



201
Annual Report

United
—*drug*—

Excellent manufacturer solutions, better patient care



About Us

United Drug is a leading international healthcare services provider, employing over 4,100 people across Europe and the US. United Drug operates through three divisions...

Healthcare Contract Sales Packaging &
Supply Chain & Marketing Services Speciality

Our Purpose

Excellent manufacturer solutions, better patient care.

Ambition

Our ambition is to be a dynamic, leading international healthcare services company, fostering enhanced patient outcomes through partnerships with healthcare manufacturers, government agencies, providers and payors.

Financial Highlights

Cash generated from operations

€84.2m
an increase of €19.4m
2009: €64.8m

Net debt

€109.3m
a reduction of €53.2m
2009: €162.5m

Revenue

€1,726.1m
an increase of 1%
2009: €1,717.9m

Profit before tax

€67.6m
an increase of 1%
2009: €66.9m

Dividend per share

8.40 cent
an increase of 5%
2009: 8.00 cent

Over 60% of Group profits generated outside Ireland, with 16% now coming from the US.

Contents

Highlights and Overview

- 1 Financial Highlights
- 2 Business Overview

Business Review

- 4 Chairman's Statement
- 6 Chief Executive's Review
- 8 Operations Review
- 20 Finance Review
- 24 Corporate Social Responsibility

Governance

- 26 Board of Directors
- 28 Directors' Report
- 32 Directors' Statement on Corporate Governance
- 39 Report of the Remuneration Committee on Directors' Remuneration
- 47 Statement of Directors' Responsibilities

Financial Statements

- 48 Independent Auditor's Report
- 50 Group Income Statement
- 51 Group Statement of Comprehensive Income
- 52 Group Statement of Changes in Equity
- 53 Group Balance Sheet
- 54 Group Cash Flow Statement
- 55 Significant Accounting Policies
- 65 Notes forming part of the Group Financial Statements
- 100 Company Statement of Comprehensive Income
- 101 Company Statement of Changes in Equity
- 102 Company Balance Sheet
- 103 Company Cash Flow Statement
- 104 Notes forming part of the Company Financial Statements
- 114 Shareholder and Other Information

Business Overview

2010 Geographic Split of Operating Profit

UK:	39%
ROI:	39%
US:	16%
Continental Europe:	6%



Division

International Capability

Healthcare Supply Chain

The Healthcare Supply Chain division combines all of the Group's healthcare logistics based businesses. Revenue for the division in the year of €1.44 billion is 1% lower than revenue in 2009.

UK, Ireland, Sweden



Contract Sales & Marketing Services

The Contract Sales & Marketing Services division provides contract sales outsourcing and related marketing services to healthcare manufacturers. Revenue for the division of €167 million is 9% higher than revenue in 2009.

UK, Ireland, US, the Netherlands, Germany, Hong Kong



Packaging & Speciality

The Packaging & Speciality division, provides outsourced packaging solutions for pharmaceutical manufacturers through facilities in the US, the UK, the Netherlands and Belgium. The division also provides enhanced care services directly to the patient in their own home for speciality products in the UK and Ireland. Revenue for the division of €121 million is 2% higher than revenue in 2009.

UK, the Netherlands, Belgium, US, Ireland



United Drug offers outsourced commercialisation services to international healthcare clients primarily in the areas of distribution, packaging, sales & marketing and regulatory services.

Structure

Pharma Wholesale

Provides time-critical delivery services of pharmaceuticals and consumer health products to retail and hospital pharmacies throughout the Republic of Ireland and Northern Ireland.

Pre-Wholesale

Provides contract distribution and other services to pharmaceutical, consumer health and animal health manufacturers in the Republic of Ireland and the UK.

Medical & Scientific

Sells, distributes and supports consumables and capital equipment to healthcare providers, industry and research institutions in the Republic of Ireland, the UK and Sweden.

Specials

Manufactures and distributes specially prepared products to meet specific patient prescription requirements for the retail pharmacy and hospital markets.

Contract Sales Outsourcing

Provides contract sales outsourcing and sales and marketing services to pharmaceutical manufacturers in the Republic of Ireland, the UK and the US. Also provides sales force effectiveness training services to the pharmaceutical sector.

Medical Affairs

Provides sales and marketing services, including medical affairs information, patient compliance support and clinical trials recruitment to pharmaceutical manufacturers in the US.

Events Management

Provides bespoke event management and logistical services to the pharmaceutical sector.

Healthcare Communications and Consultancy

Provides healthcare communications and consultancy services to a range of global pharmaceutical and biotechnology companies.

Packaging, Europe

Provides primary and secondary packaging solutions to the healthcare industry.

Packaging, US

Provides primary and secondary packaging solutions to the healthcare industry.

Speciality

Provides speciality homecare services to the NHS and the UK pharmaceutical industry and nurse-led homecare services to the Irish healthcare sector. Also provides healthcare services in the travel field, specialising in the sale and distribution of vaccines, medical information and provision of clinical services.

Chairman's Statement

Financial Performance

Against a background of difficult and uncertain economic conditions I am pleased to report that United Drug made good progress during the year and again delivered a strong operating cash flow whilst advancing a number of business growth initiatives. Cash generated during the year enabled the Group to reduce net debt at the year end by €53.2 million to €109.3 million.

Profit before tax for the year before amortisation and after taking account of our share of the start up costs of the Medco UK homecare joint venture was €67.6 million, an increase of 1% over the previous year.

We have continued the strategy of diversifying away from our legacy wholesale activities into new healthcare services markets and geographies. Over 60% of our profits are now generated outside Ireland with 16% earned in the US.

Dividend

A final dividend of 6.06 cent per share is proposed by your Board which together with the interim dividend of 2.34 cent per share represents a total dividend of 8.40 cent for the year, an increase of 5% on the 2009 total dividend.

Finance

During the year new bank finance facilities and an additional private placement facility were agreed. We now have increased resources at our disposal with maturities extending to 2020.

Acquisitions

In the 2009 financial year, we acquired The Specials Laboratory (TSL) in the UK, a manufacturer of unique formulations of medicine to meet the needs of patients who have special requirements. This business has performed above our expectations and has the potential for further growth.

On 11 August 2010, we acquired InforMed, a company providing healthcare communications and consultancy services to a range of global pharmaceutical and biotechnology companies. This acquisition will add significantly to the business of our growing Contract Sales & Marketing Services division both in the UK and the US.

Post-year end acquisitions

On 1 December 2010, the Group acquired World Events Group Limited, a leading events management company providing event management, logistics and marketing services to international manufacturers. This acquisition increases our global capability and offering in this area.

On 2 December 2010, our recently established Medco UK homecare joint venture acquired Careology Limited, a UK company providing healthcare services in the home. This acquisition will be merged with Medco UK and will accelerate the pace of growth in that business.



Profit before tax

€67.6m

1% increase on 2009

Dividend per share

8.40 cent

5% increase on 2009

We have also purchased the remaining 50% interest in Temperature Controlled Pharmaceuticals Limited (TCP). We acquired our initial interest in this company some three years ago and since then it has grown steadily to the position where it is now the leading supplier in Ireland of healthcare services at home. TCP treats patients at home with the drug being administered by a nurse or by training the patient to use a device within the home. Time is freed up within the hospital and a more convenient method and quality of treatment is provided for the patient.

Board

Kieran McGowan who had served on the Board of United Drug for over ten years retired during the year. On behalf of the Board I would like to extend our thanks to him for his unstinting work both as a non-executive director and more latterly as Chairman of our Audit Committee.

In April 2010, we welcomed Chris Brinsmead to the Board. Chris retired in 2010 from his position as Chairman of AstraZeneca Pharmaceuticals UK and as President of the Association of the British Pharmaceutical Industry (ABPI).

People

The experience, knowledge and skills of our management team and staff continues to be a crucial element in the success of the Group. On behalf of the Board I would like to thank them for their commitment throughout a challenging year.

Corporate Governance

The Board and management of United Drug are committed to the highest standards of corporate governance. A detailed statement on Corporate Governance is set out on pages 32 to 38.

Outlook

During the year increased opportunities have emerged which will enable us to continue the growth of the Group both organically and by acquisition. We have seen an increased focus by health authorities and pharmaceutical companies on outsourcing as a way of reducing costs and at the same time improving service levels. United Drug is well placed to benefit from this trend and we have the balance sheet strength and a strong cash flow to support our plans.

Ronnie Kells
Chairman

Chief Executive's Review

United Drug provides outsourced services to healthcare manufacturers principally in the distribution, sales & marketing, regulatory and packaging areas. Our strategy has been to defend and build on our leading competitive positions in our traditional wholesaling, pre-wholesaling and medical supplies businesses in Ireland and the UK, whilst expanding steadily in other commercialisation outsourced services such as packaging, sales & marketing, regulatory and homecare services, in the UK, continental Europe and in the US. We now operate in several key international markets.

I am pleased to report that we have made considerable progress against our strategic goals in the last financial year despite the severe impact of ongoing healthcare austerity measures in the UK and Ireland. Over 60% of Group operating profits are now derived from markets outside Ireland, with 16% coming from the US.

Our market share of the full-line wholesaling market on the island of Ireland increased by over 2.5% in the period and revenue grew. This is despite the fact that our revenue has been impacted negatively by over €60 million in the year as a result of healthcare austerity measures by governments (price cuts et al) and the significant growth of parallel imported products by short-line wholesalers in the Republic of Ireland. In real terms, our relative competitive market position has strengthened considerably in the period. Whilst it is likely that austerity measures will continue in the current economic climate, United Drug has proven that it is in a strong position competitively to deal with these measures and can continue to grow revenue and market share. Furthermore the wholesale business in the Republic of Ireland held costs at 2009 levels despite volume increases of 5% over the year, again demonstrating the operating leverage we can deliver and the competitive cost advantage we derive from processing larger volumes than our competitors combined.

In our pre-wholesaling business, we continued to build our market share on both islands. In Ireland, we won a number of significant new contracts over the year, and in the UK, UDG (our pre-wholesaling joint venture with Alliance Boots) performed strongly and has won significant contracts with three top 10 pharma companies in the last two months positioning it well for future growth.

In total, our wholesale and pre-wholesale businesses delivered an excellent cash performance in the period through astute stock and working capital management.

The second part of our strategy, as outlined in my opening paragraph, is to steadily expand other commercialisation outsourced services in Europe and the US. Again I consider that we have made significant progress in this regard.

In our packaging businesses, we have made considerable business gains in the US and Europe that have delivered good growth this year, and that set a strong platform for the future. Margins have improved in this business as capacity utilisation increases.

Also our speciality/homecare businesses in Ireland and the UK (through our Medco joint venture) will treat some 8,000 patients in their homes next year as a



Over 60%

of Group profits generated outside Ireland, with 16% now coming from the US

result of contract wins during the past 12 months and recent acquisitions. This makes us a clear number two player on these islands and the leading player in Ireland, in this speciality/homecare market; a market that will grow strongly in the coming years as a result of the fact that treating patients in their home is better for patients and is more cost effective for health authorities and product manufacturers.

We have also made considerable progress in our Contract Sales & Marketing Services (CSMS) division. A combination of new client wins in the UK, Ireland and the US has contributed to another successful year. In addition, we completed the acquisition of InforMed, a medical communications company operating in the US and the UK, last August. In the US market in particular, we have been able to bundle sales, regulatory, compliance and packaging services together around individual clients – a model we will continue to focus on in that market. Our call-centre, tele-detailing and patient compliance service company, Alliance, based in Pennsylvania, grew earnings by over 30% in the period. Over 30% of the CSMS division's profits now come from the US.

We are the clear market leader in the UK and Irish contract sales market and are an emerging player in the US marketing services area. We recently won a significant contract with a top five pharma client in the US in a pitch against the leading US Contract Sales Outsourcing (CSO) company.

Sales and service of medical equipment and consumables continues to be a challenging business for the Group. The main factor impacting on this business is lack of funding available in hospitals to purchase the equipment we sell. However, given that capital sales now represent less than 20% of revenue in this business, and the scope we have to cut costs in this business, we believe this area can improve on current levels of profitability. Our goal is to widen the base of medical consumables that we sell in the UK and Ireland, to continue to reduce our dependency on equipment sales.

The cash we generated from operations this year amounted to more than €84m. This coupled with a refinancing of our debt facilities has left our balance sheet in a very strong position. As well as positioning ourselves strongly in high growth markets with good organic growth, we intend to continue to acquire in strategically relevant areas, predominantly in the UK and US. The strength of our balance sheet and ongoing ability to generate strong cash flows from our operating activities gives us great confidence that we can further execute our strategy over the coming years.

Liam FitzGerald
Chief Executive

Operations Review
Healthcare Supply Chain

The Healthcare Supply Chain division combines all of the Group's healthcare logistics based businesses. Revenue for the division for the period of €1.44 billion is 1% lower than in 2009.

Market leadership positions

in pharmaceutical pre-wholesaling and wholesaling



Operations Review

Healthcare Supply Chain

continued



In Pharma Wholesale, United Drug has made further market share gains and strengthened its position as market leader in providing services to retail pharmacy in the Republic of Ireland and Northern Ireland. Both markets have seen a reduction in medicine prices during the year.



In the Republic of Ireland, the implementation on 1 February 2010 of the new Health Service Executive (HSE) agreement with the pharmaceutical industry led to a 40% reduction in the price of most off-patent products. A similar reduction to the reimbursement price of generic products was introduced in September this year. The value of the full line wholesale market in the Republic of Ireland has fallen over the year. This is as a result of the price reductions, lower growth in prescription volumes due to the weak economy and the continued growth in the parallel importation of product. Despite these challenges, revenue in the Republic of Ireland wholesale business is just 1% lower than in 2009 and our share of the full line wholesaling market has grown.

In Northern Ireland, our wholesale business has continued to increase its market share and revenues. This is against a background of a further Government imposed price reduction of 1.9% from 1 January 2010, lower consumer spending on over-the-counter products and the continuing move to Direct-to-Pharmacy distribution in Northern Ireland. Over 50% of pharmaceutical companies have now adopted some form of alternative distribution model. We remain the most efficient and customer focused wholesaler in the market and best placed to react to the evolving requirements of pharmacy customers and manufacturers in Northern Ireland.

In Northern Ireland, our wholesale business has continued to

increase its market share

and revenues.



The Group also strengthened its market leading position in providing outsourced logistics services to pharmaceutical manufacturers in the Republic of Ireland.

In pre-wholesale, the Group also strengthened its market leading position in providing outsourced logistics services to pharmaceutical manufacturers in the Republic of Ireland. There were a number of new contract wins in both the pharmaceutical and consumer parts of the business during the year including the distribution contract for the swine flu vaccine in the Republic of Ireland. Our UK joint venture with Alliance Boots has continued to perform well as the leading pre-wholesaling business in the growing UK market. It has recently won a number of significant new contracts which will assist in its continued growth.

Our Medical & Scientific business sells, distributes and supports consumable and capital equipment to healthcare providers, industry and research institutions. The trading environment for this business continues to be challenging with Governments in both the UK and Ireland imposing restrictions on hospital spending. This is having an impact on expenditure on medical devices and scientific instruments, particularly for capital items. Profitability is lower than in the prior year and the business now has a different revenue mix with the more stable consumable and service business accounting for over 80% of total revenues.

Over the last quarter of the financial year we have changed our Medical & Scientific management structure and strengthened our general management and business development teams, with a focus on retaining and growing current agencies, adding new product offerings and generating cost and process efficiencies. This change process has stabilised the business and we are forecasting a return to earnings growth over the next 12 months. Long term, the overall market place will benefit from aging populations and advances in medical and scientific technology solutions and we remain confident that we are well placed to exploit these opportunities.

In the UK, the Group prepares and distributes specials medicines. A "special" is a unique formulation of a commonly prescribed product prepared in response to a specific patient prescription requirement. Our specials wholesale and manufacturing businesses continue to perform well and have grown strongly during the year. A departmental review of the specials market is currently underway in the UK with the likely outcome being a lower reimbursement price for some of the more popular specials products. Both companies have a strong position in this market and this should enable them to successfully manage any proposed changes.

Operations Review
Contract Sales & Marketing Services

The Contract Sales & Marketing Services (CSMS) division provides contract sales outsourcing and related marketing services to healthcare manufacturers. Revenue for the division for the year of €167 million is 9% higher than in 2009.

As the UK's
**market
leader
in contract
sales
outsourcing**

we can offer unique solutions.



Operations Review

Contract Sales & Marketing Services

continued



The core contract sales outsourcing (CSO) business has grown its market leading position in the UK and Ireland during the year and built up its US customer base. These successes have been achieved by providing our pharmaceutical manufacturing customers with a flexible means to reduce headcount and infrastructure cost whilst maintaining a top quality sales resource and route-to-market solution for their products. The demand for CSO services, in all markets served continues to be strong as manufacturers seek more and more flexibility in their sales models and are increasing the proportion of their sales effort that they outsource. A number of new contract wins during the year leaves the business well positioned going into the new financial year.

Our US medical affairs business has had an exceptional year and performed well ahead of last year and current year targets. Part of this success comes from bundling our medical affairs service with the tele-detailing service offered by our CSO business and also our compliance packaging capabilities. There are further opportunities to combine our services to build an even more compelling offering for manufacturers. In 2011 we are planning to provide a multi-lingual European regulatory affairs service and tele-web detailing to physicians in the UK.



Our US medical affairs business has had an exceptional year and

**performed
well ahead
of last year**

and current year targets.



The division

expanded its global marketing services

capability during the year with the acquisition of InforMed.

Our events management business has been through a year of change. The businesses in the UK and the US were moved to their respective divisional head offices during the year. This allowed the streamlining of our operating structure and was completed without losing any customers. The business is now benefiting from having ready access to all client relationships within the CSMS division and has recently won new business through those relationships.

The division expanded its global marketing services capability during the year with the acquisition of InforMed in August 2010. With offices in the UK and US, InforMed provides healthcare communications and consultancy services to a range of global pharmaceutical and biotechnology companies. Core services include medical writing and publication planning, market research and business analysis, marketing and sales training and consultancy delivered at all stages of the product lifecycle from early phase development to post launch. These services expand the range of healthcare solutions offered within the division and will provide opportunities to further enhance the value added services available to our clients.

Operations Review
Packaging & Speciality

Revenue for the Packaging & Speciality division for the year of €121 million is 2% ahead of 2009.

Providing

outsourced packaging solutions

for pharmaceutical manufacturers



Operations Review

Packaging & Speciality

continued



United Drug provides outsourced packaging solutions for pharmaceutical manufacturers with facilities in the US, the UK, the Netherlands and Belgium. Significant gains were made during 2010 in this business with revenues well ahead of last year. Momentum for outsourcing has increased largely due to decisions taken by pharmaceutical companies to defer investment or eliminate fixed cost infrastructure in a bid to reduce operating costs. Our business in the US performed well in its core bottling and blister packaging operations and made real progress in growing its biotech franchise and making its mark in the more specialised services of batch tracking and serialisation.



The European businesses performed exceptionally well in the hormone and generic markets. The flagship facility in the Netherlands (commissioned in 2009) is proving to be very attractive to generic companies seeking to upscale production as significant products come off patent. A new management structure was implemented in Europe in the latter half of 2010 with the aim of strengthening our European wide presence; streamlining our operations across the three European locations and, in conjunction with the team in the US, building our international business development focus.

The European businesses

performed exceptionally well

in the hormone and generic markets.



This division also provides speciality services focused on

delivering
better
patient
care,

resulting in better patient outcomes on behalf of the pharmaceutical company and/or the relevant health authority in both the UK and Ireland.

This division also provides speciality services focused on delivering better patient care, resulting in better patient outcomes on behalf of the pharmaceutical company and/or the relevant health authority in both the UK and Ireland. Better patient care usually involves treating the individual in their own home either directly with the drug via nurse administration or by training the person to use a device within the home setting. In either case, the patient is not required to attend a hospital. In Ireland, our business had great success in 2010, growing as the market begins to open up to homecare. This service is delivered in the UK through our joint venture with Medco which was established at the end of 2009. In its first year of operation, the business has secured a number of homecare contracts, several pilots and provides cold-chain logistics services for all of United Drug's requirements in the UK. The prospects for this business remain good although continued investment will be required in 2011 to establish the joint venture as the pre-eminent force in UK homecare.

Our vaccines and travel health business also falls under the heading of speciality services. This business performed below expectations during the year due to a restriction in supply of flu vaccine and a reduction in travel due to the economic downturn and the impact of the volcanic ash cloud. However, through a process of rationalisation and a renewed focus on travel health, the business is back on a growth path.

Finance Review

Overview

Group revenue for the year of €1.73 billion is 1% higher than in 2009. Pre-tax profit, before amortisation of intangible assets, is also 1% ahead of 2009 at €67.6 million. These results take into account the impact of healthcare regulatory changes in the Republic of Ireland and Northern Ireland businesses that have reduced revenues and profits in our wholesale and pre-wholesale businesses.

The revenues and profits for the year are directly comparable with the prior year with no major currency translation differences. In each of the two previous years the weakening of the dollar, and more particularly sterling, relative to the euro has reduced reported revenues and profits when compared to the prior year. In the current year our average foreign currency translation rates are very similar to the prior year resulting in almost no currency translation differences.

Very strong cash flows throughout the Group has seen year end net debt fall to €109 million. This is a reduction in net debt of €53 million and is after net acquisition expenditure of €9 million and a further €3 million in deferred consideration on prior year acquisitions.

During the year the Group completed a re-financing of its debt facilities. This re-financing combines a 4 year €135 million syndicated bank facility with a new 7 and 10 year \$130 million Private Placement note issue. These new facilities significantly extend our debt maturities and with our existing \$102 million Private Placement adds to our debt capacity. \$40 million of the original Private Placement is due for repayment in 2011. All other debt facilities mature on dates between 2014 and 2020.



Very strong cash flows

Operating Cash flow

€84m

an increase of €20m on 2009

	IFRS based €'m	Amortisation of intangible assets €'m	Adjusted €'m	Increase/ (decrease) on 2009 %
Revenue	1,726.1	-	1,726.1	1
Operating profit	61.0	13.2	74.2	(3)
Profit before tax	54.4	13.2	67.6	1
Diluted earnings per share (cent)	18.67	4.13	22.80	(3)
			2010	2009
Dividend per share (cent)			8.40	8.00
Net debt (€'m)			109.3	162.5
Net debt/EBITDA* (times)			1.22	1.78

* EBITDA before 2009 exceptional item including annualised EBITDA of companies acquired during the year

United Drug believes that the adjusted operating profit, adjusted profit before tax and adjusted diluted earnings per share are more appropriate measures of the underlying group performance than those measurements set out in the primary financial statements, as this information is in a format communicated to and reviewed by the investment community.

Revenue

Revenue for the year is 1% ahead of 2009 at €1.73 billion. Revenues in the Contract Sales & Marketing Services and Packaging & Speciality divisions are ahead of last year while Healthcare Supply Chain division revenues are slightly down on the prior year as a result of reductions in medicine prices and lower capital spending in hospitals.

Adjusted operating profit

Operating profit for the year of €74.2 million is 3% lower than in 2009. This is after taking account of the start-up costs associated with the new Medco UK homecare joint venture and the impact of the various regulatory changes introduced during the year.

Adjusted profit before tax

Net finance costs for the year of €6.5 million are €3.3 million lower than in 2009 as a result of strong cash flows through the year and continuing low interest rates. After interest costs, profit before tax of €67.6 million is 1% higher than in 2009.

Finance Review

Adjusted earnings per share

Earnings per share for the year of 22.80 cent is 3% lower than in 2009. The underlying tax rate for the year is higher than in 2009 with more of group profits coming from higher tax rate jurisdictions.

Cash flow

Net cash flow from operating activities during the year is €84 million, an increase of €20 million from 2009. Tight working capital management throughout the Group has allowed us to reduce our overall working capital levels despite an increase in turnover. A total of €11.9 million was spent during the year to acquire InforMed and on deferred consideration payments for acquisitions completed in prior years. The net cash flow results in a reduction in net debt of €53 million during the year.

Balance sheet

Year end net debt is €109.3 million. The net debt to EBITDA ratio is 1.22 times and interest is covered 13.6 times by EBITDA. Our financial covenants are based on net debt to EBITDA not to exceed 3.5 times and EBITDA interest cover to be greater than 3 times.

Forward-looking information

Some statements in this annual report are forward-looking. They represent expectations for the Group's business, and involve risks and uncertainties. The Group has based these forward-looking statements on current expectations and projections about future events. The Group believes that expectations and assumptions with respect to these forward-looking statements are reasonable. However, because they involve known and unknown risks, uncertainties and other factors, which in some cases are beyond the Group's control, actual results or performance may differ materially from those expressed or implied by such forward-looking statements.

Financial risk management

The management of the financial risks facing the Group is governed by policies reviewed and approved by the Board of Directors. These policies primarily cover liquidity risk, credit risk, interest rate risk and currency risk. The primary objective of the Group's policies is to minimise financial risk at reasonable cost. The Group does not trade in financial instruments.

Revenue

€1.73bn

1% increase on 2009

The Group uses financial instruments throughout its businesses: borrowings and cash resources are used to finance the Group's operations; trade receivables and payables arise directly from operations; and interest rate swaps are used to manage interest rate and currency risks and to achieve the desired currency profile of borrowings. Further details of financial instruments used by the Group are provided in note 28 to the financial statements.

Liquidity risk management

The Group ensures that it has sufficient financing facilities available through cash flow generated from operating activities, loan notes issued, committed banking facilities and access to equity markets to meet its projected short and medium term funding requirements.

Interest rate risk management

The Group finances its operations through a mixture of retained profits, bank borrowings and funding raised on the US private placement market. The Group's policy is to borrow in the required currencies at both fixed and floating rates of interest and use interest rate swaps to manage the Group's exposure to interest rate fluctuations.

Currency risk management

United Drug's reporting currency and that in which its share capital is denominated is the euro. Given the nature of the Group's businesses, exposure arises in the normal course of business to other currencies, principally sterling and the US dollar.

The majority of the Group's activities are conducted in the local currency of the country of operation. The primary foreign exchange risk arises from the fluctuating value of the Group's net investment in different currencies. Borrowings, to finance acquisitions or major capital expenditure programmes, are made in the currency of the country of operation.

Where sales or purchases are invoiced in other than the local currency and there is not a natural hedge with other activities within the Group, the policy is to eliminate at least 50% of the currency exposures through forward currency contracts. A proportion of the Group's operating profits are denominated in sterling and US dollar, and, where appropriate, foreign currency hedges are put in place to minimise the related exchange rate volatility.

Barry McGrane
Finance Director

Net Debt

€109m

a decrease of €53m on 2009

Corporate Social Responsibility

United Drug recognises the importance of Corporate Social Responsibility (CSR) in the way it manages its business. We understand our responsibilities to our employees, customers and suppliers, shareholders, the environment and the community at large, therefore, commitment to the highest professional and ethical standards is embedded throughout the organisation. The Group's reputation and the trust of its stakeholders are the foundation of its success and are of fundamental importance for the future success of the organisation.

Employees

At United Drug, we believe that our people are our most significant asset and are a key competitive advantage. We are committed to investing time and resources in development initiatives across the Group to assist all to achieve their full potential.

We run a range of development programmes including cross jurisdictional people development projects to ensure that we harness the great strength and diversity that exists across the Group and to ensure that we are developing and utilising that diversity as a strategic resource.

United Drug is a forward thinking employer and sees the benefit of good people practices in our continuing success. We are committed to continually developing a professional environment where achievement is recognised and development is supported.

Health and Safety

United Drug is committed to providing a working environment which ensures the highest standards of health and safety for all of our internal and external stakeholders, employees, suppliers, customers and the environments and communities in which our businesses operate. Accordingly, our aim is beyond compliance with the national standards of the health & safety authorities in those jurisdictions in which our businesses operate.

Working in a manner which promotes a safe and healthy professional environment for all our stakeholders is a principle that we regard as a cornerstone of our business and we constantly seek to improve our health & safety systems and initiatives.

Marketplace

We play a leading role in the provision of healthcare services and work closely with independent pharmacists and local healthcare providers to advise and inform the communities we serve. Our business contributes to supporting the best level of care to patients and acts in their best interests.

The Group is committed to providing the highest quality services and developing and maintaining long-standing relationships with our customers and suppliers.

As part of our commitment to quality, we have made significant investment to ensure the highest industry standards for packaging, storage and delivery of products are maintained and we ensure our people adhere to the highest quality standards.

United Drug's presentation to Special Olympics Ireland.



Environment

United Drug is committed to the conservation of the environment. We ensure that relevant statutory requirements and the highest standards are adhered to and good environmental practice is applied in managing our business and providing services to our customers.

Across the Group, we operate re-use and recycle programmes and engage with suppliers and customers to reduce unnecessary packaging. We actively participate in the Irish Repak packaging waste management and the Waste Electrical and Electronic Equipment (WEEE) schemes. We also operate programmes to collect, and safely dispose of, non-recyclable waste, ensuring responsible disposal in collaboration with regulators.

We constantly seek to limit energy usage and are committed to reducing the Group's carbon footprint. During the year the Group undertook projects which successfully reduced related carbon emissions. The Group remains committed to further reducing its carbon footprint and continues to explore ways through which this can be achieved.

Community

We believe that a responsible approach to developing relationships between companies and the communities they serve is a vital part of delivering business success. Therefore, we support local community and charity initiatives both financially and by the sharing of our time and skills. The Group also actively encourages and supports participation by employees in such projects.

During the year, United Drug was an official medical supplier for the 2010 Special Olympics Ireland Games. In addition to providing medical supplies, this partnership also included the provision of logistical support, a monetary contribution and volunteering by employees. The Games, which were held in Limerick during June, were one of the biggest sporting events to take place in Ireland during 2010, and were a great success.

Education and the welfare of children remains an important focus for the Group. During the year, the Group continued to facilitate employees participating in the Business in the Community and Junior Achievement programmes.

Businesses across the Group also continued to engage in activities to support and benefit their local communities. Ashfield In2Focus supported local initiatives through its Worthy Causes Fund, raising money for the fund through various fund-raising activities. Staff at Ashfield In2Focus also donated their time, volunteering at local charity events, including events for the charity Wishes 4 Kids. The Specials Laboratory assisted local charities through donations made to the Community Foundation. Employees from across the Group participated in various fund raising activities to assist a wide range of worthy causes. The Group also sponsored two employees to climb Jebel Toubkal, Morocco to raise funds for the Dublin Simon Community.

Additionally, the Group continued to support Liam FitzGerald in his capacity as a board member of the Barnardos' 'Learning through Poverty' Campaign and in his role as Chairman of Traidlinks.

Conclusion

United Drug remains committed to further improving its CSR programme, as it believes in the value of good corporate social responsibility practices for the Group and for all stakeholders.

Details of our Group policies and activities are also available on the Group's website, www.united-drug.ie.

Board of Directors

Ronnie Kells*
Chairman



Ronnie Kells is Chairman and a non-executive director of United Drug plc. Ronnie was appointed Chairman in October 2005, having served as a non-executive director since April 1999. Prior to joining United Drug plc, Ronnie was Group Chief Executive of Ulster Bank. Ronnie is also a non-executive director of a number of other companies.

Liam FitzGerald
Chief Executive



Liam FitzGerald was appointed a director of United Drug plc in October 1996 and Chief Executive in October 2000. Liam joined United Drug plc in 1993 and was previously Managing Director of United Drug Distributors. Prior to joining United Drug plc, Liam worked in Dimension Marketing Limited and Jefferson Smurfit Group plc. Liam is currently a non-executive director of Warner Chilcott plc and C&C Group plc, Chairman of Traidlinks, and is a former Chairman of the Marketing Society.

Barry McGrane
Finance Director



Barry McGrane was appointed a director of United Drug plc in August 2001. Barry joined United Drug plc in 1993 and has held various senior finance roles throughout the Group and also that of Company Secretary. Formerly, Barry worked with Reflex Investments plc and Andersen, Dublin.

Chris Brinsmead*



Chris Brinsmead was appointed a non-executive director on 12 April 2010. Chris was formerly Chairman of AstraZeneca Pharmaceuticals UK, President of AstraZeneca UK and Ireland and President of the Association of the British Pharmaceutical Industry (ABPI). Chris is also a non-executive director of other companies including Domino Printing Sciences plc and The Association of the British Pharmaceutical Industry.

Chris Corbin



Appointed a director of United Drug plc in June 2003, Chris Corbin is Managing Director of the Contract Sales & Marketing Services division. Chris founded Ashfield Healthcare Limited and previously held sales management positions with Parke Davis, Fisons, Astra and May & Baker. Chris was formerly Patron for SETPOINT Leicestershire, Chairman of Leicestershire Business Awards and a member of Derbyshire Magistrates Bench.

Annette Flynn



Annette Flynn was appointed a director of United Drug plc in September 2004. Annette joined United Drug plc in 1996 and currently holds responsibility for the Packaging & Speciality division, having previously led the Supply Chain Services division. Prior to this, Annette was responsible for group strategy formulation and implementation. Prior to joining United Drug plc, Annette held senior positions with Kerry Group plc working in their Irish, UK and US operations.

Board of Directors
 Directors' Report
 Directors' Statement on Corporate Governance
 Report of the Remuneration Committee on Directors' Remuneration
 Statement of Directors' Responsibilities

Board Committees

Audit Committee

P. Gray* (Chairman)
 J. Peter*
 P. Toomey*

Remuneration Committee

G. McGann* (Chairman)
 C. Brinsmead*
 H. Friel*
 R. Kells*
 J. Peter*
 P. Toomey*

Nomination Committee

R. Kells* (Chairman)
 L. FitzGerald
 P. Gray*
 G. McGann*
 P. Toomey*

Acquisitions and Finance Committee

R. Kells* (Chairman)
 C. Brinsmead*
 L. FitzGerald
 A. Flynn
 H. Friel*
 P. Gray*
 G. McGann*
 B. McGrane

* non-executive director

Hugh Friel*



Hugh Friel was appointed a non-executive director in April 2009. Hugh is Chairman of Tourism Ireland and was formerly Chief Executive of Kerry Group plc. Hugh also previously worked with Aer Lingus, New York, Mobile Oil Corp., London and Erin Foods, Ireland.

Peter Gray*



Appointed a non-executive director in September 2004, Peter Gray is Chief Executive of ICON plc, the Irish based multinational pharmaceutical development services company. Prior to joining ICON plc in 1997 as Chief Financial Officer, Peter held senior executive positions in a number of Irish public companies. Peter is currently also a non-executive director of Danica Life Limited.

Gary McGann*



Gary McGann was appointed a non-executive director in September 2004 and was appointed the Senior Independent non-executive director in November 2007. Gary is Group Chief Executive of the Smurfit Kappa Group. Before joining the Jefferson Smurfit Group in 1998 as Chief Financial Officer, Gary held various senior executive positions in Irish industry. Gary is also Chairman of Aon McDonagh Boland and a member of the European Round Table of Industrialists (ERT).

John Peter*



Appointed a non-executive director in September 2005, John Peter is a member of the Board of Solvay UK Holdings Limited, responsible for co-ordinating Solvay's business in the UK. John was formerly Chief Executive of Solvay Healthcare in the UK and Ireland and held various senior positions in research and development, international marketing and business development in Europe and the US.

Alan Ralph



Alan Ralph was appointed a director of United Drug plc in June 2008. Alan joined United Drug plc in 1999 and currently holds responsibility for the Healthcare Supply Chain division. Prior to this, Alan held various roles throughout the Group including Managing Director of the Pharma Wholesale division. Formerly, Alan worked with Banta Corporation and Price Waterhouse.

Philip Toomey*



Appointed a non-executive director in February 2008, Philip Toomey is the Global Chief Operating Officer for the financial services industry practice of Accenture. Philip has wide ranging international consulting experience and is a member of the Accenture Global Leadership Council.

Directors' Report

The directors present their report and audited financial statements for the year ended 30 September 2010.

Principal activities, business review and future developments

United Drug is a leading international provider of services to healthcare manufacturers and pharmaceutical retailers, with operations in Ireland, the UK, Belgium, the Netherlands, Sweden and the US. The Group operated across three divisions during the year ended 30 September 2010, Healthcare Supply Chain, Contract Sales & Marketing Services and Packaging & Speciality. Detailed operating and financial reviews and a review of future developments are contained in the Chairman's Statement, Chief Executive's Review, Operations Review and Finance Review on pages 4 to 23.

Results

Revenue for the year is €1.73 billion (2009: €1.72 billion) and profit after tax attributable to the owners of the parent is €44.6 million (2009: €44.5 million, before exceptional item).

The financial statements for the year ended 30 September 2010 are set on pages 50 to 113.

Dividends

An interim dividend of 2.34 cent (2009: 2.23 cent) per share was paid during July 2010. Subject to approval at the Annual General Meeting, it is proposed to pay a final dividend of 6.06 cent per share on 25 February 2011, to shareholders on the Company's register at 5.00 p.m. on 26 November 2010, thereby giving a total dividend for the year of 8.40 cent (2009: 8.00 cent) per share.

Board of Directors

Mr. K. McGowan retired from the Board on 8 February 2010.

Mr. C. Brinsmead was appointed to the Board on 12 April 2010. In accordance with the Articles of Association, Mr. C. Brinsmead retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Mr. R. Kells retires from the Board at the forthcoming Annual General Meeting, in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Ms. A. Flynn, Mr. P. Gray, Mr. G. McGann and Mr. B. McGrane retire from the Board by rotation at the forthcoming Annual General Meeting, in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Directors, secretary and their interests

The interests of the directors and secretary in the share capital of the Company are set out in the Report of the Remuneration Committee on Directors' Remuneration. The directors and secretary had no beneficial interests in any of the Group's subsidiary or joint venture undertakings during the year.

Corporate governance

The Statement on Corporate Governance on pages 32 to 38 sets out the Company's application of the principles and compliance with the provisions of Section 1 of the Combined Code on Corporate Governance (June 2008), the Group's system of internal control and the adoption of the going concern basis in the preparation of the financial statements.

The Report of the Remuneration Committee on Directors' Remuneration is set out on pages 39 to 46.

Principal risks and uncertainties

Under Irish company law, the Group and the Company are required to give a description of the principal risks and uncertainties which they face.

Risk management is an integral part of the Group's business process. A group risk register which incorporates measures to address identified risks is reviewed and updated by the Risk Register Group, on a bi-annual basis and additionally as required. The group risk register is also reviewed and approved by the Board.

The principal risks and uncertainties are set out below:

- Changes in Government regulations, funding and pricing agreements, particularly in the healthcare and pharmaceutical sectors, may adversely affect the Group.
- The Group is subject to stringent medical, quality, environmental and health and safety regulations and standards and any significant change in these could result in increased compliance costs which could adversely affect profitability.
- Mergers and acquisition activity amongst healthcare manufacturers could lead to existing contracts being cancelled or not renewed.
- As an international Group with substantial operations and interests outside the euro zone, the Group is subject to the risk of adverse movements in foreign currency exchange rates.
- The Group provides credit to customers as part of normal trading and there is a risk that customers may not be able to pay outstanding balances.
- The Group faces strong competition in its various markets and if it fails to compete successfully, market share and profitability may decline.
- Distribution of third party products by the Group is currently by agreement. There is no certainty that these agreements will be renewed when they expire, which could lead to a decline in sales and profitability.
- The Group requires access to capital to operate on a daily basis and for longer-term development projects. Lack of availability of sufficient capital resources may adversely affect the Group.
- Should the Group not be able to fulfil the demand for its products due to circumstances such as the loss of a packaging or storage facility or disruptions to its supply chains, sales volumes and profitability could be affected.
- Group IT facilities could be subject to external interference, which could result in downtime, which in turn could lead to a decline in sales and profitability.
- The success of the Group is built upon an effective management team committed to achieving a superior performance in each division. Should the Group not attract or retain suitably qualified employees, this could have an impact on business performance.

Financial risk management

The financial risk management objectives and policies of the Group and the Company, are set out in the Finance Review on pages 20 to 23 and in note 28 to the financial statements.

The principal key performance indicators used by the Group to measure performance are also detailed in the Finance Review.

Substantial interests

At 17 December 2010, the Company had received notification of the following interests of 3% or more in its ordinary share capital:

M&G Investment Management Limited/Prudential plc	11.04%
FMR LLC	10.03%
Ameriprise Financial Inc	8.98%

These shareholdings are not ultimately beneficially owned by them.

Share price

The Company's shares are listed on the London Stock Exchange and the Irish Stock Exchange. The price of the Company's ordinary shares ranged between €2.03 and €2.77, with an average price of €2.34 during the year ended 30 September 2010. The share price at the end of the 2010 financial year was €2.50 and the market capitalisation of the Group was €601 million. On 17 December 2010, the share price was €2.04 and the market capitalisation of the Group was €491 million.

Directors' Report

continued

Authority to allot shares and disapplication of pre-emption rights

At the Annual General Meeting held on 9 February 2010, the directors received the authority from shareholders to allot shares up to an aggregate nominal value representing approximately one third of the issued share capital of the Company and the power to disapply the statutory pre-emption provisions relating to the issue of new equity for cash. The disapplication is limited to the allotment of shares in connection with the exercise of share options, any rights issue, any open offer or other offer to shareholders, the allotment of shares in lieu of dividends and the allotment of shares up to an aggregate nominal value representing approximately 5% of the issued share capital of the Company.

These authorities are due to expire at the Company's 2011 Annual General Meeting, consequently resolutions to renew these authorities will be proposed at this meeting. If granted, the authorities will expire on the earlier date of the Annual General Meeting in 2012 or 16 May 2012.

Purchase of own shares

At the Annual General Meeting held on 9 February 2010, authority was granted to the Company, or any of its subsidiaries, to purchase a maximum aggregate of 10% of the Company's shares.

Special resolutions will be proposed at the Company's 2011 Annual General Meeting to renew the authority of the Company, or any of its subsidiaries, to purchase up to 10% of the issued share capital of the Company and in relation to the maximum and minimum prices at which treasury shares (effectively shares purchased and not cancelled) may be re-issued off-market by the Company. If granted, the authorities will expire on the earlier date of the Annual General Meeting in 2012 or 16 May 2012.

The minimum price which may be paid for shares purchased by the Company, or any of its subsidiaries, shall not be less than the nominal value of the shares and the maximum price will be 105% of the average market price of such shares over the preceding five business days.

The directors will only exercise the power to purchase shares if they consider it to be in the best interests of the Company and its shareholders.

Takeover Directive

Details of the Company's capital structure including a summary of the rights and obligations attaching to shares are set out in the Group statement of changes in equity and notes 15, 17, 18 and 28 to the financial statements. Details of the Long Term Incentive Plan, share option and equity settled incentive schemes and employee share schemes are set out in note 27 to the financial statements and in the Report of the Remuneration Committee on Directors' Remuneration.

The Company has certain banking facilities and loan note agreements, which may require repayment in the event that a change in control occurs with respect to the Company. The Company also has certain customer contracts which contain change in control provisions. Additionally, the Company's Long Term Incentive Plan, share option and equity settled incentive schemes contain change in control provisions which allow potentially for the acceleration of the exercisability of share options and the vesting of deferred shares in the event that a change in control occurs with respect to the Company.

Mr. L. FitzGerald may in certain circumstances be entitled to terminate his employment with the Company in the event that a change in control occurs with respect to the Company. If Mr. L. FitzGerald's contract is terminated he may be entitled to receive payment equal to his basic salary, annual bonus and the pension contribution made on his behalf in the year immediately preceding the termination in full and final discharge and satisfaction of all and any claims arising in these circumstances.

Details concerning the appointment and the re-election of directors and the amendment of the Company's Articles of Association are set out in the Directors' Statement on Corporate Governance.

Political donations

No political donations were made by the Group during the year, which require disclosure in accordance with the Electoral Acts 1997 to 2002.

Subsidiaries

Details of the Group's significant subsidiary undertakings as at 30 September 2010 are set out in note 46 to the financial statements.

Post balance sheet events

Details of important events after the balance sheet date are set out in note 31 to the financial statements.

Accounting records

The directors believe that they have complied with the requirements of Section 202 of the Companies Act, 1990 with regard to books of account by employing accounting personnel with appropriate expertise and by providing adequate resources to the finance function. The books of account of the Company are maintained at the Company's registered office, United Drug House, Magna Drive, Magna Business Park, Citywest Road, Dublin 24, Ireland.

Auditor

In accordance with Section 160(2) of the Companies Act, 1963, the auditor, KPMG, Chartered Accountants, will continue in office and a resolution authorising the directors to fix their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting

The Annual General Meeting of the Company will be held on 17 February 2011. Your attention is drawn to the letter to shareholders and the notice of meeting available on the Company's website, www.united-drug.ie which sets out details of the matters which will be considered at the Annual General Meeting.

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Directors' Statement on Corporate Governance

The directors are committed to maintaining the highest standards of corporate governance. This statement details how the Group applies the main principles and provisions of Section 1 of the Combined Code on Corporate Governance, June 2008 ('the Code') published by the Financial Reporting Council in the UK. The Board welcomes corporate governance developments including the publication of The UK Corporate Governance Code (June 2010) which applies to the Group for the year ending 30 September 2011.

Board of directors

Role

The Board is responsible for the leadership and control of the Group. The Board has reserved certain items for its review including the approval of Group strategic plans, financial statements, budgets, significant acquisitions and disposals, investments in joint ventures, significant property transactions, significant capital expenditure and board appointments.

The roles of Chairman and Chief Executive are separate with a clear division of responsibility between them. The Board has delegated responsibility for the management of the Group, through the Chief Executive, to executive management. The Board has also delegated some of its responsibilities to board committees, details of which are set out below.

The Group's professional advisers are available for consultation by the Board as required. Individual directors may seek independent professional advice at the Group's expense, where they judge it necessary to discharge their responsibility as a director.

The Group has a policy in place which indemnifies the directors in respect of legal action taken against them as directors of the Company.

Membership

The Board is comprised of five executive and seven non-executive directors. Biographical details are set out on pages 26 and 27.

It is board policy that a majority of the Board is comprised of non-executive directors and that the Chairman is a non-executive director.

All of the directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards. The Board considers that between them, the directors bring a range of skills, knowledge and experience necessary to lead the Group.

Independence of non-executive directors

The Board has evaluated the independence of each of its non-executive directors and has determined that each of the non-executive directors is independent. In arriving at this conclusion, the Board considered many factors including whether any of the non-executive directors:

- has been an employee of the Group;
- has or had within the last three years, a material business relationship with the Group;
- receives remuneration from the Group other than a director's fee;
- has close family ties with any of the Group's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their first election.

Chairman

Mr. R. Kells has been Chairman of the Group since 5 October 2005. On appointment as Chairman, Mr. R. Kells met the independence criteria set out in the Code. The Chairman has overall responsibility for the effective and efficient working of the Board, ensuring that the Board considers the key strategic issues facing the Group and that the directors receive accurate, relevant, timely and clear information. The Chairman also ensures appropriate and effective interaction with shareholders.

Senior Independent non-executive director

Mr. G. McGann is the Senior Independent non-executive director. Mr. G. McGann is available to shareholders who have concerns that cannot be addressed through the Chairman, Chief Executive or Finance Director. Mr. G. McGann is also available to meet major shareholders on request.

Company Secretary

The appointment and removal of the Company Secretary is a matter for the Board. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

Terms of appointment

The non-executive directors are engaged under the terms of a letter of appointment. A copy of the standard letter of appointment is available on request from the Company Secretary. It is board policy that non-executive directors are normally appointed for an initial term of three years. Non-executive directors are typically expected to serve two, three year terms however the Board may invite them to serve longer.

Retirement and re-election

The Group's Articles of Association provide that directors must submit themselves for re-election at least every three years. Directors appointed by the Board must submit themselves to shareholders for election at the Annual General Meeting following their appointment. All directors over the age of seventy must submit themselves for re-election on an annual basis. In accordance with the Code, a director who has served on the Board for in excess of nine years will also be subject to annual re-election.

Induction and development

On appointment, directors are provided with briefing materials on the Group and its operations. Visits to group businesses and briefings with senior management are arranged as appropriate and ongoing briefings are also provided to all directors.

Performance evaluation

The Board conducts an annual review of its own performance and that of its committees and of each individual director. During the year, this review was primarily achieved through discussions held by the Chairman with directors on both an individual and group basis and through a detailed questionnaire completed by each director. In addition, the Chairman also independently met with the non-executive directors. The Chairman provides the Board with a summary of the results of the evaluation process and suggestions for any related changes. The Senior Independent non-executive director also met with the other non-executive directors, without the Chairman present, to review the performance of the Chairman.

Remuneration

Details of directors' remuneration are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 39 to 46.

Share ownership and dealing

Details of directors' shareholdings are set out in the Report of the Remuneration Committee on Directors' Remuneration.

The Group has a policy on dealing in shares that applies to all directors and senior management. This policy adopts the terms of the Model Code as set out in the Listing Rules published by the UK Listing Authority and the Irish Stock Exchange.

Directors' Statement on Corporate Governance

continued

Communication with shareholders

The Group recognises the importance of shareholder communications and has an established investor relations programme. There is regular dialogue with institutional shareholders as well as general presentations at the time of the release of the annual and interim results. The Board is briefed regularly on the views and concerns of institutional shareholders.

Results announcements are released promptly to shareholders. Interim management statements were also issued in February and July 2010, in accordance with requirements under the EU Directive 2004/109/EC ('the Transparency Directive'). In addition, acquisitions are notified to the stock exchanges in accordance with the requirements of the Listing Rules.

The Group's website, www.united-drug.ie provides the full text of the annual and interim reports, investor presentations, interim management statements and stock exchange announcements.

Meetings

The Board routinely meets at least six times a year and additionally as required. During the year, the Board met eleven times. Details of directors' attendance at these meetings are set out on page 38.

The Chairman sets the agenda for each meeting in consultation with the Chief Executive and the Company Secretary. The agenda and board papers are circulated prior to each meeting to provide the directors with relevant information and enable them to fully consider the agenda items in advance of the meeting.

General meetings

The Company's Annual General Meeting affords shareholders the opportunity to question the Chairman and the Board. The Notice of Annual General Meeting, the Form of Proxy and the annual report are issued to shareholders at least 21 working days before the meeting. At the meeting, resolutions are voted on by a show of hands of those shareholders attending, in person or by proxy. After each resolution has been dealt with, details are given of the level of proxy votes cast on each resolution and the number of votes for, against and withheld. If validly requested, resolutions can be voted by way of a poll whereby the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance of the meeting and the total number of votes for, against and withheld for each resolution are announced. Details of proxy votes received are made available on the Company's website following the meeting.

All other general meetings are called Extraordinary General Meetings (EGM). An EGM called for the passing of a special resolution must be called by providing at least 21 clear days' notice. Provided shareholders have passed a special resolution at the immediately preceding Annual General Meeting and the Company allows shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the directors deem it appropriate, be called by providing at least 14 clear days' notice.

A quorum for a general meeting of the Company is constituted by three or more shareholders present in person or by proxy and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. To be passed, a special resolution requires a majority of at least 75% of the votes cast.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies record dates for general meetings, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the Notice of Annual General Meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the Notice of Annual General Meeting. A shareholder, or a group of shareholders, holding at least 5% of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least 3% of the issued share capital of the Company, has the right to put an item on the agenda or to table a draft resolution for inclusion on the agenda of a general meeting, subject to any contrary provision in Irish company law.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association sets out the objects and powers of the Company and may be amended by a special resolution passed by the shareholders at a general meeting of the Company.

Board committees

The Board has established four permanent committees to assist in the execution of its responsibilities. These committees are the Audit Committee, Remuneration Committee, Nomination Committee and Acquisitions and Finance Committee. Each committee has specific terms of reference under which authority is delegated to it by the Board. The terms of reference are available on the Group's website. The membership of each committee is set out in this report. Details of attendance at meetings are set out on page 38. The Chairmen of each committee report to the Board. The Chairmen of these committees attend the Annual General Meeting and are available to answer questions from shareholders.

Audit Committee

The Audit Committee comprises Mr. P. Gray (Chairman), Dr. J. Peter and Mr. P. Toomey, all of whom are non-executive directors.

The Chief Executive, Mr. L. FitzGerald and the Finance Director, Mr. B. McGrane, are not members of the Committee but may be invited to attend its meetings. The Head of Internal Audit and the external auditor also attend meetings and have direct access to the Chairman and the Committee for independent discussions. During the year, the Committee met with the Head of Internal Audit and with the external auditor in the absence of management.

The Committee meets a minimum of three times a year. During the year under review, the Committee met ten times. Attendance at meetings is set out on page 38.

The Committee has determined that Mr. P. Gray is the Committee's financial expert.

The Committee's responsibilities include:

- monitoring the integrity of the Group's financial statements, including the annual report, interim report, preliminary announcement and interim management statements;
- reviewing the effectiveness of the Group's internal financial controls and financial risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- monitoring and reviewing the external auditor's independence, objectivity and effectiveness; and
- ensuring compliance with the Group's policy on the provision of non-audit services by the external auditor.

The Committee discharged these responsibilities during the year by:

- reviewing the Group's interim management statements which were issued in February and July 2010;
- reviewing the interim report for the six months ended 31 March 2010;
- reviewing the preliminary announcement and annual report for the year ended 30 September 2010;
- reviewing the results of the Group's financial controls risk identification and assessment process;
- approving the internal audit plan and reviewing internal audit reports;
- reviewing the external audit plan in advance of the audit and the post-audit report, as presented by the external auditor;
- reviewing the independence, objectivity and effectiveness of the external auditor; and
- recommending the re-appointment of the external auditor to the Board.

The Committee monitors the nature, extent and scope of non-audit services provided to the Group by the external auditor in order to ensure that this does not impair their independence and objectivity. It is current committee policy that where it is deemed to be in the best interests of the Group, alternative professional advisers, beyond the incumbent external auditor, are engaged to provide non-audit services. Four key principles underpin the provision of non-audit services by the external auditor, namely that the auditor shall not:

- audit its own firm's work;
- conduct activities that would normally be undertaken by management;
- have a mutuality of financial interest with the Group; or
- act in an advocacy role for the Group.

The Committee also reviewed the Group's practices in respect of the hiring of former employees of the external auditor.

Details of amounts paid to the external auditor during the year are set out in note 3 to the financial statements.

Directors' Statement on Corporate Governance

continued

Remuneration Committee

The Remuneration Committee consists solely of non-executive directors and comprises Mr. G. McGann (Chairman), Mr. C. Brinsmead, Mr. H. Friel, Mr. R. Kells, Dr. J. Peter and Mr. P. Toomey. Mr. C. Brinsmead was appointed to the Committee on 10 June 2010.

The Chief Executive, Mr. L. FitzGerald, is not a member of this committee but may be invited to attend meetings, except those where his own remuneration is discussed.

The Committee meets at least once a year. During the year under review, the Committee met five times. Attendance at meetings is set out on page 38.

The Committee's responsibilities include:

- determining the Group's policy on executive remuneration;
- determining the remuneration of the executive directors;
- monitoring the level and structure of the remuneration for senior management; and
- reviewing the design of share incentive plans and approving awards under such schemes.

Details of the activities of the Committee during the year are set out in the Report of the Remuneration Committee on Directors' Remuneration.

Nomination Committee

The Nomination Committee comprises Mr. R. Kells (Chairman), Mr. L. FitzGerald, Mr. P. Gray, Mr. G. McGann and Mr. P. Toomey.

The Committee meets at least once a year. During the year under review, the Committee met twice. Attendance at meetings is set out on page 38.

The Committee's responsibilities include:

- reviewing the structure, size and composition, including the skills, knowledge and experience required by the Board, and making recommendations regarding any changes in order to ensure that the composition of the Board and committees is appropriate for the Group's requirements;
- establishing processes for the identification of suitable candidates for appointment to the Board; and
- overseeing succession planning for the Board and senior management.

During the year, the Committee recommended to the Board, one suitable candidate for appointment as a non-executive director. The Committee is empowered to use the services of independent consultants to facilitate the search for suitable candidates, however, such services were not required as the Committee engaged in a formal and rigorous process to consider the requirements of the position and identify suitable candidates.

Acquisitions and Finance Committee

The Acquisitions and Finance Committee advises the Board on matters relating to acquisitions and finance. The Committee comprises Mr. R. Kells (Chairman), Mr. C. Brinsmead, Mr. L. FitzGerald, Ms. A. Flynn, Mr. H. Friel, Mr. P. Gray, Mr. G. McGann and Mr. B. McGrane. Mr. K. McGowan was also a member of the Committee until his retirement from the Board on 8 February 2010. Mr. C. Brinsmead was appointed to the Committee on 10 June 2010.

The Committee meets during the year as required. During the year under review, the Committee met four times. Attendance at meetings is set out on page 38.

Corporate social responsibility

The Group's corporate social responsibility policies and activities are summarised on pages 24 and 25.

Internal control

The directors have overall responsibility for the Group's system of internal control and for reviewing the effectiveness of these controls. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable but not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the Group which has been in place during the year under review and up to the date on which the financial statements were signed. The Group's management operates a risk management process, which identifies the key risks facing the business, and reports to the Board on how these risks are being managed. This is based on each business producing a risk register, which identifies its key risks, the probability of those risks occurring, their impact should they occur and actions being taken to manage those risks to the desired level. This information is compiled and reviewed by the Risk Register Group, which includes executive directors, who meet bi-annually and additionally as required, to discuss these risks, and other risks faced at group level, and this process culminates in the production of the Group's risk register. On an ongoing basis, management ensure that steps are taken to further embed internal control and risk management into the operations of the Group and to identify any areas for improvement.

The Audit Committee meets and receives reports from both internal and external auditors and satisfies itself as to the adequacy of the Group's internal financial control systems. The Chairman of the Audit Committee reports to the Board on significant matters considered by the Committee and the minutes of its meetings are circulated to all directors.

Further key procedures that have been established and are designed to provide effective internal control include:

- a management structure with clearly defined lines of responsibility and delegation of authority;
- the approval by the Board of comprehensive annual budgets, and the monthly monitoring of performance against these budgets;
- the approval by the Board for all major capital projects; and
- the existence of an independent internal audit function, which reviews key business processes and controls.

The directors confirm that they have reviewed and are satisfied with the effectiveness of the system of internal control, which operated during the year covered by the financial statements and up to the date on which the financial statements were signed. In particular, they have considered the significant risks affecting the business and the way in which these risks are managed, controlled and monitored.

Compliance statement

The Board has taken the necessary steps to ensure compliance with the provisions set out in Section 1 of the Code throughout the accounting period.

Going concern

After making enquiries, the directors have a reasonable expectation that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' Statement on Corporate Governance

continued

Attendance at board and committee meetings

Attendance at board and committee meetings during year ended 30 September 2010 is set out below:

	Board		Audit Committee		Remuneration Committee		Nomination Committee		Acquisitions and Finance Committee	
	A	B	A	B	A	B	A	B	A	B
R. Kells	11	11	-	-	5	5	2	2	4	4
L. FitzGerald	11	11	-	-	-	-	2	2	4	4
C. Brinsmead ⁽ⁱ⁾	5	5	-	-	2	2	-	-	2	1
C. Corbin	11	9	-	-	-	-	-	-	-	-
A. Flynn	11	10	-	-	-	-	-	-	4	4
H. Friel	11	7	-	-	5	5	-	-	4	4
P. Gray	11	11	10	10	-	-	2	2	4	4
G. McGann	11	7	-	-	5	5	2	2	4	3
K. McGowan ⁽ⁱⁱ⁾	5	4	-	-	-	-	-	-	1	1
B. McGrane	11	11	-	-	-	-	-	-	4	4
J. Peter	11	10	10	9	5	4	-	-	-	-
A. Ralph	11	11	-	-	-	-	-	-	-	-
P. Toomey	11	11	10	9	5	5	2	2	-	-

Column A details the number of meetings held during the year when the director was a member of the Board and committee.

Column B details the number of meetings attended during the year when the director was a member of the Board and committee.

- (i) Mr. C. Brinsmead was appointed to the Board on 12 April 2010 and was appointed to the Remuneration Committee and Acquisitions and Finance Committee on 10 June 2010.
- (ii) Mr. K. McGowan retired from the Board and the Acquisitions and Finance Committee on 8 February 2010.

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Report of the Remuneration Committee on Directors' Remuneration

Composition and Role

The Remuneration Committee consists solely of non-executive directors. Details of membership are outlined in the Directors' Statement on Corporate Governance. The Committee's responsibilities include determining the Group's policy on executive remuneration and considering and approving salaries and other terms of the remuneration packages for executive directors.

The Remuneration Committee is empowered to use the services of external independent consultants to advise on all compensation and remuneration matters as required. During 2009, the Remuneration Committee undertook a review of the Group's long term incentive arrangements, in which it was advised by independent consultants, Deloitte LLP. The adoption of two new schemes, the Long Term Incentive Plan 2010 (LTIP) and the Executive Share Option Plan 2010 (ESOP) were subsequently proposed and approved by shareholders at the Company's 2010 Annual General Meeting.

During the year, the Remuneration Committee determined the salaries and awards under the LTIP for the executive directors and senior management and also approved the award of share options to management under the ESOP. The Remuneration Committee also oversaw the preparation of this Report of the Remuneration Committee on Directors' Remuneration.

Remuneration policy

The Remuneration Committee aims to ensure that remuneration packages are competitive and that they will attract and retain directors of the quality required and motivate them to perform in the best interests of shareholders.

Remuneration packages for executive directors generally consist of basic salary and benefits, a performance related bonus, participation in the LTIP and pension.

The Group also grants share options, under an approved executive share option plan, to management across the Group to encourage identification with shareholders' interests. During the 2010 financial year, the Group also operated an Employee Share Participation Scheme, however this scheme will be wound down over the coming years. At 30 September 2010, 364 employees held shares in the Company through the Employee Share Participation Scheme.

Executive directors' remuneration

Basic salary and benefits

The basic salaries of executive directors are reviewed annually having regard to personal performance, divisional and/or group performance, step changes in responsibilities and competitive market practice in their area of operation. Employment-related benefits principally relate to the use of company cars and health benefits. No fees are payable to executive directors.

Performance related bonus

Under the performance related bonus, the maximum annual bonus payable is up to 80% of basic salary for the Chief Executive and 60% for the other executive directors for meeting clearly defined performance targets. The primary performance targets for each director incorporate a minimum of two of the following categories:

1. Individual performance: strategic priorities and action plans are agreed at the start of the year.
2. Group profitability and cost performance: challenging targets are set each year.
3. Divisional profitability and cost performance: challenging targets are set each year.

Long Term Incentive Plan 2010

The LTIP, approved by shareholders at the Company's 2010 Annual General Meeting, replaced the share incentive scheme and the Chief Executive's former Long Term Incentive Plan. The scheme is designed to retain LTIP participants and also to align their interests with those of the Group's shareholders. Awards are granted at the discretion of the Remuneration Committee and are subject to a vesting period and the satisfaction of challenging performance targets, details of which are outlined in this report. The vesting period for awards granted during 2010 is three years. The cost of this scheme is recognised over the vesting period.

Report of the Remuneration Committee on Directors' Remuneration

continued

Share Incentive Scheme

The share incentive scheme was closed during 2010 and no awards were granted under the scheme in respect of the 2010 financial year. The scheme was previously operated for senior executives and executive directors, excluding the Chief Executive. Under the terms of the scheme, the Committee could award shares, on a contingent basis, with a value of up to a maximum of 20% of basic salary where superior annually set financial targets were achieved. Shares awarded and allocated to senior employees under the scheme are subject to restrictions, primarily the risk of forfeiture of the shares awarded, should the employee leave the Group within three years. The cost of this scheme is recognised over the vesting period.

Chief Executive Long Term Incentive Plan

The Chief Executive previously had a Long Term Incentive Plan for the three-year duration relating to the financial years 2007 to 2009 inclusive. Challenging performance targets had to be achieved in respect of Total Shareholder Return by comparison with a peer group, growth in earnings per share and the strategic development of the Group. The total maximum annual earnings potential was 40% of basic salary, which could have been earned as a deferred cash payment or in the form of a conditional award of shares in the Company. The cost of this plan was recognised over the duration of the plan. There was no commitment to any payment until after the end of the plan.

Executive Share Option Plan

The ESOP, approved by shareholders at the Company's 2010 Annual General Meeting, replaced the 2002 Executive Share Option Scheme. Share options are granted under the ESOP to management across the Group, excluding participants in the LTIP, to encourage identification with shareholders' interests. Share options are granted at the discretion of the Remuneration Committee. Share options granted are subject to a vesting period and the satisfaction of challenging performance targets, details of which are outlined in this report. The vesting period for share options granted during 2010 is three years.

Share options granted during prior years under the Executive Share Options Schemes (ESOS) have a vesting period of three years for Basic Tier share options and five years for Second Tier share options and are subject to meeting specific performance targets. Details on the ESOS performance targets are outlined in this report.

The cost of the ESOP and ESOS are recognised over the vesting period.

Pensions

The executive directors, with the exception of Mr. C. Corbin, participate in a group defined benefit pension plan, which is accrued annually to provide up to a maximum of two thirds of final pensionable salary at retirement. Mr. C. Corbin is a member of a defined contribution pension plan.

All pension benefits are determined solely in relation to basic salary. Fees paid to non-executive directors are not pensionable.

Service contracts

Executive director service contracts can be terminated by the Company giving 12 months notice.

Non-executive directors' remuneration

The remuneration of the non-executive directors is determined by the Board. The fees paid to non-executive directors are set at a level which will attract individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs and reflect the time and commitments of their board duties. A basic fee is paid to non-executive directors with additional fees paid to the members of committees, Chairmen of committees and to the Chairman of the Board. The non-executive directors do not participate in the Company's performance-related cash or equity incentive plans.

Directors' remuneration

A pay freeze on executive director salaries and non-executive director fees was implemented for the 2010 financial year.

Executive directors 2010

	Basic salary €'000	Benefits in kind €'000	Cash performance bonus €'000	Pension contribution €'000	Share option expense €'000	LTIP expense €000	Total 2010 €'000
L. FitzGerald ⁽ⁱ⁾	570	39	353	127	69	26	1,184
C. Corbin ⁽ⁱⁱ⁾	309	47	155	186	39	10	746
A. Flynn	204	25	86	43	31	6	395
B. McGrane	304	19	91	66	39	10	529
A. Ralph	333	22	100	76	37	10	578
	1,720	152	785	498	215	62	3,432

- (i) Mr. L. FitzGerald's Long Term Incentive Plan vested during the 2010 financial year. The settlement of awards earned comprised a total cash payment of €399,500 and the vesting of 61,538 shares which had been acquired from market at €3.90 per share. The shares which vested will remain restricted and held in trust until 13 March 2011. The cost of this plan was recognised over the duration of the Long Term Incentive Plan.
- (ii) The pension contribution on behalf of Mr. C. Corbin is to a defined contribution pension scheme.

The executive directors' salaries and the non-executive directors' fees were reduced by 5% with effect from 1 February 2009. In addition, the executive directors waived their cash performance bonus entitlement for the financial year ended 30 September 2009.

Executive directors 2009

	Basic salary €'000	Benefits in kind €'000	Cash performance bonus €'000	Pension contribution €'000	Share option expense €'000	Total 2009 €'000
L. FitzGerald	580	44	-	164	129	917
C. Corbin ⁽ⁱ⁾	310	37	-	165	69	581
A. Flynn	208	24	-	57	64	353
B. McGrane	309	24	-	94	66	493
A. Ralph ⁽ⁱⁱ⁾	322	21	-	69	69	481
	1,729	150	-	549	397	2,825

- (i) The pension contribution on behalf of Mr. C. Corbin is to a defined contribution pension scheme.
- (ii) Due to a step change in responsibilities Mr. A. Ralph was awarded an increase in basic salary effective from 1 January 2009.

Report of the Remuneration Committee on Directors' Remuneration

continued

Non-executive directors 2010

	Basic fees €'000	Other fees €'000	Total 2010 €'000
R. Kells	48	109	157
C. Brinsmead ⁽ⁱ⁾	22	3	25
H. Friel	48	9	57
P. Gray	48	19	67
G. McGann	48	19	67
K. McGowan ⁽ⁱⁱ⁾	17	3	20
J. Peter	48	9	57
P. Toomey	48	9	57
	327	180	507

(i) Mr. C. Brinsmead was appointed to the Board on 12 April 2010 and was appointed to the Remuneration Committee and Acquisitions and Finance Committee on 10 June 2010.

(ii) Mr. K. McGowan retired from the Board and the Acquisitions and Finance Committee on 8 February 2010.

Non-executive directors 2009

	Basic fees €'000	Other fees €'000	Total 2009 €'000
R. Kells	48	111	159
H. Friel ⁽ⁱ⁾	20	3	23
P. Gray	48	19	67
G. McGann	48	19	67
K. McGowan	48	10	58
J. Peter	48	10	58
P. Toomey	48	10	58
	308	182	490

(i) Mr. H. Friel was appointed to the Board on 29 April 2009 and was appointed to the Remuneration Committee and Acquisitions and Finance Committee on 4 June 2009.

During the 2010 financial year, the Chief Executive, Mr. L. FitzGerald acted as a non-executive director for C&C Group plc and was appointed a non-executive director of Warner Chilcott plc with effect from 5 August 2010. Mr. L. FitzGerald retained fees totaling €71,965 in respect of these appointments. Mr. L. FitzGerald was also granted 8,970 share options in Warner Chilcott plc in respect of this position.

Directors' pension benefits

The pension benefits attributable to existing executive directors under the defined benefit pension scheme are as follows:

	Increase in accrued pension during the year (excluding inflation) 2010 €'000	Transfer value of increase 2010 €'000	Accumulated accrued pension at year end 2010 €'000
L. FitzGerald	19	230	209
A. Flynn	6	65	61
B. McGrane	10	128	114
A. Ralph	12	113	41
	47	536	425

	Increase in accrued pension during the year (excluding inflation) 2009 €'000	Transfer value of increase 2009 €'000	Accumulated accrued pension at year end 2009 €'000
L. FitzGerald	31	343	190
A. Flynn	10	97	55
B. McGrane	15	180	104
A. Ralph	12	101	29
	68	721	378

Accrued pension shown is that which would be paid annually on normal retirement date.

Share incentive scheme

Share incentive scheme 2010

	Shares at 1 October 2009 No.	Share movement No.	Shares at 30 September 2010 No.
C. Corbin	19,508	26,994	46,502
A. Flynn	9,487	-	9,487
B. McGrane	16,410	-	16,410
A. Ralph	11,026	-	11,026
	56,431	26,994	83,425

Shares held at 1 October 2009 under the share incentive scheme, represent shares awarded in respect of the 2007 financial year which were acquired from market at a price of €3.90 per share. These shares were deemed to vest on 1 December 2010 however will remain restricted and held in trust until 13 March 2011.

26,994 shares were awarded to Mr. C. Corbin in recognition of the performance by the Contract Sales & Marketing Services division in respect of the 2009 financial year. 17,804 shares were acquired from market on 19 November 2009 at a price of €2.30 per share. The award will be subject to restrictions and held in trust during the three-year vesting period.

Share incentive scheme 2009

	Shares at 1 October 2008 No.	Share movement No.	Shares at 30 September 2009 No.
C. Corbin	19,508	-	19,508
A. Flynn	9,487	-	9,487
B. McGrane	16,410	-	16,410
A. Ralph	11,026	-	11,026
	56,431	-	56,431

Report of the Remuneration Committee on Directors' Remuneration

continued

Long Term Incentive Plan 2010

A summary of awards granted under the LTIP to directors are set out below.

	Shares options No.	Exercise price €	Grant Date	Vesting Date	Expiry Date*
L. FitzGerald	184,267	0.05	14 June 2010	14 June 2013	13 June 2017
C. Corbin	69,930	0.05	14 June 2010	14 June 2013	13 June 2017
A. Flynn	44,019	0.05	14 June 2010	14 June 2013	13 June 2017
B. McGrane	65,517	0.05	14 June 2010	14 June 2013	13 June 2017
A. Ralph	71,659	0.05	14 June 2010	14 June 2013	13 June 2017

* awards will lapse at close of business on the expiry date.

The vesting of awards granted during 2010 is subject to the satisfaction of the following performance targets:

(a) TSR performance target

Up to 50% of the award will vest depending upon the Company's Total Shareholder Return (TSR) over the three-year performance period compared with the TSR of the constituents of the MSCI Europe Health Care Index.

The extent of the award, subject to the TSR performance target, vesting will be determined as follows:

Company's TSR Ranking	Proportion Vesting
Below median	0%
At median	25%
Between median and upper quartile	25% to 100% pro rata
At or above upper quartile	100%

(b) Cash flow performance target

Up to 50% of the award will vest depending upon the Company's aggregate cash flow performance over the three-year performance period.

The extent of the award, subject to the cash flow performance target, vesting will be determined as follows:

Aggregate Cash Flow Performance	Proportion Vesting
Below 80% EBIT conversion rate	0%
At 80% EBIT conversion rate*	25%
Between 80% and 90% conversion rate*	25% to 100% pro rata
At or above 90% EBIT conversion rate*	100%

* vesting under the cash flow performance target is also contingent on an aggregate minimum cash flow generation by the Company of €180 million over the three-year performance period.

At 30 September 2010 certain other senior management had options to subscribe for 87,714 (2009: nil) shares in accordance with the terms of the LTIP. The share-based payment expense recognised in the Group income statement in respect of these share options amounted to €12,462 (2009: nil).

Executive share option schemes

A summary of share options outstanding to directors and the secretary under the provisions of the ESOS and ESOP is set out below. During the 2010 financial year no options were granted to directors under the ESOP as directors participated in the LTIP. Details of the executive share option schemes are outlined in this report and in note 27.

	1 October 2009	Granted in year	Exercised in year	30 September 2010	Weighted average option price at 30 September 2010 €	Options exercised during year	
						Weighted average exercise price €	Weighted average market price at date of exercise €
Basic Tier share options							
L. FitzGerald	1,095,400	-	(100,000)	995,400	2.63	1.59	2.55
C. Corbin	684,000	-	(105,000)	579,000	2.53	0.99	2.35
A. Flynn	321,600	-	-	321,600	2.98	-	-
B. McGrane	672,100	-	(70,000)	602,100	2.62	0.99	2.55
A. Ralph	474,500	-	-	474,500	2.76	-	-
K. Geoghegan (secretary)	80,000	-	-	80,000	3.31	-	-
	3,327,600	-	(275,000)	3,052,600			
Second Tier share options							
L. FitzGerald	545,000	-	-	545,000	2.84	-	-
C. Corbin	227,500	-	-	227,500	3.18	-	-
A. Flynn	210,000	-	-	210,000	3.29	-	-
B. McGrane	215,000	-	-	215,000	3.28	-	-
A. Ralph	197,500	-	-	197,500	3.44	-	-
K. Geoghegan (secretary)	10,000	-	-	10,000	3.95	-	-
	1,405,000	-	-	1,405,000			
ESOP share options							
K. Geoghegan (secretary)	-	20,000	-	20,000	2.32	-	-
	-	20,000	-	20,000			
Executive share option exercise dates							
	Currently exercisable	Within 1 year	Between 1-2 years	Between 2-5 years			
Basic Tier share options							
L. FitzGerald	50%	20%	30%	-			
C. Corbin	54%	16%	30%	-			
A. Flynn	39%	28%	33%	-			
B. McGrane	58%	16%	26%	-			
A. Ralph	42%	21%	37%	-			
K. Geoghegan (secretary)	-	69%	31%	-			
Second Tier share options							
L. FitzGerald	50%	21%	15%	14%			
C. Corbin	34%	31%	18%	17%			
A. Flynn	29%	33%	19%	19%			
B. McGrane	28%	35%	19%	18%			
A. Ralph	22%	33%	23%	22%			
K. Geoghegan (secretary)	-	-	50%	50%			
ESOP share options							
K. Geoghegan	-	-	-	100%			

These options are exercisable for a period of either:

- seven years from the third anniversary of the date on which the options were granted (Basic Tier share options);
- five years from the fifth anniversary of the date on which the options were granted (Second Tier share options); or
- four years from the third anniversary of the date on which the options were granted (ESOP share options).

None of the options expire prior to 16 July 2011.

At 30 September 2010, management, excluding the executive directors had options to subscribe for a maximum of 9,176,975 (2009: 8,848,456) shares in accordance with the terms of the ESOS and ESOP. The share-based payment expense recognised in the Group income statement in respect of these options totalled €172,000 (2009: €954,000).

Report of the Remuneration Committee on Directors' Remuneration

continued

The vesting of share options are subject to the following performance targets:

Share options granted up to and including 13 February 2002:

- Basic Tier share options are exercisable only when Earnings Per Share (EPS) growth exceeds the growth of the Irish Consumer Price Index over a period of at least three years subsequent to the granting of the share options.
- Second Tier share options are exercisable only when EPS growth is within the top quartile of EPS growth for the companies quoted on the ISEQ index over a period of at least five years subsequent to the granting of the share options.

Share options granted after 13 February 2002 and up to and including 8 February 2010:

- Basic Tier share options are exercisable only when EPS growth exceeds the growth of the Irish Consumer Price Index by 5% compounded, over a period of at least three years subsequent to the granting of the share options.
- Second Tier share options are exercisable only when EPS growth exceeds the growth of the Irish Consumer Price Index by 10% compounded, over a period of at least five years subsequent to the granting of the share options. In addition to this requirement, Second Tier share options may only be exercised if EPS growth over the same period places the Company:
 - (1) In the top 25% of companies listed on the ISEQ index, in which case these options may be exercised in their entirety;
 - (2) In the midpoint position of companies listed on the ISEQ index, in which case half of the options may be exercised;
 - (3) Between the midpoint and the top 25% of companies listed on the ISEQ index, in which case the proportion of the share options which may be exercised increases on a straight line basis;
 - (4) Below the midpoint position of companies listed on the ISEQ index, in which case no share options may be exercised.

Share Options granted after 9 February 2010 are exercisable if:

- (1) EPS at the end of the performance period exceeds EPS at the start of the performance period; and
- (2) EPS growth is not less than the movement in the Irish Consumer Price Index by 3%, compounded, over the performance period.

Details of all share options outstanding to directors and the secretary will be available for inspection at the Company's forthcoming Annual General Meeting.

Directors' interests in share capital

The beneficial interests, including family interests, of the directors and secretary in office at 30 September 2010 in the ordinary share capital of the Company were as follows:

	30 September 2010 Ordinary shares	1 October 2009 (or date of appointment if later) Ordinary shares
R. Kells	164,123	164,123
L. FitzGerald	755,157	673,619
C. Brinsmead	15,000	-
C. Corbin	1,862,681	1,862,681
A. Flynn	175,246	175,246
H. Friel	20,150	-
P. Gray	20,000	20,000
G. McGann	8,177	8,177
B. McGrane	660,299	597,541
J. Peter	5,000	5,000
A. Ralph	84,382	84,382
P. Toomey	82,448	80,173
K. Geoghegan (secretary)	14,655	14,251

The directors and secretary have no beneficial interests in any Group subsidiary or joint venture undertakings. On 1 December 2010, the following shares awarded under the share incentive scheme were deemed to vest: Mr. C. Corbin; 19,508, Ms. A. Flynn; 9,487, Mr. B. McGrane; 16,410 and Mr. A. Ralph; 11,026. These shares will however remain restricted and held in trust until 13 March 2011. There have been no further changes in the interests of the directors, the secretary and their families in the share capital of the Company or group companies between 30 September 2010 and 17 December 2010.

On behalf of the Remuneration Committee

G. McGann
Director

R. Kells
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have elected to prepare the Company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts, 1963 to 2009.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and performance of the Group and the Company. The Companies Acts 1963 to 2009 provide in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company 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 that the financial statements comply with IFRSs as adopted by the EU as applied in accordance with the Companies Acts 1963 to 2009; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

Under applicable law and the requirements of the Listing Rules issued by the Irish Stock Exchange, the directors are also responsible for preparing a Directors' Report and reports relating to directors' remuneration and corporate governance that comply with that law and those rules. In particular, in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 ('the Transparency Regulations'), the directors are required to include in their report a fair review of the business and a description of the principal risks and uncertainties facing the Group and the Company and a responsibility statement.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Acts, 1963 to 2009 and as regards the Group financial statements Article 4 of the IAS Regulations. They are also responsible 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement in accordance with the Transparency Regulations

Each of the directors, whose name and function are listed on pages 26 and 27 confirm that, to the best of each person's knowledge and belief,

- the Group financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities and financial position of the Group at 30 September 2010 and its profits for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the Companies Acts 1963 to 2009, give a true and fair view of the assets, liabilities and financial position of the Company at 30 September 2010; and
- the Directors' Report contained in the annual report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Independent Auditor's Report to the Members of United Drug plc

We have audited the Group and Company financial statements (the 'financial statements') of United Drug plc for the year ended 30 September 2010 which comprise the Group income statement, the Group and Company statements of comprehensive income, the Group and Company statements of changes in equity, the Group and Company balance sheets, the Group and Company cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of directors' responsibilities on page 47.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and, in the case of the Company, as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, and have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulation. We also report to you our opinion as to; whether proper books of account have been kept by the Company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the Directors' Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the Company balance sheet is in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors' remuneration and transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Directors' statement on corporate governance, including the Report of the Remuneration Committee on directors' remuneration, reflects the Company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report, the Chairman's statement, the Chief Executive's review, the Operating review, the Finance review, the Corporate social responsibility statement, the Directors' statement on corporate governance and the Report of the Remuneration Committee on directors' remuneration. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 30 September 2010 and of its profit for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Acts, 1963 to 2009, of the state of the Company's affairs as at 30 September 2010;
- the Group financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009 and Article 4 of the IAS Regulation; and
- the Company financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

We have obtained all the information and explanations which we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion, the information given in the directors' report is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 102, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 September 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.



Chartered Accountants
Registered Auditor
Dublin, Ireland
17 December 2010

Group Income Statement

for the year ended 30 September 2010

	Notes	Total 2010 €'000	Pre- exceptional item 2009 €'000	Exceptional item 2009 €'000	Total 2009 €'000
Revenue	1	1,726,066	1,717,937	-	1,717,937
Cost of sales		(1,458,972)	(1,452,585)	(502)	(1,453,087)
Gross profit		267,094	265,352	(502)	264,850
Distribution expenses		(187,118)	(184,950)	(12,556)	(197,506)
Administrative expenses		(7,792)	(6,732)	(866)	(7,598)
Other operating expenses	11	(13,180)	(13,853)	-	(13,853)
Share of joint ventures' profit after tax	12	1,951	3,088	-	3,088
Operating profit	3	60,955	62,905	(13,924)	48,981
Finance income	4	10,250	3,433	-	3,433
Finance expense	4	(16,766)	(13,266)	-	(13,266)
Profit before tax		54,439	53,072	(13,924)	39,148
Income tax expense	6	(9,796)	(8,618)	2,762	(5,856)
Profit for the financial year		44,643	44,454	(11,162)	33,292
Profit attributable to:					
Owners of the parent		44,585			33,292
Non-controlling interests	20	58			-
Profit for the financial year		44,643			33,292
Earnings per share					
Basic	8	18.70c			14.24c
Diluted	8	18.67c			14.22c

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Group Statement of Comprehensive Income

for the year ended 30 September 2010

	Notes	2010 €'000	2009 €'000
Profit for the financial year		44,643	33,292
Other comprehensive income:			
Foreign currency translation adjustment	18	21,239	(41,978)
(Loss)/gain on hedge of net investment in foreign operations	18	(5,303)	1,571
Group defined benefit pension schemes:			
- Actuarial loss	27	(8,766)	(2,844)
- Movement in deferred tax	25	1,257	348
Group cash flow hedges:			
- <i>Effective portion of cash flow hedges - movement into reserve</i>		(104)	(3,713)
- <i>Effective portion of cash flow hedges - movement out of reserve</i>		2,638	782
Effective portion of cash flow hedges	18	2,534	(2,931)
- <i>Movement in deferred tax - movement into reserve</i>		13	464
- <i>Movement in deferred tax - movement out of reserve</i>		(330)	(98)
Net movement in deferred tax	18	(317)	366
Other comprehensive income/(expense) for the financial year		10,644	(45,468)
Total comprehensive income/(expense) for the financial year		55,287	(12,176)
Total comprehensive income/(expense) attributable to:			
Owners of the parent		55,229	(12,176)
Non-controlling interests	20	58	-
		<u>55,287</u>	<u>(12,176)</u>

Group Statement of Changes in Equity

for the year ended 30 September 2010

	Equity share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves (Note 18) €'000	Attributable to owners of the parent €'000	Non-controlling interests €'000	Total equity €'000
At 1 October 2009	12,155	122,710	264,119	(77,574)	321,410	-	321,410
Profit for the financial year	-	-	44,585	-	44,585	58	44,643
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	2,534	2,534	-	2,534
Deferred tax on cash flow hedges	-	-	-	(317)	(317)	-	(317)
Translation adjustment	-	-	-	21,239	21,239	-	21,239
Loss on hedge of net investment in foreign operations	-	-	-	(5,303)	(5,303)	-	(5,303)
Actuarial loss on defined benefit schemes	-	-	(8,766)	-	(8,766)	-	(8,766)
Deferred tax on defined benefit schemes	-	-	1,257	-	1,257	-	1,257
Total comprehensive income for the year	-	-	37,076	18,153	55,229	58	55,287
New shares issued	241	10,181	-	-	10,422	-	10,422
Share-based payment expense	-	-	-	598	598	-	598
Translation adjustment	-	-	-	4	4	-	4
Dividends paid to equity holders	-	-	(19,246)	-	(19,246)	-	(19,246)
Acquisition of treasury shares	-	-	-	(58)	(58)	-	(58)
Release from share-based payment reserve	-	-	337	(337)	-	-	-
At 30 September 2010	12,396	132,891	282,286	(59,214)	368,359	58	368,417

for the year ended 30 September 2009

	Equity share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves (Note 18) €'000	Attributable to owners of the parent €'000	Non-controlling interests €'000	Total equity €'000
At 1 October 2008	12,002	116,409	252,010	(36,191)	344,230	-	344,230
Profit for the financial year	-	-	33,292	-	33,292	-	33,292
Other comprehensive income/(expense):							
Effective portion of cash flow hedges	-	-	-	(2,931)	(2,931)	-	(2,931)
Deferred tax on cash flow hedges	-	-	-	366	366	-	366
Translation adjustment	-	-	-	(41,978)	(41,978)	-	(41,978)
Profit on hedge of net investment in foreign operations	-	-	-	1,571	1,571	-	1,571
Actuarial loss on defined benefit schemes	-	-	(2,844)	-	(2,844)	-	(2,844)
Deferred tax on defined benefit schemes	-	-	348	-	348	-	348
Total comprehensive income for the year	-	-	30,796	(42,972)	(12,176)	-	(12,176)
New shares issued	153	6,301	-	-	6,454	-	6,454
Share-based payment expense	-	-	-	1,555	1,555	-	1,555
Translation adjustment	-	-	-	(4)	(4)	-	(4)
Dividends paid to equity holders	-	-	(18,649)	-	(18,649)	-	(18,649)
Transfer to share-based payment reserve	-	-	(85)	85	-	-	-
Release from share-based payment reserve	-	-	47	(47)	-	-	-
At 30 September 2009	12,155	122,710	264,119	(77,574)	321,410	-	321,410

Group Balance Sheet

as at 30 September 2010

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current			
Property, plant and equipment	9	99,222	99,483
Goodwill	10	206,089	188,066
Intangible assets	11	46,963	50,727
Investment in joint ventures	12	22,433	19,040
Deferred income tax assets	25	797	-
Employee benefits	27	13,214	12,113
Total non-current assets		388,718	369,429
Current			
Inventories	13	144,984	169,402
Trade and other receivables	14	267,262	278,354
Cash and cash equivalents		156,212	75,651
Total current assets		568,458	523,407
Total assets		957,176	892,836
EQUITY			
Capital and reserves attributable to equity holders of the parent			
Equity share capital	15	12,396	12,155
Share premium	17	132,891	122,710
Other reserves	18	(59,214)	(77,574)
Retained earnings	19	282,286	264,119
		368,359	321,410
Non-controlling interests	20	58	-
Total equity		368,417	321,410
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	21	220,030	220,775
Provisions	23	5,578	13,891
Employee benefits	27	20,479	12,273
Derivative financial instruments	28	11,255	14,032
Deferred income tax liabilities	25	11,331	9,379
Total non-current liabilities		268,673	270,350
Current			
Interest-bearing loans and borrowings	21	30,416	2,597
Trade and other payables	22	269,119	281,362
Current income tax liabilities		4,584	4,808
Provisions	23	12,130	11,606
Derivative financial instruments	28	3,837	703
Total current liabilities		320,086	301,076
Total liabilities		588,759	571,426
Total equity and liabilities		957,176	892,836

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Group Cash Flow Statement

for the year ended 30 September 2010

	Notes	2010 €'000	2009 €'000
Cash flows from operating activities			
Profit before tax		54,439	39,148
Finance income	4	(10,250)	(3,433)
Finance expense	4	16,766	13,266
Exceptional item	5	-	13,924
Operating profit (pre-exceptional item)		60,955	62,905
Share of joint ventures' profit after tax	12	(1,951)	(3,088)
Depreciation charge	9	14,249	13,821
(Profit)/loss on disposal of property, plant and equipment	3	(68)	45
Amortisation of intangible assets	11	13,180	13,853
Share-based payment expense	27	598	1,555
Decrease/(increase) in inventories		27,123	(7,037)
Decrease in trade and other receivables		18,407	22,718
Decrease in trade payables, provisions and other payables		(29,182)	(14,240)
Exceptional item		-	(8,245)
Interest paid		(7,552)	(9,139)
Income taxes paid		(11,521)	(8,387)
Net cash inflow from operating activities		84,238	64,761
Cash flows from investing activities			
Interest received		1,536	900
Purchase of property, plant and equipment	9	(10,971)	(11,973)
Proceeds from disposal of property, plant and equipment		1,090	4,397
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	26	(8,708)	(25,938)
Deferred acquisition consideration paid	23	(3,237)	(10,910)
Investment in joint ventures	12	(3,192)	(1,433)
Dividends received from joint ventures	12	2,300	2,573
Net cash outflow from investing activities		(21,182)	(42,384)
Cash flows from financing activities			
Proceeds from issue of shares (including share premium thereon, net of scrip dividend)		4,026	2,439
Acquisition of treasury shares		(58)	-
Proceeds from interest-bearing loans and borrowings		186,000	51,835
Repayments of interest-bearing loans and borrowings		(160,762)	(61,329)
Decrease in finance leases		(1,157)	(306)
Dividends paid to equity holders of the Company	7	(12,850)	(14,634)
Net cash inflow/(outflow) from financing activities		15,199	(21,995)
Net increase in cash and cash equivalents		78,255	382
Translation adjustment		2,306	(8,497)
Cash and cash equivalents at beginning of year		75,651	83,766
Cash and cash equivalents at end of year		156,212	75,651
Cash and cash equivalents is comprised of:			
Cash at bank and short term deposits		156,212	75,651

Significant Accounting Policies

for the year ended 30 September 2010

United Drug plc ('the Company') is a public limited company incorporated in Ireland. The Group's financial statements for the year ended 30 September 2010 consolidate the individual financial statements of the Company and its subsidiaries (together referred to as 'the Group') and show the Group's interest in joint venture undertakings using the equity method of accounting.

The accounting policies applied in the preparation of the financial statements for the year ended 30 September 2010 are set out below.

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU which comprises standards and interpretations approved by the International Accounting Standards Board (IASB). The individual financial statements of the Company ('Company financial statements') have been prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the Companies Acts, 1963 to 2009 except for the exemption contained in Section 148(8) of the Companies Act 1963, which permits a company that publishes its Company and Group financial statements together to exclude the Company income statement and related notes that form part of the approved Company financial statements, from the financial statements presented to its members.

IFRS that were adopted by the EU and that were effective on 30 September 2010, have been applied in the preparation of the Group and Company financial statements. The following standards and interpretations and amendments to existing standards were adopted during the financial year.

- IFRS 8 Operating Segments** - This standard requires the reporting of information for operating segments to reflect the Group's management structure and the way financial information is regularly reviewed by the Group's Chief Operating Decision Maker, which the Group has defined as the Board of Directors. The business segments reported have not changed as a result of the adoption of this standard. Operating profit before exceptional items and amortisation of intangible assets represents the key measure utilised in assessing the performance of business segments and allocating resources.
- Amendment to IAS 1 Presentation of Financial Statements** - This revised statement includes non-mandatory changes to the titles of the primary financial statements. The Group has adopted the "two statements" approach of presenting components of profit and loss within an income statement as before and components of other comprehensive income within a statement of other comprehensive income. In addition, the standard requires the presentation of a statement of changes in equity as a primary statement.
- IFRS 3 (Revised 2008) – Business Combinations** - The Group has applied IFRS 3 Business Combinations (Revised 2008) in accounting for business combinations. The change in accounting standard applies prospectively. For acquisitions on or after 1 October 2009, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. Other changes include, but are not limited to, the expensing of acquisition-related costs as incurred, the method of accounting for step acquisitions and the recognition and measurement of contingent consideration.
- Amendment to IFRS 7 Financial Instruments: Disclosures** – This requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level using a fair value measurement hierarchy. This amendment results in additional disclosures but has had no impact on the Group's financial position or results.
- Amendment to IAS 32 Puttable Financial Instruments and Obligations Arising on Liquidation** – This amendment improves the relevance and understandability of the current accounting treatment for these instruments. This amendment has had no impact on the Group's financial statements.
- Amendment to IAS 23 Borrowing Costs** – This amendment requires an entity to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, as part of the cost of that asset. This amendment has had no impact on the Group's financial statements.

Significant Accounting Policies

for the year ended 30 September 2010

continued

- **Amendment to IFRS 2 Share-based Payments: Vesting Conditions and Cancellations** – This amendment clarifies the accounting treatment of cancellations and vesting conditions. This amendment has had no impact on the Group's financial statements.
- **Amendment to IAS 27 Consolidated and Separate Financial Statements** – This amendment's objective is to enhance the comparability, relevance and reliability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. This amendment has had no impact on the Group's financial position.
- **Amendment to IAS 39 Eligible Hedged Items** – This amendment clarifies how the principles that determine whether a hedged risk (or portions of cash flows) is eligible for designation should be applied. This amendment did not have a significant impact on the Group's accounts.
- **IFRIC Interpretation 13 Customer Loyalty Programmes** – This interpretation gives guidance on accounting for customer loyalty award credits. This IFRIC has had no impact on the Group's financial statements.
- **IFRIC Interpretation 15 Agreement for the Construction of Real Estate** – This interpretation gives guidance on determining the recognition of revenue among real estate developers. This IFRIC has had no impact on the Group's financial statements.
- **IFRIC Interpretation 16 Hedges of a Net Investment in a Foreign Operation** – This interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. This IFRIC has had no impact on the Group's financial statements.
- **IFRIC Interpretation 17 Distribution of Non-Cash to Owners** – This interpretation gives guidance on the distribution of assets, other than cash. This IFRIC has had no impact on the Group's financial statements.
- **Improvements to IFRSs** – The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. These improvements have not had a significant impact on the Group's financial statements.
- **IFRIC Interpretation 18 – Transfer of Assets from Customers** – This clarifies the accounting for entities that are in receipt of assets that they must use to connect to a customer network. This IFRIC has had no impact on the Group's financial statements.

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations that are not yet effective for the Group:

- **Amendments to IFRS 2 – Share-Based Payments – Group Cash-Settled Share Based Payment Transactions**
- **Amendment to IAS 24 – Related Party Disclosures**
- **Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues**
- **Amendment to IFRIC Interpretation 14 – Prepayments of a Minimum Funding Requirement**
- **IFRIC Interpretation 19 – Extinguishing Financial Liabilities with Equity Instruments**
- **IFRS 9 – Financial Instruments: Recognition and Measurement**

These standards and interpretations and amendments to existing standards will be applied for the purposes of the Group and Company financial statements with effect from their respective effective dates. These are not expected to have a material impact on the Group or Company financial statements.

Basis of preparation

The Group and Company financial statements are prepared on a historical cost basis except for the following items which are measured at fair value or grant date fair value:

- derivative financial instruments;
- pension assets; and
- share-based payment arrangements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- goodwill – note 10;
- intangible assets – note 11;
- trade and other receivables – note 14;
- employee benefits (including share-based payments) – note 27;
- financial instruments – note 28.

The accounting policies set out below have been applied consistently by all of the Group's subsidiaries and joint ventures to all periods presented in these financial statements.

Functional and presentation currency

The consolidated financial statements are presented in euro, which is the Company's functional currency and rounded to the nearest thousand.

Basis of consolidation

The Group's financial statements include the financial statements of the Company and all of its subsidiaries and joint ventures.

Accounting for subsidiaries and joint ventures

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities. In assessing control, potential voting rights that currently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the Group financial statements from the date that control commences until the date that control ceases.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Group financial statements, except to the extent they provide evidence of impairment. Unrealised gains arising from transactions with equity accounted joint ventures are eliminated against the investment to the extent of the Group's interest. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

Joint ventures are those entities over whose activities the Group has joint control, established by contractual arrangement and requiring unanimous consent for strategic financial and operational decisions. Joint ventures are included in the financial statements using the equity method of accounting, from the date that joint control commences until the date that joint control ceases. The Group income statement reflects in operating profit, the Group's share of profit after tax of its joint ventures in accordance with IAS 31, Interests in Joint Ventures. The Group's interest in its net assets is included as investment in joint ventures in the Group balance sheet at an amount representing the Group's share of the fair value of the identifiable net assets at acquisition plus the Group's share of post acquisition retained profits or losses and other comprehensive income, dividends received of the joint ventures and goodwill arising on the investment.

Significant Accounting Policies

for the year ended 30 September 2010

continued

Business combinations

From 1 October 2009, the Group has applied IFRS3 Business Combinations (Revised 2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no impact on earnings per share in the current reporting period.

For acquisitions on or after 1 October 2009, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred (including the fair value of any previously held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative a bargain purchase gain is recognised immediately in the profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Goodwill

Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised.

In respect of acquisitions completed prior to 1 October 2004, goodwill is included on the basis of its deemed cost, i.e. original cost less accumulated amortisation since acquisition up to 30 September 2004, which represents the historical amount recorded under Irish GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 October 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 October 2004 as permitted by IFRS 1. Goodwill is allocated to cash generating units and is tested annually for impairment at a consistent time each year. Goodwill is stated at cost or deemed cost less any accumulated impairment losses and is not subject to annual amortisation. In respect of joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment.

Goodwill which arose on acquisitions prior to 1 October 1999 was eliminated against reserves on acquisition as a matter of accounting policy permitted under historical Irish GAAP. In preparing the Group's IFRS balance sheet at 1 October 2004 this goodwill is considered to have been permanently offset against retained earnings and, on any subsequent disposal, will not form part of the gain or loss on the disposal of the business as permitted by IFRS 1.

Intangible assets

Intangible assets, that are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses, when separable or arising from contractual or other legal rights and when they are reliably measurable.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets. Intangible assets are amortised over periods ranging from two to ten years depending on the nature of the asset.

Property, plant and equipment

Property, plant and equipment is reported at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is calculated, on a straight line basis on cost less estimated residual value, to write property, plant and equipment off over their anticipated useful lives using the following annual rates:

Land and buildings	
- Freehold land	not depreciated
- Freehold buildings	2%
Plant and equipment	10% - 20%
Computer equipment	20% - 33%
Motor vehicles	20%

Depreciation is provided on additions with effect from the first day of the month following commissioning and on disposals up to the end of the month of retirement. The residual value of assets, if not insignificant, and the useful life of assets is reassessed annually. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount and are included in operating profit.

Impairment reviews and testing

The carrying amounts of the Group's non-financial assets, other than inventories, (which are carried at the lower of cost and net realisable value) and deferred tax assets, (which are recognised based on recoverability), are reviewed at the balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is determined. In addition, goodwill is tested for impairment annually at the balance sheet date. If the carrying amount exceeds the recoverable amount then an impairment is recognised.

The recoverable amount of a non-financial asset or cash generating unit is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). Goodwill acquired in a business combination is allocated to cash generating units that are expected to benefit from the combination's synergies. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount.

Goodwill is tested for impairment at each balance sheet date.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates, that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss arising on financial assets is recognised in the income statement. Individually significant financial assets are tested for impairment on an individual basis.

An impairment loss, other than in the case of goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

All impairment losses are recognised in the income statement.

Leases

Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest-bearing loans and borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the term of the lease.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the first in, first out principle and includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition. Net realisable value is the estimated selling price of inventory on hand less all costs expected to be incurred in marketing, distribution and selling.

Significant Accounting Policies

for the year ended 30 September 2010

continued

Foreign currency

Transactions in foreign currencies are translated into the functional currency of the related entity at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities carried at historic cost are not subsequently re-translated. Non-monetary assets carried at fair value are subsequently re-measured at the exchange rate at the date fair value was determined. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into functional currencies at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement, except for qualifying cash flow hedges and a financial liability designated as a hedge of the net investment in a foreign operation which are recognised directly in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to euro at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to euro at the average exchange rate for the financial period. Foreign exchange differences arising on translation of the net investment in a foreign operation are recognised directly in equity.

On disposal of a foreign operation, accumulated currency translation differences are recognised in the Group income statement as part of the overall gain or loss on disposal. The cumulative currency translation differences arising prior to 1 October 2004 (the transition date to IFRS) have been set to zero for the purposes of ascertaining the gain or loss on disposal of a foreign operation subsequent to that date.

Translation differences arising from 1 October 2004 are presented as a separate component of equity in the foreign currency translation reserve to the Group balance sheet.

Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

Financial guarantee contracts

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other parties, the Group considers these to be insurance arrangements and accounts for them as such. The Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Revenue recognition

Revenue represents the fair value of products and services provided to third party customers in the financial reporting period. The fair value of sales is exclusive of value added tax and after allowances for discounts and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, the consideration can be measured reliably and it is probable that the economic benefits will flow to the Group. Discounts granted to customers are recognised as a reduction in sales revenue at the time of the sale based on management's estimate of the likely discount to be awarded to customers.

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the related contract or fully when no further obligations exist on the related service contract. Where the outcome of the contract can be measured reliably, stage of completion is measured by reference to services completed to date as a percentage of total services to be performed. Where services are to be performed rateably over a period of time, revenue is recognised on a straight-line basis over the period of the contract.

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the Group.

Exceptional Items

With respect to exceptional items, the Group has applied an income statement format which seeks to highlight significant items within Group results for the year. Such items may include restructuring costs, profit or loss on disposal or termination of operations, litigation costs and settlements, profit or loss on disposal of investments and impairment of assets. The Group exercises judgement in assessing the particular items, which by virtue of their scale and nature, should be disclosed in the income statement and related notes as exceptional items. The Group believes that such a presentation provides a more helpful analysis as it highlights material items of a non-recurring nature.

Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Employee benefits

Pension obligations

A defined contribution pension plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

A defined benefit plan is a post-employment plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated, separately for each plan, by estimating the present value of the amount of future benefits that employees have earned in return for their service in the current and prior periods, less the fair value of any plan assets. The discount rate applied is the yield at the balance sheet date on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. All actuarial gains and losses as at 1 October 2004, the date of transition to IFRS, were recognised in full against retained earnings as permitted by IFRS 1. The Group recognises current and past service costs, interest on scheme obligations and expected return on scheme assets in administrative expenses in the Group Income Statement. Actuarial gains and losses for subsequent periods are recognised in other comprehensive income as they arise.

Performance related incentive plans

The Group recognises the present value of a liability for short term employee benefits including costs associated with performance related incentive plans in the income statement when an employee has rendered service in exchange for these benefits and a constructive obligation to pay those benefits arises.

Share-based payment transactions

The Group operates a Long Term Incentive Plan and share option scheme which allow employees acquire shares in the Company. The Group also operates share incentive schemes which award shares to employees. All schemes are equity settled arrangements under IFRS 2, Share-based payment. The grant-date fair value of share entitlements granted is recognised as an expense in the income statement with a corresponding increase in equity over the period that the employees become entitled to the award.

Non-market based vesting conditions

Non-market based vesting conditions are not taken into account when estimating the fair value of awards as at the grant date. The fair value of share options is determined by an external valuer using a binomial valuation model. The expense in the income statement is based on the fair value of the total number of awards expected to vest and is allocated to accounting periods on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of awards expected to vest. Consequently the cumulative charge to the income statement is reversed where awards do not vest because service or non-market performance conditions have not been satisfied. The proceeds received on the exercise of awards are credited to share capital and share premium.

Significant Accounting Policies

for the year ended 30 September 2010

continued

Market based vesting conditions

Market based vesting conditions are taken into account when estimating the fair value of awards as at the grant date. The fair value is determined by an external valuer using a Monte Carlo simulation model. The share option expense in the income statement is based on the fair value of the total number of awards granted and is allocated to accounting periods on a straight line basis over the vesting period. The amount recognised as an expense is not adjusted to reflect the actual number of awards expected to vest. The proceeds received on the exercise of share options are credited to share capital.

In line with the transitional arrangements set out in IFRS 2, the recognition and measurement principles of this standard have been applied only in respect of share entitlements granted after 7 November 2002.

Income tax expense

Income tax expense for the year comprises current and deferred tax. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case the related tax is recognised in equity or in other comprehensive income.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting nor taxable profit or loss, it is not recognised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred income tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same tax entity or on different tax entities, but they intend to settle current income tax liabilities and assets on a net basis.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker who is responsible for allocating resources and assessing performance of the operating segments. The Group has determined that it has three reportable operating segments: Healthcare Supply Chain, Packaging & Speciality, and Contract Sales & Marketing Services.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits, including bank deposits of less than three months maturity. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Group and Company cash flow statement.

Financial instruments

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement, except where derivatives qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged, as set out below.

The fair value of interest rate swaps and forward exchange contracts is the estimated amount that the Group would receive or pay to terminate the swap or the forward contract at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any changes in the fair value of the derivative financial instrument is recognised directly in other comprehensive income in the cash flow hedge reserve. When the forecasted transaction results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss (i.e. when interest income or expense is recognised). For cash flow hedges, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any changes in the fair value of the derivative financial instrument is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in other comprehensive income is recognised immediately in the income statement.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of a change in the fair value of an asset or liability, gains or losses arising from the re-measurement of the hedging instrument to fair value are reported in the income statement. In addition, any changes in the fair value of the hedged item which is attributable to the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortised to the income statement with the objective of achieving full amortisation by maturity.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Non-derivative financial instruments are initially recognised at fair value and subsequently measured at amortised cost.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings, other than those accounted for under the fair value hedging model outlined above, are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis. Effective interest rate is calculated by taking into account any issue costs and any expected discount or premium on settlement.

Significant Accounting Policies

for the year ended 30 September 2010

continued

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation which can be measured reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Notes forming part of the Group Financial Statements

1. Revenue

	2010 €'000	2009 €'000
Goods for resale	1,513,358	1,524,507
Services	205,968	186,573
Commission income	6,740	6,857
Total revenue	1,726,066	1,717,937

Commission income relates to the sale of products where the Group acts as an agent in the transaction rather than as a principal.

2. Segmental information

Segmental information is presented in respect of the Group's operating and geographical segments. The operating segments are based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arms-length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Due to the nature of certain liabilities, which are not segment specific, they have not been allocated to a segment but rather have been disclosed in aggregate immediately after the relevant segment note. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period and is comprised of property, plant and equipment, goodwill and intangible assets.

Operating segments

United Drug is a leading healthcare services provider in Ireland, the United Kingdom, the United States of America and Continental Europe. IFRS 8 Operating Segments requires the reporting of information for operating segments to reflect the Group's management structure and the way financial information is regularly reviewed by the Group's Chief Operating Decision Maker, which the Group has defined as the Board of Directors. The segmental information of the business as presented corresponds with these requirements. The operating segments reported have not changed as a result of the adoption of this standard and are consistent with those previously reported under the primary format of segment reporting under IAS 14. Operating profit before exceptional items and amortisation of intangible assets represents the key measure utilised in assessing the performance of operating segments.

The Group's businesses are divided into the following operating segments:

- Healthcare Supply Chain
The Healthcare Supply Chain segment combines all of the Group's healthcare logistics based businesses.
- Contract Sales & Marketing Services
The Contract Sales & Marketing Services segment provides contract sales outsourcing and related marketing services to healthcare manufacturers.
- Packaging & Speciality
The Packaging & Speciality segment provides outsourced packaging solutions to pharmaceutical manufacturers.

Geographical analysis

The Group operates in four principal geographical regions being the Republic of Ireland, the United Kingdom, the United States of America and Continental Europe. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the Group's subsidiaries. Segment assets are based on the geographical location of the assets.

Inter-segment revenue is not material and thus not subject to disclosure.

Notes forming part of the Group Financial Statements

continued

2. Segmental information (continued)

The segment results for the year ended 30 September 2010 are as follows:

Income statement items	Healthcare Supply Chain 2010 €'000	Contract Sales & Marketing Services 2010 €'000	Packaging & Speciality 2010 €'000	Group Total 2010 €'000
Segment revenue	1,438,528	166,989	120,549	1,726,066
Adjusted operating profit*	47,678	16,837	9,620	74,135
Amortisation of intangible assets	(6,341)	(2,184)	(4,655)	(13,180)
Operating profit	41,337	14,653	4,965	60,955
Finance income				10,250
Finance expense				(16,766)
Profit before tax				54,439
Income tax expense				(9,796)
Profit for the financial year				44,643

* excluding amortisation of intangible assets.

	Healthcare Supply Chain 2009 €'000	Contract Sales & Marketing Services 2009 €'000	Packaging & Speciality 2009 €'000	Group Total 2009 €'000
Segment revenue	1,446,549	153,153	118,235	1,717,937
Adjusted operating profit*	52,083	15,647	9,028	76,758
Amortisation of intangible assets	(6,203)	(2,142)	(5,508)	(13,853)
Exceptional item	(7,013)	(5,361)	(1,550)	(13,924)
Operating profit	38,867	8,144	1,970	48,981
Finance income				3,433
Finance expense				(13,266)
Profit before tax				39,148
Income tax expense				(5,856)
Profit for the financial year				33,292

* excluding amortisation of intangible assets and exceptional item.

Balance sheet items	Healthcare Supply Chain 2010 €'000	Contract Sales & Marketing Services 2010 €'000	Packaging & Speciality 2010 €'000	Group Total 2010 €'000
Segment assets	649,452	121,483	186,241	957,176
Segment liabilities	261,139	32,325	29,756	323,220
Unallocated liabilities				265,539
				588,759

	Healthcare Supply Chain 2009 €'000	Contract Sales & Marketing Services 2009 €'000	Packaging & Speciality 2009 €'000	Group Total 2009 €'000
Segment assets	663,987	84,640	144,209	892,836
Segment liabilities	301,869	13,144	27,444	342,457
Unallocated liabilities				228,969
				571,426

Unallocated liabilities comprise amounts relating to interest-bearing loans and borrowings, derivative financial instruments, current income tax liabilities and deferred income tax liabilities.

2. Segmental information (continued)

Other segment information	Healthcare Supply Chain 2010 €'000	Contract Sales & Marketing Services 2010 €'000	Packaging & Speciality 2010 €'000	Group Total 2010 €'000
Depreciation	6,203	1,577	6,469	14,249
Capital expenditure*	5,165	19,901	3,624	28,690
Amortisation of intangible assets	6,341	2,184	4,655	13,180
Share-based payment expense	306	244	48	598

	Healthcare Supply Chain 2009 €'000	Contract Sales & Marketing Services 2009 €'000	Packaging & Speciality 2009 €'000	Group Total 2009 €'000
Depreciation	6,135	1,142	6,544	13,821
Capital expenditure*	39,010	1,749	5,760	46,519
Amortisation of intangible assets	6,203	2,142	5,508	13,853
Share-based payment expense	922	446	187	1,555

The results and assets of joint ventures are included within the individual business segment in which they are included for internal reporting.

Geographical analysis	Republic of Ireland 2010 €'000	United Kingdom 2010 €'000	Continental Europe 2010 €'000	United States 2010 €'000	Group Total 2010 €'000
Revenue	1,125,185	453,842	34,180	112,859	1,726,066
Segment assets	616,823	232,164	32,265	75,924	957,176
Capital expenditure*	3,563	21,299	1,258	2,570	28,690
	2009 €'000	2009 €'000	2009 €'000	2009 €'000	2009 €'000
Revenue	1,148,512	468,200	28,212	73,013	1,717,937
Segment assets	588,219	211,796	28,650	64,171	892,836
Capital expenditure*	2,553	38,987	2,655	2,324	46,519

* Capital expenditure comprises acquisition of property, plant and equipment, goodwill and intangible assets.

3. Statutory and other information

	2010 €'000	2009 €'000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	14,249	13,821
(Profit)/loss on disposal of property, plant and equipment	(68)	45
Amortisation of intangible assets	13,180	13,853
Operating lease rentals:		
- Land and buildings	5,295	4,957
- Other assets	6,985	6,191
Foreign exchange (gain)/loss	(350)	122

Notes forming part of the Group Financial Statements

continued

3. Statutory and other information (continued)

	2010 €'000	2009 €'000
Auditor's remuneration		
Description of service		
Audit services		
- Group*	393	351
- Company	10	10
Other assurance services		
- Group**	78	71
- Company	-	-
Tax advisory services		
- Group	41	53
- Company	-	-
Other non-audit services		
- Group	33	125
- Company	-	-
	555	610

* includes €63,000 (2009: €35,000) in relation to joint ventures.

** includes €7,000 (2009 €3,000) in relation to joint ventures.

Fees payable to other KPMG firms outside of Ireland are as follows:

	2010 €'000	2009 €'000
Audit services	136	126
Other assurance services	9	8
Tax advisory services	-	113
	145	247

Details of directors' remuneration, pension entitlements and interests in share options are set out in the Report of the Remuneration Committee on directors' remuneration on pages 39 to 46.

4. Finance income and expense

	2010 €'000	2009 €'000
Finance income		
Income arising from cash deposits	1,536	900
Fair value adjustment to fair value hedges	5,986	1,711
Foreign currency gain on retranslation of bank borrowings	2,638	782
Ineffective portion of cash flow hedges	90	40
	10,250	3,433
Finance expense		
Interest on bank loans and other loans		
- wholly repayable within five years	(6,190)	(8,165)
- wholly repayable after five years	(832)	(790)
Interest on finance leases	(175)	(170)
Unwinding of discount on provisions	(242)	(795)
Fair value adjustment to guaranteed senior unsecured notes	(5,986)	(1,711)
Fair value of cash flow hedges transferred from equity	(2,638)	(782)
Fair value movement on interest rate swaps not designated as hedges	(703)	(842)
Ineffective portion of cash flow hedges	-	(11)
	(16,766)	(13,266)
Net finance expense	(6,516)	(9,833)

5. Exceptional item

	2010 €'000	2009 €'000
Restructuring costs	-	13,924

During the prior year, the Group initiated a restructuring programme to implement a new divisional structure. Costs associated with the implementation of this programme for the year were €13,924,000 and primarily related to a redundancy programme applied across the Group.

6. Income tax expense**Recognised in the income statement**

	2010 €'000	2009 €'000
Current income tax		
Ireland		
Adjustment in respect of prior years	(174)	234
Current year income tax on profit for the year	(3,014)	(2,385)
	(3,188)	(2,151)
Overseas		
Adjustment in respect of prior years	912	371
Current year income tax on profit for the year	(7,985)	(6,705)
	(7,073)	(6,334)
Total current income tax expense	(10,261)	(8,485)
Deferred income tax		
Origination and reversal of temporary differences:		
Property, plant and equipment	203	406
Intangible assets	3,308	3,466
Employee benefits	(139)	(167)
Other items	(2,907)	(1,076)
Total deferred income tax credit	465	2,629
Income tax expense	(9,796)	(5,856)

Other items primarily relate to a deduction against taxable profits in respect of goodwill arising on the acquisition of certain subsidiary undertakings.

The deferred income tax credit for the year to 30 September 2010 includes a charge of €103,000 in respect of prior years (2009: €146,000).

Reconciliation of effective tax rate

	2010 %	2010 €'000	2009 %	2009 €'000
Profit before tax		54,439		39,148
Taxation based on Irish corporation tax rate	12.5	(6,804)	12.5	(4,893)
Expenses not deductible for tax purposes		(374)		(511)
Tax on income from joint ventures		237		386
Differences in tax rates		(3,490)		(1,297)
Adjustments in respect of prior years		635		459
		(9,796)		(5,856)

The Group's share of joint ventures' profit after tax includes a tax charge of €685,000 (2009: €1,168,000).

Notes forming part of the Group Financial Statements

continued

7. Dividends – equity shares

	2010 €'000	2009 €'000
Dividends paid		
Final dividend for 2009 of 5.77 cent (2008: 5.77 cent)	13,630	13,416
Interim dividend for 2010 of 2.34 cent (2009: 2.23 cent)	5,616	5,233
Total dividends	19,246	18,649
Total dividends	19,246	18,649
Scrip issue	(6,396)	(4,015)
Dividends paid per Group cash flow statement	12,850	14,634

The directors have proposed a final dividend for 2010 of 6.06 cent per share (2009: 5.77 cent per share) amounting to €14,571,000 (2009: €13,630,000), subject to shareholder approval at the Annual General Meeting. The total dividend for the year is 8.40 cent per share (2009: 8.00 cent per share).

The final dividend for 2010 has not been provided for in the balance sheet at 30 September 2010, as there was no present obligation to pay the dividend at year-end.

8. Earnings per ordinary share

	2010 €'000	2009 €'000
Profit attributable to the owners of the parent	44,585	33,292
Adjustment for amortisation of intangible assets (net of tax)	9,872	10,387
Adjustment for exceptional item (net of tax)	-	11,162
Earnings adjusted for amortisation of intangible assets and exceptional item (net of tax)	54,457	54,841
	Number of shares	Number of shares
Weighted average number of shares	238,389,691	233,857,959
Number of dilutive shares under option	436,108	323,142
Weighted average number of ordinary shares, including share options	238,825,799	234,181,101
Basic earnings per share – cent	18.70	14.24
Diluted earnings per share – cent	18.67	14.22
Adjusted basic earnings per share – cent*	22.84	23.45
Adjusted diluted earnings per share – cent*	22.80	23.42

* excluding amortisation of intangible assets and exceptional item (net of tax).

The adjusted figures for earnings per share are intended to demonstrate the results of the Group after eliminating the impact of amortisation of intangible assets and exceptional items (net of tax) and are deemed by management to be a key metric of monitoring group performance.

Treasury shares have been excluded from the weighted average number of shares in issue used in the calculation of earnings per share.

9. Property, plant and equipment

	Land and buildings 2010 €'000	Plant and equipment 2010 €'000	Motor vehicles 2010 €'000	Computer equipment 2010 €'000	Total 2010 €'000
Cost					
At 1 October 2009	67,619	60,006	5,219	14,575	147,419
Additions in year	1,404	4,514	884	4,169	10,971
Arising on acquisition	-	162	-	145	307
Disposals in year	(756)	(2,337)	(1,269)	(539)	(4,901)
Translation adjustment	2,643	2,159	64	319	5,185
At 30 September 2010	70,910	64,504	4,898	18,669	158,981
Depreciation					
At 1 October 2009	8,576	27,245	2,945	9,170	47,936
Depreciation charge for the year	2,513	8,151	1,025	2,560	14,249
Eliminated on disposal	(114)	(2,208)	(1,064)	(493)	(3,879)
Translation adjustment	361	882	40	170	1,453
At 30 September 2010	11,336	34,070	2,946	11,407	59,759
Carrying amount					
At 30 September 2010	59,574	30,434	1,952	7,262	99,222
<hr/>					
	Land and buildings 2009 €'000	Plant and equipment 2009 €'000	Motor vehicles 2009 €'000	Computer equipment 2009 €'000	Total 2009 €'000
Cost					
At 1 October 2008	73,327	57,665	6,835	15,396	153,223
Additions in year	1,766	6,285	626	3,296	11,973
Arising on acquisition	-	954	-	102	1,056
Disposals in year	(3,655)	(2,283)	(1,996)	(3,465)	(11,399)
Translation adjustment	(3,819)	(2,615)	(246)	(754)	(7,434)
At 30 September 2009	67,619	60,006	5,219	14,575	147,419
Depreciation					
At 1 October 2008	6,925	22,427	3,242	10,706	43,300
Depreciation charge for the year	2,288	8,070	1,204	2,259	13,821
Eliminated on disposal	(14)	(1,556)	(1,360)	(3,166)	(6,096)
Translation adjustment	(623)	(1,696)	(141)	(629)	(3,089)
At 30 September 2009	8,576	27,245	2,945	9,170	47,936
Carrying amount					
At 30 September 2009	59,043	32,761	2,274	5,405	99,483

No borrowings are secured on the above assets with the exception of leased assets noted below.

Leased property, plant and equipment

The Group leases items of property, plant and equipment under a number of finance lease agreements. At 30 September 2010, the carrying amount of leased assets included in property, plant and equipment was €887,000 (2009: €1,554,000) and related depreciation amounted to €543,000 (2009: €597,000).

Notes forming part of the Group Financial Statements

continued

10. Goodwill

	2010 €'000	2009 €'000
Cost		
At beginning of year	188,066	187,627
Deferred consideration written back (note 23)	(1,674)	-
Revisions to prior year acquisitions	-	(510)
Acquired during the year (note 26)	10,164	19,407
Translation adjustment	9,533	(18,458)
At end of year	206,089	188,066

Goodwill arises in connection with acquisitions.

Goodwill acquired through business combinations is allocated to the following operating segments:

	2010 €'000	2009 €'000
Healthcare Supply Chain	83,423	81,627
Packaging & Speciality	63,527	60,164
Contract Sales & Marketing Services	59,139	46,275
	206,089	188,066

Goodwill acquired through business combinations has been allocated to cash-generating units for the purpose of impairment testing. The cash-generating units represent the lowest level within the Group at which associated goodwill is monitored for management purposes and is not bigger than the segments determined in accordance with IFRS 8 Operating Segments.

The recoverable amounts of cash-generating units are based on value in use calculations. The cash flow forecasts used for the value in use computations exclude incremental profits and other cash flows derived from planned acquisition activities. The computations use five year cash flow forecasts. For individual cash-generating units, forecasts for up to three years have been approved by senior management. The remaining years' forecasts have been extrapolated using growth rates of between 5% to 10% (2009: 2.5% to 10%) based on the historical annual growth experience of individual cash-generating units. For the purposes of calculating terminal values, a terminal growth rate of 2.5% (2009: 2.5%) has been adopted. The cash flows are discounted using appropriate risk adjusted pre-tax discount rates averaging 10% (2009: 10%).

The key assumptions used for the value in use computations are that the markets will grow in accordance with publicly available data, the Group will maintain its current market share, gross margins will be maintained at current levels and that overheads will increase in line with expected levels of inflation. The cash flow forecasts assume appropriate levels of capital expenditure and investment in working capital to support the growth in individual cash generating units.

There was no impairment charge for the year ended 30 September 2010 (2009: €nil).

For the purposes of performing sensitivity analysis, a discount rate of 11% and a terminal growth rate of 2% were applied to the cashflow forecasts. Applying these assumptions did not indicate any impairment.

11. Intangible assets

	Customer relationships €'000	Trade names €'000	Contract based €'000	Technology €'000	Total €'000
Cost					
At 1 October 2008	33,266	23,631	17,174	632	74,703
Acquired during the year	10,988	3,095	-	-	14,083
Translation adjustment	(3,702)	(2,253)	(432)	(85)	(6,472)
At 30 September 2009	40,552	24,473	16,742	547	82,314
Acquired during the year	5,557	1,449	-	242	7,248
Translation adjustment	1,921	1,615	179	28	3,743
At 30 September 2010	48,030	27,537	16,921	817	93,305
Amortisation					
At 1 October 2008	10,553	5,262	4,185	32	20,032
Amortisation during the year	7,064	3,803	2,929	57	13,853
Translation adjustment	(1,348)	(752)	(196)	(2)	(2,298)
At 30 September 2009	16,269	8,313	6,918	87	31,587
Amortisation during the year	7,167	3,878	2,070	65	13,180
Translation adjustment	896	511	166	2	1,575
At 30 September 2010	24,332	12,702	9,154	154	46,342
Carrying amount					
At 30 September 2010	23,698	14,835	7,767	663	46,963
At 30 September 2009	24,283	16,160	9,824	460	50,727

The amortisation charge for the year has been charged to other operating expenses in the income statement. Intangible assets are amortised over their useful lives, ranging from two to ten years, depending on the nature of the asset.

12. Investment in joint ventures

The Group's interest in its joint ventures, all of which are unlisted, is set out below.

	€'000
At 1 October 2008	19,630
Investment during the year	1,433
Share of profit after tax	3,088
Dividends received from joint ventures	(2,573)
Translation adjustment	(2,538)
At 30 September 2009	19,040
Investment during the year	3,192
Share of profit after tax	1,951
Dividends received from joint ventures	(2,300)
Translation adjustment	550
At 30 September 2010	22,433

The investment during the years to 30 September 2009 and 2010 represents the Group's share of the investment in Medco Health Solutions Limited.

Notes forming part of the Group Financial Statements

continued

12. Investment in joint ventures (continued)

The investment in joint ventures represents the Group's share of the net assets of the joint ventures at the balance sheet date as follows:

	2010 €'000
Non-current assets	27,779
Cash and cash equivalents	41,510
Other current assets	105,413
Non-current liabilities	(23,411)
Current liabilities	(135,302)
	<u>15,989</u>
Goodwill	6,444
	<u>22,433</u>
	2009 €'000
Non-current assets	25,337
Cash and cash equivalents	50,352
Other current assets	80,523
Non-current liabilities	(19,524)
Current liabilities	(123,747)
	<u>12,941</u>
Goodwill	6,099
	<u>19,040</u>

Included in investment in joint ventures is goodwill with a carrying value of €6,444,000 (2009: €6,099,000). This goodwill is subject to annual impairment testing on a similar basis to the goodwill arising in the Group's subsidiaries. See note 10 for details on the testing performed.

	2010 €'000	2009 €'000
Group share of revenue	535,449	492,305
Group share of expenses, inclusive of tax	(533,498)	(489,217)
	<u>1,951</u>	<u>3,088</u>

Capital commitments

At 30 September 2010 and 30 September 2009, there was no authorised or contracted capital expenditure in respect of joint ventures.

The following are the significant joint ventures of United Drug plc at 30 September 2010:

Incorporated and trading in the United Kingdom and Ireland

Name	Nature of Business	Group Share
UniDrug Distribution Group Limited <i>UniDrug Distribution Group Limited has its registered office at UDG House, Amber Business Park, South Normanton, Derbyshire, DE55 2FH.</i>	Distribution of pharmaceutical products	50%
Magir Limited <i>Magir Limited has its registered office at 44 Montgomery Road, Belfast, BT6 9ML.</i>	Healthcare and retail organisation	25%
Medco Health Solutions Limited <i>Medco Health Solutions Limited has its registered office at Bewer House, Compass Park, Caswell Road, Brackmills Industrial Estate, Northamptonshire, NN4 7BZ.</i>	Provision of speciality pharmaceutical distribution services	50%
Temperature Controlled Pharmaceuticals Limited (TCP) <i>Temperature Controlled Pharmaceuticals Limited has its registered office at Unit 16, Willow Business Park, Knockmitten Lane, Nangor Road, Dublin 12.</i>	Provision of speciality pharmaceutical distribution services	50%

All shares held are ordinary shares.

13. Inventories

	2010 €'000	2009 €'000
Raw materials	10,534	8,938
Work in progress	3,089	3,254
Finished goods	131,361	157,210
	144,984	169,402

In 2010, raw materials, work in progress and finished goods recognised as cost of sales amounted to €1,427,395,000 (2009: €1,430,188,000). There was no material write-down of inventories to net realisable value during the years ended 30 September 2010 and 2009.

Current replacement cost does not differ materially from historical cost.

At 30 September 2010, the level of consignment inventory within the Group amounted to €121,333,000 (2009: €93,666,000). The risks and rewards associated with consignment inventory are not transferred to the Group until the inventory is sold to customers.

14. Trade and other receivables

	2010 €'000	2009 €'000
Current		
Trade receivables	235,410	244,704
Other receivables	15,493	18,907
Prepayments and accrued income	16,359	14,743
	267,262	278,354

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

	2010 €'000	2009 €'000
Geographic analysis of credit risk		
Republic of Ireland	141,690	157,791
United Kingdom	69,946	71,107
Continental Europe	10,445	6,312
United States of America	13,329	9,494
	235,410	244,704

There is no material concentration of credit risk with regard to individual customers included in Group trade receivables. Details of how the Group manages credit risk are set out in note 28.

The ageing of trade receivables at 30 September was:

	Gross value 2010 €'000	Impairment 2010 €'000	Gross value 2009 €'000	Impairment 2009 €'000
Not past due < 12 months	205,580	111	210,824	864
Not past due > 12 months	6,361	1,083	10,018	1,366
Past due				
0 - 30 days	15,293	701	16,752	550
31-90 days	5,163	388	5,707	533
91-180 days	2,650	472	2,460	661
+180 days	10,471	7,353	6,363	3,446
	245,518	10,108	252,124	7,420

All amounts included in trade receivables are part of the normal operating cycle of the Group.

Notes forming part of the Group Financial Statements

continued

14. Trade and other receivables (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 €'000	2009 €'000
At beginning of year	7,420	4,173
Bad debts written off during the year	(527)	(430)
Increase in provision during the year	3,157	3,773
Translation adjustment	58	(96)
At end of year	10,108	7,420

Trade receivables are assessed individually for impairment. The increase in the allowance for impairment in respect of trade receivables during the year to 30 September 2010 reflects the general economic climate and the difficult trading conditions being experienced by customers of the Group.

15. Share Capital

Equity share capital

	Number of shares 2010	2010 €'000	Number of shares 2009	2009 €'000
Authorised				
Ordinary shares of 5 cent each	367,471,934	18,373	367,471,934	18,373
Redeemable ordinary shares of 5 cent each	7,528,066	377	7,528,066	377
	375,000,000	18,750	375,000,000	18,750
Allotted, called-up and fully paid				
Ordinary shares of 5 cent each	240,373,654	12,019	235,562,918	11,778
Redeemable ordinary shares of 5 cent each	7,528,066	377	7,528,066	377
In issue at 30 September	247,901,720	12,396	243,090,984	12,155

The redeemable ordinary shares do not rank for dividend and do not carry voting rights. The redeemable ordinary shares can be redeemed by the Company with the agreement of holders of such shares. All redeemable ordinary shares are held by the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to attend, speak, ask questions and have one vote per share at general meetings of the Company. In accordance with the trust deeds, the trustee of the Ashfield In2Focus share scheme (see note 18) refrain from exercising voting rights attaching to shares held. At 30 September 2010, 29,300 (2009: 51,409) shares were held by the trustee. All shares rank equally with regard to the Company's residual assets.

	Ordinary shares		Redeemable ordinary shares	
	2010	2009	2010	2009
In issue at beginning of year	235,562,918	232,521,191	7,528,066	7,528,066
Exercise of share options	503,500	140,000	-	-
Employee share participation scheme	164,610	276,738	-	-
Customer share scheme	1,309,860	720,924	-	-
Script issue	2,832,766	1,904,065	-	-
In issue at end of year	240,373,654	235,562,918	7,528,066	7,528,066

16. Profit attributable to United Drug plc

The profit recorded in the financial statements of the holding Company for the year ended 30 September 2010 was €16,541,000 (2009: €38,548,000). As permitted by Section 148(8) of the Companies Act, 1963, the income statement of the Company has not been separately presented in these financial statements.

17. Share premium

	2010 €'000	2009 €'000
At 1 October	122,710	116,409
Premium arising on shares issued	10,181	6,301
At 30 September	132,891	122,710

18. Other reserves

	Cash flow hedge €'000	Share- based payment €'000	Foreign exchange €'000	Treasury shares €'000	Total €'000
At 1 October 2009	(1,191)	5,929	(75,811)	(6,501)	(77,574)
Effective portion of cash flow hedges	2,534	-	-	-	2,534
Deferred tax on cash flow hedges	(317)	-	-	-	(317)
Share-based payment expense	-	598	-	-	598
Release from share-based payment reserve	-	(337)	-	-	(337)
Translation adjustment	-	4	21,239	-	21,243
Loss on hedge of net investment in foreign operations	-	-	(5,303)	-	(5,303)
Acquisition of treasury shares	-	-	-	(58)	(58)
Release of treasury shares on vesting	-	(311)	-	311	-
At 30 September 2010	1,026	5,883	(59,875)	(6,248)	(59,214)

The translation adjustment arises on the translation of non euro denominated assets and liabilities into euro at the reporting date and includes a translation gain of €550,000 (2009: loss of €2,538,000) in respect of the Group's investment in joint ventures.

	Cash flow hedge €'000	Share- based payment €'000	Foreign exchange €'000	Treasury shares €'000	Total €'000
At 1 October 2008	1,374	4,417	(35,404)	(6,578)	(36,191)
Effective portion of cash flow hedges	(2,931)	-	-	-	(2,931)
Deferred tax on cash flow hedges	366	-	-	-	366
Share-based payment expense	-	1,555	-	-	1,555
Transfer to share-based payment reserve	-	85	-	-	85
Release from share-based payment reserve	-	(47)	-	-	(47)
Translation adjustment	-	(4)	(41,978)	-	(41,982)
Profit on hedge of net investment in foreign operations	-	-	1,571	-	1,571
Release of treasury shares on vesting	-	(77)	-	77	-
At 30 September 2009	(1,191)	5,929	(75,811)	(6,501)	(77,574)

Notes forming part of the Group Financial Statements

continued

18. Other reserves (continued)

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Share-based payment reserve

This reserve comprises amounts expensed in the income statement in connection with share-based payments, net of transfers to retained earnings on the exercise and lapse of share-based payments.

Foreign exchange reserve

The currency translation reserve comprises all foreign exchange differences from 1 October 2004, arising from the translation of the net assets of the Group's non-euro denominated operations, including the translation of the profits of such operations from the average exchange rate for the year to the exchange rate at the balance sheet date.

The reserve also includes all foreign exchange differences arising from the translation of liabilities that hedge the Company's net investment in foreign operations.

Treasury shares

Dublin Drug Company Limited

During the year ended 30 September 1998, the Group acquired Dublin Drug Company Limited for consideration of €11,726,000, which at the date of its acquisition held 2,225,438 ordinary shares of 32 cent each in United Drug plc which had a nominal value of €706,000 and at the date of their acquisition represented 9.84% of the Company's issued ordinary share capital. Subsequent to the acquisition, these ordinary shares were converted into redeemable ordinary shares of 32 cent each.

On 29 January 2002, 1,150,000 of these redeemable ordinary shares of 32 cent each were redeemed at their market value both out of the proceeds of a placing in the market of 1,150,000 new ordinary shares of 32 cent each and the distributable reserves of the Company, in accordance with Article 3A of the Articles of Association of the Company and Section 207 of the Companies Act, 1990, and immediately thereafter were cancelled.

During the year ended 30 September 2003, the Company's shareholders approved a 7 for 1 split of the ordinary share capital and redeemable ordinary share capital of the Company. At 30 September 2010, Dublin Drug Company Limited continued to hold 7,528,066 redeemable ordinary shares and they have been treated as treasury shares in the Group balance sheet in accordance with the requirements of Irish Company Law.

Ashfield In2Focus Limited

During the year ended 30 September 2005, a subsidiary undertaking, Ashfield Healthcare Limited, subsequently renamed Ashfield In2Focus Limited, acquired 95,000 shares in the Company, on the open market, at a cost of €366,000. These shares have been allocated to employees subject to the risk of forfeiture should the employee leave the company during the vesting period. As at 30 September 2010, the balance of shares held in the Company was 29,300 (2009: 51,409).

Share award schemes

Shares were awarded to the Chief Executive under his Long Term Incentive Plan for the year ended 30 September 2007. Shares were also awarded to senior management under the share incentive scheme for the years ended 30 September 2007 and 30 September 2009. 158,226 shares and 17,804 shares were acquired from market on 13 March 2009 and 19 November 2009 respectively. On 22 December 2009, 61,538 ordinary shares awarded to the Chief Executive were deemed to vest however these shares will remain restricted and held in trust until 13 March 2011. As at 30 September 2010, the balance of ordinary shares awarded under share award schemes and held as treasury shares was 114,492 (2009: 158,226).

Summary

At 30 September 2010, 7,671,858 (2009: 7,737,701) treasury shares were held by the Group, representing 3.10% (2009: 3.18%) of the issued ordinary and redeemable ordinary share capital of the Company.

19. Retained Earnings

	2010 €'000	2009 €'000
At beginning of year	264,119	252,010
Net income recognised directly in the income statement	44,585	33,292
Net income recognised directly in other comprehensive income		
- Actuarial loss on defined benefit schemes	(8,766)	(2,844)
- Deferred income tax on defined benefit schemes	1,257	348
Dividends paid to equity holders	(19,246)	(18,649)
Transfer from share based payment reserve	-	(85)
Release from share based payment reserve	337	47
At end of year	282,286	264,119

20. Non-controlling interests

	2010 €'000	2009 €'000
Share of profit for the financial year	58	-
At 30 September	58	-

The non controlling interests is with respect to Verotech AB, see note 46 for further information.

21. Interest-bearing loans and borrowings

	2010 €'000	2009 €'000
Non-current		
Bank borrowings	74,081	147,744
Finance leases	536	1,062
Guaranteed senior unsecured notes	145,413	71,969
	220,030	220,775
Current		
Bank borrowings	252	1,444
Finance leases	522	1,153
Guaranteed senior unsecured notes	29,642	-
	30,416	2,597

Interest-bearing loans and borrowings are repayable as follows:

	2010 €'000	2009 €'000
<i>Bank borrowings and guaranteed senior unsecured notes</i>		
Within one year	29,894	1,444
After one but within two years	200	80,648
After two but within five years	104,234	122,759
After five years	115,060	16,306
<i>Finance leases</i>		
Within one year	522	1,153
After one but within two years	262	499
After two but within five years	274	563
	250,446	223,372
Non-current	220,030	220,775
Current	30,416	2,597
	250,446	223,372

Notes forming part of the Group Financial Statements

continued

21. Interest-bearing loans and borrowings (continued)

During 2004, the Group completed a US\$102 million debt financing in the US Private Placement Market and issued the following notes:

	2010 US\$'000	2009 US\$'000
5.25% Series 'A' guaranteed senior unsecured notes, 2011	40,000	40,000
5.68% Series 'B' guaranteed senior unsecured notes, 2014	40,000	40,000
5.85% Series 'C' guaranteed senior unsecured notes, 2016	22,000	22,000
	102,000	102,000

In September 2010, the Group completed a US\$130 million debt financing in the US Private Placement Market and issued the following notes:

	2010 US\$'000	2009 US\$'000
4.60% Series 'A' guaranteed senior unsecured notes, 2017	65,000	-
5.25% Series 'B' guaranteed senior unsecured notes, 2020	65,000	-
	130,000	-

All the loan notes were issued by United Drug Finance Limited, a wholly owned subsidiary, and have been guaranteed by United Drug plc and other group undertakings.

The US dollar proceeds were swapped into euro and the fixed interest rates applicable to the debt were swapped into a mixture of fixed and floating rate debt to generate the desired interest profile.

These loans are repayable in full on maturity.

Borrowing facilities

At 30 September 2010, the Group had €87,739,000 of undrawn overdraft and loan facilities. Of these facilities, €62,739,000 were committed, with a maturity date of August 2014.

At 30 September 2009, the Group had approximately €69,290,000 of undrawn overdraft and loan facilities. Of these facilities, €44,290,000 were committed, with maturity dates ranging from January 2011 to October 2012.

22. Trade and other payables

	2010 €'000	2009 €'000
Current		
Trade payables	208,887	232,179
Accruals and deferred income	33,466	27,234
Other payables	14,066	10,023
PAYE, VAT and social welfare	12,700	11,926
	269,119	281,362

23. Provisions

	Deferred consideration 2010 €'000	Onerous leases 2010 €'000	Pension 2010 €'000	Other provisions 2010 €'000	Total 2010 €'000	Total 2009 €'000
At beginning of year	12,783	2,105	6,159	4,450	25,497	19,356
Reclassification	-	-	-	(968)	(968)	-
Increase in provision during the year	-	-	-	-	-	20,538
Deferred consideration written back	(1,674)	-	-	-	(1,674)	-
Arising on acquisitions (note 26)	7,702	-	-	-	7,702	5,181
Utilised during the year	(3,237)	(633)	(4,451)	(3,570)	(11,891)	(19,317)
Release to income statement	-	-	(2,183)	-	(2,183)	-
Unwinding of discount	184	-	58	-	242	795
Translation adjustment	411	67	417	88	983	(1,056)
At end of year	16,169	1,539	-	-	17,708	25,497
					2010 €'000	2009 €'000
Non-current					5,578	13,891
Current					12,130	11,606
					17,708	25,497

The disclosure of amounts included in provisions into separate classes has been revised from that presented at 30 September 2009.

Amounts of €968,000 included in provisions at 1 October 2009 have been reclassified from provisions and included in inventory, trade and other payables and property, plant and equipment during the current period. These amounts are not considered material and the balance sheet at 30 September 2009 has not been adjusted.

Deferred consideration

The deferred consideration liability above represents the best estimate of amounts which may become payable over the period from October 2010 to August 2013. Payment is dependent on achieving predetermined targets based on future performance and profitability. During the year, payments were made of €3,237,000 with respect to prior year acquisitions. The write back of €1,674,000 during the year primarily relates to earn-out targets not been fully achieved.

Onerous leases

The onerous leases are properties that the Group remains committed to following the rationalisation of the Group's property portfolio. In calculating the provisions, the Group made certain estimates and assumptions in assessing the amount provided. The provisions were calculated by taking into consideration the committed rental charges associated with the premises, the period of time to the earliest date on which the Group can exit from the leases and an assessment of the sublet rental income that could be achieved based on current market conditions. The cash outflows with respect to these provisions will be incurred during the period from October 2010 to July 2023.

Pension

During the current financial year, Sharp Corporation ("Sharp") made a final settlement in relation to the multi-employer pension scheme. This was a full settlement of its obligations in respect of past service entitlements accruing to Sharp employees as at the date of withdrawal from the scheme. This gave rise to a gain on settlement of €2,183,000, which has been included as a credit within cost of sales in the Group income statement.

Other provisions

These relate to costs associated with the implementation of the restructuring programme initiated by the Group during the previous financial year.

Notes forming part of the Group Financial Statements

continued

24. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Group is required to make under existing lease agreements.

	2010 €'000	2009 €'000
Less than one year	12,893	6,877
Between one and five years	24,259	24,247
More than five years	56,443	61,014
	93,595	92,138

The Group leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period.

The significant operating leases entered into by the Group are in respect of office and warehouse facilities in Dublin. These leases commenced in June 2004 for a term of twenty five years and provide for rent reviews every five years. On each rent review date, the rent payable shall be set at open market value, subject to the revised annual rent being a minimum of 115% of the applicable annual rent prior to the rent review date.

25. Deferred income tax assets and liabilities

Recognised deferred income tax assets and liabilities are attributable to the following:

	Assets 2010 €'000	Liabilities 2010 €'000	Net 2010 €'000	Assets 2009 €'000	Liabilities 2009 €'000	Net 2009 €'000
Property, plant and equipment	-	(1,305)	(1,305)	-	(817)	(817)
Intangible assets	-	(7,992)	(7,992)	-	(8,657)	(8,657)
Employee benefits	3,208	(5,366)	(2,158)	1,967	(4,920)	(2,953)
Derivative financial instruments	-	(129)	(129)	188	-	188
Other items	1,050	-	1,050	2,860	-	2,860
Tax assets/(liabilities)	4,258	(14,792)	(10,534)	5,015	(14,394)	(9,379)
Reclassification	(3,461)	3,461	-	(5,015)	5,015	-
Net deferred income tax assets/ (liabilities)	797	(11,331)	(10,534)	-	(9,379)	(9,379)

No deferred income tax is recognised on the unremitted earnings of overseas subsidiaries and joint ventures as the Group does not anticipate additional tax on any ultimate remittance.

25. Deferred income tax assets and liabilities (continued)

Movement in temporary differences during the year

	1 October 2009 €'000	Arising in income €'000	Reclassification €'000	Arising in equity €'000	Arising on acquisitions €'000	Translation adjustment €'000	30 September 2010 €'000
Property, plant and equipment	(817)	203	-	-	(3)	(688)	(1,305)
Intangible assets	(8,657)	3,308	-	-	(2,029)	(614)	(7,992)
Employee benefits	(2,953)	(139)	-	1,257	-	(323)	(2,158)
Derivative financial instruments	188	-	-	(317)	-	-	(129)
Other items	2,860	(2,907)	-	-	-	1,097	1,050
	(9,379)	465	-	940	(2,032)	(528)	(10,534)

	1 October 2008 €'000	Arising in income €'000	Reclassification €'000	Arising in equity €'000	Arising on acquisitions €'000	Translation adjustment €'000	30 September 2009 €'000
Property, plant and equipment	(1,552)	406	-	-	-	329	(817)
Intangible assets	(9,301)	3,466	-	-	(3,943)	1,121	(8,657)
Employee benefits	(267)	(167)	(3,359)	348	-	492	(2,953)
Derivative financial instruments	(178)	-	-	366	-	-	188
Other items	1,086	(1,076)	3,359	-	-	(509)	2,860
	(10,212)	2,629	-	714	(3,943)	1,433	(9,379)

In the year to 30 September 2009, there was a reclassification of €3,359,000 between employee benefits and other items relating to the withdrawal by Sharp from the multi-employer pension plan.

26. Acquisition of subsidiary undertakings

On 11 August 2010, the Group acquired the entire issued share capital of The InforMed Group of companies ("InforMed"), a provider of health communications and consultancy services to a range of global pharmaceutical and biotechnology companies. Including deferred consideration payable of €7,702,000, the total consideration was €16,410,000.

The Group did not dispose of any subsidiaries in 2010 or 2009.

The carrying amount of assets and liabilities which were acquired, determined in accordance with IFRS, before completion of the combinations, together with the adjustments made to those carrying values to arrive at the fair values were as follows:

	Book values €'000	Fair value adjustments €'000	Total €'000
Property, plant and equipment	307	-	307
Intangible assets (note 11)	-	7,248	7,248
Trade and other receivables	3,338	-	3,338
Trade and other payables (current)	(2,408)	-	(2,408)
Current and deferred income tax	(753)	(1,486)	(2,239)
Net identifiable assets and liabilities acquired	484	5,762	6,246
Goodwill arising on acquisition			10,164
			16,410
Satisfied by:			
Cash consideration			11,356
Net cash and cash equivalents acquired on acquisition			(2,648)
			8,708
Deferred consideration			7,702
			16,410

Notes forming part of the Group Financial Statements

continued

26. Acquisition of subsidiary undertakings (continued)

The initial assignment of fair values to identifiable net assets acquired has been performed on a provisional basis in respect of the business combination disclosed above given the timing of completion of this transaction. Any amendments to these acquisition date fair values within the twelve month timeframe from the date of acquisition will be disclosed in the 2011 Annual Report as stipulated by IFRS 3, Business Combinations.

Goodwill is attributable to the future economic benefits arising from assets which are not capable of being individually identified and separately recognised. The significant factors giving rise to the goodwill include the value of the workforce and management teams within the businesses acquired and the enhancement of the competitive position of the Group in the marketplace and the strategic premium paid by United Drug plc to create the combined Group.

The deferred consideration will be payable over the period from August 2011 to August 2013, and will be dependent on the future performance of the acquired business.

The acquisition related costs for this acquisition included in the Group income statement amounted to €307,000.

The Group's results for the year ended 30 September 2010 and 30 September 2009 includes the following amounts in respect of the business acquired during those years:

	Total 2010 €'000	Total 2009 €'000
Revenue	1,444	12,020
Gross profit	481	7,065
Distribution expenses	(328)	(2,806)
Other operating expenses*	(183)	(1,721)
Operating (loss)/profit	(30)	2,538
Net interest expense	(107)	(589)
(Loss)/profit before tax	(137)	1,949
Income tax	38	(546)
(Loss)/profit after tax	(99)	1,403

* Other operating expenses consist of amortisation of intangible assets.

Had this acquisition been effected on 1 October 2009 the combined Group would have recorded total revenues of €1,736,078,000 and profit after interest and tax for the financial year of €45,040,000.

2009 Business combinations

On 18 November 2008, the Group acquired the entire share capital of The Specials Laboratory Holdings Limited, a manufacturer of unique formulations of medicines to meet patient prescription requirements, serving the retail pharmaceutical and hospital markets in the United Kingdom. Including deferred consideration payable of €5,181,000, the total consideration was €31,119,000.

The Group also revised its estimate of the fair value of trade and other receivables in respect of prior year acquisitions.

26. Acquisition of subsidiary undertakings (continued)

The carrying amount of assets and liabilities which were acquired, determined in accordance with IFRS, before completion of the combinations, together with the adjustments made to those carrying values to arrive at the fair values were as follows:

	Book values €'000	Fair value adjustments €'000	Total in respect of current year acquisitions €'000	Adjustments to prior year acquisitions €'000	Total €'000
Property, plant and equipment	1,056	-	1,056	-	1,056
Intangible assets	-	14,083	14,083	-	14,083
Inventories	705	-	705	-	705
Trade and other receivables	2,370	-	2,370	510	2,880
Trade and other payables (current)	(2,559)	-	(2,559)	-	(2,559)
Deferred income tax	-	(3,943)	(3,943)	-	(3,943)
Net identifiable assets and liabilities acquired	1,572	10,140	11,712	510	12,222
Goodwill arising on acquisition			19,407	(510)	18,897
			31,119	-	31,119
Satisfied by:					
Cash consideration			25,753	-	25,753
Professional fees incurred			546	-	546
Net cash and cash equivalents acquired on acquisition			(361)	-	(361)
			25,938	-	25,938
Deferred consideration			5,181	-	5,181
			31,119	-	31,119

Had this acquisition been effected on 1 October 2008 the combined Group would have recorded total revenues of €1,719,436,000 and profit after interest and tax for the financial year of €33,421,000.

27. Employee benefits

The aggregate employee costs recognised in the Group income statement are as follows:

	2010 €'000	2009 €'000
Wages and salaries	142,211	132,255
Social security contributions	16,418	15,094
Pension costs – defined contribution schemes	2,464	2,535
Pension costs – defined benefit schemes	1,872	1,701
Share-based payment expense	598	1,555
Gain on settlement from multi-employer pension plan (included in cost of sales)	-	(2,250)
Gain on settlement of pension provision (included in cost of sales)	(2,183)	-
Termination payments (included in exceptional item)	-	9,532
	161,380	160,422
The average number of employees, including executive directors, during the year was as follows:	2010	2009
Marketing, distribution and selling	3,156	2,960
Manufacturing	932	964
Administration	46	47
	4,134	3,971

A further 1,076 (2009: 1,022) personnel are employed in the Group's joint ventures.

Notes forming part of the Group Financial Statements

continued

27. Employee benefits (continued)

(i) Defined contribution schemes

The Group makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined benefit schemes

The following amounts were recognised in the balance sheet of the Group in respect of employee benefit schemes as at 30 September:

	2010 €'000	2009 €'000
Employee benefit asset	13,214	12,113
Employee benefit liability	(20,479)	(12,273)
	(7,265)	(160)

The Group operates a number of schemes as at 30 September:

Net asset/(liability)	2010 €'000	2009 €'000
Republic of Ireland defined benefit schemes	(16,300)	(9,479)
Northern Ireland defined benefit scheme	(4,179)	(2,794)
United States defined benefit scheme	13,214	12,113
	(7,265)	(160)

The Group operates a number of defined benefit schemes which are funded by the payment of contributions to separately administered trust funds. The contributions to the schemes are determined with the advice of independent qualified actuaries obtained at regular intervals using the projected unit credit method of funding. Each defined benefit scheme is independently funded and the assets are vested in the independent trustees for the benefit of members and their dependants. The valuations are not available for public inspection but the results are advised to members of the schemes. The most recent full actuarial valuations for the principal schemes were conducted as at 31 December 2008 for the Republic of Ireland (ROI) schemes, 1 April 2007 for the Northern Ireland (NI) scheme and 11 August 2008 for the US scheme.

Assumed medical costs are not a component of the pension obligations of any of the Group's pension obligations.

The valuation method used for all Group defined benefit schemes is the projected credit unit method.

The principal long-term financial assumptions used by the Group's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September are as follows:

	2010	ROI Schemes 2009	2008	2010	US Scheme 2009	2008	2010	NI Scheme 2009	2008
Increase in salaries	3.50%	3.50%	3.50%	2.75-4.00%	2.75-4.00%	4.50%	4.00%	4.10%	4.20%
Increase in pensions	0-2.00%	0-2.25%	0-2.50%	0.00%	0.00%	4.50%	2.20-3.30%	2.20-3.40%	3.60%
Inflation rate	2.00%	2.25%	2.50%	2.75%	2.75%	3.00%	3.50%	3.60%	3.70%
Discount rate	4.80%	6.20%	6.10%	5.00%	5.80%	8.10%	5.00%	5.35%	6.60%

The reduction in discount rates is reflective of changes in bond yields during the year. These changes are the primary reason for the actuarial losses during the current year.

27. Employee benefits (continued)

The assumed long-term rates of return at 30 September analysed by class of investments in which the schemes' assets are invested, are as follows:

	ROI Schemes			US Scheme			NI Scheme		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Equities	7.75%	8.25%	8.00%	8.40%	8.50%	N/A	8.00%	8.00%	8.75%
Bonds	3.75%	4.25%	4.75%	4.70%	4.85%	N/A	3.80%	4.00%	4.75%
Property	6.75%	7.25%	6.75%	N/A	N/A	N/A	7.80%	7.00%	7.00%
Other	2.00%	2.50%	3.50%	N/A	N/A	4.85%	3.70%	4.50%	5.25%

For the Republic of Ireland schemes and the Northern Ireland scheme, the expected rate of return on plan assets is based on market expectations for investment returns over the entire life of the obligation. The investment return on bonds has been based on market yields at the balance sheet date. The expected rate of return for equities and property has been calculated assuming that equities and property will outperform bonds over the long term by 4.0% and 3.0% in the Republic of Ireland schemes and by 4.2% and 4.0% in the Northern Ireland scheme. The composition of actual Group scheme assets is detailed below.

For the United States scheme, the expected return on assets was derived using the expected return over a 20-year investment horizon of the recommended target allocation. The return is based on a building block approach recognising current yields for fixed income securities. The expected rate of return for equities assumes equities will outperform bonds over the long term by 3.7%.

All schemes used certain mortality rate assumptions when calculating scheme obligations, based on advice from published statistics and experience in each geographic region. This assumption will continue to be monitored in light of general trends in mortality experience. The average life expectancy of a pensioner at age 65, in years, is as follows:

	ROI schemes		NI scheme		US scheme	
	2010	2009	2010	2009	2010	2009
Current pensioners						
Male	20.7	20.7	21.0	22.0	17.1	17.1
Female	23.8	23.8	23.0	24.0	19.5	19.5
Future pensioners						
Male	22.7	22.7	23.0	24.0	17.1	17.1
Female	25.8	25.8	25.0	25.0	19.5	19.5

The market values of assets in the pension schemes at 30 September 2010 were:

	ROI		US		NI		Total	
	%	2010 €'000	%	2010 €'000	%	2010 €'000	%	2010 €'000
Equities	74	15,739	50	8,057	43	5,586	59	29,382
Bonds	16	3,449	50	7,919	49	6,412	35	17,780
Property	3	704	-	-	8	972	3	1,676
Other	7	1,383	-	-	-	30	3	1,413
Fair value of scheme assets	100	21,275	100	15,976	100	13,000	100	50,251
Present value of scheme obligations		(37,575)		(2,762)		(17,179)		(57,516)
Employee benefits (liability)/asset		(16,300)		13,214		(4,179)		(7,265)
Deferred income tax asset/(liability)		2,038		(5,366)		1,170		(2,158)
Net (liability)/asset		(14,262)		7,848		(3,009)		(9,423)

Notes forming part of the Group Financial Statements

continued

27. Employee benefits (continued)

	%	ROI 2009 €'000	%	US 2009 €'000	%	NI 2009 €'000	%	Total 2009 €'000
Equities	70	12,647	50	6,912	43	4,673	57	24,232
Bonds	18	3,274	50	6,851	50	5,490	37	15,615
Property	4	750	-	-	7	712	3	1,462
Other	8	1,350	-	-	-	43	3	1,393
Fair value of scheme assets	100	18,021	100	13,763	100	10,918	100	42,702
Present value of scheme obligations		(27,500)		(1,650)		(13,712)		(42,862)
Employee benefits (liability)/asset		(9,479)		12,113		(2,794)		(160)
Deferred income tax asset/(liability)		1,185		(4,920)		782		(2,953)
Net (liability)/asset		(8,294)		7,193		(2,012)		(3,113)

Movements in fair value of plan assets

	ROI 2010 €'000	US 2010 €'000	NI 2010 €'000	Total 2010 €'000	ROI 2009 €'000	US 2009 €'000	NI 2009 €'000	Total 2009 €'000
At beginning of year	18,021	13,763	10,918	42,702	16,819	11,809	11,100	39,728
Expected return on scheme assets	1,306	991	761	3,058	1,218	624	687	2,529
Employer contributions	2,235	-	563	2,798	1,759	-	563	2,322
Employee contributions	69	-	108	177	70	-	110	180
Benefit payments	(736)	(57)	(623)	(1,416)	(671)	(69)	(292)	(1,032)
Actual return less expected return on scheme assets	380	216	537	1,133	(1,174)	1,853	305	984
Translation adjustment	-	1,063	736	1,799	-	(454)	(1,555)	(2,009)
At end of year	21,275	15,976	13,000	50,251	18,021	13,763	10,918	42,702

Movements in present value of defined benefit obligations

	ROI 2010 €'000	US 2010 €'000	NI 2010 €'000	Total 2010 €'000	ROI 2009 €'000	US 2009 €'000	NI 2009 €'000	Total 2009 €'000
At beginning of year	27,500	1,650	13,712	42,862	25,990	859	10,330	37,179
Current service costs	1,083	899	391	2,373	986	664	241	1,891
Interest on scheme obligations	1,689	101	767	2,557	1,572	84	683	2,339
Employee contributions	69	-	108	177	70	-	110	180
Benefit payments	(736)	(57)	(623)	(1,416)	(671)	(69)	(292)	(1,032)
Actuarial (gain)/loss on experience variations	(975)	-	1,113	138	(36)	-	1	(35)
Effect of changes in actuarial assumptions	8,945	42	774	9,761	(411)	(134)	4,408	3,863
Translation adjustment	-	127	937	1,064	-	246	(1,769)	(1,523)
At end of year	37,575	2,762	17,179	57,516	27,500	1,650	13,712	42,862

27. Employee benefits (continued)

Reconciliation of the actuarial (loss)/gain to the plan assets and present value of the defined benefit obligation is as follows:

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Actual return less expected return on scheme assets	1,133	984	(9,606)	391	1,726
Actuarial (loss)/gain on experience variations	(138)	35	(806)	(1,559)	(1,536)
Effect of changes in actuarial assumptions	(9,761)	(3,863)	5,051	7,629	(856)
Total included in group statement of comprehensive income	(8,766)	(2,844)	(5,361)	6,461	(666)

Historical information

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Fair value of scheme assets	50,251	42,702	39,728	34,923	32,240
Present value of scheme obligations	57,516	42,862	37,179	41,257	45,170

Defined benefit pension expense recognised in the income statement

	ROI 2010 €'000	US 2010 €'000	NI 2010 €'000	Total 2010 €'000
Current service costs	(1,083)	(899)	(391)	(2,373)
Interest on scheme obligations	(1,689)	(101)	(767)	(2,557)
Expected return on scheme assets	1,306	991	761	3,058
	(1,466)	(9)	(397)	(1,872)

	ROI 2009 €'000	US 2009 €'000	NI 2009 €'000	Total 2009 €'000
Current service costs	(986)	(664)	(241)	(1,891)
Interest on scheme obligations	(1,572)	(84)	(683)	(2,339)
Expected return on scheme assets	1,218	624	687	2,529
	(1,340)	(124)	(237)	(1,701)

The tax effect relating to these items is disclosed in note 25.

The cumulative actuarial loss recognised in other comprehensive income is €17,108,000 (2009: €8,342,000).

The expected employers' contribution for the year ended 30 September 2011 is €2,144,000.

Share based payments

	2010 €'000	2009 €'000
Share option expense	387	1,351
Share incentive scheme expense	113	70
Long term incentive plan expense	74	80
Ashfield In2Focus scheme expense	24	54
	598	1,555

€363,000 (2009: €532,000) of the total share based payment expense recognised in the income statement relates to the directors.

Notes forming part of the Group Financial Statements

continued

27. Employee benefits (continued)

Share option scheme

During the year ended 30 September 2010, the Company established the Executive Share Option Plan 2010 (ESOP). Under the ESOP share options may be granted to management which entitle them to purchase shares in United Drug plc so as to provide an incentive to perform strongly over an extended period and to align their interests with those of shareholders. The terms of the share options granted on 14 June 2010 are outlined in the Report of the Remuneration Committee on Directors' Remuneration.

The terms of the previous share option schemes are also outlined in the Report of the Remuneration Committee on Directors' Remuneration. Under the terms of the previous schemes, two types of share options were granted to employees:

- (i) Basic Tier share options which cannot be exercised before the expiration of three years and which are subject to performance criteria as set out in the Report of the Remuneration Committee on Directors' Remuneration; and
- (ii) Second Tier share options which cannot be exercised before the expiration of five years and which are subject to performance criteria as set out in the Report of the Remuneration Committee on Directors' Remuneration.

The contractual life of share options awarded during 2010 under the ESOP is seven years whilst the contractual life of both Basic Tier and Second Tier share options awarded under the previous schemes is ten years. Share options were last granted on 14 June 2010 and a total of 1,540,000 share options (2009: 2,495,500 Basic Tier share options) were granted at that time. In accordance with the terms of the relevant scheme, share options are exercisable at the market price of the underlying share on the last dealing day preceding the date of grant.

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The binomial valuation method has been used to value share options.

A summary of the details in respect of share options granted in 2010 and 2009 is set out below:

	2010	2009
Grant date	14 June 2010	11 June 2009
Fair value at measurement date	€0.69	€0.44
Share price at date of grant	€2.33	€1.97
Exercise price	€2.32	€1.95
Expected volatility	33.2%	27.7%
Expected life	6.2 years	6.5 years
Expected dividend yield	3.2%	4.1%
Risk-free interest rate	4.6%	4.9%
Valuation model	Binomial	Binomial
Vesting period	3 years	3 years

The number and weighted average exercise price of share options are as follows:

	Weighted exercise price 2010 €	Number of options 2010 '000	Weighted exercise price 2009 €	Number of options 2009 '000
Options outstanding at beginning of year	2.86	13,491	3.08	12,059
Forfeited during the year	3.21	(983)	3.67	(923)
Exercised during the year	1.41	(503)	0.87	(140)
Granted during the year	2.32	1,540	1.95	2,495
Options outstanding at end of year	2.82	13,545	2.86	13,491
Options exercisable at end of year	2.47	4,597	2.42	5,820

At 30 September 2010 the range of exercise prices of outstanding share options was from €1.84 to €4.06 (2009: €0.99 to €4.06).

27. Employee benefits (continued)

Analysis of share options outstanding at year end

Options by exercise price

Exercise prices €	Number of options 2010 '000	Number of options 2009 '000
0.99	-	275
1.84	898	968
1.90	945	1,032
1.95	2,265	2,460
1.99	774	845
2.32	1,537	-
2.83	1,260	1,410
3.32	1,170	1,305
3.48	1,398	1,553
3.83	1,808	2,008
4.06	1,490	1,635
	13,545	13,491

Long Term Incentive Plan 2010

During the year ended 30 September 2010, the Company established a new LTIP. The terms of awards granted during 2010 are outlined in the Report of the Remuneration Committee on Directors' Remuneration. Share options were granted on 14 June 2010 and a total of 523,106 share options (2009: nil) were granted at that time. The contractual life of share options awarded during 2010 is seven years. In accordance with the terms of the scheme, options are exercisable at the nominal value of the underlying share as at the date of grant.

A summary of the details in respect of share options granted in 2010 is set out below:

	2010 Non-Market Based Conditions	2010 Market Based Conditions
Grant date	14 June 2010	14 June 2010
Fair value at measurement date	€2.29	€1.12
Share price at date of grant	€2.33	€2.33
Exercise price	€0.05	€0.05
Expected volatility	33.2%	33.2%
Expected life	4.3 years	4.3 years
Expected dividend yield	n/a	n/a
Risk-free interest rate	4.6%	4.6%
Valuation model	Monte Carlo simulation	Monte Carlo simulation
Vesting period	3 years	3 years

Notes forming part of the Group Financial Statements

continued

27. Employee benefits (continued)

Share Award Schemes

The terms of the share incentive scheme and the Chief Executive's former Long Term Incentive Plan are outlined in the Report of the Remuneration Committee on Directors' Remuneration and details of awards granted are provided in note 18. On 19 November 2009, 26,994 shares were awarded under the share incentive scheme to Mr. C. Corbin in recognition of the performance by the Contract Sales & Marketing Services division in respect of the 2009 financial year. No shares were awarded in respect of the year ended 30 September 2010.

During the year ended 30 September 2010, the share incentive scheme and the Chief Executive's former Long Term Incentive Plan were replaced by a new scheme, the Long Term Incentive Plan 2010 (LTIP).

	Number of shares at 1 October 2009 '000	Awards of restricted shares '000	Forfeited restricted shares '000	Vested restricted shares '000	Number of shares at 30 September 2010 '000
Share incentive scheme	96	27	(9)	-	114
Long Term Incentive Plan	62	-	-	(62)	-
	158	27	(9)	(62)	114

	Number of shares at 1 October 2008 '000	Awards of restricted shares '000	Forfeited restricted shares '000	Vested restricted shares '000	Number of shares at 30 September 2009 '000
Share incentive scheme	96	-	-	-	96
Long Term Incentive Plan	62	-	-	-	62
	158	-	-	-	158

Ashfield In2Focus share scheme

Details of the Ashfield In2Focus share scheme are outlined in note 18.

	Number of shares 2010 '000	Number of shares 2009 '000
At beginning of year	51	76
Released during year	(22)	(25)
At end of year	29	51

28. Financial instruments and financial risk

30 September 2010	Cash flow hedges €'000	Fair value hedges €'000	Fair value through income statement €'000	Receivables €'000	Liabilities at amortised cost €'000	Total carrying value €'000	Fair value €'000
Trade and other receivables (note 14)	-	-	-	267,262	-	267,262	267,262
Cash and cash equivalents	-	-	-	156,212	-	156,212	156,212
	-	-	-	423,474	-	423,474	423,474
Trade and other payables (note 22)	-	-	-	-	269,119	269,119	269,119
Interest-bearing loans and borrowings (note 21)	-	65,053	-	-	184,335	249,388	257,087
Finance lease liabilities (note 21)	-	-	-	-	1,058	1,058	1,100
Derivative financial liabilities	11,126	2,509	1,457	-	-	15,092	15,092
Deferred consideration (note 23)	-	-	-	-	16,169	16,169	16,169
Onerous leases (note 23)	-	-	-	-	1,539	1,539	1,539
	11,126	67,562	1,457	-	472,220	552,365	560,106

28. Financial instruments and financial risk (continued)

30 September 2009	Cash flow hedges €'000	Fair value hedges €'000	Fair value through income statement €'000	Receivables €'000	Liabilities at amortised cost €'000	Total carrying value €'000	Fair value €'000
Trade and other receivables (note 14)	-	-	-	278,354	-	278,354	278,354
Cash and cash equivalents	-	-	-	75,651	-	75,651	75,651
	-	-	-	354,005	-	354,005	354,005
Trade and other payables (note 22)	-	-	-	-	281,362	281,362	281,362
Interest-bearing loans and borrowings (note 21)	-	37,766	-	-	183,391	221,157	216,313
Finance lease liabilities (note 21)	-	-	-	-	2,215	2,215	2,269
Derivative financial liabilities	8,694	5,199	842	-	-	14,735	14,735
Deferred consideration (note 23)	-	-	-	-	12,783	12,783	12,783
Provisions (note 23)	-	-	-	-	12,714	12,714	12,714
	8,694	42,965	842	-	492,465	544,966	540,176

The fair values of the financial assets and liabilities disclosed in the preceding table have been estimated using the methods and assumptions set out below.

Trade and other receivables/payables

For receivables and payables, the carrying value less impairment provision, where appropriate is deemed to reflect fair value.

Cash and cash equivalents

For cash and cash equivalents, the nominal amount is deemed to reflect fair value.

Interest-bearing loans and borrowings

The fair value of interest-bearing loans and borrowings is based on the fair value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for movements in credit spreads.

Finance lease liabilities

For finance leases liabilities, fair value is the present value of future cash flows discounted at current market rates.

Provisions

The fair value of deferred consideration and other provisions represents the best estimate of amounts which may become payable in the future. These amounts are discounted to present value using appropriate risk adjusted discount rates.

Derivative financial liabilities

	2010 €'000	2009 €'000
Non-current	11,255	14,032
Current	3,837	703
	15,092	14,735

The fair value of interest rate swaps and forward exchange contracts is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates.

The swaps are a mixture of fixed to fixed and fixed to floating rate swaps. The Group classifies the fixed to floating swaps as fair value hedges and has stated them at their fair value with a corresponding opposite adjustment to the underlying debt for the risk being hedged. Both of these adjustments are recorded within the income statement and to the extent they do not offset, this represents the ineffective portion of the fair value hedge. The fair value of these swaps at 30 September 2010 was €2,509,000 (2009: €5,199,000).

Notes forming part of the Group Financial Statements

continued

28. Financial instruments and financial risk (continued)

The fixed to fixed rate cross currency interest rate swaps are classified as cash flow hedges and are stated at their fair value. The fair value of these swaps at 30 September 2010 was a liability of €11,126,000 (2009: €8,694,000), and the effective portion of this adjustment was accounted for in the cash flow hedge reserve. The fair value movement out of the cash flow hedge reserve during the year was €4,974,000 (2009: €782,000). This fair value movement represents an equal but opposite amount to the foreign exchange gain or loss recognised in the income statement on the retranslation of underlying foreign currency debt.

The Group has two floating to fixed rate interest swaps that are not designated as a hedge and accordingly fair value movements are recognised through the income statement. The fair value movement on these swaps recognised as an expense in the income statement during the year was €703,000 (2009: €842,000).

The interest element of the cash flow hedges will be recognised in the income statement in the periods to 30 September 2020, as the associated interest on the hedged debt is recognised.

The Group has adopted the following fair value hierarchy in relation to its financial instruments that are carried in the balance sheet at fair value as at the year end:

- Level 1- quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices); and
- Level 3- inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement as at 30 September 2010

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial liabilities				
Derivative financial instruments	-	15,092	-	15,092
Guaranteed senior unsecured notes	-	175,055	-	175,055
	-	190,147	-	190,147

Fair value measurement as at 30 September 2009

	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial liabilities				
Derivative financial instruments	-	14,735	-	14,735
Guaranteed senior unsecured notes	-	71,969	-	71,969
	-	86,704	-	86,704

Capital management

The directors consider capital to consist of equity attributable to the owners of the Company (share capital, share premium and retained earnings) and long-term debt. The directors' policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain the ongoing development of the group. The directors periodically review the capital structure of the Group, considering the cost of capital and the risks associated with each class of capital. The directors monitor the return on equity generated by the Group and the level of dividends paid to shareholders. There were no changes to the directors' approach to capital management during the year. The Group as noted in the Finance Review has to be abide by certain financial covenants, but the Group is not subject to externally imposed capital requirements.

28. Financial instruments and financial risk (continued)

The capital structure of the Group, which comprises net debt and capital and reserves attributable to the Company's equity holders, may be summarised as follows:

	2010 €'000	2009 €'000
Capital and reserves attributable to the equity holders of the parent	368,359	321,410
Net debt	109,326	162,456
Capital and net debt	477,685	483,866

Financial risk management

The Group's multi-national operations expose it to different financial risks that include currency risks, credit risks, liquidity risks and interest rate risks. The Group has a risk management programme in place which seeks to limit the impact of these risks on the financial performance of the Group. The Board has determined the policies for managing these risks as set out below.

Credit risk

The Group has detailed procedures for monitoring and managing the credit risk related to its trade receivables based on experience, customer's track record and historic default rates. Individual credit limits are generally set by customer and credit is only extended above such limits in defined circumstances.

The Group establishes an allowance for impairment that represents the best estimate of incurred losses in respect of trade and other receivables. Where the Group is satisfied that no recovery of the amount owing is possible, the amount is considered irrecoverable and is written off directly against the receivable.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Interest rate risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis. Interest rate swaps and forward rate agreements are used to manage interest rate risk when considered appropriate having regard to the interest rate environment.

A reduction of one hundred basis points in interest rates at the reporting date would have increased profit before tax by the amounts shown below assuming all other variables including foreign currency rates remain constant. An increase of one hundred basis points on the same basis would reduce profit before tax by €1,048,000. In 2009, a similar one hundred basis points increase would have had an equal and opposite effect as the reduction on profit before tax.

Effect of reduction of one hundred basis points

	2010 €'000	2009 €'000
Profit before tax	780	691

Currency risk

Structural currency risk

A significant element of the Group's operations are carried out in the UK and the US and as a result the Group is exposed to structural currency fluctuations in respect of sterling and the US dollar. Where practical, the Group finances investments through borrowings denominated in the same currency in which the related cash flows will be generated. To the extent that the non-euro denominated assets and liabilities of the Group do not offset, the Group is exposed to structural currency risk. Such movements are reported through the Group statement of other comprehensive income.

Sterling and US dollar denominated profits are translated into euro at the average rate of exchange for the financial year. Therefore the Group is also subject to translational currency risk on the translation of such profits.

Notes forming part of the Group Financial Statements

continued

28. Financial instruments and financial risk (continued)

Transactional currency risk

The euro is the principal currency of the Group's Irish and Continental European businesses, sterling is the principal currency for the Group's UK businesses and the US dollar is the principal currency for the Group's US businesses. The Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot and forward rates where necessary. Details of the Group's transactional foreign currency risk at 30 September 2010 and 2009 arising from foreign currency transactions are set out in the table below.

	Euro 2010 €'000	Sterling 2010 €'000	USD 2010 €'000	CHF 2010 €'000	Total 2010 €'000
Cash and cash equivalents	472	2,536	2,103	224	5,335
Trade receivables	676	231	889	252	2,048
Trade and other payables	(1,264)	(1,275)	(764)	(79)	(3,382)
Interest bearing loans and borrowings	-	-	(74,012)	-	(74,012)
Derivative financial liabilities	-	-	(1,941)	-	(1,941)
	(116)	1,492	(73,725)	397	(71,952)

	Euro 2009 €'000	Sterling 2009 €'000	USD 2009 €'000	CHF 2009 €'000	Total 2010 €'000
Cash and cash equivalents	-	3,832	695	138	4,665
Trade and other payables	(3,284)	(1,585)	(1,628)	(439)	(6,936)
Interest bearing loans and borrowings	-	-	(68,709)	-	(68,709)
Derivative financial liabilities	-	-	(276)	-	(276)
	(3,284)	2,247	(69,918)	(301)	(71,256)

The interest-bearing loans and borrowings included in the table above are designated as hedges of the Group's net investment in foreign operations. Gains and losses arising on translation are taken to the foreign exchange reserve.

As set out in note 21, the Group has US\$232 million debt financing from the US Private Placement Market. The US dollar proceeds were swapped into euro and the fixed interest rates applicable to the debt were swapped into a mixture of fixed and floating rate debt. As set out in the table on page 97, the floating rate unsecured guaranteed senior notes have a carrying value of €65,053,000 (2009: €37,766,000) and the fixed rate unsecured guaranteed senior notes have a carrying value of €110,002,000 (2009: €34,203,000).

Sensitivity analysis on transactional currency risk

For the purposes of performing sensitivity analysis on transactional currency risk, financial assets and liabilities outstanding at the balance sheet date and denominated in a currency other than the functional currency of individual entities, have been aggregated by currency and the impact of a five percent strengthening of the euro against the relevant currency calculated. This analysis assumes that all other variables, in particular interest rates, remain constant.

28. Financial instruments and financial risk (continued)

US Dollar:

Based on the value of US dollar denominated financial assets and liabilities held by individual entities with a functional currency other than the US dollar, a five percent strengthening of the euro against the US dollar at 30 September 2010 and 30 September 2009 would have (reduced)/increased equity and profit after tax by the amounts shown below:

	2010 €'000	2009 €'000
Equity	3,618	3,285
Profit after tax	(108)	39

Sterling:

Based on the value of sterling denominated financial assets and liabilities held by individual entities with a functional currency other than sterling, a five percent strengthening of the euro against sterling at 30 September 2010 and 30 September 2009 would not have had a material effect on equity or profit after tax of the Group.

Funding and Liquidity

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group uses a combination of long and short-term debt and cash and cash equivalents to meet its liabilities as they fall due. This is in addition to the Group's strong cash flow generation. The Group believes it has sufficient cash resources and bank debt facilities at its disposal, which provides flexibility in financing existing operations, acquisitions and other developments.

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2010

	Carrying amount €'000	Contractual cash flow €'000	6 months or less €'000	6-12 months €'000	Between 1-2 years €'000	Between 2-5 years €'000	More than 5 years €'000
Non derivative financial instruments							
Other loans and borrowings	74,333	83,584	1,312	1,310	2,563	78,399	-
Finance leases	1,058	1,100	272	272	271	285	-
Floating rate unsecured guaranteed senior notes	65,053	72,457	662	8,154	1,171	19,411	43,059
Fixed rate unsecured guaranteed senior notes	110,002	141,273	2,459	24,325	3,934	25,711	84,844
Trade and other payables	269,119	269,119	269,119	-	-	-	-
Provisions	17,708	18,973	1,481	10,742	1,165	5,585	-
Derivative financial instruments							
Fixed rate hedges	12,583	15,587	684	3,041	395	4,421	7,046
Floating rate hedges	2,509	3,012	41	810	67	484	1,610
	552,365	605,105	276,030	48,654	9,566	134,296	136,559

Notes forming part of the Group Financial Statements

continued

28. Financial instruments and financial risk (continued)

30 September 2009

	Carrying amount €'000	Contractual cash flow €'000	6 months or less €'000	6-12 months €'000	Between 1-2 years €'000	Between 2-5 years €'000	More than 5 years €'000
Non derivative financial instruments							
Other loans and borrowings	149,188	157,145	2,341	2,326	78,719	73,504	255
Finance leases	2,215	2,469	656	635	575	603	-
Floating rate unsecured guaranteed senior notes	37,766	39,800	330	330	7,796	15,007	16,337
Fixed rate unsecured guaranteed senior notes	34,203	38,094	811	811	22,151	14,321	-
Trade and other payables	281,362	281,362	281,362	-	-	-	-
Provisions	25,497	27,960	11,351	284	8,022	2,456	5,847
Derivative financial instruments							
Fixed rate hedges	9,536	10,635	226	226	5,876	4,307	-
Floating rate hedges	5,199	5,489	45	45	1,220	2,034	2,145
	544,966	562,954	297,122	4,657	124,359	112,232	24,584

Maturity profile of net debt

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature.

30 September 2010

	Effective interest rate	Total €'000	Less than 1 year €'000	Between 1-2 years €'000	Between 2-5 years €'000	More than 5 years €'000
Cash at bank and short term deposits	1.06%	156,212	156,212	-	-	-
Other loans and borrowings	3.19%	(74,333)	(252)	(200)	(73,191)	(690)
Finance leases	7.95%	(1,058)	(522)	(262)	(274)	-
Floating rate unsecured guaranteed senior notes	2.04%	(65,053)	(7,530)	-	(16,314)	(41,209)
Fixed rate unsecured guaranteed senior notes	4.45%	(110,002)	(22,112)	-	(14,729)	(73,161)
Total loan notes		(175,055)	(29,642)	-	(31,043)	(114,370)
Total before derivatives		(94,234)	125,796	(462)	(104,508)	(115,060)
Derivatives		(15,092)	(3,837)	-	(3,663)	(7,592)
Net debt		(109,326)	121,959	(462)	(108,171)	(122,652)

30 September 2009

	Effective interest rate	Total €'000	Less than 1 year €'000	Between 1-2 years €'000	Between 2-5 years €'000	More than 5 years €'000
Cash at bank and short term deposits	1.06%	75,651	75,651	-	-	-
Other loans and borrowings	2.15%	(149,188)	(1,444)	(52,981)	(94,513)	(250)
Finance leases	7.16%	(2,215)	(1,153)	(499)	(563)	-
Floating rate unsecured guaranteed senior notes	1.75%	(37,766)	-	(7,137)	(14,573)	(16,056)
Fixed rate unsecured guaranteed senior notes	4.74%	(34,203)	-	(20,530)	(13,673)	-
Total loan notes		(71,969)	-	(27,667)	(28,246)	(16,056)
Total before derivatives		(147,721)	73,054	(81,147)	(123,322)	(16,306)
Derivatives		(14,735)	-	(6,553)	(6,075)	(2,107)
Net debt		(162,456)	73,054	(87,700)	(129,397)	(18,413)

The effect of the derivatives included above has been to swap US dollar denominated debt to euro denominated debt and to partially swap fixed rate interest into floating rate interest.

29. Capital commitments

Capital expenditure authorised but not contracted amounted to €8,757,000 (2009: €3,879,000) at the balance sheet date.

30. Related parties

The Group trades in the normal course of business with its joint venture undertakings. The aggregate value of these transactions is not material in the context of the Group's financial results.

IAS 24 also requires the disclosure of compensation paid to the Group's key management personnel. This comprises its executive and non-executive directors, together with Persons Discharging Managerial Responsibility ('PDMRs') as defined in Section 12(8) of the Irish Market Abuse Directive Regulations.

Remuneration of key management personnel

	2010 €'000	2009 €'000
Remuneration, excluding pension contributions	4,724	4,455
Pension contributions	532	696
	5,256	5,151

In accordance with IFRS 2 Share-based payment, an expense of €397,000 (2009: €527,000) has been recognised in the Group income statement in respect of share options granted to key management personnel.

Details of the remuneration of the Group's individual directors, together with the number of United Drug plc shares owned by them and their outstanding share options are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 39 to 46.

31. Events after the balance sheet date

On 1 December 2010 the Group acquired 100% of World Events Group Limited ('World Events'), a leading events management company providing event management, logistics and marketing services to international pharmaceutical manufacturers. World Events is headquartered in the UK, with offices in Asia, the US and throughout Europe. The entire share capital was acquired for consideration of €19,300,000. The Group is currently reviewing the fair values of the individual assets and liabilities acquired in respect of the above subsidiary acquisition. Therefore, it is impractical to provide the detailed disclosure requirements under IFRS 3 business combinations at this part in time.

On 2 December 2010, our recently established Medco UK homecare joint venture, acquired Careology Limited, a UK company providing healthcare services in the home. The Group's share of the investment in Careology Limited is €2,950,000.

Also after the year end, the Group acquired the remaining 50% interest in Temperature Controlled Pharmaceuticals Limited (TCP) for total consideration of €3,620,000.

32. Comparative figures

Arising from the implementation of IFRS 8 Operating Segments in the current year, the presentational format has changed in the segmental information in note 2 and as a result the comparative figures have been presented in a consistent manner.

Company Statement of Comprehensive Income

for the year ended 30 September 2010

	Notes	2010 €'000	2009 €'000
Profit for the financial year		16,541	38,548
Other comprehensive income:			
Company defined benefit pension schemes:			
- Actuarial (loss)/gain	42	(2,697)	191
- Movement in deferred tax	35	336	(24)
Company cash flow hedges:			
- <i>Effective portion of cash flow hedges – movement out of reserve</i>	38	942	(942)
- <i>Movement in deferred tax – movement into reserve</i>	35	(118)	118
Other comprehensive expense for the financial year		(1,537)	(657)
Total comprehensive income for the financial year		15,004	37,891

Company Statement of Changes in Equity

for the year ended 30 September 2010

	Equity share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At 1 October 2009	12,155	122,710	66,248	54,338	255,451
Profit for the financial year	-	-	16,541	-	16,541
Other comprehensive income/(expense):					
Effective portion of cash flow hedges	-	-	-	942	942
Deferred tax on cash flow hedges	-	-	-	(118)	(118)
Actuarial loss on defined benefit schemes	-	-	(2,697)	-	(2,697)
Deferred tax on defined benefit schemes	-	-	336	-	336
Total comprehensive income for the year	-	-	14,180	824	15,004
New shares issued	241	10,181	-	-	10,422
Share-based payment expense	-	-	-	574	574
Dividends paid to equity holders	-	-	(19,246)	-	(19,246)
Acquisition of treasury shares	-	-	-	(41)	(41)
Release from share-based payment reserve	-	-	337	(337)	-
At 30 September 2010	12,396	132,891	61,519	55,358	262,164

for the year ended 30 September 2009

	Equity share capital €'000	Share premium €'000	Retained earnings €'000	Other reserves €'000	Total equity €'000
At 1 October 2008	12,002	116,409	46,501	53,342	228,254
Profit for the financial year	-	-	38,548	-	38,548
Other comprehensive income/(expense):					
Effective portion of cash flow hedges	-	-	-	(942)	(942)
Deferred tax on cash flow hedges	-	-	-	118	118
Actuarial gain on defined benefit schemes	-	-	191	-	191
Deferred tax on defined benefit schemes	-	-	(24)	-	(24)
Total comprehensive income for the year	-	-	38,715	(824)	37,891
New shares issued	153	6,301	-	-	6,454
Share-based payment expense	-	-	-	1,501	1,501
Dividends paid to equity holders	-	-	(18,649)	-	(18,649)
Transfer to share-based payment reserve	-	-	(366)	366	-
Release from share-based payment reserve	-	-	47	(47)	-
At 30 September 2009	12,155	122,710	66,248	54,338	255,451

Company Balance Sheet

as at 30 September 2010

	Notes	2010 €'000	2009 €'000
ASSETS			
Non-current			
Property, plant and equipment	33	3,170	3,228
Investment in subsidiary undertakings	34	69,327	83,512
Deferred income tax asset	35	1,006	897
Total non-current assets		73,503	87,637
Current			
Inventories	36	49,007	70,852
Trade and other receivables	37	180,087	281,806
Income tax asset		9	432
Cash and cash equivalents		60,298	17,975
Total current assets		289,401	371,065
Total assets		362,904	458,702
EQUITY			
Equity share capital	15	12,396	12,155
Share premium	17	132,891	122,710
Other reserves	38	55,358	54,338
Retained earnings	38	61,519	66,248
Capital and reserves attributable to equity holders of the Company		262,164	255,451
LIABILITIES			
Non-current			
Interest-bearing loans and borrowings	39	-	77,458
Provisions	41	447	793
Employee benefits	42	6,397	3,809
Derivative financial instruments	39	1,131	885
Total non-current liabilities		7,975	82,945
Current			
Trade and other payables	40	92,212	115,307
Provisions	41	227	4,100
Derivative financial instruments	39	326	899
Total current liabilities		92,765	120,306
Total liabilities		100,740	203,251
Total equity and liabilities		362,904	458,702

On behalf of the Board

R. Kells
Director

L. FitzGerald
Director

Company Cash Flow Statement

for the year ended 30 September 2010

	Notes	2010 €'000	2009 €'000
Cash flows from operating activities			
Profit before tax		16,977	38,174
Impairment provision		12,995	-
Exceptional item		-	2,761
Finance income		(960)	(125)
Finance expense		5,876	7,558
Operating profit (pre-exceptional item)		34,888	48,368
Depreciation charge	33	687	575
Profit on disposal of property, plant and equipment		(6)	-
Share-based payment expense	42	90	621
Decrease/(increase) in inventories		21,845	(7,524)
Decrease in trade and other receivables		101,719	55,022
(Decrease)/increase in trade payables, provisions and other payables		(25,343)	40
Exceptional item		-	(482)
Interest paid		(4,255)	(6,508)
Income taxes (paid)/refunded		(992)	885
Net cash inflow from operating activities		128,633	90,997
Cash flows from investing activities			
Interest received		960	125
Purchase of property, plant and equipment	33	(629)	(291)
Proceeds from disposal of property, plant and equipment		6	-
Investment in subsidiary undertakings	34	-	(5,274)
Deferred acquisition consideration paid	41	(324)	(2,452)
Net cash inflow/(outflow) from investing activities		13	(7,892)
Cash flows from financing activities			
Proceeds from issue of shares (including share premium thereon, net of scrip issue)		4,026	2,439
Repayment of interest-bearing loans and borrowings		(77,458)	(59,589)
Acquisition of treasury shares		(41)	-
Dividends paid to equity holders of the Company		(12,850)	(14,634)
Net cash outflow from financing activities		(86,323)	(71,784)
Net increase in cash and cash equivalents		42,323	11,321
Cash and cash equivalents at beginning of year		17,975	6,654
Cash and cash equivalents at end of year		60,298	17,975
Cash and cash equivalents is comprised of:			
Cash at bank and short term deposits		60,298	17,975

Notes forming part of the Company Financial Statements

33. Property, plant and equipment

Cost	Land and buildings 2010 €'000	Plant and equipment 2010 €'000	Motor vehicles 2010 €'000	Computer equipment 2010 €'000	Total 2010 €'000
At 1 October 2009	3,829	4,900	1,122	3,986	13,837
Additions in year	-	244	-	385	629
Disposals in year	-	-	(107)	-	(107)
At 30 September 2010	3,829	5,144	1,015	4,371	14,359
Depreciation					
At 1 October 2009	876	4,779	1,029	3,925	10,609
Depreciation charge for the year	77	239	54	317	687
Eliminated on disposal	-	-	(107)	-	(107)
At 30 September 2010	953	5,018	976	4,242	11,189
Carrying amount					
At 30 September 2010	2,876	126	39	129	3,170

Cost	Land and buildings 2009 €'000	Plant and equipment 2009 €'000	Motor vehicles 2009 €'000	Computer equipment 2009 €'000	Total 2009 €'000
At 1 October 2008	3,829	4,796	1,226	3,799	13,650
Additions in year	-	104	-	187	291
Disposals in year	-	-	(104)	-	(104)
At 30 September 2009	3,829	4,900	1,122	3,986	13,837
Depreciation					
At 1 October 2008	799	4,565	1,038	3,736	10,138
Depreciation charge for the year	77	214	95	189	575
Eliminated on disposal	-	-	(104)	-	(104)
At 30 September 2009	876	4,779	1,029	3,925	10,609
Carrying amount					
At 30 September 2009	2,953	121	93	61	3,228

No borrowings are secured on the above assets.

34. Investment in subsidiary undertakings

	2010 €'000	2009 €'000
Cost		
At beginning of year	83,512	77,358
Additions in year	-	5,274
Deferred consideration written back (note 23)	(1,674)	-
Impairment provision	(12,995)	-
Share options granted to employees of subsidiary undertakings	484	880
At end of year	69,327	83,512

The significant subsidiaries are detailed in note 46.

The addition to investments in subsidiary undertakings during the prior year of €5,274,000 was comprised of cash consideration.

The impairment provision is in respect of the Company's investment in a number of non-trading subsidiary undertakings. The impairment provision does not impact on the Group's results for the year ended 30 September 2010.

35. Deferred income tax assets

	2010 €'000	2009 €'000
At beginning of year	897	662
Temporary differences – arising in income	(109)	141
Employee benefits – arising in equity	336	(24)
Derivative financial instruments – arising in equity	(118)	118
At end of year	1,006	897

36. Inventories

	2010 €'000	2009 €'000
Finished goods	49,007	70,852

In 2010, finished goods recognised as cost of sales amounted to €603,497,000 (2009: €620,699,000). There were no material write-down of inventories to net realisable value in the years ended 30 September 2010 and 2009.

Current replacement cost does not differ materially from historical cost.

At 30 September 2010, the level of consignment inventory within the Company amounted to €111,074,000 (2009: €83,399,000). The risks and rewards associated with consignment inventory are not transferred to the Company until the inventory is sold to customers.

37. Trade and other receivables

	2010 €'000	2009 €'000
Current		
Trade receivables	53,482	55,617
Amounts due from subsidiary undertakings	119,197	221,229
Other receivables	6,749	4,910
Prepayments and accrued income	659	50
	180,087	281,806

All amounts fall due within one year.

The maximum exposure to credit risk for trade receivables at the reporting date by geographical region was:

Geographical analysis of credit risk

	2010 €'000	2009 €'000
Republic of Ireland	53,482	55,617

There is no material concentration of credit risk with regard to individual customers included in Company trade receivables.

The ageing of trade receivables at 30 September was:

	Gross value 2010 €'000	Impairment 2010 €'000	Gross value 2009 €'000	Impairment 2009 €'000
Not past due < 12 months	53,835	353	55,524	-
Past due				
0 - 30 days	372	372	329	236
31 - 90 days	171	171	18	18
91 - 180 days	115	115	4	4
180+ days	29	29	12	12
	54,522	1,040	55,887	270

Notes forming part of the Company Financial Statements

continued

37. Trade and other receivables (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2010 €'000	2009 €'000
At beginning of year	270	417
Bad debts written off during the year	(162)	(107)
Increase/(decrease) in provision during the year	932	(40)
At end of year	1,040	270

38. Capital and reserves

	Other reserves €'000	Retained earnings €'000
At 1 October 2008	53,342	46,501
Profit for the financial year	-	38,548
Release from share-based payment reserve	(47)	47
Effective portion of cash flow hedges	(942)	-
Deferred tax on cash flow hedges	118	-
Dividends paid to equity holders	-	(18,649)
Actuarial gain on defined benefit pension scheme	-	191
Deferred tax on defined benefit pension scheme	-	(24)
Transfer of treasury shares	366	(366)
Share-based payment expense	1,501	-
At 30 September 2009	54,338	66,248
Profit for the financial year	-	16,541
Release from share-based payment reserve	(337)	337
Effective portion of cash flow hedges	942	-
Deferred tax on cash flow hedges	(118)	-
Dividends paid to equity holders	-	(19,246)
Actuarial loss on defined benefit pension scheme	-	(2,697)
Deferred tax on defined benefit pension scheme	-	336
Acquisition of treasury shares	(41)	-
Share-based payment expense	574	-
At 30 September 2010	55,358	61,519

Other reserves represents a share-based payment reserve of €5,867,000 (2009: €5,871,000), a treasury shares reserve of (€6,084,000) (2009: (€6,284,000)), a goodwill reserve of (€93,000) (2009: (€93,000)), a non-distributable reserve of €55,668,000 (2009: €55,668,000) and a cash flow hedge reserve of €nil (2009: (€824,000)).

The Company's non-distributable reserve consists of €16,762,000 (2009: €16,762,000) transferred from the share premium account against which goodwill, arising from acquisitions in financial periods prior to 1 October 1999, is offset on consolidation and a transfer from the income statement of €38,906,000 (2009: €38,906,000) arising on the restructuring of group activities.

Details of equity share capital are set out in note 15.

39. Interest-bearing loans and borrowings

	2010 €'000	2009 €'000
Non-current		
Interest-bearing loans and borrowings	-	77,458
Derivative financial liabilities		
	2010 €'000	2009 €'000
Non-current	1,131	885
Current	326	899
	1,457	1,784

Details of how the Company manages risk exposures and accounts for financial instruments are set out in note 28.

Foreign currency risk management

The majority of trade conducted by the Company is in euro. Therefore, the level of transactional foreign exchange exposure is not material to the Company.

Funding and Liquidity

The following are the undiscounted contractual maturities of financial instruments, including interest payments and excluding the impact of netting arrangements:

30 September 2010

	Carrying amount €'000	Contractual cash flow €'000	6 months or less €'000	6-12months €'000	Between 1-2 years €'000	Between 2-5 years €'000
Trade and other payables	92,212	92,212	92,212	-	-	-
Provisions	674	674	113	114	227	220
Derivatives – fixed rate hedges	1,457	1,879	362	30	59	1,428
	94,343	94,765	92,687	144	286	1,648

30 September 2009

	€'000	€'000	€'000	€'000	€'000	€'000
Other loans and borrowings	77,458	81,327	833	833	54,123	25,538
Trade and other payables	115,307	115,307	115,307	-	-	-
Provisions	4,893	4,922	4,102	27	53	740
Derivatives – fixed rate hedges	1,784	2,007	37	37	74	1,858
	199,442	203,563	120,279	897	54,250	28,136

40. Trade and other payables

	2010 €'000	2009 €'000
Current		
Trade payables	89,485	109,567
Accruals and deferred income	1,058	3,996
Other creditors	1,669	1,744
	92,212	115,307

Notes forming part of the Company Financial Statements

continued

41. Provisions

	Deferred consideration 2010 €'000	Other provisions 2010 €'000	Onerous leases 2010 €'000	Total 2010 €'000	Total 2009 €'000
At beginning of year	1,971	2,076	846	4,893	4,858
Deferred consideration written back	(1,674)	-	-	(1,674)	-
Increase in provision during the year	-	-	-	-	2,761
Utilised during the year	(324)	(2,076)	(172)	(2,572)	(2,934)
Unwinding of discounts	27	-	-	27	208
At end of year	-	-	674	674	4,893

	2010 €'000	2009 €'000
Non-current	447	793
Current	227	4,100
	674	4,893

The disclosure of amounts included in provisions into separate classes has been revised from that presented at 30 September 2009.

A detailed description of the above provisions is provided in note 23.

42. Employee benefits

The aggregate employee costs recognised in the Company income statement are as follows:

	2010 €'000	2009 €'000
Wages and salaries	5,765	5,462
Social security contributions	705	687
Pension costs – defined contribution schemes	131	143
Pension costs – defined benefit schemes	579	599
Termination payments (included in exceptional item)	-	1,926
Share-based payment expense	90	621
	7,270	9,438

The average number of employees, including executive directors, during the year was as follows:

	2010	2009
Marketing, distribution and selling	66	59
Administration	46	47
	112	106

(i) Defined contribution schemes

The Company makes contributions to a number of defined contribution schemes, the assets of which are vested in independent trustees for the benefit of members and their dependants.

(ii) Defined benefit schemes

The Company also operates a number of defined benefit schemes which are funded by the payment of contributions to separately administered trust funds.

The contributions to the schemes are determined with the advice of independent qualified actuaries obtained at regular intervals using the projected unit method of funding. Each defined benefit scheme is independently funded and the assets are vested in the independent trustees for the benefit of members and their dependants. The valuations are not available for public inspection but the results are advised to members of the schemes.

42. Employee benefits (continued)

The most recent full actuarial valuations for the principal schemes were conducted as at 31 December 2008. The principal assumption used was that the annual rate of return on investments would be 3.5% higher than the annual rate of increase in pensionable salaries.

Assumed medical costs are not a component of the pension obligations of any of the Company's pension obligations.

The valuation method used for the Company defined benefit schemes is projected unit credit method.

The principal long-term financial assumptions used by the Company's actuaries in the computation of the defined benefit liabilities arising on pension schemes as at 30 September are as follows:

	2010	2009	2008
Increase in salaries	3.50%	3.50%	3.50%
Increase in pensions	0 - 2.00%	0 - 2.25%	0 - 2.50%
Inflation rate	2.00%	2.25%	2.50%
Discount rate	4.80%	6.20%	6.10%

The reduction in discount rates is reflective of changes in bond yields during the year. These changes are the primary reason for the actuarial losses during the current year.

The assumed long-term rates of return at 30 September analysed by class of investments in which the schemes' assets are invested, are as follows:

	2010	2009	2008
Equities	7.75%	8.25%	8.00%
Bonds	3.75%	4.25%	4.75%
Property	6.75%	7.25%	6.75%
Other	2.00%	2.50%	3.50%

The expected rates of return for each of the categories of the schemes' assets are based on the current long term expectations for such rates. The expected rate of return for equities and property has been calculated assuming that equities and property will outperform bonds over the long term by 4% and 3%. The expected rate of return for bonds has been based on bond indices as at 30 September. The composition of actual Company scheme assets is detailed below.

The mortality assumptions of the schemes have been discussed in detailed on page 87.

The market values of assets in the pension schemes at 30 September were:

	2010 €'000	2009 €'000
Equities	6,179	5,069
Bonds	1,336	1,303
Property	251	290
Other	584	579
Fair value of scheme assets	8,350	7,241
Present value of scheme obligations	(14,747)	(11,050)
Employee benefits liability	(6,397)	(3,809)
Deferred income tax asset	800	464
Net liability	(5,597)	(3,345)

Notes forming part of the Company Financial Statements

continued

42. Employee benefits (continued)

	2010 €'000	2009 €'000
Movements in fair value of plan assets		
At beginning of year	7,241	7,151
Expected return on scheme assets	525	518
Employer contributions	687	485
Employee contributions	1	1
Benefit payments	(282)	(278)
Actual return less expected return on scheme assets	150	(471)
Actuarial gain/(loss) on plan experience	28	(165)
At end of year	8,350	7,241

	2010 €'000	2009 €'000
Movements in present value of defined benefit obligations		
At beginning of year	11,050	11,051
Current service costs	425	435
Interest on scheme obligations	678	668
Actuarial gain on experience variations	(664)	(345)
Actuarial loss/(gain) on interplan experience	28	(165)
Employee contributions	1	1
Benefit payments	(282)	(278)
Effect of changes in actuarial assumptions	3,511	(317)
At end of year	14,747	11,050

Reconciliation of the actuarial gain/(loss) to the plan assets and present value of the defined benefit obligation is as follows:

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Actuarial gain/(loss) on experience variations	664	345	855	(550)	(592)
Actual return less expected return on scheme assets	150	(471)	(3,231)	22	396
Effect of changes in actuarial assumptions	(3,511)	317	(25)	2,494	(320)
Total included in company statement of comprehensive income	(2,697)	191	(2,401)	1,966	(516)

Mortality rate assumptions and share-based payment information are detailed in note 27.

Historical information

	2010 €'000	2009 €'000	2008 €'000	2007 €'000	2006 €'000
Fair value of scheme assets	8,350	7,241	7,151	10,195	9,021
Present value of scheme obligations	14,747	11,050	11,051	12,746	13,484

43. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as set out below. These amounts represent the minimum future lease payments, in aggregate, that the Company is required to make under existing lease agreements.

	2010 €'000	2009 €'000
Less than one year	2,634	2,634
Between one and five years	11,270	11,270
More than five years	52,237	54,871
	66,141	68,775

The Company leases certain property, plant and equipment under operating leases. The leases typically run for an initial lease period with the potential to renew the leases after the initial period.

The significant operating leases entered into by the Company are in respect of office and warehouse facilities in Dublin. These leases commenced in June 2004 for a term of twenty five years and provide for rent reviews every five years. On each rent review date, the rent payable shall be set at open market value, subject to the revised annual rent being a minimum of 115% of the applicable annual rent prior to the rent review date.

44. Related party transactions

The Company has related party relationships with its subsidiaries and with the directors of the Company. Details of the remuneration of the Company's individual directors, together with the number of shares in the Company owned by them and their outstanding share options are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 39 to 46.

Transactions with subsidiary undertakings:

	2010 €'000	2009 €'000
Management charges to subsidiary undertakings	7,792	6,732
Sales to subsidiary undertakings	361,828	372,264

Details of balances outstanding with subsidiary undertakings are provided in note 37.

IAS 19 requires the disclosure of compensation paid to the Company's key management personnel. This comprises its executive and non-executive directors, together with Persons Discharging Managerial Responsibility ('PDMRs') as defined in Section 12(8) of the Irish Market Abuse Directive Regulations.

Remuneration of key management personnel

	2010 €'000	2009 €'000
Remuneration, excluding pension contributions	4,051	3,867
Pension contributions	346	651
	4,397	4,518

In accordance with IFRS 2 Share-based payment an expense of €298,000 (2009: €500,000) has been recognised in the income statement in respect of share options granted to key management personnel.

Notes forming part of the Company Financial Statements

continued

45. Contingent liabilities

Guarantees have been given by the Company in respect of borrowing facilities of certain subsidiary undertakings and customers.

46. Significant subsidiary undertakings

The following are the significant subsidiary undertakings of United Drug plc at 30 September 2010.

Incorporated and trading in the Republic of Ireland

<i>Name</i>	<i>Nature of business</i>	<i>Group share</i>
United Drug Wholesale Limited	Wholesale distribution of pharmaceutical products	100%
Unitech Limited*	Distribution of medical and scientific equipment and consumables	100%
Blackhall Pharmaceutical Distributors Limited	Distribution of pharmaceutical products	100%
Ashfield Healthcare (Ireland) Limited	Contract sales outsourcing	100%
Pemberton Marketing International Limited*	Distribution of consumer products	100%
Intra Venio Healthcare Limited	Distribution of medical and pharmaceutical equipment and consumables	100%
Intra Pharma Limited	Distribution of medical and pharmaceutical equipment and consumables	100%
JVA Analytical Limited*	Distribution of specialist analytical chemistry equipment	100%

All of the above companies have their registered office at United Drug House, Magna Drive, Magna Business Park, Citywest Road, Dublin 24.

All shares held are ordinary shares.

Incorporated and trading in the United Kingdom

<i>Name</i>	<i>Nature of business</i>	<i>Group share</i>
Sangers (Northern Ireland) Limited (1)	Wholesale distribution of pharmaceutical products	100%
Ulster Anaesthetics Limited (2)	Distribution of medical equipment and consumables	100%
United Drug (UK) Holdings Limited (3)*	Investment holding company	100%
Ashfield In2Focus Limited (3)	Contract sales outsourcing	100%
New Splint Limited (3)	Supply and distribution of medical devices	100%
Mantis Surgical Limited (3)	Supply and distribution of surgical products	100%
TD Packaging Limited (4)	Primary and secondary packaging solutions provider	100%
Presearch Limited (3)	Distribution of laboratory equipment	100%
MASTA Limited (5)	Service provider in the travel health field	100%
Imotech Medical Limited (3)	Distribution of medical equipment	100%
UniversalProcon Limited (3)	Event management services provider	100%
Business Edge Solutions & Training Limited (3)	Sales force effectiveness training services provider	100%
Craig & Hayward Limited (6)	Distribution of specialised medicines	100%
Pyramed Limited (3)	Distribution of specialised medical equipment	100%
The Specials Laboratory Limited (7)	Manufacturer of specialised medicines	100%
InforMed Direct Limited (8)	Provider of Health communications and consultancy services	100%

(1) This company has its registered office at 2 Marshalls Road, Belfast BT5 6SR.

(2) This company has its registered office at Maryland Industrial Estate, Ballygowan Road, Castlereagh, Belfast BT23 6BL.

(3) These companies have their registered office at Ashfield House, Resolution Road, Ashby-de-la-Zouch, Leicestershire, LE65 1HW.

(4) This company has its registered office at Unit 6, Stephenson Road, Groundwell Industrial Estate, Swindon, SN25 5AX.

(5) This company has its registered office at Unit 15, Moorfield Close, Yeadon, Leeds, LS19 7BN.

(6) This company has its registered office address at 7 Thames Park, Lester Way, Wallingford, Oxfordshire, OX10 9TA.

(7) This company has its registered office address at Unit 2, Regents Drive, Low Prudhoe Industrial Estate, Prudhoe, Northumberland, NE42 6PX.

(8) This company has its registered office at Hazelwood House, Larkwood Way, Tytherington Business Park, Macclesfield, Cheshire, SK 2XR.

46. Significant subsidiary undertakings (continued)**Incorporated and trading in Europe**

<i>Name</i>	<i>Nature of business</i>	<i>Group share</i>
Enestia Belgium N.V. (9)*	Packaging solutions provider	100%
Pharma Logistics Investments B.V. (10)	Packaging solutions provider	100%
Verotech AB (11)	Distribution of specialist analytical chemistry equipment	51%

(9) This company has its registered office at Klöcknerslyaat 1, 3930 Hamont-Achel, Belgium.

(10) This company has its registered office at Appelhof 13, 8465 AX Oudehaske, The Netherlands.

(11) This company has its registered office at Ekbacksvägen 28, 168 69 Bromma, Sweden.

Incorporated and trading in the United States

<i>Name</i>	<i>Nature of business</i>	<i>Group share</i>
Sharp Corporation (12)	Contract packaging company	100%
Alliance Healthcare Information Inc (13)	Pharmaceutical sales and marketing company	100%

(12) This company has its registered office at 7541 Keebler Way, Allentown, PA 18106.

(13) This company has its registered office at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

* Subsidiary undertakings owned directly by United Drug plc.

47. Auditor remuneration

The auditor's remuneration for the audit of the Company is detailed in note 3.

48. Section 17 Guarantees

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of certain wholly-owned subsidiary undertakings in the Republic of Ireland for the financial year ended 30 September 2010 and, as a result, such subsidiary undertakings are exempt from the filing provisions of Section 7, Companies (Amendment) Act, 1986 and Regulation 20 of the European Communities (Accounts Regulations), 1993 respectively.

49. Approval of financial statements

The individual and Group financial statements of the Company were approved by the directors on 17 December 2010.

Shareholder and Other Information

United Drug plc is an Irish registered company. The Company's ordinary shares are quoted on the Irish and London Stock Exchanges.

Financial calendar

Ex-dividend date for 2010 final dividend	24 November 2010
Record date for 2010 final dividend	26 November 2010
Annual General Meeting	17 February 2011
Payment date for 2010 final dividend	25 February 2011
Interim results announcement for 2011	May 2011
Financial year end	30 September 2011
Preliminary announcement of results for 2011	November 2011

Secretary and registered office

Karen Geoghegan
United Drug plc, United Drug House, Magna Drive, Magna Business Park, Citywest Road, Dublin 24, Ireland
Tel: +353 1 463 2300
Fax: +353 1 459 6893

Registered number

12244

Registrars

Enquiries concerning shareholdings should be addressed to:
Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland
Tel: +353 1 447 5100
Fax: +353 1 216 3151

Stockbrokers

Davy, Davy House, 49 Dawson Street, Dublin 2, Ireland
Goodbody Stockbrokers, Ballsbridge Park, Ballsbridge, Dublin 4, Ireland

Principal bankers

Ulster Bank, Ulster Bank Group Centre, George's Quay, Dublin 2, Ireland

Solicitors

Arthur Cox, Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland

Auditor

KPMG, Chartered Accountants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland

Website

Further information on United Drug plc is available at www.united-drug.ie

Notes

Notes



United Drug House
Magna Drive
Magna Business Park
Citywest Road
Dublin 24
Ireland

Telephone: +353 1 463 2300
Facsimile: +353 1 459 6893
Email: info@united-drug.ie
Website: www.united-drug.ie