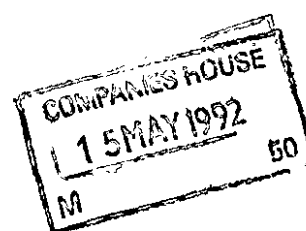




**UniChem PLC** *Annual Report & Accounts 1991*





# UniChem PLC

## Board of Directors and Advisers

### BOARD OF DIRECTORS

The Rt. Hon. The Lord Rippon of Hexham, *P.C., Q.C.*  
Chairman (Non-Executive)

P.J. Dodd, *F.C.I.S.*  
Chief Executive

J.F. Harris, *B.Sc., F.C.A.*  
Deputy Chief Executive

W.H. Hart, *M.R.Pharm.S.*  
Marketing Director

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

G.T. Sewell, *F.C.A.*  
Finance Director  
(appointed 30th March 1992)

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

J.W. Buchanan, *M.R.Pharm.S.*  
Non-Executive Director

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

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

J.F. Power, *F.C.A., F.C.M.A.*  
Non-Executive Director

### COMPANY SECRETARY AND REGISTERED OFFICE

A.J. Goodenough, *B.A., F.C.I.S.*  
UniChem House,  
Cox Lane,  
Chessington,  
Surrey KT9 1SN

### ADVISERS

**MERCHANT BANKERS**  
*UBS Phillips & Drew Securities Ltd.,*  
100 Liverpool Street,  
London EC2M 2RH

*Barclays de Zoete Wedd, Ltd.,*  
Ebbgate House,  
2 Swan Lane,  
London EC4R 3TS

**BANKERS**  
*National Westminster Bank PLC,*  
21 Lombard Street,  
London EC3P 3AR

*Barclays Bank PLC,*  
Heathrow Business Centre,  
Cardinal Point,  
Newall Road,  
Heathrow Airport,  
Hounslow TW6 2AH

**AUDITORS**  
*Touche Ross & Co.,*  
Chartered Accountants,  
Hill House,  
1 Little New Street,  
London EC4A 3TR

**STOCKBROKERS**  
*UBS Phillips & Drew Securities Ltd.,*  
100 Liverpool Street,  
London EC2M 2RH

*de Zoete & Bevan Limited,*  
Ebbgate House,  
2 Swan Lane,  
London EC4R 3TS

**SOLICITORS**  
*Slaughter & May,*  
35 Basinghall Street,  
London EC2V 5DB

*Rakisons,*  
27 Chancery Lane,  
London WC2A 1NF

**REGISTRARS**  
*Lloyds Bank PLC,*  
Registrar's Department,  
Goring-by-Sea,  
Worthing,  
West Sussex BN99 6DA



## **UniChem PLC**

### *Report of the Directors*

#### *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; and pharmaceutical retailing in Great Britain.

The retail business consists of franchised outlets and a self-managed chain acquired at the end of the year when a recommended offer to acquire all of the issued share capital of E. Moss Limited was accepted. Earlier in the year UniChem acquired a holding in PAG Pharma-Holding AG, a German wholesaler, and a number of further opportunities to extend these continental interests are being explored.

The activities of the other subsidiary undertakings are described in note 16(b) to the accounts.

##### **Profit**

The 1991 profit on ordinary activities before taxation amounted to £21,397,000 (1990 £16,350,000). This compares with the forecast profit of £21 million at the time of the rights issue in December 1991. The retained profit for the year of £7,266,000 (1990 £8,782,000) has been transferred to reserves. Full details of the results of the Group are set out on page 22.

##### **Fixed assets**

The changes in the fixed assets during the financial year are shown in notes 14, 15 and 16 to the accounts.

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.



## **UniChem PLC**

### *Report of the Directors*

#### *Shareholders*

##### **Dividend**

The directors propose the payment of a final dividend of 3.3 pence on each ordinary share, the payment of which will be made on 1st July 1992. If approved the total dividend for the year will be 5.0 pence per share.

##### **Loyalty bonus**

On 16th November 1992 a bonus issue of shares will be made and full details of this are on page 42 and note 22 to the accounts.

##### **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, change the share option schemes rules, cancel the share premium account, and give them authority to offer shares for dividends. The full resolutions are set out in the notice of the annual general meeting on pages 43 and 44 and explanations for these proposals are set out in the notes on the business to be covered at the meeting on pages 46 to 48.

#### *Customers*

UniChem continues to support independent retail pharmacists throughout Great Britain and remains responsive to the valuable input of the Regional Committees that meet regularly throughout the year. The pharmacist members of these committees are detailed on pages 18 and 19.

#### *The Community*

##### **Political and charitable gifts**

The sum of £10,000 has been given to the Charities Aid Foundation.

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.



## UniChem PLC

### *Report of the Directors*

#### **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. This policy is also extended onto the roads through our "delivery driver of the year" award which is based on their safety skills and knowledge.

#### *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.

Various arrangements for employee communication and consultation exist including regular staff briefings.

The directors are pleased that approximately 29% of employees have share options through which they are encouraged to become involved in the performance of the company. Each option holder receives a copy of this report and accounts. Full details of the options can be found in note 22 to the accounts.



## UniChem PLC

The current directors of the company are listed on page 11. During the year Mrs. M. F. Burton joined the Board in a non-executive capacity while Mr. D. R. Walker resigned as Management Services Director to pursue other interests. Since the end of the year Mr. J. F. Power joined the Board as a non-executive director. Mr. G. T. Sewell will be joining the Board as Finance Director with effect from 30th March 1992. Mr. P. J. Dodd has announced his retirement with effect from the conclusion of the annual general meeting. Mr. J. F. Harris has been appointed to take over as Chief Executive at this time.

Biographical notes on all of the directors are on page 13. Details of the interests and service contracts of the directors are shown in note 7 to the accounts.

The company maintains insurance cover for all of the directors in respect of any potential liabilities that they may have in relation to their duties while employed by the company.

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

By Order of the Board  
A. J. Goodenough  
Company Secretary  
18th March 1992



# UniChem PLC and subsidiaries

## Consolidated Profit and Loss Account for the year ended 31st December 1991

			Pro Forma Accounts*	Statutory Accounts for the six months ended 31st December*
	Notes	1991 £000	1990 £000	1990 £000
TURNOVER	2	920,105	873,349	450,992
COST OF SALES		(862,359)	(821,877)	(424,564)
GROSS PROFIT		57,746	51,472	26,428
ADMINISTRATIVE EXPENSES		(32,634)	(33,953)	(16,762)
OTHER OPERATING INCOME	3	19,112	17,519	9,666
OPERATING PROFIT		21,685	19,306	10,574
NET SHARE OF RESULTS OF ASSOCIATED UNDERTAKINGS		—	(145)	—
INTEREST RECEIVABLE	4	2,016	980	592
INTEREST PAYABLE	5	(2,304)	(3,791)	(1,993)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	21,397	16,350	9,173
TAX ON PROFIT ON ORDINARY ACTIVITIES	9	(7,056)	(5,735)	(3,109)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,341	10,615	6,064
EXTRAORDINARY ITEM	10	(1,025)	—	—
PROFIT AFTER TAXATION AND EXTRAORDINARY ITEM	11	13,316	10,615	6,064
DISTRIBUTIONS		—	(419)	—
DIVIDENDS	12	(6,050)	(1,414)	(1,414)
RETAINED PROFIT FOR THE FINANCIAL YEAR	23	7,266	8,782	4,650
EARNINGS PER SHARE				
—UNDILUTED	13	14.7p	13.6p	7.9p
—FULLY DILUTED	13	13.6p	12.4p	7.2p

\*See note 1 to the Accounts.



# UniChem PLC and subsidiaries

## Balance Sheets 31st December 1991

		The Group		Company	
	Notes	1991 £000	1990 £000	1991 £000	1990 £000
<b>FIXED ASSETS</b>					
<i>Intangible Assets</i>	14	84	91	—	—
<i>Tangible Assets</i>	15	31,951	24,852	20,917	19,830
<i>Investments</i>	16	4,239	—	16,612	3,265
		36,274	24,943	37,529	23,095
<b>CURRENT ASSETS</b>					
<i>Stocks</i>	17	75,983	62,312	67,538	61,730
<i>Debtors</i>	18	144,093	107,955	135,133	106,974
<i>Amount due from rig<sup>6</sup> issue</i>	22	35,121	—	35,121	—
<i>Cash at bank and in hand</i>		3,387	29,260	3,348	29,769
		258,584	199,527	241,140	198,473
<b>CREDITORS: amounts falling due within one year</b>					
<i>Bank overdraft</i>		4,846	—	—	—
<i>Trade Creditors</i>		123,375	93,087	118,352	92,844
<i>Sundry Creditors</i>	19	40,007	28,657	36,094	27,896
		168,228	121,744	154,446	120,740
<b>NET CURRENT ASSETS</b>		90,356	77,783	86,694	77,733
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>		126,630	102,726	124,223	100,828
<b>CREDITORS: amounts falling due after more than one year</b>	20	13,598	21,139	13,086	20,042
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	21	1,190	596	610	516
		111,842	80,991	110,527	80,270
<b>CAPITAL AND RESERVES</b>					
<i>Called up share capital</i>	22	9,803	9,423	9,803	9,423
<i>Share premium account</i>	22	25,882	21,784	25,882	21,784
<i>Shares to be issued</i>	22	52,367	—	52,367	—
<i>Other reserves</i>	23	57,050	49,784	55,735	49,063
<i>Goodwill</i>	24	(33,260)	—	(33,260)	—
		111,842	80,991	110,527	80,270

The accounts were approved by the Board of Directors of UniChem PLC on 18th March 1992 and are signed on its behalf by:

LORD RIPPON  
P.J. DODD

Directors





**Notes to the Accounts** for the year ended 31st December 1991

**(1) ACCOUNTING POLICIES**

**1990 ACCOUNTS**

The statutory accounts of UniChem PLC were first drawn up for the six month period from 2nd July to 31st December 1990. UniChem Limited converted to a public limited company and changed its name to UniChem PLC on 2nd July 1990. UniChem Limited had previously been incorporated under the Industrial and Provident Societies Act 1965. For shareholders' information and for comparative purposes, pro forma accounts have been produced for the year to 31st December 1990 reflecting the results of the business for the whole of that year. The pro forma accounts do not form part of the statutory accounts.

**CONVENTION**

The financial statements have been prepared in accordance with the historical cost convention and in accordance with 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 and its subsidiary undertakings. All undertakings within the Group make up their accounts to 31st December.

**TURNOVER**

Turnover is the amount derived from the provision of goods and services excluding value added tax and sales between companies 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 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:

Freehold buildings	— at 2% per annum
Long and short leasehold properties	— at 2% per annum or over the period of the lease whichever is the shorter
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 and raw materials. 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.

*Notes to the Accounts for the year ended 31st December 1991***(2) ANALYSIS OF TURNOVER AND PROFIT**

*Turnover and profit before taxation are derived almost entirely from the provision of pharmaceutical and related goods and services in the United Kingdom. The only other activities, retail pharmacy, the provision of travel agency services and the manufacture of disposable nappies, are not significant within the context of the Group.*

	Statutory Accounts for the six months ended 31st December		
	1991	1990	1990
	£000	£000	£000
<b>(3) OTHER OPERATING INCOME</b>			
<i>Distribution agency fees and net rental income on pharmacy computer systems</i>	2,573	1,787	908
<b>(4) INTEREST RECEIVABLE</b>			
<i>Bank deposit interest</i>	2,016	930	592
<b>(5) INTEREST PAYABLE</b>			
<i>Bank loans, overdrafts and other loans repayable within five years</i>	201	628	332
<i>Other loans</i>	1,501	2,669	1,355
<i>Finance charges payable on finance leases</i>	602	494	306
	2,304	3,791	1,993
<b>(6) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>			
<i>Depreciation of owned assets</i>	1,931	1,617	958
<i>Depreciation of assets held under finance leases</i>	2,479	2,518	1,436
<i>Total depreciation of tangible assets</i>	4,410	4,135	2,394
<i>Depreciation of intangible assets</i>	75	65	51
<i>Operating lease rentals—land and buildings</i>	1,074	803	395
<i>—plant and machinery</i>	319	591	185
<i>Auditors' remuneration</i>	96	89	49

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



## Notes to the Accounts for the year ended 31st December 1991

### (7) DIRECTORS

#### (a) Directors' share and other interests

The interests of the current directors and their immediate families, all of which are beneficial, in the 10p ordinary shares of the Company are detailed below.

	1st January 1991		31st December 1991			18th March 1992
	Fully paid	Fully paid	1992 loyalty bonus	1990 executive share option scheme	1990 savings related share option scheme	Fully paid
M. A. Bardsley	4,000	4,000	—	—	—	5,000
J. W. Buchanan	55,076	55,076	3,934	—	—	68,845
P. J. Dodd	100,000	100,000	—	300,000	13,145	125,000
J. F. Harris	5,000	5,000	—	300,000	13,145	6,250
W. H. Hart	4,000	4,000	—	300,000	13,145	5,000
K. S. S. Hide	4,000	4,000	—	300,000	13,145	5,000
D. C. Mair	33,810	33,810	2,415	—	—	42,262
Lord Rippon	30,000	30,000	—	—	—	37,500
	235,886	235,886	6,349	1,200,000	52,580	294,857

The changes in the directors' interests between 31st December 1991 and 18th March 1992 are as a result of the rights issue whereby all of the directors took up their rights entitlements in full. In addition, as a result of the rights issue, approval is being sought from the Inland Revenue to amend the subscription price for options under the 1990 savings related share option scheme as agreed with the auditors and as a result each director that had an option over 13,145 shares will have, if accepted, an option over 13,534 shares. There were no other changes in the directors' interests in this period.

Further details of the 1990 executive share option scheme and the 1990 savings related share option scheme are given in note 22.

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 31st December 1991.

#### (b) Directors' service contracts

P. J. Dodd has a service contract that is terminable by the Company on twelve months' notice expiring on or after 2nd July 1993. Mr. Dodd has served notice that he will be retiring from the Company in May 1992. J. F. Harris, W. H. Hart and K. S. S. Hide have service contracts that are terminable by the Company on twelve months' notice expiring on or after 1st January 1994. No other director has a service contract with the Company.

#### (c) Directors' emoluments

The emoluments of the directors, inclusive of pension contributions, for the financial year ended 31st December 1991 totalled £1,410,263 (1990 £1,465,949). In addition an ex gratia payment of £150,000 was made to D. R. Walker on his resignation from the Company.

The emoluments, exclusive of pension contributions, are summarised below.

	1991 £000	1990 £000
Chairman*	60	30
Highest paid director	511	509
The other directors fell within the following ranges:	Number	Number
£0 and over but not exceeding £5,000	1	—
£5,001 and over but not exceeding £10,000	2	2
£10,001 and over but not exceeding £30,000	1	1
£30,001 and over but not exceeding £125,000	1	—
£125,001 and over but not exceeding £155,000	—	3
£155,001 and over but not exceeding £165,000	3	—
£165,001 and over but not exceeding £220,000	—	1

\*The 1990 emoluments of the Chairman of the Company were for the last six months of the year following the conversion from an Industrial and Provident Society and on a pro rata basis there has been no increase in such emoluments this year.



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

	Statutory Accounts for the six months ended 31st December		
	1991	1990	1990
<b>(8) EMPLOYEES</b>			
The average number of staff employed by the Group, which includes directors, all of whom were engaged in the provision of pharmaceutical supplies and related services were:	2,852	2,656	2,644
	1991 £000	1990 £000	1990 £000
The costs incurred in respect of these employees were:			
Wages and salaries	22,153	20,449	10,398
Social security costs	1,902	1,552	847
Other pension costs (note 25)	1,475	1,227	620
	25,530	23,228	11,865
<b>(9) TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	1991 £000	1990 £000	1990 £000
Corporation tax charge at 33.25%	7,019	5,618	2,881
Deferred taxation	423	114	225
Under/(over) provision for earlier years	(386)	3	3
	7,056	5,735	3,109
<b>(10) EXTRAORDINARY ITEM</b>	1991 £000	1990 £000	1990 £000
Costs of the bid for Macarthy PLC	1,025	—	—
<b>(11) PROFIT OF THE PARENT COMPANY</b>	1991 £000	1990 £000	1990 £000
Dealt with in the accounts of the parent company	12,722	10,391	5,833
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.			
<b>(12) DIVIDENDS</b>	1991 £000	1990 £000	1990 £000
Interim declared, net 1.7 pence (1990—nil)	1,670	—	—
Final proposed, net 3.3 pence (1990—1.5 pence)	4,380	1,414	1,414
	6,050	1,414	1,414



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (13) EARNINGS PER SHARE

The undiluted earnings per share for the year ended 31st December 1991 were calculated using the after tax profits for the year of £14,341,000 (6 months ended 31st December 1990 £6,064,000).

The pro forma undiluted earnings per share were calculated by adjusting the pro forma profit for that year of £10,615,000 for the interest that would have been received at 14%, less corporation tax, on the net proceeds of the rights issue, assuming these funds had been available at the beginning of the period.

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 period.

The weighted average number of shares used in the calculations were:

	Statutory Accounts for the six months ended 31st December		
	1991	1990	1990
	000	000	000
Undiluted	97,393	94,234	76,320
Fully diluted	107,748	105,890	87,976

The fully diluted figures take account of the share options and the loyalty bonus, which were outstanding at the end of the relevant period. Further details of the options are given in note 22.

### (14) INTANGIBLE FIXED ASSETS

	Development expenditure £000
The Group	
Cost	
At 1st January 1991	303
Additions	68
At 31st December 1991	371
Depreciation	
At 1st January 1991	212
Charge for the year	75
At 31st December 1991	287
Net Book Value	
At 31st December 1991	84
At 31st December 1990	91



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (15) TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Long leaseholds £000	Short leaseholds £000	Furniture, fixtures & equipment £000	Motor vehicles £000	Total £000
<b>The Group</b>						
<b>Cost</b>						
<i>At 1st January 1991</i>	7,724	7,793	1,525	16,247	4,958	38,247
<i>Additions</i>	667	266	12	3,546	2,191	6,682
<i>Subsidiaries acquired</i>	3,619	597	398	2,336	416	7,366
<i>Disposals</i>	(272)	—	(28)	(1,901)	(1,428)	(3,629)
<i>At 31st December 1991</i>	11,738	8,656	1,907	20,228	6,137	48,666
<b>Depreciation</b>						
<i>At 1st January 1991</i>	699	332	449	8,940	2,975	13,395
<i>Subsidiaries acquired</i>	8	2	169	1,497	210	1,886
<i>Disposals</i>	(1)	—	(11)	(1,651)	(1,313)	(2,976)
<i>Charge for year</i>	142	142	93	2,250	1,783	4,410
<i>At 31st December 1991</i>	848	476	700	11,036	3,655	16,715
<b>Net Book Value</b>						
<i>At 31st December 1991</i>	10,890	8,180	1,207	9,192	2,482	31,951
<i>At 31st December 1990</i>	7,025	7,461	1,076	7,307	1,983	24,852
<b>Company</b>						
<b>Cost</b>						
<i>At 1st January 1991</i>	4,367	7,793	1,360	13,495	4,927	31,942
<i>Additions</i>	25	191	12	2,968	2,183	5,379
<i>Disposals</i>	—	—	—	(1,856)	(1,406)	(3,262)
<i>At 31st December 1991</i>	4,392	7,984	1,372	14,607	5,704	34,059
<b>Depreciation</b>						
<i>At 1st January 1991</i>	504	332	362	7,946	2,968	12,112
<i>Disposals</i>	—	—	—	(1,631)	(1,309)	(2,940)
<i>Charge for year</i>	90	138	71	1,907	1,764	3,970
<i>At 31st December 1991</i>	594	470	433	8,222	3,423	13,142
<b>Net Book Value</b>						
<i>At 31st December 1991</i>	3,798	7,514	939	6,385	2,281	20,917
<i>At 31st December 1990</i>	3,863	7,461	998	5,549	1,959	19,830

The cost of long leaseholds includes capitalised interest of £320,000 (1990 £320,000).



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (15) TANGIBLE FIXED ASSETS (Continued)

#### Leased Assets

Included within fixed assets are assets held under finance leases with the following net book values:

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Furniture, fixtures and equipment	3,311	2,992	2,350	1,827
Motor vehicles	1,374	1,143	1,316	1,143
	4,685	4,135	3,666	2,970

#### Capital Commitments

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Contracted for, but not provided for	—	110	—	—
Authorised by the directors, but not contracted for	8,998	3,667	6,278	3,667

### (16) FIXED ASSET INVESTMENTS

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Subsidiary undertakings (b)				
Shares at cost	—	—	4,470	173
Loan and current accounts (net)	—	—	7,903	3,092
Other investments (c)	4,239	—	12,373	3,265
Total	4,239	—	16,612	3,265

#### (a) Company

	Shares at		
	Cost	Loans	Total
	£000	£000	£000
Subsidiary undertakings			
At 1st January 1991	173	3,092	3,265
Acquired/advanced	27,343	15,434	42,777
Disposal	(1)	—	(1)
Repaid/provided	(23,045)	(10,623)	(33,668)
At 31st December 1991	4,470	7,903	12,373



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (16) FIXED ASSET INVESTMENTS (Continued)

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

E. Moss Limited	—retail pharmacy operator	—149,085 ordinary shares of £1 each and 149,085 'A' ordinary shares of £1 each
Neptune Industries Limited	—manufacturer of disposable nappies	—50,000 ordinary shares of £1 each
Soler Touriste Limited	—travel agent	—123,000 ordinary shares of £1 each
UniChem Retail Limited	—franchisor of pharmacies	—10,000 ordinary shares of £1 each
UniChem (Warehousing) Limited	—warehousing services to UniChem PLC	—100 ordinary shares of £1 each

These principal subsidiary undertakings are registered and operate in England and Wales.

It is intended that the activities undertaken by UniChem Retail Limited will be taken over by E. Moss Limited.

(c) Other investments represent the cost of investment during the year in PAG Pharma-Holding AG which is incorporated in Germany. The Company owns 44,200 ordinary bearer shares, representing approximately 17% of the issued equity. The market value of this investment as quoted on the Frankfurt stock exchange at 31st December 1991 was £4,673,000.

### (17) STOCKS

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Raw materials	438	403	—	—
Finished goods and goods held for resale	75,545	61,909	67,538	61,730
	75,983	62,312	67,538	61,730

### (18) DEBTORS

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Trade debtors	135,988	103,813	129,608	103,064
Other debtors	3,707	897	1,629	881
Prepayments and accrued income	4,398	3,245	3,896	3,029
	144,093	107,955	135,133	106,974

Included under trade debtors are debts amounting to £384,000 (1990 £173,000) due after more than one year, being loans and extended credit facilities made available to customers.

Included under other debtors is £1,286,000 (1990 £nil) relating to ACT recoverable after more than one year, by offset against corporation tax on future profits.

Included under prepayments and accrued income is £2,016,000 (1990 £1,344,000) relating to pension costs chargeable after more than one year.





# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (19) SUNDRY CREDITORS

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Obligations under finance leases	2,595	2,205	2,212	1,939
Other creditors	803	698	665	695
Corporation tax	11,268	5,812	10,062	5,805
Other taxation and social security	5,454	5,082	5,281	5,082
Accruals and deferred income	13,337	2,244	11,824	1,759
Allocations and distributions	—	11,202	—	11,202
Proposed dividend	6,050	1,414	6,050	1,414
	40,007	28,657	36,094	27,896

### (20) CREDITORS--AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Bank loans (a)	11,355	18,705	11,355	18,355
Obligations under finance leases (b)	2,243	2,434	1,731	1,687
	13,598	21,139	13,086	20,042

#### (a) Bank Loans

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Aggregate bank loan instalments repayable				
between one and two years	—	1,517	—	1,167
between two and five years	—	3,500	—	3,500
in five years or more	11,355	13,688	11,355	13,688
	11,355	18,705	11,355	18,355

The loan is repayable by instalments, with the last instalment due in 2004. It bears interest at a variable rate which at the year end was 11.7%, and is secured by charges on the assets of the Group.

#### (b) Obligations under finance leases

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Due between one and two years	1,294	1,601	930	1,269
Due between two and five years	1,219	1,140	1,043	643
	2,513	2,741	1,973	1,912
Less: finance charges allocated to future periods	(270)	(307)	(242)	(225)
	2,243	2,434	1,731	1,687



*Notes to the Accounts for the year ended 31st December 1991*

(21) PROVISIONS FOR LIABILITIES AND CHARGES	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Provision for reorganisation of subsidiary (a)	948	11	—	—
Deferred taxation (b)	242	585	610	516
	1,190	596	610	516

(a) Provision for reorganisation of subsidiary	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
At 1st January	11	—	—	—
Provided	948	460	—	—
Released	(11)	(449)	—	—
At 31st December	948	11	—	—

(b) Deferred Taxation	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
At 1st January	585	471	516	402
Charge for the year	423	114	824	114
ACT recoverable	(580)	—	(730)	—
Subsidiary acquired	(235)	—	—	—
Other movement	49	—	—	—
At 31st December	242	585	610	516

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

	Not dealt with in the accounts		Dealt with in the accounts	
	1991	1990	1991	1990
	£000	£000	£000	£000
The Group				
Capital allowances	—	—	1,053	1,148
Short term timing differences	—	—	410	130
Chargeable gains deferred by roll-over relief	40	40	—	—
Development expenditure	—	—	28	32
ACT recoverable	—	—	(580)	—
Trading losses carried forward	—	—	(669)	(725)
	40	40	242	585
	1991	1990	1991	1990
	£000	£000	£000	£000
Company				
Capital allowances	—	—	388	439
Short term timing differences	—	—	952	77
Chargeable gains deferred by roll-over relief	16	16	—	—
ACT recoverable	—	—	(730)	—
	16	16	610	516



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (22) CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Called up share capital 10p ordinary shares		Share Premium Account
	Number	£000	£000
Issued and fully paid up			
At 1st January 1991	94,233,582	9,423	21,784
Shares issued during the year pursuant to:			
the November 1990 rights issue	6,800	1	7
the acquisition of pharmacies	155,834	15	235
the acquisition of 44,200 PAG shares	3,636,320	364	3,855
the exercise of share options	1,857	—	1
At 31st December 1991	98,034,393	9,803	25,882
Provisionally allotted			
Rights Issue	24,507,158	2,451	32,670
Moss Acquisition	9,790,215	979	16,267
Shares to be issued (total £52,367,000)	34,297,373	3,430	48,937

The authorised share capital was increased from £14.25 million to £18.66 million (142.5 million to 186.6 million 10p ordinary shares) at an extraordinary general meeting held on 19th December 1991.

On 3rd December 1991, 24,507,158 shares and 9,790,215 shares were provisionally allotted in respect of a rights issue and the acquisition of E. Moss Limited respectively. The shares offered in the rights issue were on the basis of one for four at £1.48 per share. The proceeds of approximately £35.1 million, net of expenses (£1,150,000), received in January 1992, will be used to take advantage of opportunities as they arise both in pharmaceutical retailing in Great Britain and wholesaling in continental Europe, and to further the automation and computerisation of the warehouse systems. In the meantime the proceeds will be employed in the working capital of the Group.

As a result of the rights issue, approval is being sought from the Inland Revenue to amend the subscription prices for options granted under the Company's share option schemes as agreed with the auditors. Details of the options outstanding at 31st December 1991 together with the effect of the rights issue amendment on those options are:

	31st December 1991		After Adjustment	
	Price	Outstanding	Price	Outstanding
1990 Savings related scheme	85.58p	2,758,880	83.12p	2,972,601
				exercisable between 1st November 1995 and 1st November 1997
1990 Executive scheme	99.51p	2,640,000	93.88p	2,640,000
				exercisable between 3rd September 1993 and 20th September 2000
	164.00p	170,000	154.72p	170,000
				exercisable between 16th May 1994 and 16th May 2001

At 31st December 1991 there was an entitlement outstanding under the Company's loyalty bonus scheme to 4,572,730 shares. Under the scheme shares will be allotted on 16th November 1992 to those shareholders who have retained at that date the shares originally allotted to them on 2nd July 1990 in the ratio of one free bonus share for every ten shares so held, subject to the availability of sufficient reserves to pay up the bonus shares.

The directors are aware of the following shareholding at 18th March 1992 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	5,228,650	3.9%

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



# UniChem PLC and subsidiaries

## Notes to the Accounts for the year ended 31st December 1991

### (23) OTHER RESERVES

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
Capital Reserve (a)	9	9	—	—
Profit and Loss Account (b)	57,041	49,775	55,735	49,063
	57,050	49,784	55,735	49,063

#### (a) Capital Reserve

The capital reserve arose on consolidation of a subsidiary undertaking.

#### (b) Profit and Loss Account

	The Group		Company	
	1991	1990	1991	1990
	£000	£000	£000	£000
At 1st January	49,775	40,993	49,063	40,505
Retained profit for the year	7,266	8,782	6,672	8,558
At 31st December	57,041	49,775	55,735	49,063

### (24) GOODWILL

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	24,937
Asset acquisitions	8,323
	33,260

The most important acquisition was that of E. Moss 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	Provisions	Revaluation	Fair value
	£000	£000	£000	£000
Fixed assets	5,930	—	(450)	5,480
Stock	6,525	—	—	6,525
Debtors and cash	5,635	—	—	5,635
Liabilities	(12,589)	235	—	(12,354)
Reorganisation costs	—	(948)	—	(948)
	5,501	(713)	(450)	4,338
Consideration paid			Number	£000
UniChem PLC 10p ordinary shares			9,946,049	17,446
Cash				11,779
				29,225
Purchased goodwill				24,937

All company acquisitions have been accounted for by the acquisition accounting method. The results of E. Moss Limited have been consolidated from the 3rd December 1991, the date the offer was declared unconditional.



## Notes to the Accounts

### (24) GOODWILL (Continued)

The directors believe that the right to be reimbursed for dispensing NHS prescriptions, 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 practice that purchased goodwill 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. The goodwill will then be written off against this amount. Your attention is drawn to the note to item 12 to the notice of the meeting on page 47.

### (25) PENSIONS

The Group operates several pension schemes. The total pension cost for the Group was £1,475,000 (1990 £1,227,000).

The main scheme is the UniChem PLC pension fund which is managed externally by an independent company. The UniChem PLC pension fund 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 fund are performed periodically, but with at least one every three years. The latest actuarial valuation was made at 1st January 1991, at which time the total market value of assets was £12,490,000. At that date, the actuarial 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. This deficit is being eliminated for funding purposes by a lump sum payment of £927,000 at 31st December 1991 and a small increase in contributions by the Company from 1st 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 (1990 £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 £2,016,000 (1990 £1,344,000).

### (26) OTHER FINANCIAL COMMITMENTS

At 31st December 1991 the Group had the following commitments payable within one year under operating leases expiring:

	Land and buildings £000	Other £000
within one year	90	192
between two and five years	401	42
in five years or more	1,324	8
	<b>1,815</b>	<b>242</b>

### (27) CONTINGENT LIABILITIES

The Company has guaranteed bank loans of £89.0 million (1990 £81.7 million) to third parties for the financing of pharmacy businesses and has given other guarantees on behalf of Group companies of £1,719,000 (1990 £995,000).



# Source and Application of Funds for the year ended 31st December 1991

		Pro Forma Accounts*	Statutory Accounts for the six months ended 31st December*
SOURCE OF FUNDS	1991 £000	1990 £000	1990 £000
Profit on ordinary activities before taxation and extraordinary item	21,397	16,350	9,173
Extraordinary item	(1,025)	—	—
	20,372	16,350	9,173
Items not involving the movement of funds:			
Depreciation, finance charges on finance leases, and profit/loss on disposal of fixed assets	4,910	4,305	2,349
Net loss of associated undertakings	—	145	—
<b>FUNDS GENERATED FROM OPERATIONS</b>	<b>25,282</b>	<b>20,800</b>	<b>11,522</b>
<b>FUNDS FROM OTHER SOURCES</b>			
Shares issued, less withdrawn (b)	9	28,887	28,888
Shares issued in part consideration of the acquisition of subsidiary undertakings (a)	17,496	—	—
Loans drawdown	—	2,215	—
Finance leases entered into	3,116	3,417	1,511
Disposal of fixed assets	819	140	52
Disposal of associated undertaking	—	110	—
	46,722	55,569	41,973
<b>APPLICATION OF FUNDS</b>			
Distributions paid	552	1,528	—
Dividends paid	1,414	—	—
Capital expenditure (a)	12,750	9,814	2,182
Purchase of pharmacy goodwill (a)	33,260	—	—
Payments under finance leases	3,519	2,674	1,545
Repayment of loans	7,000	—	2,000
Tax paid	4,424	5,452	2,359
Costs of conversion and flotation	—	2,448	1,622
	62,419	21,916	9,708
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>	<b>(15,697)</b>	<b>33,653</b>	<b>32,265</b>
Applied as follows:			
Increase/(decrease) in stocks (a)	13,671	(1,479)	(590)
Increase/(decrease) in debtors (a)	33,874	8,085	(2,753)
Decrease/(increase) in creditors (a)	(32,523)	1,950	1,231
	15,022	8,556	(2,112)
Movement in net liquid funds (a)	(30,719)	25,097	34,377
	(15,697)	33,653	32,265

\*See note 1 to the Accounts.



## UniChem PLC and subsidiaries

### Notes to the Accounts for the year ended 31st December 1991

- (a) The statement of source and application of funds includes in the categories marked the following figures, under "Net Assets acquired", which summarise the effects of the acquisition of subsidiary undertakings:

Net Assets acquired	£000	Discharged by	£000
Goodwill	24,937	Shares issued	17,496
Fixed assets	5,480	Cash paid	11,779
Stock	6,525		
Debtors and cash	5,635		
Liabilities	(12,354)		
Reorganisation costs	(948)		
	29,275		29,275

- (b) The shares provisionally allotted pursuant to the rights issue were actually allotted on the 14th January 1992 raising £35,121,000 (net).



## **UniChem PLC** and subsidiaries

### *Report of the Auditors*

to the Members of UniChem PLC

*We have audited the financial statements on pages 22 to 38 in accordance with Auditing Standards.*

*In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31st December 1991 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

*As explained in note 1, the pro forma profit and loss account for the year ended 31st December 1990 incorporates the results of the Industrial and Provident Society for the six months to 2nd July 1990. The accounts of the Society for the six months ended 2nd July 1990 carried an unqualified audit opinion.*

*Touché Ross & Co.*

**TOUCHE ROSS & CO.**

*Chartered Accountants and Registered Auditor*

*Hill House*

*1 Little New Street*

*London EC4A 3TR*

*19th March 1992*





## UniChem PLC and subsidiaries

### Group Results Five Year Summary

#### CONSOLIDATED PROFIT AND LOSS ACCOUNTS—Years ended 31st December

	1987 £000	1988 £000	1989 £000	1990 £000	1991 £000
Turnover	544,642	711,106	783,110	873,349	920,105
Cost of sales	(510,922)	(670,564)	(737,256)	(821,877)	(862,359)
Gross profit	33,720	40,542	45,854	51,472	57,746
Administrative expenses	(26,306)	(28,624)	(32,160)	(33,953)	(38,634)
Other operating income	7,414	11,918	13,694	17,519	19,112
Operating profit	1,942	1,708	1,800	1,787	2,573
Operating profit	9,356	13,626	15,494	19,306	21,685
Net share of results of associated undertakings	(98)	(412)	(28)	(145)	—
Interest receivable	143	388	1,512	980	2,016
Interest payable	(2,010)	(2,228)	(2,520)	(3,791)	(2,304)
Profit on ordinary activities before taxation	7,391	11,374	14,458	16,350	21,397
Tax on profit on ordinary activities	(2,813)	(4,169)	(5,098)	(5,735)	(7,056)
Profit on ordinary activities after taxation	4,578	7,205	9,360	10,615	14,341
Extraordinary items	—	(770)	(218)	—	(1,025)
Profit after taxation and extraordinary items	4,578	6,435	8,942	10,615	13,316

Source: Listing Particulars issued November 1990 and UniChem PLC accounts.



# UniChem PLC and subsidiaries

## Group Results Five Year Summary

### CONSOLIDATED BALANCE SHEETS—31st December

	1987 £000	1988 £000	1989 £000	1990 £000	1991 £000
<b>Fixed assets</b>					
<i>Intangible assets</i>	—	—	—	91	84
<i>Tangible assets</i>	15,271	15,477	19,471	24,852	31,951
<i>Investments</i>	410	445	761	—	4,239
	15,681	15,922	20,232	24,943	36,274
<b>Current assets</b>					
<i>Stocks</i>	44,578	59,899	63,791	62,312	75,983
<i>Debtors</i>	73,399	93,012	103,570	107,955	144,093
<i>Amount due from rights issue</i>	—	—	—	—	35,121
<i>Cash at bank and in hand</i>	4,316	1,449	4,193	29,260	3,387
	122,293	154,360	171,554	199,527	258,584
<b>Creditors:</b>					
<i>amounts falling due within one year</i>	(90,016)	(115,112)	(127,215)	(121,744)	(168,228)
<b>Net current assets</b>	32,277	39,248	44,339	77,783	90,356
<b>Total assets less current liabilities</b>	47,958	55,170	64,571	102,726	126,630
<b>Creditors:</b>					
<i>amounts falling due after more than one year</i>	(13,608)	(15,276)	(18,339)	(21,139)	(13,598)
<b>Provisions for liabilities and charges</b>	(4,627)	(4,228)	(471)	(596)	(1,190)
	29,723	35,666	45,761	80,991	111,842
<b>Capital and reserves</b>					
<i>Called up share capital</i>	2,374	2,702	4,768	9,423	9,803
<i>Share premium account</i>	—	—	—	21,784	25,882
<i>Shares to be issued</i>	—	—	—	—	52,367
<i>Other reserves</i>	27,349	32,964	40,993	49,784	57,050
<i>Goodwill</i>	—	—	—	—	(33,260)
	29,723	35,666	45,761	80,991	111,842



## UniChem PLC

### *Shareholder Information*

#### *1992 Financial Calendar*

19th March	1991 final profit and proposed final dividend announced
13th May	Annual general meeting
1st July	1991 final dividend paid to shareholders registered on 29th May 1992
17th September	1992 half year profit and interim dividend announced
31st December	1992 interim dividend paid to shareholders registered on 13th November 1992

#### *Shareline*

For UniChem's 'real-time' share price phone 0898 500504.

In addition to the share price the commentary will supply you with information on the company and a stock market summary. Calls are charged at 36 pence per minute cheap rate and 48 pence at all other times.

#### *Capital Gains Tax*

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

#### *Loyalty Bonus*

On 16th November 1992, the Company will issue bonus shares to former members of UniChem Limited. To qualify for the bonus, the former members must have retained the original shares acquired by them on 2nd July 1990. One bonus share will be given for every ten original shares retained.

The Company has confirmed with the Inland Revenue that in general, no UK tax should arise on a shareholder receiving bonus shares. However, UK tax on capital gains may arise if any bonus shares are subsequently sold. The detailed tax treatment will depend on each shareholder's own circumstances and if shareholders are in any doubt over their tax position, they should seek independent professional advice.



## UniChem PLC

### *Notice of the Annual General Meeting*

Notice is hereby given that the second annual general meeting of UniChem PLC will be held at UniChem House, Cox Lane, Chessington, Surrey on Wednesday 13th May 1992 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 accounts for the year ended 31st December 1991.

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 J. W. Buchanan

4. Mr D. C. Mair

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

5. Mrs M. F. Burton

6. Mr J. F. Power

7. Mr G. T. Sewell

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

9. To consider and if thought fit pass the ordinary resolution that in substitution for the authorities given at the last annual general meeting and at the extraordinary general meeting held on the 19th December 1991 the directors be and 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 1997 or, if earlier, 13th May 1997, any power of the company to allot relevant securities of the company up to an aggregate nominal value of £5,385,898, 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.

10. 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 1993 or, if earlier, 13th August 1993, 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:



## UniChem PLC

### *Notice of the Annual General Meeting*

- (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 £663,705 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*

- 11. To consider and if thought fit pass the ordinary resolution that the directors be and are hereby authorised to amend the rules of the UniChem Savings Related Share Option Scheme 1990 and the UniChem Executive Share Option Scheme 1990 ("the Schemes") as shown in the drafts of the rules (as amended) which have been produced to the meeting and initialled for the purposes of identification by the Chairman, and that the directors be authorised to take all such steps as may be necessary or desirable to implement those amendments, including the making of any further amendments necessary or desirable to maintain Inland Revenue approval of the Schemes.
- 12. 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.
- 13. To consider and if thought fit pass the ordinary resolution that the directors be and are hereby given authority to offer to ordinary shareholders the right to receive an allotment of additional ordinary shares credited as fully paid in lieu 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 1993.

By order of the Board

A. J. Goodenough  
Company Secretary  
16th April 1992

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



## UniChem PLC

### *Notes to the Notice of the Annual General Meeting*

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

1. Shareholders who are COMPANIES ("corporations") and who wish to be represented at the meeting by a person with their 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 9, 11 and 13 are proposed as ordinary resolutions which shall be decided by a majority of the votes cast while items 10 and 12 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 the directors and the rules of the employee share option schemes 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 interests of directors in the share capital of the company will be open for inspection during the annual general meeting.



## Notes on the Business of the Annual General Meeting

Items 1 to 8 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 15.

### ITEMS 3 to 7

Biographical notes on all of the directors are on page 13.

Mr. G. T. Sewell, having been appointed to the board on 30th March 1992, has a service contract which was signed in April. It can be terminated by the company on ninety days notice until 31st December 1992 and thereafter on twelve months notice. None of the other directors seeking election or re-election have service contracts with the company.

### ITEM 8

Touche Ross and 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 9 and 10 as ordinary business and items 11 to 13 as special business. The explanations for these resolutions are set out below.

### ITEM 9

Under resolutions passed at the last annual general meeting and at the extraordinary general meeting held on the 19th December 1991 the directors have the power to allot the unissued shares of the company until the 1996 annual general meeting. The directors have decided to seek your approval to replace these authorities with a new power that lasts for five years, the maximum period allowed under the Companies Acts. The aggregate nominal value of shares that may be allotted under this authority is limited to £5,385,898 (being the nominal value of the unissued ordinary share capital at the 18th March 1992). 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 10

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 £663,705 (being 5% of the nominal value of the issued ordinary share capital at the 18th March 1992).

### ITEM 11

In his 1991 budget the Chancellor of the Exchequer introduced new incentives to encourage employees to acquire shares in their employer under share option schemes. UniChem has two share option schemes and the directors now propose to make a number of amendments to these schemes in order to take advantage of the measures introduced last year. In proposing to amend the schemes the directors have complied with the guidelines issued by the committees representing institutional investors in respect of share option schemes.



## UniChem PLC

### *Notes on the Business*

The first change is in the executive scheme where it is proposed to allow the issue of options with an exercise price set at a discount of up to 15% of the market value of the company's shares. Options granted subject to any discount may normally only be exercised after five years, and then only if the company's earnings per share have grown at a rate of at least 2% greater than inflation.

The second change is in the sharesave scheme where it is proposed that the monthly savings limit be increased from £150 to the new statutory maximum of £250.

Under the rules of both schemes, limits are placed on the number of ordinary shares in UniChem over which options may be granted. In view of the increase in the company's issued share capital since its flotation, the directors also propose to adjust the specified limits in order to take account of this increase.

#### ITEM 12

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 in 1991 and up until the 18th March 1992 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 31st December 1991 there was £25,882,000 standing to the credit of the share premium account and due to subsequent share issues including those in respect of the recent rights issue it had as at 18th March 1992 increased to £75,530,000. 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 of the cancellation. Although the proposed reserve is greater than the immediate needs of the company the directors consider that the balance available is likely to be used for the above purpose over the next two years.

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.





## UniChem PLC

### *Notes on the Business of the Annual General Meeting*

#### ITEM 13

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 in lieu of a dividend payment. If granted, this authority does not include the final dividend proposed at this meeting.