

Notes to the financial statements

for the year ended 31 December 1999

(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 undertakings within the Group, except UDG, make up their accounts to 31 December. UDG, an associated undertaking, prepares its accounts to 30 September.

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 instalments 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
	1999	1999	1998	1998
	£m	£m	£m	£m
Wholesale France	2,873.0	47.5	2,716.4	41.1
Wholesale Italy	767.6	14.7	729.3	18.9
Wholesale UK	1,653.8	46.0	1,488.4	45.3
Retail UK	432.4	29.8	353.5	23.9
Wholesale Other	713.4	8.4	354.3	6.2
Corporate	-	(3.0)	-	(2.6)
Intra-group	(346.2)	-	(288.5)	-
	6,094.0	143.4	5,353.4	132.8

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(3) NET INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
	£m	£m
Bank loans and overdrafts	(21.8)	(32.1)
Other loans	(9.4)	(3.6)
Finance charges payable on finance leases	(1.3)	(1.1)
Associates	(1.6)	(1.4)
Interest payable	(34.1)	(38.2)
Bank deposit interest receivable	5.2	9.6
Other financial income	3.7	3.8
Net interest payable and similar charges	(25.2)	(24.8)

(4) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999	1998
	£m	£m
Depreciation of owned assets	19.0	23.1
Depreciation of assets held under finance leases	9.7	3.6
Total depreciation of tangible fixed assets	28.7	26.7
Operating lease rentals - land and buildings	8.3	6.7
- plant and machinery	3.4	3.9
Audit fees - principal auditors	0.4	0.3
- other	0.3	0.3
Other fees paid to the auditors - principal auditors	0.3	0.1
- other	0.1	0.1

The costs of distribution are considered to be a component of cost of sales.

(5) DIRECTORS' EMOLUMENTS

The emoluments of the directors, exclusive of pension contributions, for the financial year ended 31 December 1999 were £2.5m (1998 £2.2m). 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.

(6) EMPLOYEES

The monthly average number of staff employed by the Group, which includes directors were:

	1999	1998
Wholesale France	4,200	4,259
Wholesale Italy	982	950
Wholesale UK	3,290	3,302
Retail UK	4,861	4,485
Other	1,130	621
	14,463	13,617
The costs incurred in respect of these employees were:	£m	£m
Wages and salaries	186.5	156.7
Social security costs	44.3	40.3
Other pension costs	3.9	3.8
	234.7	200.8

(7) TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£m	£m
Corporation tax charge at 30.25% (1998 31%)	20.0	19.2
Deferred taxation	1.7	0.8
Under/(over) provision for earlier years	(1.2)	(0.5)
Overseas taxation	20.2	17.6
Associated undertakings	0.9	0.1
	41.6	37.2

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(8) DIVIDENDS

	1999	1998
	£m	£m
Interim paid, net 4.0 pence (1998 3.65 pence)	7.8	7.1
Final proposed, net 7.7 pence (1998 7.0 pence)	15.1	13.7
	22.9	20.8

The dividend payable on the shares owned by Alliance Santé Participation (note 18) is restricted to FFr10m p.a. for 1998 and 1999.

(9) 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 18.

	1999	1998
	£m	£m
Profit for the financial year before goodwill amortisation	80.3	72.0
Goodwill amortisation	(1.6)	(0.3)
Profit for the financial year	78.7	71.7

	1999	1998
	m	m
Weighted average number of shares		
Undiluted	289.0	288.2
Effect of dilutive potential shares	1.9	2.4
Diluted	290.9	290.6

(10) INTANGIBLE FIXED ASSETS

	1999	1998
	£m	£m
Retail pharmacy licences	243.1	205.3
Goodwill	37.4	25.7
Total	280.5	231.0

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.

	1999	1998
	£m	£m
At 1 January	205.3	181.8
Additions	20.4	15.5
Subsidiaries acquired	18.8	9.3
Disposals	(1.4)	(1.3)
At 31 December	243.1	205.3

Goodwill

	1999	1998
	£m	£m
Cost		
At 1 January	26.0	-
Foreign exchange movement	(1.8)	-
Additions	17.7	26.2
Disposals	(2.6)	(0.2)
At 31 December	39.3	26.0
Amortisation		
At 1 January	0.3	-
Foreign exchange movement	-	-
Disposals	-	-
Charge for the year	1.6	0.3
At 31 December	1.9	0.3
Net book value		
At 31 December	37.4	25.7

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(11) TANGIBLE FIXED ASSETS

Group	Freehold	Long	Short	Furniture	Motor	Total
	land & buildings	leaseholds	leaseholds	fixtures & equipment	vehicles	
Cost	£m	£m	£m	£m	£m	£m
At 1 January 1999	134.0	38.8	2.6	183.5	23.8	382.7
Reclassification	15.8	(17.3)	1.5	-	-	-
Foreign exchange movement	(14.6)	(1.0)	-	(14.5)	(0.9)	(31.0)
Additions	14.8	2.6	0.3	21.0	7.2	45.9
Subsidiaries acquired	2.2	-	0.1	10.0	1.3	13.6
Disposals	(11.1)	(0.3)	-	(3.9)	(6.2)	(21.5)
At 31 December 1999	141.1	22.8	4.5	196.1	25.2	389.7
Depreciation						
At 1 January 1999	25.4	5.1	1.5	108.7	10.4	151.1
Reclassification	3.0	(2.9)	(0.1)	-	-	-
Foreign exchange movement	(2.9)	(0.1)	-	(9.8)	(0.4)	(13.2)
Subsidiaries acquired	0.5	-	-	1.9	0.5	2.9
Disposals	(3.0)	(0.3)	-	(3.8)	(5.4)	(12.5)
Charge for the year	4.7	0.3	0.3	17.1	6.3	28.7
At 31 December 1999	27.7	2.1	1.7	114.1	11.4	157.0
Net book value						
At 31 December 1999	113.4	20.7	2.8	82.0	13.8	232.7
At 31 December 1998	108.6	33.7	1.1	74.8	13.4	231.6
Company						
Cost						
At 1 January 1999	-	-	-	-	0.4	0.4
Additions	-	-	0.2	0.1	0.2	0.5
Disposals	-	-	-	-	(0.1)	(0.1)
At 31 December 1999	-	-	0.2	0.1	0.5	0.8
Depreciation						
At 1 January 1999	-	-	-	-	0.2	0.2
Disposals	-	-	-	-	(0.1)	(0.1)
Charge for the year	-	-	-	-	0.1	0.1
At 31 December 1999	-	-	-	-	0.2	0.2
Net book value						
At 31 December 1999	-	-	0.2	0.1	0.3	0.6
At 31 December 1998	-	-	-	-	0.2	0.2

The cost of long leaseholds includes capitalised interest of £0.5m (1998 £0.5m)

Leased assets

Included within fixed assets are assets held under finance leases with the following net book values:	The Group		Company	
	1999	1998	1999	1998
	£m	£m	£m	£m
Property	22.9	17.3	-	-
Furniture, fixtures & equipment	2.0	2.6	-	-
Motor vehicles	0.2	-	-	-
	25.1	19.9	-	-

Capital commitments

Contracted for, but not provided for	The Group		Company	
	1999	1998	1999	1998
	£m	£m	£m	£m
	4.4	9.9	-	-

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(12) FIXED ASSET INVESTMENTS

	The Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Subsidiary undertakings	-	-	596.9	496.7
Other investments	81.7	25.8	54.3	4.0
Total	81.7	25.8	651.2	500.7

Subsidiary undertakings	Shares*	Loans	Total
	£m	£m	£m
At 1 January 1999	322.8	173.9	496.7
Acquired / advanced	176.7	62.8	239.5
Repaid / provided	-	(139.3)	(139.3)
At 31 December 1999	499.5	97.4	596.9

*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.

Other investments

(i) The Group owns 1,069,280 (1998 883,280) ordinary bearer shares (representing approximately 10% of the issued equity (1998 8%)) in Andreae-Noris Zahn AG, which is incorporated in Germany, acquired at a cost of £13.2m (1998 £9.9m). The market value of this investment as quoted on the Frankfurt stock exchange on 31 December 1999 was £17.6m (1998 £16.3m).

(ii) The UniChem PLC Employee Share Trust has an investment of £11.4m (1998 £2.5m) in 3.0m (1998 1.0m) of the Company's shares. The market value of the holding on 31 December 1999 was £12.3m (1998 £5.7m). 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 Company owns 150,725 shares (representing approximately 10.4%) of the issued equity in Galenica Holding SA, which is incorporated in Switzerland, acquired at a cost of £30.3m. Stefano Pessina, Deputy Chairman of the Group, will be appointed to the Board of Galenica Holding on 25 May 2000, subject to shareholder approval.

(iv) The Group owns 50% of the shares in UniDrug Distribution Group Limited (UDG). UDG is registered in England. As at 31 December 1999, the net liabilities held within the Group balance sheet relating to UDG amounted to £0.1m (1998 £0.4m). The Group share of post acquisition losses of UDG as at 31 December 1999 amounted to £0.1m (1998 £0.4m).

(v) The Group has investments in Unifarma Distribuzione S.r.l. of Italy of £9.3m (1998 £7.6m) representing 36% of the issued equity, Lavipharm Alliance Santé SA of Greece of £1.4m (1998 £1.1m) representing 40% of the issued capital, and a number of other smaller investments.

(vi) The Company owns a US\$15m 4% convertible loan note in Rx.com, due for conversion in 2005. Rx.com is a business venture set up to develop internet healthcare portals in the US.

(13) DEBTORS

Amounts falling due within one year	The Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Trade debtors subject to discounting arrangements	191.1	224.8	-	-
Non-returnable amounts received	(165.0)	(193.8)	-	-
	26.1	31.0	-	-
Other trade debtors	678.4	700.5	-	-
Other debtors	78.8	50.2	3.1	2.1
Prepayments (including pension)	36.2	23.9	2.1	2.2
	819.5	805.6	5.2	4.3
Amounts falling due after more than one year				
Trade debtors	8.8	21.1	-	-
Other debtors	6.7	12.7	-	-
Prepayments - Pension costs	-	0.1	-	-
	15.5	33.9	-	-
Total	835.0	839.5	5.2	4.3

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.

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(14) BORROWINGS

	The Group		Company	
	1999	1998	1999	1998
Amounts falling due within one year	£m	£m	£m	£m
Loan notes	7.4	7.3	7.5	7.3
Bank loans	71.4	115.6	45.5	85.7
Bank overdraft	239.5	324.2	23.0	-
Obligations under finance leases	2.9	3.8	-	-
	321.2	450.9	76.0	93.0
Amounts falling due after more than one year				
Loan notes	8.1	9.3	-	-
Bank loans	287.7	146.0	252.8	106.1
Obligations under finance leases	14.0	17.1	-	-
	309.8	172.4	252.8	106.1
Total borrowings	631.0	623.3	328.8	199.1
Cash at bank and in hand	(98.2)	(130.3)	(8.4)	(12.5)
Net borrowings/(cash)	532.8	493.0	320.4	186.6

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 4.9% and 5.2%. The loan notes falling due after more than one year are repayable on 1 June 2003. At the year end they bore interest at 4.8%.

	The Group		Company	
	1999	1998	1999	1998
Bank loans due after more than one year	£m	£m	£m	£m
Aggregate bank loan instalments repayable between one and two years	8.5	11.3	-	-
between two and five years	176.0	120.9	159.5	106.1
in five years or more	103.2	13.8	93.3	-
	287.7	146.0	252.8	106.1

Interest on bank loans is at variable rates between 2.3% and 6.2% at the year end and is dependent on the currency borrowed. Bank loans repayable in more than five years relate to a number of small Italian facilities which bear interest at variable rates, which at the year end were between 4% and 4.5%.

Obligations under finance leases due after more than one year

	The Group		Company	
	1999	1998	1999	1998
	£m	£m	£m	£m
Due between one and two years	2.9	3.2	-	-
Due between two and five years	5.3	7.0	-	-
Due in five years or more	5.8	6.9	-	-
Total	14.0	17.1	-	-

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(15) FINANCIAL INSTRUMENTS

The Group's approach to managing financial risk is described in the Financial Review on page 27. As permitted by FRS13, comparative figures for the year ended 31 December 1998 have not been provided since it is impractical to do so. 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:

Financial Liabilities	Fixed rate financial liabilities		At fixed interest rates £m	At floating interest rates £m	Total £m
	Weighted average interest rate %	Weighted average period for which rate is fixed Years			
Sterling	7.5	3.0	15.6	44.0	59.6
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 1999 comprised:

	£m
Loan notes	15.5
Bank loan	359.1
Bank overdraft	239.5
Obligations under financial leases	16.9
Total	631.0

Floating rate financial liabilities comprise bank borrowings, loan notes and overdrafts bearing interest at a margin over commercial reference rates.

Financial Assets	Fixed rate financial assets			At floating interest rates £m	Non-interest bearing £m	Total £m
	Weighted Average interest rate %	Weighted average period for which rate is fixed Years	At fixed interest rates £m			
Sterling			-	66.5	2.0	68.5
US\$	4.0	5	9.3	-	-	9.3
Euro			-	30.0	29.6	59.6
Other			-	1.2	30.9	32.1
Total			9.3	97.2	62.5	169.5

The financial assets of the Group at 31 December 1999 comprised:

	£m
Cash at bank and in hand	98.2
Fixed asset investments (excluding associates and the ESOP)	55.8
Debtors due after one year	15.5
Total	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.

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Maturity profile of financial liabilities

Maturity of borrowings

An analysis of financial liabilities by due date of repayment is as follows:

	Loan notes	Bank loans	Bank overdraft	Obligations under finance leases	Total
	£m	£m	£m	£m	£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:

	Total £m
Expiring within two years	-
Expiring beyond two years	206.0
Total	206.0

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:

	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	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)

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 their short term nature.

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 gains/(losses) £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

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(16) OTHER CREDITORS

Amounts falling due within one year

	The Group		Company	
	1999	1998	1999	1998
for the year ended 31 December	£m	£m	£m	£m
Trade creditors	787.8	758.4	-	-
Other creditors	68.3	70.4	-	-
ACT payable	-	0.8	-	0.8
Corporation tax	32.6	21.6	-	0.6
Other taxation and social security	47.8	43.6	-	-
Accruals and deferred income	42.1	41.4	3.5	2.4
Proposed dividend	15.7	14.1	15.8	14.1
	994.3	950.3	19.3	17.9
Amounts falling due after more than one year				
Other creditors	-	10.3	-	-
Total	994.3	960.6	19.3	17.9

(17) PROVISIONS FOR LIABILITIES AND CHARGES

The Group	Provision for reorganisation	Deferred tax	Retirement benefits	Total
	£m	£m	£m	£m
At 1 January 1999	0.2	5.2	8.3	13.7
Foreign exchange movement	-	(0.5)	(1.0)	(1.5)
Subsidiaries acquired	-	-	-	-
Charge (release) for the year	(0.2)	1.7	(0.4)	1.1
Other movement / reclassification	-	(0.4)	(0.1)	(0.5)
At 31 December 1999	-	6.0	6.8	12.8
Company		Deferred tax		Total
		£m		£m
At 1 January 1999		0.4		0.4
Charge for the year		-		-
At 31 December 1999		0.4		0.4

The retirement benefits represent the accrued rights of existing employees of the French division which become payable on their retirement.

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	
	1999	1998	1999	1998
	£m	£m	£m	£m
Capital allowances and other short term timing differences	5.5	7.3	5.6	3.8
Pension accrual	-	(1.6)	0.2	0.6
Chargeable gains deferred by roll-over relief	1.1	-	-	0.8
Property revaluation	0.5	1.5	0.2	-
Capital losses	(0.5)	-	-	-
	6.6	7.2	6.0	5.2
Company	1999	1998	1999	1998
	£m	£m	£m	£m
Capital allowances and other short term timing differences	-	-	0.4	0.4
	-	-	0.4	0.4

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(18) CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

		Called up share capital 10p ordinary shares	Share premium account
	Number	£m	£m
Issued and fully paid up			
At 1 January 1999	290,198,903	29.0	145.7
Shares issued during the year:	2,241,766	0.2	9.7
At 31 December 1999	292,440,669	29.2	155.4

The authorised share capital is £37.9m represented by 379,346,000 ten pence ordinary shares.

Details of the shares allotted are:

Reason	Number	Price paid per share	Consideration £m
share option exercises	608,533	£2.54 - £5.66	2.7
scrip elections in lieu of:			
1998 final dividend	539,586	£4.83	2.7
1999 interim dividend	206,803	£4.32	0.9
acquisition of retail pharmacies	886,844	£3.95 - £4.41	3.6
Share capital and share premium movement	2,241,766		9.9

Details of the outstanding options at 31 December 1999 are:

	Price	Outstanding	Normally exercisable between
1990 Savings	163.55p	550	1 June 1999 and 30 November 1999
related scheme	208.33p	90,061	1 January 2001 and 30 June 2001
	221.96p	13,211	1 July 1999 and 30 December 1999
	221.96p	3,687	1 July 2001 and 30 December 2001
	208.00p	47,217	1 December 1999 and 30 May 2000
	208.00p	49,311	1 December 2001 and 30 May 2002
	213.00p	75,769	1 July 2000 and 30 December 2000
	213.00p	18,928	1 July 2002 and 30 December 2002
	216.00p	150,380	1 December 2000 and 30 May 2001
	216.00p	8,123	1 December 2002 and 30 May 2003
	192.00p	405,749	1 July 2001 and 30 December 2001
	192.00p	113,690	1 July 2003 and 30 December 2003
	214.00p	461,742	1 July 2002 and 30 December 2002
	214.00p	172,602	1 July 2004 and 30 December 2004
	324.00p	329,863	1 August 2001 to 30 January 2002
	324.00p	329,966	1 August 2003 to 30 January 2004
	324.00p	118,379	1 August 2005 to 30 January 2006
	384.00p	333,759	1 July 2002 to 30 December 2002
	384.00p	265,982	1 July 2004 to 30 December 2004
	384.00p	77,814	1 July 2006 to 30 December 2006
			3,066,783
1990 Executive scheme	88.97p	114,916	3 September 1993 and 2 September 2000
	253.99p	169,890	1 November 1996 and 30 October 2003
	260.00p	205,000	21 October 1997 and 20 October 2004
	269.00p	200,372	18 October 1998 and 17 October 2005
		690,178	
1997 Discretionary scheme	268.50p	943,304	13 June 2000 and 12 June 2004
	429.50p	1,464,778	7 May 2001 and 6 May 2005
	442.00p	1,145,000	14 May 2002 to 13 May 2006
	435.00p	90,222	27 May 2002 to 26 May 2006
		3,643,304	

The directors are aware of the following shareholdings at 21 March 2000 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	104,842,585	35.81
Scottish Widows Fund and Life Assurance Society	11,688,463	3.99

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.

Notes to the financial statements

for the year ended 31 December 1999

(19) OTHER RESERVES

	Capital reserve	Profit and loss account
	£m	£m
The Group		
At 1 January 1999	-	207.0
Foreign exchange movements	-	(6.7)
Transfer from profit and loss to capital reserve	0.4	(0.4)
Retained profit for the year	-	55.8
Other	-	(1.6)
At 31 December 1999	0.4	254.1
Company		
At 1 January 1999	-	125.6
Retained profit for the year	-	5.8
Other	-	0.9
At 31 December 1999	-	132.3

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 profit after taxation dealt with in the accounts of the parent company was £28.7m (1998 £34.1m).

During the year, the Group contributed £1.6m (1998 £0.2m) to the Qualifying Employee Share Ownership Trust ("QUEST").

The capital reserve represents non-distributable reserves arising in some territories.

(20) 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. The Group has offered Pta. 3,000 per share to acquire the equity outstanding of Safa Galenica S.A. of Spain. At the year end the Group had lifted its stake from 83% to 97%. Shareholders of Safa Galenica can continue to accept the offer until 30 January 2000. In the Czech Republic, the Group acquired the entire share capital of Pragopharm, together with a 55.9% interest in Plus. There were a number of other small acquisitions which are not separately reported.

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	-	18.8	18.8
Fixed assets – tangible	4.2	6.7	10.9
Stock	11.1	3.5	14.6
Debtors	22.9	4.3	27.2
Cash at bank and in hand	0.4	0.3	0.7
Bank loans and overdrafts	(17.6)	(1.2)	(18.8)
Creditors	(21.0)	(5.4)	(26.4)
	-	27.0	27.0
Minority interests remaining	(0.6)	(1.7)	(2.3)
Minority interests acquired	5.4	-	5.4
Assets acquired	4.8	25.3	30.1
Consideration paid			
Alliance UniChem Plc ordinary shares	-	3.6	3.6
Loan notes	-	1.0	1.0
Cash	21.7	19.2	40.9
Accrued cash consideration – movement	(2.5)	4.2	1.7
	19.2	28.0	47.2
Purchased goodwill	14.4	2.7	17.1

Goodwill arising on asset acquisitions in the year amounted to £0.6m (1998 £3.0m).

Cumulative goodwill written off to reserves to 31 December 1999, net of that attributable to disposals was £360.8m (1998 £360.8m).

Notes to the financial statements

for the year ended 31 December 1999

(21) ANALYSIS OF NET ASSETS

	1999	1998
	£m	£m
Wholesale France	129.0	150.2
Wholesale Italy	251.1	262.2
Wholesale UK	138.2	167.9
Retail UK	260.3	172.6
Wholesale Other	142.9	118.5
Corporate	57.7	12.4
Net assets before net borrowings	979.2	883.8
Net borrowings	(532.8)	(493.0)
	446.4	390.8

(22) RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	1999	1998
	£m	£m
Operating profit	143.4	132.8
Depreciation	28.7	26.7
Amortisation of goodwill	1.6	0.3
(Profit)/loss on disposal of fixed assets	1.2	(1.1)
Decrease/(increase) in stocks	(58.4)	(58.4)
Decrease/(increase) in debtors	(37.4)	(69.0)
Increase/(decrease) in creditors	85.0	104.2
Net cash inflow/(outflow) from operating activities	164.1	135.5

(23) ANALYSIS OF NET CASH FLOW FROM FINANCING

	1999	1998
	£m	£m
Issue of ordinary share capital	2.7	3.4
Net cash inflow/(outflow) from increase/(decrease) in debt and lease financing	100.1	(19.5)
Net cash inflow/(outflow) from increase/(decrease) in financing	102.8	(16.1)

(24) 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 1999	130.3	(450.9)	(172.4)	(493.0)
Increase/(decrease) in cash in the period	(26.3)	53.9	-	27.6
Decrease/(increase) in debt	-	31.5	(137.2)	(105.7)
Finance leases entered into	-	(0.3)	(3.3)	(3.6)
Capital element of finance lease repayments	-	5.6	-	5.6
Debt acquired with subsidiaries	-	(0.7)	(0.8)	(1.5)
Exchange movement	(5.8)	39.7	3.9	37.8
At 31 December 1999	98.2	(321.2)	(309.8)	(532.8)

(25) 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 20.

Notes to the financial statements

for the year ended 31 December 1999

(26) PENSIONS

The Group operates several pension arrangements; the Group's total pension cost was £3.3m (1998 £3.8m). Included in the balance sheet is an amount totaling £2.0m (1998 £2.1m) 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 1997. The actuarial method adopted for the valuation was the projected unit method and the main assumptions were:

	% per annum
Investment return	8.0
Salary increases (excluding increases due to promotion)	5.5
Equity dividend increases	3.75
Pension increases	5.0

At 1 January 1997, the market value of the Benefit Plan's assets was £30.7m. At that date, the actuarial value of the assets represented 105% 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.

(27) OTHER FINANCIAL COMMITMENTS

	Land and buildings	Other
	£m	£m
At 31 December 1999 the Group had the following commitments payable within one year under operating leases expiring:		
within one year	1.2	1.8
between two and five years	2.7	2.2
in five years or more	6.8	0.1
Total	10.7	4.1

(28) PRINCIPAL SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings, in which the Group has a 100% interest (except as shown), are:

<u>Company</u>	<u>Country of operation</u>	<u>Country of incorporation</u>	<u>Main activity</u>
Alleanza Salute Italia SpA	Italy	Italy	holding company for a number of Italian pharmaceutical wholesalers
Alliance Santé S.A. (98.0%)	France	France	pharmaceutical wholesaler
Alliance UniChem Farmaceutica, S.A.	Portugal	Portugal	pharmaceutical wholesaler
E. Moss Limited	U.K.	England	retail pharmacy operator
Plus Spol. Sro (55.9%)	Czech Republic	Czech Republic	pharmaceutical wholesaler
Pragopharm Spol. Sro	Czech Republic	Czech Republic	pharmaceutical wholesaler
Safa Galenica S.A. (96.9%)	Spain	Spain	pharmaceutical wholesaler
UniChem Limited	U.K.	England	pharmaceutical wholesaler

(29) CONTINGENT LIABILITIES

The Company has guaranteed bank loans of £103.1m (1998 £157.5m) and other Group companies have guaranteed bank loans of £61.8m (1998 nil) to third parties for the financing of pharmacy businesses.

(30) EXCHANGE RATES

The following exchange rates have been used in the preparation of the financial statements.

	Czech Koruna CZK/£	Portuguese Escudos PTE/£	French Francs FF/£	Italian Lire ITL/£	Spanish Pesetas ESP/£	Euro €/£
As at 1 January 1999	n.a.	284.1	9.29	2743	235.7	1.417
As at 31 December 1999	57.88	322.4	10.55	3113	267.5	1.608
Average for the year	56.31	304.0	9.96	2940	252.6	1.518