

# Report of the Directors

The Directors submit their Report and audited financial statements for the year ended 31 December 2004. 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 fifteenth Annual General Meeting ("AGM") will be held in the Company's office at 2 The Heights, Brooklands, Weybridge, Surrey KT13 0NY on Friday 22 April 2005, starting at 2:00 pm.

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 £167.1 million (2003 £128.5 million). An interim dividend of 6.25 pence per share was paid on 11 October 2004 to shareholders registered at the close of business on 6 August 2004, and the Directors are recommending the payment of a final dividend of 12.25 pence per share, making a total dividend in respect of the financial year of 18.50 pence per share.

If approved by shareholders at the AGM, the final dividend will be paid on 10 May 2005 with an ex-dividend date of 2 March 2005 to shareholders on the register at the close of business on 4 March 2005. 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), Ian Meakins (Chief Executive), Stefano Pessina (Executive Deputy Chairman), George Fairweather, Ornella Barra, Per Utnegaard, Steve Duncan, Ken Clarke (Deputy Chairman), Neil Cross, Adrian Loader, Patrick Ponsolle, Paolo Scaroni, Manfred Stach and Etienne Jornod. Biographical details of the Directors are shown on pages 30 and 31.

Claude Berretti retired as a Director on 22 April 2004 and Geoff Cooper resigned as a Director on 29 July 2004. Ian Meakins was appointed a Director on 1 December 2004. As Ian Meakins was appointed after the last AGM held in April 2004, he will seek election as a Director at the 2005 AGM. Stefano Pessina, Steve Duncan, Neil Cross and Paolo Scaroni will retire as Directors by rotation at the AGM and will seek re-election at the meeting. Neil Cross, who was appointed to the Board in February 1997 and will have completed nine years' service in February 2006, will seek re-election until the conclusion of the 2006 AGM. Jeff Harris will step down as Chairman of the Company and retire from the Board at the conclusion of the 2005 AGM. Paolo Scaroni, who was appointed as an independent non-executive Director of the Company on 10 December 2002, will replace him as Chairman.

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

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 £248,000 were made during 2004, of which £186,000 were in the UK. The UK donations include £150,000 made to the Disaster Emergency Committee as a specific response to the Tsunami earthquake disaster. The Group has no affiliation to any political party or group in any country and makes no political donations.

## Share capital

At 31 December 2004, there were 358,189,373 ordinary shares in issue held by 8,685 shareholders on the register.

Details of shares allotted during the year are given in note 23 to the financial statements.

Two trusts exist in connection with the discretionary 1997 Share Option Scheme, the long-term incentive plan and long-term incentive plan for Ian Meakins, to facilitate the holding of shares in the Company by employees and the executive Directors.

The 1992 Employee Trust did not acquire any shares in the Company during the year and held 2,788,366 shares in the Company on 31 December 2004 which it also held on 21 February 2005. Under the terms of this trust, the dividend receivable on shares held is 0.001 pence per share.

The Alliance UniChem Employee Share Trust was established on 1 December 2004. It acquired 119,946 shares in the Company from the 1992 Employee Trust on 17 December 2004, which it also held on 31 December 2004 and 21 February 2005. These shares relate to the grant of an option to Ian Meakins, details of which are given in the Board report on remuneration.

As at 21 February 2005 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	107,446,101	30.0%

107,350,000 shares of the interest of Stefano Pessina are held by Alliance Santé Participation S.A.. Stefano Pessina indirectly wholly owns Alliance Santé Participation S.A., registered in Luxembourg, and the directors include Stefano Pessina and Ornella Barra.

### Directors' responsibilities statement

This statement, which should be read in conjunction with the independent 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 United Kingdom legislation to prepare financial statements for each financial year that 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 then ended.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Company and which enables them to ensure that the financial statements comply with United Kingdom legislation.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are also responsible for:

- safeguarding the assets of the Company and the Group;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- ensuring the maintenance and integrity of the Company's corporate website.

### 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 2005