

Report of the Directors

The Directors submit their Report and audited financial statements for the year ended 31 December 2002. For the purposes of this report, "Company" means Alliance UniChem Plc and "Group" means the Company and its subsidiary and associated undertakings.

Principal activity, business review and development

The Company is the holding company for the Group. The principal activity of the Group is to operate as wholesalers and retailers of pharmaceutical, medical and healthcare products within Europe.

The Chairman's statement, Operating review and Financial review contain details of the development of the business of the Group during the year, the position at the end of the year, events since the end of the year and likely future developments.

The Group carries out research and development to support existing activities and to ensure the adoption of best practice in business processes used throughout the Group.

Annual general meeting

The thirteenth annual general meeting ("AGM") will be held in the Bluebird Room at Brooklands Museum, Brooklands Road, Weybridge, Surrey, England on Wednesday 21 May 2003, starting at 2:00 p.m.

The notice convening the meeting is given in a separate document accompanying this Annual Report and includes a commentary on the business of the AGM, notes to help shareholders exercise their rights at the meeting and details of the venue.

Results and dividend

The Group profit for the year attributable to shareholders amounted to £108.8 million (2001 £94.5 million). An interim dividend of 5.2 pence was paid on 10 December 2002 to shareholders registered at the close of business on 27 September 2002 and the Directors are recommending the payment of a final dividend of 10.1 pence per share, making a total dividend in respect of the financial year of 15.3 pence per share.

If approved by shareholders at the AGM, the final dividend will be paid on 9 June 2003 to shareholders registered at the close of business on 21 March 2003. Shareholders will be able to elect to receive additional shares in lieu of the final dividend through the Company's scrip dividend offer. Further details of this offer are given in a separate document accompanying this Annual Report.

Directors

The Directors of the Company are Jeff Harris (Chairman), Stefano Pessina (Chief Executive), Geoff Cooper, George Fairweather, Chris Etherington, Ornella Barra, Steve Duncan, Ken Clarke, Neil Cross, Patrick Ponsolle, Paolo Scaroni, Claude Berretti and Etienne Jornod. Biographical details of the Directors are shown on pages 26 and 27.

Paolo Scaroni was appointed a Director in December 2002 and Steve Duncan was appointed a Director in January 2003. As these appointments were after the last AGM, they will each be seeking election as a Director at the AGM. Ornella Barra, Etienne Jornod and Patrick Ponsolle will be retiring as Directors by rotation at the AGM and will be seeking re-election at the meeting. Chris Etherington will be leaving the Group at the end of March 2003 to take up a senior position in another business sector.

Details of Directors' contracts and a statement of their interests in the share capital of the Company is set out in the Board report on remuneration.

Auditors

A resolution to re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to fix their remuneration will be proposed at the AGM.

Charitable and political donations

Charitable donations of £43,000 were made during 2002. The Group has no affiliation to any political party or group in any country and makes no political donations.

Share capital

In September 2002, 16,313,900 shares were placed at 550 pence per share. The proceeds from the placing will provide the Group with additional financial flexibility to take advantage of future expansion opportunities. Details of other shares allotted during the year are given in note 22 to the financial statements.

A trust exists for facilitating the holding of shares in the Company by employees and the Executive Directors (the 1992 Employee Trust). This trust acquired 3,620,688 shares in the Company during the year and held 6,358,341 shares in the Company at 3 March 2003.

The Company has been informed that on 3 March 2003 the following shareholders held interests of more than 3% in the issued share capital of the Company:

	Number of shares	Percentage of present issued ordinary share capital
Stefano Pessina	105,124,438	30.49%
Scottish Widows Investment Partnership Limited	23,182,102	6.73%
Britannic Asset Management	10,738,649	3.11%

105,099,503 shares of the interest of Stefano Pessina are held by Alliance Santé Participation S.A.. Stefano Pessina indirectly wholly owns the company, registered in Luxembourg, and the directors include Stefano Pessina and Ornella Barra.

Employment policies, communication and involvement

The Group's employment policies are designed to ensure that it can attract the highest calibre of employee and to provide equal opportunity in the selection and advancement of employees regardless of race, creed, colour, nationality, gender, age, marital status or disability.

Employment policies are fair, equitable and consistent with the skills and abilities of the employees and the needs of the Group's business. 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.

Communication with employees takes place through regular staff briefings. A works council exists to brief and consult with elected employee representatives on pan-European issues. Subject to practical and commercial considerations, employees are consulted and involved in decisions that affect their employment or future prospects.

The Group operates a number of share option and bonus schemes to encourage employees to contribute effectively to the success of the Group.

Creditors and supplier payment policy

The Group applies a policy of abiding 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. The Company is a holding company and has no trade creditors.

Approved by and signed on behalf of the Board of Directors

Adrian Goodenough

Company Secretary
10 March 2003