

Company No. 2517178

UniChem PLC Annual Report 1993



A917L1YE

1001RECEIPT DATE:09/06/94

<i>Company Profile</i>	1
<i>Financial Highlights</i>	3
<i>Chairman's Statement</i>	4-5
<i>Chief Executive's Review</i>	6-18
<i>Directors' biographies</i>	20
<i>The Board of Directors</i>	21
<i>Regional Committees</i>	22
<i>Report of the Directors</i>	23-24
<i>Statement of the Directors' Responsibilities and Report of the Auditors</i>	25
<i>Consolidated Profit and Loss Account</i>	26
<i>Balance Sheets</i>	27
<i>Consolidated Cash Flow Statement</i>	28
<i>Other Primary Statements</i>	29
<i>Notes to the Financial Statements</i>	30-43
<i>Five Year Summary</i>	44
<i>Shareholder information</i>	45
<i>1994 Financial Calendar</i>	45
<i>Notice of the Annual General Meeting</i>	46
<i>Notes to the Notice of the Annual General Meeting</i>	47
<i>Notes on the Business of the Annual General Meeting</i>	48
<i>Advisers</i>	49

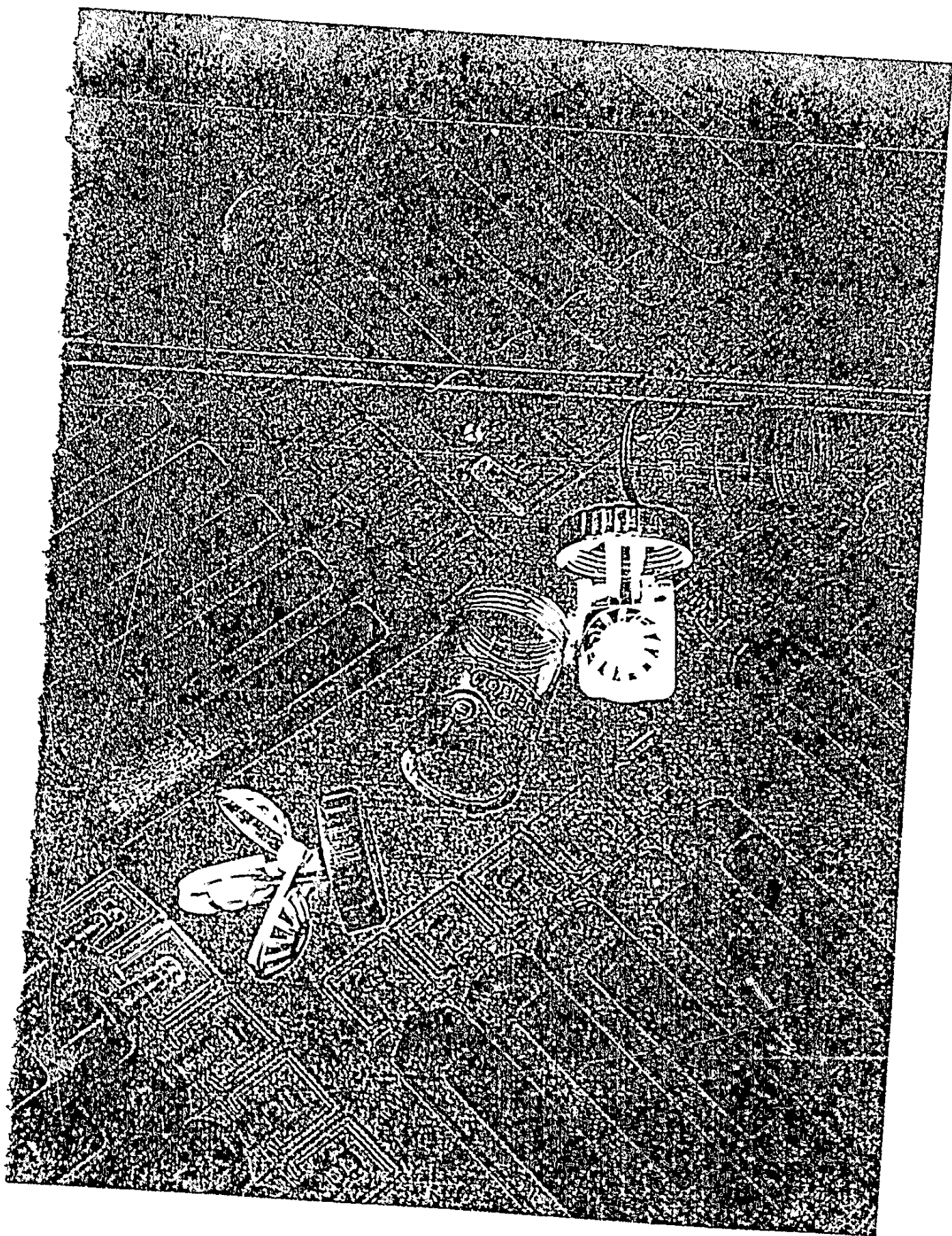
UniChem's Wholesale Division is a major distributor of pharmaceutical and healthcare products to around 5,000 retail and hospital pharmacies throughout the UK.

Moss Chemists, UniChem's Retail Pharmacy Division, owns 280 pharmacies in the UK providing a highly professional service to the patient whilst offering value for money.

In Europe, UniChem is a leading pharmaceutical wholesaler in Portugal and is closely linked with major wholesalers in Germany, Holland and Switzerland through a European association.

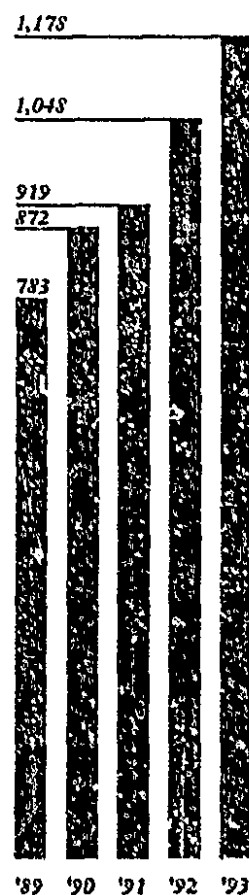
Established for 55 years, UniChem has been a PLC for nearly 4 years and has a market capitalisation in excess of £400 million. It has a highly motivated work force of around 4,500.

UniChem's success has been achieved through commitment to customer service, an efficient and cost effective distribution network and innovation in healthcare marketing programmes.



	1993 £000	1992 £000
Turnover	1,177,623	1,048,732
Operating profit	40,075	34,132
Profit on ordinary activities before taxation	37,505	29,424
Dividends per share	6.50p	5.65p
Earnings per share - continuing operations		
- Undiluted	17.8p	15.5p
- Fully diluted	17.3p	15.1p

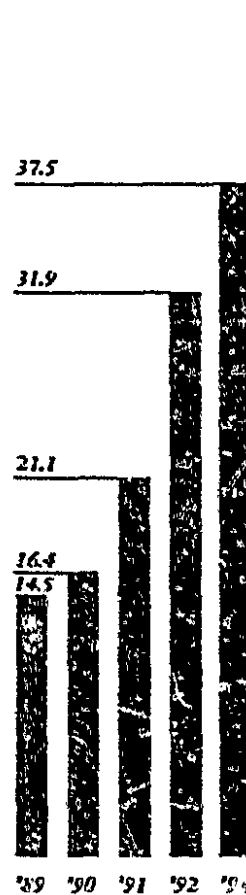
Turnover - £ million
Continuing operations



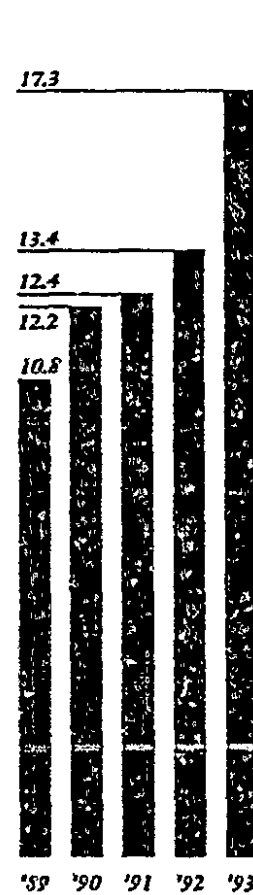
Operating profit - £ million
Continuing operations

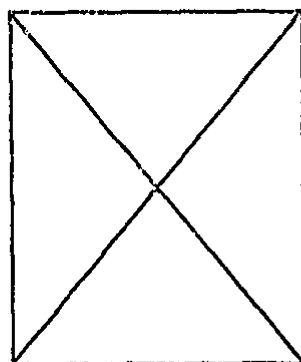


Pre-tax profits - £ million
Continuing operations



EPS - pence
FRS 3 fully diluted





1993 was another year of success and achievement for UniChem. A strong and effective management team and well motivated staff have achieved excellent results in a difficult year. This is the 22nd consecutive year UniChem has reported an increase in sales and pre-tax profits.

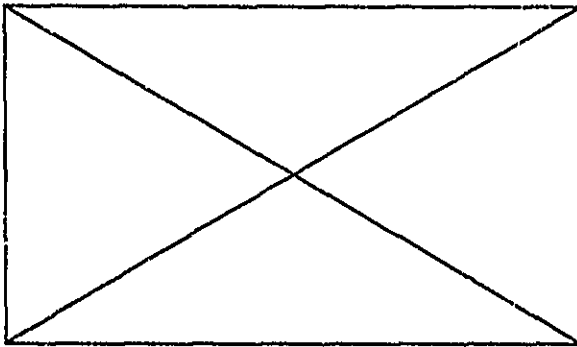
Despite a price cut of 2.5% in prescription medicines, imposed by the Department of Health, our sales growth was 12.3%, reaching £1,178 million. Profits before tax rose by £8.1 million to £37.5 million, an increase of 27.6%. Earnings per share (fully diluted) grew from 13.4 pence to 17.3 pence up 29.1% and a dividend is proposed of 6.5 pence per share, an increase of 15.0%. The dividend is covered 2.7 times by earnings. Over a five year period earnings per share growth has averaged 12.5% per annum and dividend growth over three years has averaged 14.6% per annum.

Net assets grew from £93.2 million to £97.9 million after writing off goodwill of £25.5 million arising upon the acquisition of a regional pharmaceutical wholesaler and 54 retail pharmacies and after issuing shares of £14.4 million. To date, in compliance with current best accounting practice, £77.6 million of goodwill has been written off upon the acquisition of pharmacy business. In this year we have invested £43.2 million in business acquisitions and capital expenditure programmes. This has been made possible by maintaining close control over working capital which has led to strong cash generation. The financial position of the Group continues to be very strong with interest cover of 16 times.

During the year UniChem strengthened its market share in the UK wholesaling market, substantially increased its retail pharmacy operations and made further progress in the Portuguese market.

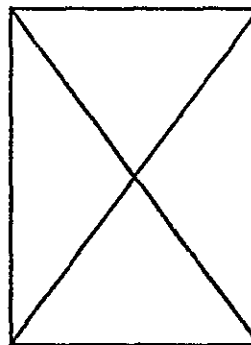
Directors and Employees

We welcomed to the board Neil Chapman, a retail pharmacist who has for many years served on our Regional Committees, who joins as a non-executive director. He takes the place of James Buchanan, whom we thank for his 8 years of service as a board member, representing so ably the pharmacists' interests. Early in 1994 Bill Hart took over a new position on the board as Commercial Director prior to his planned retirement later in the year.



Two promotions have taken place to strengthen further the senior wholesaling management team. Tony Foreman has been promoted to Director of Sales and Marketing and Chris Etherington to Director of Management Services.

In March 1994 we welcomed Geoffrey Cooper who has joined the board as Finance Director following the departure of Grahame Sewell who held that post for the last two years. Geoff joins us from a similar role at Gateway Group. Grahame served us well and we wish him every success in his future career.



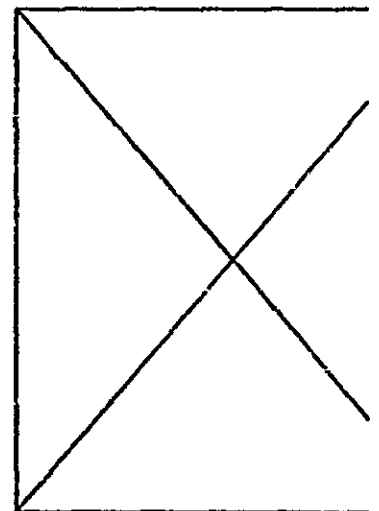
Shareholders

Approximately one-fifth of UniChem employees have taken up options in the SAYE share purchase scheme. We operate a number of schemes to encourage small individual investors in our company. These include the single company PEP and general PEP schemes, the scrip dividend offers and the employees' SAYE share option scheme.

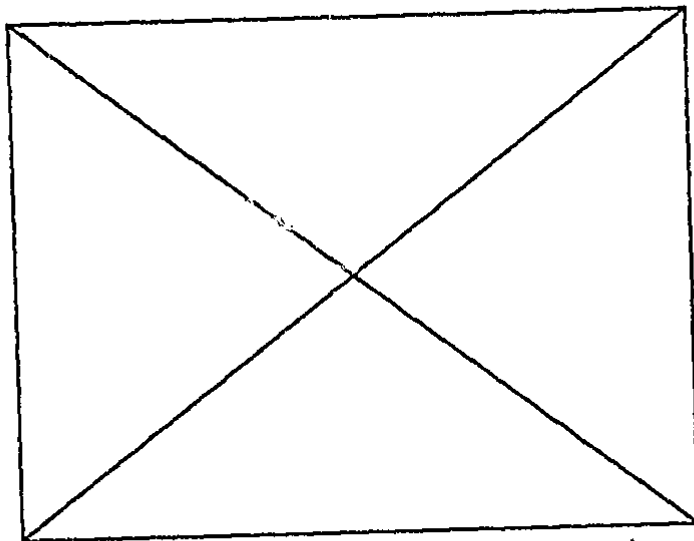
We are delighted to report that the overriding majority of our original Industrial and Provident Society pharmacist shareholders remain as shareholders; around 40% of our shareholder base is still held by pharmacy interests.

The Future

UniChem continues to strengthen its position in its key markets. The company remains committed to providing the best customer service to its pharmacy and retail customers through the efforts of an experienced management team supported by systems which are continually being developed and improved. We believe that this commitment will continue to provide long term benefits for employees and shareholders.



Rippon
Chairman
22 March 1994



Industry Perspective

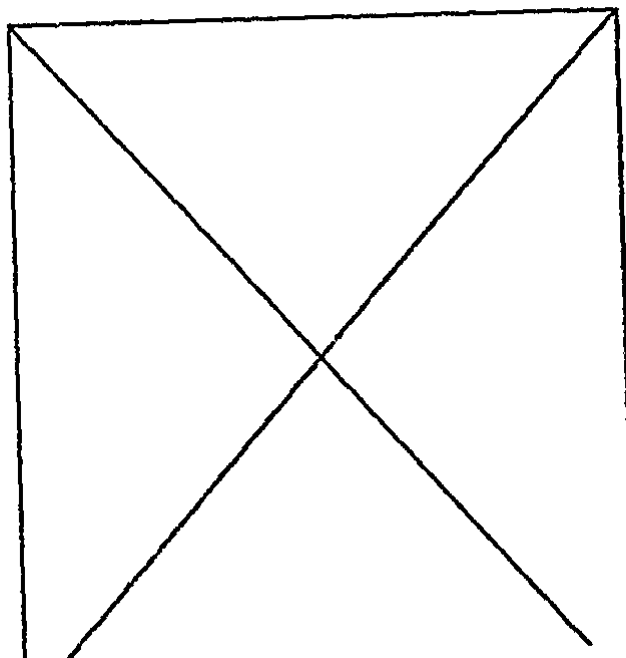
By any standard 1993 was a very difficult year for companies in the healthcare sector. As a pharmaceutical wholesaler and retailer, a number of negative influences came together to present us with a tough marketplace.

In the wholesale market the greatest impact arose from the 2.5% price cut which the Department of Health imposed on prescription medicines in October 1993. This presented us with risks to our sales growth, our trading margins and our inventory values. Whilst prescription medicines represent the

overriding majority of our sales, our other market, that of over-the-counter (OTC) medicines and toiletries, also showed little real growth during 1993 although there were signs of growth in the second half, particularly in OTC medicines.

Competition amongst wholesalers remains very keen. We have seen the demise of six regional wholesalers during 1993, a further one has been sold in 1994 and now there are fewer than 20 remaining. Most of those sold have been bought by a retail pharmacy competitor in an effort to buy critical mass in the wholesale pharmaceutical market. This acquisition programme, and heightened levels of trading discounts offered to retail pharmacy accounts, has maintained pressure on wholesalers' margins.

Our retailing division, Moss Chemists, felt the full impact in this year of the Department of Health's earlier action to clawback the retail profits on generic prescriptions. Similarly the Department of Health has allowed no real increase in pharmacists' prescription fee income. Management action to reduce operating costs and improve other margins have mitigated the effects of the reduced prescription medicine margins, to leave overall operating margins level.

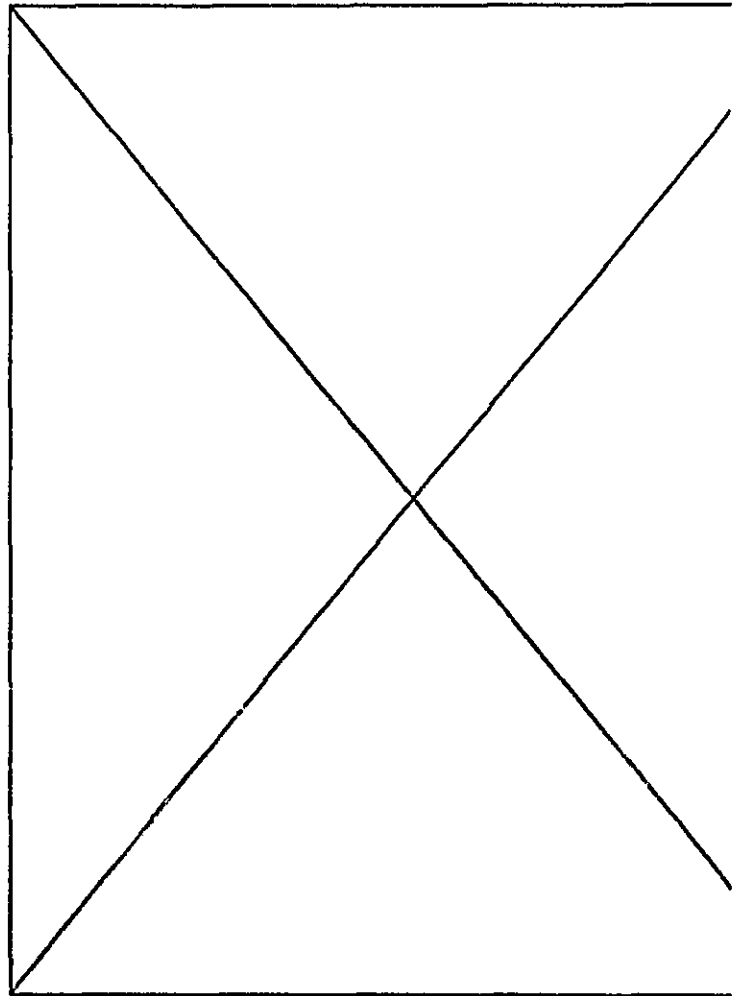


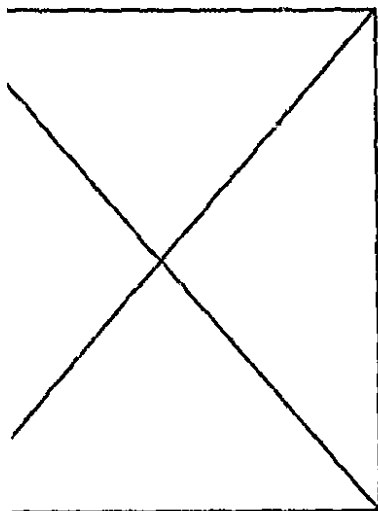
Against that background, our performance in 1993 has been all the more impressive. We have increased our market share in both the wholesaling and retailing markets and have further increased group operating margins.

Whilst it is always dangerous to forecast the outlook for our market, there are a number of more positive factors immediately in view. We cannot foresee any further prescription medicine price reductions, at least not for the duration of the present Pharmaceutical Price Regulation Scheme, some three years. Similarly, there are no major generic medicine price realignments to be imposed on the retail market.

The prescription medicine market is still growing: the most recent forecast for 1994/95 from the Department of Health suggests growth of 12.3%. The steady shift of medicines from 'prescription only' to 'pharmacy sale' is expanding the OTC medicine market to supplement the weak growth in OTC toiletries. The wholesalers' share of these markets is also expanding as we are successful in offering value for money distribution to manufacturers like SmithKline Beecham and Elida Gibbs allowing them to reduce direct distribution to retail pharmacies. A similar phenomenon is happening in the supply of medicines to NHS Hospitals where manufacturers like Glaxo and Zeneca have directed more distribution through wholesalers.

It is inevitable that further pressures will be brought by the Department of Health upon the growth of the drugs bill. However, we believe that the long term prospects in our main marketplaces are for continuing volume and value growth, and we expect to capture a growing share of those expanding markets. We are confident that we can succeed in this low margin marketplace by continuing to promote efficiency in our operations whilst maintaining the best levels of service in our industry.





Wholesale

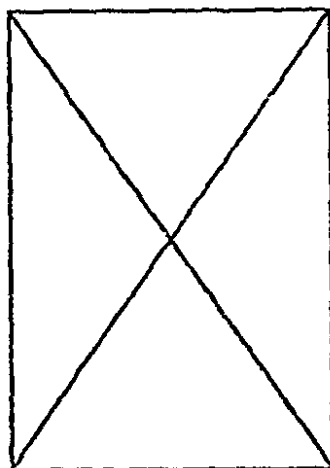
Sales growth year on year was 10% with sales reaching £1,075.1 million. True growth on a like for like basis was 11% which we judge to have been ahead of market growth. We have continued to increase our operating margin from 2.9% to 3.0% in 1993 as a result of continued vigorous control of operating and distribution expenses, increased warehouse efficiency through automation and improved terms from suppliers. Five of our eleven distribution centres have automated picking machines which handle up to 80% of the assembly of customers' medicine orders. During the year we installed a second automat at the Preston distribution centre, and extended automats at two other locations.

We have also increased the utilisation of our automats through the technique of warehouse twinning whereby automated regional warehouses service one of the twice daily shifts at the smaller, non-automated depots. This twinning concept was further developed in early 1994 such that five warehouses are now organised as regional distribution centres. This programme is driving down operating costs and reducing company stock levels. A further benefit has been in improved customer service, since an order for a product out of stock at a local depot may be fulfilled from the regional warehouse.

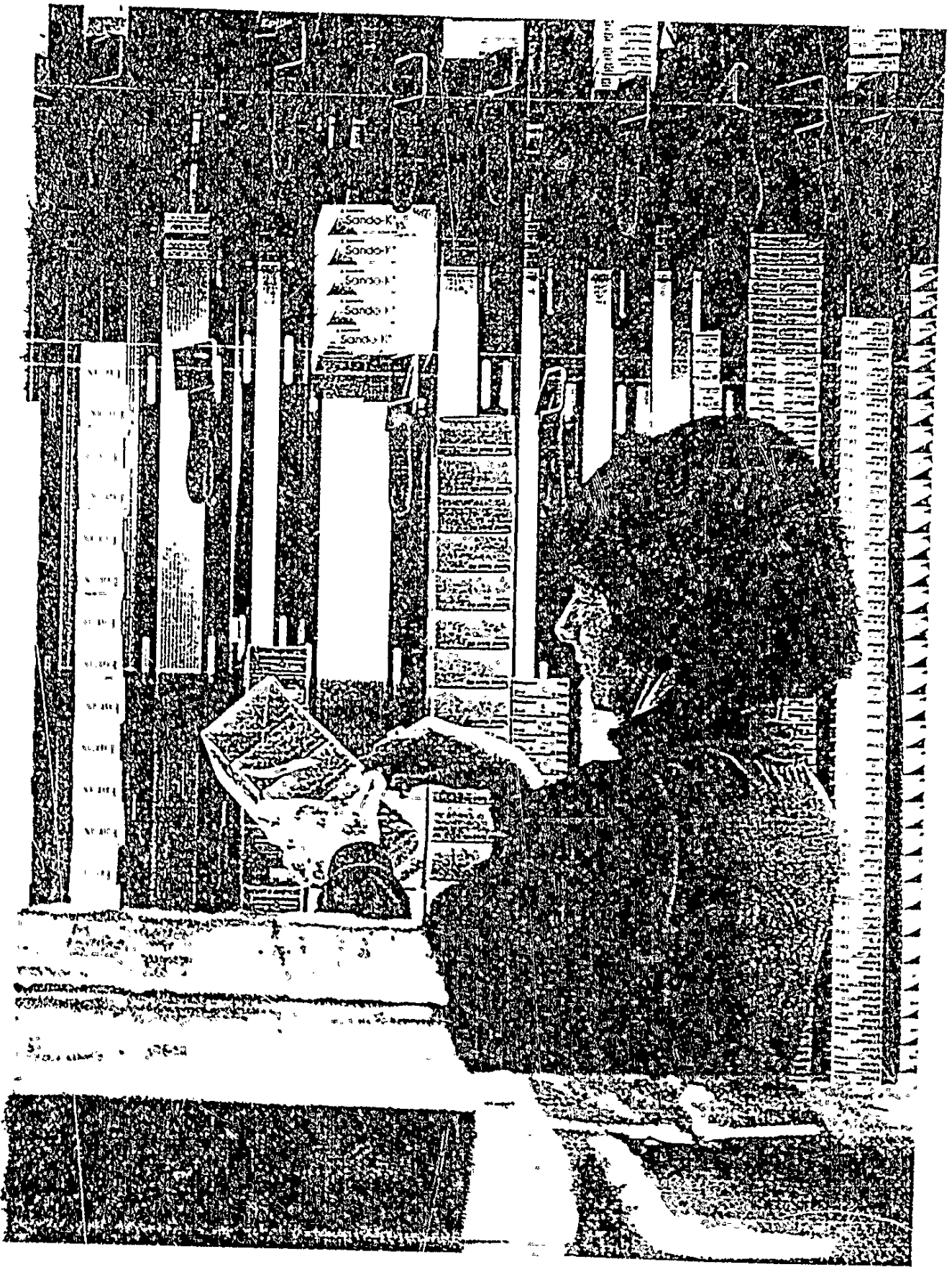
Bradford Chemists' Alliance Limited (BCA)

In the Autumn of 1993 we announced our offer to acquire Bradford Chemists' Alliance for an amount of £8.9 million. This offer became unconditional on 24 December and the process of integrating the BCA warehouse in Bradford with our Leeds warehouse is now largely completed. BCA serves 220 independent pharmacies in West Yorkshire and had sales in 1993 of £53 million. Through merging our Bradford and Leeds warehouses we can provide higher levels and ranges of services to customers in that region whilst creating one of the most efficient automated warehouses in the U.K. We offer a

warm welcome to the customers of BCA to the UniChem Group. This is the first regional wholesaler that UniChem has acquired in over twenty years; this acquisition has further strengthened UniChem's position in the U.K. pharmaceutical wholesaling market.



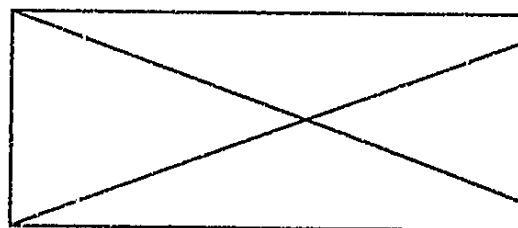




Distribution

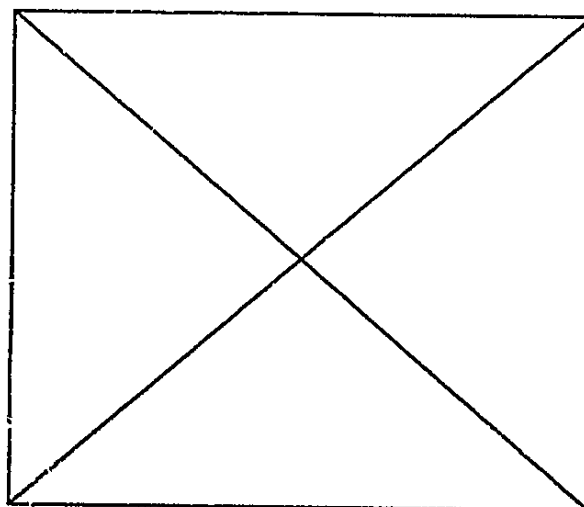
During 1993 we began implementing the process to rationalise our stockholding in the distribution centres. The first stage of this process was the acquisition of a new depot at South Normanton which will be the single stockholding location for a range of slower moving non-prescription products. Further development and expansion of South Normanton is planned for this year.

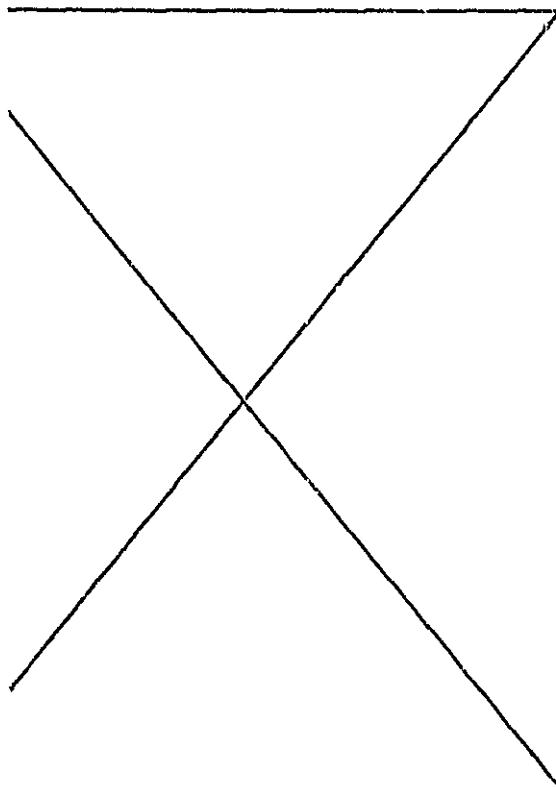
We have made further good progress in winning market share in the important NHS Hospitals market. Our business in this sector exceeded £44 million in 1993. We were appointed joint agents for hospital distribution by Glaxo and agents by Zeneca and Duphar. We now serve every NHS hospital in mainland United Kingdom with a comprehensive range of prescription medicines and we are active to improve service and increase business with all hospitals.



UniChem has joined Numark, a trading association of U.K. pharmaceutical wholesalers providing Numark own label products and promotions to independent pharmacists. We shall represent Numark in the Scottish and Yorkshire regions and be supporting Numark to maintain and improve the range and service offered to community pharmacies.

Our association with Kodak to provide the distribution for the UniChem/Kodak developing and printing service has proved tremendously successful. More than 2,000 wholesale division customers now use our efficient, reliable and competitively priced service.



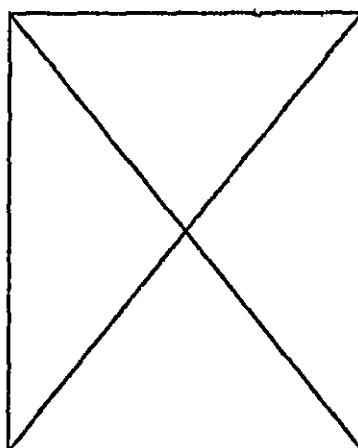
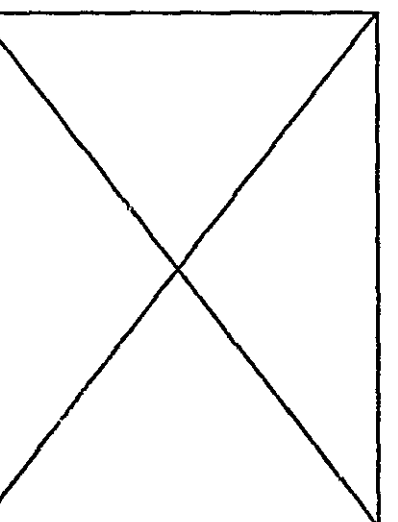


Marketing Initiatives

Much of our effort on the marketing front has been directed towards helping the independent pharmacist to exploit the growing non-prescription medicine market. That market in 1993 benefitted from launches of nicotine patches and Zovirax cold sore treatment and will be expanded in 1994 by important products such as Tagamet and Beconase. We have also launched our own-brand antihistamine non-prescription medicine, an important first move into this expanding market.

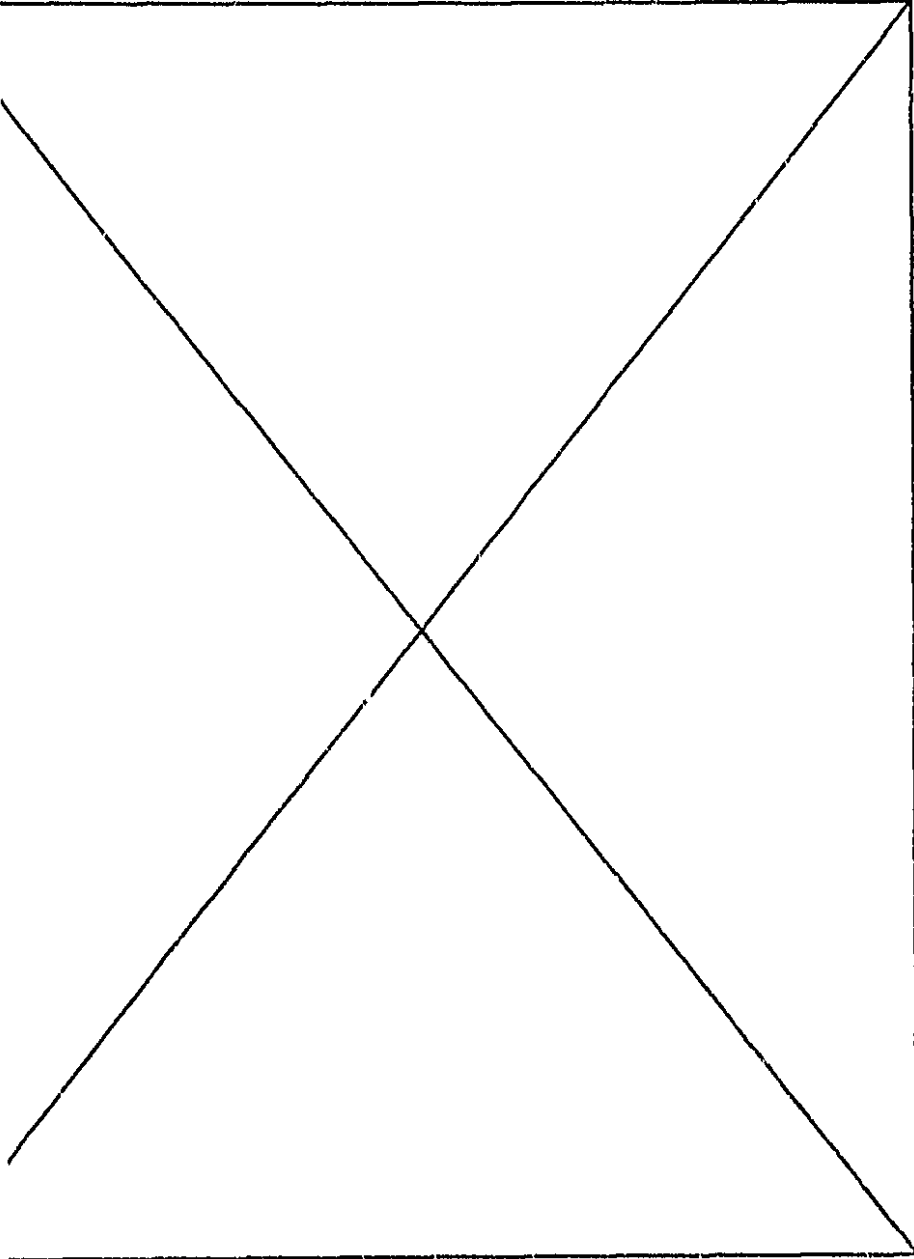
Our Gold Partners programme was launched in January 1993 and has proved to be one of our most important and most successful schemes. It is based upon there being a joint commitment by the retailer and wholesaler to the manufacturer. The pharmacy retailer agrees to stock, promote and display the product range; the wholesaler commits to bulk purchasing, to give a committed service and full marketing support. In return the manufacturer offers more competitive pricing and promotional materials. This programme has succeeded in increasing UniChem's and our customers' market share in the promoted products. Whilst the numbers of participating pharmacies have been limited by us, we currently have over 1,800 outlets committed to Gold Partners.

In March 1994 UniChem launched its new logo "Delivering Healthcare" whilst retaining the familiar green arrow. We are a business committed to offering the retail consumer a wide range of products and delivering efficiently both as to time and to cost. Our revised logo, seen on our new van livery, better identifies UniChem with these objectives.



We continue to expand both the range and the market penetration of our UniChem own label products. We have introduced new product ranges such as men's toiletries, deodorants and household products and repackaged our skincare, tissue and baby ranges. This growing sector of our toiletries business now includes 350 products.





A number of long running marketing schemes continue to perform well. Our exclusive distribution agreement with Mediaphase, the leading prescription endorsing computer system in the U.K., is still expanding. We now have more than 300 pharmacies benefitting from this system. Our business in Occupational Health Supplies, the provision of first aid kits, medicines and bandages to industrial and commercial customers, is developing well following its transfer from our Mass retail division to our Normanton distribution centre.

Not all of our marketing initiatives have been directed towards winning market share or increasing sales. During the year we were proud to participate in the highly successful BBC Children in Need appeal by supplying the 3-D glasses through which the programmes could be viewed. The demand for the glasses was huge, and at times a little frantic, and through their supply UniChem was able to help raise £142,000 towards this appeal.

Regional Committees

The six Regional Committees met three times during the year and met together at one national meeting for all the delegates. The committees continue to be an excellent forum for customers to meet the UniChem senior personnel to discuss those issues which are important to the industry and to the UniChem service. In turn they provide the opportunity for the company to communicate to committee members its plans for improvements in the range and quality of our services.

We believe that these committees continue to provide a vital link between the company and its pharmacy customers and we shall seek to enhance the role of these committees.

We already have three new appointees to our Northern Regional Committee representing the interests of those customers who joined us from Bradford Chemists' Alliance. I am confident that these delegates will help the UniChem management in identifying and meeting our pharmacy customers' service requirements.

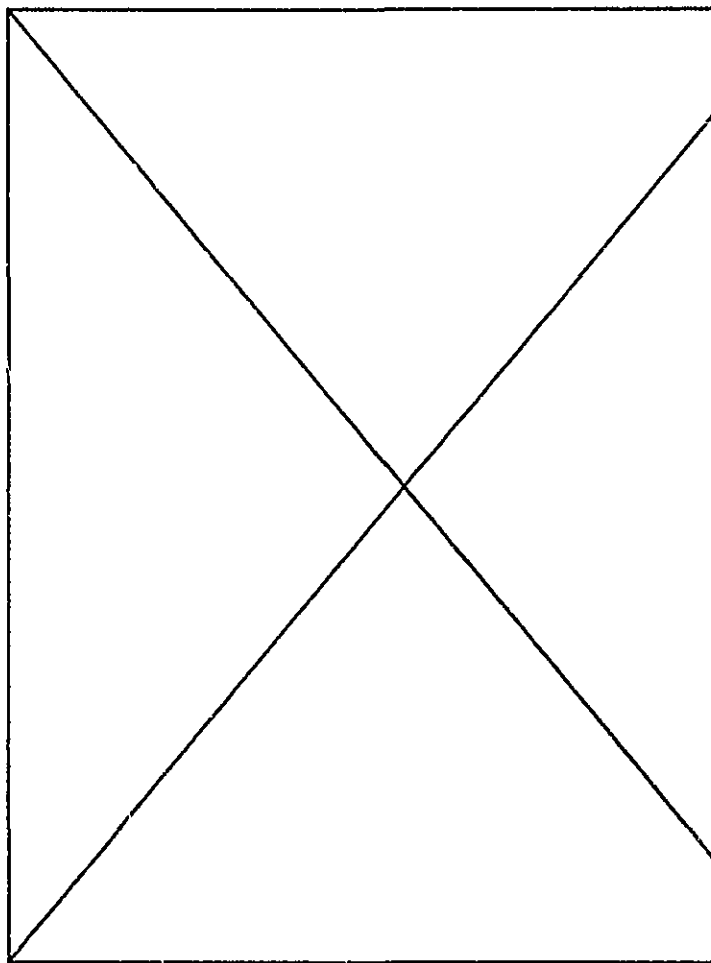
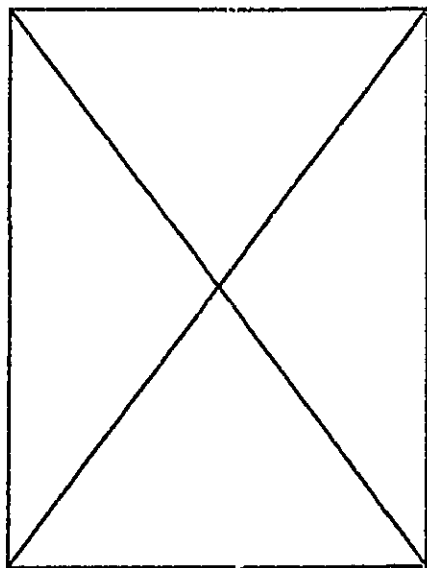
Annual Convention

The Annual Convention was held in Bali in October 1993 and was an outstanding success. The main theme was to assist the pharmacists to develop their retail businesses. Overall 400 customers, manufacturers and partners attended, and we believe that this annual event continues to forge closer contacts between our customers, manufacturers and the company and provides an important platform for the communication and the discussion of issues of concern or interest affecting the industry.

Financial Support to Retail Pharmacy

One of the principal ways in which UniChem supports independent retail pharmacy is through the loan guarantee scheme which assists pharmacists in financing their first or subsequent pharmacy acquisition. At the end of the year we had given guarantees to financial institutions of £105 million to facilitate independent pharmacists in the financing of over 1,200 pharmacies. In 1993 alone we guaranteed

over £28 million to finance 232 such shop acquisitions. This financial support is rewarded by the trading commitment of the pharmacist whom we have helped and shows very low rates of commercial failure.

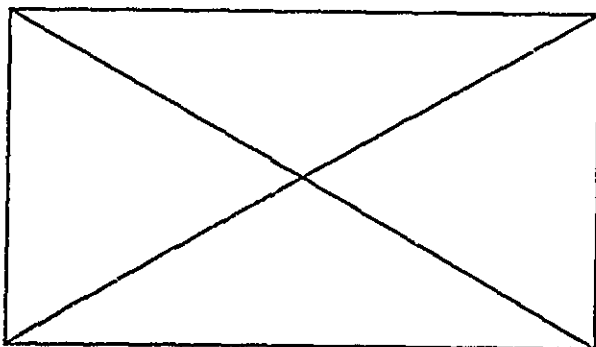




Retail

Moss Chemists was acquired in December 1991 and in the two years in which the division has been part of UniChem we have seen a substantial increase in the number of pharmacies, from 130 at the start of 1992 to 253 at the end of 1993. The largest 1993 acquisition was the purchase of the Elliott Godfrey group of 16 shops in April. Taking account of the further shop acquisitions since the year end, the number of shops has risen to 280. These shops have been well absorbed into the Retail division and have shown significant commercial benefits from being re-merchandised and rebranded under the Moss name. One of the Moss key strengths is the ability to merchandise non-prescription medicines through computer aided merchandising tools. Its retail planograms represent best practice in retail pharmacy and can substantially increase sales and profitability per square foot. Moss aims to offer the highest professional standards of pharmacy advice and service combined with a strong and attractive range of products. The UniChem Wholesale division is now making this planogramming service available to independent pharmacists involved in the Gold Partners Programme in order that they may benefit from this expertise.

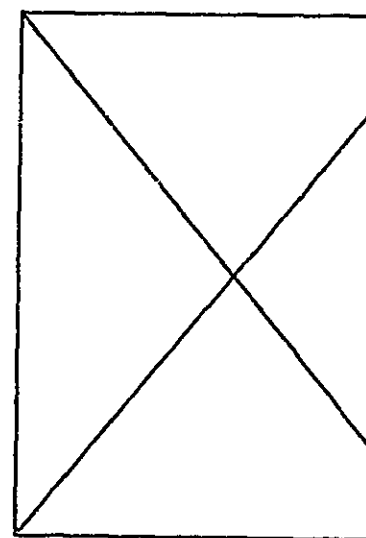
The number of franchised stores increased in the year to 19 demonstrating the attractions of this programme to young pharmacists seeking to develop their own businesses within retail pharmacy.

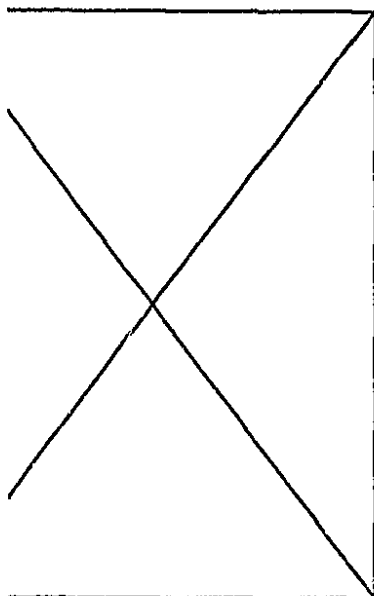


Another area where Moss is a leading player in the industry is through providing in-store pharmacies in major food superstores. Moss now has 44 in-store pharmacies throughout the country including 37 within

Asda superstores and franchises in Sainsbury and Tesco superstores. These pharmacies have proven to be profitable and continue to show strong business growth. One of our in-store pharmacies, in an Asda superstore, generates sales of over £2,000 per square foot, more than five times the national pharmacy average. Moss will offer this specialist service to major food superstores where opportunities are presented.

The result of all these initiatives is that Moss' sales in the year totalled £114 million, an increase of 42.9% over 1992 and showed operating profit of 5.8% on sales despite the intense commercial pressures which have been brought to bear on retail pharmacy margins through Department of Health cost saving initiatives.



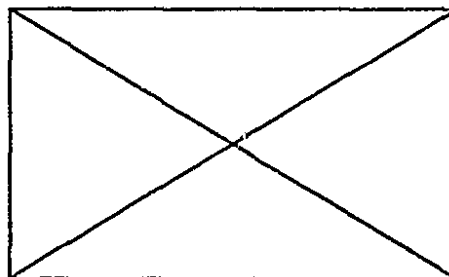


Europe

We have now completed our first full year of ownership of our Portuguese wholesaling subsidiaries. The three private companies in northern Portugal which we bought and have now consolidated represent around 11% of that country's pharmaceutical wholesale market. We have strengthened our management team through the appointment of a Chief Executive and a Finance Director. The original Managing Directors of the three family companies which were originally acquired during 1992 remain in place and have formed a strong team with the new management appointments.

In early February 1994 we completed the purchase of a purpose built warehouse in Oporto which will enable us to rationalise the existing inefficient warehousing arrangements. The close working relationship between the U.K. and Portuguese management teams is adding efficiency to that business and

will enhance the level of service and range of products and services we provide.



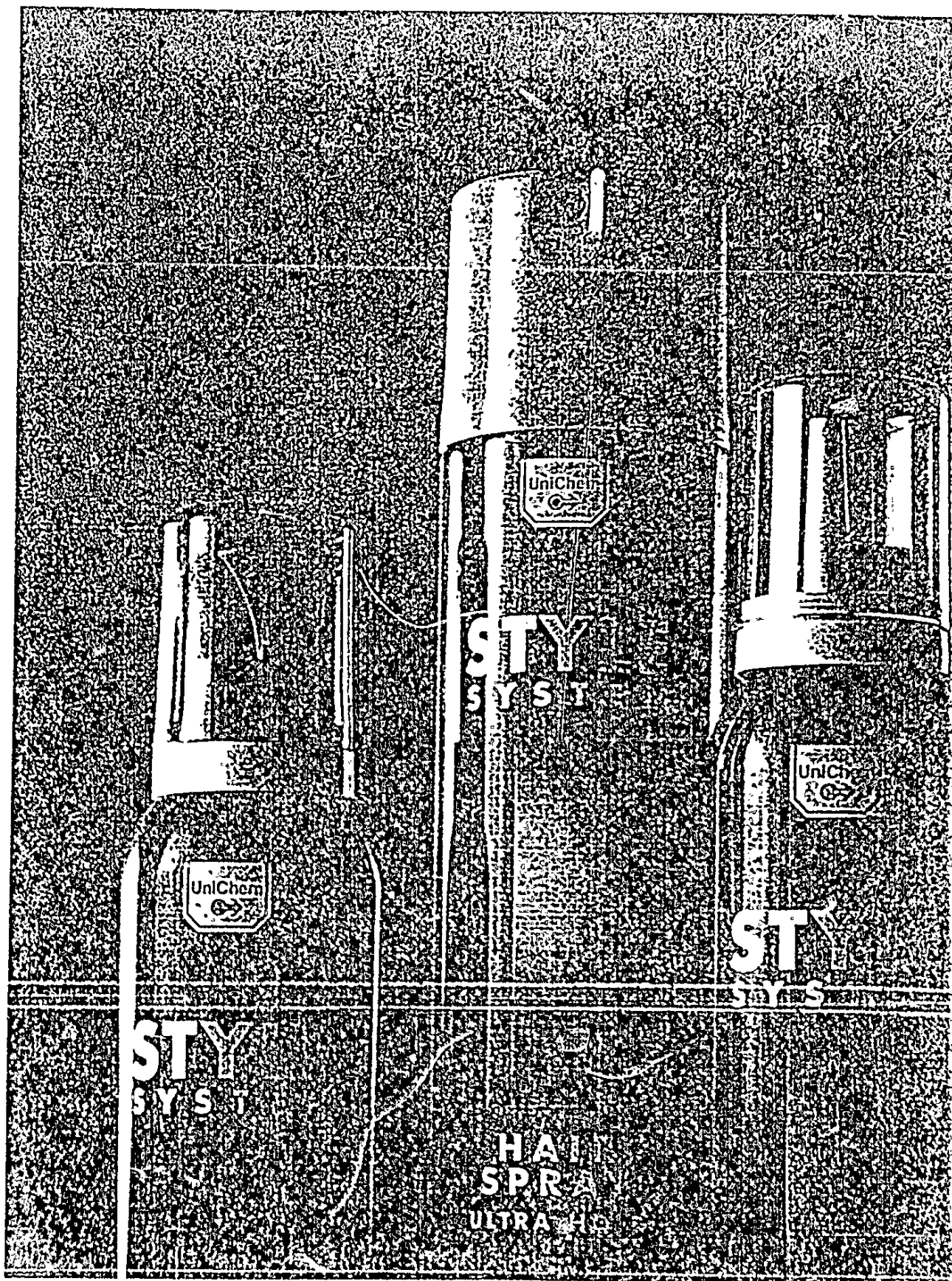
The Portuguese businesses increased sales from £43.4 million to £67.4 million and operating profit was 2.2% on sales rising from 1.9% to £1.5 million.

We continue to develop our PAG relationship. This joint venture company with major pharmaceutical wholesalers in Germany and Holland was expanded by the joining of Galenica Holding, the principal pharmaceutical wholesaler in Switzerland. This expanded team of like-minded wholesalers is working closely together to identify and exploit opportunities for joint trading and for sharing data and expertise.

Outlook

1993 was a year of considerable progress in developing UniChem's wholesaling and retailing interests. Our 4,865 staff have given an overwhelming commitment to the organic development of our businesses and the integration of new acquisitions. We anticipate continued expansion of the market despite the slightly slower sales growth experienced in early 1994. I remain very confident that, through the combined efforts of our successful management team and hardworking staff, we shall continue to outpace our competitors in the expanding healthcare market.

Jeff Harris
Chief Executive
22 March 1994



Lord Rippon of Hexham (aged 69) is a Barrister of the Middle Temple and a Queen's Counsel. He entered the House of Commons in 1955, has served as a Cabinet Minister and was created a Privy Councillor in 1962. He was appointed a Life Peer in 1987. He is Chairman of Dun & Bradstreet (UK) Limited, Michael Page Group plc, Guerile Investments Limited, and Brassey's (UK) Limited. He was appointed to the Board and as Chairman in 1990.

Barry Michael Andrews (aged 49) is a Pharmacist. He is Managing Director of Moss Chemists, a position he held at the time the company was taken over by UniChem, and was appointed to the Board in 1992. He is a member of the Pharmaceutical Services Negotiating Committee and a Director of the Company Chemists Association.

Michael Ambrose Bardsley (aged 64), after obtaining extensive North American experience in marketing, assumed European managerial responsibility for Dun & Bradstreet Inc. and subsequently I.T.T. World Directories Inc. He was appointed to the Board in 1990.

Marianne Frances Burton (aged 37) is a Solicitor. She worked for Slaughter & May before entering corporate finance with Samuel Montagu and then UBS Phillips & Drew where she was the Director that led the team that handled the UniChem flotation on the Stock Exchange. She was appointed to the Board in 1991.

William Neil Paulin Chapman (aged 56) is a Pharmacist with his own independent pharmacy business. He was an active member of UniChem's Northern Regional Committee, latterly as Chairman, and was re-appointed to the Board in 1993 having previously served between 1985 and 1990.

Geoffrey Ian Cooper (aged 40) is a Cost and Management Accountant. He gained his qualification working in industry in the process manufacturing and engineering sectors, holding a variety of financial management positions, latterly as Chief Accountant of T.I. Flexible Tubes Ltd. He then worked as a Management Consultant for 10 years with two leading firms before joining Gateway Foodmarkets Ltd. as Finance Director in 1990. He subsequently held positions within Gateway as Managing Director, Commercial Services and Group Finance Director of Gateway Group before joining UniChem and the Board as Finance Director in 1994.

Jeffery Francis Harris (aged 45) is a Chartered Accountant. He worked for Turquand Barton Mayhew & Company and Spicer & Pegler for fourteen years. He joined UniChem as Chief Accountant in 1985, was appointed to the Board as Finance Director in 1986, was appointed Deputy Chief Executive in 1991 and was appointed Chief Executive in 1992.

William Henry Hart (aged 58) is a Pharmacist. He has worked in the pharmaceutical industry for thirty six years. He joined UniChem in 1972, was appointed Assistant Marketing Director in 1979 and was appointed to the Board in 1984.

Kelvin Stephen Saxby Hide (aged 46) worked for Robson-Morrow as a Management Consultant. He joined UniChem in 1971, was appointed Assistant Operations Director in 1978 and was appointed to the Board in 1984.

David Campbell Mair (aged 58) is a Pharmacist with his own independent pharmacy business. He is a former Chairman of the Pharmaceutical General Council and a former Chairman of the National Pharmaceutical Consultative Committee. He was appointed to the Board in 1976 and was Chairman between 1985 and 1990.

The Board of Directors

B.M. Andrews,
B.Pharm.,
M.R.Pharm.S.
Retail Director

W.N.P. Chapman
B.Pharm., F.R.Pharm.S.
Non-Executive Director

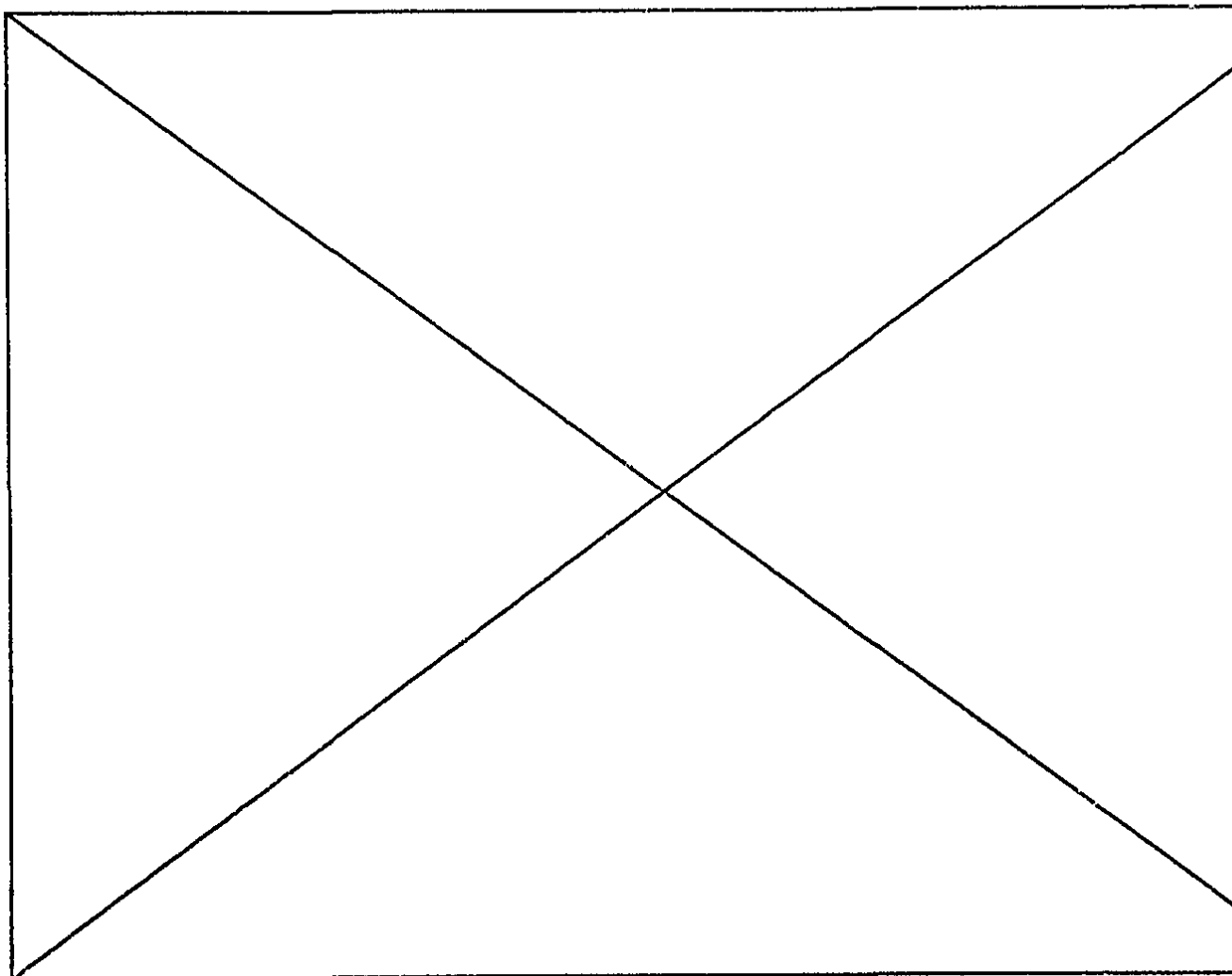
M.A. Bardsley,
M.A. Non-Executive
Director

W.H. Hart,
M.R.Pharm.S.
Commercial
Director

A.J. Goodenough,
B.A., F.C.I.S.
Company Secretary

G.I. Cooper
B.Sc., A.C.M.A.
Finance Director

K.S.S. Hide,
B.A.
Operations
Director



Mrs M.F. Burton,
M.A.
Non-Executive
Director

The Rt. Hon.
The Lord Rippon
of Heyham,
P.C., ¹2. Chairman
(Non-Executive)

J.E. Harris,
B.Sc., F.C.A.
Chief Executive

D.C. Mair,
M.R.Pharm.S.
Deputy Chairman
(Non-Executive)

Regional Committees of UniChem PLC

South and West Regional Committee

Mr. M.H. Smith
Chairman
Ivybridge, Devon
Tel. 0752 896787

Chessington Branch

Mr. D. Plumb,
Southampton, Hampshire
Tel. (0489 892603)

Mr. S.K. Patel,
Wandsworth, London
SW18
Tel. (081 874 1495)

Mr. L. Cunliffe,
Bournemouth, Dorset
Tel. (0202 428181)

Exeter Branch

Mrs. G.M. Clark,
Honiton, Devon
Tel. (0404 41866)

Mr. G. Douglas,
Bristol, Avon.
Tel. (0272 569450)

Mr. R. Dudley,
Wellington, Somerset
Tel. (0823 665366)

Mr. M. Riley,
Camborne, Cornwall
Tel. (0209 713194)

Eastern Home Counties Regional Committee

Mr. J. Cook, Chairman,
Norwich, Norfolk
Tel. 0603 622868

Croydon Branch

Mr. G. Williams,
Worthing, East Sussex
Tel. (0903 209767)

Mr. W. Patterson,
Norbury, London
Tel. (081 764 1438)

Mr. D. Bishop,
Rochester, Kent
Tel. (0634 250882)

Mr. S. Amin,
Purley, Surrey
Tel. (081 660 0093)

Walthamstow Branch

Mr. C.C. Wind,
Basildon, Essex
Tel. (0268 520100)

Mr. G.M. Alexander,
Edmonton, London N9
Tel. (081 804 1369)

Mr. V.G.H. Irvine,
Woodford Green, Essex
Tel. (081 504 6117)

Mr. C. Shearer,
Ipswich, Suffolk
Tel. (0473 728007)

Midlands Regional Committee

Mr. D. Iddington
Chairman
Rugby, Warwickshire
Tel. (0788 571447)

Letchworth Branch

Mr. H. Raniga,
London NW3
Tel. (071 794 5486)

Mr. M.J. Twelvetrees,
Dunstable, Beds.
Tel. (0582 668680)

Mr. M.W. Jones,
Great Yarmouth, Norfolk
Tel. (0493 731697)

Hinckley Branch

Mrs. P. Alesbury,
Evesham, Worcs.
Tel. (0386 446244)

Mr. P. Catece,
Chesterfield, Derbyshire
Tel. (0246 862240)

Mr. P.F. Brown,
Boston, Lincs
Tel. (0205 364506)

Mr. N. Sodha,
Redditch, Worcs
Tel. (0527 402146)

Scottish Regional Committee

Mr. T.R. Johnson
Chairman,
Fife, Ayrshire
Tel. (0592 752554)

Livingston Branch

Mr. C. Sinclair,
Forres, Morayshire
Tel. (0309 672262)

Mr. J.H.H. Groat,
Edinburgh, Lothian
Tel. (031 225 7770)

Mr. G. Watson,
Irvine, Ayrshire
Tel. (0294 79312)

Mrs. A.M. Docherty,
Motherwell, Lanarkshire
Tel. (03552 28906)

Dr. S. Kayne,
Clarkston, Renfrewshire
Tel. (041 644 4640)

Wales and North West Regional Committee

Mr. M.J.W. Chapman
Chairman,
Taunton, Somerset
Tel. (0823 282616)

Swansea Branch

Mr. D.P. Williams,
Dolgellau, Gwynedd
Tel. (0341 422471)

Mr. S. Jones,
Pontypridd,
Mid Glamorgan.
Tel. (0443 208388)

Mrs. S. J. Edwards,
Llantwit Major, South
Glamorgan
Tel. (0446 792300)

Mr. P. Parry,
Crymmych, Dyfed
Tel. (0239 831243)

Mr. J.B. Shackleton,
Abergavenny,
Gwent
Tel. (0873 853219)

Preston Branch

Mr. D. Sukert,
Leyland, Lancs
Tel. (0772 421581)

Mr. M. Marsour,
Blundellsands, Liverpool
Tel. (0744 814268)

Mr. S.Tanna,
Lancaster
Tel. (0524 32618)

Northern Regional Committee

Mr. K. Swanson
Chairman
Hull, N. Humberside
Tel. (0482 52075)

Leeds Branch

Mr. A. Dobson,
High Burton, Huddersfield
Tel. (0484 603183)

Mr. T. Foster,
Saxilby, Lincoln
Tel. (0522 702283)

Mr. A. Penny,
Barnoldswick, Lancs
Tel. (0282 813766)

Mr. I. R. Conquest,
Bradford, W. Yorks
Tel. (0274 571450)

Newcastle Branch

Mr. M. Hogg,
Cullercoats, Tyne & Wear
Tel. (091 2521282)

Mr. A. Cairns,
Dumfries, Dumfriesshire
Tel. (091 477 1480)

Mr. U. Patel,
Sunderland,
Tyne & Wear
Tel. (091 548 6364)

THE UNICHEM GROUP

Activities

The principal activities of UniChem are: the provision of pharmaceutical distribution services and supporting facilities to retail and hospital pharmacies throughout Great Britain and the Channel Islands; pharmaceutical retailing in Great Britain; and pharmaceutical distribution in Portugal.

On 24 December 1993 an offer to acquire the entire issued share capital of Bradford Chemists' Alliance Limited was declared unconditional. The acquisition represents an important extension of UniChem's pharmaceutical distribution network in Great Britain and will enhance UniChem's competitive position in Yorkshire.

The retail business consists of the self-managed chain trading as Moss Chemists and franchised outlets. During the year the chain acquired and opened a further 54 pharmacies bringing the total number of pharmacies owned at the end of the year to 253.

The activities of the other subsidiary undertakings are described in note 15 to the financial statements.

Profit

The 1993 profit on ordinary activities before taxation amounted to £37,505,000 (1992 £29,424,000). The retained profit for the year of £15,577,000 (1992 £10,944,000) has been transferred to reserves. Full details of the results of the Group are set out on page 26.

Fixed assets

The changes in the fixed assets during the financial year are shown in notes 14 and 15 to the financial statements. The market value of properties at the end of the financial year does not, in the opinion of the directors, differ substantially from the amount at which they are included in the balance sheet.

SHAREHOLDERS

During the financial year the number of shareholders has increased from 5,826 to 6,124. The changes in the called up share capital of the company during the financial year are shown in note 21 to the financial statements.

Dividend

The directors propose the payment of a final dividend of 4.3 pence on each ordinary share, the payment of which will be made on 1 July 1994. If approved the total dividend for the year will be 6.5 pence per share.

During the year the directors offered shareholders the opportunity to increase their shareholding by taking shares instead of the 1992 final and/or 1993 interim cash dividend. The directors intend to offer the same facility for the 1993 final dividend subject to the final dividend being approved at the annual general meeting.

Corporate PEPS

UniChem offers two personal equity plans known as the UniChem Single Company PEP and the UniChem General PEP. A number of shareholders have recognised both the tax advantages and administrative convenience of these schemes by investing in them.

Annual General Meeting

In addition to the routine business of the annual general meeting the directors are proposing resolutions for your approval to: give them authority to allot shares, waive your pre-emption rights, give them authority to offer shares for cash dividends and to cancel the share premium account.

The full resolutions are set out in the notice of the annual general meeting on page 46 and explanations for these proposals are set out in the notes on the business to be covered at the meeting on page 48.

CUSTOMERS

UniChem is committed in its support of independent retail pharmacists and receives valuable input from the Regional Committees that meet regularly throughout the year. The pharmacist members of these committees are detailed on page 22.

THE COMMUNITY

Political and charitable gifts

The sum of £20,000 inclusive of tax credit has been given to the Charities Aid Foundation. A further £1,300 has been given to various local charities. No political gifts were made during the financial year.

Animal testing

It is the policy of the company that only skin care products that have not been tested on animals will be introduced to our Own Brand range and that wherever possible our retail pharmacies will only stock other brands with the same policy.

Health, safety and welfare

It is the policy of UniChem to enlist the support of all staff in providing the safest and healthiest environment within its premises that are reasonably practical for all its employees and visitors. At each location the company operates health and safety committees to advise management, whose duty it is to take every reasonable step to achieve the stated policy.

EMPLOYEES

It is the policy of UniChem to employ the best qualified personnel and provide equal opportunity in the selection and advancement of employees regardless of age, race, colour, national origin, religious persuasion, sex or marital status.

It is also UniChem's policy to give full and fair consideration to disabled applicants for employment, having regard to their particular aptitudes and abilities. If any employee becomes disabled the objective is the continued provision of suitable employment either in the same or an alternative position with appropriate training if necessary.

The directors are pleased with the number of group employees who have share options through which they are encouraged to become involved in the performance of the company. Full details of the options can be found in note 21 to the financial statements. Each option holder receives a copy of this report. Various other arrangements for employee communication and consultation exist including regular staff briefings and publication of a staff newsletter.

DIRECTORS

The current directors of the company are shown on page 21. During the year Mr W.N.P. Chapman joined the board as a non-executive director replacing Mr J.W. Buchanan on his resignation. Since the end of the year Mr G.I. Cooper joined the board as Finance Director replacing Mr G.T. Sewell on his resignation.

Biographical notes on all the current directors are on page 20. Details of the interests and service contracts of the directors are shown in note 8 to the financial statements.

During the financial year UniChem maintained directors' and officers' liability insurance cover.

Corporate Governance

The directors believe that since March 1993 UniChem complied fully with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance apart from the provisions requiring reports from the directors on the effectiveness of UniChem's system of internal control and that the business is a going concern. As at the time of this report final guidance on these issues have not been published.

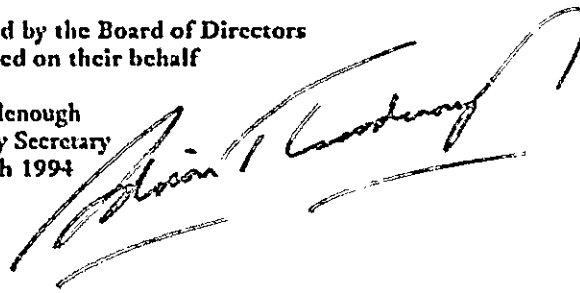
The Board of Directors has six committees: audit, executive, nomination, remuneration, sealing and share capital. All of these committees have established terms of reference and have met as required under those terms of reference.

This Report

Details in the other constituent sections of these reports and financial statements are material to an appreciation of the business of UniChem and as such form part of this report.

Approved by the Board of Directors
and signed on their behalf

A J Goodenough
Company Secretary
22 March 1994



Statement of Directors Responsibilities for the Financial Statements

This statement, which should be read in conjunction with the Report of the Auditors set out below, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that, in preparing the financial statements on pages 26 to 43 which have been prepared on a going concern basis, appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company at any time and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors to the members of UniChem PLC

We have audited the financial statements on pages 26 to 43 which have been prepared under the accounting policies set out on page 30.

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 circumstances of the Company and the Group, 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.


TOUCHE ROSS & CO.,
Chartered Accountants and Registered Auditors
Hill House, 1 Little New Street
London EC4A 3TR
22 March 1994

Consolidated Profit and Loss Account
for the year ended 31 December 1993

	Note	1993 £000	1992 £000
Turnover			
Continuing operations		1,177,623	1,047,858
Discontinued operations		-	874
	2	1,177,623	1,048,732
Cost of sales	2	(1,077,810)	(964,512)
Gross profit		99,813	84,220
Administrative expenses	2	(67,807)	(58,403)
		32,006	25,817
Other operating income	3	8,069	8,315
Operating profit			
Continuing operations		40,075	34,200
Discontinued operations		-	(68)
	2	40,075	34,132
Loss on disposal of discontinued operations	4	-	(2,449)
Profit before interest and taxation		40,075	31,683
Interest receivable	5	471	1,329
Interest payable	6	(3,041)	(3,588)
Profit on ordinary activities before taxation		37,505	29,424
Tax on profit on ordinary activities	10	(12,675)	(10,795)
Profit on ordinary activities after taxation	11	24,830	18,629
Dividends	12	(9,253)	(7,685)
Retained profit for the financial year		15,577	10,944
Earnings per share			
- Undiluted			
- under FRS 3		17.8p	13.7p
- adjustment for loss on disposal of discontinued operations		-	1.8p
- continuing operations	13	17.8p	15.5p
- Fully diluted			
- under FRS 3		17.3p	13.4p
- adjustment for loss on disposal of discontinued operations		-	1.7p
- continuing operations	13	17.3p	15.1p



		The Group		Company	
	Note	1993	1992	1993	1992
		£000	£000	£000	£000
Fixed assets					
Tangible assets	14	39,002	33,809	23,933	21,561
Investments	15	5,088	5,088	28,754	20,183
		44,090	38,897	52,687	41,744
Current assets					
Stocks	16	96,023	81,881	72,876	66,278
Debtors	17	175,363	163,497	155,826	150,630
Cash at bank and in hand		9,193	26,462	5,195	23,713
		280,579	271,840	233,897	240,621
Creditors: amounts falling due within one year					
Bank overdraft		9,425	26,284	-	15,390
Trade creditors		159,109	139,717	145,425	132,856
Sundry creditors	18	42,243	36,321	35,457	30,540
		210,781	202,322	180,882	178,786
Net current assets		69,798	69,518	53,015	61,835
Total assets less current liabilities		113,888	108,415	105,702	103,579
Creditors: amounts falling due after more than one year	19	13,559	12,888	12,315	12,829
Provisions for liabilities and charges	20	2,443	2,369	239	311
		97,886	93,158	93,148	90,439
Capital and reserves					
Called up share capital	21	14,232	13,755	14,232	13,755
Share premium account	21	9,182	730	9,182	730
Shares to be issued	21	5,502	-	5,502	-
Special reserve	22	-	10,373	-	10,373
Profit and loss account	22	84,133	68,300	79,395	65,581
Goodwill	22	(15,163)	-	(15,163)	-
		97,886	93,158	93,148	90,439

The financial statements were approved by the Board of Directors of UniChem PLC on 22 March 1994 and are signed on its behalf by:

LORD RIPPON

J F HARRIS

Directors

Consolidated Cash Flow Statement
for the year ended 31 December 1993

		1993	1992
	Note	£000	£000
Net cash inflow from operating activities	25	41,950	34,778
Returns on investment and servicing of finance			
Interest received		471	1,265
Interest paid		(2,692)	(3,029)
Interest element of finance lease payments		(289)	(441)
Dividends paid		(6,487)	(7,970)
Net cash outflow from returns on investment and servicing of finance		(8,997)	(10,175)
Taxation			
Corporation tax (including ACT) paid		(10,428)	(10,169)
Investing activities			
Purchase of pharmacy goodwill via asset acquisitions		(5,764)	(8,004)
Purchase of tangible fixed assets		(8,969)	(4,966)
Purchase of subsidiary undertakings	27	(10,049)	(30,895)
Other investments		-	(849)
Sale of pharmacy goodwill		518	176
Sale of tangible fixed assets		1,313	742
Sale of subsidiary undertaking		-	352
Net cash outflow from investing activities		(22,951)	(43,444)
Net cash outflow before financing		(426)	(29,010)
Financing			
Issue of ordinary share capital	29	1,514	35,141
Loans repaid	29	(185)	-
Capital element of finance lease payments	29	(2,637)	(3,685)
Net cash inflow (outflow) from financing		(1,308)	31,456
Increase (decrease) in cash and cash equivalents	30	(1,734)	2,446

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1993	1992
	£000	£000
Profit for the financial year	24,830	18,629
Currency translation differences on foreign currency net investments	(503)	141
Total recognised gains and losses relating to the year	24,327	18,770

MOVEMENT IN SHAREHOLDERS' FUNDS

	1993	1992
	£000	£000
At 1 January 1993	93,158	111,842
Total recognised gains and losses for the financial year	24,327	18,770
Dividends	(9,253)	(7,685)
Written off on disposal of discontinued operations	-	(9)
Goodwill acquired and written off during the year	(25,536)	(31,897)
Goodwill previously written off now realised	759	174
Shares issued	14,431	1,963
At 31 December 1993	97,886	93,158

(1) ACCOUNTING POLICIES

Convention

The financial statements have been prepared in accordance with the historical cost convention and applicable accounting standards. The principal accounting policies adopted within that convention are set out below.

Basis of consolidation

The consolidated profit and loss account and balance sheets of the Group consolidate the financial statements of UniChem PLC and its subsidiary undertakings. All undertakings within the Group make up their accounts to 31 December.

Turnover

Turnover is the amount derived from the provision of goods and services excluding value added tax and sales between undertakings within the Group.

Pensions

The costs of funding the defined benefit pension schemes operated by the Group are estimated on the basis of independent actuarial advice, and are charged to the profit and loss account over the expected service lives of participating employees.

This accounting policy follows the funding policy except where an actuarial valuation indicates that a deficiency or a surplus has arisen. Such surpluses or deficiencies are, for funding purposes, dealt with as advised by the actuary. For accounting purposes, they are spread over the expected remaining service lives of participating employees.

The costs of funding the defined contribution pension schemes operated by the Group are charged to the profit and loss account as they are payable.

Goodwill

The excess of the purchase price over the fair value of the net tangible assets of businesses acquired in the year is taken to the reserves. This treatment has been adopted in accordance with current accounting standards.

Fixed asset investments

Fixed asset investments are stated at cost less an amount equal to underlying goodwill on acquisition and provisions for permanent diminution in value.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of these assets to their estimated residual values by equal annual instalments over the period of their estimated useful economic lives at the following rates:

- (a) Freehold buildings - at 2% per annum
- (b) Long and short leasehold properties - at 2% per annum or over the period of the lease whichever is the shorter
- (c) Furniture, fixtures, equipment and motor vehicles - at rates ranging from 10% to 33%, according to their nature.

Leased assets

Fixed assets held under finance leases are capitalised and depreciated over the estimated useful life of the asset. The finance charges are allocated over the primary period of the lease in proportion to the capital element of the lease outstanding. The costs of operating leases are charged to the profit and loss account as they accrue.

Stocks

Stocks consist of goods held for resale. They are valued at the lower of cost, determined on a first-in, first-out basis, and net realisable value.

Deferred taxation

Deferred taxation is provided in respect of significant timing differences to the extent that it is probable that such tax will become payable.

Foreign exchange

Transactions of U.K. undertakings denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Balance sheets of foreign undertakings are translated into sterling at the closing rates of exchange and profit and loss accounts are translated at the average rates of exchange for the year. Differences arising on translation are taken direct to reserves.

Notes to the Financial Statements
for the year ended 31 December 1993

(2) ANALYSIS OF TURNOVER, OPERATING COSTS AND OPERATING PROFIT

	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
	1993	1993	1993	1992	1992	1992
	£000	£000	£000	£000	£000	£000
Turnover						
Wholesale UK	1,075,121	-	1,075,121	975,062	2,565	977,627
Retail UK	113,978	-	113,978	79,749	-	79,749
Wholesale Portugal	67,382	-	67,382	43,350	-	43,350
Intra-group sales	(78,858)	-	(78,858)	(50,303)	(1,691)	(51,994)
	1,177,623	-	1,177,623	1,047,858	874	1,048,732
Cost of sales	(1,077,810)	-	(1,077,810)	(963,752)	(760)	(964,512)
Gross profit	99,813	-	99,813	84,106	114	84,220
Administrative expenses	(67,807)	-	(67,807)	(58,221)	(182)	(58,403)
Other operating income	8,069	-	8,069	8,315	-	8,315
Operating profit						
Wholesale UK	31,972	-	31,972	28,509	(68)	28,441
Retail UK	6,642	-	6,642	4,856	-	4,856
Wholesale Portugal	1,461	-	1,461	835	-	835
	40,075	-	40,075	34,200	(68)	34,132

(3) OTHER OPERATING INCOME

	1993	1992
	£000	£000
Distribution agency fees, net rental income on pharmacy computer systems and franchise fee income	8,069	8,315

(4) LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

	1993	1992
	£000	£000
Withdrawal from nappy manufacturing	-	2,449

(5) INTEREST RECEIVABLE

	1993	1992
	£000	£000
Bank deposit interest	471	1,329

(6) INTEREST PAYABLE

	1993	1992
	£000	£000
Bank loans and overdrafts repayable within five years	1,905	1,723
Other loans	847	1,424
Finance charges payable on finance leases	289	441
	3,041	3,588

Notes to the Financial Statements
for the year ended 31 December 1993

(7) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	1993	1992
	£000	£000
Depreciation of owned assets	3,451	2,763
Depreciation of assets held under finance leases	2,474	2,748
Total depreciation of tangible fixed assets	5,925	5,511
Depreciation of intangible fixed assets	-	43
Operating lease rentals - land and buildings	3,529	2,456
- plant and machinery	82	268
Audit fees	204	156
Other fees paid to the auditors	136	176

The costs of distribution are considered to be a component of cost of sales.

(8) DIRECTORS

(a) Directors shares and other interests. The interests of the directors and their immediate families, all of which are beneficial, in the ten pence ordinary shares of the Company are detailed below.

	31 December 1993	1 January 1993	31 December 1993	31 December 1993
	Fully paid	Fully paid	1990 executive share option scheme	1990 savings related share option scheme
B.M. Andrews	95,392	95,019	45,000 (2)	11,259 (3)
M.A. Bardsley	5,169	5,043	-	-
Mrs M.F. Burton	5,040	-	-	-
W.N.P. Chapman	44,662	44,662 (1)	-	-
J.F. Harris	7,675	6,304	345,000 (2)	16,758 (3)
W.H. Hart	5,169	5,043	300,000	13,534
K.S.S. Hide	5,024	5,043	345,000 (2)	16,758 (3)
D.C. Mair	45,412	45,044	-	-
G.T. Sewell	7,780	5,000	284,510 (4)	8,060 (5)
Lord Rippon	41,120	37,500	-	-
	262,443	248,658	1,319,510	66,369

There were no changes in the directors' interests between 31 December 1993 and 22 March 1994.

- (1) As at the date of his appointment as a director and not 1 January 1993.
- (2) 45,000 granted during the year.
- (3) 3,224 granted during the year.
- (4) 14,295 granted during the year.
- (5) 8,060 granted during the year.

Further details of the 1990 executive share option scheme and the 1990 savings related share option scheme are given in note 21.

On 27 May 1993 UniChem PLC Employee Share Trust (the "Trust") purchased 500,000 ordinary shares at a price of 223 pence per share. All employees and the executive directors are eligible to benefit from the Trust.

No director has been materially interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and its subsidiary undertakings and which was entered into by the Company or its subsidiary undertakings during the financial year ended 31 December 1993.

(8) DIRECTORS (continued)

(b) Directors service contracts. B.M. Andrews, J.F. Harris, M.H. Hart and K.S.S. Hide have service contracts that are terminable by the Company on twelve months notice. Mr G.I. Cooper has a service contract that is terminable by the Company without notice on or before 1 June 1994 after which it is terminable by the Company on twelve months notice. No other director has a service contract with the Company.

(c) Directors emoluments. The emoluments of the directors, inclusive of pension contributions of £182,000 (1992 £155,000), for the financial year ended 31 December 1993 totalled £1,234,000 (1992 £1,183,000). The emoluments, exclusive of pension contributions, are summarised below.

	1993 £000	1992 £000
Chairman	60	60
Highest paid director	243	231
The other directors fell within the following ranges:	Number	Number
£0 and over but not exceeding £5,000	2	-
£5,001 and over but not exceeding £10,000	2	5
£25,001 and over but not exceeding £30,000	1	1
£120,001 and over but not exceeding £125,000	-	1
£160,001 and over but not exceeding £165,000	-	2
£170,001 and over but not exceeding £175,000	4	-
£210,001 and over but not exceeding £215,000	-	1

The emoluments of the directors are recommended to the Board by a remuneration committee consisting of the chairman, the chief executive and one other non-executive director appointed by the Board. The pensions costs in respect of the highest paid director were £48,000 (1992 £43,000). There were no pension costs associated with the Chairman.

All directors are currently paid salaries with no profit related element.

(9) EMPLOYEES

The average number of staff employed by the Group, which includes directors were:	1993	1992
Wholesale UK	2,621	2,665
Retail UK	2,053	1,568
Wholesale Portugal	191	205
	4,865	4,438

The costs incurred in respect of these employees were:	1993 £000	1992 £000
Wages and salaries	37,433	32,648
Social security costs	3,354	3,107
Other pension costs (note 32)	1,586	1,897
	42,373	37,652

(10) TAX ON PROFIT ON ORDINARY ACTIVITIES	1993	1992
	£000	£000
Corporation tax charge at 33% (1992 33%)	12,816	10,855
Deferred taxation	(124)	220
Under (over) provision for earlier years	(17)	(280)
	12,675	10,795

(11) PROFIT OF THE PARENT COMPANY	1993	1992
	£000	£000
Dealt with in the accounts of the parent company	23,067	17,531

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts.

(12) DIVIDENDS	1993	1992
	£000	£000
Interim paid, net 2.2 pence (1992 1.9 pence)	3,053	2,521
Final proposed, net 4.3 pence (1992 3.75 pence)	6,200	5,164
	9,253	7,685

(13) EARNINGS PER SHARE

Earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue during the year. The fully diluted earnings per share were calculated by increasing the relevant earnings figures by the amount of interest that could have been earned assuming that the options had been exercised at the start of the relevant year. Further details of the options are given in note 21.

	1993	1992
	£000	£000
Profit after taxation	24,830	18,629
Weighted average number of shares	1993	1992
	000	000
Undiluted	139,462	136,356
Fully diluted	145,707	142,978

(14) TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings	Long leaseholds	Short leaseholds	Furniture fixtures & equipment	Motor vehicles	Total
Cost	£000	£000	£000	£000	£000	£000
At 1 January 1993	11,758	9,963	2,001	22,325	7,087	53,134
Foreign exchange movement	(170)	-	-	(116)	(22)	(308)
Additions	3,824	88	7	4,433	2,639	10,991
Transfer	3,090	(3,090)	-	-	-	-
Subsidiaries acquired	1,538	-	-	766	106	2,410
Disposals	(685)	-	(20)	(2,461)	(709)	(3,875)
At 31 December 1993	19,355	6,961	1,988	24,947	9,101	62,352
Depreciation						
At 1 January 1993	1,034	941	791	12,452	4,107	19,325
Foreign Exchange movement	(5)	-	-	(88)	(11)	(104)
Subsidiaries acquired	28	-	-	314	29	371
Transfer	316	(316)	-	-	-	-
Disposals	(22)	-	(10)	(1,602)	(533)	(2,167)
Charge for the year	373	149	106	2,991	2,306	5,925
At 31 December 1993	1,724	774	887	14,067	5,898	23,350
Net book value						
At 31 December 1993	17,631	6,187	1,101	10,880	3,203	39,002
At 31 December 1992	10,724	9,022	1,210	9,873	2,980	33,809
Company						
Cost						
At 1 January 1993	4,525	8,005	1,373	16,123	6,333	36,359
Additions	3,645	88	-	1,912	2,318	7,963
Transfer	3,090	(3,090)	-	-	-	-
Disposals	-	-	-	(2,375)	(427)	(2,802)
At 31 December 1993	11,260	5,003	1,373	15,660	8,224	41,520
Depreciation						
At 1 January 1993	686	609	503	9,246	3,754	14,798
Transfer	316	(315)	-	-	-	-
Disposals	-	-	-	(1,559)	(276)	(1,835)
Charge for the year	224	102	71	2,082	2,145	4,624
At 31 December 1993	1,226	395	574	9,769	5,623	17,587
Net book value						
At 31 December 1993	10,034	4,608	799	5,891	2,601	23,933
At 31 December 1992	3,839	7,396	870	6,877	2,579	21,561

The cost of long leaseholds includes capitalised interest of £320,000 (1992 £320,000).

Leased Assets	The Group		Company	
Included within fixed assets held under finance leases	1993	1992	1993	1992
with the following net book values:	£000	£000	£000	£000
Furniture, fixtures & equipment	449	1,849	449	1,757
Motor vehicles	1,636	1,586	1,636	1,586
	2,085	3,435	2,085	3,343

Capital commitments	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Contracted for, but not provided for	5,078	-	5,078	-
Authorised by the directors, but not contracted for	16,152	10,895	12,217	7,845

Notes to the Financial Statements
for the year ended 31 December 1993

(15) FIXED ASSET INVESTMENTS

	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Subsidiary undertakings (b)				
Shares at cost	-	-	10,095	2,797
Loan and current accounts (net)	-	-	13,571	12,298
	-	-	23,666	15,095
Other investments (c)	5,088	5,088	5,088	5,088
Total	5,088	5,088	28,754	20,183

(a) Company	Shares*	Loans	Total
	£000	£000	£000
Subsidiary undertakings			
At 1 January 1993	2,797	12,298	15,095
Acquired/advanced	33,139	1,500	34,639
Repaid/provided	(25,841)	(227)	(26,068)
At 31 December 1993	10,095	13,571	23,666

*Shares are stated at cost less an amount equal to the underlying goodwill on acquisition and provisions for permanent diminution in value.

(b) The principal subsidiary undertakings, all of which are wholly owned by UniChem PLC, are:

Bradford Chemists' Alliance Limited - pharmaceutical wholesaler
E. Moss Limited - retail pharmacy operator and franchisor
Soler Touriste Limited - travel agent
UniChem Portuguesa (S.G.P.S.) Lda (Portugal) - holding company
UniChem Farmaceutica, S.A. (Portugal) - pharmaceutical wholesaler
UniChem (Warehousing) Limited - warehousing services to UniChem PLC

These principal subsidiary undertakings are registered and operate in England and Wales, except where otherwise stated.

(c) Other investments represent the cost of investment in PAG Pharma-Holding AG which is incorporated in Germany. The Company owns 55,250 ordinary bearer shares (representing approximately 17% of the issued equity). The market value of this investment as quoted on the Frankfurt stock exchange on 31 December 1993 was £5,784,000 (1992 £4,506,000).

(16) STOCKS

	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Finished goods and goods held for resale	96,023	81,881	72,876	66,278

(17) DEBTORS

	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	161,968	154,114	149,173	145,357
Other debtors	6,852	3,653	2,871	1,310
Prepayments	4,083	2,194	1,038	1,170
	172,903	159,971	153,082	147,837
Amounts falling due after more than one year				
Trade debtors	312	199	312	199
Other debtors - ACT recoverable	897	1,566	1,181	833
Prepayments - Pension costs	1,251	1,761	1,251	761
	2,460	3,526	2,744	2,793
	175,363	163,497	155,826	150,630

Notes to the Financial Statements
for the year ended 31 December 1993

(18) SUNDRY CREDITORS	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Obligations under finance leases	1,874	1,855	1,843	1,809
Other creditors	9,504	5,455	6,677	3,929
Corporation tax	12,177	11,637	11,100	9,500
Other taxation and social security	5,933	6,809	5,406	6,400
Accruals and deferred income	6,555	5,401	4,231	3,738
Proposed dividend	6,200	5,164	6,200	5,164
	42,243	36,321	35,457	30,540

(19) CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Bank loans (a)	12,590	11,355	11,355	11,355
Obligations under finance leases (b)	969	1,533	960	1,474
	13,559	12,888	12,315	12,829

(a) Bank loans	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Aggregate bank loan instalments repayable between one and two years	168	-	-	-
between two and five years	1,852	-	1,600	-
in five years or more	10,570	11,355	9,755	11,355
	12,590	11,355	11,355	11,355

The loans are repayable by instalments and bear interest at variable rates. The largest loan, totalling £11,355,000 bore interest at the year end of 7% and is secured by charges on assets of the Group. The last instalment is due in 2004.

(b) Obligations under finance leases	The Group		Company	
	1993	1992	1993	1992
	£000	£000	£000	£000
Due between one and two years	755	1,074	746	1,015
Due between two and five years	277	599	277	599
	1,032	1,673	1,023	1,614
Less: finance charges allocated to future periods	(63)	(140)	(63)	(140)
	969	1,533	960	1,474

Notes to the Financial Statements
for the year ended 31 December 1993

(20) PROVISIONS FOR LIABILITIES AND CHARGES	Provision for reorganisation	Deferred tax	Total
	£000	£000	£000
The Group			
At 1 January 1993	1,591	778	2,369
Foreign exchange movements	(7)	(57)	(64)
Provided	685	-	685
Utilised	(568)	-	(568)
Subsidiary acquired	-	34	34
Charge for the year	-	(124)	(124)
ACT recoverable	-	198	198
Other movements	-	(87)	(87)
At 31 December 1993	1,701	742	2,443

Company			
At 1 January 1993	-	311	311
Charge for the year	-	(370)	(370)
ACT recoverable	-	298	298
At 31 December 1993	-	239	239

The sources of the provision for deferred tax and the amount for which no provision has been made are as follows:

The Group	Not dealt with in the accounts		Dealt with in the accounts	
	1993	1992	1993	1992
	£000	£000	£000	£000
Capital allowances	-	-	960	771
Short term timing differences	-	-	119	479
Chargeable gains deferred by roll-over relief	40	40	-	-
ACT recoverable	-	-	(654)	(852)
Property revaluation	-	-	316	380
	40	40	741	778

Company				
Capital allowances	-	-	498	498
Short term timing differences	-	-	109	479
Chargeable gains deferred by roll-over relief	16	16	-	-
ACT recoverable	-	-	(368)	(666)
	16	16	239	311

(21) CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT	Called up share capital 10p ordinary shares		Share Premium Account
	Number	£000	£000
Issued and full paid up			
At 1 January 1993	137,547,748	13,755	730
Shares issued during the year pursuant to: the acquisition of pharmacies	2,335,501	233	5,383
scrip issues	747,797	75	1,724
the loyalty bonus issue	62,358	7	(7)
the exercise of share options	1,617,966	162	1,352
At 31 December 1993	142,318,370	14,232	9,182

Shares to be issued			
At 31 December 1993	1,978,936	198	5,504

**(21) CALLED UP SHARE CAPITAL AND
SHARE PREMIUM ACCOUNT (continued)**

The authorised share capital was £18.66 million (186.6 million ten pence ordinary shares) at both the beginning and end of the year.

Of the shares allotted on the acquisition of pharmacies 904,590 shares have been allotted for cash due to the fact that the Company acquired part of the consideration debt of E. Moss Limited and satisfied the debt by allotting shares. Details of these cash allotments are:

Date	Shares Allotted	Value of Shares
30 July 1993	340,903	£2.3357
1 October 1993	148,316	£2.5014
29 October 1993	309,482	£2.6900
1 December 1993	105,889	£2.6443

The shares offered in the scrip issues were instead of the 1992 final dividend of 3.75 pence per share and the 1993 interim dividend of 2.2 pence per share. Shares issued under the offers had cash equivalent values of £2.250 and of £2.666 respectively.

The shares issued under the loyalty bonus scheme were to those shareholders who had retained on 16 November 1992 the shares originally allotted to them on 2 July 1990. One free bonus share was allotted for every ten shares so held.

Since the end of the year 1,633,593 shares have been allotted in respect of the acquisition of Bradford Chemists' Alliance Limited, which was declared unconditional on 24 December 1993. A maximum of 345,343 further shares may be allotted representing shares that may be allotted to non-assenting shareholders, consisting of less than 2% of the original shareholdings, and shares that may be allotted as further consideration under the terms of the offer. A total of 1,978,936 shares to be issued with a value of £5,502,000 are shown in the table above.

Details of the outstanding options granted under the Company's share option schemes at 31 December 1993 are:

	Price	Outstanding	Exercisable between
1990 Savings related scheme	83.12p	1,846,226	1 November 1995 and 30 April 1996
	83.12p	598,169	1 November 1997 and 30 April 1998
	168.00p	627,866	1 June 1997 and 30 November 1997
	168.00p	160,371	1 June 1999 and 30 November 1999
	*214.00p	668,262	1 January 1999 and 30 June 1999
	*214.00p	149,604	1 January 2001 and 30 June 2001
		4,050,498	
1990 Executive scheme	93.88p	1,005,000	3 September 1993 and 2 September 2000
	154.72p	170,000	16 May 1994 and 15 May 2001
	217.00p	326,202	10 October 1995 and 9 October 2002
	*268.00p	991,549	1 November 1996 and 31 October 2003
		2,492,751	

*These options were granted in 1993.

The directors are aware of the following shareholdings at 22 March 1994 of 3% or more of the issued ordinary share capital of the Company:

	Number of Shares	Percentage of present issued ordinary share capital
Newton Investment Management Limited	9,375,826	6.50
Gartmore Investment Management Limited	6,809,000	4.72
Australian Mutual Provident Society	5,079,000	3.52

Save for these interests, the directors have not been notified that any person is, directly or indirectly, interested in 3% or more of the issued ordinary share capital.

Notes to the Financial Statements
for the year ended 31 December 1993

(22) OTHER RESERVES

	Profit and Loss Account	Special Reserve	Goodwill
	£000	£000	£000
The Group			
At 1 January 1993	68,300	10,373	-
Foreign Exchange movements	(503)	-	-
Goodwill acquired during the year	-	-	(15,163)
Goodwill acquired and written off during the year	-	(10,373)	-
Goodwill previously written off, now realised	759	-	-
Retained profit for the year	15,577	-	-
At 31 December 1993	84,133	-	(15,163)
Company			
At 1 January 1993	55,581	10,373	-
Goodwill acquired during the year*	-	-	(15,163)
Goodwill acquired and written off during the year*	-	(10,373)	-
Retained profit for the year	13,814	-	-
At 31 December 1993	79,395	-	(15,163)

*Includes an amount equal to the underlying goodwill on acquisition which is adjusted against the investment in subsidiaries.

(23) GOODWILL

(a) Retail pharmacy acquisitions

During the year the Group made a number of retail pharmacy acquisitions, either by acquiring companies which owned pharmacies or by acquiring pharmacy businesses direct. The acquired goodwill can be analysed as follows:

	£000
Company acquisitions	10,587
Asset acquisitions	8,693
	19,280

The most important acquisition was that of Elliott Godfrey Limited which is shown together with the other small company acquisitions below. The assets acquired and consideration paid during the year were as follows:

Assets acquired	Book value £000	Provisions £000	Fair value £000
Fixed assets	1,258	-	1,258
Stock	1,630	-	1,630
Debtors	2,249	-	2,249
Cash at bank and in hand	519	-	519
Bank overdrafts	(876)	-	(876)
Creditors	(4,074)	-	(4,074)
Reorganisation costs	-	-	-
	706	-	706
Consideration paid			
UniChem PLC 10p ordinary shares			2,688
Cash			8,605
			11,293
Purchased goodwill			10,587

(23) GOODWILL (continue)

All company acquisitions have been accounted for by the acquisition accounting method. Cumulative goodwill written off to reserves to 31 December 1993, net of that attributable to disposals was £89,760,000 of which £77,580,000 related to pharmacy goodwill.

The directors believe that the right to be reimbursed for dispensing NHS prescriptions, the pharmacy licence which is attached to a particular pharmacy, has a continuing value. Such rights, conferred by the Department of Health as contracts to dispense prescriptions, are not generally granted to new pharmacies in the same locality. It is generally accepted accounting policy that purchased goodwill arising from the acquisition of such licences be eliminated from the accounts immediately on acquisition against reserves. The directors have therefore decided to seek the approval of the shareholders at the forthcoming annual general meeting to cancel the share premium account. Goodwill will then be written off against this amount. Your attention is drawn to the note to item 11 to the notice of the meeting on page 48.

On 28 February 1994 E. Moss Limited acquired from Mr B. Moss the entire issued share capital of Bruce Moss Limited which owns five pharmacies in Bradford. The consideration paid in cash was £2.2 million. Mr Moss was a director of Bradford Chemists' Alliance Limited at the time the offer for the entire issued share capital of Bradford Chemists' Alliance Limited was made unconditional on 24 December 1993.

(b) Bradford Chemists' Alliance Limited

On 24 December 1993, the offer for the entire share capital of Bradford Chemists' Alliance Limited was declared unconditional. The assets acquired and consideration payable, £3,613,000 of which is contingent and deferred, are as follows:

Assets acquired	Book value £000	Revaluation £000	Provisions £000	Fair value £000
Fixed assets	437	366	-	803
Stock	4,149	-	-	4,149
Debtors	6,344	-	-	6,344
Bank overdrafts	(977)	-	-	(977)
Creditors	(6,657)	-	(8)	(6,665)
Reorganisation costs	-	-	(685)	(685)
	3,296	366	(693)	2,969
Consideration paid				
UniChem PLC 10p ordinary shares to be issued				5,502
Cash payable				3,727
				9,225
Purchased goodwill				6,256

(24) ANALYSIS OF NET ASSETS

	1993 £000	1992 £000
Wholesale UK	119,225	116,620
Retail UK	59,838	39,589
Wholesale Portugal	12,072	10,573
Retail pharmacy goodwill	(77,580)	(59,059)
	113,555	107,723

Net assets are shown before net borrowings.

Notes to the Financial Statements
for the year ended 31 December 1993

(25) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	1993	1992
	£000	£000
Operating profit	40,075	34,132
Depreciation and (profit) loss on disposal of fixed assets	6,570	5,376
(Increase) decrease in stocks	(9,176)	626
(Increase) decrease in debtors	(7,020)	(4,781)
(Decrease) increase in creditors	11,501	(575)
Net cash inflow from operating activities	41,950	34,778

(26) MAJOR NON-CASH TRANSACTIONS

(a) During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of £2,041,000.

(b) Part of the purchase consideration for the acquisition of subsidiary undertakings that occurred during the year comprised shares and other loans. Further details of the acquisitions are set out below and in note 23.

(27) PURCHASE OF SUBSIDIARY UNDERTAKINGS

	£000
Retail pharmacy company acquisitions (note 23a)	8,962
Bradford Chemists' Alliance Ltd (note 23b)	1,087
	10,049

(28) ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE PURCHASE OF SUBSIDIARY UNDERTAKINGS

	£000
Cash consideration	(8,715)
Cash at bank and in hand acquired	519
Bank overdrafts acquired	(1,853)
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(10,049)

(29) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital	Loans and finance lease obligations
	£000	£000
At 1 January 1993	14,485	14,747
Cash inflows (outflows) from financing	1,514	(2,800)
Shares issued for non-cash consideration	7,415	-
Subsidiaries acquired	-	1,471
Inception of finance lease contracts	-	2,041
At 31 December 1993	23,414	15,433

(30) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1993	1992
	£000	£000
At 1 January	178	(1,459)
Net cash inflow(outflow) before adjustments for the effect of foreign exchange rate changes	(1,734)	2,446
Effect of foreign exchange rate changes	1,320	(809)
At 31 December	(236)	178

Notes to the Financial Statements
for the year ended 31 December 1993

(31) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET		1993	1992	Change in year
		£000	£000	£000
Cash at bank and in hand		9,193	26,462	(17,269)
Bank overdraft		(9,429)	(26,284)	16,855
		(236)	178	(414)

(32) PENSIONS

The Group operates several pension schemes. The total pension cost for the Group was £1,586,000 (1992 £1,897,000). The main scheme is the UniChem PLC Pension and Assurance Scheme which is managed externally by an independent company. The UniChem PLC Pension and Assurance Scheme is a defined benefit scheme.

Pension costs are assessed in accordance with the advice of qualified actuaries using the projected unit method. Actuarial valuations of the UniChem PLC Pension and Assurance Scheme fund are performed periodically, but with at least one every three years. The latest actuarial valuation was made at 1 January 1991, at which time the total market value of assets was £12,490,000. At that date, the actual value of the assets was sufficient to cover 85% of the value of the benefits that had accrued to members after allowing for future increases in earnings. The deficit was eliminated for funding purposes by a lump sum payment of £927,600 at 31 December 1991 and a small increase in contributions from January 1992.

The main assumptions used in applying this method were as follows:	% per annum
Investment return	9
Increase in salaries	7
Allowance for withdrawals	No allowance

Included in the total pension costs is £255,000 (1992 £255,000) in respect of the spreading of an earlier experience deficit that is being recognised for accounting purposes over the expected remaining service lives of participating employees. Included in debtors is the excess of the cumulative amounts paid over the accumulated pension cost of £1,251,000 (1992 £1,761,000).

(33) OTHER FINANCIAL COMMITMENTS

At 31 December 1993 the Group had the following commitments

payable within one year under operating leases expiring:	Land and buildings	Other
	£000	£000
within one year	91	11
between two and five years	841	50
in five years or more	3,066	9
	3,998	70

(34) CONTINGENT LIABILITIES

The Company has guaranteed bank loans of £105.5 million (1992 £100.5 million) to third parties for the financing of pharmacy businesses and has given other guarantees on behalf of Group companies of £5,911,000 (1992 £5,834,000). In addition, Bradford Chemists' Alliance Ltd has given guarantees to third parties for the financing of pharmacy businesses totalling £1,607,000 at the year end.

Five Year Summary

Consolidated Profit and Loss Accounts - year ended 31 December	1989 £000	1990 £000	1991 £000	1992 £000	1993 £000
Turnover					
Continuing operations	783,110	872,018	919,115	1,047,858	1,177,623
Discontinued operations	-	1,331	990	874	-
	783,110	873,349	920,105	1,048,732	1,177,623
Cost of sales	(737,256)	(821,877)	(862,359)	(964,512)	(1,077,810)
Gross profit	45,854	51,472	57,746	84,220	99,813
Administrative expenses	(32,803)	(33,953)	(39,659)	(58,403)	(67,807)
	13,051	17,519	18,087	25,817	32,006
Other operating income	1,800	1,787	2,573	8,315	8,069
Operating profit					
Continuing operations	14,851	19,197	20,384	34,200	40,075
Discontinued operations	-	109	276	(68)	-
	14,851	19,306	20,660	34,132	40,075
Net share of results of associated undertakings	(28)	(145)	-	-	-
Loss on disposal of discontinued operations	-	-	-	(2,449)	-
Interest receivable	1,512	980	2,016	1,329	471
Interest payable	(2,520)	(3,791)	(2,304)	(588)	(3,041)
Profit on ordinary activities before taxation	13,815	16,350	20,372	29,424	37,505
Tax on profit on ordinary activities	(4,873)	(5,735)	(7,056)	(10,795)	(12,675)
Profit on ordinary activities after taxation	8,942	10,615	13,316	18,629	24,830
EPS fully diluted	10.8p	12.2p	12.4p	13.4p	17.3p
Dividends per share	-	1.46p	4.95p	5.65p	6.50p
Consolidated Balance Sheets - 31 December	1989 £000	1990 £000	1991 £000	1992 £000	1993 £000
Fixed assets					
Intangible assets	-	91	84	-	-
Tangible assets	19,471	24,852	31,951	33,809	39,002
Investments	761	-	4,239	5,088	5,088
	20,232	24,943	36,274	38,897	44,090
Current assets					
Stocks	63,791	52,312	75,983	81,881	96,023
Debtors	103,570	107,955	144,093	163,497	175,363
Amount due from rights issue	-	-	35,121	-	-
Cash at bank and in hand	4,193	29,260	3,387	26,462	9,193
	171,554	199,527	258,584	271,840	280,579
Creditors: amounts falling due within one year	(127,215)	(121,744)	(168,228)	(202,322)	(210,781)
Net current assets	44,339	77,783	90,356	69,518	69,798
Total assets less current liabilities	64,571	102,726	126,630	108,415	113,888
Creditors: amounts falling due after more than one year	(18,339)	(21,139)	(13,598)	(12,888)	(13,559)
Provisions for liabilities and charges	(471)	(596)	(1,190)	(2,369)	(2,443)
	45,761	80,991	111,842	93,158	97,886
Capital and reserves					
Called up share capital	4,768	9,423	9,803	13,755	14,232
Share premium account	-	21,784	25,882	730	9,182
Shares to be issued	-	-	52,367	-	5,502
Special reserve	-	-	-	10,373	-
Other reserves	40,993	49,784	57,050	58,300	84,133
Goodwill	-	-	(33,260)	-	(15,163)
	45,761	80,991	111,842	93,158	97,886

1994 Financial Calendar

23 March	1993 final profit and proposed final dividend announced
18 May	Annual general meeting
1 July	1993 final dividend paid to shareholders registered on 8 April 1994
28 September	1994 half year profit and interim dividend announced
31 December	1994 interim dividend paid to shareholders registered on 27 October 1994

Shareline

For UniChem's "real-time" share price phone 0891 500504. In addition to the share price the commentary will supply you with a stock market summary. As at April 1994 calls are charged at 39 pence per minute cheap rate and 49 pence at all other times.

Capital Gains Tax

Prior to 2 July 1990 UniChem shares were those of an Industrial and Provident Society and by virtue of Section 111(b) of the Taxation of Chargeable Gains Act 1992 (as derived from Section 113(1) of the Finance Act 1988) the capital gains tax indexation provisions do not apply to those shares. UniChem has been advised that the conversion from an Industrial and Provident Society to a Public Company limited by shares is regarded by the Inland Revenue as a reorganisation of UniChem's share capital.

UniChem Corporate PEPs

UniChem offers two personal equity plans (PEPs) to individuals holding or wishing to hold shares in the company. The UniChem Single Company PEP and the UniChem General PEP offer tax advantages and administrative convenience. Godwin Limited have been appointed as a plan manager of the UniChem PEPs and an explanatory booklet may be obtained from them by phoning 0252 544484.

Notice of the Annual General Meeting

Notice is hereby given that the fourth annual general meeting of UniChem PLC will be held at UniChem House, Cox Lane, Chessington, Surrey on Wednesday 18 May 1994 starting at 10.00 a.m. for the following purposes:

Ordinary Business

1. To receive the reports of the directors and auditors and the audited Financial Statements for the year ended 31 December 1993.

2. To declare a final dividend on the ordinary shares.

To re-elect as directors those retiring by rotation under the Articles of Association of the company:

3. Mr M.A. Bardsley

4. Mr K.S.S. Hide

To elect those directors who have been appointed since the last annual general meeting:

5. Mr W.N.P. Chapman

6. Mr G.I. Cooper

7. To re-appoint 'Touche Ross & Co., Chartered Accountants, as auditors of the company and to authorise that their remuneration be fixed by the audit committee of the directors.

8. To consider and if thought fit pass the ordinary resolution that in substitution for the authority given at the last annual general meeting the directors be and are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 to exercise at any time or times during the period from the passing of this resolution until the conclusion of the annual general meeting of the company to be held in 1999 or, if earlier, 18 May 1999, any power of the company to allot relevant securities of the company up to an aggregate nominal value of £4,221,156.70 and the directors may, after that period, allot any relevant securities in pursuance of an offer or agreement made by the company within that period.

9. To consider and if thought fit pass the special resolution that the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 during the period from the passing of this resolution until the conclusion of the annual general

meeting of the company to be held in 1995 or, if earlier, 18 August 1995, to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred on the directors as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to such an allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of all holders of relevant equity securities where the equity securities respectively attributable to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body of any jurisdiction; and

(b) to the allotment (otherwise than pursuant to paragraph (a) above), of equity securities up to an aggregate maximum nominal value of £721,942

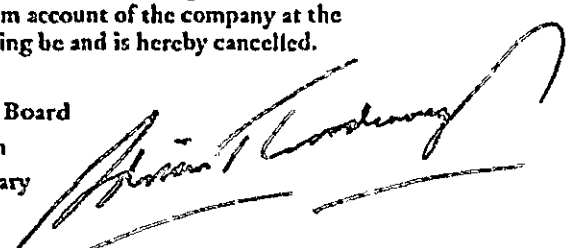
save that the directors may, after that period, allot any equity securities in pursuance of an offer or agreement made by the company within the period.

Special Business

10. To consider and if thought fit pass the ordinary resolution that the directors be and are hereby given authority to offer to ordinary shareholders in accordance with the provisions of the Articles of Association of the company the right to elect to receive an allotment of additional ordinary shares credited as fully paid instead of cash in respect of any dividend (or any part thereof) proposed to be paid or declared on or at any time after the date of this meeting and prior to the conclusion of the annual general meeting to be held in 1995.

11. To consider and if thought fit pass the special resolution that the amount standing to the credit of the share premium account of the company at the date of this meeting be and is hereby cancelled.

By order of the Board
A.J. Goodenough
Company Secretary
22 April 1994



Your attention is drawn to the following notes to this notice.

As a shareholder you have the right to attend, speak and vote at the forthcoming annual general meeting or at any adjournment(s) thereof. In order to exercise all or any of these rights you should read the following notes:

1. A shareholder which is a COMPANY (a "corporation") and which wishes to be represented at the meeting by a person with authority to speak, vote on a show of hands and vote on a poll (a "corporate representative") must submit a form of resolution. A corporate representative has the same powers on behalf of the corporation he/she represents as that corporation could exercise if it were an individual member of the company.

2. Any member of the company entitled to attend and vote at this meeting is entitled to appoint a PROXY or proxies to attend and, on a poll, to vote instead of him/her. A proxy need not be a member of the company and the appointment of a proxy will not preclude a member from attending and voting at the meeting. A corporation may execute a form of proxy either under seal or under the hand of their corporate representative (see note 1 above).

3. In the case of JOINT shareholders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

4. Each resolution shall be decided on a show of hands unless a poll is demanded in accordance with the provisions of the Articles of Association of the company. Items 2 to 8 and 10 are proposed as ordinary resolutions which shall be decided by a majority of the votes cast while items 9 and 11 are proposed as special resolutions which shall be decided by a majority of at least three-quarters of the votes cast.

5. Your attention is drawn to the Notes on the Business of the Annual General Meeting.

6. All service contracts between the company and directors will be available for inspection at the registered office during business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the annual general meeting.

7. The register of interest of directors in the share capital of the company will be open for inspection during the annual general meeting.

Items 1 to 7 in the notice of meeting are routine business of an annual general meeting.

Item 2

Details of the dividend being recommended by the directors are shown on page 23.

Items 3 to 6

Biographical notes on all of the directors are on page 20. Details of the directors' service contracts are in note 7 to the Financial Statements.

Item 7

Touche Ross & Co. have expressed their willingness to continue as auditors to the company and this resolution is to reappoint them.

In addition the directors propose items 8 and 9 as ordinary business and items 10 and 11 as special business. Their explanations for doing so are set out below.

Item 8

Under a resolution passed at the last annual general meeting the directors have the power to allot the unissued shares of the company until the 1998 annual general meeting. The directors have decided to seek your approval to replace this authority with a new power that lasts for five years, the maximum period allowed under the Companies Act. The aggregate nominal value of shares that may be allotted under this authority is limited to £4,221,156.70 (being the nominal value of the unissued ordinary share capital at 22 March 1994). It is the directors' current intention to seek similar authority at each subsequent annual general meeting so that the period of authority is continually rolled forward.

Item 9

If shares are allotted using the authority the directors have and such shares are to be paid for in cash, the Companies Acts require that those shares are offered first to existing shareholders pro rata to the number of ordinary shares that they hold at that time unless the shareholders have waived these pre-emption rights. The directors have decided to seek your consent to waive your rights so that if circumstances are such that it is in the interest of the company for the directors to make an allotment of shares without your pre-emption they have authority to do so. In order to protect your investment, however, this authority is limited to the aggregate nominal value of £721,942 (being 5% of the nominal value of the issued ordinary share capital at 22 March 1994).

Item 10

The directors have decided to seek your approval so that at their discretion they may offer to you the option to take ordinary shares in the company instead of any cash dividend payment that may be proposed or declared. Under the Articles of Association of the company the directors are required to capitalise a

sum equal to the aggregate nominal amount of any additional ordinary shares allotted under this authority out of any amount standing to the credit of any capital reserve or fund (including the share premium account, any capital reserve and the profit and loss account) or otherwise available for distribution as the directors may determine.

Item 11

The nature of the business carried on by the company and in particular the acquisition of new businesses or subsidiaries, is such that the company would normally expect to pay in relation to any such acquisition a price in excess of the net asset value. In accounting terms, the difference between the net asset value and the price paid is treated as goodwill. Acquisitions between 18 March 1992 and 22 March 1994 have given rise to goodwill amounting to £36,465,000.

The company's auditors have advised that it is necessary, in accordance with Statement of Standard Accounting Practice No. 22, for the company to eliminate goodwill from its own balance sheet and on consolidation. Having considered the matter with the company's auditors your directors believe that the best way of achieving this is to reduce the amount standing to the credit of the share premium account in order to create a reserve against which goodwill may be written off or set off.

As at 31 December 1993 there was £9,182,000 standing to the credit of the share premium account and due to subsequent share issues it had as at 22 March 1994 increased to £14,792,480.85. Under the Companies Acts the share premium account of a company falls to be treated as share capital and cannot be reduced without the company in general meeting passing an appropriate special resolution and the High Court confirming such reduction.

In the circumstances and given the company's continuing policy of expanding by acquisition as well as by organic growth your directors consider that it is appropriate to cancel the share premium account and create a reserve against which current and future goodwill may be written off or set off. Following the passing of the resolution your directors will apply to the High Court for confirmation.

As part of the application to the High Court, the company has been advised that it will be necessary to give an undertaking to the Court, for the protection of creditors, that the reserve arising upon the cancellation of the share premium account will be credited to a special reserve in the books of the company which will be non-distributable pending payment of amounts due to creditors of the company at the date the proposed cancellation takes effect or such creditors consent otherwise. The cancellation therefore of the share premium account will neither reduce the assets of the Company nor affect the Company's ability to pay its creditors.

Admiral
Co (UK) Ltd

Admiral
UKS Limited
100 Liverpool Street
London EC2M 2RU

Barclays de Zeeve World
Limited
11th Floor
25 Abchurch Lane
London EC4A 3DF

Barclays
National Westminster
Bank PLC
20 Lombard Street
London EC3N 3AR

Barclays Bank PLC
11th Floor
11th Floor
Newall Road
Newcastle upon Tyne
NE1 4AF

Barclays
Trustee Bank Co.
Chartered Association
11th Floor
11th Floor
11th Floor
11th Floor

Barclays
UKS Limited
100 Liverpool Street
London EC2M 2RU

Barclays de Zeeve World
Limited
11th Floor
25 Abchurch Lane
London EC4A 3DF

Barclays
UKS Limited
100 Liverpool Street
London EC2M 2RU

Barclays
UKS Limited
100 Liverpool Street
London EC2M 2RU

Barclays
UKS Limited
100 Liverpool Street
London EC2M 2RU

Registered Office

Unichem PLC
Unichem House
Cox Lane
Chesham
Bucks HP8 4SN

Tel: 0494 391 2323
Fax: 0494 391 1707