

# Notes to the financial information

for the six months ended 30 June 2004

## (1) BASIS OF PREPARATION

The interim financial information was approved by the Directors on 29 July 2004. It has been prepared on the same basis as that included in the 2003 Annual Report. The comparatives for the interim 2003 have been restated for the following changes in accounting policies adopted in the second half of 2003:

- (a) in accordance with the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 and UITF Abstract 38 "Accounting for ESOP Trusts", both issued in 2003, the Group's investment in its own shares via its Employee Share Ownership Plan Trust has been reclassified from fixed asset investments to shareholders' funds; and
- (b) changes to the Group's policy on the classification of items included within turnover following an amendment to FRS 5 "Reflecting the Substance of Transactions" in December 2003.

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 2003 are not statutory financial statements for that financial year but have been extracted from them. The statutory financial statements for the year ended 31 December 2003, which received an unqualified report from the Group's auditors and did not include a statement under section 237(2) or (3) of the Companies Act 1985, have been filed with the Registrar of Companies.

An unreviewed memorandum disclosure has been made on the face of the primary financial statements to show the Euro equivalents, using an average exchange rate for translating the Group profit and loss account and Group cash flow statement, and the period end exchange rate for the Group balance sheet.

## (2) EXCHANGE RATES

The significant exchange rates relative to Sterling used in the preparation of the financial statements are as follows:

	Average			Period end		
	2004 Six months to 30 June	2003 Six months to 30 June	2003 Year to 31 December	2004 As at 30 June	2003 As at 30 June	2003 As at 31 December
Euro	1.477	1.462	1.443	1.491	1.437	1.419
Czech Koruna	48.03	46.21	46.01	47.45	45.39	45.97
Norwegian Kroner	12.48	11.34	11.59	12.57	11.91	11.91
Swiss Franc	2.299	2.183	2.198	2.271	2.235	2.214
Turkish Lira ('000)				2,706	2,343	2,476

### (3) SEGMENTAL ANALYSIS

	Turnover			Total operating profit		
	2004 Six months to 30 June £million	2003 Six months to 30 June restated £million	2003 Year to 31 December £million	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
<b>Wholesale Northern Europe</b>						
Before amortisation of intangible assets	1,475.0	1,391.6	2,899.8	42.9	39.6	84.3
Amortisation of intangible assets	–	–	–	(3.2)	(3.1)	(5.0)
	1,475.0	1,391.6	2,899.8	39.7	36.5	79.3
<b>Wholesale Southern Europe</b>						
Before amortisation of intangible assets	2,858.1	2,758.6	5,618.9	38.1	33.9	74.4
Amortisation of intangible assets	–	–	–	(1.7)	(1.7)	(3.5)
	2,858.1	2,758.6	5,618.9	36.4	32.2	70.9
<b>Retail – Europe</b>						
Before amortisation of intangible assets	579.5	520.0	1,107.4	45.5	36.1	79.3
Amortisation of intangible assets	–	–	–	(0.2)	(0.3)	(0.4)
	579.5	520.0	1,107.4	45.3	35.8	78.9
<b>Corporate</b>	–	–	–	(7.3)	(4.0)	(11.4)
Intra-group	(432.2)	(386.8)	(826.8)	–	–	–
<b>Group</b>						
Before amortisation of intangible assets	4,480.4	4,283.4	8,799.3	119.2	105.6	226.6
Amortisation of intangible assets	–	–	–	(5.1)	(5.1)	(8.9)
	4,480.4	4,283.4	8,799.3	114.1	100.5	217.7
<b>Share of operating profit in associated undertakings</b>						
Before amortisation of intangible assets	–	–	–	18.2	16.9	36.8
Amortisation of intangible assets	–	–	–	(2.6)	(2.3)	(4.7)
	–	–	–	15.6	14.6	32.1
<b>Total</b>						
Before amortisation of intangible assets	4,480.4	4,283.4	8,799.3	137.4	122.5	263.4
Amortisation of intangible assets	–	–	–	(7.7)	(7.4)	(13.6)
	4,480.4	4,283.4	8,799.3	129.7	115.1	249.8

The analysis of turnover by destination is not materially different from the analysis of turnover by origin.

### (4) TAXATION

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
UK corporation tax	15.4	8.6	19.6
Overseas tax	15.7	15.5	31.4
Associated undertakings – current tax	6.7	4.8	8.4
Deferred tax	1.1	1.5	7.8
	38.9	30.4	67.2

## Notes to the financial information (continued)

for the six months ended 30 June 2004

### (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.

Earnings per share are also calculated before amortisation of intangible assets and exceptional items, if any, since the Directors consider that this gives a useful additional indication of underlying performance.

The diluted earnings per share calculations include the shares issued to meet the deferred consideration for the acquisition of Hedef Alliance. These shares were included as shares to be issued until the settlement of the consideration. The discount on this deferred acquisition consideration is therefore adjusted when computing the relevant profit for the financial period.

	2004 Profit for six months to 30 June £million	2004 Weighted average number of shares to 30 June million	2004 Earnings per share to 30 June pence	2003 Profit for six months to 30 June £million	2003 Weighted average number of shares to 30 June million	2003 Earnings per share to 30 June pence
<b>Basic</b>	<b>68.8</b>	<b>347.5</b>	<b>19.8</b>	<b>58.0</b>	<b>338.9</b>	<b>17.1</b>
Share options	–	1.8	(0.1)	–	1.1	–
Deferred acquisition consideration	0.2	2.6	(0.1)	0.4	3.7	(0.1)
<b>Diluted</b>	<b>69.0</b>	<b>351.9</b>	<b>19.6</b>	<b>58.4</b>	<b>343.7</b>	<b>17.0</b>
Basic	68.8	347.5	19.8	58.0	338.9	17.1
Amortisation of intangible assets	7.7	–	2.2	7.4	–	2.2
<b>Basic, before amortisation of intangible assets</b>	<b>76.5</b>	<b>347.5</b>	<b>22.0</b>	<b>65.4</b>	<b>338.9</b>	<b>19.3</b>
Share options	–	1.8	(0.1)	–	1.1	(0.1)
Deferred acquisition consideration	0.2	2.6	(0.1)	0.4	3.7	(0.1)
<b>Diluted, before amortisation of intangible assets</b>	<b>76.7</b>	<b>351.9</b>	<b>21.8</b>	<b>65.8</b>	<b>343.7</b>	<b>19.1</b>

## (6) CASH FLOW STATEMENT

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
<b>(a) Reconciliation of Group operating profit to net cash inflow from operating activities</b>			
Group operating profit	114.1	100.5	217.7
Depreciation	20.3	20.4	41.2
Amortisation of goodwill	5.0	4.9	8.6
Amortisation of pharmacy licences	0.1	0.2	0.3
Profit on disposal of fixed assets	–	(7.3)	(9.7)
Decrease/(increase) in stocks	93.8	80.0	(39.4)
Increase in debtors	(14.2)	(24.2)	(60.3)
(Decrease)/increase in creditors	(126.9)	(36.1)	168.3
Decrease in net pension liabilities	(3.7)	(0.3)	(4.4)
Net cash inflow from operating activities	88.5	138.1	322.3
<b>(b) Returns on investments and servicing of finance</b>			
Interest received	3.8	5.2	9.5
Interest paid	(23.7)	(31.7)	(59.4)
Dividends paid to minority shareholders	–	(0.1)	(0.4)
Interest element of finance lease payments	(0.2)	(0.3)	(0.4)
Net cash outflow from returns on investments and servicing of finance	(20.1)	(26.9)	(50.7)
<b>(c) Capital expenditure and financial investment</b>			
Purchase of fixed assets	(29.0)	(18.0)	(47.9)
Disposal of fixed assets	2.1	2.1	9.9
Loans to associated undertakings	–	(17.4)	(22.2)
Loans repaid by associated undertakings	4.3	0.1	14.9
Other investments (net)	4.8	(1.3)	2.5
Net cash outflow from capital expenditure and financial investment	(17.8)	(34.5)	(42.8)
<b>(d) Acquisitions and disposals</b>			
Purchase of businesses	(36.6)	(25.8)	(59.2)
Net cash/(overdrafts) of businesses acquired	1.6	0.3	(0.1)
Purchase of shares in associated undertakings	(54.0)	(1.2)	(1.2)
Disposal of businesses	0.2	–	–
Net overdrafts of businesses sold	–	0.3	0.3
Disposal of investments in associated undertakings	1.9	6.6	13.4
Net cash outflow from acquisitions and disposals	(86.9)	(19.8)	(46.8)

## (7) NET CASH INFLOW/(OUTFLOW) FROM INCREASE/(DECREASE) IN DEBT AND LEASE FINANCING

	2004 Six months to 30 June £million	2003 Six months to 30 June £million	2003 Year to 31 December £million
Debt due within one year:			
Net movement in money market borrowings maturing within one week	(17.9)	(54.4)	(35.4)
Decrease in short-term borrowings	(35.4)	(13.2)	(65.1)
Borrowings due after one year:			
Increase in borrowings	64.1	2.5	32.4
Repayment of borrowings	(1.2)	(15.8)	(10.5)
Capital element of finance lease rental payments	(0.8)	(0.8)	(1.7)
Net cash inflow/(outflow) from increase/(decrease) in debt and lease financing	8.8	(81.7)	(80.3)