Company No. 2517178

Alliance UniChem
Annual Report 2000

Our business philosophy is founded on four principles:

Service – we offer the highest levels of service to our pharmacy customers, suppliers, and to the patients we serve in our pharmacies. We deliver reliably, consistently and on schedule with rapid order turnaround times. Service levels are monitored hourly in every one of our 180 wholesale branches and are regularly surveyed in our retail outlets.

Excellence – our Group's priority is simple: to be the first choice for pharmacists, patients and manufacturers, and the leader in our market by achieving excellence in everything we do.

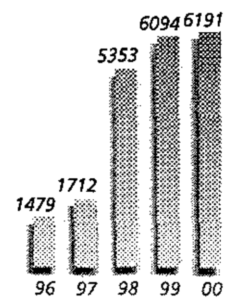
Partnership – working together with our customers and suppliers we create mutual added value and improve the health of the millions of patients who depend on us.

Innovation – as a European leader in healthcare distribution, wholesaling and retailing, we realise the importance of looking to the future. Our vision can be seen not only through the development of state-of-the-art systems which provide a more efficient service to pharmacies, but also in our unique support and service solutions to our customers. Such innovative thinking keeps us one step ahead in the pan-European market.

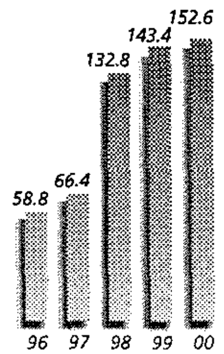
Highlights of the year

	2000 £m	1999 £m	Growth As Reported	Growth Constant Currency
Turnover	**6,191.2**	6,094.0	**+ 2%**	**+ 7%**
Operating profit before goodwill amortisation	**155.1**	145.0	**+ 7%**	**+ 11%**
Profit on ordinary activities before goodwill amortisation, taxation and exceptional items	**133.7**	123.1	**+ 9%**	**+ 12%**
Dividend per share	**12.8p**	11.7p	**+ 9%**	
Diluted earnings per share before goodwill amortisation and exceptional items	**30.4p**	27.6p	**+ 10%**	**+ 14%**

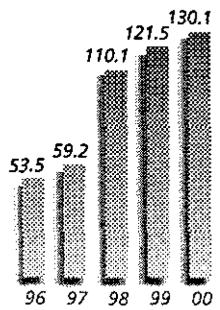
- Strong financial performance with a 14 per cent increase in pre-exceptional diluted earnings per share in constant currency terms and 19 per cent in Euro terms
- Growth in sales and profits in all divisions
  - Alliance UniChem now serves more than 50 per cent of pharmacies in Europe
  - One in five European prescriptions is fulfilled by Alliance UniChem's retail/wholesale network
  - More than Euro 1 billion spent on acquisitions since 1998
- Significant contribution from recently acquired associate businesses
- Major geographical expansion of wholesale activities with acquisition of Interpharm in Holland and agreement of a strategic investment in Hedef in Turkey
- Further development of retail business, with:
  - 712 retail pharmacies now operating in the UK
  - Further acquisitions in Holland and Switzerland
  - Entry into Norway, with options for pharmacies comprising more than 15 per cent of the market
- Significant developments in the technology division including a strategic investment in Cegedim SA in France and the development and subsequent roll-out of pharmology.com
- Further progress on improvements in efficiency, with depot rationalisation in Spain, Italy and France, and restructuring programmes in the UK and France.



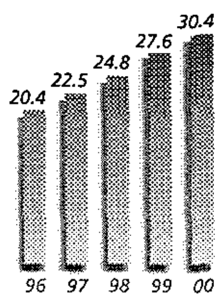
Turnover - £m



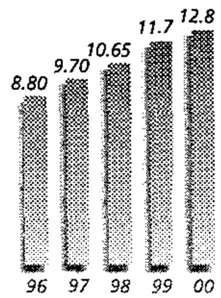
Operating profit - £m pre exceptional items



Pre-tax profits - £m pre exceptional items



EPS - pence diluted pre exceptional and goodwill amortisation



Dividends per share - pence

Alliance UniChem and associated companies

NORWAY
AU Norge A.S.

UNITED KINGDOM
UniChem
Moss Pharmacy
pharmology.com

HOLLAND
Interpharm
De Vier Vijzels B.V.

CZECH REPUBLIC
Alliance UniChem CZ

FRANCE
Alliance Santé
pharmology.com

SWITZERLAND
Galenica Holding

PORTUGAL
Alliance
UniChem
Portuguesa

ITALY
Alleanza Salute Italia

SPAIN
Safa Galenica

TURKEY
Hedef

GREECE
Lavipharm
Alliance Santé

MOROCCO
Sophasud

Alliance UniChem is a leading European distributor, wholesaler and retailer of pharmaceutical, medical and healthcare products.

- The Group was formed in 1997, through the merger of UniChem PLC and Alliance Santé S.A., with the aim of improving the delivery of healthcare products and services to pharmacists and patients across Europe.
- The Company has, through its subsidiaries and associates, a market share of 19 per cent in Europe. In 2000 Alliance UniChem's consolidated turnover reached £6.2 billion (€10.2 billion).
- The Company's shares are quoted in both London and Paris, and at the end of 2000 its market capitalisation was £1.7 billion (€2.7 billion).
- Alliance UniChem's network serves over 60,000 pharmacies and other healthcare clients, and operates from 180 warehouses, employing over 18,500 people.
- The Company uses state-of-the-art logistics techniques, e-business and related technology tools, and innovative commercial arrangements to deliver its services to customers and manufacturers.
- Moss Pharmacy, Alliance UniChem's retail pharmacy division, owns 712 pharmacies in the UK, and the Group now operates in Holland, Italy, Switzerland and Norway. It also owns 57 Scholl footcare centres trading throughout Britain and Ireland.

Alliance UniChem - three core business sectors

Pre-wholesale
Pre-wholesale contracts with major manufacturers in the Czech Republic, France, Italy, Portugal, Spain, Switzerland and the UK.

Wholesale
Medicine distribution to pharmacies and physicians. Medicine and Medical/surgical distribution to UK and Czech hospitals.

Retail
Moss Pharmacy - 800 pharmacies across the UK, Italy, Holland, Switzerland and Norway. 57 Scholl footcare shops.

Chairman's statement

"I am pleased to report entry into markets in three new countries and further growth in our existing operations. Our financial performance reflects this continuing growth."

Kenneth Clarke Chairman

2000 has proved to be a year of continued expansion and strong progress for Alliance UniChem. In this, the Group's tenth year of reporting as a public company, I am pleased to report entry into markets in three new countries - Holland, Turkey and Norway - and further growth in our existing operations.

Our financial performance reflects this continuing growth. On a constant currency basis, turnover increased by 7 per cent, although the weakening of the Euro resulted in 2 per cent sales growth in Sterling terms. On the same bases, and before goodwill amortisation and exceptional items, constant currency operating profit grew by 11 per cent, 7 per cent in Sterling; and profit before tax by 12 per cent, 9 per cent in Sterling. Also on this basis, constant currency Group earnings per share increased by 14 per cent, 10 per cent in Sterling.

In keeping with our policy of increasing dividends to reflect the underlying growth in our business your Board is recommending a final dividend of 8.4 pence per share (1999: 7.7 pence), giving a dividend of 12.8 pence per share for the full year (1999: 11.7 pence), an increase of 9 per cent over last year. The dividend will be paid on 11 June 2001, to qualifying shareholders on the register as at 6 April 2001.

These results reflect our 29^{th} consecutive year of unbroken growth in sales and profit, and increased dividend payments; a track record going back to well before the 10 years we have reported as a public limited company.

The second half of the year has seen the Group continue the development and consolidation of existing operating units that I reported in my statement at the half-year. This provides a stable platform from which to expand our business.

Group Development

During the year we moved into a number of new markets, with the acquisition in the second half of the year of Interpharm in Holland and with the announcement of our investment in Hedef in Turkey. These transactions give us significant presence in these important markets. Both businesses have a combination of excellent financial records and proven, highly regarded management teams. This gives us a strong platform to increase the Group's coverage and strength. Elsewhere, we also acquired smaller, but significant, interests in businesses operating in wholesaling in Spain, Italy and Portugal, and in homecare in France.

"Our ability to attract new partners and potential acquisitions remains a tribute to our high standards and standing in the market."

Our move into Holland has the added benefit of considerably enhancing our presence in the Dutch retail market through Interpharm's relationship with the highly regarded 200-strong Kring pharmacy group, a virtual retail chain which was originally founded by Interpharm. This move complements our 16-strong retail chain acquired in Holland in the first half of 2000.

We have also expanded our retail interests in other territories. Our international retail team, Alliance UniChem Retail International ("AURI"), has been working to secure options for the Group to buy 53 Norwegian pharmacies. Following the exercise of these options, and the award of 7 further licences by the Norwegian Government, we will control over 15 per cent of the Norwegian retail pharmacy market. In the UK the growth of our retail chain has continued, adding 93 new pharmacies to the Moss chain in addition to the acquisition of the 57 strong Scholl footcare chain. The team at Pharmacy Alliance, our UK-based virtual chain, continues to work closely with Moss to develop new benefits for all our pharmacy customers. This relationship between Moss, Pharmacy Alliance, and our independent pharmacy customers has been a major source of benefit and innovation to both consumers and retailers.

E-business

We continue to work on a number of fronts to improve the technology we use in our business and to enhance the services and systems we offer to our customers and manufacturers. Technology has been an integral part of our business for many years; the bulk of our orders have for some time been received via electronic communications and have been processed using computerised and automated facilities. The integration of our existing systems, and the web-enabling of them continues across the Group.

Towards the end of 1999 we founded pharmology.com to establish internet facilities for our customers. The team at pharmology.com undertook extensive research among client groups, developed the website and associated technology and prepared for the launch of our service, finalising and testing the website. We launched pharmology.com in France and in the UK. The service will be rolled out across our other territories in the near future.

Shareholders

A total of 26.15 million new shares were issued during the year, mainly to finance the acquisition of Interpharm. Shares were also issued as a scrip dividend option in lieu of dividend payments, a scheme that continues to be popular with many shareholders. This brings the total number of shares in issue to 318.59 million.

Participation in our Company through shareholdings by both customers and employees continues to grow. This, coupled with the increasingly international nature of our share register, provides a continuing indication of the growing reach and standing of the Group.

"The combination of our strengths and abilities against the backdrop of a market with inherent growth gives us confidence for the future."

People

Once again we made significant achievements as a Group, which have been hard earned by all of our staff. The enthusiasm and dedication of our people, across boundaries both geographic and professional, and their ability to work together to drive forward best practice and the highest possible quality of customer service, is as much a testament to the success of the Group as are the financial results. Once again they have earned the thanks of the shareholders, and it is my privilege to offer those thanks.

Directors

No Board changes were made during 2000. However, Barry Andrews, our Retail Director, has advised his intention to retire from the Board on the completion of his 35 years of service in May 2001. We are pleased that Barry has agreed to continue his link with our Group by accepting the appointment as non-executive Chairman of our Retail Division. Barry has been the outstanding retail pharmacist in the UK pharmacy sector for some time. He is held in the highest regard within the pharmacy profession and this is reflected in his recent appointment as Chairman of the Pharmaceutical Services Negotiating Committee. It is difficult to over-estimate the contribution Barry has made to the notable success we have enjoyed in growing the Moss Pharmacy business since 1965 in the UK and elsewhere, and to the Group in his role as Executive Director since 1992. We wish him well in his retirement.

Outlook

Our ability to attract new partners and potential acquisitions remains a tribute to our high standards and standing in the market. Although all medium to long-term indicators in our market continue to look positive, a combination of normal commercial competition and tight governmental control creates a challenging commercial environment. However, our results and track record demonstrate that we have the skills and expertise to compete and thrive in these markets.

The combination of our own strengths and abilities against the backdrop of a market with inherent growth gives us confidence for the future.

Kenneth Clarke
Chairman
20 March 2001

Left: The use of technology to enhance our efficiency has enabled us to improve Group operating margins.

"I am once again pleased to be able to report to you significant progress on all of our strategic priorities."

Jeff Harris Chief Executive

2000 has proved another busy and successful year for Alliance UniChem, and I am once again pleased to be able to report to you significant progress on all of our strategic priorities. While some of our activities have been heavily focused on the strategic development of the Group in the medium to long term, others have benefited the 2000 results, and I will therefore begin my review by looking at the financial performance of the Group in the year.

Results

On a constant currency basis, and before goodwill amortisation and exceptional items, we increased our turnover by 7 per cent, our operating profits by 11 per cent, and our profit before tax by 12 per cent. Also on this basis, Group earnings per share increased by 14 per cent. In Euro terms and on the same bases, our increases in performance are stronger; our turnover is up by 10 per cent, our operating profits by 16 per cent, our profits before tax are up by 17 per cent, and our diluted earnings per share by 19 per cent. This strong performance has been achieved despite average interest rates in the Euro zone rising by almost half compared to 1999, which clearly had an adverse impact on our interest costs.

We have again demonstrated our ability to outperform our core market, which has grown by an average 6 per cent during 2000.

Group Development

The Group has made good progress on all of its main strategic aims during the year. We have expanded our wholesale coverage geographically and have continued to grow our retail business. Considerable advances have been made in technology development and, perhaps most significantly, we have continued to improve service levels and the efficiency of our core businesses, which is reflected in the improvements in overall Group operating margin.

To take each of these areas in turn:

Geographical Expansion - Wholesale

In the latter part of the year we agreed two key investments in businesses which brought us significant market positions in Holland and Turkey, both new territories for the Group.

In December we bought Interpharm, the fastest growing wholesaler in Holland, an innovative and highly regarded business which has built an impressive presence in the Dutch market under its excellent management team and dedicated employees. Interpharm is now number two in its market, with over 22 per cent market share. We have already started working with Interpharm to develop further their business and to create synergy benefits.

Towards the end of 2000 we also announced a strategic investment in Hedef, the leading pharmaceutical wholesaler and distributor in Turkey with over 40 per cent market share. Our investment gives us 25 per cent of Hedef, with an option to acquire a further 25 per cent at any time in the next 30 months. Our investment in Turkey offers us the opportunity to participate in a large and growing market. Pharmaceutical prices in Turkey are in part related to the Dollar and Euro prices of those products in their markets of origin, giving a degree of protection against currency fluctuations between the Turkish Lira and our reporting currencies. Turkey's stated aim of entry into the European Union will accelerate its market growth as it increases spending on healthcare to align more closely with the existing EU countries. In addition we are working with the management of Hedef to accelerate their plans for international expansion in their region. We view Hedef both as an important investment in its own right and also as a gateway to new territories for the Group.

"We have again demonstrated our ability to outperform our core market, which has grown by an average 6 per cent during 2000."

We also acquired smaller wholesaling businesses in Italy, Portugal and Spain to expand our regional coverage and market share. These acquisitions help us achieve our business model for wholesaling businesses, which comprises: operating as number one or two in each market with a significant market share; the most efficient distribution infrastructure; and the broadest and most profitable range of added value services.

Retail Expansion

Our retail chain in the UK, Moss Pharmacy, has continued to expand with the acquisition of a net 77 shops in the UK during 2000, bringing the UK chain to a total of 712 units at the end of the year. In addition, we acquired the 57-strong Scholl footcare chain. We are still seeing many good quality pharmacies available for us to buy despite the continued competition for the larger businesses.

Expansion of our retail activities in Holland and Switzerland is continuing through our international retail division, AURI. We currently have 16 shops in Holland and 30 in Switzerland. Elsewhere, goodwill prices remain uneconomically high for pharmacies in both Ireland and Italy. However, we are continuing to monitor the situation and bid reasonable prices where appropriate.

During the year a number of European countries began reviews of their regulations governing the ownership of pharmacies and, as expected, some movement towards the easing of these restrictions on ownership is occurring. The first country to lift restrictions on pharmacy ownership has been Norway. In advance of this we have actively entered the market, taking out options to acquire pharmacies. We have begun converting these options and, once this process has been completed, will have more than 15 per cent of the Norwegian retail market. At the same time the government of Norway has approved 30 new pharmacies, of which we have been awarded 7 licenses.

Technology

In 2000, Alliance UniChem launched a new strategy aimed at delivering enhanced benefits to its customers through their use of technology and raising the profitability and value of our own technology activities. The main component of this strategy comprises accelerated development of system solutions for use in pharmacies and the launch of pharmology.com, a pharmacy internet portal. To support this strategy we sought strategic relationships with technology-based companies with specific skills and expertise.

System Solutions

Work has continued to update many of our existing systems used by pharmacists, and to exploit technology to improve efficiency, raise service levels and create a source of valuable data. This work has involved entering into an agreement with Cegedim S.A., a French technology and data exploitation specialist, to provide us with the benefit of their skills and experience and to ensure we continue to offer leading-edge system solutions to our customers. As part of this agreement with Cegedim, which is listed on the French 2nd Marché, we have sold a portfolio of our technology businesses to Cegedim in return for 10 per cent of the equity of that business valued at £29 million / €47 million.

A core client-facing project in 2000 was the development of the next generation of pharmacy management software for the UK market. We already own the rights to Mediphase, the market leader, with an installed base of 3,800 pharmacies. We have been working with Enigma Health Limited, a company founded by the original developers of Mediphase, to update this system for internet connectivity and offer a wide range of enhanced services for pharmacists.

I am pleased to report that since the year end we have taken a 60 per cent stake in Enigma in a deal that joins Mediphase and Enigma to form a single business focused on the development of an updated pharmacy management system. The new protocols built into Enigma will also allow an enhanced level of integration between it and pharmology.com and provide our customers and their patients with the technological tools to accommodate e-prescribing and enhanced management of repeat prescriptions.

pharmology.com

pharmology.com launched its first website in France in January 2001, following beta testing of the service and considerable input from pharmacists and manufacturers across Europe. It is now being rolled out in France and the UK, and we are currently determining the programme for its launch in other European markets. Following the feedback from customer testing in the UK, pharmology.com's UK website will be integrated with our new pharmacy management system later this year, to offer pharmacists a single integrated pharmacy system, incorporating both pharmacy management and internet-based interactive services.

The adoption of internet technology is fundamental to the future development of our business, not because of any fear of disintermediation but because this technology will give us competitive advantage in the future. We are in a unique position to use technology to link together the disparate businesses in the healthcare supply chain, facilitating information flows. To appreciate and understand quickly the skills required we invested in Rx.com, a US internet pharmacy trading in B2B and B2C markets, since that market was much further advanced than Europe. The knowledge gained considerably accelerated the overall development of pharmology.com.

Right: The provision of advice and information is at the heart of our retail business.

Chief executive's review

While the US online pharmacy market has consolidated rapidly, Rx.com has built a platform for future expansion and is the only independent company in this marketplace to have successfully automated online order-taking with automated prescription fulfilment.

The management of Rx.com believes that to secure its future it will need to work with other established healthcare companies, and it is in discussions with potential partners.

We believe that any value arising from such a transaction will only be realised in the future and accordingly have deemed it prudent to write down our investment.

This, together with the gain on the Cegedim transaction, has meant that the Group recorded a net exceptional loss of £9.7 million / €15.9 million this year as part of the development of the e-business division.

Operating Efficiency

Our success is founded on a drive to improve efficiency, which continued in 2000. Each national marketplace dictates individual service levels for our businesses and therefore the required infrastructure. However, we continue to drive all our businesses towards the highly efficient and effective structures we have in our more developed operations.

In 2000 we closed one depot each in Spain, Italy, Portugal and France, helping to reduce our cost-base in each of these areas and improve the efficiency of our remaining units in these regions by increasing the volume through them. Since the year end we have also announced the closure of one of our UK depots and 5 more depots in France to be closed by 2003, and we continue to work on streamlining our structures across the entire Group. These programmes are driven by the continuing need to raise wholesaling efficiencies, particularly at a time of significant rises in healthcare taxes in France.

These actions, coupled with the wide range of programmes we have in place to share best practice across the Group, and the use of technology to enhance our efficiency, have enabled us to improve Group operating margins from 2.38 per cent before goodwill amortisation in 1999 to 2.51 per cent in 2000, and will provide us with further improvements to margins in the future.

Outlook

Our emphasis on business growth and customer service will continue to deliver benefits for shareholders, customers and employees alike.

Long-term trend of growth in our markets averages between 5 and 10 per cent per annum, driven by increases in average age of the population, the continued launch of new drug therapies, greater consumer expectation of the healthcare system, and the growing trend towards using drug treatments as an alternative or preventative to hospitalisation.

This combination of market growth, continued focus on driving the best performance from our businesses while harnessing new concepts and technology to drive out costs, and our cautious yet persistent expansion of the Group through strategic acquisition and investment, gives us a firm platform from which to continue to deliver growth.

Jeff Harris

Jeff Harris
Chief Executive
20 March 2001

Right: Our businesses continue to win new customers based on a service-led offering rather than price discounting.

Stefano Pessina Deputy Chairman

"The benefits of our international exposure are becoming increasingly obvious to our manufacturer and pharmacist customers alike."

Alliance UniChem's ability to change as its markets do, and its agility in implementing that change, has been a major driving force behind our success. In 2000 we have again adapted to remain at the forefront of our industry.

The most significant change we are seeing in our markets is in pharmacy retailing, where the trend towards deregulation of pharmacy ownership is spreading across Europe. Different European governments adopt different policies towards retailing in general as well as to the provision of healthcare services through retail pharmacies. However, a number of common themes are emerging. Governments are increasingly appreciating the positive role pharmacists can play in promoting healthcare and in reducing the rate of increase in the cost of health provision.

Governments are also beginning to appreciate the benefits that can be derived, in terms of increased efficiency and consistency of service, from allowing the development of pharmacy chains. Our strategies, aimed at providing support for independent pharmacists, sponsoring the development of independently owned virtual chains, and, where permitted, establishing our own chain in close cooperation with independent pharmacists, are consistent with the emerging trends in public policy.

Another area in which we are seeing change is in the increasing interest that is being expressed in electronic prescribing. A number of governments have been looking closely at the benefits of transferring prescriptions between doctors and pharmacists by computer, improving both security and efficiency. This approach has already been introduced in Holland and Switzerland. In the UK trials are scheduled to commence, for which we have been short-listed for participation, to study this method of prescription handling. We believe that some form of electronic prescribing is almost certain to be introduced. In preparation for this we are ensuring that all our systems, as they are updated, have the functionality and flexibility to move to electronic prescription handling.

In the European wholesaling market there have been a number of significant trends. We are seeing a significant swing towards generic prescribing and increased substitution of generic for branded drugs. Although there are variations by territory, this tends to be profit-neutral for the Group. Our focus is to help our pharmacy customers adapt to the changes to procedures, reimbursement and stock management brought about by generic prescribing.

"Alliance UniChem's ability to change as its markets do, and its agility in implementing that change, has been a major driving force behind our success."

The market is also seeing increased harmonisation of drug pricing across Europe, although there is still some way to go before we have fully standardised prices. This will have the progressive effect of reducing the benefit to be gained from parallel importing between the countries of Europe, and returning market share to the full line wholesalers.

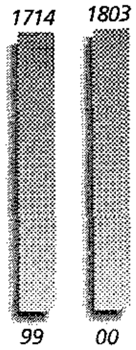
We have seen further action by some governments in Europe to raise healthcare taxes. Most notable among these are industry-specific retrospective taxation in France, and proposals for directly competitive state intervention in the Swedish market. Whilst it has always been the case that governments seek to control the growth of national healthcare spending, government action has been necessary, if at times arbitrary. Government action which destabilises the markets has the potential to be significantly detrimental to all concerned, particularly to the universal provision of medicines, and we are confident that no government will wish such destabilisation in what are critical supply chains.

Pre-wholesaling continues to be a nationally based activity for the time being, but we have seen increasing numbers of manufacturers recognising the potential benefits of outsourcing their pre-wholesaling activities, and we see this trend continuing. At the moment there is no pre-wholesaling service provider offering a pan-European service, and as a result there has not been the opportunity for a manufacturer to outsource on more than a market-by-market basis. We believe that as the markets across Europe converge there will be considerable potential to work internationally with the manufacturers.

Our markets are intrinsically stable and predictable. Our understanding of these markets, and the ability to spread our business and income across a portfolio of territories, has allowed us to spread the risks and impact of Government action and regional economic fluctuation. It is clear that the strength of our specialist skills and experience can be applied to maximum benefit in an international arena, and the benefits of our international exposure are becoming increasingly obvious to our manufacturer and pharmacist customers alike.

Stefano Pessina
Deputy Chairman
20 March 2001

Following the rapid expansion of the Group, particularly over the last three years, we have organised into four distinct divisions: Northern European Wholesaling and Distribution, Southern European Wholesaling and Distribution, Retailing, and corporate investments.



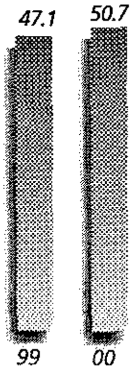
Turnover for Northern Europe - £m.

Northern Europe

This division comprises the following main businesses:

- *UK - UniChem - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Holland - Interpharm - wholesaling of medicines and OTCs to retail and hospital pharmacies.*
- *Czech Republic - Alliance UniChem CZ - wholesaling and integrated pre-wholesale.*

In total the division serves over 6,000 pharmacies out of a total of 12,223 in the UK, 850 in Holland, and 2,000 in the Czech Republic, and all of the hospitals in both the UK and Holland. UniChem operates through 11 depots throughout the UK, specialist facilities at South Normanton, which handles OTC toiletries, pre-wholesaling activities and HM&S medical and surgical goods.



Operating profit for Northern Europe, before goodwill amortisation, pre exceptional item - £m.

Interpharm operates from 7 depots, and Alliance UniChem CZ also has 7 depots. The division employs a total of 3,350 people in the UK, 650 people in Holland, and 550 people in the Czech Republic.

Performance

Overall the division achieved a 5 per cent increase in turnover to £1,803 million / €2,959 million (1999: £1,714 million / €2,602 million), mainly reflecting the subdued nature of the UK wholesaling market following the Government's imposed 4.5 per cent price cut in October 1999. In addition, price cutting of generics by the UK Government further constrained market growth in the UK such that the wholesale market grew by an estimated 1 per cent.

Left: Almost 1 in 5 prescriptions written in Europe pass through the Alliance UniChem network at some stage.

UniChem performed well in this market despite continued strong competition and pressure on gross margins caused by regulatory action. The business continued to win new customers, based on a service-led offering rather than price discounting. In the Czech Republic we have maintained our work to integrate the three wholesalers that we acquired, while at the same time continuing to raise our market share, achieving strong sales growth. 2000 was the first full year that the three Czech businesses we acquired were pulled together under one management, and the new combined management team have achieved an outstanding result both in terms of maintaining existing accounts and attracting new customers.

Interpharm was acquired by Alliance UniChem in December 2000 and, as such, has not therefore made a significant financial impact on the division in 2000.

"Work is well under way to integrate the business of Interpharm with the rest of the Group."

Assisted by improved operating margins in UniChem, the increased profits from a full year contribution by Alliance UniChem CZ and by one month's profits from Interpharm, operating profits for the division before goodwill amortisation were up by 7.6 per cent to £50.7 million / €83.2 million (1999: £47.1 million / €71.5 million).

Markets

Both the UK and Holland are mature markets, sharing similar characteristics. We continue to see increased generic prescribing, and the continued strength of Sterling against the Euro and the existence of differential pricing across Europe has continued to fuel the parallel import market.

Operational Review - Northern Europe

Whilst parallel importing is not a major factor in the Czech Republic, generic prescribing is a growing factor of the market. With more than a 20 per cent market share we are well placed to work with manufacturers to exploit the generics market.

Customer Relations

We continue to work on providing the most innovative and advantageous range of services and support to our pharmacy customers. In 2000 we signed up a further 135 pharmacies to our loan guarantee and securitisation schemes. These schemes continue to prove extremely popular, and we envisage their continuation and expansion going forward. We have also received a favourable reaction to pharmology.com in the UK, and have signed up 600 users since its launch.

We were delighted to have the divisions working towards excellence in customer service recognised in 2000, winning the prestigious national Daily Telegraph Energis award for Customer Service. This award was won against tough competition from many of the UK's leading household names. The judges particularly complimented our high standards of efficiency, reliability and innovation of service.

Pharmacy Alliance, our value-added scheme which designs and implements medicine management programmes, continued to attract clients. The publication of the UK Government's Strategy for Pharmacy, which promised investment in medicines management, stimulated interest and we saw a further 202 pharmacies join during the year giving it a total of 1,460, making Pharmacy Alliance the largest such 'virtual chain' in Europe.

Operations

The division has continued to focus on improving efficiencies across all of its areas of operation, with the closure in early 2001 of our depot at Walthamstow in the UK, whilst maintaining customer service from other warehouses.

In Holland work is well under way to integrate the business of Interpharm with the rest of the Group, extracting the synergies available from the merger of the businesses and benchmarking best practice to improve service levels and reduce costs. A similar exercise is now nearing completion in the Czech Republic, where we expect to enter a phase of significant expansion for the company.

Prospects

In Northern Europe we are working in mature markets, but have again proven that through imaginative approaches to improving services and service levels, and a continued focus on costs, we can deliver sales growth ahead of market growth. The UK market in particular has been through a challenging period and only the prompt action taken by our experienced management team has enabled us to maintain our full service across the UK to all customers and sustain our financial performance. It is to be hoped that the market will now see a period of stability. The new initiatives we are offering pharmacists in the UK, coupled with the benefits that we can extract from the integration projects in Holland and the Czech Republic, should fuel growth across the division for 2001 and beyond. This growth will be enhanced by our expansion and development plans for the businesses within the division.

Right: The Group uses state-of-the-art logistics techniques, e-business and related technology tools to deliver its services to customers and manufacturers.

Operational Review - Southern Europe

Southern Europe comprises the following main businesses:

- *France - Alliance Santé S.A. - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Italy - Alleanza Salute Italia S.p.A - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Spain - Safa Galenica S.A. - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Portugal - Alliance UniChem Farmaceutica S.A. - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Morocco - Sophasud (associate company) - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Greece - Lavipharm (associate company) - wholesaling of pharmaceuticals and OTCs to retail and hospital pharmacies.*
- *Switzerland - Galenica (associate company) - holding company with interests in manufacturing, pre-wholesaling, wholesaling and retailing of healthcare products and medicines.*
- *Alloga (pre-wholesaling joint venture with Galenica) - provision of pre-wholesaling services to manufacturers on a national and international basis.*

These businesses serve, between them, some 40,000 pharmacists, hospitals and healthcare professionals across 7 countries. In total the division operates from 155 depots, 59 in France, 53 in Italy, 26 in Spain, 9 in Portugal, 4 in Morocco and 4 in Greece. It employs some 6,780 people across the division.

"The Southern European markets are likely to experience high growth rates for the foreseeable future."

Performance

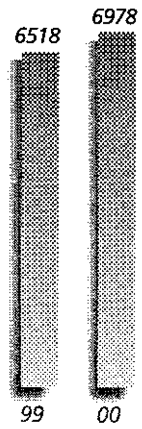
The division achieved a 7 per cent increase in turnover to €6,978 million / £4,252 million (1999: €6,518 million / £4,294 million).

In France strong growth in the market, coupled with the consolidation of benefits gained from the 1999 site closure programme, had provided significant grounds for optimism of a good year until the Government imposed an increase of 0.45 per cent in the industry-specific ACOSS healthcare tax. Under normal circumstances we seek to offset such increases through improved efficiency and, where unavoidable, reductions in customer discounts. However, in this instance the Government increased the tax retrospectively, backdating it to 1st October 2000.

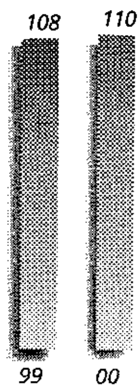
This increase in tax came at the end of a year in which we saw the implementation of the 35 hour working week and the full-year impact of a regressive margin scheme to limit margins available to wholesalers on higher value pharmaceuticals.

While the French wholesale sector continued to be depressed by these measures, elsewhere growth continued in a more stable environment. Portugal, Morocco and Greece all saw a continuation of their strong market growth, providing environments in which our businesses have been able to flourish.

In both Italy and Spain the strong market growth continued, although these markets remain highly competitive. A slight easing of pressures in the Spanish market has allowed us better returns from our business which, when coupled with our acquisition of Centro Asturiano Farmaceutico S.A., afforded us stronger growth in Spain than we have seen for some time. In Italy we continued our growth in market share and reach with the acquisition in July of a 90 per cent interest in Antica



Turnover for Southern Europe - EUR m.



Operating profit before goodwill amortisation for Southern Europe - EUR m

Right: In Southern Europe the Group serves some 49,000 customers in 7 countries. Portugal was the first country in which the businesses of UniChem and Alliance Santé merged to become Alliance UniChem, and so was the birthplace of today's Group.

Farmaceutica Modenese, a well-established regional wholesaler which operates an automated facility in the centre of Italy. This acquisition added approximately 1 per cent to ASI's national market share, but over 12 per cent to its existing 5.6 per cent regional market share in the central region. We also saw continued discounting and promotional activities from some competitors, in their attempt to win new business and establish a presence in the market. Although such action only serves to destabilise the market in the short term, they provide no long-term threat to the business.

Customer Relations

The Group is continuing to offer value-added services across our region as our customer services initiatives become more international in their nature. An excellent example of this is pharmology.com, which is already being rolled out in France and the UK. Rapid deployment of pharmology.com will follow in Italy, with further market-specific deployments in southern Europe during 2001.

In specific markets we also have the opportunity to work with our customers to offer commercial services and ranges to enhance the pharmacies' ability to extend their healthcare offerings to patients. An example of these initiatives is Alleanza Salute Italia's homeopathic service, which has become the market leader in Italy offering the first full national coverage.

Operations

In the Southern European division the focus has been very much on driving down costs. We have seen warehouse rationalisation in Spain, Portugal and Italy, and investment in automation across the division. Further warehouse rationalisation is planned in Spain and Italy, and particularly in France as an unavoidable response to the harshly regressive measures taken by the French Government.

Left: The Group's 18,500 employees serve over 60,000 customers from 180 warehouses and 818 pharmacies.

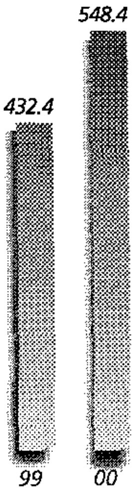
Pre-wholesaling

We are continuing to expand our pre-wholesaling operations through our joint venture with Galenica. The formation of a single international management team to manage this business, combining the experience and expertise of Galenica and Alliance UniChem, has provided us with an excellent resource. Our recently announced acquisition of Atrapharm, which provides a wide range of distribution, storage and secondary packaging facilities for pharmaceutical products from a depot in the centre of France, completes another link in the network across Europe. Our ability to back this expansion up with high quality contracts is establishing credibility for our offering in the market.

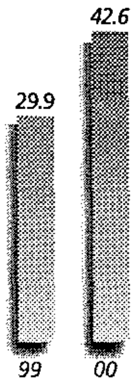
We are delivering the benefits of pre-wholesaling to both our manufacturer clients and to the Group as a whole, not just in terms of satisfactory returns on capital employed, but also in terms of the significantly enhanced relationships between the pharmaceutical manufacturers and ourselves.

Prospects

The Southern European markets are likely to experience high growth rates for the foreseeable future. In addition these markets offer us the opportunity to offer value-added services and invest strategically to expand our market position and service offering. We expect the division to achieve increases in earnings and income in future.



Turnover for the Retail division - £m.



Operating profit before goodwill amortisation for the Retail division - £m.

Left: The focus of Moss continues to be on healthcare and serving the local community by continuing improvements in standards and presentation, including the tailoring of ranges at a local level to meet customers' requirements.

Our retail division divides clearly between two sectors:

- *UK - Moss Pharmacy*
- *Rest of Europe - Alliance UniChem Retail International (AURI)*

Moss owns and manages the third largest chain of retail pharmacies in the United Kingdom. Moss is positioned as a community-based pharmacy chain which focuses on prescription business and the healthcare offer, and is close to the healthcare professionals with whom the pharmacist works. Moss currently operates 712 pharmacies and the 57-shop chain of Scholl footcare centres in the UK. It employs over 7,160 people, representing 4,200 full-time equivalents.

AURI owns and manages all of the Group's pharmacies outside the United Kingdom, including 16 in Holland, 60, including options, in Norway, 8 in Italy, and 30 owned by our joint venture with Galenica in Switzerland.

Performance

Moss has maintained an impressive record of strong growth for over five years, and 2000 has seen the continuation of this growth. Turnover rose by 27 per cent to £548 million / €900 million (1999: £432 million / €656 million), with like-for-like sales for National Health Service prescriptions up by 9.5 per cent, ahead of an estimated market growth of 9 per cent. Acquisitional growth has also been strong, with an active expansion of the portfolio.

The focus of Moss continues to be on healthcare and serving the local community by continuing improvements in standards and presentation, including the tailoring of ranges at a local level to meet customers' requirements. During 2000 branch systems were upgraded to support dispensing activities and improve communication links throughout the division.

One of AURI's activities has been preparation for deregulation of the Norwegian market, buying options to acquire 53 pharmacies in Norway. Coupled with 7 new licences granted by the Government to us this year, this gives us over 15 per cent of the Norwegian market and makes us the market leader in retail pharmacy in Norway.

Elsewhere, AURI continued to deliver strong results from pharmacies in Italy and from the 16-strong Vier Vijzels chain which they bought in Holland in the middle of 2000.

The division achieved a very strong increase in operating margins, up by 86 basis points compared with last year to 7.77 per cent, reflecting in part increased profits from portfolio development activity and the expanding activities of AURI. Margin growth in the UK was, however, constrained by the reduction of generic prices ordered by the UK authorities in the second half of 2000.

"Moss has maintained an impressive record of strong growth for over five years, and 2000 has seen the continuation of this growth."

Markets

In 2000 the market was affected by price cuts on both branded and generic drugs, and the shortage of new pharmacists caused by a one-off change to pharmacy training in the United Kingdom. The UK Government published a White Paper on the future of healthcare in the community which identified pharmacy as a key element in its plan to improve healthcare provision in the community and indicated its intention to focus greater spending in that area.

The Government's NHS plan for pharmacy in the future offers the opportunity to reward those pharmacy contractors who are flexible and can meet the varying local needs. The Moss Professional Services team has been strengthened both centrally and at a local level to ensure it is well positioned to meet the challenges. To ensure the correct focus the Moss Board has been further strengthened by the appointment of NHS and IT Directors.

This vision for pharmacy is in keeping with Moss's own strategic plan and positioning, and supports fully our positioning of the pharmacist as a healthcare professional in the front line of community care.

In addition to these Government initiatives, Moss has been expanding its remit by winning Government pharmacy contracts. During the year Moss took on the contract to supply pharmacy services to the Scottish prison service, and is bidding for other such contracts as they become available.

Despite the current limitations on pharmacy ownership in many of the European markets, AURI has a number of opportunities to expand. It has focused its attentions on markets where the prices being paid for pharmacies come within acceptable levels for the Group. Currently AURI is reviewing the opportunity for acquisitions in Italy, Ireland and a number of Eastern European markets.

Working with De Vier Vijzels in Holland and Galenica in Switzerland, AURI is keen also to expand its presence in these important markets but is adopting selective acquisition strategies, focusing on investment in quality sites which will significantly enhance the profile and coverage of the Group's retail network.

In 2001 Moss will also be trialling a new concept called Moss Total Health, which is a highly advice-driven store offering a mixture of prescription and OTC medicines and alternative remedies such as aromatherapy and homeopathy. The staff are specially trained in the alternative remedies available, and the store is planned in a way to promote interaction between customers and staff.

Outlook

Moss and AURI have delivered very strong growth, and future indicators in their markets show no signs of slowing. The concepts and skills that Moss brings to its retailing activities are allowing it to win market share both organically and by acquisition, and we expect to maintain this progress. AURI has taken full advantage of these skills in its development of the sites in Norway, Holland, Switzerland and Italy.

Portfolio Development

The momentum of the expansion of the UK chain has been maintained, with 93 new pharmacies acquired in the year. Also during the year a number of pharmacies were sold, including 10 to ASDA, where the supermarket chain decided to acquire control of the pharmacies to integrate them more closely within their stores. The relationship with ASDA has been maintained with UniChem continuing to act as principal pharmaceutical wholesaler to the Group. The proceeds have been re-invested in new pharmacies to replace those sold. A further 38 pharmacies will be transferred to ASDA during 2001.

Moss has been actively working to enhance the offering of its existing pharmacy portfolio, with new signage and shop fittings now completed in almost all of the stores. In addition to its normal trading concept, Moss has had a strongly favourable reaction to its highly traditional 'E Moss Limited' concept, which returns the pharmacy to the feel of an old world apothecary.

With the increasing opportunities open to the Group internationally, and the skills and experience of Moss we expect to see retail pharmacy becoming an increasingly important part of Alliance UniChem's business.

Although all European governments are expected to continue to constrain the cost of healthcare provision, the international expansion of Alliance UniChem gives us confidence that the division will be able to continue its underlying margin development.

Financial review

Geoff Cooper Finance Director

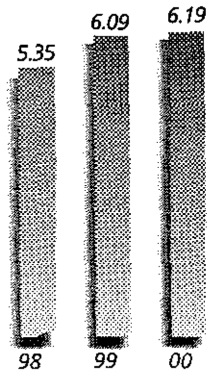
Group Results

The notable features of 2000 were: continued strong operating performance and cashflow; additional contributions from our investments in new businesses and associates; the effects of a harsher interest rate environment; and the weakening of the Euro against Sterling.

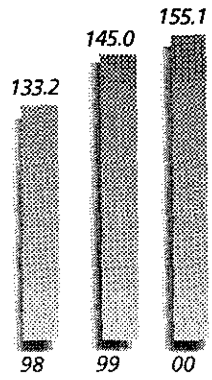
This result included, for the first time, a full year's contribution from our investment in Galenica and from the retail and pre-wholesaling joint ventures that we established with them in 2000. These contributed to a rise in associate income before goodwill amortisation from £3.3 million / €5.0 million in 1999 to £8.0 million / €13.1 million this year. We also consolidated one month of profits from Interpharm in Holland, following our acquisition of that business at the end of 2000.

Our net interest costs increased by £4.2 million / €9.9 million to a total of £29.4 million / €48.2 million (1999: £25.2 million / €38.3 million), giving us interest cover on a pre-goodwill and exceptional items basis of 5.5 times (1999: 5.9 times). This performance was achieved despite average Euro interest rates rising by 150 basis points, almost half as much again compared with 1999. We have also continued our expenditure on Group development, with the acquisition of Interpharm and other expansion which saw us invest £295.9 million / €485.6 million during the year, of which £126.5 million / €207.6 million was financed through the issue of shares.

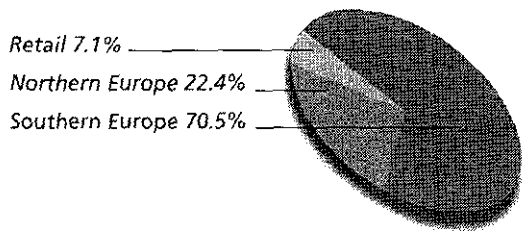
Total turnover for all the divisions - £bn.



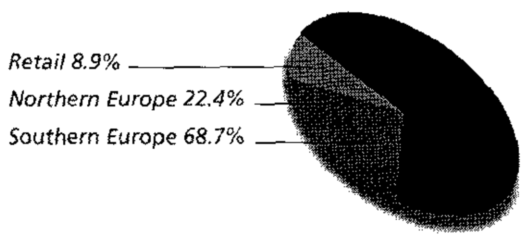
Total operating profit for all divisions, pre exceptional item and goodwill amortisation - £m.



Turnover by division 1999



Turnover by division 2000



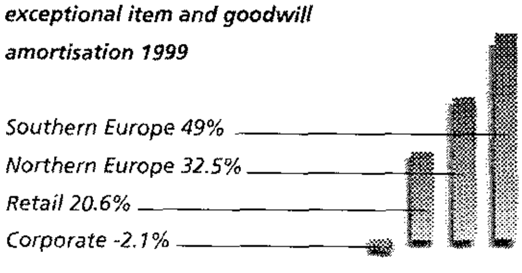
The pre-exceptional Group tax rate for the year was 32.7 per cent (1999: 34.2 per cent). This fall was mainly due to the change in mix of our income across the Group, with a stronger performance in those territories such as the UK, where we experience lower rates. We also experienced a small benefit from falling corporate tax rates in a number of European countries, including France and Portugal.

The Euro weakened against Sterling by an average of 7.5 per cent compared to 1999. The only significant impact of this on the Group is on the translation of our financial statements. We are currently re-cycling our Euro denominated cashflows into new investments and acquisitions in the Euro zone to finance our expansion programme. We are not, therefore, significantly exposed to currency risk in our transactions, either within our Group or with our suppliers and customers. The Group's dividend payments have been financed from Sterling cash generation. Longer term forecasts are for a strengthening of the Euro relative to Sterling; if this occurs it will benefit the Group, since the value of Euro denominated cashflows will increase.

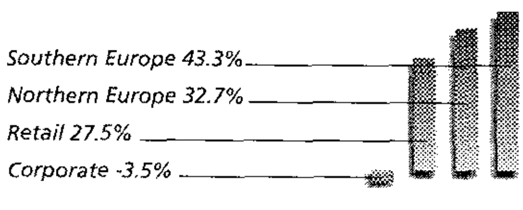
Cash Flow and Funding

Net cash inflow from operations, at £157.4 million / €258.3 million, remained strong, with a net absorption of cost for working capital of only £23.3 million / €38.2 million despite a real turnover increase of nearly £450 million / €683 million. Tax payments rose to £51.2 million / €84.0 million compared with £30.2 million / €45.8 million in 1999, mainly reflecting the acceleration of tax payments in the UK following the introduction of the payment on account system. After equity dividends, net interest and dividends from joint ventures and associates, this left £59.9 million / €98.3 million to invest in developing the business. Also, as part of the funding for the acquisition of Interpharm, we issued 22 million new shares in a placing to institutional investors to raise £111 million / €182 million. This meant that despite the heavy expansion programme, net debt increased by £128.7 million / €195.7 million to £661.5 million / €1,052.4 million at the end of 2000, giving balance sheet gearing of 108 per cent compared to 120 per cent at the end of 1999.

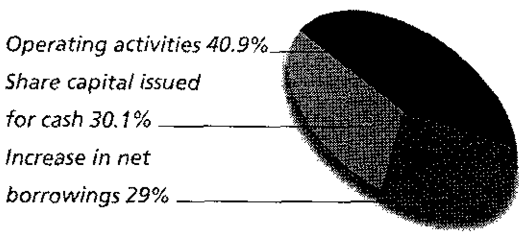
Operating profit by division pre exceptional item and goodwill amortisation 1999



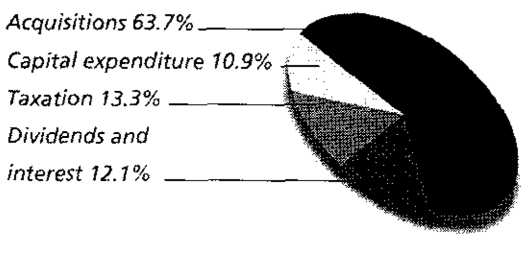
Operating profit by division pre exceptional item and goodwill amortisation 2000



Sources of funding 2000



Application of funds 2000



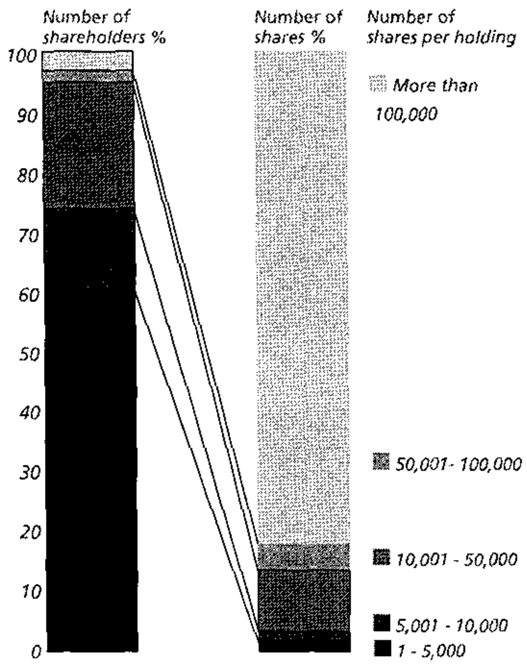
Financial review

Financial Risk Management

We have continued our policy of prudently limiting our exposure to interest rate fluctuations through a combination of financial instruments including interest rate swaps, caps, and collars. These arrangements can be summarised as follows:

		Average cover in place during:		
		2001	2002	2003
Interest Rate Swaps and Fixed Rate Borrowings				
(a)	£ millions	0.0	0.0	0.0
	Ave. Fixed Rate			
and (b)	Euro millions	580.7	512.3	330.0
	Ave. Fixed Rate	4.46%	4.90%	4.83%
and (c)	CHF millions	50.0	50.0	33.3
	Ave. Fixed Rate	3.77%	3.77%	3.77%
Interest Rate Caps				
(a)	£ millions	25.0	4.2	0.0
	Ave. Maximum Rate	7.30%	7.00%	
and (b)	Euro millions	165.0	165.0	27.5
	Ave. Maximum Rate	5.58%	5.75%	5.75%
and (c)	CHF millions	20.0	20.0	20.0
	Ave. Maximum Rate	3.95%	3.95%	3.95%
Total Nominal Cover				
(a)	£ millions	25.0	4.2	0.0
	Ave. Fixed Rate	7.30%	7.00%	
and (b)	Euro millions	745.7	677.3	357.5
	Ave. Fixed Rate	4.71%	5.11%	4.90%
and (c)	CHF millions	70.0	70.0	53.3
	Ave. Fixed Rate	3.82%	3.82%	3.84%

Analysis of shareholders at 22 March 2001.



Our policy to limit our exposure to currency fluctuations is based predominantly on spreading our debt position across our markets of operation. This policy allows us to repay our borrowings in their own local currencies and to secure our debts against assets of the same currency denomination. This action limits almost all of our routine balance sheet currency exposure.

The highly successful securitisation of our loan guarantee portfolio for pharmacies in the United Kingdom has significantly reduced the contingent liabilities reported in our financial statements, and continued to provide substantial commercial benefits for our pharmacy clients.

Geoff Cooper
Finance Director
20 March 2001

Right: Each national marketplace dictates individual service levels for our businesses and therefore the required infrastructure.

Report of the Directors

The information constituting or despatched with the 2000 annual report is material to an appreciation of the business of the Company and of the Group and as such form part of this report of the directors.

Corporate Governance

Principles and provisions of good governance for companies are set out in the Combined Code as published in June 1998 by the Committee on Corporate Governance. The way the Company has applied the principles of the Combined Code is explained in this report. Other than where detailed in this report, the Company has throughout the financial year complied with the code provisions set out in section 1 of the Combined Code.

Directors

The Company is led and controlled by the Board, currently consisting of the following directors:

executive directors	
Jeff Harris	chief executive
Stefano Pessina	deputy chairman
Barry Andrews	northern Europe & retail
Ornella Barra	southern Europe
Geoff Cooper	finance
Antonin De Bono	e-business and healthcare related businesses
Chris Etherington	UK wholesale & Czech Republic
non-executive directors	
Ken Clarke	independent chairman
Claude Berretti	
Neil Cross	independent
Etienne Jornod	
Patrick Ponsolle	independent

The biographies of these directors are given opposite:

During the year the following individuals were appointed as, or ceased to be, directors:

appointed 26 January E. Jornod

ceased none

In the rest of this report details given on Etienne Jornod will be for the period that he was a director and details shown as being at 1 January 2000 will be the details at 26 January 2000.

Each of the directors is subject to retirement at least every three years.

B.M. Andrews B.Pharm., F.R.Pharm.S. (aged 56 / appointed 1992 / last elected 1998). *Barry Michael Andrews is a pharmacist and executive chairman of Moss Pharmacy. He is a member of the Pharmaceutical Services Negotiating Committee, a director of the Company Chemists Association and a member of the Standing Pharmaceutical Advisory Committee.*

C. Berretti (aged 66 / appointed 1998 / elected 1999). *Claude Berretti is a chartered accountant. He joined Ile de France Pharmaceutique S.A. in 1957 and, prior to his retirement at the end of 1997, was chief executive and chairman.*

D.ssa O. Barra (aged 47 / appointed 1997 / last elected 2000). *Ornella Barra is a pharmacist. Having gained her qualification she bought her own pharmacy before founding a distribution company, which was subsequently acquired by Alleanza Salute Italia in 1986. She was appointed president of Alleanza Salute Italia in 1994.*

Right Hon. K.H. Clarke Q.C., M.P. (aged 60 / appointed 1997 / elected 1998). *Kenneth Harry Clarke is a Queen's Counsel and Member of Parliament. He has served in the Cabinet as Health Secretary and as Chancellor of the Exchequer. He is chairman of Savoy Asset Management and of British American Racing, deputy chairman of British American Tobacco and a non-executive director of Foreign and Colonial Investment Trust and of Independent News and Media (UK).*

G.I. Cooper B.Sc., A.C.M.A. (aged 47 / appointed 1994 / last elected 1999). *Geoffrey Ian Cooper is a cost and management accountant. He gained his qualification working in industry and then worked as a management consultant before joining the Gateway Group where he became group finance director. He joined the Company in 1994.*

A. De Bono (aged 56 / appointed 1997 / last elected 2000). *Antonin De Bono is a pharmacist and a graduate of management training programmes at Institut Français de Gestion and Cégos. He started his career with Alliance Santé France in 1974 and, having held several management positions, was appointed president in 1997. He is also a non-executive director of Banque Tarneaud and Cegedim*

J.F. Harris (aged 52 / appointed 1986 / last elected 1998). *Jeffery Francis Harris is a chartered accountant. He worked in the accounting profession for two major London auditing firms for fourteen years. He joined the Company as chief accountant in 1985, was appointed to the Board as finance director in 1986 and appointed chief executive in 1992. He is also a non-executive director of Bunzl and Anzag.*

S. Pessina (aged 59 / appointed 1997 / last elected 1999). *Stefano Pessina is an engineer. After holding a number of academic posts and working as an independent business consultant he became involved in pharmaceutical wholesaling in 1976. From that date he built up his interests in a number of European countries to form the Alliance Santé Group, which merged with the Company in 1997.*

N.E. Cross Ph.D., F.C.I.S. (aged 56 / appointed 1997 / last elected 1999). *Neil Earl Cross was an executive director of 3i Group plc from 1989 to December 1996. He is chairman of Close Technology and General VCT and a non-executive director of Dawson Holdings, Taylor Nelson Sofres, The Babraham Institute, The Bayard Fund and British Maritime Technology.*

C. Etherington (aged 48 / appointed 1997 / elected 1998). *Christopher Etherington worked in a number of distribution roles within industry before joining the Company in 1991. He was appointed to the Board as managing director of UniChem, having graduated from the advanced management programme at Harvard University.*

E. Jornod (aged 48 / appointed and elected 2000). *Etienne Jornod is chairman and managing director of Galenica Holding Limited. He has worked at Galenica since 1975 and has been chairman since 1996. He is also a non-executive director of Bon Appetit Group and of Bonnard & Gardel Ingénieursconseils.*

P. Ponsolle (aged 56 / appointed 1997 / last elected 2000). *Patrick Ponsolle is executive chairman of Eurotunnel. He is also a non-executive director of Société Générale de Belgique and of Moulinex and a member of Morgan Stanley Dean Witter's board of senior European advisors.*

Report of the Directors

All directors have access to the advice and services of Adrian Goodenough, the Company Secretary and are entitled, through him and at the expense of the Company, to obtain independent professional advice of their choice, where they believe it is essential to the effective discharge of their corporate duties.

The **Board** met formally on seven occasions during 2000 and the four standing **committees** of the Board met in accordance with their terms of reference, as detailed below. Four other committees were established in 2000 to undertake specific tasks, which have been completed. Members of the Board and committees receive appropriate notice of each meeting, accompanied by an agenda and relevant papers, so that the members may discharge their duty effectively. Where decisions of the Board or committees are relevant, they are detailed in the pertinent section of the 2000 annual report.

The **audit** committee met three times in 2000. Its main purposes are: to provide a conduit for the interface between the Company and the auditors; to review the financial statements of the Company, focusing particularly on compliance with legal, regulatory and accounting standard requirements and the going concern assumptions; and to review the Group's system of internal controls.

The **executive** committee is constituted so that the Company can function day to day by taking care of routine matters not requiring the consideration of the Board as a whole. Under the terms of reference, parameters have been established which limit its authority to act without consulting the Board as a whole. The executive committee has delegated some of its authority to a number of sub-committees in order to facilitate the decision making process. These sub-committees cover consideration of acquisitions, treasury matters and operational matters and have their own terms of reference with relevant parameters to their authority.

Each business unit has its own board of directors with responsibility for their business. Every quarter, members of the executive committee review in detail each business and their findings are reported to the Board.

The **nomination** committee did not meet in 2000. Its role is to recommend to the Board any appointment as a director. Non-executive directors are normally appointed for a five year term and another role of the committee is to consider whether a non-executive director should continue for a second five year term of office.

One of the provisions of the Combined Code is that a majority of the members of this committee should be non-executive directors. This committee does not comply with this provision. The directors believe that, while it is imperative to ensure that new directors are of sufficient calibre to make a contribution to the deliberations of the Board, it is also important that they can work effectively with the individuals constituting this committee.

The **remuneration** committee met twice in 2000 and is authorised by the Board to determine the remuneration of the executive directors and to grant options under the discretionary share option schemes. The Board determines the fees of the non-executive directors.

Membership of the main committees of the Board	*audit*	*executive*	*nomination*	*remuneration*
Frequency of meetings				
monthly and as required	-	*	-	-
minimum number of times per year	2	-	-	1
as required	-	-	*	-
Committee members:				
non-executive directors				
C. Berretti	E	-	-	-
K.H. Clarke	-	-	CM	CE
N.E. Cross	CE	-	-	E
P. Ponsolle	E	-	-	E
executive directors				
B.M. Andrews	-	M	-	-
O. Barra	-	M	-	-
G.I. Cooper	A	CM	-	-
A. De Bono	-	M	-	-
C. Etherington	-	M	-	-
J.F. Harris	-	M	M	A
S. Pessina	-	M	M	A
company executives				
M. Deleers - group internal auditor	A	-	-	-
A.J. Goodenough - company secretary	A	A	A	A
S.D. Sampson - group financial controller	A	-	-	-
external				
auditors' representative	A	-	-	-

'A' indicates an attendee of the committee,
'C' indicates the chairman of the committee,
'E' indicates an elected member of the committee, and
'M' indicates an automatic member of the committee.

Directors' Remuneration

The remuneration committee, the current members of which are detailed above, takes decisions on executive directors' remuneration.

In reaching conclusions on remuneration, the remuneration committee took into consideration the remuneration policy of the Group, a number of comparative remuneration surveys and increases in salary given to employees of the Group.

The remuneration policy of the Group is structured to recruit, motivate and retain personnel of the highest calibre so that the position of the Group in the European healthcare sector is maximised. This is achieved by a combination of fixed and variable payments, benefits, incentive plans and share option schemes. These are detailed below. The Board considers it unnecessary to seek shareholder approval of this policy.

Emoluments

The emoluments of the directors for the financial year ended 31 December 2000 were:

	fees	salary and other cash	non-cash benefits	bonus payments	total 2000	emoluments 1999
director	£000	£000	£000	£000	£000	£000
B.M. Andrews	-	240	18	109	367	301
O. Barra	-	215	-	55	270	258
C. Berretti	25	-	-	-	25	20
K.H. Clarke	125	-	-	-	125	120
G.I. Cooper	-	274	18	114	406	327
N.E. Cross	30	-	-	-	30	20
A.De Bono	-	241	3	58	302	301
C. Etherington	-	226	14	55	295	276
J.F. Harris	-	420	23	180	623	496
S. Pessina	-	275	-	118	393	315
P. Ponsolle	25	-	-	-	25	20
Total	205	1,891	76	689	2,861	2,454

Etienne Jornod has waived his entitlement to a director's fee of £25,000.

Executive directors are rewarded with bonus payments if the Group and/or their Division achieves the annual budgeted performance, after allowing for the cost of the bonuses, and/or the relevant executive has achieved a satisfactory personal performance. The maximum bonus payable in respect of 2000 was 50% of an individual's salary.

Long term incentive plan

The Share Incentive Plan is a discretionary scheme under which allocations are made to select individuals. Each allocation takes the form of a non-binding statement of intent to make an award of a stated maximum amount following the end of a specified performance period. The directors' allocations under the Scheme are:

director	allocation 1	allocation 2	allocation 3
B.M. Andrews	73,333	110,000	160,000
O. Barra	66,667	100,000	143,333
G.I. Cooper	80,000	120,000	176,667
A. De Bono	80,000	120,000	166,667
C. Etherington	66,667	100,000	143,333
J.F. Harris	108,333	192,500	280,000
S. Pessina	83,333	125,000	183,333

The performance periods for the allocations are:

allocation	period start	period end
1	1 January 1998	31 December 2000
2	1 January 1999	31 December 2001
3	1 January 2000	31 December 2002

The amount of the award will depend on achieving certain performance measures during the performance period:

performance measure	achievement		% awarded
total shareholder return	below median		-
	median	50%	12.5%
		+ 1%	+ 1.5%
	upper quartile	75%	50.0%
earnings per share	RPI-x	<+ 3%	-
		+ 3%	5.0%
		++0.1%	+ 4.5%
		>+ 4%	50.0%

Total shareholder return measures the total return to shareholders in terms of share price growth and dividends reinvested in the shares of the Company over the performance period. The performance will be compared with the same measure of performance for companies in the FTSE 250. Earnings per share are defined as the diluted pre-exceptional figure as reported for a full accounting year. RPI-x is the index of retail prices for all items excluding mortgage payments as published by the UK Government.

The award will take the form of a right to acquire ordinary shares in the Company for a nominal sum within a period of ten years from the date of the award. The number of shares will be determined by the market price of the Company's shares at the date of the award. The remuneration committee has the discretion to withhold or reduce awards to any extent it considers appropriate, having regard to the Company's underlying financial performance and irrespective of the level of attainment of the performance targets.

Following the end of the performance period for allocation one, the remuneration committee have recommended to the Employee Share Trust that awards equivalent to 100% of the allocation are made.

Pensions

The pension benefits earned by the directors during 2000 were:

	age at year end	increase in accrued pension during the year	total accrued pension at year end	additional money purchase contributions	
				2000	1999
director		£000	£000	£000	£000
B.M. Andrews	56	21	142	-	-
O. Barra	47	-	-	34	32
G.I. Cooper	46	3	21	14	13
C. Etherington	48	3	30	34	17
J.F. Harris	52	28	211	-	-

The accrued pension is a benefit of the defined benefit plan of the Company's Pension Scheme. The increase in accrued pension during the year is net of the increase as a result of the inflation and revaluation of the deferred pension. The accrued pension at the end of 1999 for Jeff Harris, the highest paid director, was £181,000. The Company pays the additional money purchase contributions into separate schemes with no additional contributions from the directors. Any additional voluntary contributions paid by the directors, and the benefit arising from such contributions, are excluded from the above table.

Under the arrangements of the Pension Scheme: the normal retirement age of the directors is 60; Jeff Harris, on leaving service, is entitled to receive an unreduced pension from age 55; directors are required to pay a contribution of 5% of basic salary; a spouse's pension of one half of the director's pension is payable on death after retirement; a statutory minimum pension for the legal widow and the director's accumulated contributions are payable on death after leaving service but before retirement; directors' pensions are automatically increased each year after retirement in line with inflation; additional increases may be payable at the discretion of the Trustee of the scheme, subject to the approval of the Company; and, no allowance is made for discretionary benefits within transfer values.

Directors' Interests

Interests in fully paid shares

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:

director	1 January 2000	acquired in the year	disposed in the year	31 December 2000	acquired in the period	disposed in the period	20 March 2001
B.M. Andrews	126,860	76,414	75,000	128,274	-	-	128,274
K.H. Clarke	3,769	109	-	3,878	-	-	3,878
G.I. Cooper	66,543	8,263	6,340	68,466	-	-	68,466
N.E. Cross	5,000	-	-	5,000	-	-	5,000
C. Etherington	3,609	80,869	71,800	12,678	4	-	12,682
J.F. Harris	194,519	192,632	48,016	339,135	4,834	-	343,969
S. Pessina	104,842,585	256,918	-	105,099,503	-	-	105,099,503
P. Ponsolle	500	-	-	500	-	-	500
Total	105,243,385	615,205	201,156	105,657,434	4,838	-	105,662,272

The Employee Share Trust held 4,018,333 shares at 31 December 2000. The Trust acquired 650,000 shares on 22 March 2000 at 379.3 pence each and 350,000 shares on 23 March 2000 at 382.0 pence each. The Trust transferred 15,000 shares on 22 September 2000 at 442.0 pence each to an option holder exercising their option. There were no other changes to this holding between 1 January 2000 and 20 March 2001. All employees and the executive directors are eligible to benefit from the trust.

The interests of Stefano Pessina are held by Alliance Santé Participations S.A.. Stefano Pessina indirectly wholly owns the company, registered in Luxembourg, and the directors include Stefano Pessina, Ornella Barra, Claude Berretti and Antonin De Bono. Ornella Barra, Claude Berretti and Antonin DeBono hold no other interests in the fully paid shares of the Company.

Interests in options over shares

The directors' options over ten pence ordinary shares of the Company are detailed below:

director	option	1 January 2000	granted / (exercised) in the year	31 December 2000	granted / (exercised) in the period	20 March 2001	exercise price (p)	mid-market price on exercise (p)	notional gain £000
B.M. Andrews	4	30,000	(30,000)	-	-	-	269.00	563.0	88
	5	45,000	(45,000)	-	-	-	268.50	563.0	133
	7	45,000	-	45,000	-	45,000	429.50		-
	10	3,194	-	3,194	-	3,194	324.00		-
		123,194	(75,000)	48,194	-	48,194			221
O. Barra	7	186,263	-	186,263	-	186,263	429.50		-
	8	63,737	-	63,737	-	63,737	435.00		-
		250,000	-	250,000	-	250,000			
G.I. Cooper	4	372	-	372	-	372	269.00		-
	5	36,872	-	36,872	-	36,872	268.50		-
	7	45,000	-	45,000	-	45,000	429.50		-
	9	9,154	-	9,154	-	9,154	213.00		-
		91,398	-	91,398	-	91,398			-
A. De Bono	7	223,515	-	223,515	-	223,515	429.50		-
	8	26,485	-	26,485	-	26,485	435.00		-
		250,000	-	250,000	-	250,000			
C. Etherington	3	30,000	-	30,000	-	30,000	260.00		-
	4	30,000	(30,000)	-	-	-	269.00	443.0	52
	5	45,000	(45,000)	-	-	-	268.50	517.0	112
	7	45,000	-	45,000	-	45,000	429.50		-
	10	3,194	-	3,194	-	3,194	324.00		-
	11	1,757	-	1,757	-	1,757	384.00		-
		154,951	(75,000)	79,951	-	79,951			164

Report of the Directors

director	option	1 January 2000	granted / (exercised) in the year	31 December 2000	granted / (exercised) in the period	20 March 2001	exercise price (p)	mid-market price on exercise (p)	notional gain £000
J.F. Harris	1	114,916	(114,916)	-	-	-	88.97	383.5	338
	2	45,000	-	45,000	-	45,000	253.99		-
	3	45,000	-	45,000	-	45,000	260.00		-
	4	30,000	(30,000)	-	-	-	269.00	563.0	88
	5	45,000	(45,000)	-	-	-	268.50	563.0	133
	6	4,791	-	4,791	(4,791)	-	216.00	541.5	16
	7	45,000	-	45,000	-	45,000	429.50		-
	11	1,757	-	1,757	-	1,757	384.00		-
		331,464	(189,916)	141,548	(4,791)	136,757			575
Total		1,201,007	(339,916)	861,091	(4,791)	856,300			960

No options lapsed during the financial year or between 1 January 2001 and 20 March 2001. The mid-market price of shares of the Company ranged during 2000 between 303.5 pence on 14 March and 607.5 pence on 6 December and at 31 December was 547.5 pence.

The options above may be exercised:

option	type	first exercisable	exercisable until	performance criteria
1	discretionary	3 September 1993	2 September 2000	-
2	discretionary	1 November 1996	30 October 2003	-
3	discretionary	21 October 1997	20 October 2004	-
4	discretionary	18 October 1998	17 October 2005	-
5	discretionary	13 June 2000	12 June 2004	yes
6	savings related	1 December 2000	30 May 2001	-
7	discretionary	7 May 2001	6 May 2005	yes
8	discretionary	27 May 2002	26 May 2006	yes
9	savings related	1 July 2002	30 December 2002	-
10	savings related	1 August 2003	30 January 2004	-
11	savings related	1 July 2004	30 December 2004	-

The options granted to O. Barra and A. De Bono formed part of the arrangements of the merger with Alliance Santé S.A..

The options shown above as requiring a performance criteria are only exercisable if, at any time during the exercise period, earnings per share growth of the Company in the period from the grant of the option is greater than the increase in RPI-x plus 4% compound. Earnings per share are defined as the diluted pre-exceptional figure as reported for a full accounting year. RPI-x is the index of retail prices for all items excluding mortgage payments as published by the UK Government. The remuneration committee may change the target parameters should circumstances warrant it.

Employment agreements
Barry Andrews, Geoff Cooper and Chris Etherington have employment agreements that can be terminated by either party on twelve month's notice. Jeff Harris has an employment agreement that can be terminated by the Company on twelve month's notice or by him on six month's notice. There are provisions in the service agreements for pay in lieu on current salary for the unexpired period of appointment or to cover the required notice period. No other director has a service contract with the Company.

Other interests
Save for the interests mentioned in this report no director was materially interested in any contract during the financial year which is or was significant to the business of the Company or subsidiary undertakings.

Shareholders
In view of the obvious independence of the Chairman, Ken Clarke, the directors have not felt it necessary to appoint any other specific director to the role of senior independent director. The Chairman will receive the concerns that any shareholder may have on the Company.

The chief executive and finance director of the Company have regular meetings with institutional shareholders to discuss the overall strategy of the Group.

The notice convening the 2001 annual general meeting has been despatched with this annual report. Shareholders, whether they can attend the meeting or not, are encouraged to ask questions of the Board and space has been provided on the appointment form, despatched with the notice, for this purpose. It is the intention of all of the directors to be present at the annual general meeting.

Employees
The Group aims to employ the best qualified personnel and to provide equal opportunity in the selection and advancement of employees regardless of age, race, colour, national origin, religious persuasion, sex or marital status.

Full and fair consideration is also given 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 Company communicates with all employees through regular staff briefings. All Group employees will be receiving a summary of the annual report, which will include comments on their individual business units. Subject to practical and commercial considerations, employees are consulted and involved in decisions that affect their employment or future prospects. Work is currently taking place to establish a European works council.

Other matters
Health and safety
It is the policy of the Group that each business maintains the high standards necessary to safeguard the health, safety and welfare of their employees, customers and the general public.

Creditors
It is the policy of the Group to abide by the payment terms negotiated with each of its suppliers whenever it is satisfied that the invoiced goods or services have been ordered and have been supplied in accordance with agreed terms and conditions. Alliance UniChem is a holding company and has no trade creditors. The number of days' purchases represented by period-end trade creditors for the UK wholesale business is 43.

Political and charitable gifts
Charitable donations of £2,500 were made during 2000. No political gifts were made during the financial year.

Animal testing
It is the policy of the Group that only skin care products that have not been tested on animals will be introduced to the Group's own brand ranges and that wherever possible the pharmacies owned by the Group will only stock other brands with the same policy.

Environment
Each business unit is responsible for maintaining the delivery of healthcare to its market. In maintaining this responsibility each business is mindful of the impact their operation has on the local environment and works to ensure that such impact is kept to a minimum. In addition, the Group insists that all local regulations and laws are adhered to. Costs or savings associated with this work and compliance have not been separately identified by the operating businesses and are absorbed within internal operating expenses.

Internal controls

Guidance for companies on compliance with the internal control requirements of the Combined Code is set out in the publication Internal Control: Guidance for Directors on the Combined Code. The Company has throughout the financial year and up to the date of approval of the financial statements complied with this guidance.

The Board is responsible for the Group's internal control system. This system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has a continuous process for identifying, evaluating and managing key risks faced by the Group and the Board has regularly reviewed this process.

The Board has also reviewed the effectiveness of the Group's internal control system. The audit committee has reported to the Board its review of summaries of the effectiveness of the Group's internal control system. The review covered all controls, including financial, operational and compliance controls and risk management. The review also considered reports by the Group internal audit function on material internal risks in three of the business units and on post investment audits, that were carried out to evaluate the performance in the first full year of major investments made in 1998.

The Group's internal control system is designed to regulate the processing of transactions, preserve related data on files and safeguard assets from inappropriate use or from fraud. This system is described under the following four headings.

1. Risk management – Risk management is a continuous process whereby market, regulatory and operational risks that the Group may face over a three-year period are identified, evaluated and managed. Controls over financial risks are regularly assessed and contingency plans are made against major failures.
2. Processing transactions and safeguarding assets – Where the Board has not reserved matters for their sole consideration, limits are placed on transactions and activities that employees either acting individually or as a group can undertake. There is also a division between those who authorise, process, record and handle the related assets of any transaction or activity.
3. Financial reporting – Each operating unit prepares monthly results, with a comparison against the budget, the latest forecast and the previous year, which the Board reviews for the Group as a whole and determines appropriate action; and
4. Training of personnel – All personnel are trained on joining the Group and thereafter on proper adherence to the control systems relevant to their role within the Group.

Directors' responsibility statement

This statement, which should be read in conjunction with the Auditors' Report, 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 legislation 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 the Company has adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

The directors also consider that, in preparing the financial statements on pages 42 to 59, 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 legislation.

The directors also 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.

Approved by the Board of Directors
and signed on their behalf

A J Goodenough
Company Secretary
20 March 2001

We have audited the financial statements on pages 42 to 59 which have been prepared under the accounting policies set out on page 46.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 40 the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the corporate governance statement on page 32 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House, 1, Little New Street, London EC4A 3TR

20 March 2001

Group profit and loss account

for the year ended 31 December

Unaudited Proforma 2000 €m		Note	2000 £m	1999 £m
	Turnover			
9,982.7	Continuing operations		**6,083.3**	6,094.0
177.1	Acquisitions		**107.9**	-
10,159.8		2	**6,191.2**	6,094.0
(9,317.5)	Cost of sales		**(5,677.9)**	(5,632.0)
842.3	**Gross profit**		**513.3**	462.0
(645.9)	Administrative expenses		**(393.6)**	(347.4)
196.4			**119.7**	114.6
54.0	Other operating income		**32.9**	28.8
	Group operating profit			
244.1	Continuing operations		**148.8**	143.4
6.3	Acquisitions		**3.8**	-
250.4		2	**152.6**	143.4
11.3	Income from associated undertakings		**6.9**	3.3
261.7	**Total operating profit**		**159.5**	146.7
(15.9)	Exceptional items	3	**(9.7)**	-
(48.2)	Net interest payable and similar charges	4	**(29.4)**	(25.2)
213.5	***Profit on ordinary activities before taxation and exceptional items***		***130.1***	*121.5*
197.6	**Profit on ordinary activities before taxation**	5	**120.4**	121.5
(69.9)	Tax on profit on ordinary activities	8	**(42.6)**	(41.6)
127.7	Profit on ordinary activities after taxation		**77.8**	79.9
(1.8)	Equity minority interests		**(1.1)**	(1.2)
125.9	**Profit for the financial year**		**76.7**	78.7
(66.0)	Dividends (12.8p per share - 1999 11.7p)	9	**(40.2)**	(22.9)
59.9	Retained profit for the financial year		**36.5**	55.8
	Earnings per share, before goodwill amortisation and exceptional item			
	- Basic	10	**30.6p**	27.8p
	- Diluted	10	**30.4p**	27.6p
	Earnings per share, after goodwill amortisation and exceptional item			
	- Basic	10	**26.0p**	27.2p
	- Diluted	10	**25.9p**	27.1p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	**2000 £m**	1999 £m
Profit for the financial year	**76.7**	78.7
Currency translation differences on foreign currency net investments	**(0.2)**	(6.7)
Total recognised gains and losses relating to the year	**76.5**	72.0

MOVEMENT IN SHAREHOLDERS' FUNDS	Note	**2000 £m**	1999 £m
At 1 January		**439.1**	381.7
Total recognised gains and losses for the financial year		**76.5**	72.0
Dividends		**(40.2)**	(22.9)
Shares issued		**126.5**	9.9
Other	20	**(0.7)**	(1.6)
At 31 December		**601.2**	439.1

Balance sheets

as at 31 December

Unaudited proforma 2000 €m		Note	The Group 2000 £m	The Group 1999 £m	Company 2000 £m	Company 1999 £m
	Fixed assets					
730.4	Intangible assets	11	**459.1**	280.5	**-**	-
409.5	Tangible assets	12	**257.4**	232.7	**1.3**	0.6
247.6	Investments	13	**155.6**	81.7	**891.0**	651.2
1,387.5			**872.1**	594.9	**892.3**	651.8
	Current assets					
969.7	Stocks		**609.5**	556.4	**-**	-
309.8	Gross debts discounted	14	**194.7**	191.1	**-**	-
(274.4)	Non-returnable receipts	14	**(172.5)**	(165.0)	**-**	-
1,437.3	Other debtors	14	**903.4**	808.9	**14.2**	5.2
180.9	Cash at bank and in hand		**113.7**	98.2	**19.1**	8.4
2,623.3			**1,648.8**	1,489.6	**33.3**	13.6
	Creditors: amounts falling due within one year					
486.4	Borrowings	15	**305.7**	321.2	**52.6**	76.0
1,784.6	Other creditors	17	**1,121.6**	994.3	**52.5**	19.3
2,271.0			**1,427.3**	1,315.5	**105.1**	95.3
352.3	**Net current assets/(liabilities)**		**221.5**	174.1	**(71.8)**	(81.7)
1,739.8	**Total assets less current liabilities**		**1,093.6**	769.0	**820.5**	570.1
	Creditors: amounts falling due after more than one year					
746.9	Borrowings	15	**469.5**	309.8	**419.0**	252.8
20.5	**Provisions for liabilities and charges**	18	**12.9**	12.8	**0.4**	0.4
972.4			**611.2**	446.4	**401.1**	316.9
	Capital and reserves					
50.8	Called up share capital	19	**31.9**	29.2	**31.9**	29.2
444.2	Share premium account	19	**279.2**	155.4	**279.2**	155.4
0.8	Capital reserve	20	**0.5**	0.4	**-**	-
460.7	Profit and loss account	20	**289.6**	254.1	**90.0**	132.3
956.5	**Total equity shareholders' funds**		**601.2**	439.1	**401.1**	316.9
15.9	Minority interests		**10.0**	7.3	**-**	-
972.4	**Capital and reserves**		**611.2**	446.4	**401.1**	316.9

The financial statements were approved by the Board of Directors of Alliance UniChem Plc on 20 March 2001 and are signed on its behalf by:

K Clarke

J F Harris Directors

Group cash flow statement

for the year ended 31 December

Unaudited Proforma 2000 €m		Note	2000 £m	1999 £m
258.3	**Net cash inflow from operating activities**	23	**157.4**	164.1
0.8	**Dividends from joint ventures and associates**		**0.5**	0.4
	Returns on investment and servicing of finance			
17.4	Interest received		**10.6**	8.8
(62.0)	Interest paid		**(37.8)**	(30.5)
(0.2)	Dividends paid to minority shareholders in subsidiary undertaking		**(0.1)**	-
(1.6)	Interest element of finance lease rentals		**(1.0)**	(1.3)
(46.4)	Net cash inflow/(outflow) for returns on investment and servicing of finance		**(28.3)**	(23.0)
(84.0)	**Taxation**		**(51.2)**	(30.2)
	Capital expenditure and financial investment			
(81.5)	Purchase of tangible fixed assets		**(49.6)**	(44.0)
12.4	Sale of fixed assets		**7.5**	9.3
(69.1)	Net cash inflow/(outflow) for capital expenditure and financial investment		**(42.1)**	(34.7)
	Acquisitions and disposals			
(265.3)	Purchase of subsidiary undertakings		**(161.7)**	(40.9)
(8.4)	Net cash/(overdrafts) acquired with subsidiaries		**(5.1)**	(17.2)
(46.9)	Purchase of intangible assets		**(28.6)**	(20.9)
(50.7)	Investment in associated undertakings		**(30.9)**	(0.2)
0.3	Disposal of subsidiary undertakings		**0.2**	-
(1.1)	Net (cash)/overdrafts of subsidiaries sold		**(0.7)**	-
(31.7)	Other investments		**(19.3)**	(55.2)
(403.8)	Net cash inflow/(outflow) for acquisitions and disposals		**(246.1)**	(134.4)
(30.3)	**Equity dividends paid**		**(18.5)**	(17.8)
	Management of liquid resources			
-	Other		**-**	0.4
(374.5)	Cash inflow/(outflow) before financing		**(228.3)**	(75.2)

Group cash flow statement (continued)

for the year ended 31 December

Unaudited Proforma 2000 €m		Note	2000 £m	1999 £m
(374.5)	Net cash inflow/(outflow) before financing		**(228.3)**	(75.2)
	Financing			
189.8	Issue of ordinary share capital	24	**115.7**	2.7
1.0	Issue of shares to minorities		**0.6**	-
	Debt due within one year			
	Net movement in money market borrowings			
(12.0)	maturing within one week		**(7.3)**	1.0
(54.8)	Increase/(decrease) in short-term borrowings		**(33.4)**	(32.5)
	Debt due after one year			
275.8	Increase in borrowings		**168.1**	137.2
(18.5)	Repayment of borrowings		**(11.3)**	-
(4.6)	Capital element of finance lease rental payments		**(2.8)**	(5.6)
376.7	Net cash inflow/(outflow) from financing	24	**229.6**	102.8
2.2	**Increase/(decrease) in cash in the period**		**1.3**	27.6

	Note	2000 £m	1999 £m
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period		**1.3**	27.6
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	24	**(113.3)**	(100.1)
Change in net debt resulting from cash flows		**(112.0)**	(72.5)
New finance leases		**-**	(3.6)
Debt acquired with subsidiaries		**(11.4)**	(1.5)
Other non cash movements		**(1.6)**	-
Translation difference		**(3.7)**	37.8
Movement in net debt for the period		**(128.7)**	(39.8)
Net debt at 1 January		**(532.8)**	(493.0)
Net debt at 31 December	25	**(661.5)**	(532.8)

Notes to the financial statements

for the year ended 31 December 2000

(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.

An unaudited memorandum disclosure has been made on the face of the financial statements to show the Euro equivalents.

Basis of consolidation

The consolidated profit and loss account and balance sheets of the Group consolidate the financial statements of Alliance UniChem Plc, its subsidiary and associated undertakings. All material 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 assets of businesses acquired in the year is capitalised and amortised over the shorter of its useful economic life and 20 years. Goodwill acquired prior to 1998 was written off against reserves.

Retail pharmacy licences

The cost of retail pharmacy licences less any impairment in value are included in intangible fixed assets. These are not amortised as they do not have a finite economic life. They are, however, subjected to an annual impairment test.

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 installments 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 UK 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.

Investments

Investments are stated at cost less provisions for impairment, and for the Company's investments, an amount equal to the goodwill written off to reserves.

Derivatives and other financial instruments

The premium or discount on interest rate instruments is recognised as part of net interest payable over the period of the contract.

Interest rate swaps, caps and collars, currency swaps and forward foreign currency contracts are not revalued to fair value or shown in the Group balance sheet at the year end as all transactions derive from hedging activities.

(2) ANALYSIS OF TURNOVER AND OPERATING PROFIT

	Turnover 2000 £m	**Operating profit 2000 £m**	Turnover 1999 £m	Operating profit 1999 £m
Wholesale Northern Europe	**1,803.0**	**50.2**	1,713.9	47.0
Wholesale Southern Europe	**4,252.3**	**65.4**	4,293.9	69.6
Retail	**548.4**	**42.5**	432.4	29.8
Corporate	**-**	**(5.5)**	-	(3.0)
Intra-group	**(412.5)**	**-**	(346.2)	-
	6,191.2	**152.6**	6,094.0	143.4

(3) EXCEPTIONAL ITEMS

	2000 £m	1999 £m
Profit on disposal of IT businesses	**16.3**	-
Loss on investment in US on-line pharmacy	**(26.0)**	-
	(9.7)	-

The IT businesses formed part of the related healthcare operations in France and were sold to Cegedim S.A for £29.4m. The net book value of assets and the related costs of disposal totalled £13.1m.

The loss on US on-line pharmacy operations represents the write-down of the Group's investment in Rx.com in anticipation of its disposal.

(4) NET INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £m	1999 £m
Bank loans and overdrafts	**(31.4)**	(21.8)
Other loans	**(6.2)**	(9.4)
Finance charges payable on finance leases	**(1.0)**	(1.3)
Associate interest payable	**(2.3)**	(1.6)
Interest payable	**(40.9)**	(34.1)
Bank deposit interest receivable	**4.7**	5.2
Associate interest receivable	**0.8**	-
Other financial income	**6.0**	3.7
Net interest payable and similar charges	**(29.4)**	(25.2)

(5) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £m	1999 £m
Depreciation of owned assets	**26.8**	26.0
Depreciation of assets held under finance leases	**1.8**	2.7
Total depreciation of tangible fixed assets	**28.6**	28.7
Operating lease rentals - land and buildings	**9.3**	8.3
- plant and machinery	**2.1**	3.4
Audit fees - principal auditors	**0.5**	0.4
- other	**0.3**	0.3
Other fees paid to the auditors - principal auditors	**0.2**	0.3
- other	**-**	0.1

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

(6) DIRECTORS' EMOLUMENTS

The emoluments of the directors, exclusive of pension contributions, for the financial year ended 31 December 2000 were £2.9m (1999 £2.5m). Further details on the directors, including their emoluments, are given in the report of the directors on pages 35 to 38.

During the year the Company maintained directors' and officers' insurance cover.

(7) EMPLOYEES

The monthly average number of staff employed by the Group, which includes directors were:

	2000	1999
Wholesale Northern Europe	**3,909**	3,592
Wholesale Southern Europe	**6,684**	6,248
Retail	**6,773**	4,861
Corporate	**39**	26
	17,405	14,727

The costs incurred in respect of these employees were:	2000 £m	1999 £m
Wages and salaries	**214.2**	186.5
Social security costs	**40.7**	44.3
Other pension costs	**5.8**	3.9
	260.7	234.7

Notes to the financial statements

for the year ended 31 December 2000

(8) TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £m	1999 £m
Corporation tax charge at 30% (1999 30.25%)	**20.4**	20.0
Deferred taxation	**(2.2)**	1.7
Under/(over) provision for earlier years	**(0.2)**	(1.2)
Overseas taxation	**22.8**	20.2
Associated undertakings	**1.8**	0.9
	42.6	41.6

(9) DIVIDENDS

	2000 £m	1999 £m
Interim paid, net 4.4 pence (1999 4.0 pence)	**13.0**	7.8
Final proposed, net 8.4 pence (1999 7.7 pence)	**27.2**	15.1
	40.2	22.9

(10) 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 diluted earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue added to the dilutive potential shares assuming that they had converted to issued shares at the beginning of the period. Further details of the options are given in note 19.

	2000 £m	1999 £m
Profit for the financial year before goodwill amortisation & exceptional item	**90.2**	80.3
Goodwill amortisation	**(3.5)**	(1.6)
Exceptional item including minority interest (£0.3m)	**(10.0)**	-
Profit for the financial year	**76.7**	78.7

Weighted average number of shares	2000 m	1999 m
Basic	**294.9**	289.0
Effect of dilutive potential shares	**1.8**	1.9
Diluted	**296.7**	290.9

(11) INTANGIBLE FIXED ASSETS

	2000 £m	1999 £m
Retail pharmacy licences	**297.1**	243.1
Goodwill	**162.0**	37.4
Total	**459.1**	280.5

Retail pharmacy licences

The directors believe that the right to be reimbursed for dispensing UK NHS prescriptions, being 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.

The retail pharmacy licences are not amortised as they do not have a finite economic life. They are subjected to an annual impairment test.

	2000 £m	1999 £m
At 1 January	**243.1**	205.3
Additions	**21.5**	20.4
Subsidiaries acquired	**34.9**	18.8
Disposals	**(2.4)**	(1.4)
At 31 December	**297.1**	243.1

Goodwill	2000 £m	1999 £m
Cost		
At 1 January	**39.3**	26.0
Foreign exchange movement	**3.3**	(1.8)
Additions	**125.9**	17.7
Disposals	**(2.1)**	(2.6)
At 31 December	**166.4**	39.3
Amortisation		
At 1 January	**1.9**	0.3
Disposals	**(0.1)**	-
Charge for the year	**2.6**	1.6
At 31 December	**4.4**	1.9
Net book value at 31 December	**162.0**	37.4

(12) TANGIBLE FIXED ASSETS

Group	Freehold Land & Buildings	Long leaseholds	Short leaseholds	Furniture fixtures & equipment	Motor Vehicles	Total
Cost	£m	£m	£m	£m	£m	£m
At 1 January 2000	141.1	22.8	4.5	196.1	25.2	389.7
Foreign exchange movement	1.5	0.1	-	1.7	-	3.3
Additions	7.0	0.1	-	34.5	8.0	49.6
Subsidiaries acquired	1.7	-	-	7.2	0.2	9.1
Subsidiaries disposed	(0.2)	-	-	(4.4)	-	(4.6)
Disposals	(0.1)	(1.1)	(0.4)	(7.4)	(6.3)	(15.3)
At 31 December 2000	151.0	21.9	4.1	227.7	27.1	431.8
Depreciation						
At 1 January 2000	27.7	2.1	1.7	114.1	11.4	157.0
Foreign exchange movement	0.3	0.4	-	0.4	-	1.1
Subsidiaries acquired	0.2	-	-	2.9	0.1	3.2
Subsidiaries disposed	-	-	-	(2.3)	-	(2.3)
Disposals	(1.6)	-	(0.1)	(6.4)	(5.1)	(13.2)
Charge for the year	3.4	0.4	0.2	18.7	5.9	28.6
At 31 December 2000	30.0	2.9	1.8	127.4	12.3	174.4
Net book value						
At 31 December 2000	**121.0**	**19.0**	**2.3**	**100.3**	**14.8**	**257.4**
At 31 December 1999	113.4	20.7	2.8	82.0	13.8	232.7
Company						
Cost						
At 1 January 2000	-	-	0.2	0.1	0.5	0.8
Additions	-	-	0.4	0.5	0.1	1.0
Disposals	-	-	-	-	-	-
At 31 December 2000	-	-	0.6	0.6	0.6	1.8
Depreciation						
At 1 January 2000	-	-	-	-	0.2	0.2
Disposals	-	-	-	-	-	-
Charge for the year	-	-	0.1	0.1	0.1	0.3
At 31 December 2000	-	-	0.1	0.1	0.3	0.5
Net book value						
At 31 December 2000	-	-	**0.5**	**0.5**	**0.3**	**1.3**
At 31 December 1999	-	-	0.2	0.1	0.3	0.6

The Group cost of long leaseholds includes capitalised interest of £0.5m (1999 £0.5m)

Leased assets	The Group		Company	
Included within fixed assets are assets held under finance leases with the following net book values:	**2000 £m**	1999 £m	**2000 £m**	1999 £m
Property	**20.3**	22.9	-	-
Furniture, fixtures & equipment	**1.9**	2.0	-	-
Motor vehicles	**0.1**	0.2	-	-
	22.3	25.1	-	-

Capital commitments	The Group		Company	
	2000 £m	1999 £m	**2000 £m**	1999 £m
Contracted for, but not provided for	**3.9**	4.4	-	-

Notes to the financial statements

for the year ended 31 December 2000

(13) FIXED ASSET INVESTMENTS

	The Group		Company	
	2000	1999	**2000**	1999
	£m	£m	**£m**	£m
Subsidiary undertakings	**-**	-	**865.1**	596.9
Associated undertakings	**80.5**	13.2	**-**	-
Other investments	**75.1**	68.5	**25.9**	54.3
Total	**155.6**	81.7	**891.0**	651.2

	Shares*	Loans	Total
Subsidiary undertakings	£m	£m	£m
At 1 January 2000	499.5	97.4	596.9
Acquired / advanced	129.6	153.2	282.8
Repaid	-	(14.6)	(14.6)
At 31 December 2000	**629.1**	**236.0**	**865.1**

* Shares are stated at cost less provisions for impairment, and for the Company's investments, an amount equal to the goodwill written off to reserves.

	The Group	
	2000	1999
Associated undertakings, share of net assets	**£m**	£m
At 1 January	**10.7**	10.2
Foreign exchange movement	**(2.6)**	-
Additions and transfers from investments	**45.6**	0.3
Disposals	**(1.0)**	(0.5)
Dividends	**(0.4)**	(0.3)
Retained profit for the year	**4.5**	1.0
At 31 December	**56.8**	10.7

	The Group	
	2000	1999
Associated undertakings, goodwill	**£m**	£m
At 1 January	**2.5**	-
Foreign exchange movement	**2.1**	-
Acquisitions	**20.2**	2.7
Charge for the year	**(1.1)**	(0.2)
At 31 December	**23.7**	2.5

	The Group		Company	
	2000	1999	**2000**	1999
Other investments	**£m**	£m	**£m**	£m
At 1 January	**68.5**	13.7	**54.3**	4.1
Foreign exchange movement	**(0.2)**	-	**0.2**	-
Additions	**76.5**	54.9	**41.0**	50.7
Disposals and transfers to associated undertakings	**(43.7)**	(0.1)	**(43.6)**	(0.5)
Provisions	**(26.0)**	-	**(26.0)**	-
At 31 December	**75.1**	68.5	**25.9**	54.3

(i) The Group owns 1,149,248 (1999 1,069,280) ordinary bearer shares (representing approximately 11% of the issued equity (1999 10%) in Andreae-Noris Zahn AG, which is incorporated in Germany, acquired at a cost of £12.6m (1999 £11.4m). The market value of this investment as quoted on the Frankfurt stock exchange on 31 December 2000 was £15.9m (1999 £17.6m).

(ii) The UniChem PLC Employee Share Trust has an investment of £15.2m (1999 £11.4m) in 4.0m (1999 3.0m) of the Company's shares. The market value of the holding on 31 December 2000 was £22.0m (1999 £12.3m). All dividends have been waived. The trust has been set up primarily to transfer shares to option scheme holders on exercise of their options. Administrative costs in relation to the trust are absorbed by the Company.

(iii) The Group has investments in Unifarma Distribuzione S.r.l. of Italy of £9.7m (1999 £9.3m) representing 36% of the issued equity and in Lavipharm Alliance Santé SA of Greece of £2.2m (1999 £1.4m) representing 40% of the issued capital.

(iv) The Group owns 227,525 shares (representing approximately 21.3%) of the issued equity in Galenica Holding SA, which is incorporated in Switzerland, acquired at a cost of £53.0m. This investment was increased during the year and has been transferred from other investments to associates.

(v) The carrying value of the Company's investment in Rx.com is £8.4m (1999 £9.3m).

(vi) The Group has an investment in Cegedim S.A. of £31.3m representing 10% of the issued equity. The shares of Cegedim are traded on the Paris bourse.

(14) DEBTORS

Amounts falling due within one year	The Group 2000 £m	The Group 1999 £m	Company 2000 £m	Company 1999 £m
Trade debtors subject to discounting arrangements	**194.7**	191.1	-	-
Non-returnable amounts received	**(172.5)**	(165.0)	-	-
	22.2	26.1	-	-
Other trade debtors	**765.1**	678.4	-	-
Other debtors	**104.3**	78.8	**7.5**	3.1
Prepayments (including pension)	**24.4**	36.2	**2.4**	2.1
Group relief receivable	-	-	**4.3**	-
	916.0	819.5	**14.2**	5.2
Amounts falling due after more than one year				
Trade debtors	**7.0**	8.8	-	-
Other debtors	**2.6**	6.7	-	-
	9.6	15.5	-	-
Total	**925.6**	835.0	**14.2**	5.2

Certain amounts receivable from French pharmacies have been discounted on a non-recourse basis, under a five year facility entered into in 1997. The Group is not obliged to support any losses in respect of the amounts advanced under the discounting arrangement, nor does it intend to do so. The provider of these arrangements has agreed in writing that it will seek repayment of the finance as to both principal and interest only to the extent that sufficient funds are generated from the receivables discounted and that it will not seek recourse in any other form.

(15) BORROWINGS

Amounts falling due within one year	The Group 2000 £m	The Group 1999 £m	Company 2000 £m	Company 1999 £m
Loan notes	**17.2**	7.4	**10.9**	7.5
Bank loans	**20.7**	71.4	**9.2**	45.5
Bank overdraft	**264.8**	239.5	**32.5**	23.0
Obligations under finance leases	**3.0**	2.9	-	-
	305.7	321.2	**52.6**	76.0
Amounts falling due after more than one year				
Loan notes	**7.8**	8.1	-	-
Bank loans	**450.7**	287.7	**419.0**	252.8
Obligations under finance leases	**11.0**	14.0	-	-
	469.5	309.8	**419.0**	252.8
Total borrowings	**775.2**	631.0	**471.6**	328.8
Cash at bank and in hand	**(113.7)**	(98.2)	**(19.1)**	(8.4)
Net borrowings/(cash)	**661.5**	532.8	**452.5**	320.4

The loan notes falling due within one year can be redeemed by the holders giving notice during the year. At the year end they bore interest at between 4.6% and 5.65%. The loan notes falling due after more than one year are repayable on 1 June 2003. At the year end they bore interest at 6%.

Bank loans due after more than one year	The Group 2000 £m	The Group 1999 £m	Company 2000 £m	Company 1999 £m
Aggregate bank loan instalments repayable				
between one and two years	**10.2**	8.5	-	-
between two and five years	**333.9**	176.0	**324.7**	159.5
in five years or more	**106.6**	103.2	**94.3**	93.3
	450.7	287.7	**419.0**	252.8

Interest on bank loans is at variable rates between 3.6% and 7.0% at the year end and is dependent on the currency borrowed.

Obligations under finance leases due after more than one year	The Group 2000 £m	The Group 1999 £m	Company 2000 £m	Company 1999 £m
Due between one and two years	**2.1**	2.9	-	-
Due between two and five years	**3.7**	5.3	-	-
Due in five years or more	**5.2**	5.8	-	-
Total	**11.0**	14.0	-	-

(16) FINANCIAL INSTRUMENTS

The Group's approach to managing financial risk is described in the Financial Review on page 30. Short term debtors and creditors have been excluded from this note other than the currency profile of monetary assets and liabilities.

Interest rate profile
After taking into account the various interest rate derivatives entered into by the Group, the currency and interest rate exposure of the Group's financial liabilities was as follows:

2000 Financial Liabilities	Fixed rate financial liabilities				
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	At fixed interest rates £m	At floating interest rates £m	Total £m
Sterling	7.26	3	9.7	14.3	24.0
Euro	4.90	3	373.0	311.5	684.5
Other	3.83	3	26.6	40.1	66.7
Total			409.3	365.9	775.2

1999 Financial Liabilities	Fixed rate financial liabilities				
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	At fixed interest rates £m	At floating interest rates £m	Total £m
Sterling	7.5	3.0	15.6	44.0	59.6
Euro	5.1	2.9	107.7	417.6	525.3
Other	5.6	0.7	0.3	45.8	46.1
Total			123.6	507.4	631.0

The financial liabilities of the Group at 31 December comprised:

	2000 £m	1999 £m
Loan notes	**25.0**	15.5
Bank loan	**471.4**	359.1
Bank overdraft	**264.8**	239.5
Obligations under financial leases	**14.0**	16.9
Total	**775.2**	631.0

Floating rate financial liabilities comprise bank borrowings, loan notes and overdrafts bearing interest at a margin over commercial reference rates.

2000 Financial Assets	Fixed rate financial assets					
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	At fixed interest rates £m	At floating interest rates £m	Non-interest bearing £m	Total £m
Sterling				43.5	2.3	45.8
US$	4.00	5	4.4	-	-	4.4
Euro			-	64.4	59.8	124.2
Other			-	4.8	-	4.8
Total			4.4	112.7	62.1	179.2

1999 Financial Assets

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	At fixed interest rates £m	At floating interest rates £m	Non-interest bearing £m	Total £m
			Fixed rate financial assets			
Sterling			-	66.5	2.0	68.5
US$	4.00	5	9.3	-	-	9.3
Euro			-	30.0	29.6	59.6
Other			-	1.2	30.9	32.1
Total			9.3	97.7	62.5	169.5

The financial assets of the Group at 31 December comprised:

	2000 £m	1999 £m
Cash at bank and in hand	**113.7**	98.2
Fixed asset investments (excluding associates and the ESOP)	**55.9**	55.8
Debtors due after one year	**9.6**	15.5
Total	**179.2**	169.5

Floating rate financial assets comprise bank deposits bearing interest based on commercial reference rates.

Currency profile

After taking into account the effects of currency swaps and forward exchange contracts the Group does not have any significant unmatched currency exposures on monetary assets and liabilities.

Maturity profile of financial liabilities

An analysis of financial liabilities by due date of repayment is as follows:

2000	Loan notes £m	Bank loans £m	Bank overdraft £m	Obligations under finance leases £m	Total £m
Within one year	17.2	20.7	264.8	3.0	305.7
Between one and two years	-	10.2	-	2.1	12.3
Between two and five years	7.8	333.9	-	3.7	345.4
Over five years	-	106.6	-	5.2	111.8
Total	25.0	471.4	264.8	14.0	775.2

1999	Loan notes £m	Bank loans £m	Bank overdraft £m	Obligations under finance leases £m	Total £m
Within one year	7.4	71.4	239.5	2.9	321.2
Between one and two years	-	8.5	-	2.9	11.4
Between two and five years	8.1	176.0	-	5.3	189.4
Over five years	-	103.2	-	5.8	109.0
Total	15.5	359.1	239.5	16.9	631.0

Undrawn committed borrowing facilities

The Group had the following undrawn committed facilities at 31 December:

	2000 £m	1999 £m
Expiring within two years	**86.4**	-
Expiring beyond two years	**1.8**	206.0
Total	**88.2**	206.0

Notes to the financial statements

for the year ended 31 December 2000

Fair value of financial instruments

A comparison of book values and fair values of the Group's financial assets and liabilities is set out below:

2000	Book value	Fair value
Primary financial instruments held to finance the Group's operations:	£m	£m
Cash at bank and in hand	113.7	113.7
Fixed asset investments (excluding associate & ESOP)	55.9	59.5
Debtors due after one year	9.6	9.6
Loan notes	(25.0)	(25.0)
Bank loans	(471.4)	(471.4)
Bank overdrafts	(264.8)	(264.8)
Obligations under finance leases	(14.0)	(14.0)
Derivative financial instruments held to manage the interest rate and currency profile		
Interest rate derivatives	-	(0.4)
Total	(596.0)	(592.8)

The fair value of fixed asset investments and interest rate derivatives are based on market value. The fair value of all other financial instruments is approximately equal to book value due to either their short term nature or their being at variable interest rates.

1999	Book value	Fair value
Primary financial instruments held to finance the Group's operations:	£m	£m
Cash at bank and in hand	98.2	98.2
Fixed asset investments (excluding associate & ESOP)	55.8	69.0
Debtors due after one year	15.5	15.5
Loan notes	(15.5)	(15.5)
Bank loans	(359.1)	(359.1)
Bank overdrafts	(239.5)	(239.5)
Obligations under finance leases	(16.9)	(16.9)
Derivative financial instruments held to manage the interest rate and currency profile		
Interest rate derivatives	-	1.8
Total	(461.5)	(446.5)

Hedging

As explained in the Financial Review the Group has entered into interest rate management contracts, both in sterling and Euro, to limit its exposure to floating interest rates. Gains and losses on instruments used for hedging are not recognized until the exposure that is being hedged is itself recognized. Unrecognised gains and losses on hedging instruments, and movements therein, are as follows:

2000	Gains £m	Losses £m	Total net £m
Unrecognised gains and losses at 1 January 2000	3.0	(1.2)	1.8
Gains and losses arising in previous years that were recognised in the year	(1.0)	0.4	(0.6)
Gains and losses arising before 1 January that were not recognised in the year	2.0	(0.8)	1.2
Gains and losses arising in the year that were not recognised in the year	(0.4)	(1.2)	(1.6)
Unrecognised gains and losses on hedges at 31 December 2000	1.6	(2.0)	(0.4)
Of which:			
Gains and losses to be recognised in the next financial year	0.1	-	0.1
Gains and losses expected to be recognised after the next financial year	1.5	(2.0)	(0.5)

1999	Gains £m	Losses £m	Total net £m
Unrecognised gains and losses at 1 January 1999	-	(1.3)	(1.3)
Gains and losses arising in previous years that were recognised in the year	-	0.1	0.1
Gains and losses arising before 1 January that were not recognised in the year	-	(1.2)	(1.2)
Gains and losses arising in the year that were not recognised in the year	3.0	-	3.0
Unrecognised gains and losses on hedges at 31 December 1999	3.0	(1.2)	1.8
Of which:			
Gains and losses to be recognised in the next financial year	1.0	(0.4)	0.6
Gains and losses expected to be recognised after the next financial year	2.0	(0.8)	1.2

(17) OTHER CREDITORS

	The Group		Company	
Amounts falling due within one year	**2000**	1999	**2000**	1999
	£m	£m	**£m**	£m
Trade creditors	**841.2**	787.8	-	-
Other creditors	**128.6**	68.3	**24.5**	-
Corporation tax	**27.0**	32.6	-	-
Other taxation and social security	**66.0**	47.8	-	-
Accruals and deferred income	**30.8**	42.1	-	3.6
Proposed dividend	**28.0**	15.7	**28.0**	15.7
Total	**1,121.6**	994.3	**52.5**	19.3

(18) PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Deferred tax	Retirement Benefits	Total
	£m	£m	£m
At 1 January 2000	6.0	6.8	12.8
Subsidiaries acquired	-	2.3	2.3
Charge/(release) for the year	(2.2)	-	(2.2)
At 31 December 2000	**3.8**	**9.1**	**12.9**

Company	Deferred tax	Total
	£m	£m
At 1 January 2000	0.4	0.4
Charge/(release) for the year	-	-
At 31 December 2000	**0.4**	**0.4**

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**	
	2000	1999	**2000**	1999
	£m	£m	**£m**	£m
Capital allowances	**5.2**	0.1	**2.5**	1.6
Pension accrual	-	-	**0.6**	0.2
Short term timing differences	**2.3**	5.4	**0.5**	4.0
Chargeable gains deferred by roll-over relief	**4.0**	1.1	-	-
Property revaluation	**0.5**	0.5	**0.2**	0.2
Capital losses	**(0.6)**	(0.5)	-	-
	11.4	6.6	**3.8**	6.0

Company	**2000**	1999	**2000**	1999
	£m	£m	**£m**	£m
Capital allowances	-	-	-	(0.2)
Short term timing differences	-	-	**0.4**	0.6
	-	-	**0.4**	0.4

(19) CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Issued and fully paid up	Number	Called up share capital 10p ordinary shares £m	Share premium account £m
At 1 January 2000	292,440,669	29.2	155.4
Shares issued during the year	26,150,609	2.7	123.8
At 31 December 2000	**318,591,278**	**31.9**	**279.2**

The authorised share capital is £43.3m represented by 432,926,000 ten pence ordinary shares.

Details of the shares allotted are:

Reason	Number	Price paid per share	Consideration £m
share option exercises	1,495,518	£0.89 - £5.92	4.6
scrip elections in lieu of:			
1999 final dividend	1,322,526	£3.77	5.0
2000 interim dividend	844,700	£5.19	4.4
acquisition of retail pharmacies	349,636	£3.89 - £4.18	1.4
share placing to fund Interpharm acquisition	22,138,229	£5.07	111.1
Share capital and share premium movement	26,150,609		126.5

The costs of underwriting the share placing of £1.1m have been deducted from the share premium account.

Details of the outstanding options at 31 December 2000 are:

	Price	Outstanding	Normally exercisable between
1990 Savings related scheme	208.33p	87,815	1 January 2001 and 30 June 2001
	221.96p	3,687	1 July 2001 and 30 December 2001
	208.00p	43,686	1 December 2001 and 30 May 2002
	213.00p	3,076	1 July 2000 and 30 December 2000
	213.00p	18,928	1 July 2002 and 30 December 2002
	216.00p	37,425	1 December 2000 and 30 May 2001
	216.00p	8,123	1 December 2002 and 30 May 2003
	192.00p	378,120	1 July 2001 and 30 December 2001
	192.00p	92,973	1 July 2003 and 30 December 2003
	214.00p	422,586	1 July 2002 and 30 December 2002
	214.00p	158,941	1 July 2004 and 30 December 2004
	324.00p	294,022	1 August 2001 to 30 January 2002
	324.00p	287,633	1 August 2003 to 30 January 2004
	324.00p	101,538	1 August 2005 to 30 January 2006
	384.00p	228,101	1 July 2002 to 30 December 2002
	384.00p	197,306	1 July 2004 to 30 December 2004
	384.00p	51,883	1 July 2006 to 30 December 2006
	291.00p	513,131	1 July 2003 to 30 December 2003
	291.00p	340,402	1 July 2005 to 30 December 2005
	291.00p	141,018	1 July 2007 to 30 December 2007
		3,410,394	
1990 Executive scheme	253.99p	64,890	1 November 1996 and 30 October 2003
	260.00p	160,000	21 October 1997 and 20 October 2004
	269.00p	20,372	18 October 1998 and 17 October 2005
		245,262	
1997 Discretionary scheme	268.50p	206,872	13 June 2000 and 12 June 2004
	429.50p	1,444,778	7 May 2001 and 6 May 2005
	442.00p	1,130,000	14 May 2002 to 13 May 2006
	435.00p	90,222	27 May 2002 to 26 May 2006
	379.00p	1,453,084	23 March 2003 to 23 March 2007
		4,324,956	

The directors are aware of the following shareholdings at 20 March 2001 of 3% or more of the issued ordinary share capital of the Company:

	Number of shares	Percentage of present issued ordinary share capital
Alliance Santé Participation	105,099,503	32.99
Scottish Widows Investment Partnership Ltd	22,917,077	7.19
Scottish Equitable Life Assurance Society	9,728,588	3.05

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. Alliance Santé Participation is beneficially owned by Stefano Pessina.

(20) OTHER RESERVES

The Group	Capital Reserve £m	Profit and loss account £m
At 1 January 2000	0.4	254.1
Foreign exchange movements	-	(0.2)
Transfer from profit and loss to capital reserve	0.1	(0.1)
Retained profit for the year	-	36.5
Other	-	(0.7)
At 31 December 2000	**0.5**	**289.6**
Company		
At 1 January 2000	-	132.3
Foreign exchange movements	-	(1.7)
Retained profit/(loss) for the year	-	(40.6)
At 31 December 2000	**-**	**90.0**

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. The loss after taxation dealt with in the accounts of the parent company was £0.3m (1999 profit £28.7m).

During the year, the Group contributed £0.7m (1999 £1.6m) to the Qualifying Employee Share Ownership Trust ("QUEST").

The capital reserve represents non-distributable reserves arising in some territories.

(21) ACQUISITIONS

The Group has continued its development during the year through a number of acquisitions. The Retail acquisitions took the form of both asset and company acquisitions, the company acquisitions are summarised below. In the Netherlands, the Group acquired the entire share capital of Interpharm for cash consideration of £118.4m, which gave rise to provisional goodwill of £98.0m. The profit after tax of Interpharm for 2000 was £8.3m(1999 £9.1m) of which £0.6m has been consolidated into the Group's result for the year. There were a number of other small acquisitions which are included in the table below.

All subsidiary acquisitions have been accounted for by the acquisition accounting method and can be summarised:

Assets acquired at book and fair value	Wholesale £m	Retail £m	Total £m
Fixed assets – intangible	-	34.9	34.9
Fixed assets – tangible	5.8	0.4	6.2
Stock	29.4	6.1	35.5
Debtors	59.2	3.1	62.3
Cash at bank and overdraft	(5.3)	0.2	(5.1)
Bank loans and other loans	(6.1)	(5.3)	(11.4)
Creditors	(62.1)	(11.5)	(73.6)
	20.9	27.9	48.8
Minority interests acquired	3.5	0.1	3.6
Assets acquired	24.4	28.0	52.4
Consideration paid			
Alliance UniChem Plc ordinary shares	-	5.5	5.5
Cash	130.6	30.7	161.3
Accrued cash consideration – movement	0.9	-	0.9
	131.5	36.2	167.7
Purchased goodwill	**107.1**	**8.2**	**115.3**

Goodwill arising on asset acquisitions in the year amounted to £10.6m (1999 £0.6m).
Cumulative goodwill written off to reserves to 31 December 2000, net of that attributable to disposals was £360.8m (1999 £360.8m).

Notes to the financial statements

for the year ended 31 December 2000

(22) ANALYSIS OF NET ASSETS

	2000 £m	1999 £m
Wholesale Northern Europe	**309.2**	154.1
Wholesale Southern Europe	**555.9**	507.1
Retail	**348.7**	260.3
Corporate	**58.9**	57.7
Net assets before net borrowings	**1,272.7**	979.2
Net borrowings	**(661.5)**	(532.8)
	611.2	446.4

(23) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2000 £m	1999 £m
Operating profit	**152.6**	143.4
Depreciation	**28.6**	28.7
Amortisation of goodwill	**2.6**	1.6
(Profit)/loss on disposal of fixed assets	**(3.0)**	1.2
Decrease/(increase) in stocks	**(13.2)**	(58.4)
Decrease/(increase) in debtors	**(26.9)**	(37.4)
Increase/(decrease) in creditors	**16.7**	85.0
Net cash inflow/(outflow) from operating activities	**157.4**	164.1

(24) ANALYSIS OF NET CASH FLOW FROM FINANCING

	2000 £m	1999 £m
Issue of ordinary share capital	**115.7**	2.7
Issue of shares to minorities	**0.6**	-
Net cash inflow/(outflow) from increase/(decrease) in debt and lease financing	**113.3**	100.1
Net cash inflow/(outflow) from increase/(decrease) in financing	**229.6**	102.8

(25) ANALYSIS OF NET DEBT

	Cash at bank and in hand £m	Borrowings due within one year £m	Borrowings due after more than one year £m	Net borrowings £m
At 1 January 2000	98.2	(321.2)	(309.8)	(532.8)
Increase/(decrease) in cash	14.8	(13.5)	-	1.3
Decrease/(increase) in debt	-	39.7	(153.0)	(113.3)
Debt acquired with subsidiaries	-	(6.1)	(5.3)	(11.4)
Other non cash movements	-	(1.6)	-	(1.6)
Exchange movement	0.7	(3.0)	(1.4)	(3.7)
At 31 December 2000	**113.7**	**(305.7)**	**(469.5)**	**(661.5)**

(26) MAJOR NON-CASH TRANSACTIONS

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 in note 21.

(27) PENSIONS

The Group operates several pension arrangements; the Group's total pension cost was £4.2m (1999 £3.3m). Included in the balance sheet is an amount totaling £1.5m (1999 £2.0m) representing the excess of the cumulative contributions paid over the accumulated pension cost.

The Group operates one main pension scheme which has two plans: the Benefit Plan which is a funded defined benefits arrangement, and the Contribution Plan, which is a funded defined contribution arrangement. Both plans are administered by an independent company and their assets are held under trust separately from those of the Group.

The pension costs (and balance sheet prepayments) in respect of the Benefit Plan are assessed in accordance with the advice of an independent qualified actuary. The most recent actuarial valuation used for this purpose was carried out as at 1 January 2000. The actuarial method adopted for the valuation was the projected unit method and the main assumptions were:

	% per annum
Investment return post-retirement	4.9
Investment return pre-retirement for active members	6.9
Salary increases (excluding increases due to promotion)	3.9
Pension increases for members who joined before 1 January 1997	5.0
Pension increases for members who joined from 1 January 1997	2.8

At 1 January 2000, the market value of the Benefit Plan's assets was £59.5m. At that date, the actuarial value of the assets represented 101% of the value of the benefits that had accrued to members after allowing, in the case of active members, for the future increases to salaries.

(28) OTHER FINANCIAL COMMITMENTS

At 31 December 2000 the Group had the following commitments payable within one year under operating leases expiring:	**Land and buildings £m**	**Other £m**
within one year	0.3	3.0
Between one and two years	0.3	2.6
between two and five years	2.0	6.0
in five years or more	5.0	-
Total	**7.6**	**11.6**

(29) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings, in which the Group has a 100% interest (except as shown), are:

Company	**Country of operation**	**Country of incorporation**	**Main activity**
Alleanza Salute Italia SpA	Italy	Italy	holding company for a number of Italian pharmaceutical wholesalers
Alliance Santé S.A. (98.4%)	France	France	pharmaceutical wholesaler
Alliance UniChem CZ Spo (89.0%)	Czech Republic	Czech Republic	pharmaceutical wholesaler
Alliance UniChem Farmaceutica, S.A.	Portugal	Portugal	pharmaceutical wholesaler
Interpharm B.V.	Netherlands	Netherlands	pharmaceutical wholesaler
E. Moss Limited	U.K.	England	retail pharmacy operator
Safa Galenica S.A. (95.4%)	Spain	Spain	pharmaceutical wholesaler
UniChem Limited	U.K.	England	pharmaceutical wholesaler

(30) CONTINGENT LIABILITIES

The Company has guaranteed bank loans of £27.9m (1999 £103.1m) and other Group companies have guaranteed bank loans of £73.2m (1999 £61.8m) to third parties for the financing of pharmacy businesses.

(31) EXCHANGE RATES

The following exchange rates have been used in the preparation of the financial statements.

	Euro €/£	Czech Koruna CZK/£
As at 1 January 2000	1.608	57.88
As at 31 December 2000	1.591	56.20
Average for the year	1.641	58.42

Five year summary

Group Profit and Loss Accounts - year ended 31 December	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m
Turnover	1,478.5	1,712.3	5,353.4	6,094.0	6,191.2
Cost of sales	(1,330.5)	(1,539.0)	(4,948.7)	(5,632.0)	(5,677.9)
Gross profit	148.0	173.3	404.7	462.0	513.3
Administrative expenses	(98.1)	(116.7)	(309.5)	(347.4)	(393.6)
	49.9	56.6	95.2	114.6	119.7
Other operating income	8.9	9.8	37.6	28.8	32.9
Operating profit before exceptional item	58.8	66.4	132.8	143.4	152.6
Income from associated undertakings	(0.1)	(0.2)	2.1	3.3	6.9
Exceptional item	(13.2)	-	-	-	(9.7)
Net interest payable	(5.2)	(7.0)	(24.8)	(25.2)	(29.4)
Profit on ordinary activities before taxation	40.3	59.2	110.1	121.5	120.4
Tax on profit on ordinary activities	(16.1)	(17.8)	(37.2)	(41.6)	(42.6)
Profit on ordinary activities after taxation	24.2	41.4	72.9	79.9	77.8
EPS diluted - before exceptional item and goodwill amortisation	20.39p	22.47p	24.81p	27.63p	30.42p
Dividends per share	8.80p	9.70p	10.65p	11.70p	12.80p

Group Balance Sheets as restated - 31 December	1996 £m	1997 £m	1998 £m	1999 £m	2000 £m
Fixed assets					
Intangible assets	157.2	181.8	231.0	280.5	459.1
Tangible assets	71.0	197.7	231.6	232.7	257.4
Investments	12.5	22.6	25.8	81.7	155.6
	240.7	402.1	488.4	594.9	872.1
Working capital					
Stocks	132.4	417.0	529.7	556.4	609.5
Investments	61.4	33.4	0.5	-	-
Debtors	223.4	677.9	839.5	835.0	925.6
Creditors and provisions	(296.1)	(773.1)	(974.3)	(1,007.1)	(1,134.5)
	121.1	355.2	395.4	384.3	400.6
Net borrowings	(75.6)	(436.9)	(493.0)	(532.8)	(661.5)
	286.2	320.4	390.8	446.4	611.2
Capital and reserves					
Called up share capital	17.6	28.6	29.0	29.2	31.9
Share premium account	6.7	340.8	145.7	155.4	279.2
Special reserve	157.2	-	-	-	-
Other reserves	131.5	151.5	207.0	254.5	290.1
Goodwill	(26.8)	(208.2)	-	-	-
	286.2	312.7	381.7	439.1	601.2
Minority interests	-	7.7	9.1	7.3	10.0
	286.2	320.4	390.8	446.4	611.2

Shareholder information

2001 Financial Calendar

21 May	Deadline for receipt of proxy forms
21 May	Deadline for receipt of elections to receive the 2000 final dividend in shares
23 May	Annual general meeting
11 June	2000 final dividend paid to shareholders registered on 6 April 2001
19 September*	2001 half year profit and interim dividend announced
20 November*	Deadline for receipt of elections to receive the 2001 interim dividend in shares (if offered)
11 December*	2001 interim dividend paid to shareholders registered on 5 October 2001*

** Date subject to confirmation*

Shareholding enquiries

Enquiries relating to existing shareholdings should be directed to the registrars, Lloyds TSB Registrars, who may be contacted by phoning 0870 600 3970, by writing to The Causeway, Worthing, West Sussex BN99 6DA or through the web site **https://www.shareview.co.uk.**

Amalgamation of your shareholdings

If you have received more than one copy of this annual report your shareholding may be registered in more than one account. To amalgamate your accounts please write to Lloyds Bank Registrars giving details of the accounts concerned.

Web site

Alliance UniChem press releases, "real-time" share price and other information is available on the web site

http://www.alliance-unichem.com

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