	283	1,055	419
Income from ordinary activities before interest	730	254	1,080	376
Net interest expense	(88)	(152)	(130)	(225)
Income from ordinary activities before taxation	642	102	950	151
Taxes on income from ordinary activities	(199)	(10)	(280)	(15)
Income from ordinary activities after taxation	453	92	670	136
Income attributable to minorities	(13)	(12)	(19)	(18)
Net income (UK GAAP)	440	80	651	118
Adjustments to conform to US GAAP				
Deferred taxation	9	(9)	13	(13)
Capitalization, less disposals and amortization of interest	-	13	-	19
Pension expense	(33)	(9)	(48)	(13)
Post-retirement benefits	(14)	-	(21)	-
Purchase accounting adjustments, including goodwill and intangibles	(48)	(70)	(71)	(104)
Unrealised gains on foreign exchange	7	6	10	9
	361	11	534	16
Cumulative post-tax effect to 1 January 1993 of adopting SFAS No. 106 "Employers' Accounting for Post-Retirement Benefits other than Pensions"	(81)	-	(120)	-
Cumulative effect to 1 January 1993 of adopting SFAS No. 109 "Accounting for Income Taxes"	76	-	113	-
Net income in accordance with US GAAP	356	11	527	16
Net income (UK GAAP) per Ordinary Share	51.7p	10.8p	\$0.77	\$0.16
Net income (UK GAAP) per American Depositary Share (ADS) #	155.1p	32.4p	\$2.30	\$0.48
Dividends per 25p Ordinary Share	27.5p			
Dividends per ADS*			\$1.53	

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 27.5 pence per Ordinary Share would represent \$1.53 per ADS using the conversion rate of £1 = \$1.48. The UK tax credit of 20/80ths is based on the lower rate of income tax prevailing in the UK on 3 March 1994, the date on which the Zeneca Group audited financial statements were signed.

Additional information for US investors (continued)

SUMMARISED CONSOLIDATED BALANCE SHEET	Year ended 31 December			
	1991	1992	1993	1992
	£	£m	\$m	\$m
UK Basis				
Assets				
Current assets				
Cash and marketable securities	1,049	418	1,553	619
Receivables	1,427	1,234	2,112	1,826
Inventories	776	836	1,148	1,237
Total current assets	3,252	2,488	4,813	3,682
Other assets: non-current investments	26	33	39	49
Property, plant and equipment (net of depreciation)	1,684	1,559	2,492	2,307
Total assets	4,962	4,080	7,344	6,038
Liabilities and shareholders' equity				
Current liabilities				
Accounts payable and accrued liabilities	1,622	1,236	2,401	1,829
Short term debt	101	149	149	220
Long term debt due within one year	5	11	7	16
Amounts due to the ICI Group	575	1,221	851	1,808
Total current liabilities	2,303	2,617	3,408	3,873
Long term debt not due within one year	556	36	823	53
Other liabilities and deferred income	429	456	635	675
Amounts due to the ICI Group	—	859	—	1,271
Minority interests	72	57	107	85
Shareholders' equity/net assets	1,602	55	2,371	81
Issued Shares	236	180	349	266
Premiums paid in excess of par value	1	—	1	—
Merger reserve	285	128	422	189
Income retained and other reserves	1,080	(253)	1,599	(374)
Total liabilities and shareholders' equity (UK basis)	4,962	4,080	7,344	6,038
Total shareholders' equity (UK basis)	1,602	55	2,371	81
Adjustments to conform to US GAAP				
Deferred taxation	(22)	(132)	(32)	(195)
Capitalization, less disposals and amortization of interest	103	103	152	152
Pension expense	(33)	—	(49)	—
Post-retirement benefits	(147)	—	(217)	—
Purchase accounting adjustments, including goodwill and intangibles	725	730	1,073	1,081
Dividend	161	—	238	—
Unrealised gains on foreign exchange	7	—	10	—
	794	701	1,175	,038
Shareholders' equity in accordance with US GAAP	2,396	756	3,546	1,119