

# Report of the Directors

The information constituting or despatched with the 1998 annual report is material to an appreciation of the business of the Company and of the Group and as such form part of this report of the directors.

## Corporate Governance

The Combined Code was published in June 1998 by the Committee on Corporate Governance and sets out principles and provisions of good governance for companies. The Company has applied the principles of the Combined Code as explained below. The Company has complied with the code provisions set out in section 1 of the Combined Code throughout the year, other than where detailed below.

## Directors

The Company is led and controlled by the Board, currently consisting of the following directors:

### executive directors

J.F. Harris	Chief Executive
S. Pessina	Deputy Chairman
B.M. Andrews	Retail Director
O. Barra	Director of Italy, Portugal & Spain
G.I. Cooper	Finance Director
A. De Bono	Director of France, Greece & Morocco
C. Etherington	UK Wholesale Director

### non-executive directors

K.H. Clarke	independent Chairman
M.A. Bardsley	independent
C. Berretti	
N.E. Cross	independent
P. Ponsolle	independent

The biographies of these directors are given opposite.

During the year the following individuals were appointed as, or ceased to be, directors:

appointed	12 June	C. Berretti
ceased	3 November	J. Garcia Vela

In the rest of this report details given will be for the period that the individuals were directors. Where a director has been appointed during the year, details shown as being at 1 January 1998 will be the details at the date of appointment.

**B.M. Andrews B.Pharm., F.R.Pharm.S. (aged 54) appointed 1992/last elected 1998).** Barry Michael Andrews is a Pharmacist. He is a member of the Pharmaceutical Services Negotiating Committee and a director of the Company Chemists Association. He is Managing Director of Moss Chemists, a position he held when the company was acquired in 1991.



**M.A. Bardsley M.A. (aged 69) appointed 1990/last elected 1998).** Michael Ambrose Bardsley after obtaining extensive North American experience in marketing, assumed European managerial responsibility for Dun & Bradstreet Inc. and subsequently I.T.T. World Directories Inc..



**D.ssa O. Barra (aged 45) appointed and elected 1997).** Ornella Barra is a Pharmacist. Having gained her qualification she bought her own pharmacy before founding a distribution company, which was subsequently acquired by Alleanza Salute Italia in 1986. She was appointed President of Alleanza Salute Italia in 1994.



**C. Berretti (aged 64) appointed 1998/to be elected).** Claude Berretti is a Chartered Accountant. He joined Ile de France Pharmaceutique S.A. in 1957 and, prior to his retirement at the end of 1997, was Chief Executive and Chairman.

**Right Hon. K.H. Clarke Q.C., M.P. (aged 58/ appointed 1997/elected 1998).** Kenneth Harry Clarke is a Queen's Counsel and Member of Parliament. He has served in the Cabinet as Health Secretary and as Chancellor of the Exchequer. He is Deputy Chairman of British American Tobacco and a non-executive director of Foreign and Colonial Investment Trust.



**G.I. Cooper B.Sc., A.C.M.A. (aged 45/appointed 1994/ last elected 1997).** Geoffrey Ian Cooper is a Cost and Management Accountant. He gained his qualification working in industry and then worked as a management consultant before joining the Gateway Group where he became group finance director. He joined the Company in 1994.



**C. Etherington (aged 46/ appointed 1997/elected 1998).** Christopher Etherington worked in a number of distribution roles within industry before joining the Company in 1991. He was appointed to the Board as Managing Director of UniChem, having graduated from the advanced management programme at Harvard University.



**J.F. Harris (aged 50/ appointed 1986/last elected 1998).** Jeffery Francis Harris is a Chartered Accountant. He worked in the accounting profession for two major London auditing firms for fourteen years. He joined the Company as Chief Accountant in 1985, was appointed to the Board as Finance Director in 1986 and appointed Chief Executive in 1992.



**N.E. Cross Ph.D., F.C.I.S. (aged 54/appointed and elected 1997).** Neil Earl Cross was a main board director of 3i Group plc. At 3i he had extensive experience of investing in small and medium sized UK companies and latterly had responsibility for developing activities in continental Europe, the USA and the Far East. He is a non-executive director of Dawson Holdings PLC, Perkins Foods PLC, Taylor Nelson Sofres plc and a number of private companies.



**A. De Bono (aged 54/ appointed and elected 1997).** Antonin De Bono is a Pharmacist and a graduate of management training programmes at Institut Français de Gestion and Cégos. He started his career with Alliance Santé France in 1974 and, having held several management positions, was appointed President in 1997.



**S. Pessina (aged 57/ appointed and elected 1997).** Stefano Pessina is an Engineer. After holding a number of academic posts and working as an independent business consultant he became involved in pharmaceutical wholesaling in 1976. From that date he built up his interests in a number of European countries to form the Alliance Santé Group which merged with the Company in 1997.



**P. Ponsolle (aged 54/ appointed and elected 1997).** Patrick Ponsolle is executive chairman of Eurotunnel Plc/S.A.. He is also a director of Société Générale de Belgique and of Moulinex S.A..

# Report of the Directors

The articles of association of the Company currently provide for the retirement of one-third of the directors each year. This may result in a director not being submitted for re-election for four years, rather than the three years required by the Combined Code. The year of the last election for each of the current directors is included in their biographies above. The requirements of the Combined Code have been met in respect of the current Board. A change to the articles of association will be considered by the Board at an appropriate time.

All directors have access to the advice and services of Adrian Goodenough, the Company Secretary, and in addition, are entitled, through him and at the expense of the Company, to obtain independent professional advice of their choice, where they believe it is essential to the effective discharge of their corporate duties.

The **Board** met formally on seven occasions during 1998 and the four main standing committees of the Board met in accordance with their terms of reference, as detailed below. One other committee was established in 1998 to undertake a specific task, which has been completed. Members of the Board and committees receive appropriate notice of each meeting and this is accompanied by an agenda and relevant papers so that the members may discharge their duty effectively. Where decisions of the Board or committees are relevant, they are detailed in the pertinent section of the 1998 annual report.

The **audit committee** met twice in 1998. Its main purposes are: to provide a conduit for the interface between the Company and the auditors; to review the financial statements of the Company, focusing particularly on compliance with legal, regulatory and accounting standard requirements and the going concern assumptions; and to review the internal controls of the Company.

The **executive committee** is constituted so that the Company can function day to day by taking care of routine matters not requiring the consideration of the Board as a whole. Under the terms of reference, parameters have been established which limit its authority to act without consulting the Board as a whole. The executive committee has delegated some of its authority to a number of sub-committees in order to facilitate the decision making process. These sub-committees cover consideration of acquisitions, treasury matters and operational matters and have their own terms of reference with relevant parameters to their authority.

The **nomination committee** did not meet in 1998. Its role is to recommend to the Board any appointment as a director. Non-executive directors are normally appointed for a five year term and another role of the committee is to consider whether a non-executive director should continue for a second five year term of office. The appointment of C. Berretti to the Board formed part of the arrangements of the merger with Alliance Santé S.A..

The membership of this committee does not comply with the provisions of the Combined Code as the directors believe that, while it is imperative to ensure that new directors are of sufficient calibre to make a contribution to the deliberations of the Board, it is also important that they can work effectively with the members constituting the nomination committee.

The **remuneration committee** met four times in 1998 and is authorised by the Board to determine the remuneration of the executive directors and to grant options under the discretionary share option schemes. The fees of the non-executive directors are determined by the Board.

<b>Membership of the main committees of the Board</b>	<b>audit</b>	<b>executive</b>	<b>nomination</b>	<b>remuneration</b>
<b>Frequency of meetings</b>				
monthly and as required	-	*	-	-
minimum number of times per year	2	-	-	1
as required	-	-	*	-
<b>Committee members:</b>				
<b>non-executive directors</b>				
M.A. Bardsley	CE	-	-	-
K.H. Clarke	-	-	CM	CE
N.E. Cross	E	-	-	E
P. Ponsolle	E	-	-	E
<b>executive directors</b>				
B.M. Andrews	-	M	-	-
O. Barra	-	M	-	-
G.I. Cooper	A	M	-	-
A. De Bono	-	M	-	-
C. Etherington	-	M	-	-
J.F. Harris	-	CM	M	A
S. Pessina	-	M	M	A
<b>company executives</b>				
A.J. Goodenough - company secretary	A	A	A	A
S.D. Sampson - group financial controller	A	-	-	-
<b>external</b>				
auditors' representative	A	-	-	-

'A' indicates an attendee of the committee,  
'C' indicates the chairman of the committee,  
'E' indicates an elected member of the committee, and  
'M' indicates an automatic member of the committee.

## Directors' Remuneration

Decisions on executive directors' remuneration are taken by the remuneration committee, the current members of which are detailed above.

In reaching conclusions on remuneration, the remuneration committee took into consideration the remuneration policy of the Group and the advice of Towers Perrin, acting as remuneration consultants.

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 consider it unnecessary to seek shareholder approval of this policy.

### Emoluments

The emoluments of the directors for the financial year ended 31 December 1998 were:

director	fees £000	salary and other cash £000	non-cash benefits £000	bonus payments £000	total 1998 £000	emoluments 1997 £000
B.M. Andrews	-	220	14	64	298	232
M.A. Bardsley	20	-	-	-	20	18
O. Barra	-	200	-	43	243	-
C. Berretti	11	-	-	-	11	-
K.H. Clarke	120	-	-	-	120	40
G.I. Cooper	-	247	16	29	292	226
N.E. Cross	20	-	-	-	20	15
A De Bono	-	249	23	37	309	-
C. Etherington	-	209	9	8	226	102
J. Garcia-Vela	17	-	-	-	17	-
J.F. Harris	-	325	11	16	352	353
S. Pessina	-	250	-	13	263	-
P. Ponsolle	20	-	-	-	20	-
<b>Total</b>	<b>208</b>	<b>1,700</b>	<b>73</b>	<b>210</b>	<b>2,191</b>	<b>986</b>

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 is 40% of an individual's salary.

### Long term incentive plan

The Alliance UniChem Share Incentive Plan is a discretionary scheme under which allocations are made to selected 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	performance period start	period end
B.M. Andrews	73,333	1 January 1998	31 December 2000
O. Barra	66,667	1 January 1998	31 December 2000
G.I. Cooper	80,000	1 January 1998	31 December 2000
A. De Bono	80,000	1 January 1998	31 December 2000
C. Etherington	66,667	1 January 1998	31 December 2000
J.F. Harris	108,333	1 January 1998	31 December 2000
S. Pessina	83,333	1 January 1998	31 December 2000

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The amount of the award will depend on achieving certain performance measures during the performance period:

performance measure	achievement and value		% awarded
total shareholder return	below median	<50%	-
	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 is 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 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 10 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 have 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.

## Pensions

The pension benefits earned by four directors during 1998 (five directors in 1997) were:

director	age at year end	increase in accrued pension during the year £000	total accrued pension at year end £000	additional money purchase contribution	
				1998 £000	1997 £000
B.M. Andrews	54	9	93	-	-
G.I. Cooper	44	3	14	13	10
C. Etherington	46	3	23	17	8
J.F. Harris	50	15	124	-	-

The accrued pension is a benefit of the defined benefit plan of the Company's Pension and Assurance Scheme. The increase in accrued pension during the year is net of the increase as a result of the revaluation of the deferred pension. The accrued pension at the end of 1997 for Mr Harris, the highest paid director, was £106,000. The additional money purchase contribution is paid by the Company into a separate scheme and requires no additional contribution 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 and Assurance Scheme:

the normal retirement age of the directors is 60; J.F. 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; the yearly average of performance related earnings paid over the previous three years is included in the definition of pensionable pay (this has currently been retained as the accrual rate of 1/45ths for each year of pensionable service is below market practice of 1/30ths for each year of pensionable service); 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 1998	acquired in the year	disposed in the year	31 December 1998	acquired in the period	disposed in the period	23 March 1999
B.M. Andrews	116,502	90,922	90,000	117,424	3,312	3,312	117,424
M.A. Bardsley	6,779	162	-	6,941	-	-	6,941
K.H. Clarke	-	1,587	-	1,587	-	-	1,587
G.I. Cooper	-	248,622	183,028	65,594	-	-	65,594
N.E. Cross	-	5,000	-	5,000	-	-	5,000
C. Etherington	6,478	30,081	24,800	11,759	3,312	-	15,071
J.F. Harris	182,201	6,549	2,200	186,550	3,341	-	189,891
S. Pessina	104,634,177	-	-	104,634,177	-	-	104,634,177
P. Ponsolle	-	500	-	500	-	-	500
<b>Total</b>	<b>104,946,137</b>	<b>383,423</b>	<b>300,028</b>	<b>105,029,532</b>	<b>9,965</b>	<b>3,312</b>	<b>105,036,185</b>

The UniChem PLC Employee Share Trust held 1,033,333 shares at 31 December 1998. There was no change to this holding between 31 December 1998 and 23 March 1999. All employees and the executive directors are eligible to benefit from the trust.

The interests of S. Pessina are held by Alliance Santé Participation S.A.. The company, registered in Luxembourg, is indirectly wholly owned by S. Pessina, and the directors include S. Pessina, O. Barra, C. Berretti and A. De Bono. O. Barra, C. Berretti and A. De Bono 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 1998	granted/ (exercised) in the year	31 December 1998	granted/ (exercised) in the period	23 March 1999	exercise price (p)	mid-market price on exercise (p)	notional gain £000
B.M. Andrews	1	8,254	-	8,254	-	8,254	163.55	-	-
	2	3,312	-	3,312	(3,312)	-	208.33	559.5	12
	6	45,000	(45,000)	-	-	-	253.99	352.5	44
	7	45,000	(45,000)	-	-	-	260.00	352.5	42
	8	30,000	-	30,000	-	30,000	269.00	-	-
	9	45,000	-	45,000	-	45,000	268.50	-	-
	10	-	45,000	45,000	-	45,000	429.50	-	-
			176,566	45,000	131,566	-	128,254		98
				(90,000)		(3,312)			
O. Barra	10	-	186,263	186,263	-	186,263	429.50	-	-
			186,263	186,263	-	186,263			
G.I. Cooper	3	9,154	-	9,154	-	9,154	213.00	-	-
	7	248,076	(248,076)	-	-	-	260.00	393.5	331
	8	372	-	372	-	372	269.00	-	-
	9	36,872	-	36,872	-	36,872	268.50	-	-
	10	-	45,000	45,000	-	45,000	429.50	-	-
			294,474	45,000	91,398	-	91,398		331
			(248,076)						
A. De Bono	10	-	223,515	223,515	-	223,515	429.50	-	-
			223,515	223,515	-	223,515			

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C. Etherington	2	3,312	-	3,312	(3,312)	-	208.33	522.5	10
	6	30,000	(30,000)	-	-	-	253.99	429.5	53
	7	30,000	-	30,000	-	30,000	260.00	-	-
	8	30,000	-	30,000	-	30,000	269.00	-	-
	9	45,000	-	45,000	-	45,000	268.50	-	-
	10	-	45,000	45,000	-	45,000	429.50	-	-
		138,312	45,000	153,312	-	150,000			63
			(30,000)		(3,312)				
J.F. Harris	2	3,312	-	3,312	(3,312)	-	208.33	522.5	10
	4	4,791	-	4,791	-	4,791	216.00	-	-
	5	114,916	-	114,916	-	114,916	88.97	-	-
	6	45,000	-	45,000	-	45,000	253.99	-	-
	7	45,000	-	45,000	-	45,000	260.00	-	-
	8	30,000	-	30,000	-	30,000	269.00	-	-
	9	45,000	-	45,000	-	45,000	268.50	-	-
	10	-	45,000	45,000	-	45,000	429.50	-	-
			288,019	45,000	333,019	-	329,707		
					(3,312)				
Total		897,371	589,778	1,119,073	-	1,109,137			502
			(368,076)		(9,936)				

No options lapsed during the financial year or between 1 January 1999 and 23 March 1999. The mid-market price of shares of the Company ranged during 1998 between 318.5 pence on 1 January and 602.5 pence on 4 August and at 31 December was 565.5 pence.

The options above may be exercised:

option	type	first exercisable	exercisable until	performance criteria
1	savings related	1 June 1999	30 November 1999	-
2	savings related	1 January 1999	30 June 1999	-
3	savings related	1 July 2002	30 December 2002	-
4	savings related	1 December 2000	30 May 2001	-
5	discretionary	3 September 1993	2 September 2000	-
6	discretionary	1 November 1996	30 October 2003	-
7	discretionary	21 October 1997	20 October 2004	-
8	discretionary	18 October 1998	17 October 2005	-
9	discretionary	13 June 2000	12 June 2004	yes
10	discretionary	7 May 2001	6 May 2005	yes

The options granted to O. Barra and A. De Bono formed part of the arrangements of the merger with Alliance Santé S.A.. The number of options granted to the other executive directors under the executive share option schemes of the Company have been in proportion to the number granted to other groups of employees, subject to individual limits under the rules of the schemes, with allowance being made for future grants within the overall limit of the schemes. The objective is that over a number of grants each executive director holds options valued at four times their basic salary.

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 is 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 Government. The target parameters may be changed by the remuneration committee should circumstances warrant it.

### Service contracts

B.M. Andrews, G.I. Cooper, C. Etherington and J.F. Harris have service contracts that are terminable by the Company on twelve months notice. No other director has a service contract with the Company.

### **Other interests**

Save for the interests mentioned below 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.

On 3 December 1998, being after he had left the Board, J. Garcia Vela, through a company controlled by him, purchased Apotheka, a Spanish subsidiary company specialising in shop fitting, for a consideration of Ptas 550 million (£2.3 million).

### **Shareholders**

In view of the obvious independence of the Chairman, Kenneth 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 1999 annual general meeting has been despatched with this annual report. As in previous years, shareholders, whether they can attend the meeting or not, are encouraged to ask questions of the Board. 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.

### **Other matters**

#### **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 47.

#### **Political and charitable gifts**

£20,000, inclusive of tax credit, has been given to the Charities Aid Foundation. 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 operating business is responsible for maintaining the delivery of healthcare to its market. In maintaining this responsibility each operating business is mindful of the impact their operation has on the local environment and works to ensure that such impact is minimised. 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.

#### **Year 2000**

Throughout the Group there have been, for some time, project teams to manage the risks associated with the Year 2000 issue, under the supervision of a senior executive. Considerable work has already been carried out to date, examining our own systems infrastructures and their links with the systems of suppliers and customers. Where appropriate, rectification work to ensure systems are Year 2000 compliant has either been completed or is scheduled to be completed by mid-1999. Costs associated with this work have not been separately identified by the operating businesses and are absorbed within internal operating expenses.

# Report of the Directors

## Financial Reporting

### Responsibilities on internal control

As permitted by the London Stock Exchange, the Company has complied with the provision in the Combined Code on internal control by reporting below on internal financial control in accordance with the guidance for directors on internal control and financial reporting that was issued in December 1994.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. They are also responsible for the system of internal financial control which can provide reasonable but not absolute assurance that material misstatement or loss is prevented and identified on a timely basis and dealt with accordingly.

Key procedures that have been established include:

- authority limits - limits are placed on all employees either acting individually or as a group and some matters are reserved for the Board;
- financial reporting - each operating unit prepares monthly results with a comparison against budget, the latest forecast and the previous year;
- training of personnel - all personnel are trained on joining the Group and thereafter on proper adherence to the control systems relevant to their role within the Group; and
- risk management - controls over business risks are regularly assessed and contingency plans made against major failures.

In accordance with their terms of reference the audit committee have reviewed the internal financial controls in place during the financial year and in the period to the date of approval of the financial statements. This has involved considering key points arising from a report dealing with the major business risks, the control environment and the results of the Group Finance department's consideration of the business against the criteria for assessing internal financial control set out in the internal control and financial reporting guidance for directors.

### Responsibilities in preparing the financial statements

This statement, which should be read in conjunction with the 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 legislation to prepare financial statements for each financial year which 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.

The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore have continued to adopt the going concern basis in preparing the financial statements.

The directors also consider that, in preparing the financial statements on pages 44 to 58, appropriate accounting policies have been used, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company at any time and which enable them to ensure that the financial statements comply with legislation.

The directors also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### Approved by the Board of Directors and signed on their behalf

A J Goodenough  
Company Secretary  
**23 March 1999**