

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	Operating profit	Turnover	Operating profit
	2000	2000	1999	1999
	£m	£m	£m	£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

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(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
	2000	1999
The costs incurred in respect of these employees were:	£m	£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

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(8) TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£m	£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	1999
	£m	£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	1999
	£m	£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

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

(11) INTANGIBLE FIXED ASSETS

	2000	1999
	£m	£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	1999
	£m	£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

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Goodwill	2000	1999
	£m	£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)

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

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

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(13) FIXED ASSET INVESTMENTS

	The Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £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
		£m	£m	£m
Subsidiary undertakings				
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 £m	1999 £m
Associated undertakings, share of net assets		
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 £m	1999 £m
Associated undertakings, goodwill		
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 £m	1999 £m	2000 £m	1999 £m
Other investments				
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 Andrae-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.

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(14) DEBTORS

	The Group		Company	
	2000	1999	2000	1999
Amounts falling due within one year	£m	£m	£m	£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

	The Group		Company	
	2000	1999	2000	1999
Amounts falling due within one year	£m	£m	£m	£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%.

	The Group		Company	
	2000	1999	2000	1999
Bank loans due after more than one year	£m	£m	£m	£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.

	The Group		Company	
	2000	1999	2000	1999
Obligations under finance leases due after more than one year	£m	£m	£m	£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	-	-

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(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

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Fixed rate financial liabilities		Total £m
			At fixed interest rates £m	At floating interest rates £m	
			Sterling	7.26	
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

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Fixed rate financial liabilities		Total £m
			At fixed interest rates £m	At floating interest rates £m	
			Sterling	7.5	
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

	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Fixed rate financial assets			Total £m
			At fixed interest rates £m	At floating interest rates £m	Non-interest bearing £m	
			Sterling			
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

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1999 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			-	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

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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 £m	Fair value £m
Primary financial instruments held to finance the Group's operations:		
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 £m	Fair value £m
Primary financial instruments held to finance the Group's operations:		
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

Notes to the financial statements

for the year ended 31 December 2000

(17) OTHER CREDITORS

Amounts falling due within one year	The Group		Company	
	2000 £m	1999 £m	2000 £m	1999 £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 £m	Retirement Benefits £m	Total £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 £m	Total £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 £m	1999 £m	2000 £m	1999 £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 £m	1999 £m	2000 £m	1999 £m
Capital allowances	-	-	-	(0.2)
Short term timing differences	-	-	0.4	0.6
	-	-	0.4	0.4

Notes to the financial statements

for the year ended 31 December 2000

(19) CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

Issued and fully paid up	Called up share capital 10p ordinary shares		Share premium account
	Number	£m	£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.

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(20) OTHER RESERVES

	Capital Reserve	Profit and loss account
	£m	£m
The Group		
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:

	Wholesale £m	Retail £m	Total £m
Assets acquired at book and fair value			
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	Other
	£m	£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