

Notes to the financial information

For the half year ended 30 June 2002

(1) BASIS OF PREPARATION

The interim financial information was approved by the Directors on 12 September 2002. It has been prepared on the same basis as that included in the 2001 Annual Report with the exception of the adoption of the new financial reporting standard on deferred tax (FRS 19). Details of this change in accounting policy are set out in note 4. Comparative figures have been restated.

The interim financial information is unaudited but has been reviewed by the Group's auditors, and does not constitute statutory accounts as defined in section 240 Companies Act 1985. The comparative figures for the year ended 31 December 2001 are not statutory financial statements for that financial year but have been extracted from them. The statutory financial statements received an unqualified report from the Group's auditors and are filed with the Registrar of Companies.

(2) EXCHANGE RATES

For the six months ended 30 June 2002, the average Sterling/Euro exchange rate was €1.610/£ compared to €1.613/£ in the first half of 2001. The Sterling/Euro exchange rate at 30 June 2002 was €1.543/£ compared to €1.661/£ at 30 June 2001, and €1.635/£ at 31 December 2001.

(3) SEGMENTAL ANALYSIS

	Group operating profit			Group operating profit		
	Turnover	before amortisation of intangible assets	after amortisation of intangible assets	Turnover	before amortisation of intangible assets	after amortisation of intangible assets
	2002	2002	2002	2001	2001	2001
	£m	£m	£m	£m	£m	£m
Wholesale Northern Europe	1,292.7	34.5	31.4	1,184.4	32.3	29.4
Wholesale Southern Europe	2,446.7	35.2	34.1	2,381.1	35.6	34.6
Retail	456.1	30.8	30.5	315.3	24.8	24.8
Corporate	-	(4.8)	(4.8)	-	(6.7)	(6.7)
Intra-group sales	(300.3)	-	-	(272.3)	-	-
	3,895.2	95.7	91.2	3,608.5	86.0	82.1

(4) TAXATION

Financial Reporting Standard 19 "Accounting for Deferred Tax" (FRS 19) has been adopted with effect from 1 January 2002 and comparative figures restated.

	2002	2001
	£m	restated £m
UK Corporation tax	12.7	8.7
Overseas taxation	12.4	14.5
Double taxation relief	(1.9)	(0.3)
Associated undertakings	3.2	2.8
Deferred tax	0.4	(0.3)
Over provision for earlier years	-	(0.1)
	26.8	25.3

Notes to the financial information (continued)

For the half year ended 30 June 2002

(4) TAXATION (CONTINUED)

FRS 19 requires that deferred taxation is calculated on a full liability basis. The Group does not discount deferred tax. The Group's previous accounting policy was to provide deferred tax in respect of significant timing differences to the extent that it was probable that such tax will become payable.

The impact of the change is to increase the deferred tax liability (and reduce profit and loss reserves) by £2.2 million at 1 January 2001, to increase the 2001 tax charge and movement in deferred tax liability by £0.7 million and £0.8 million for the first and second half of the year respectively.

Had the tax charge for the first half of 2002 been calculated in accordance with the previous accounting policy, the tax charge would be reduced by £0.7 million.

(5) EARNINGS PER SHARE

Earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue during the period. 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.

	2002 £m	2001 £m
Profit for the period	49.6	44.7
Amortisation of intangible assets:		
Goodwill – subsidiary undertakings	4.2	3.6
Goodwill – associated undertakings	1.7	1.2
Pharmacy licences	0.3	0.3
Profit for the financial year before amortisation	55.8	49.8
Weighted average number of shares:		
Basic	323.4	317.6
Effect of dilutive potential shares	2.4	2.7
Diluted	325.8	320.3

(6) RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £m	2001 £m
Group operating profit	91.2	82.1
Depreciation	18.8	16.3
Amortisation of goodwill	4.2	3.6
Amortisation of pharmacy licences	0.3	0.3
Profit on disposal of intangible fixed assets	(1.2)	(0.1)
(Profit)/loss on disposal of fixed assets	(0.3)	1.2
Decrease in stocks	83.1	14.2
Decrease/(increase) in debtors	27.9	(26.7)
Decrease in creditors	(70.2)	(1.4)
Net cash inflow from operating activities	153.8	89.5