

# Report of the Directors

The Directors submit their Report and audited financial statements for the year ended 31 December 2003. 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 fourteenth Annual General Meeting ("AGM") will be held in the York Suite at Oatlands Park Hotel, 146 Oatlands Drive, Weybridge, Surrey KT13 9HB, UK on Thursday 22 April 2004, 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 £128.5 million (2002 £109.5 million). An interim dividend of 5.7 pence was paid on 17 November 2003 to shareholders registered at the close of business on 15 August 2003 and the Directors are recommending the payment of a final dividend of 11.0 pence per share, making a total dividend in respect of the financial year of 16.7 pence per share.

If approved by shareholders at the AGM, the final dividend will be paid on 11 May 2004 to shareholders on the register at the close of business on 5 March 2004. 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), Ken Clarke (Deputy Chairman), Stefano Pessina (Chief Executive), Geoff Cooper, George Fairweather, Ornella Barra, Per Utnegaard, Steve Duncan, Neil Cross, Adrian Loader, Patrick Ponsolle, Paolo Scaroni, Manfred Stach, Claude Berretti and Etienne Jornod. Biographical details of the Directors are shown on pages 28 and 29.

Chris Etherington resigned as a Director on 31 March 2003. Steve Duncan was appointed a Director on 13 January 2003, Per Utnegaard on 3 September 2003, Adrian Loader on 24 September 2003 and Manfred Stach on 8 December 2003. As Per Utnegaard, Adrian Loader and Manfred Stach were appointed after the last AGM in May 2003, they will each be seeking election as a Director at the next AGM. Jeff Harris, Ken Clarke, Geoff Cooper and George Fairweather will be retiring as Directors by rotation at the AGM and will be seeking re-election at the meeting. Claude Berretti, who has served as a Director of the Company since 1998, will retire at the conclusion of the AGM.

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

## Auditors

On 1 August 2003, Deloitte & Touche, the Company's auditors, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from this date under the provisions of section 26 (5) of the Companies Act 1989.

A resolution to re-appoint Deloitte & Touche LLP 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 £94,000 were made during 2003, of which £9,000 were in the UK. The Group has no affiliation to any political party or group in any country and makes no political donations.

#### Share capital

At 31 December 2003 there were 350,692,477 ordinary shares in issue held by 9,171 shareholders on the register.

Details of 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 did not acquire any shares in the Company during the year and held 5,255,836 shares in the Company on 31 December 2003 and 5,225,836 shares on 17 February 2004. Under the terms of the trust the dividend receivable on shares held has been waived.

As at 17 February 2004 the Company has been notified of the following major interests in its issued ordinary share capital, disclosed to it in accordance with Sections 198 to 208 of the Companies Act 1985:

	Number of shares	Percentage of present issued Ordinary share capital
Stefano Pessina	106,415,034	30.34%
Scottish Widows Investment Partnership Limited	13,694,301	3.90%
Morley Fund Management Limited	11,110,387	3.17%

106,349,503 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 a diverse workforce of employees regardless of race, creed, colour, nationality, gender, age, marital status, sexual preference 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 creation of long-term shareholder value for the Company's shareholders.

#### 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

**Marco Pagni**  
Company Secretary  
24 February 2004