

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:

director	fees £000	salary and other cash £000	non-cash benefits £000	bonus payments £000	total 2000 £000	emoluments 1999 £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

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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:

director	age at year end	increase in accrued pension during the year	total accrued pension at year end	additional money purchase contributions	
		£000	£000	2000 £000	1999 £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

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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.