Shire Pharmaceuticals Group plc

Annual report and statutory accounts
for the year ended 31 December 2000

Registered number: 2883758

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Chairman's review

Results

Shire has had another successful year with Group revenues and operating profits increasing 157% and 162% respectively. Diluted earnings per share are 28.1p, up 239% on 1999.

In October 2000, Shire gained entry into the FTSE 100 and finished the year with a market capitalisation of around £2.7 billion, making it the UK's fourth largest pharmaceutical company.

Much of this impressive growth is attributed to the Company's merger with Roberts Pharmaceutical Corporation ('Roberts') in December 1999 and the expansion of the Company's sales and marketing operations into Europe.

Operations

Significant growth was achieved for the majority of the key products. Total product sales increased by 165% to £330.8 million. Reminyl, for the treatment of Alzheimer's disease, was launched in the UK and the Republic of Ireland in September 2000 and Colazide, in-licensed from Salix Pharmaceuticals Ltd for the treatment for ulcerative colitis, was also launched in the UK in September 2000. In May 2000, Shire established a Representative Office in Singapore to manage the Company's presence in the Pacific Rim markets. In addition, a sales and marketing subsidiary, Shire Pharmaceuticals Iberica S.L., was set up in Spain in June. These additions to the Group have provided Shire with a presence in seven of the world's eight major pharmaceutical markets.

In March 2000, Shire acquired the exclusive rights to D-Pharm's 'DP-VPA'; a unique new chemical analogue of valproic acid for the treatment of epilepsy. DP-VPA, designated SPD 421, has successfully completed Phase I studies.

In April 2000, Shire signed an option agreement with Cortex Pharmaceuticals Inc. under which the Company will evaluate the use of Cortex's Ampakine CX516 for the treatment of Attention Deficit Hyperactivity Disorder ('ADHD'). The compound, designated SPD 420, has entered Phase I studies.

In December 2000, Shire signed a research, development and licensing agreement with CeNeS Pharmaceuticals plc for the development of CeNeS' dopamine D1 agonist programme for the treatment of Parkinson's disease. This compound is now designated SPD 451.

Mergers and acquisitions

Over the past six years, the Company has expanded both organically and through acquisitions and mergers. On 11 December 2000, Shire announced that it had entered into a merger agreeement with BioChem Pharma Inc. ('BioChem'), a Canadian based specialty pharmaceutical company. The merger, which is expected to close in the first quarter of 2001, will be achieved through an exchange of shares.

The Board

Dr Robert Vukovich resigned from the Board on 14 February 2000 to pursue other business interests. Upon completion of the BioChem merger, three non-executive directors of Shire, Dr Zola Horovitz, Mr Joseph Smith and Mr John Spitznagel will be leaving the Board. I would like to take this opportunity to thank each of them for their contribution to Shire. Further, upon completion of the merger, three BioChem directors, Dr Franceso Bellini, the Hon. James Andrews Grant and Mr Gerard Veilleux will join Shire's Board.

People
Shire believes in the importance of hiring well-qualified, experienced staff with proven records of success. The Company's future success depends on it's ability to attract and retain such individuals. Shire has a strong focus on staff development at all levels.

Future prospects
The broadly balanced portfolio is growing strongly, whilst the R&D pipeline has a significant number of projects post Phase II.

The merger with BioChem will expand both the product and project portfolios and bring together the complemantary skills of two of the most profitable specialty pharmaceutical companies.

The Shire management team is confident that these growth opportunities will continue to drive the business forward.

Notice of Annual General Meeting
Due to the ongoing merger with BioChem, the Board has decided to prepare the notice convening the Company's AGM separately from the annual report and accounts. The final notice will be sent to all shareholders in due course.

Dr James Cavanaugh
Chairman

Chief Executive's review

Shire, as an international specialty pharmaceutical company, seeks to selectively in-license, develop and market therapies in key areas of strategic focus.

Shire's business model has four levels of focus: business, functional, geographic, and therapeutic area.

Business

Shire is an international specialty pharmaceutical company which has a particular interest in innovative therapies. The term 'specialty' refers to products used by specialist doctors as opposed to those prescribed by primary care or general physicians. Such a strategy allows the Company to target a limited but specific audience and to maximise sales through a comparatively small sales force. Shire's strategy has resulted in an enviable revenue per employee figure for 2000 of around £336,000 (based on 1,023 employees at 31 December 2000, and total revenues of £343.6 million).

Our financial goals include high gross profit and operating margin targets, above industry average annual sales growth and investment in R&D above industry average.

Functional

Shire focuses on specific functional areas of the business that are identified as being key drivers for success, such as 'search and development' and marketing.

In order to reduce financial and business risk, Shire does not undertake primary research and consequently has no such in-house capability in contrast to most fully integrated multinational pharmaceutical companies. Instead, we selectively in-license projects, usually at the pre-clinical or early stages of clinical development, thus achieving a balanced R&D portfolio with lower risk. The proposed merger with BioChem will add seven pre-Phase II projects to our portfolio, making a valuable contribution in planning towards the long term success of Shire. The merger will also strengthen our in-house development capabiities.

Shire's strategy also includes the identification of off patent products that could be enhanced using the drug delivery expertise of Shire's US based drug delivery company, Shire Laboratories Inc.

Shire has demonstrated that it can grow organically but has also achieved growth through merger and acquisition activities; adding products and projects to the portfolio. A key responsibility of Shire's 'search' function is to identify and negotiate M&A opportunities.

Sales and marketing is another key functional area for Shire. The Company takes pride in its well trained and highly motivated sales forces that have, once again, achieved above industry sales growth this year.

Geography

Shire's aim is to market its products using its own sales forces in all eight major pharmaceutical markets of the world. In 1999 we acquired a presence in four markets, France, Germany, Italy and Canada to add to our our existing territories of the US, UK and the Republic of Ireland. In 2000 we entered Spain and set up a Representative Office in

Singapore to manage Shire's presence in the Pacific Rim markets. The outstanding market is Japan, and it is our intention to build a presence there by 2004 either by the launch of Shire's own products or through M&A activities.

This increased geographic coverage has already enhanced Shire's ability to attract potential licensors and the Company aims to capitalise upon this and the wider geographic rights it holds for existing products and projects over the coming months and years.

Therapeutic areas

In 2000, Shire continued to focus on four therapeutic areas: central nervous system disorders, metabolic diseases, oncology and gastroenterology. The proposed merger with BioChem will change Shire's therapeutic focus to central nervous system disorders, oncology, anti-virals and vaccines. However, Shire's overriding strategy of targeting specialty pharmaceutical markets remains unchanged.

Rolf Stahel
Chief Executive

Financial review

The following review should be read in conjunction with the Company's consolidated financial statements and related notes appearing elsewhere in this report.

Business combinations and divestitures
The proposed merger with BioChem, announced in December 2000, will bring together two of the most profitable and fast growing specialty pharmaceutical companies. The combined group, which will continue to focus on innovation within its search, development and marketing strategy, has an exciting and broad range of growth drivers for the future.

Results of operations
The Group recorded a pre-tax profit of £76.8 million (1999: £21.0 million) and basic earnings per share of 29.0p (1999: 8.7p). The prior year result included one off restructuring costs of £11,516,000 related to the acquisition of Roberts.

Total revenues
For the year ended 31 December 2000, total revenue increased by 157% to £343.6 million. The increase was primarily the result of a full years results for Roberts, which was acquired in December 1999, and an overall increase in product sales. Product sales in the US continue to represent a significant percentage of worldwide sales, 80% in 2000 comparable to 83% in 1999. The Company manages and controls the business on geographic lines. The three reportable segments are the US, Europe and the rest of the world. Additional information regarding segments is provided in note 2 to the consolidated financial statements.

Product sales
For the year ended 31 December 2000, total product sales increased by 165% to £330.8 million, compared to £125.0 million in the prior year. Of the Company's total product sales, 43% related to Adderall and DextroStat, the Company's products marketed in the US for the treatment of ADHD. On a combined basis, these products increased their share of the total US ADHD prescriptions written from 30.7% in December 1999 to 35.9% in December 2000. Carbatrol, which increased its share of total US extended release carbamazepine prescriptions written to 31.2% in December 2000 from 22.8% in December 1999, recorded sales of £17.0 million.

Cost of sales and operating expenses
For the year ended 31 December 2000, cost of sales amounted to 17.7% of product sales as compared to 17% in 1999. The decrease in cost of sales percentage and corresponding increase in gross margin is attributable to a change in the product mix as a result of the Roberts acquisition in December 1999.

Research and development expenditure increased from £37.4 million in 1999 to £54.4 million in 2000, representing an overall increase of 45%. The increase reflects the significant portion of development projects at Phase II or later where development costs tend to be higher.

Selling, distribution, general and administrative expenses increased by £107.6 million from £43.3 million in 1999 to £150.9 million in 2000, primarily due to the increased size of the US sales force following the Roberts merger and higher levels of marketing expenditure. As a percentage of total revenues, selling, general and administrative expenses increased from approximately 32% in 1999 to 44% in 2000.

Interest income and expense
In the year ended 31 December 2000 the Company received interest income of £4.1 million compared with £2.3 million in 1999. Interest expense increased from £0.2 million to £7.0 million due to a full years' interest charge on the Credit Suisse First Boston ("CSFB"), formerly known as DLJ Capital Funding Inc, loan note, which had been entered into by Roberts.

Corporation tax
For the year ended 31 December 2000, the tax charge decreased by £4.8 million from £8.4 million to £3.6 million. The Company's effective tax rate in 2000 (before exceptional items) was 4.7%. This compares to a tax rate of 25.9% in 1999. The taxation charge primarily related to taxes in respect of the Group's overseas subsidiaries.

The main difference between profits at the UK tax rate of 30% and the current charge is the availability in the US of tax deductions in respect of exercised non qualifying stock options, the cost of which is not booked against profits for UK GAAP purposes.

Liquidity and capital resources
The Company has financed its operations since inception through private and public offerings of equity securities, the issuance of loan notes, collaborative licensing and development fees, product sales and investment income. The Company's funding requirements depend on a number of factors, including the Company's product development programmes, business and product acquisitions, the level of resources required for the expansion of marketing capabilities as the product base expands, increased investment in accounts receivable and inventory which may arise as sales levels increase, competitive and technological developments, the timing and cost of obtaining required regulatory approvals for new products, and the continuing revenues generated from sales of key products. For the year ended 31 December 2000 net cash inflow from operating activities amounted to £52.9 million compared to £39.9 million in 1999. As of 31 December 2000, the Company had cash and short term investments of £124.7 million (1999: £85.9million), which consisted of immediately available money market fund balances and investment grade securities.

Debt

In 1998, Roberts acquired the product rights to Pentasa. The majority of the purchase price was financed through a credit agreement between Roberts, CSFB and various other lenders. Under this credit agreement, the acquisition of Roberts by Shire constituted a change of control, which triggered the acceleration of the repayment of the principal amounts outstanding. On 19 November 1999 Roberts, Shire's US subsidiaries and Shire entered into an agreement with CSFB to replace the existing credit agreement with a £167.4 million ($250.0 million) credit facility consisting of a £83.7 million ($125.0 million) five-year revolving credit facility of which none has been drawn on, and a £83.7 million ($125.0 million) five-year term loan facility.

Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of short-term cash investments and trade accounts receivable. As revenues are mainly derived from agreements with major pharmaceutical companies and relationships with drug distributors, and such clients typically have significant cash resources, any credit risk associated with these transactions is considered minimal. The Company operates credit evaluation procedures. Excess cash is invested in short-term money market instruments, including bank and building society term deposits and commercial paper from a variety of companies with strong credit ratings. These investments typically bear minimal risk.

Market risk

Shire's principal treasury operations are managed by the Group's treasury function based in the UK in accordance with the Group's treasury policies and procedures which are approved by Shire's Board. As a matter of policy, Shire does not undertake speculative transactions that would increase its currency or interest rate exposure. The Company is subject to market risk exposure in the following areas:

Interest rate market risk

The Company has cash and cash equivalents on which interest income is earned at variable rates. The financing and cash management requirements of the operating subsidiaries are transacted within the Group's treasury function, where appropriate, in order to improve the return on liquid assets, manage any currency exposure on non sterling denominated deposits and maintain internal controls. The applicable interest rate on the Company's credit facility with CSFB ranges between 0.5% and 1.5% over the prime rate of CSFB or the Federal Funds Rate plus 0.5% or between 1.5% and 2.5% over the London Interbank Overnight rate, in each case depending on Shire's credit rating. The facility is secured by all material property owned by Shire and its subsidiaries and the capital stock of Shire's subsidiaries. If Shire's credit rating reaches specified levels, the facility will not be secured. The facility contains customary covenants and additional maintenance tests that require Shire to maintain a minimum net worth, a specified leverage ratio and a specified coverage ratio. At 31 December 2000 the Company satisfied the aforementioned covenants and maintenance tests.

Foreign exchange market risk

A number of subsidiary operations are located outside the UK. As such, the consolidated financial results are subject to fluctuations in exchange rates, particularly between the US dollar and Canadian dollar against the pound sterling. The financial statements of foreign entities are translated using the accounting policies described in note 1 of the consolidated financial statements. The exposure to foreign exchange market risk is managed by the Group's treasury function, using forecasts provided by the operating units. Derivative instruments in the form of average rate options are used to hedge Shire's currency exposures. The premium paid for the options is amortised over the hedging period. There were no derivatives outstanding at 31 December 2000 or 1999.

Inflation

Although at reduced levels in recent years, inflation continues to apply upward pressure on the cost of goods and services used by the Company. However, management believes that the net effect of inflation on the Company's operations has been minimal during the past three years.

Euro conversion

On 1 January 1999, the European Economic and Monetary Union (the 'EMU') introduced the Euro as the official currency of the 11 participating member countries. On that date, the currency exchange rates of the participating countries were fixed against the Euro. There is a three year transition to the Euro, and at the end of 2001 the currency will come into circulation and national currencies will be withdrawn by July 2002. The UK did not participate in the EMU at the commencement of the third stage on 1 January 1999 and it is uncertain whether or on what terms the UK would be permitted to join at a later date. There can be no prediction as to whether the UK will participate in the EMU or as to the rate at which the pound sterling would be converted into the Euro. Furthermore, there can be no prediction as to the likely impact on the US dollar/sterling exchange rate of a decision by the UK to participate in the EMU. It is anticipated that the pricing of goods and services will be more transparent through the use of a single currency within the participating member states. Competition is likely to increase with the greater price transparency and removal of exchange rate risk. In the longer term more general price convergence is likely, assuming the EMU leads to greater harmonisation of healthcare policies across the participating member states. Shire has sales and marketing operations in the Republic of Ireland, France, Germany, Spain and Italy and therefore there may be some impact on the Company's business and competitive position as a result of the increased price transparency. The Company has reviewed its financial and operating systems and is satisfied that the introduction of the Euro will not cause any disruption to the business, and that the systems are in place to receive and make payments in Euros. Shire will continue to monitor the UK's stance in relation to participation in the Euro and assess the impact of any significant changes in policy.

Angus Russell

Group Finance Director

Board of Directors and Board of Management

Dr James Cavanaugh

Chairman and Non-executive Director

Joined the Board on 24 March 1997 and was appointed as Non-executive Chairman with effect from 11 May 1999. Dr Cavanaugh is the President of HealthCare Ventures LLC. Formerly he was President of SmithKline & French Laboratories, the US pharmaceutical division of SmithKline Beecham Corporation. Prior to that, he was President of SmithKline Beecham Corporation's clinical laboratory business and, before that, President of Allergan International. Prior to his industry experience, Dr Cavanaugh served as Deputy Assistant to the President of the US for Health Affairs on the White House Staff in Washington, DC. He is a Non-executive Director of MedImmune Inc., Diversa Corporation and Versicor Inc.

Rolf Stahel

Chief Executive

Joined the Group in March 1994 as Chief Executive from Wellcome plc where he worked for 27 years. From April 1990 until February 1994, he served as Director of Group Marketing reporting to the Chief Executive. A business studies graduate of KSL Lucerne, Switzerland, he attended the 97th Advanced Managers Program at Harvard Business School.

Angus Russell

Group Finance Director

Prior to joining Shire, Mr Russell worked for ICI, Zeneca and AstraZeneca for a total of 19 years. His last position was Vice President - Corporate Finance at AstraZeneca PLC, where he was responsible for financial input into M&A activities, management of tax, legal, and finance structure, investor relation's activities and the management of various financial risks. Prior to this, he held a number of positions within ZENECA Group PLC and ICI including Group Treasurer, Group Investor Relations Manager, Strategic Planner, Marketing Manager and management accounting roles in manufacturing and R & D operations. Mr Russell is a chartered accountant, having qualified with Coopers & Lybrand, and is a member of the Association of Corporate Treasurers.

Dr Wilson Totten

Group R&D Director

Joined Shire in January 1998 as Group R&D Director. Dr Totten is a medical doctor and has wide experience in the pharmaceutical industry covering all phases of drug development. He has substantial experience in the field of central nervous system disorders. His last position was Vice President of Clinical Research & Development with Astra Charnwood where he served from 1995 to 1997, having previously worked for Fisons Pharmaceuticals from 1989 to 1995, and prior to that with 3M Health Care and Eli Lilly. He is a Non-executive Director of Keryx Biopharmaceuticals Inc.

Dr Bernard Canavan
Non-executive Director
(Chairman Audit Committee)
Joined the Board as a Non-executive Director on 11 March 1999. Dr Canavan is a medical doctor. American Home Products employed him for over 25 years until he retired in January 1994. He was president of that Corporation from 1990 to 1994, and prior to that was Chairman and Chief Executive Officer of American Home Products Pharmaceutical Division, Wyeth-Ayerst Laboratories. Dr Canavan is a Director of Magainin Pharmaceuticals Inc., and 3-Dimensional Pharmaceuticals Inc. Dr Canavan is Chairman of the Audit Committee.

Dr Zola Horovitz
Non-executive Director
Has served as a director of Roberts since October 1996 and Shire since December 1999. Dr Horovitz has been self-employed as a consultant in the biotechnology and pharmaceutical industries since 1994. From 1959 to 1994 Dr Horovitz held various positions at Squibb Corporation and its successor corporation, Bristol –Myers Squibb & Co, including that of Vice President, Business Development and Planning. Dr Horovitz received undergraduate and masters degrees and a Ph.D. from the University of Pittsburgh. Dr Horovitz is also a Director of Avigen Inc., Diacrin Inc., Biocryst Pharmaceuticals Inc., Palitin Technologies Inc., Magainin Pharmaceuticals Inc., Synaptic Inc. and 3-Dimensional Pharmaceuticals Inc.

Ronald Nordmann
Non-executive Director
Has served as a non-executive director of Roberts since May 1999 and Shire since December 1999, and has been a financial analyst in healthcare equities since 1971. From September 1994 to January 2000 he was an analyst and partner at Deerfield Management. He has held senior positions with PaineWebber, Oppenheimer & Co., F. Eberstadt & Co., and Warner-Chilcott Laboratories, a division of Warner-Lambert. Mr Nordmann received his undergraduate degree from The Johns Hopkins University and an M.B.A. from Fairleigh Dickinson University. Mr Nordmann is also a Director of Guilford Pharmaceuticals Inc., Boron, Lepore & Associates Inc. and Global Health Associates LLC.

Dr Barry Price
Senior Non-executive Director
(Chairman Remuneration Committee)
Joined the Board on 24 January 1996 having spent 28 years with Glaxo holding a succession of key executive positions with Glaxo Group Research. He is Chairman of Antisoma plc and also Biowisdom Ltd.. He is also on the board of directors of Pharmgene plc and Chemunex S.A. Dr Price is Chairman of the Remuneration Committee.

Joseph Smith
Non-executive Director
Has served as a non-executive director of Roberts since August 1998 and Shire since December 1999. From 1989 to 1997, Mr Smith served in various positions at Warner-Lambert Company, including President of Parke-Davis Pharmaceuticals and President of the Shaving Products Division (Schick and Wilkinson Sword). Mr Smith previously held positions at Johnson & Johnson and served as President of Rorer Pharmaceutical Corporation. Mr Smith received his undergraduate degree from the University of Buffalo and an M.B.A. degree from the Wharton School of

the University of Pennsylvania. Mr Smith is a Non-executive Director of Avanir Pharmaceuticals, Boron, Lepore & Associates Inc., Web MD Corporation and Vivus Inc.

John Spitznagel

Non-executive Director

Has served as President and Chief Executive Officer of Roberts since September 1997, a director of Roberts since July 1996 and a director of Shire since December 1999. He was Executive Vice President - Worldwide Sales and Marketing of Roberts from March 1996 to September 1997, having served as President of Reed and Carnrick Pharmaceuticals from September 1990 until July 1995. He previously served as Chief Executive Officer of BioCryst Pharmaceuticals, Inc. having held before that various sales, marketing and management positions in the industry. Mr Spitznagel is a Director of Boron, Lepore & Associates Inc., and Questcor Pharmaceuticals Inc. He received his undergraduate degree from Rider University and his M.B.A. from Fairleigh Dickinson University.

Executive Committee

In addition to Mr Rolf Stahel, Mr Angus Russell, and Dr Wilson Totten whose biographies are discussed above, the Executive Committee also includes:

Neil Harris

Mr Harris is a barrister and has 14 years experience in the pharmaceutical industry. He joined Shire in November 1995 from the group legal department of Wellcome plc, where he had been senior legal advisor following its integration with Glaxo plc. Prior to that Mr Harris was Regional Legal Advisor to Warner Lambert (UK) Limited and worked in the nuclear industry.

Jack Khattar

In May 1999, Mr Khattar joined Shire as president and CEO of Shire Laboratories Inc.. Mr Khattar came to Shire from CIMA, a drug delivery company, where he last served as an Executive Officer and the Chairman of the Operating Management Committee. In his functional role as VP of Business Development he was responsible for licensing CIMA’s technologies, corporate alliances and strategic planning. Prior to joining CIMA in 1995, Mr Khattar held several marketing and business development positions at Merck & Co, Novartis, Playtex and Kodak in the US, Europe and the Middle East. In 1985, Mr Khattar received his M.B.A. in marketing from the Wharton school of the University of Pennsylvania.

Jeff Devlin

Joined Shire in January 2000 as Director of Corporate Affairs. Prior to joining Shire he was a partner of Ernst & Young and also a member of its Global Executive Steering Group for Life Sciences. He was previously with Arthur D Little, Management Consultancy, where he was a European Director in its Healthcare and Pharmaceuticals practice.

Bill Nuerge
Mr Nuerge joined Shire as Chief Operating Oficer of Shire Richwood Inc in 1994. He currently holds the positions of President and Chief Executive Officer. Prior to joining Shire Richwood Inc., he served as General Manager and Vice President of Operations for Lafayette Pharmaceuticals Inc., from 1988.

Richard de Souza
Currently Director International at Shire. Prior to this he worked as President, Pharmaceuticals Europe and Asia in Warner Lambert/ Parke-Davis. He was previously with SmithKline Beecham for 22 years, where he was Chairman, Pharmaceuticals Europe. Mr DeSouza is a registered pharmacist, and commenced his career in manufacturing, before moving to marketing via business development. He has served as Marketing Director/Vice President for Asia, Middle East, Africa, Europe, and for the US. He has also held a broad range of General Manager/Regional Manager assignments throughout the world. Additionally, Mr de Souza has served on the academic advisory boards of a number of institutions and is a frequent speaker on a variety of industry-related topics.

Directors' report

For the year ended 31 December 2000

The Directors present their report on the affairs of the Group and the Company together with the audited consolidated financial statements for the year ended 31 December 2000.

Results and dividends

Profit on ordinary activities before taxation of the Group was £76,772,000 (1999: £21,009,000). Movements in reserves are set out in note 22 to the consolidated financial statements.

The Directors do not recommend the payment of a dividend. As at 31 December 2000, the Company had an accumulated deficit of £4.4 million. Future dividend policy will be dependant upon distributable profits, the financial condition of the Company, and terms of any then existing debt facilities and other relevant factors existing at that time.

Principal activity

The principal activity of the Group continues to be the marketing, licensing and development of prescription medicines. The Group focuses on four therapeutic areas: central nervous disorders, metabolic diseases, oncology and gastroenterology.

Business review

A review of the Group's business and important events during the year and likely future developments is set out in the Chairman's review, the Chief Executive's review, and the Financial review on pages 1 to 8.

Authorised and called up share capital

Details of the authorised and called up share capital of the Company as at 31 December 2000 and the changes during the year are set out in note 21 to the consolidated financial statements.

Research and development

The Group incurred research and development costs of £54,427,000 in the financial year (1999: £37,419,000), which have been charged to the consolidated profit and loss account in accordance with the Group's accounting policy.

Directors

The Directors who served during the year were as follows:

J H Cavanaugh
R Stahel
A C Russell
J W Totten
B J Price
B Canavan
Z Horovitz
R Nordmann
J Smith
J Spitznagel
R Vukovich (resigned 14 February 2000)

Directors' interests

Details of the current Directors' interests in the share capital of the Company, as shown in the register maintained in accordance with Section 325 of the Companies Act 1985, together with the details of the share options granted to them are disclosed in the Report of the Remuneration Committee on pages 22 to 34.

Re-election

In accordance with the Articles of Association, Dr Wilson Totten, Dr Bernard Canavan and Mr Ronald Nordmann retire by rotation and offer themselves for re-election.

Interest in material contracts

Except as disclosed below under 'related party transactions', and on pages 23 to 30, no Director had any material interest in any contract with the Group during the period under review.

Related party transactions

In April 1999, Roberts made a loan in the sum of £175,000 to Mr Spitznagel. The loan was unsecured and bore interest at a rate of 4.15 per cent, per annum. Ten per cent of the principal outstanding plus accrued interest was repayable on each of the first four anniversaries of the loan and the balance of principal plus accrued interest was repayable on the fifth anniversary of the loan. Mr Spitznagel repaid the full outstanding balance of the loan on 29 March 2000.

Mr Spitznagel entered into a consultancy agreement with the Company in December 1999, which provided that;

(i) If he has good reason, as defined in his service agreement with Roberts, to terminate his employment with Roberts under his service agreement, that the Company will cause Roberts to provide him with the payments and benefits he is entitled to upon a 'good reason' termination.

ii) Mr Spitznagel would provide consulting services to the Company for at least 42 months following the acquisition of Roberts, unless Mr Spitznagel terminates the consultancy agreement prior to the end of the 42^{nd} month upon 30 days notice; and

iii) The Company would pay Mr Spitznagel at a rate of £248,000 per annum for his consulting services, £93,000 per annum as an office holder, £155,000 per annum to comply with certain restrictive covenants contained therein and £93,000 per annum for tax, financial and estate planning advice, life insurance and health insurance. Further details are set out on page 24.

Directors' and Officers' liability insurance

In the year under review, the Company and the Group maintained an insurance policy for its Directors and Officers in respect of liabilities arising out of any act, error or omission whilst acting in their capacity as Directors or Officers.

Substantial shareholdings

As at 27 February 2001 the Company has been notified, in accordance with sections 198 to 208 of the Companies Act 1985, of the following substantial interests in its issued share capital:

	Notes	No. of ordinary shares	Percentage
Funds advised by:			
The Capital Group Companies, Inc.	1	10,762,647	4.18
Healthcare Ventures LLC	2	8,690,090	3.37
Putnam Investment Management, LLC & The Putnam Advisory Company, Inc.		17,732,370	6.89

Notes

1) The Capital Group Companies Inc. has interests in 1,779,600 ordinary shares registered to Capital International Limited, 263,713 ordinary shares registered to Capital International S.A., 3,700 ordinary shares registered to Capital International, Inc. and 8,715,634 registered to Capital Research and Management Company.

2) HealthCare Ventures LLC's interest includes 5,508,032 ordinary shares registered to HealthCare Ventures III, 1,617,528 registered to HealthCare Ventures IV and 1,564,530 ordinary shares registered to HealthCare Ventures V.

See also note on page 26 of the Report of the Remuneration Committee.

In addition to the above, the Company has been notified that as at 13 February 2001 Guaranty Nominees Limited held 68,251,417 ordinary shares which underlie ADSs (representing 26.51% of the total share capital of the Company) in its capacity as the Depositary of the Company's American Despository Receipts (ADR) facility. Each ADR equates to three of the Company's ordinary shares of 5p each.

Charitable and political donations

The Group made no contributions to political organisations in the year and contributions of £13,554 (1999: £6,750) to charitable organisations.

Employees

As at 31 December 2000, the Group employed 1,023 personnel, 190 of whom were based in the UK.

The Group places considerable value on the involvement of its employees. Personnel are kept informed on matters affecting the Group's performance and on matters that concern them as employees. The Group communicates with its personnel by routinely circulating details and announcements concerning the Group's performance, informing them of policies and guidelines that may affect them, and holding regular briefing meetings. Input from personnel is welcomed. The Group also operates various employee share schemes, details of which are set out in the Report of the Remuneration Committee on pages 22 to 34.

The Group operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on grounds of sex, race, ethnic origin or disability. Applications for employment, including those by disabled persons, are fully considered on their merits, and personnel are given appropriate training and equal opportunities for career development and promotion.

Payment of creditors

It is the Company's policy, also adopted by the Group, to agree payment terms with its suppliers, making sure the supplier is aware of those terms, and to abide by them. As at 31 December 2000 there were 46 trade creditors days outstanding, (31 December 1999: 38 days).

Auditors

Arthur Andersen have indicated their willingness to continue as auditors. A resolution to reappoint Arthur Andersen as auditors of the Company is to be proposed at the Annual General Meeting.

By Order of the Board

Neil C Harris
Secretary

Shire Pharmaceuticals Group plc
Hampshire International Business Park
Chineham
Basingstoke
Hampshire
RG24 8EP

27 February 2001

The Company is positively committed to high standards of corporate governance.

The Combined Code: Principles of Good Governance and Code of Best Practice ('the Combined Code') was published in the UK by the Committee on Corporate Governance. The Company, which is listed on the UK London Stock Exchange, is required to report on compliance with the Combined Code. Throughout the financial year the Company has sought to comply fully with the Combined Code and has, in the Directors' opinion, done so. The following statement together with the Report of the Remuneration Committee on pages 22 to 34 sets out the manner in which the Company has applied the principles contained in Section 1 of the Combined Code.

The Board

The Directors bring a wide range of expertise and experience to the Board. Their biographical details are shown on pages 9 to 12.

The Board meets at least four times a year and meetings are well attended. The Board has formally reserved specific matters to itself for determination. Specific powers and authorities are also delegated to an Executive Committee and to the various other Board Committees set out below.

All Directors have access to the advice and guidance of the Company Secretary and are encouraged to seek independent advice at the Company's expense, where they feel it is appropriate. No such independent advice was sought during the year.

Chairman and Chief Executive

The offices of Chairman and Chief Executive are held separately. The Non-executive Chairman, Dr James Cavanaugh is responsible for the running of the Board and the Chief Executive, Mr Rolf Stahel is responsible for running the business and chairs the Executive Committee.

Dr Barry Price is the nominated senior independent non-executive Director.

Board Balance

The Board comprises three executive and seven non-executive directors. Five of the non-executive directors (Dr Barry Price, Dr Bernard Canavan, Mr Ronald Nordmann, Dr Zola Horovitz and Mr Joseph Smith) are viewed as independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Company has no intention to grant options to its non-executive directors. The Chairman ensures that Board discussions are conducted taking all views into account, so that no individual director or small group of directors dominates proceedings.

Supply of Information

The executive Directors and the Company Secretary are responsible for ensuring that detailed information is provided to the Board at least one week before any scheduled meeting of the Board. Before decisions are made, consideration is given to the adequacy of information available to the Board and, if necessary, decisions are deferred if further information is required.

Appointments to the Board

The Board has delegated responsibility for nominations to the Board to a Nomination Committee made up of two non-executive directors, Dr James Cavanaugh and Mr Joseph Smith and one executive director, Mr Rolf Stahel. The Chairman of the Nomination Committee is Dr James Cavanaugh, the Non-executive Chairman of the Board. The Nomination Committee adopted formal and transparent procedures for such appointments during 2000.

Re-election

Non-executive directors are appointed for a maximum period of two years. Re-appointment of non-executive directors following the expiry of such two-year period is subject to Board approval.

Board Committees

The Board reviewed its structure of standing committees during the year. Their written terms of reference (with the exception of the Nomination Committee) have been approved by the Board. The principal standing committees are as follows:

a) Audit Committee
The Audit Committee meets at least four times a year and comprises four non-executive Directors, namely Dr James Cavanaugh, Dr Barry Price, Ronald Nordmann and Dr Bernard Canavan. Dr Bernard Canavan is the chairman and the majority of the Committee is independent. Its function and working practices are set out below.

b) Remuneration Committee
The Remuneration Committee meets at least three times a year and comprises four non-executive directors, namely Dr James Cavanaugh, Dr Bernard Canavan, Mr Joseph Smith and Dr Barry Price. Dr Barry Price is the Chairman. The Report of the Remuneration Committee appears on pages 22 to 34 and gives details of each director's remuneration together with policy and procedures regarding senior management remuneration. The Chief Executive together with the Executive Directors determines the remuneration of the Non-executive Directors.

c) Nomination Committee
Please see above under the heading 'Appointments to the Board'.

d) Executive Committee
The day to day management of the Company and its subsidiaries has been delegated by the Board to the Executive Committee, which operates within clear and formal parameters. Mr Rolf Stahel is the Chairman of the Committee, which consists of eight senior employees including three executive directors. The Executive Committee reports to and seeks guidance from the Board on a regular basis.

Directors' Remuneration

The Company's Remuneration Policy appears on pages 22 to 34. The Policy details the levels of remuneration for directors and the basis upon which executive remuneration is fixed.

Relations with Shareholders

The Company is committed to maintaining good relations with its shareholders through the provision of regular interim and annual reports and other trading statements, as well as through the Annual General Meeting. The Company arranges individual and group meetings with its institutional shareholders in order to discuss relevant communications.

The Company's website at *www.shire.com* provides Company information and is regularly updated.

Constructive use of the Annual General Meeting

The Company holds its Annual General Meeting once a year in London and all shareholders are given the opportunity to ask questions of the Board.

Balanced and understandable assessment of position and prospects

The Company strives to give full, timely and realistic assessments of matters that impact on its business and financial position and to present scientific and other price-sensitive data in a balanced way. The Company voluntarily adopted quarterly financial reporting, which is not obligatory in the UK and before it was required under SEC rules.

Financial Reporting

The Board has ultimate responsibility for the preparation of accounts and for the monitoring of systems of internal financial control. The Board strives to present a balanced and understandable assessment of the Company's position and its prospects and endeavours to present scientific and other price-sensitive information in a balanced way. The Company publishes quarterly financial reports so that the Company's financial position can be monitored regularly by its shareholders.

On behalf of the Board, the Audit Committee examines the effectiveness of systems of internal financial control on a regular basis. This includes considering independent access to the Auditors throughout the year in addition to presentations from the Auditors on a quarterly basis. Any significant findings or identified risks are closely examined and are reported to the Board with recommendations for action.

Internal Control

In applying the principle that the Board should maintain a sound system of internal control to safeguard the shareholders' investment and the Company's assets, the directors recognise that they have overall responsibility for the Company's system of internal control and for reviewing its effectiveness.

The directors believe that the Company has applied this principle during the year under review. However, there are limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance. Such a system is designated to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an ongoing process for identifying, evaluating and managing the significant risks that it faces. This has been in operation throughout the period under review and up to the date of the annual statutory accounts. This process is regularly reviewed by the Board.

At the start of the year, external consultants worked with senior managers to review the schedule of risks and how these are managed. In July, the Company appointed a Group Risk Manager who has continued this work to develop the Company's approach towards risk management. In October, the Board agreed a new risk management strategy for the Company. This allocated responsibility for the management of certain risks to senior executives, delegated responsibility to the Audit Committee that requires quarterly reviews of key risks and confirmed that the Board will review the schedule of risks at the last Board meeting of each year.

In December, the Board considered the latest schedule of risks. This included analysis of the impact of the operation of individual risks and the action being taken to avoid or reduce each risk. This review, together with regular reports on financial performance represents the main elements in establishing the effectiveness of the system of internal control. In addition, the Company has a system of control procedures and compliance with these procedures is monitored through a system of internal review. Any significant issues arising are reported to the Board for review.

In October, the Board also considered the need for an internal audit function. At present, the Company has no formal arrangements for internal audit. Audits or reviews are carried out as deemed necessary by senior management. The Board agreed that, as the Company continues to grow, this position needs reviewing. A detailed proposal for the establishment of an internal audit function will be considered during 2001.

Audit Committee and Auditors

The Board has, through the Audit Committee, established formal and transparent arrangements for financial reporting, internal control and external auditing. All employees have been informed that any concerns they have in these areas can be raised with the Chairman of the Audit Committee in the strictest confidence. The Audit Committee's terms of reference have been extended to cover the Group's risk management activities as a whole and not just the financial aspects of internal control. The Audit Committee reviews the scope and results of the audit and non-audit services, the cost effectiveness and the independence and objectivity of the Auditors.

Shire in the Community

The Group recognises that its business activities have an influence on the community and accepts that it has a duty to carry these out in a responsible manner. During 2000, and in conjunction with external consultants, the Company has re-assessed the Group's position on social, economic and environmental issues.

This has led to the development of a new environmental policy that was approved by the Board in December 2000. The policy reflects the key activities of the Group at each of our office sites, our production sites and our suppliers' sites. An action plan has been established that will implement the new policy during 2001. This will also enable us to measure our performance in the future.

The Group's approach to broader sustainability issues is continuing to develop. The Company is currently looking at how it can best develop and implement policies that will enable measurement of performance in the future in all areas of the Group's involvement within the community.

Report of the Remuneration Committee

The Company has applied the Principles of Good Governance relating to the Directors' remuneration and has complied with the provisions of the Code of Best Practice as set out below and as disclosed in the Corporate governance statements.

The Board has considered whether to invite the AGM to approve the remuneration policy and has decided that in the circumstances it is not appropriate to do so.

The Committee

The Remuneration Committee (the 'Committee') comprises four non-executive Directors; Dr James Cavanaugh, Dr Bernard Canavan, Mr Joseph Smith, and is chaired by Dr Barry Price. The Chief Executive attends meetings of the Committee at its invitation.

Remuneration policy

The Committee's policy on the remuneration of executive directors is directed at the retention and motivation of executive directors by ensuring that their remuneration is competitive with companies within the sector of emerging pharmaceutical companies, taking into account the interests of shareholders.

The Committee meet regularly and act within agreed terms of reference. In developing remuneration policy and fixing remuneration, consideration is given to salary data of directors of comparable companies of a similar size in the industry generally and, more specifically, in the emerging pharmaceuticals sector. The Chief Executive also advises the Committee on other executive remuneration and on individual performance. External agencies are also used to advise on levels of remuneration as appropriate. No director is involved in determining his own remuneration. The Committee regularly reviews the procedures and criteria for determining remuneration policy.

a) Annual bonuses

The annual bonuses payable to executive directors are established on the basis of objectives for the Group and personal objectives. They include measurable and quantitative criteria related to financial performance. For the year ended 31 December 2000 these included revenue and earnings targets. The maximum annual bonus for each executive director for the year ended 31 December 2000 was 55 per cent of salary in respect of Mr Rolf Stahel, 50 per cent in respect of Mr Angus Russell, and 50 per cent in respect of Dr Wilson Totten.

b) Share options

Details of the share option schemes are set out below and in note 21 to the consolidated financial statements. Except as mentioned below, none of the executive directors who served during the year were granted additional options under any of the Company's share option schemes in the year ended 31 December 2000.

Share options under the Sharesave Scheme (see note iv on page 34) are offered at a discount as permitted by paragraph 13.31 of the Listing Rules. Share options are not otherwise offered at a discount.

The following share options were granted to executive directors under the Executive Scheme during the year:

	Share option scheme	Date of grant	Number of ordinary shares	Exercise price
Executive Director				
R Stahel	Executive Scheme (Part B)	1/3/00	54,189	£10.275
	2000 Executive Scheme	3/8/00	34,241	£12.80
Dr J W Totten	Executive Scheme (Part B)	1/3/00	16,995	£10.275
	2000 Executive Scheme	3/8/00	63,242	£12.80
A C Russell	Executive Scheme (Part B)	1/3/00	6,422	£10.275

Share options are granted to executive directors and senior executives as an incentive. The grant of options is wholly discretionary. In granting share options, the Committee takes into account the advice and recommendations of the Chief Executive and individual salary levels and positions within the Group.

c) Retirement benefits

The Company contributes 10 per cent of salary to the personal pension plans of the Executive Directors.

d) Fees for Non-executive Directors

The Board determined the remuneration of each of the Non-executive Directors

Long-term incentive plan

(i) Structure

The Long Term Incentive Plan (the ‘Plan’) was adopted at the Company’s AGM on 30 June 1998. Under the Plan, the Company may at any time, with the approval of the Committee, grant, or request that trustees grant, an award to any full-time employee of any member of the Group.

(ii) Eligibility

An award may be made to any full-time employee (including a director who is also such an employee) of a member of the Group on the terms set out in the Plan and upon such other terms as the Board (or a committee appointed by the Board) may specify, provided that no award may be granted to an employee who is within two years of his contractual retirement age.

Directors were granted an award under the Plan (as a 'conditional allocation' as defined in the Plan) in respect of the total number of ordinary shares in the Company, upon the terms set out in the Plan, as follows:

	Date of award	Value of award at grant date £'000	Total number of ordinary shares	Earliest date on which a award can be made
R Stahel	01/03/00	360	35,785	28/02/04
J W Totten	01/03/00	200	19,881	28/02/04
A C Russell	01/03/00	18	1,789	28/02/04

e) Service contracts

Of the Directors proposed for election and re-election, Dr Totten's and Mr Russell's service contracts are terminable on 12 months' notice. No Director has a notice period of more than 12 months. Non-executive directors have been appointed for a fixed two year term which will not continue automatically.

f) Related party transactions

Mr Spitznagel entered into a consultancy agreement with the Company in December 1999, which provided that:

I. If he has good reason, as defined in his service agreement with Roberts, to terminate his employment with Roberts under his service agreement that the Company will cause Roberts to provide him with the payments and benefits he is entitled to upon a "good reason" termination;

II. Mr Spitznagel would provide consulting services to the Company for at least 42 months following the merger with Roberts, unless Mr Spitznagel terminates the consultancy agreement prior to the end of the 42nd month upon 30 days' notice; and

III. The Company would pay Mr Spitznagel at a rate of $400,000 (approximately £268,000) per annum for his consulting services, $150,000 (approximately £100,000) per annum as an office holder, $250,000 (approximately £167,000) per annum to comply with certain restrictive covenants contained therein and $150,000 (approximately £100,000) per annum for tax, financial and estate planning advice, life insurance and health insurance.

Directors' emoluments

	Note	Salary £'000	Bonus £'000	Fees £'000	Benefits £'000	Pension £'000	**Total year to 31 December 2000 £'000**	Total year to 31December 1999 £'000
Executive Directors								
R Stahel	(i)	380	209	-	15	38	**642**	462
A C Russell		180	90	-	14	18	**302**	12
S A Stamp		-	-	-	-	-	**-**	251
J W Totten		200	100	-	2	20	**322**	223
		760	399	-	31	76	**1,266**	948
Non-Executive Directors								
J H Cavanaugh		-	-	35.0	-	-	**35.0**	-
H Simon		-	-	-	-	-	**-**	12
B J Price		-	-	20.0	-	-	**20.0**	20
B Canavan		-	-	20.0	-	-	**20.0**	16
Z Horovitz		-	-	20.5	-	-	**20.5**	-
R Nordmann		-	-	20.5	-	-	**20.5**	-
J Smith		-	-	20.5	-	-	**20.5**	-
J Spitznagel	(ii)	-	-	20.5	-	-	**20.5**	-
R Vukovich	(iii)	-	-	-	-	-	**-**	-
		-	-	157	-	-	**157**	48
Total		760	399	157	31	76	**1,423**	996

Details of exercise of share options are disclosed on pages 26 and 27.

Notes

(i) Highest paid director in 1999.

(ii) Please see notes above relating to Mr Spitznagel's consultancy agreement with the Company. Due to gains on exercise of share options, Mr Spitznagel was the highest paid director for 2000.

(iii) Dr Vukovich resigned from the Board on 14 February 2000 and waived a directors' fee of £20,000 per annum, (pro rata £2,500) due to him for the period from 1 January 2000 to 14 February 2000.

Directors' shareholdings*

Directors who held office at the end of the year had interests in the share capital of the Company as follows:

		Number of ordinary shares of 5p each	
	Notes	31 December 2000	31 December 1999
J H Cavanaugh	(i)	8,806,368	12,244,810
R Stahel		13,827	13,827
A C Russell		-	-
J W Totten		-	-
B Price		31,350	31,350
B Canavan	(ii)	3,000	-
Z Horovitz	(iii)	3,128	3,128
R Nordmann	(iv)	46,968	3,128
J Smith		125,120	125,120
J Spitznagel	(v)	57,624	57,624

*All interests are beneficial unless otherwise stated.

Notes

(i) Dr Cavanaugh is the President of HealthCare Ventures LLC, which is the management company for a number of limited partnerships which have interests in 8,690,090 ordinary shares. Dr Cavanaugh is also a general partner in these partnerships, which acquired their ordinary shares following the acquisition of Pharmavene Inc. in March 1997. On 14 September 2000 HealthCare Ventures II, L.P. distributed 2,904,890 of its ordinary shares to unrelated third parties, being the beneficial owners of such shares and 649,830 to HealthCare Partners II L.P. On 15 September 2000 HealthCare Partners II L.P. distributed 533,552 ordinary shares to unrelated third parties, being the beneficial owners of such shares, and 116,278 ordinary shares to Dr Cavanaugh personally as beneficial owner.

(ii) On 10 March 2000 Dr Canavan purchased 1,000 American Depository Receipts (ADR's), the equivalent of 3,000 ordinary shares, for $65.56 per ADR.

(iii) On 8 March 2000 Dr Horovitz exercised 31,280 share options under the Roberts Scheme at $3.68 per share and on the same day exercised a further 31,280 share options at $3.64 per share. On 9 March 2000 all of the 62,560 resulting shares were sold realising gross proceeds of £743,213.

(iv) On 9 and 10 March 2000 Mr Nordmann exercised 93,840 share options under the Roberts Scheme at $6.02 per share. On 9 March 2000 R Nordmann sold 50,000 realising gross proceeds of $956,250.

(v) On 17 March 2000 Mr Spitznagel exercised 600,000 share options under the Roberts Scheme at a total exercise price of $2,677,616. On 24 March 2000 Mr Spitznagel exercised a further 334,809 share options under the Roberts Scheme for a total exercise price of $1,890,013. During March 2000 J Spitznagel sold 934,809 shares realising gross proceeds of $17,073,856. On 31 October 2000 Mr Spitznagel exercised 255,490 share options under the Roberts Scheme at a total exercise price of $1,595,917.80. On 31 October 2000 Mr Spitznagel exercised 78,200 share options under the Roberts Scheme at a total exercise price of $528,632 and 177,290 share options under the Roberts Scheme at a total exercise price of $1,067,285.5 and on 31 October 2000 sold 255,490 ordinary shares realising gross proceeds of $4,400,423. On 19 December 2000 Mr Spitznagel exercised 100,000 share options under the Roberts Scheme at a total exercise price of $602,000. On 19 December 2000 Mr Spitznagel sold 100,000 ordinary shares realising gross proceeds of $1,425,000.

Directors' share options

Directors and employees have been granted options over ordinary shares under the Shire Pharmaceuticals Group plc 2000 Executive Share Option Scheme ("2000 Executive Scheme"), the Shire Holdings Limited Share Option Scheme ("SHL Scheme"), the Imperial Pharmaceutical Services Limited Employee Share Option Scheme (Number One) ("SPC Scheme"), the Pharmavene 1991 Stock Option Plan ("SLI Plan"), the Shire Pharmaceuticals Executive Share Option Scheme (Parts A and B) ("Executive Scheme"), the Shire Pharmaceuticals Sharesave Scheme ("Sharesave Scheme"), the Shire Pharmaceuticals Group plc Employee Stock Purchase Plan ("Stock Purchase Plan"), the Richwood 1993 and 1995 Stock Option Plans ("SRI Plan") and the Robert's Stock Option Plan ("Roberts Plan").

On 28 February 2000, the Remuneration Committee of the Board exercised its powers to amend the terms of the Executive Share Option Scheme so as to include a cliff vesting provision.

			Number of ordinary shares						Exercise dates	
Director	Scheme	Notes	At 1 January 2000	Granted	Exercised	Lapsed	At 31 December 2000	Exercise price	Earliest	Latest
R Stahel	SHL	(i)	89,840	-	-	-	89,840	£1.00	24/11/96	23/11/02
			89,840	-	-	-	89,840	£1.00	24/11/97	23/11/02
			89,840	-	-	-	89,840	£1.00	24/11/98	23/11/02
			90,160	-	-	-	90,160	£1.00	24/01/97	23/01/03
			90,160	-	-	-	90,160	£1.00	24/01/98	23/01/03
			90,160	-	-	-	90,160	£1.00	24/01/99	23/01/03
	Executive Scheme 'A'	(iii)	13,761	-	-	-	13,761	£2.18	15/02/99	14/02/06
	Executive Scheme 'B'	(iii)	329,095	-	-	-	329,095	£1.75	15/02/99	14/02/03
			81,918	-	-	-	81,918	£3.385	09/02/01	08/02/05
			-	54,189	-	-	54,189	£10.275	01/03/03	28/02/07
	2000 Executive Scheme 'B'	(ix)	-	34,241	-	-	34,241	£12.80	03/08/03	02/08/07
	Sharesave Scheme	(iv)	9,857	-	-	-	9,857	£1.75	01/04/01	30/09/01
			974,631	88,430	-	-	1,063,061			

			Number of ordinary shares						Exercise dates	
Director	Scheme	Notes	At 1 January 2000	Granted	Exercised	Lapsed	At 31 December 2000	Exercise price	Earliest	Latest
J W Totten	Executive									
	Scheme 'A'	(iii)	8,862	-	-	-	8,862	£3.39	09/02/01	08/02/08
	Executive									
	Scheme 'B'	(iii)	141,138	-	-	-	141,138	£3.385	09/02/01	08/02/05
			25,000	-	-	-	25,000	£4.705	12/05/02	11/05/06
			-	16,995	-	-	16,995	£10.275	01/03/03	28/02/07
	Sharesave	(iv)	1,139	-	-	-	1,139	£8.56	01/06/03	30/11/03
	2000 Executive Scheme 'B'	(ix)	-	63,242	-	-	63,242	£12.80	03/08/03	02/08/07
			176,139	80,237	-	-	256,376			
A C Russell	Executive									
	Scheme 'A'	(iii)	4,181	-	-	-	4,181	£7.175	13/12/02	12/12/09
	Executive									
	Scheme 'B'	(iii)	45,819	-	-	-	45,819	£7.175	13/12/02	12/12/06
			-	6,422	-	-	6,422	£10.275	01/03/03	28/02/07
	Sharesave	(iv)	1,971	-	-	-	1,971	£8.56	01/06/05	30/11/05
			51,971	6,422	-	-	58,393			
Z Horovitz	Roberts	(viii)	31,280	-	(31,280)	-	-	$3.64	-	23/10/02
			31,280	-	(31,280)	-	-	$3.68	-	16/12/02
			31,280	-	-	-	31,280	$3.38	-	13/01/04
			11,730	-	-	-	11,730	$5.60	-	10/06/04
			31,280	-	-	-	31,280	$5.24	-	01/09/04
			31,280	-	-	-	31,280	$6.00	-	21/01/05
			15,640	-	-	-	15,640	$6.02	-	27/05/05
			183,770	-	(62,560)	-	121,210			
R Nordmann	Roberts	(viii)	93,840	-	(93,840)	-	-	$6.02	-	27/05/05
J Smith	Roberts	(viii)	31,280	-	-	-	31,280	$5.24	-	01/09/04
			31,280	-	-	-	31,280	$6.00	-	21/01/05
			15,640	-	-	-	15,640	$6.02	-	27/05/05
			78,200	-	-	-	78,200			

			Number of ordinary shares						Exercise dates	
Directors	Scheme	Notes	At 1 January 2000	Granted	Exercised	Lapsed	At 31 December 2000	Exercise price	Earliest	Latest
J Spitznagel	Roberts	(viii)	93,840	-	(93,840)	-	-	$3.64	-	04/03/02
			78,200	-	(78,200)	-	-	$3.68	-	16/12/02
			109,480	-	(109,480)	-	-	$4.08	-	10/09/03
			78,200	-	(78,200)	-	-	$4.38	-	10/04/04
			164,220	-	(164,220)	-	-	$5.60	-	10/06/04
			312,800	-	(312,800)	-	-	$5.24	-	01/09/04
			78,200	-	(78,200)	-	-	$6.76	-	11/12/04
			375,360	-	(375,360)	-	-	$6.02	-	27/05/05
			1,290,300	-	(1,290,300)	-	-			

The middle market price of the Company's ordinary shares was £10.55 as at 31 December 2000. The high and low mid-market prices during the year to 31 December 2000 were £14.92 and £5.98 respectively.

Except, as disclosed above, no director who served during the year under review has been granted or exercised any options during the period between 1 January 2001 and 27 February 2001.

In addition to those options granted to executive directors disclosed above, employees and former employees of the Group have been granted options over the following ordinary shares:

Scheme	Notes	Number of Ordinary shares	Exercise price	Exercise dates Earliest	Latest
SHL Scheme	(i)	9,680	£1.00	01/07/97	30/06/01
		290,480	£1.00	24/11/98	23/11/02
		272,000	£1.00	24/01/99	23/01/03
SPC Scheme	(ii)	14,400	£0.31	-	30/06/01
		33,600	£0.31	-	16/08/02
Executive Scheme ‘A’	(iii)	59,283	£2.18	15/02/99	14/02/06
		15,000	£1.90	30/09/99	29/09/06
		7,620	£2.69	26/08/00	25/08/07
		154,195	£3.385	09/02/01	08/02/08
		8,275	£3.625	13/08/01	12/08/08
		27,194	£4.17	11/12/01	10/12/08
		17,765	£4.735	15/03/02	14/03/09
		10,618	£5.65	26/07/02	25/07/09
		5,623	£5.335	23/08/02	22/08/09
		4,181	£7.175	13/12/02	12/12/09
		132,788	£10.275	01/03/03	28/02/10
		21,426	£10.275	27/04/03	26/04/10
		13,007	£10.275	06/06/03	05/06/10
		9,612	£12.48	03/08/03	02/08/10
		7,239	£12.43	19/09/03	18/09/10
		1,500	£12.69	27/11/03	26/11/10
Executive Scheme ‘B’	(iii)	526,287	£1.75	15/02/99	14/02/03
		10,000	£1.90	30/09/99	29/09/03
		153,313	£2.185	25/03/00	24/03/04
		370,475	£2.69	26/08/00	25/08/04
		10,000	£2.60	31/10/00	30/10/04
		970,331	£3.385	09/02/01	08/02/05
		631,725	£3.625	13/08/01	12/08/05
		17,806	£4.17	11/12/01	10/12/05
		40,000	£4.26	12/01/02	11/01/06
		2,000	£4.20	10/03/02	09/03/06

Scheme	Notes	Number of Ordinary shares	Exercise price	Exercise dates Earliest	Latest
Executive Scheme ‘B’ (continued)	(iii)	932,735	£4.735	15/03/02	14/03/06
		185,000	£4.705	12/05/02	11/05/06
		19,382	£5.65	26/07/02	25/07/06
		14,377	£5.335	23/08/02	22/08/06
		45,819	£7.175	13/12/02	12/12/06
		1,211,791	£10.275	01/03/03	28/02/07
		35,000	£10.275	25/04/03	24/04/07
		194,824	£10.275	27/04/03	26/04/07
		75,743	£10.275	06/06/03	05/06/07
		95,888	£12.48	03/08/03	02/08/07
		34,261	£12.43	19/09/03	18/09/07
		8,000	£12.69	27/11/03	26/11/07
Sharesave Scheme	(iv)	71,752	£1.75	01/04/01	30/09/01
		35,842	£1.54	01/12/01	31/05/02
		16,463	£2.20	01/11/02	30/04/03
		15,065	£2.20	01/11/00	30/04/01
		45,802	£8.56	01/06/03	30/11/03
		26,075	£8.56	01/06/03	30/11/05
SLI Plan	(v)	2,265	$1.2955	-	10/04/04
		6,421	$1.2955	-	21/05/05
		986	$1.2955	-	11/07/05
		1,098	$1.2969	-	22/01/06
		10,581	$1.2955	-	05/03/06
		939	$1.2953	-	13/05/06
		1,243	$1.2955	-	07/08/06
		2,508	$1.7270	-	06/11/06
		24,253	$1.7274	-	10/12/06
SRI Plan	(vi)	388,852	$0.45	-	13/03/01
		148,899	$1.2345	-	12/03/02
		209,316	$1.64	-	12/03/02

Scheme	Notes	Number of Ordinary shares	Exercise price	Exercise dates Earliest	15/12/02 Latest
Roberts	(vii)	11,254	$3.22	-	31/07/03
		1,564	$3.277	-	02/12/03
		130,537	$3.28	-	02/12/03
		31,280	$3.38	-	12/01/04
		4,692	$3.637	-	30/11/01
		47,232	$3.64	-	30/11/01
		74,754	$6.76	-	10/12/04
		8,140	$7.00	-	23/03/05
2000 Executive Scheme A	(viii)	2,417	£12.41	19/09/03	18/09/10
2000 Executive Scheme B	(viii)	320,248	£12.80	03/08/03	02/08/07
		157,583	£12.41	19/09/03	18/09/10
		4,000	£13.20	27/11/03	26/11/07

(i) These options have been granted over shares in Shire Holdings Limited, a previous holding company of the Group. Exercise of these options results in the optionholder receiving ordinary shares in the Company as set out above.

(ii) These options have been granted over shares in Shire Pharmaceutical Contracts Limited (‘SPC’), a company acquired by the Group in September 1995. Exercise of these options results in the optionholder receiving ordinary shares in the Company as set out above. As a result of the acquisition of SPC in September 1995, and in accordance with the terms of the SPC scheme, all options granted under the SPC scheme became immediately capable of exercise.

(iii) Options granted under the Executive Scheme are subject to performance criteria and cannot be exercised in full, unless the company’s share price increases at a compound rate of at least 20.5 per cent per annum over a minimum three-year measurement period. If the company’s share price increases at a compound rate of 14.5 percent per annum over a minimum three-year measurement period, 60 per cent of the options may be exercised. If these conditions are not met after the initial three years, they are thereafter tested quarterly by reference to share price growth over the extended period. If the share price does not meet these conditions at any time, none of the options will become exercisable.

(iv) Options granted under the Sharesave Scheme are granted with an exercise price equal to 80 per cent of the mid-market price on the day before invitations are issued to employees. Following changes in the Inland Revenue rules governing such schemes, employees may now enter into three or five year savings contracts.

(v) These options have been granted over shares in SLI, formerly Pharmavene Inc., the company acquired by the Group on 23 March 1997. Exercise of these options results in the optionholder receiving ordinary share in the Company as set out above. As a result of the acquisition of SLI, and in accordance with the terms of the original share option plan, all options granted under that plan became immediately capable of exercise.

(vi) These options have been granted over shares in SRI, formerly Richwood Pharmaceutical Company, Inc., the company acquired by the Group on 22 August 1997. Exercise of these options result in the optionholder receiving ordinary shares in the company as set out above. As a result of the acquisition of SRI, and in accordance with the terms of the original share option plan, all options granted under that plan became immediately capable of exercise.

(vii) These options have been granted over shares in Roberts Pharmaceutical Corporation, the company acquired by the Group on 23 December 1999. Exercise of these options results in the optionholder receiving ordinary shares in the company as set out above. As a result of the acquisition of Roberts, and in accordance with the terms of the original Roberts share option plan, all options granted under that plan became immediately capable of performance.

(viii) Options granted under the 2000 Executive Scheme are subject to criteria and cannot be exercised in full, unless the Company's share price increases at a compound rate of at least 20.5 per cent per annum over a minimum three year period. If the Company's share price increases at a compound rate of at least 14.5 per cent per annum over a minimum three year measurement period, 60 per cent of the options will be exercisable. If these conditions are not met after the initial three year measurement period, they will thereafter be tested quarterly by reference to compound annual share price growth over an extended period. If the share price does not meet these conditions at any time, none of these options will become exercisable.

Statement of Directors' responsibilities

Accounts and adoption of going concern basis

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group for that period.

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

In preparing the accounts, the Directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

Other matters

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and Group and to prevent and detect fraud and other irregularities.

The Directors, having prepared the accounts, are required to provide to the auditors such information and explanation as the auditors think necessary for the performance of their duty.

Auditors' report

To the Shareholders of Shire Pharmaceuticals Group plc:

We have audited the accounts on pages 38 to 76 which have been prepared under the historical cost convention and the accounting policies set out on pages 43 to 47. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the Directors which form part of the Report of the Remuneration Committee on pages 22 to 34.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report including, as described on page 35, preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority ('FSA'), and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the company and the Group is not disclosed.

We review whether the corporate governance statement on pages 17 to 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the FSA, 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 company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the Group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the Group at 31 December 2000 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
RG1 3BD

27 February 2001

Consolidated profit and loss account

For the year to 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	343,624	133,878
Cost of sales		(58,596)	(22,811)
Gross profit		285,028	111,067
Other operating expenses	2	(205,371)	(80,695)
Operating profit		79,657	30,372
Costs of a fundamental restructuring	3	-	(11,516)
Profit on ordinary activities before interest		79,657	18,856
Finance charges, net	4	(2,885)	2,153
Profit on ordinary activities before finance charges	5	76,772	21,009
Tax on profit on ordinary activities	8	(3,570)	(8,439)
Profit on ordinary activities after taxation		73,202	12,570
Earnings per share - basic	10	29.0p	8.7p
Earnings per share - diluted	10	28.1p	8.3p

A statement of movement on reserves is given in note 22.

The accompanying notes are an integral part of this consolidated profit and loss account.

All operations of the Group continued throughout both periods.

Consolidated statement of total recognised gains and losses

For the year to 31 December 2000

	Notes	2000 £'000	1999 £'000
Profit for the year		73,202	12,570
Translation of the financial statements of overseas subsidiaries	23	15,985	519
Total recognised gains and losses relating to the year		89,187	13,089

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Balance sheets

As at 31 December 2000

		Consolidated		Company	
		2000	1999	2000	1999
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets– Intellectual property	11	247,278	214,856	9,842	-
Intangible assets– Goodwill	12	446,983	469,531	-	-
Tangible assets	13	33,261	23,256	2,051	874
Fixed asset investments	14	4,142	1,617	851,839	881,091
		731,664	709,260	863,732	881,965
Current assets					
Stocks	15	31,536	24,532	-	-
Debtors	16				
- due within 1 year		69,107	45,488	1,051	1,920
- due after 1 year		15,358	1,392	-	-
Investments	17	93,550	49,850	43,993	708
Cash at bank and in hand		31,194	36,038	883	9,814
		240,745	157,300	45,927	12,442
Creditors: Amounts falling due within one year (including convertible debt)	18	(74,580)	(107,140)	(6,854)	(19,785)
Net current assets (liabilities)		166,165	50,160	39,073	(7,343)
Total assets less current liabilities		897,829	759,420	902,805	874,622
Creditors: amounts falling due after more than one year (including convertible debt)	19	(94,186)	(80,133)	(1,004)	(1,861)
Net assets		803,643	679,287	901,801	872,761
Capital and reserves					
Called-up share capital	21	12,854	12,226	12,854	12,226
Share premium	22	873,567	839,026	873,567	839,026
Capital reserve	22	2,755	2,755	1,674	1,674
Other reserves	22	24,247	24,247	18,079	18,079
Profit and loss account	22	(109,780)	(198,967)	(4,373)	1,756
Equity shareholders' funds	23	803,643	679,287	901,801	872,761

The accounts on pages 38 to 76 were approved by the Board of Directors on 27 February 2000 and signed on its behalf by:

A C Russell Director

The accompanying notes are an integral part of this balance sheet.

Consolidated cash flow statement

For the year to 31 December 2000

	Notes	2000 £'000	1999 £'000
Net cash inflow from operating activities	26a	52,925	39,863
Returns on investments and servicing of finance:			
Interest received		4,125	2,334
Interest paid		(7,009)	(149)
Interest element of finance lease rentals		(1)	(32)
Net cash (outflow) inflow from returns on investments and servicing of finance		(2,885)	2,153
Taxation:			
Overseas corporation tax paid		(4,397)	(3,707)
Capital expenditure and financial investments:			
Purchase of long term investment		(2,398)	-
Purchase of intangible fixed assets		(25,776)	(11,500)
Purchase of tangible fixed assets		(19,251)	(1,303)
Proceeds from sale of intangible fixed assets		1,027	106
Proceeds from sale of tangible fixed assets		7,903	1,521
Net cash outflow for capital expenditure and financial investments		(38,495)	(11,176)
Acquisitions and disposals:			
Purchase of subsidiary undertakings		-	(17,355)
Expenses of acquisitions		(964)	(7,448)
Net cash acquired with subsidiary undertakings		-	24,149
Net cash outflow from acquisitions		(964)	(654)
Cash inflow before management of liquid resources and financing		6,184	26,479

Consolidated cash flow statement (continued)

	Notes	2000 £'000	1999 £'000
Management of liquid resources:			
Increase in cash placed on short-term deposit	26b	(39,171)	(1,033)
Financing:			
Issue of ordinary share capital		7,904	-
Exercise of share options		29,085	2,180
Expenses of share issues		(2,089)	(6,799)
Capital element of finance leases	26b	(22)	(705)
Net (decrease) increase in loans during the year	26b	(9,329)	7,439
Net cash inflow from financing		25,549	2,115
(Decrease) increase in cash in the year	26b	(7,438)	27,561

The accompanying notes are an integral part of this consolidated cash flow statement.

1 Accounting policies

A summary of the principal Group accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, and in accordance with applicable accounting standards. The accounts have been prepared under United Kingdom Generally Accepted Accounting Principles (UK GAAP).

(b) Basis of consolidation

The Group accounts consolidate the accounts of Shire Pharmaceuticals Group plc and all its subsidiary undertakings drawn up to 31 December each year.

Under the acquisition method of accounting, the results of subsidiary undertakings acquired or disposed of in a period are included in the consolidated profit and loss account from the date of acquisition up to the date of disposal.

(c) Intangible assets - goodwill

Goodwill arising on acquisitions in the year ended 31 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a previously acquired business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Goodwill arising on the acquisition of subsidiary undertakings and businesses subsequent to 31 December 1997, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, being 20 years. Provision is made for any impairment.

(d) Intangible assets – intellectual property

Intellectual property, including trademarks, for products with an immediate defined revenue stream and acquired for valuable consideration, is recorded at cost and amortised in equal annual instalments over the estimated useful life of the product with a maximum of 20 years. Intellectual property with no defined revenue stream is written off on acquisition. Provision is made for any impairment.

1 Accounting policies (continued)

(e) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on a straight line basis at rates calculated to write off the cost less estimated residual value of each asset over its estimated useful life at the following annual rates:

Freehold land and buildings	2 per cent per annum
Office furniture and fittings	20-25 per cent per annum
Equipment and other	20-25 per cent per annum

(f) Investments

Fixed asset investments are shown at cost less any provision for impairment.

(g) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on purchase costs calculated on a first-in, first-out basis, including transport.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Current asset investments are shown at the lower of cost and net realisable value.

(h) Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred taxation is provided on timing differences that will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences that, in the opinion of the Directors, will probably not reverse.

(i) Turnover

The principal components of the Company's turnover and their respective accounting treatments are set out below.

The Company recognises turnover when:

- there is persuasive evidence of an arrangement;
- delivery of products has occurred or services have been rendered;
- the seller's price to the buyer is fixed or determinable; and
- collectibility is reasonably assured.

1 Accounting policies (continued)

(i) Turnover (continued)

Product sales are recognised net upon shipment to customers. Provisions for certain rebates, product returns and discounts to customers are provided for as reductions to net turnover in the same period as the related sales are recorded.

Licensing and development fees represent revenues derived from licence agreements and from collaborative research and development arrangements.

Initial licence fees are not considered to be separable from the associated research and development activities, even where such fees are non-refundable and not creditable against research and development services to be rendered. Initial licence fees are thus deferred and recognised over the period of the licence term or the period of the associated research and development agreement. In circumstances where initial licence fees are not for a defined period, revenues are deferred and recognised over the period to the expiration of the relevant patent to which the licence relates.

Where licensing arrangements are accompanied by an equity subscription agreement, the series of transactions are accounted for as a multiple elements arrangement. Accordingly, the aggregate consideration is allocated to the two elements of the arrangement as described below.

The fair value of the equity subscription is calculated as being the aggregate number of shares issued at the average of the opening and closing share prices on the date of issue.

During the term of certain research and development agreements, the Company receives non-refundable milestones as certain technical targets are achieved. Revenue is recognised on achievement of milestones.

The Company also receives non-refundable clinical milestones when certain targets are achieved during the clinical phases of development, such as the submission of clinical data to a regulatory authority. These clinical milestones are recognised when received. If milestone payments are creditable against future royalty payments, the milestones are deferred and released over the period in which the royalties are anticipated to be received.

Royalty income relating to licensed technology is recognised when receivable.

Revenues are stated net of VAT and similar taxes, trade discounts and intra-Group transactions.

No revenue is recognised for consideration, the value or receipt of which is dependent on future events, future performance, or refund obligations.

(j) Research and development

Research and development expenditure includes funded and unfunded expenditure and is written off in the period in which it is incurred.

1 Accounting policies (continued)

(k) Pensions

The Group contributes to personal defined contribution pension plans of employees. Contributions are charged to the profit and loss accounts as they become payable.

(l) Foreign currency

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date.

Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are dealt with through reserves. All other exchange differences are included in the profit and loss account.

(m) Leases

The cost of operating leases is charged to the profit and loss account on a straight line basis over the lease term, even if rental payments are not made on such a basis.

Assets acquired under finance leases are included in the balance sheet as tangible fixed assets and are depreciated over the shorter of the period of lease or their useful lives. The capital elements of future lease payments are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to give a constant charge on the balance of the capital repayments outstanding.

(n) Finance costs

Finance costs of debt are charged to the profit and loss account over the term of the debt at a constant rate on the carrying amount.

(o) Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. Convertible debt is reported as a liability unless conversion actually occurs. No gain or loss is recognised on conversion.

(p) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as

1 Accounting policies (continued)

(p) Derivative financial instruments (continued)

the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's accounts.

For an interest rate swap to be treated as a hedge the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

(q) Employee share schemes

In accordance with UITF Abstract 17 “Employee share schemes”, the cost of awards to employees that take the form of shares or rights to shares is recognised as a charge in the profit and loss account. The amount recognised, which is the difference between the market value at date of grant and the underlying share and any exercise price, is charged to the profit and loss account over the period the shares are vested, with a corresponding credit to reserves.

(r) SAYE Schemes

The Group has taken advantage of the exemption from UITF Abstract 17 in respect of SAYE schemes.

(s) Related party transactions

In accordance with the exemptions in FRS 8, “Related Party Transactions”, transactions between Group companies have not been disclosed since Group accounts are prepared and include the results of all subsidiary undertakings.

2 Turnover and segment information

(a) Turnover by business activity

	2000 £'000	1999 £'000
Product sales	330,797	125,013
Licensing and development fees	9,273	6,653
Royalties	2,716	2,212
Other revenues	838	-
	343,624	133,878

(b)Turnover by geographical destination

	2000 £'000	1999 £'000
Europe	51,089	28,665
US	276,500	104,372
Other overseas markets	16,035	841
	343,624	133,878

(c) Profit on ordinary activities before taxation by business activity

Year to 31 December 2000	Product sales £'000	Licensing & development £'000	Royalties £'000	Other revenues £'000	Total £'000
Turnover	330,797	9,273	2,716	838	343,624
Cost of product sales	(58,596)	-	-	-	(58,596)
Distribution costs	(79,647)	-	-	-	(79,647)
Funded research and development costs	-	(6,956)	-	-	(6,956)
	192,554	2,317	2,716	838	198,425
Unfunded research and development costs					(47,471)
Expenses not allocated					(71,297)
Operating profit					79,657
Finance charges, net					(2,885)
Profit on ordinary activities before taxation					76,772

2 Turnover and segment information (continued)

(c) Profit on ordinary activities before taxation by business activity (continued)

	Product sales £'000	Licensing & development £'000	Royalties £'000	Total £'000
Year to 31 December 1999				
Turnover	125,013	6,653	2,212	133,878
Cost of product sales	(22,811)	-	-	(22,811)
Distribution costs	(32,860)	-	-	(32,860)
Funded research and development costs	-	(5,190)	-	(5,190)
	69,342	1,463	2,212	73,017
Unfunded research and development costs				(32,229)
Expenses not allocated				(10,416)
Operating profit				30,372
Costs of a fundamental restructuring of operations				(11,516)
Profit on ordinary activities before finance charges				18,856
Finance charges, net				2,153
Profit on ordinary activities before taxation				21,009

(d) Geographical analysis by country of origin

	2000 £'000	1999 £'000
Turnover:		
Europe	51,089	28,665
US	276,500	104,372
Rest of World	16,035	841
	343,624	133,878
Profit on ordinary activities before taxation:		
Europe	(37,463)	(10,724)
US	110,635	31,733
Rest of World	3,600	-
	76,772	21,009
Net assets:		
Europe	735,514	465,854
US	60,720	213,084
Rest of World	7,409	349
	803,643	679,287

3 Exceptional items reported after operating profit

The costs of a fundamental restructuring of continuing operations arose in 1999 in respect of the reorganisation and restructuring of the Group as a result of the acquisition of Roberts, which has had a material effect on the nature and focus of the Group's operations.

There are no effects of the exceptional item on the amounts charged to the profit and loss account for taxation in the years ended 31 December 1999 or 31 December 2000.

4 Finance charges, net

	2000 £'000	1999 £'000
Investment income		
Income from current asset investments	4,125	2,334
Interest payable and similar charges		
Bank loans and overdrafts and other loans wholly repayable within 5 years	7,009	149
Finance leases and hire purchase contracts	1	32
	7,010	181
Finance charges, net		
Investment income	4,125	2,334
Interest payable and similar charges	(7,010)	(181)
	(2,885)	2,153

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Auditors' remuneration		
- audit fees	350	289
- other services	1,398	994
Operating lease rentals		
- plant and machinery	1,756	816
- other	1,049	909
Depreciation of tangible fixed assets		
- owned	2,499	1,089
- held under finance leases and hire purchase contracts	24	344
Amortisation of goodwill	23,512	678
Amortisation of intangible fixed assets	10,089	2,196
Foreign exchange loss	488	247

The following amounts have been charged directly to share premium or costs of acquisition:

Year ended 31 December 1999: non-audit fees of £375,000 related to the acquisition of Roberts.

6 Staff costs

Particulars of employee costs (including Directors' remuneration) are shown below:

	2000 £'000	1999 £'000
Wages and salaries	32,682	18,556
Social security costs	4,457	1,223
Pension contributions	1,745	1,069
	38,884	20,848

The average monthly number of people employed by the Group during the year was as follows:

	2000 Number	1999 Number
Manufacturing	154	50
Distribution	552	254
General and administrative	119	63
Research and development	143	112
	968	479

7 Directors' remuneration, interests and transactions

Aggregate remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2000 £'000	1999 £'000
Aggregate emoluments	1,332	934
Gains on exercise of share options	11,053	2,539
Company contributions to money purchase pension schemes	76	62
	12,461	3,535

No fees were payable to third parties in respect of Directors' services for either year.

7 Directors' remuneration, interests and transactions (continued)

The number of Directors who were members of the company pension scheme was as follows:

	2000 Number	1999 Number
Money purchase schemes	3	3

The above amounts for remuneration include the following in respect of the highest paid Director:

	2000 £'000	1999 £'000
Aggregate emoluments	20	2,293
Gains on exercise of share options	10,320	-
Company contributions to money purchase pension schemes	-	30
	10,340	2,323

8 Tax on profit on ordinary activities

The tax charge comprises:

	2000 £'000	1999 £'000
Overseas corporation tax	3,570	8,439
Approximate gross tax losses to carry forward against certain future UK corporation tax liabilities	16,923	15,484

Additionally, the Group had non-UK tax losses to carry forward against certain future non-UK tax liabilities.

There was no unprovided deferred taxation liability at either year end.

9 Profit/loss attributable to Shire Pharmaceuticals Group plc

The loss for the financial year dealt with in the accounts of the company was £6,185,000 (1999 – profit £3,408,000). As provided by section 230 of the Companies Act 1985, no profit and loss account is presented in respect of the Company.

10 Earnings per share

Earnings per share (EPS) has been calculated by dividing the profit on ordinary activities after taxation for each period by the weighted average number of shares in issue during those periods.

The weighted average number of shares used in calculating fully diluted earnings per share has been adjusted for the effects of all dilutive potential ordinary shares.

	Basic and diluted	
	2000 £'000	1999 £'000
Profit for the financial year	73,202	12,570

The weighted average number of shares used in each year are as follows:

	2000	1999
Weighted average number of shares in issue for basic EPS	252,497,255	145,202,383
Number of dilutive potential shares	8,411,015	6,326,875
Total for fully diluted EPS	260,908,270	151,529,258

11 Intangible assets - intellectual property

	Group £'000	Company £'000
Cost		
As at 31 December 1999	246,176	-
Additions	25,776	10,075
Foreign exchange	19,458	-
As at 31 December 2000	291,410	10,075
Amortisation		
As at 31 December 1999	(31,320)	-
Charge for the period	(10,089)	(233)
Foreign exchange	(2,723)	-
As at 31 December 2000	(44,132)	(233)
Net book value		
As at 31 December 1999	214,856	-
As at 31 December 2000	247,278	9,842

12 Intangible assets – goodwill

	Group £'000	Company
Cost		
As at 31 December 1999	470,209	-
Additions	964	-
As at 31 December 2000	471,173	-
Amortisation		
As at 31 December 1999	(678)	-
Charge for the period	(23,512)	-
As at 31 December 2000	(24,190)	-
Net book value		
As at 31 December 1999	469,531	-
As at 31 December 2000	446,983	-

13 Tangible fixed assets

(a) Group

	Freehold land and buildings £'000	Office furniture and fittings £'000	Equipment and other £'000	Total £'000
Cost				
As at 31 December 1999	17,448	5,321	8,637	31,406
Additions	12,538	3,961	2,752	19,251
Disposals	(8,112)	(268)	(1,825)	(10,205)
Foreign exchange	825	230	399	1,454
As at 31 December 2000	22,699	9,244	9,963	41,906
Depreciation				
As at 31 December 1999	(1,438)	(3,010)	(3,702)	(8,150)
Charge	(197)	(1,548)	(778)	(2,523)
Disposals	625	(53)	1,730	2,302
Foreign exchange	(51)	(63)	(160)	(274)
As at 31 December 2000	(1,061)	(4,674)	(2,910)	(8,645)
Net book value				
As at 31 December 1999	16,010	2,311	4,935	23,256
As at 31 December 2000	21,638	4,570	7,053	33,261
Leased assets included above, at net book value:				
As at 31 December 1999	-	-	255	255
As at 31 December 2000	-	-	-	-

Freehold land, amounting to £5,264,000 (1999 - £2,300,000) for the Group has not been depreciated.

Depreciation charged on assets held under finance leases and hire purchase contracts is disclosed in note 5.

13 Tangible fixed assets (continued)

(b) Company

	Office furniture and fittings £'000	Equipment and other £'000	Total £'000
Cost			
As at 31 December 1999	528	1,316	1,844
Additions	300	1,569	1,869
As at 31 December 2000	828	2,885	3,713
Depreciation			
As at 31 December 1999	(230)	(740)	(970)
Charge	(148)	(544)	(692)
As at 31 December 2000	(378)	(1,284)	(1,662)
Net book value			
As at 31 December 1999	298	576	874
As at 31 December 2000	450	1,601	2,051
Leased assets included above, at net book value:			
As at 31 December 1999	-	233	233
As at 31 December 2000	-	-	-

Depreciation charged on leased assets was £161,000 in 1999.

14 Fixed asset investments

(a) Group

The Group has an investment in the convertible preference shares of RiboGene, Inc., a drug discovery company targeting infectious diseases. The shares have no voting rights. One-third of the preference shares are convertible at the option of the Group to ordinary shares of RiboGene at each of the first three anniversary dates of the investment. The book value of the investment is £1,617,000 as at 31 December 2000 and 1999.

In March 2000, the Company entered into a license agreement with D-Pharm Limited, under which Shire has undertaken to develop and market DP-VPA for the treatment of epilepsy. The terms of the agreement included an upfront fee payable to D-Pharm comprising cash of £1,339,000 and an equity investment, as well as clinical and commercial milestone payments.

In April 2000, the Company entered into an option agreement with Cortex Pharmaceuticals Inc., with the right to convert the option into an exclusive worldwide license under a development and licensing agreement upon successful clinical study of Cortex's Ampakine for the treatment of ADHD. In exchange for the option, Cortex received £560,000 and issued ordinary share capital of Shire.

In December 2000, Shire signed a research, development and licensing agreement with CeNeS Pharmaceuticals plc for the development of dopamine D1 agonist program for the treatment of Parkinson's disease. Shire will make milestone payments and pay CeNeS royalties on products developed under the agreement. Shire has made an equity investment in CeNeS of £500,000 and will fund all development work. If the investment had been marked to market, the carrying value would have reduced to £486,000 as at 31 December 2000 due to temporary fluctuation in market value.

Group

	Shares in non-subsidiary undertakings £'000
As at 31 December 1999	1,617
Acquisitions	2,398
Foreign exchange movement	127
As at 31 December 2000	4,142

14 Fixed asset investments (continued)

Company

	Shares in non-subsidiary undertakings £'000	Shares in subsidiary undertakings £'000	Convertible loan stock £'000	Amount due from subsidiary undertakings £'000	Total £'000
As at 31 December 1999	-	656,202	76,230	148,659	881,091
Acquisitions	2,398	-	-	-	2,398
Net advances	-	-	-	(31,650)	(31,650)
Interest on intra-Group loan note	-	(7,614)	7,614	-	-
As at 31 December 2000	2,398	648,588	83,844	117,009	851,839

Shire Holdings Europe Limited, a Group company, issued Unsecured Convertible Redeemable Loan Stock (1997-2002) in favour of the Company in consideration for the whole of the issued share capital of Shire Laboratories Inc. at a price of £60m. The loan stock has a face value of £96.6m and a book value of £83.8m as at 31 December 2000.

14 Fixed asset investments (continued)

Principal subsidiaries

The Company owned directly or indirectly the whole of the issued ordinary share capital of the following companies at 31 December 2000:

Subsidiary/Undertakings	Country of incorporation/operation	Principal activity
Shire Pharmaceuticals Limited*	UK	Marketing of pharmaceuticals.
Shire Pharmaceutical Development Limited*	UK	Development of pharmaceuticals, including on behalf of other Group companies.
Shire International Licensing BV	Netherlands	Licensing and development of pharmaceuticals.
Shire Laboratories Inc.	US	Development and licensing of pharmaceuticals, including on behalf of other Group companies.
Shire Richwood Inc.	US	Marketing of pharmaceuticals.
Roberts Pharmaceutical Corporation	US	Intermediate holding company.
Shire France S.A.	France	Marketing of pharmaceuticals.
Shire Deutschland GmbH & Co K G	Germany	Marketing of pharmaceuticals.
Shire Italia SpA	Italy	Marketing of pharmaceuticals.
Shire Supplies US Llc	US	Licensing of pharmaceuticals.
Shire Canada Inc	Canada	Manufacturing and marketing of pharmaceuticals.
Shire US Inc	US	Marketing of pharmaceuticals.
Shire Pharmaceuticals Iberica S.L.	Spain	Marketing and distribution of pharmaceuticals.
Shire Pharmaceuticals Development US Inc	US	Development of Pharmaceuticals.

All subsidiary undertakings have been included in these consolidated financial statements.

*Held directly by Shire Pharmaceuticals Group plc.

15 Stocks

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Raw materials and consumables	16,095	4,081	-	-
Finished goods	15,441	20,451	-	-
	31,536	24,532	-	-

There is no material difference between the balance sheet value of stocks and their replacement costs.

16 Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Amounts falling due within one year:				
Trade debtors	61,724	35,145	-	-
VAT	718	735	205	164
Other debtors	3,112	5,500	454	1,548
Prepayments and accrued income	3,553	4,108	392	208
	69,107	45,488	1,051	1,920
Amounts falling due after more than one year:				
Notes receivable	224	262	-	-
SERP	10,788	-	-	-
Other debtors	4,346	1,130	-	-
	15,358	1,392	-	-

For further details of the SERP asset, see note 25. The amount shown above is the gross asset represented by non-current marketable securities. A related liability of approximately £9.1 million is included within note 19.

17 Current asset investments

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Institutional cash fund	44,012	708	43,993	708
Commercial paper	18,744	24,322	-	-
Marketable securities	30,794	24,820	-	-
	93,550	49,850	43,993	708

There is no material difference between book value and fair value as at 31 Dececmber 2000 and 1999.

18 Creditors: amounts falling due within one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Convertible debt				
Zero coupon convertible unsecured loan note (note 19)	1,004	5,460	1,004	5,460
Other creditors				
Obligations under finance leases and hire purchase contracts	-	22	-	-
Bank term loan	-	776	-	-
Other loans	-	3,501	-	-
Trade creditors	26,614	19,385	1,135	103
Payable in respect of termination of a licence agreement	500	500	-	-
Overseas corporation tax payable	2,854	3,681	-	-
VAT	686	151	-	-
Social security and PAYE	548	434	134	99
Other creditors	2,489	13,018	1,125	-
Restructuring and merger accrual	-	24,441	-	12,925
Accruals and deferred income	39,885	33,945	3,456	1,198
Accrued pension contributions	-	1,826	-	-
	73,576	101,680	5,850	14,325
	74,580	107,140	6,854	19,785

19 Creditors: amounts falling due after more than one year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Convertible debt				
Zero coupon convertible unsecured loan note	1,004	1,861	1,004	1,861
Other creditors				
Bank term loan	83,679	76,783	-	-
Payable in respect of termination of a licence agreement	250	750	-	-
Other creditors	9,253	739	-	-
	93,182	78,272	-	-
	94,186	80,133	1,004	1,861

Included within other creditors is £9,110,000 relating to the SERP.

Borrowings are repayable as follows:

	Group 2000 £'000	Group 1999 £'000	Company 2000 £'000	Company 1999 £'000
Convertible loan note:				
Between one and two years	1,004	931	1,004	931
Between two and five years	-	930	-	930
Bank term loan:				
Between two and five years	83,679	76,783	-	-

19 Creditors: amounts falling due after more than one year (continued)

£83.7m ($125m) five year term loan

The Company entered into a £83.7m ($125m) five year term loan with Credit Suisse First Boston ("CSFB"), previously known as DLJ Capital Funding Inc., on 19 November 1999. This loan replaced an existing $125m loan facility in the name of Roberts Pharmaceutical Corporation that had been taken out to finance the acquisition of Pentasa in 1998. The new loan is in the name of the parent company, Shire Pharmaceuticals Group plc together with Roberts Pharmaceutical Corporation and the other US subsidiaries of Shire. The loan is accounted for in the books of Roberts Pharmaceutical Corporation. The applicable interest rate ranges between 0.5 per cent and 1.5 per cent over the higher of the prime rate of CSFB, or the US Federal Funds Rate plus 0.5 per cent or between 1.5 per cent and 2.5 per cent over the London Interbank Overnight Rate (as adjusted in accordance with the loan agreement), in each case depending on the Company's credit rating.

All obligations under the facility are jointly and severally guaranteed by the Company and its subsidiaries and are initially secured by all material property owned by the Company and its subsidiaries and the capital stock of the subsidiaries.

£7.9m ($11.8m) Unsecured Convertible Zero Coupon Loan Note

The Company financed the purchase of intellectual property relating to the manufacture of Adderall from Arenol Corporation by a total of £7.9m ($11.8m) in loan notes. On 5 March 1999, the Company issued a £3.9m ($5.8m) principal amount unsecured convertible Zero Coupon Loan Note due 30 July 2001, and a £4.0m ($6m) principal amount Unsecured Convertible Zero Coupon Loan Note due 30 July 2004. Both loan notes are in the name of the parent company, Shire Pharmaceuticals Group plc. Amounts not cancelled by the specified dates can be converted into the number of ordinary shares equal to the amounts not cancelled divided by the lower of £3.565 and the midweek closing price of the ordinary shares on the London Stock Exchange on the relevant date translated at the exchange rate on that date.

The Company issued 533,279, 560,076 and 541,478 ordinary shares on 13 March, 3 August and 6 November 2000 respectively to Arenol Corporation (or its nominee broker) in consideration of the conversion of part of each of the Loan Notes in the Company

20 Derivatives and other financial instruments

Pages 7 to 8 of the Financial review provide an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving those objectives that have been followed during the year.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary companies are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

20 Derivatives and other financial instruments (continued)

Interest rate profile

The currency and interest rate profile of the Group's financial assets excluding short term debtors at 31 December 2000 are as below. Current asset investments comprise institutional cash funds, commercial paper and marketable securities as detailed in note 17. The sterling cash deposits comprise deposits placed on money market at call, seven-day and monthly rates.

	Cash	Current asset investments	
	Variable rate £'000	Variable rate £'000	Total £'000
Pounds sterling	5,056	-	5,056
US dollars	17,978	93,550	111,528
Euro	4,219	-	4,219
Canadian dollars	3,906	-	3,906
Other	35	-	35
	31,194	93,550	124,744

After taking into account interest rate swaps and forward foreign currency contracts entered into by the Group, the interest rate profile of the Group's financial liabilities at 31 December 2000 was as follows:

Currency	Total 2000 £'000	Floating rate 2000 £'000	Interest free 2000 £'000
US dollars:			
- Convertible debt	2,008	-	2,008
- Borrowings	83,679	83,679	-
Total	85,687	83,679	2,008

The weighted average period to maturity of the convertible debt is one year.

20 Derivatives and other financial instruments (continued)

Currency exposures

The Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are to maintain a low cost of borrowings and to retain some potential for currency-related appreciation while partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses.

The table below shows the Group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations. As at 31 December 2000 these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets (liabilities)				
	US dollars	Euro	Canadian dollars	Other	Total
	£'000	£'000	£'000	£'000	£'000
Pounds sterling	(4,482)	6,511	3,778	14	5,821

The exposures at 31 December 1999 for comparison purposes were as follows:

Functional currency of Group operation	Net foreign currency monetary assets (liabilities)				
	US dollars	Euro	Norwegian	Other	Total
	£'000	£'000	£'000	£'000	£'000
Pounds sterling	(4,035)	788	(336)	59	(3,524)

The amounts shown in the tables above take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

20 Derivatives and other financial instruments (continued)

Currency exposures (continued)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2000 is shown in note 19.

Borrowing facilities

The Group had undrawn committed borrowing facilities at 31 December 2000, in respect of which all conditions precedent had been met, as follows:

	2000	1999
	£'000	£'000
Expiring in more than two years	83,679	77,558

Fair values

There is no material difference between the book values and fair values of the Group's financial assets and liabilities at the end of either year.

Gains on losses and hedges

The Group had no forward foreign currency contracts outstanding at 31 December 1999 or 31 December 2000.

21 Called-up share capital

	Number '000	£'000
Authorised		
At 31 December 1999 – ordinary shares of 5p each	400,000	20,000
At 31 December 2000 – ordinary shares of 5p each	400,000	20,000
Allotted, issued and fully paid		
As at 1 January 1999 – ordinary shares of 5p each	141,092	7,055
Issued on exercise of options for cash consideration	2,660	133
Issued on acquisition of subsidiary undertaking	100,767	5,038
At 31 December 1999 – ordinary shares of 5p each	244,519	12,226
Issued on exercise of options for cash consideration	10,726	536
Issued as part consideration for product rights	208	10
Issued on conversion of zero coupon note	1,635	82
At 31 December 2000 – ordinary shares of 5p each	257,088	12,854

During the year ended 31 December 1999 the authorised share capital of the Company was increased by £10,000,000 through the creation of 200,000,000 ordinary shares of 5p each.

During the year ended 31 December 1999 the Company allotted 100,767,000 ordinary shares with a nominal value of £5,038,000 in connection with the acquisition of Roberts. These shares were issued at a premium of £615,185,000.

During the year ended 31 December 2000 the Company allotted a total of 1,634,833 ordinary shares with a nominal value of £82,000 to Arenol Corporation (or its nominee broker) in consideration for the conversion of debt. For further details see note 19 above. These shares were issued at a premium of £5,746,000.

The Company also allotted 208,187 ordinary shares with a nominal value of £10,000 as part consideration for product acquisitions. These shares were issued at a premium of £2,065,000.

The Company's Directors and employees have been granted options over ordinary shares under the Shire Holdings Limited Share Option Scheme ("SHL Scheme"), the Imperial Pharmaceutical Services Limited Employee Share Option Scheme (Number One) ("SPC Scheme"), the Pharmavene 1991 Stock Option Plan ("SLI Plan"), the Shire Pharmaceuticals Executive Share Option Scheme (Parts A and B) ("Executive Scheme"), the Shire Pharmaceuticals Group plc 2000 Executive Scheme (2000 Executive Scheme), the Shire Pharmaceuticals Sharesave Scheme ("Sharesave Scheme"), the Shire Pharmaceuticals Group plc Employee Stock Purchase Plan ("Stock Purchase Plan"), the Richwood 1993 and 1995 Stock Option Plans ("SRI Plan") and the Roberts Stock Options Plans ("Roberts Plan").

21 Called-up share capital (continued)

The following table sets forth certain information relating to changes to options outstanding in the year:

	As at 1 January 2000	Options granted	Options exercised	Options lapsed	As at 31 December 2000
Number of ordinary shares of 5p each					
SHL Scheme	964,280	-	(392,120)	-	572,160
SPC Scheme	48,000	-	-	-	48,000
Executive Scheme ‘A’	391,691	194,822	(75,561)	(15,626)	495,326
Executive Scheme ‘B’	4,979,351	1,787,626	(993,977)	(188,243)	5,584,757
Sharesave Scheme	180,697	79,424	(37,110)	(12,012)	210,999
Stock Purchase Plan	218,950	-	(218,950)	-	-
SLI Plan	485,367	-	(435,073)	-	50,294
SRI Plan	1,194,388	-	(447,321)	-	747,067
Roberts Plan	9,174,418	-	(8,126,294)	(315)	1,047,809
2000 Executive Scheme A	-	2,417	-	-	2,417
2000 Executive Scheme B	-	491,712	-	(9,881)	481,831
	17,637,142	2,556,001	(10,726,406)	(226,077)	9,240,660

For further details see pages 28 to 34 of the Report of the Remuneration Committee.

22 Reserves

Group

	Share premium £’000	Capital reserve £’000	Other reserves £’000	Profit and loss account £’000
As at 1 January 1999	228,537	2,755	24,247	(212,000)
Premium on issue of shares	615,185	-	-	-
Issue expenses	(6,799)	-	-	-
Options exercised	2,047	-	-	-
Cost of employee share options	56	-	-	(56)
Foreign exchange adjustment	-	-	-	519
Profit for the year	-	-	-	12,570
As at 31 December 1999	839,026	2,755	24,247	(198,967)
Premium on issue of shares	7,812	-	-	-
Issue expenses	(2,089)	-	-	-
Options exercised	28,818	-	-	-
Foreign exchange adjustment	-	-	-	15,985
Profit for the year	-	-	-	73,202
As at 31 December 2000	873,567	2,755	24,247	(109,780)

22 Reserves (continued)

Group (continued)

The cumulative goodwill resulting from acquisitions that has been written off directly to reserves amounts to £208,194,000 as at 31 December 2000 and 31 December 1999.

The capital reserve arose in relation to a Group reconstruction and certain financing transactions, and is not distributable.

Company

	Share premium £'000	Capital reserve £'000	Other reserves £'000	Profit and loss account £'000
As at 1 January 1999	228,537	1,674	18,079	(1,596)
Premium on issue of shares	615,185	-	-	-
Issue expenses	(6,799)	-	-	-
Options exercised	2,047	-	-	-
Cost of employee share options	56	-	-	(56)
Profit for the year	-	-	-	3,408
As at 31 December 1999	839,026	1,674	18,079	1,756
Premium on issue of shares	7,812	-	-	-
Issue expenses	(2,089)	-	-	-
Options exercised	28,818	-	-	-
Loss for the year	-	-	-	(6,185)
Cost of employee share options	-	-	-	56
As at 31 December 2000	873,567	1,674	18,079	(4,373)

23 Reconciliation of movements in Group shareholders' funds

	Year to 31 December 2000 £'000	Year to 31 December 1999 £'000
Profit for the year	73,202	12,570
Other recognised gains and losses relating to the year	15,985	519
	89,187	13,089
Share capital issued	37,045	622,403
Issue expenses	(2,089)	(6,799)
Cost of employee share options	213	-
Net additions to shareholders' funds	124,356	628,693
Opening shareholders' funds	679,287	50,594
Closing shareholders' funds	803,643	679,287

The cumulative foreign exchange differences on translation amount to £15,696,000 gain as at 31 December 2000 and £289,000 loss as at 31 December 1999.

24 Guarantees, commitments and contingencies

(a) Operating leases

The Group leases property, computer and office equipment and motor vehicles on short-term leases. The rents payable under property leases are subject to renegotiation at various intervals specified in the leases. The Group pays for substantially all of the insurance, maintenance and repair of these assets.

The minimum annual rentals under the foregoing leases are as follows:

Group

As at 31 December 2000	Property £'000	Equipment £'000	Motor vehicles £'000
Operating leases which expire:			
- within 1 year	119	1	90
- within 2-5 years	430	581	1,335
- after 5 years	225	-	65
	774	582	1,490
As at 31 December 1999			
Operating leases which expire:			
- within 1 year	248	11	244
- within 2-5 years	986	115	1,076
- after 5 years	58	-	-
	1,292	126	1,320

24 Guarantees, commitments and contingencies (continued)

Company

As at 31 December 2000	Other £'000	Motor vehicles £'000
Operating leases which expire:		
- within 1 year	-	9
- within 2-5 years	-	50
- after 5 years	145	-
	145	59
As at 31 December 1999		
Operatig leases which expire:		
- within 1 year	-	13
- within 2-5 years	-	11
- after 5 years	-	-
	-	24

(b) Capital commitments

There were no capital commitments at the end of either year.

(c) Contingent liabilities

Until April 1998, Shire Richwood Inc. (SRI) distributed products containing phentermine, a prescription drug approved in the US as a single agent for short term use in obesity. Contrary to the approved labelling of these products, physicians in the US co-prescribed phentermine with fenfluramine or dexfenfluramine for management of obesity. This combination was popularly known as the "fen/phen" diet. In mid 1997, following concerns raised about cardiac valvular side effects alleged to be associated with this diet regime, the fenfluramine and dexfenfluramine elements of the "fen/phen" diet were withdrawn from the US market. Although SRI has ceased to distribute phentermine, the drug remains both approved and available in the US. SRI and a number of other pharmaceutical companies are being sued for damages for personal injury and medical monitoring arising from phentermine used either alone or in combination.

As of 31 December 2000, SRI was named as a defendant in approximately 3,729 lawsuits and had been dismissed from approximately 2,178 of these cases. There were approximately 1,120 additional cases pending dismissal as of 31 December 2000. In only 171 cases pending was it alleged in the complaint or subsequent discovery that the plaintiff had used SRI's particular product and SRI has been dismissed from 105 of these cases as well. Although there have been reports of substantial jury awards and settlements in respect of fenfluramine and/or dexfenfluramine, to date Shire is not aware of any jury awards made against, or any settlements made by, any phentermine defendant. Shire denies liability on a number of grounds including lack of scientific evidence that phentermine, properly prescribed, causes the alleged side effects and that SRI did not promote phentermine for long term combined use as the "fen/phen" diet.

24 Guarantees, commitments and contingencies (continued)
Accordingly, Shire intends to defend vigorously any and all claims made against the Group in respect of phentermine and believes that a liability is neither probable nor quantifiable at this stage of the litigation.

Legal expenses have been paid by Eon Labs Manufacturing Inc. ("Eon"), the suppliers to SRI or Eon's insurance carriers but such insurance is now exhausted. Eon has agreed to defend and indemnify SRI in this litigation pursuant to an agreement dated November 30, 2000 between Eon and SRI.

On 31 August 2000, Shire entered into an agreement (the "Termination Agreement") with the former shareholders of SRI, pursuant to which the ordinary shares placed in escrow at the time of the purchase of SRI by Shire were released and the escrow agreement and the escrow fund were terminated. Shire initially established the escrow agreement with the SRI shareholders in 1997 in anticipation of possible phentermine related claims against the Company. Under the terms of the Termination Agreement, monies in the approximate amount of £5 million were received by Shire and the escrow fund was terminated. The remaining shares were distributed to the former shareholders of SRI.

At the present stage of the litigation, Shire is unable to estimate the level of future legal costs after taking into account any available product liability insurance and enforceable indemnities. To the extent that any legal costs are not covered by insurance or available indemnities, these will be expensed as incurred.

25 Pension arrangements
The Group has a number of defined contribution retirement plans that together cover substantially all employees. The company contribution is fixed as a set percentage of employee's pay. The pension cost charge for the defined contribution schemes for the year was £1,705,000 (1999: £1,042,000).

The defined benefit plan operated by the Group was a Supplemental Executive Retirement Plan (SERP) for certain US employees of the acquired company, Roberts, who met certain age and service requirements. The plan was discontinued in the current year and there were no contributions payable in respect of the year 2000. The pension cost charge for the period since acquisition of Roberts was £27,000 for 1999.

The Group paid a lump sum of £11.25m ($18m) into the SERP, which was accounted for as a fair value adjustment on the acquisition of Roberts to make good the deficit on this scheme at the time of acquisition. This lump sum payment has led to the Group having no future liability under the SERP, which has been closed to new members with contributions no longer payable by existing members. The asset and liability of £10,788,000 and £9,110,000 respectively are shown in notes 16 and 19 respectively.

26 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash flow from operating activities

	Year to 31 December 2000 £'000	Year to 31 December 1999 £'000
Operating profit	79,657	30,372
Cost of a fundamental restructuring	-	(11,516)
Exchange gains	(2,314)	(115)
Depreciation	2,523	1,433
Amortisation of intangible fixed assets	33,601	2,874
Profit on sale of fixed assets	-	(465)
Increase in stocks	(7,004)	(1,595)
Increase in debtors	(38,571)	(6,864)
(Decrease) increase in creditors	(14,967)	25,739
Net cash inflow from operating activities	52,925	39,863

Year to 31 December 1999 comparatives: companies acquired during 1999 contributed £5,595,000 outflow to the Group's net operating cashflows, paid £149,000 in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £nil for capital expenditure and financial investments.

No companies were acquired during the year to 31 December 2000.

26 Notes to the consolidated cash flow statement (continued)

b) Analysis and reconciliation of net debt

Year ended 31 December 2000	Start of year £'000	Cash flow £'000	Other non-cash changes £'000	Exchange movement £'000	End of year £'000
Cash at bank and in hand	36,038	(7,438)	-	2,594	31,194
Debt due within one year	(9,737)	9,112	-	(379)	(1,004)
Finance leases due within one year	(22)	22	-	-	-
	26,279	1,696	-	2,215	30,190
Debt due after one year	(78,644)	217	-	(6,256)	(84,683)
	(52,365)	1,913	-	(4,041)	(54,493)
Current assets investments	49,850	39,171	-	4,529	93,550
Net (debt) funds	(2,515)	41,084	-	488	39,057

Year ended 31 December 1999	Start of year £'000	Cash flow £'000	Acquisitions £'000	Exchange movement £'000	End of year £'000
Cash at bank and in hand	8,230	27,561	-	247	36,038
Debt due within one year	-	(4,830)	(4,907)	-	(9,737)
Finance leases due within one year	(705)	683	-	-	(22)
	7,525	23,414	(4,907)	247	26,279
Debt due after one year	-	(2,609)	(76,035)	-	(78,644)
Finance leases due after one year	(22)	22	-	-	-
	7,503	20,827	(80,942)	247	(52,365)
Current asset investments	21,435	1,033	27,382	-	49,850
Net funds (debt)	28,938	21,860	(53,560)	247	(2,515)

c) Analysis and reconciliation of net debt (continued)

	Year ended 31 December 2000 £'000	Year ended 31 December 1999 £'000
(Decrease) increase in cash in the year	(7,438)	27,561
Cash outflow (inflow) from increase in debt and lease financing	9,351	(6,734)
Cash outflow from increase in liquid resources	39,171	1,033
Change in net debt resulting from cash flows	41,084	21,860
Loans and current asset investments acquired with subsidiary undertakings	-	(53,560)
Translation difference	488	247
Movement in net funds (debt) in year	41,572	(31,453)
Net (debt) funds at beginning of year	(2,515)	28,938
Net funds (debt) at end of year	39,057	(2,515)

25 Related party transactions

Related party transactions are discussed in the Report of the Remuneration Committee on page 24.

26 Subsequent events

As discussed in the Chairman's review, the Company announced that it had entered into a merger agreement with BioChem Pharma Inc, the merger with whom is expected to close during the first quarter of 2001. Information in relation to the proposed merger is included within separate Listing Particulars.