AAH Pharmaceuticals Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered number· 123458

AAH Pharmaceuticals Limited

Annual report and financial statements for the year ended 31 December 2009

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AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2009

Results

The results for the financial year are presented in the income statement on page six

Principal activities

AAH Pharmaceuticals Limited is the leading distributor of pharmaceutical and healthcare products and services in the UK The company works in partnership with manufacturers to supply pharmacies, hospitals and dispensing doctors

Review of business and future developments

The directors monitor the progress of the company and the implementation of its strategy by reference to key performance indicators The indicators employed include revenue, gross profit and operating margin These are discussed in more detail below

The pharmaceutical wholesaling market continued to be highly competitive in 2009 The trend towards new distribution models continued with several suppliers implementing reduced wholesale models Pharmaceutical manufacturers applying the reduced wholesale model usually work exclusively with two or three wholesalers to improve transparency in the supply chain AAH Pharmaceuticals Limited continued to be one of the preferred partners of manufacturers

Market conditions were influenced by the decision of a significant supplier to restrict the supply of its products in the UK with effect from July 2009 to two nominated logistical providers, with AAH Pharmaceuticals Limited being one of the two Under the new arrangements, products are now supplied to customers on an agency rather than a wholesale basis The company receives a fee for its services as agent In August 2009 a key customer switched to a self-distribution model, with AAH Pharmaceuticals Limited becoming the logistics provider for a wide range of products

These structural changes in distribution arrangements are reflected in the revenue growth reported by AAH Pharmaceuticals in 2009 An increase in the company's revenue in 2009 of 2 5% was generated principally by working with existing customers and suppliers to help them develop their businesses Growth achieved with existing partners has been further supported by a number of new accounts and supply contracts which were also secured during the year

Despite competitive pressure across all customer channels, the company kept its level of gross profit The movement in the operating margin is influenced by factors such as increasing fuel and energy costs In the light of these challenges, the company continues to focus on the cost efficiency of its services This focus is maintained across the business, at branch and head office level

The directors consider that regular investment in customer facing services, systems and supply chain capabilities are key to the ongoing success of the business For example, the company continues to provide services and advice to Pharmacists to ensure the development of an effective role for Pharmacy within the NHS The development of supply chain capabilities in 2009 included the modernisation of the warehouses in Ruislip, Warrington and Bexhill and the start of an investment programme to install temperature controlled equipment in all the AAH warehouses

The directors are confident that AAH Pharmaceuticals Limited is exceptionally well-placed to deal with any upcoming changes in the market

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2009 *(continued)*

Dividends

The directors do not recommend a final dividend (2008 £nil) An interim dividend of £50 million (£1 per share) was paid during the year (2008 £nil)

Political and charitable contributions

Charitable contributions of £3,005 were made during the year (2008 £4,943) The contributions made in 2009 included the following BBC Children in Need - £500 and McMillan Cancer Charity - £200 No political contributions were made (2008 £nil)

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were

M L James
J Bulmer
G R Lunt (resigned 31 May 2009)
J A Richards
C Tomaszewski
S Anderson (appointed 4 November 2009)
D Rollinson (appointed 2 September 2009)

In accordance with the Articles of Association, none of the directors are required to retire from the board

Employment policies

The directors pursue a policy of promoting equality of opportunity to all employees and of fostering and developing their involvement and interest in the company Both formal and informal systems of communication are used and managers have a specific responsibility to communicate effectively with the employees Copies of the Celesio group annual report and news releases are distributed to employees Other matters of importance or interest are featured in regular issues of the in-house magazines of AAH Pharmaceuticals Limited These seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company performance

Training and development are regarded as fundamental requirements and key to the retention of staff Appropriate programmes exist at warehouse and head office level

Wherever possible, disabled persons are given the same consideration for employment opportunities as other applicants and training and promotion prospects are identical In particular, special consideration is given to continuity of employment in the case of an employee who becomes disabled, with suitable retraining for alternative employment, if practicable

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public The policies in this regard are regularly reviewed with the objective of ensuring that these standards are maintained

Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally The policy is to

a agree the terms of payment with creditors at the outset of any supply chain partnership and in advance of any provision of goods and services, and
b pay in accordance with the agreed terms and any other contractual or legal obligations

The payment policy applies to all creditors for the supply of revenue and capital goods and services The company had 36 days purchases outstanding at 31 December 2009 based on the average daily amount invoiced by suppliers during the year (2008 35 days)

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of key risks Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them

Competition

AAH Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price and product availability There is, as a result, a downward pressure on margins with the additional risk that the company will not meet the expectations of customers To mitigate this risk, the company undertakes market research at regular intervals to understand customer and supplier expectations and identify whether their needs are being met The sales and commercial teams also monitor market prices on a daily basis

Supply chain

The provision of a process driven quality service to customers and suppliers is dependent on the availability of a number of key systems, including warehouse management, supply chain support and customer ordering The company has a policy of continually investing in these systems to ensure it retains its leading position amongst pharmaceutical wholesalers The systems are monitored and assessed on a regular basis, using a variety of diagnostic tools such as benchmarking

People

The company recognises that the success of AAH Pharmaceuticals Limited is built upon the consistency, and effectiveness of the service that is offered to customers It is understood that the culture of the business is the basis of ensuring service to customers is the core focus of our activities

Good service can only be delivered by the very best people and there is a continual focus within the company on the recruitment, training, development and performance of all members of staff The Board of Directors devote significant time to ensuring the programmes, processes, systems and behaviours continually support and develop the culture of the business to meet the needs of a continually changing environment

Financial risk management

The company is exposed to a variety of financial risks, which include credit, liquidity, foreign currency and interest rate risk The company has employed a programme that seeks to manage and limit any adverse effects of these risks, which are described in more detail below, on the financial performance of the company

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of a central treasury function which arranges the overall funding requirements of Celesio in the UK ('the UK group') This central function operates within a framework of clearly defined policies and procedures The function reports to the board on a regular basis

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function The policies, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions

Credit risk the company has implemented policies that require appropriate credit checks on potential customers before sales are made The finance and sales teams also liaise with customers on a regular basis to ensure that key issues are identified at an early stage

Liquidity risk the company participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function The UK group funds its operations though a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day to day operations and other activities

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2009 *(continued)*

Principal risks and uncertainties *(continued)*

Financial risk management *(continued)*

Cash flow requirements are monitored through projections which are compiled on a periodic basis across the group The UK group operates a cash pooling arrangement in which the company participates Under this arrangement, cash funds which are in excess of day to day requirements are loaned to other UK group companies

Foreign currency and interest rate risk the company uses instruments to manage its foreign currency risks, including forward currency contracts The company also has both interest bearing assets and liabilities, these being managed within the UK group

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under Company law the directors must not approve the financial statements unless they are satisfied that they give true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period

In preparing those financial statements, the directors are required to

(a) select suitable accounting policies and then apply them consistently,
(b) make judgments and estimates that are reasonable and prudent,
(c) state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
(d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms the following so far as each director is aware (a) there is no relevant audit information - that is information needed by the company's auditors in connection with preparing their report - of which the company's auditors are unaware and (b) the director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

By order of the Board

C Tomaszewski
Director
22 December 2010

AAH Pharmaceuticals Limited
Registered number 123458

Independent auditors' report to the members of AAH Pharmaceuticals Limited

We have audited the financial statements of AAH Pharmaceuticals Limited for the year ended 31 December 2009 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

22 December 2010

AAH Pharmaceuticals Limited

Income Statement for the year ended 31 December 2009

	Notes	**2009**	2008*
		£'000	£'000
Revenue	3	**3,117,830**	3,040,616
Cost of sales		**(2,901,505)**	(2,824,606)
Gross Profit		**216,325**	216,010
Other income	6	**19,257**	18,017
Distribution costs and administrative expenses		**(153,888)**	(149,048)
Operating profit		**81,694**	84,979
Finance costs	7	**(1,150)**	(1,566)
Finance income	7	**31,118**	38,022
Profit before income tax	6	**111,662**	121,435
Income tax expense	9	**(30,867)**	(33,842)
Profit for the financial year attributable to the equity holder of the parent		**80,795**	87,593

The results have been derived wholly from continuing operations

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

AAH Pharmaceuticals Limited

Statement of Comprehensive Income for the year ended 31 December 2009

	Notes	2009	2008*
		£'000	£'000
Profit for the year		**80,795**	87,593
Other comprehensive income			
Net movements on cash flow hedges	8	**(34)**	(78)
Income tax effect	9	**10**	22
Other comprehensive income for the year net of tax		**(24)**	(56)
Total comprehensive income for the year attributable to the equity holders of the parent		**80,771**	87,537

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

AAH Pharmaceuticals Limited

Statement of Financial Position as at 31 December 2009

	Notes	2009 £'000	2008* £'000	1 January 2008* £'000
Assets				
Non current assets				
Property, plant and equipment	11	**23,991**	25,776	27,048
Finance lease	13	**1,700**	1,957	2,283
Financial assets	14	**52**	51	51
Deferred income tax asset	9	**3,218**	2,810	1,424
		28,961	30,594	30,806
Current Assets				
Inventories	12	**218,049**	209,102	243,700
Trade and other receivables	13	**970,871**	846,831	791,517
Other current financial assets	14	**40**	40	105
Cash and short term deposits	15	**9,630**	9,365	3,543
		1,198,590	1,065,338	1,038,865
Total assets		**1,227,551**	1,095,932	1,069,671
Liabilities				
Non current liabilities				
Other financial liabilities	16	**293**	-	25
Provisions	18	**5,665**	4,600	1,948
Pension liability	20	**6,731**	6,166	6,845
		12,689	10,766	8,818
Current liabilities				
Trade and other payables	17	**366,009**	317,900	350,803
Income tax liability		**15,300**	18,234	25,906
Other financial liabilities	16	**210,467**	161,823	178,488
Other current liabilities	19	**27,959**	22,853	28,837
		619,735	520,810	584,034
Equity				
Issued capital	21	**50,000**	50,000	50,000
Revenue reserves		**545,131**	514,336	426,743
Other reserves		**(4)**	20	76
Total equity		**595,127**	564,356	476,819
Total equity and liabilities		**1,227,551**	1,095,932	1,069,671

The financial statements on pages 6 - 44 were approved by the board of directors on 29 November 2010 and were signed on its behalf by

C Tomaszewski
Director
22 December 2010

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AAH Pharmaceuticals Limited

Statement of Changes in Equity for the year ended 31 December 2009

	Issued capital £'000	Revenue reserves £'000	Cash flow hedge reserve £'000	Total £'000
Balance at 1 January 2008*	**50,000**	**426,743**	**76**	**476,819**
Other comprehensive income	-	-	(56)	(56)
Profit for the period	-	87,593	-	87,593
Balance at 1 January 2009	**50,000**	**514,336**	**20**	**564,356**
Other comprehensive income	-	-	(24)	(24)
Profit for the period	-	80,795	-	80,795
Dividends paid	-	(50,000)	-	(50,000)
Balance at 31 December 2009	**50,000**	**545,131**	**(4)**	**595,127**

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

AAH Pharmaceuticals Limited

Statement of Cash Flows for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Profit before tax		**111,662**	121,435
Non-cash adjustments to reconcile the profit before tax to net cash flows			
Depreciation		**5,542**	5,897
Net result from disposal of non-current assets		**(1,781)**	8
Pension charge in excess of contributions made		**565**	(679)
		115,988	126,661
Working capital adjustment			
Inventories		**(8,947)**	34,598
Trade and other receivables		**(38,133)**	19,016
Trade and other payables		**19,134**	(36,235)
		88,042	144,040
Finance costs		**1,150**	1,566
Finance income		**(31,118)**	(38,022)
Income tax paid		**(34,199)**	(42,879)
Net cash flow from operating activities		**23,875**	64,705
Proceeds from sale of property, plant and equipment		**4,119**	161
Purchase of property, plant and equipment		**(4,824)**	(4,794)
Interest received		**30,921**	35,244
Receipts from finance lease debtors		**1,072**	1,433
Cash advances to affiliated parties		**(89,846)**	(88,692)
Receipts from advances to affiliated parties		**3,848**	14,194
Net cash flow from investing activities		**(54,710)**	(42,454)
Payment of finance lease liabilities		**(69)**	(29)
Proceeds from borrowings from affiliated parties		**34,117**	-
Increase / (decrease) in borrowings		**48,429**	(16,676)
Interest paid		**(1,104)**	(66)
Dividends paid	10	**(50,000)**	-
Net cash flow from financing activities		**31,373**	(16,771)
Net (decrease) / increase in cash and cash equivalents	15	**538**	5,480
Exchange and translation gains and losses		**(273)**	342
Cash and cash equivalents at 1 January	15	**9,365**	3,543
Cash and cash equivalents at 31 December	15	**9,630**	9,365

Notes to the financial statements for the year ended 31 December 2009

1 Basis of preparation

The financial statements for the year ended 31 December 2009 have been prepared on a going concern basis in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC interpretations and in accordance with the Companies Act 2006 This is the first year in which the company has prepared its financial statements under IFRSs and the comparatives have been restated from UK Generally Accepted Accounting Practice (UK GAAP) to comply with IFRSs Reconciliations to IFRSs from the previously published UK GAAP financial statements are summarised in note 29 The financial information shows the results, cash flows and statement of financial positions as if the company had transitioned to IFRSs on 1 January 2008 in accordance with IFRS 1 *'First-time adoption of International Financial Reporting Standards'*

The Company has adopted IFRSs at a later date than its parent and has therefore recorded its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements based on the parent's date of transition to IFRSs

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value

The financial statements are presented in sterling and all values are rounded to the nearest thousand The company is domiciled in the UK and registered in England and Wales (Number 00123458) The registered office address is Sapphire Court, Walsgrave Triangle, Coventry CV2 2TX

The immediate parent undertaking is Admenta Holdings Limited The company's ultimate parent undertaking and controlling party is Franz Haniel & Cie GmbH, a company registered in Germany, by virtue of its majority shareholding in the intermediate parent Celesio AG and its consolidation of the Celesio AG Group results into its own consolidated financial statements, which are publicly available

The income statement has been prepared using the "expenses by function" method The statement of financial position has been categorised into current and non-current items in accordance with IAS 1 '*Presentation of Financial Statements*' To aid clarity, a number of items have been summarised both in the balance sheet and in the income statements These are discussed in detail in the notes to the financial statements

Set out below is a summary of the principal accounting policies, which have been applied consistently except where stated

2 Summary of significant accounting policies

Revenue

Revenue originates from the sale of merchandise and from the provision of services Revenue and other operating income are recognised when the goods or services are delivered provided that the amount can be reliably measured and it is likely that economic benefits will flow to the company Any deductions from sales such as returned goods, rebates, discounts allowed and bonuses are deducted from gross revenue Revenue excludes Value Added Tax

The company operates under agency contracts with certain suppliers where the company collects amounts in the interest of third parties, these do not represent revenue as they do not represent an inflow of economic benefits for the company Only the agency fee and not the total proceeds are recognised as revenue of the entity The company is only regarded as the principal of such agency transactions if it bears the significant risks and rewards associated with the sale of the goods or the rendering of the services In this case, the gross amount of merchandise delivered is recognised as revenue

2 Summary of significant accounting policies *(continued)*

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date

Current income tax relating to items recognised directly in equity is also recognised in equity and not in the income statement Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

Deferred tax assets are recognised on an undiscounted basis for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised This is unless where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted, or substantively enacted, at the reporting date

Deferred tax relating to items recognised outside profit or loss is recognised outside the income statement Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority

Property, plant and equipment

Property, plant and equipment are carried at amortised cost, net of accumulated depreciation and/or accumulated impairment losses, if any All repair and maintenance costs are recognised in the income statement as incurred

With the exception of land, items of property, plant and equipment are depreciated on a straight-line basis over their useful lives The following rates have been applied to the various asset categories

Freehold buildings	2% straight line
Short leasehold land and buildings	2% straight line or over the period of the lease
Fixtures, fittings, plant and equipment	5% - 33 3% straight line
Motor vehicles	25% - 33 3% straight line

Where necessary, impairment losses are recorded on items of property, plant and equipment These are reversed as soon as the reasons for the impairment no longer exist

2 Summary of significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, in particular whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset

Company as a lessee

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the asset or, if lower, at the present value of the minimum lease payments Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability Finance charges are recognised in the income statement

Leased assets are depreciated over the useful life of the asset However, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term

Operating lease payments are recognised as an expense in the income statement as incurred

Company as a lessor

Leases where the company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income

Inventories

Inventories are valued at the lower of cost and net realisable value Cost is determined on weighted average purchase price and the first in first out basis Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale Where necessary, allowance is made for obsolete, slow moving and defective inventory

Inventories held under agency agreements do not represent assets for which the company has all the risks and rewards Therefore this inventory is not recognised in the company's financial statements

Financial assets

(i) Initial recognition and measurement

All financial assets are recognised initially at their fair value The company's financial assets include cash and cash equivalents, trade receivables, loan and other receivables and derivative financial instruments

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification

2 Summary of significant accounting policies *(continued)*

Financial assets ***(continued)***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR The EIR amortisation is included in finance income in the income statement The losses arising from impairment are recognised in the income statement in finance costs

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance cost in the income statement The company has not designated any financial assets upon initial recognition as fair value through profit or loss

Available for sale financial investments include equity investments which are neither classified as held for trading nor designated at fair value through profit or loss After initial measurement, available for sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available for sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in finance costs

The company does not have any held-to-maturity investment financial assets

(iii) Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired

(iv) Impairment of financial assets
The company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss The interest income is recorded as part of finance income in the income statement

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account If a future write-off is later recovered, the recovery is credited to finance costs in the income statement The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate

2 Summary of significant accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge The company determines the classification of its financial liabilities at initial recognition All financial liabilities are recognised initially at fair value

The company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, obligations under finance leases and derivative financial instruments

(ii) Subsequent measurement

The measurement of financial liabilities depends on their classification as follows

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR The EIR amortisation is included in finance cost in the income statement

Financial guarantee contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument Financial guarantee contracts are recognised initially as a liability at fair value Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires

(iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

(v) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations without any deduction for transaction costs

Derivative financial instruments and hedge accounting

The company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value

2 Summary of significant accounting policies *(continued)*

Derivative financial instruments and hedge accounting *(continued)*

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative

Any gains or losses arising from changes in fair value on derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income

The company utilises cash flow hedges when hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in a recognised firm commitment

The Company holds derivative financial instruments to manage exposure to fluctuations in foreign exchange rates Derivatives are designated as hedges, when applicable, and treated as such from the inception of the relevant contract Such hedges are expected to be highly effective in achieving offsetting changes in cash flows

Amounts recognised as other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast purchase occurs

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss

Provisions

Provision is made in the accounts for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement Where there is a potential obligation based on a past event which will probably not result in the company's assets being utilised, or amounts due upon the realisation of the obligation cannot be estimated with sufficient reliability, no provision is made, but a contingent liability is disclosed in the financial statements

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost

Currency translation

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date Any such translation differences are taken to the income statement Non-monetary items denominated in foreign currencies are translated using the historical rate

2 Summary of significant accounting policies *(continued)*

Pensions
The company contributes to group pension schemes operated by Admenta UK plc, including defined benefit and defined contribution schemes

The cost of providing benefits under the defined benefit plan is determined by using the projected unit credit method This method involves considering the biometric parameters and the respective long-term interest rates on the capital markets as well as the latest assumptions on future salary and pension increases Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous reporting period exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately The interest portion contained in the pension expense and the expected income from the plan assets are reported under interest income or expense

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and actuarial gains and losses not yet recognised and less the fair value of plan assets out of which the obligations are to be settled Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies Plan assets are not available to the creditors of the company, nor can they be paid directly to the company Fair value is based on market price information and in the case of quoted securities it is the published bid price The value of any defined benefit asset recognised is restricted to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan

Dividend distribution
Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders

Management estimates and judgements
The preparation of the company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods

The key assumptions concerning the future and other key sources of estimating uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Deferred taxes
The measurement of deferred tax assets and liabilities requires management to make assumptions and estimates Besides interpreting the tax provisions applicable to the company, the calculation of deferred tax assets on temporary differences and unused tax losses depends in particular on an appraisal of whether the entity will generate sufficient taxable income in future

2 Summary of significant accounting policies *(continued)*

Management estimates and judgements *(continued)*

All assumptions and estimates are based on circumstances prevailing at the balance sheet date Future events and changes in conditions often mean that the actual amounts differ materially from the estimated figures In such cases, the assumptions, and if necessary the carrying amounts of the assets and liabilities concerned, are adjusted accordingly

Pension benefits
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations An actuarial valuation involves making various assumptions These include the determination of the discount rate, future salary increases, mortality rates and future pension increases Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions All assumptions are reviewed at each reporting date Additional information is disclosed in note 20

Trade receivables and other assets
Allowances for trade receivables and other assets are based to a large extent on estimates and judgements of individual receivables taking the creditworthiness of the respective customer into account When measuring allowances, assumptions and estimates play an important role when assessing the probability of utilisation, the obligation amount and the interest rates used for non-current provisions

Inventories
Allowances are made for obsolete, slow moving and defective inventory The assumptions used in estimating allowances are reviewed at each reporting date

Other provisions
Other provisions are made in the accounts for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement The assumptions used in estimating other provisions are reviewed at each reporting date

IFRSs issued but not yet effective

(1) A revised version of IFRS 3 - Business Combinations and amendments to IAS 27 - Consolidated and Separate Financial Statements were issued in January 2008 and endorsed by the EU The amendments are mandatory for annual periods beginning on or after 1 July 2009 with earlier adoption permitted The company does not expect this to have any material impact on the financial statements

(2) Amendments to IFRS 1 has been endorsed by the EU and provides structural amendments to the company's financial statements and is effective for annual periods beginning on or after 1 July 2009 Amendments to IFRS1 - additional exemptions will not be applicable to the company as it is post the company's transition date to IFRSs

(3) The IASB issued an amendment to IFRS 2, which was endorsed by the EU, clarifying the scope and the accounting for group cash settled share based payment transactions effective for annual periods beginning on or after 1 January 2010 The company does not expect this to have any material impact on the presentation of the financial statements

2 Summary of significant accounting policies *(continued)*

IFRSs issued but not yet effective ***(continued)***

(4) In November 2008, the IFRIC enacted the interpretation IFRIC 17 - Distributions of Non-Cash Assets to Owners This interpretation has been endorsed by the EU and regulates the measurement of dividend obligations which are settled by transferring assets other than cash The obligation has to be recognised when the dividends have been approved by the relevant bodies and is no longer at the discretion of the entity It is measured at the fair value of the assets to be distributed The interpretation applies to fiscal years beginning on or after 1 July 2009 Early adoption is recommended This interpretation does not have any impact on the financial statements of the company

(5) In the revision to IAS 39 - Financial instruments recognition and measurement - Eligible Hedged Items issued in July 2008, and endorsed by the EU The IASB clarified the circumstances under which inflation risks may be designated as an underlying item within hedge accounting Retrospective application of the amendments is mandatory for annual periods beginning on or after 1 July 2009, with early adoption permitted The company does not currently believe that the adoption of the amendments will have a material effect on the presentation of the financial statements

(6) In December 2009, the EU endorsed IFRIC 18 - Transfers of Assets from Customers The interpretation provides guidance on when and how an entity should recognise such assets IFRIC 18 is to be applied prospectively to transfers of assets from customers received on or after 1 July 2009 Earlier application is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred The company does not expect this to have any material impact on the financial statements

(7) The amendments in the 2009 improvements to IFRSs are effective for annual periods beginning on or after 1 July 2009, except for the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, and IAS 39 which are effective for annual periods beginning on or after 1 January 2010 The amendment to IAS 18 was effective from the issue date of the standard The company does not expect these amendments to have any material impact on the financial statements

(8) In May 2010, the IASB issued 'Improvements to IFRSs', which amended several International Financial Reporting Standards These standards are effective for periods beginning on or after 1 January 2011 unless otherwise stated and are not expected to have a material impact on the financial statements

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

3 Revenue

Revenue is generated wholly in the United Kingdom The breakdown of revenue is as follows

	2009 £'000	2008 £'000
Sales of goods	**3,102,373**	3,030,173
Services	**15,457**	10,443
	3,117,830	3,040,616

4 Directors' emoluments

	2009 £'000	2008 £'000
Aggregate emoluments	**1,476**	1,556

Retirement benefits under defined benefit schemes are accruing to four individuals who were directors of the company during 2009 (2008 four directors) The value of the company contributions paid to a money purchase pension schemes in respect of directors in 2009 was £24,000 (2008 20,000) Retirement benefits under money purchase schemes are accruing to two individuals who were directors of the company during 2009 (2008 one director)

Highest paid director	2009 £'000	2008 £'000
Aggregate emoluments	**400**	328
Accrued pension at the end of the year for the defined benefit pension scheme	**42**	37

5 Employee information

The average monthly number of persons (including executive directors) employed during the year was

By function	2009 Number	2008 Number
Distribution	**2,833**	2,853
Administration	**523**	487
	3,356	3,340

Staff costs	£'000	£'000
Wages and salaries	**64,407**	62,830
Social security costs	**5,413**	5,402
Other pension costs	**2,314**	1,631
	72,134	69,863

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

6 Profit before income tax

Profit before income tax is stated after charging / (crediting) the following

	2009 £'000	2008* £'000
(a) Expenses		
Auditors' remuneration	**195**	218
Loss on disposal of property, plant and equipment	**-**	8
Depreciation – property, plant and equipment		
Charge for the year on owned assets	**5,293**	5,862
Charge for the year on assets held under finance leases	**249**	35
Operating lease rentals		
Other	**125**	152
Land and buildings	**10,421**	12,462
Staff costs	**72,134**	69,863
Net foreign exchange differences	**8**	(75)
Cost of inventories recognised within cost of sales	**2,901,505**	2,824,606
Including - write down of inventories to net realisable value	**3,820**	5,076
- reversals of impairments in inventories*	**(2,394)**	-

*The reversal of impairment in inventories was as a result of recovery of sales prices

	2009 £'000	2008 £'000
(b) Other income		
Net gain on disposal of property, plant and equipment	**(1,781)**	-
Operating income from third parties	**(16,092)**	(15,623)
Operating income from affiliates	**(1,384)**	(1,702)
Other income	**-**	(692)
	(19,257)	(18,017)

7 Financial results

	2009 £'000	2008 £'000
Finance costs		
Interest on borrowings	**45**	1,566
Interest expenses on pension	**868**	-
Finance charges payable under finance leases and hire purchase agreements	**237**	-
	1,150	1,566

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

7 Financial results *(continued)*

	2009 £'000	2008 £'000
Finance income		
Interest income on deposits	-	72
Interest income on loans and receivables	**30,988**	37,163
Interest income on pension	-	270
Other interest	**130**	459
	31,118	37,964
Finance charges receivable under finance leases and hire purchase agreements	-	58
Total finance income	**31,118**	38,022

Interest (expense) / income on pensions were as follows		
Expected return on plan assets	**4,898**	5,856
Interest on scheme liabilities	**(5,766)**	(5,586)
Interest (expense) / income	**(868)**	270

Service costs for the pension plan are allocated among the functional costs (*Distribution costs and administrative expenses)*

Interest income relates primarily to interest earned on intercompany balances which attracted interest equivalent to the overall cost of borrowing for the UK group of 4 36% (2008 6 03%)

8 Components of other comprehensive income

	2009 £'000	2008 £'000
Cash flow hedges		
(Losses) / gains arising during the year on currency forward contracts	**(7)**	27
Reclassification adjustments for gains included in the income statement	**(27)**	(105)
	(34)	(78)

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

9 Income tax expense

The major components of income tax expense for the years ended 31 December 2009 and 2008 are

Income statement	2009 £'000	2008 £'000
Current income tax		
UK corporation tax at 29% (2008 28 5%)	**32,324**	35,201
Adjustment in respect of previous years	**(1,059)**	5
	31,265	35,206
Deferred tax		
Relating to origination and reversal of temporary differences	**(393)**	(279)
Adjustment in respect of previous years	**(5)**	(1,085)
	(398)	(1,364)
Income tax expense reported in the income statement	**30,867**	33,842
Statement of other comprehensive income		
Deferred tax related to items charged or credited directly to equity during the year		
Net loss on revaluation of cash flow hedges	**(10)**	(22)
Income tax charged directly to equity	**(10)**	(22)

There has been a change in the corporation tax rate from 28% to 27% which was announced in the emergency budget of 22 June 2010 and which will take effect on 1 April 2011 The tax rate will continue to reduce by 1% for the next four years resulting in a tax rate of 24% from 1 April 2014 The changes had not been substantively enacted at the balance sheet date and therefore are not included in the financial statements

The tax assessed on the profit on ordinary activities for the prior year is higher than the average rate of corporation tax in the UK of 28% (2008 28 5%) The reconciliation of the current tax charge is as follows

	2009 £'000	2008 £'000
Profit before tax	**111,662**	121,435
Profit before tax multiplied by the average rate of UK corporation tax of 28% (2008 28 5%)	**31,265**	34,609
Timing differences and other items	**2**	5
Expenses not deductible for tax purposes	**1,269**	308
Capital profits exempt from income tax and a related deferred tax credit	**(605)**	-
Current tax adjustments in respect of previous years	**(1,059)**	5
Deferred tax adjustments in respect of previous years	**(5)**	(1,085)
Income tax expense reported in the income statement	**30,867**	33,842

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

9 Income tax expense *(continued)*

Deferred taxation

The movements in the total deferred tax (asset) / liability are as follows

	2009 £'000	2008 £'000
At 1 January	**(2,810)**	(1,424)
Deferred tax movement in the income statement	**(398)**	(1,364)
Deferred tax movement in the statement of comprehensive income	**(10)**	(22)
At 31 December	**(3,218)**	(2,810)

The deferred taxation asset recognised in the financial statements can be analysed as follows

	2009 £'000	2008 £'000
Accelerated capital allowances	**330**	541
Deferred gains	**120**	120
Short term timing differences	**(1,783)**	(1,745)
Deferred tax on pension liability	**(1,885)**	(1,726)
Total deferred taxation asset	**(3,218)**	(2,810)

10 Dividends

	2009 £'000	2008 £'000
Equity Ordinary		
Interim dividend £1 per £1 share	**(50,000)**	-

11 Property, plant and equipment

	Freehold land and buildings	Short lease hold land and buildings	Fixtures, fittings, plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2008	1,564	7,680	69,879	2,174	81,297
Additions	-	491	4,174	129	4,794
Disposals	-	(519)	(3,834)	(103)	(4,456)
At 31 December 2008	**1,564**	**7,652**	**70,219**	**2,200**	**81,635**
Additions	125	931	4,678	117	5,851
Disposals	(1,294)	(61)	(9,050)	(25)	(10,430)
At 31 December 2009	**395**	**8,522**	**65,847**	**2,292**	**77,056**
Accumulated depreciation					
At 1 January 2008	527	2,614	49,650	1,458	54,249
Charge for the year	30	395	5,147	325	5,897
Disposals	-	(498)	(3,692)	(97)	(4,287)
At 31 December 2008	**557**	**2,511**	**51,105**	**1,686**	**55,859**
Charge for the year	11	506	4,827	198	5,542
Disposals	(425)	(17)	(7,867)	(27)	(8,336)
At 31 December 2009	**143**	**3,000**	**48,065**	**1,857**	**53,065**
Net book value					
At 31 December 2009	**252**	**5,522**	**17,782**	**435**	**23,991**
At 31 December 2008*	1,007	5,141	19,114	514	25,776
At 1 January 2008*	1,037	5,066	20,229	716	27,048

Property, plant and equipment shown above include assets held under finance leases that have a cost of £639,000 (2008 £171,000), (1 January 2008 £171,000) and a net book value of £404,000 (2008 £13,000), (1 January 2008 £48,000) Additions during the year include £639,000 (2008 £nil) (2007 £nil) of property, plant and equipment held under finance leases and hire purchase Leased assets and assets under hire purchase and hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

12 Inventories

	2009 £'000	2008 £'000	1 January 2008 £'000
Finished goods and goods for resale	**218,049**	209,102	243,700

In the reporting period inventories were written down by £3,820,000 (2008 £5,076,000) This was offset by reversals of impairment losses of £2,394,000 (2008 £nil)

The company has consignment inventory arrangements with suppliers in the ordinary course of business The terms provide, inter alia, that the consignor retains title to the products and both parties have the right of return over the products without penalty In all cases the consignor will sell the products directly to the customers Under these arrangements the company is neither liable to buy the products nor is at risk in relation to market fluctuations Accordingly, the consignment inventories are not recorded in the statement of financial position

Stocks held under these arrangements amounted to £44,733,000 (2008 £37,942,000), (1 January 2008 £18,717,000)

13 Trade and other receivables

	2009 £'000	2008 £'000	1 January 2008 £'000
Current			
Trade receivables from third parties	**271,691**	278,604	272,224
Receivables from affiliated companies Trade	**199,208**	199,786	238,991
Receivables from affiliated companies Intragroup funding	**413,349**	327,351	252,852
Other assets	**82,087**	36,231	22,039
Prepayments and accrued income	**3,931**	4,162	4,545
Finance leases	**605**	697	866
	970,871	846,831	791,517
Non - current			
Finance leases	**1,700**	1,957	2,283

Trade receivables are non-interest bearing and generally on 30 day terms

Receivables from affiliated companies relating to intragroup funding are unsecured and have no fixed repayment date, other than that they are payable on demand The balances are either interest free or attract interest equivalent to the overall cost of borrowing for the UK group of 4 36% (2008 6 03%)

Other assets include supplier bonuses, creditors with debit balances, receivables from employees and other short-term receivables

13 Trade and other receivables *(continued)*

As at 31 December 2009, trade receivables at an initial value of £7,354,000 (2008 £15,009,000), (1 January 2008 £3,402,000) were impaired and fully provided for The table below presents the allowances on trade receivables

	2009 £'000	2008 £'000
Allowances at 1 January	**(15,009)**	(13,403)
Additions	**(2,965)**	(2,747)
Utilisations	**10,620**	449
Reversals	**-**	692
Allowances at 31 December	**(7,354)**	(15,009)

As at 31 December the ageing analysis of trade receivables from third parties is as follows

	2009 £'000	2008 £'000	2007 £'000
Carrying amounts of trade receivables that are not impaired	**271,691**	278,604	272,224
Carrying amounts of trade receivables that are not impaired or overdue	**254,571**	230,329	177,885
Carrying amounts of overdue trade receivables that are not impaired	**17,120**	48,275	94,339
of which < 3 months	**12,407**	41,929	47,170
of which 3 – 6 months	**3,472**	4,750	40,969
of which 6 – 12 months	**1,241**	1,596	4,641
of which > 12 months	**-**	-	1,559

In the case of the trade receivables that are not impaired, there is no indication that the debtors will not be able to meet their payment obligations

The Company holds £12,262,000 (2008 £16,715,000) (1 January 2008 £16,191,000) of discounts as collateral against trade receivables past due but not impaired

14 Other financial assets

	2009 £'000	2008 £'000	1 January 2008 £'000
Current			
Currency forward contracts	**40**	40	105
Non – current			
Available-for-sale financial assets	**52**	51	51

14 Other financial assets *(continued)*

Available for sale financial assets
The company holds a participating interest in Tredimed SA, a purchasing company incorporated in France This interest at 31 December 2008 consisted of 2,500 preferential shares of 200 French Francs representing a 25% holding In 2009, the Company acquired an additional 2,500 ordinary shares at a par value of 3 70 Euros per share The Company's shareholding remained at 25% Tredimed SA is a subsidiary of Celesio AG, the latter owning 100% of the issued share capital either directly or via intermediate subsidiary companies The directors believe that the carrying value of the investments is supported by their underlying net assets

15 Cash and short term deposits

	2009	2008	1 January 2008
	£'000	£'000	£'000
Cash at bank and in hand	**9,630**	9,365	3,543

For the purpose of the cash flow statement, cash and cash equivalents comprises of cash at bank and in hand

The bank loans and overdraft as disclosed in note 16 has not been classified within cash and cash equivalents This overdraft represents outflow of cash to affiliated parties as part of the group wide cash pooling arrangements which seek to maximise external funding facilities These cash outflows have been disclosed within financing activities in the statement of cash flows

16 Other financial liabilities

	2009	2008	1 January 2008
	£'000	£'000	£'000
Current financial liabilities			
Bank loans and overdraft	**210,210**	161,781	178,457
Obligations under finance leases and hire purchase agreements	**210**	29	31
Derivative financial instruments	**47**	13	-
Currency forward contracts	**210,467**	161,823	178,488
Non – current financial liabilities			
Obligations under finance leases and hire purchases agreements	**293**	-	25

17 Trade and other payables

	2009 £'000	2008 £'000	1 January 2008* £'000
Trade creditors	**330,954**	312,075	335,687
Amounts owed to affiliated companies Trade	**938**	5,825	15,116
Amounts owed to affiliated companies Intragroup funding	**34,117**	-	-
	366,009	317,900	350,803

Amounts owed to affiliated companies that are shown above as falling due within one year are unsecured and are repayable within one month of the balance sheet date These balances incur interest equivalent to the overall cost of borrowing for the UK group of 4 36% (2008 6 03%) There are no undrawn borrowing facilities

18 Provisions

	IT systems migration £'000	Restructuring £'000	Guarantee obligations £'000	Property £'000	Total £'000
At 1 January 2008	-	64	-	1,884	1,948
Charge/credit to the income statement	-	-	1,800	1,449	3,249
Utilised during the year	-	(64)	-	(533)	(597)
At 1 January 2009	**-**	**-**	**1,800**	**2,800**	**4,600**
Charge/credit to the income statement	1,780	-	2,085	-	3,865
Utilised during the year	-	-	-	(2,800)	(2,800)
At 31 December 2009	**1,780**	**-**	**3,885**	**-**	**5,665**

The provision for IT systems migration relates to the update of IT and communications technology at pharmacies It is expected that the majority of the provision will be utilised by 31 December 2011

The provision for guarantee obligations relates to the exposure of AAH Pharmaceuticals Limited on guarantees provided by the company relating to bank loans to pharmacy customers It is expected that the provision will be utilised over the periods in which the guarantees are in force, which can be up to 10 years It is not expected that a material amount of the provision will be utilised within one year

The property provision represents an assessment of the undiscounted costs to cover rent and rates for vacant leasehold premises, taking account of the anticipated period until the leases are assigned or disposed of The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis with the assistance of the property services department

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

19 Other current liabilities

	2009 £'000	2008 £'000	1 January 2008 £'000
Other taxation and social security liabilities	**8,707**	5,577	15,786
Accruals and deferred income	**8,015**	7,484	5,563
Other liabilities	**8,605**	6,479	3,847
Sales ledger credit balances	**2,632**	3,313	3,641
	27,959	22,853	28,837

20 Pension obligations

The company participates in the AAH Lloyds Pension Scheme, which is a defined contribution scheme

The company also participates in the Admenta Pension Scheme, which is operated by Admenta UK plc (a parent company in the Celesio group in the UK) This is a defined benefit scheme

All schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company The operating costs for the schemes were borne by the relevant fund

AAH Lloyds Pension Scheme

The contributions paid by the company to the scheme during 2009 amounted to £804,206 (2008 £866,755) Included in other creditors at the balance sheet date were amounts of £107,000 in respect of contributions (2008 £99,000) (1 January 2008 £89,000)

Admenta Pension Scheme

A full actuarial valuation was carried out as at 6 April 2008 and was updated to 31 December 2009 by a qualified independent actuary The major assumptions used by the actuary were as follows

	2009	2008
Assumptions		
Rate of increase in salaries	**4 5%**	3 8%
Rate of increase in pensions in payment	**3 5%**	2 7%
Discount rate	**5 7%**	6 4%
Inflation assumption	**3 5%**	2 8%
Expected return on scheme assets	**6 0%**	6 6%
Assumed life expectancies on retirement at age 65		
Retiring today – males	**86 5**	86 4
Retiring today – females	**88.9**	88 8
Retiring in 20 years – males	**88.4**	88 3
Retiring in 20 years – females	**90.7**	90 6

The total contributions paid by Celesio group companies in the UK to the scheme during 2009 amounted to £1,906,000 (2008 £2,016,000)

The contributions paid by the company in the period amounted to £947,000 (2008 £1,528,000), including £Nil (2008 £725,000) in respect of past service

20 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

The total paid also includes net costs of £Nil (2008 £40,000) which are paid on behalf of other operating entities in the Celesio group in the UK, which are recharged across to them The net contributions paid in respect of the obligations of the company amount to £947,000 (2008 £1,488,000)

The Company expects to contribute £5,047,000 to its defined benefit plan in 2010

The agreed contribution rate of the company for the coming year is 18 2% per annum of pensionable salaries Expenses and levies to the pension protection fund are payable in addition to this rate

The pension plan is closed to new entrants so the average age of the membership is expected to increase over time The projected unit method is used to calculate the current service cost This calculates the value of the following years' pension accrual and expresses it as a percentage of pensionable pay This percentage will increase as the members of the scheme approach retirement Surpluses and deficits are dealt with over the expected working lifetime of the members by appropriate adjustments to the contribution rates

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	2009	2008
	%	%
Total scheme assets.		
Equities	**22**	37
Property	**6**	8
Bonds	**52**	50
Absolute return fund	**20**	5

Expected long term rate of return	**2009**	2008
	%	%
Equities	**7.7**	7 6
Property	**6.5**	6 1
Bonds	**5.4**	5 8
Absolute return fund	**7 7**	7 6

	31 December 2009	31 December 2008	1 January 2008
	£'000	£'000	£'000
Total benefit asset / (liability)			
Fair value of scheme assets	**82,067**	74,082	92,693
Present value of defined obligation	**(105,584)**	(88,047)	(95,032)
	(23,517)	(13,965)	(2,339)
Unrecognised actuarial losses / (gains)	**16,786**	7,799	(4,506)
Net benefit liability	**(6,731)**	(6,166)	(6,845)

20 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

The amounts charged to the income statement can be analysed as follows·

	2009 £'000	2008* £'000
Current service cost	**642**	1,120
Expected return on scheme assets	**(4,898)**	(5,856)
Interest on scheme liabilities	**5,766**	5,586
Net actuarial loss recognised in the year	**-**	-
Net benefit expense	**1,510**	850

Movements in the present value of the defined benefit obligation are as follows

	2009 £'000	2008* £'000	2007* £'000
Defined benefit obligation at 1 January	**88,047**	95,032	99,571
Movement in year			
Current service cost	**642**	1,120	1,120
Contributions by employees	**86**	115	145
Interest cost	**5,766**	5,586	4,800
Benefits paid	**(4,224)**	(4,665)	(4,195)
Actuarial loss / (gain) on obligation	**15,267**	(9,141)	(6,409)
Defined benefit obligation at 31 December	**105,584**	88,047	95,032

Movements in the fair value of plan assets are as follows

	2009 £'000	2008 £'000	2007 £'000
Fair value of plan asset at 1 January	**74,082**	92,693	95,515
Movement in year			
Expected return	**4,898**	5,856	5,820
Contributions by employer/employee	**1,033**	1,643	1,287
Benefits paid	**(4,224)**	(4,665)	(4,195)
Actuarial gain/(loss) on asset	**6,278**	(21,445)	(5,734)
Fair value of plan asset at 31 December	**82,067**	74,082	92,693

(*) Comparative numbers shown above do not correspond to the 2008 UK GAAP financial statements as they reflect transition to International Financial Reporting Standards (IFRSs) for the first time this year A reconciliation from the numbers previously reported can be found in note 29 to these financial statements'

20 Pension obligations *(continued)*

Admenta Pension Scheme *(continued)*

The actual return on scheme assets in the year was £11,176,000 (2008 (£15,589,000)) The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy Expected yields on fixed interest investments are based on gross redemption yields as at the end of the reporting period Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets

	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
At 31 December					
Defined benefit obligation	**(105,584)**	(88,047)	(95,032)	(99,720)	(94,721)
Fair value of assets	**82,067**	74,082	92,693	95,616	92,005
Deficit in the plan	**(23,517)**	(13,965)	(2,339)	(4,104)	(2,716)
Experience adjustment on plan liabilities	**1,718**	-	(50)	(54)	(967)
Experience adjustment on plan assets	**6,278**	(21,445)	(5,734)	1,115	8,394

Included in other creditors at the balance sheet date were amounts of £71,000 accrued in respect of Admenta Pension Scheme contributions (2008 £74,000), (1 January 2008 £216,000)

Other schemes
The contributions paid by the company to other miscellaneous schemes amounted to £16,000 (2008 £17,000)

21 Shareholders' equity

	2000 £'000	2008 £'000	1 January 2008 £'000
Authorised, allotted, called and fully paid			
50,000,000 ordinary shares of £1 each	**50,000**	50,000	50,000

Other comprehensive income includes charges to equity arising from measuring financial instruments used for cash flow hedges at fair value These amounted to £25,000 (2008 £56,000), (1 January 2008 £76,000) net of deferred tax

22 Capital commitments

The company had capital commitments at 31 December 2009 of £391,000 (2008 £1,892,000), (1 January 2008 £1,162,299)

23 Lease commitments

Operating leases

At 31 December 2009, as lessee, the future minimum rentals payable under non-cancellable operating leases are as follows

	31 December 2009		31 December 2008	
	Land and buildings	**Other**	Land and buildings	Other
	£'000	**£'000**	£'000	£'000
Within 1 year	**6,046**	**5,217**	6,218	5,290
After 1 year but not more than 5 years	**23,682**	**4,324**	23,487	5,044
More than 5 years	**34,212**		39,504	
	63,940	**9,541**	69,209	10,334

Other non-cancellable leases comprises of motor vehicles

	1 January 2008	
	Land and buildings	Other
	£'000	£'000
Within 1 year	6,122	4,789
After 1 year but not more than 5 years	23,420	5,949
More than 5 years	44,643	
	74,185	10,738

Certain property and vehicle lease interests are administered by AAH Pharmaceuticals Limited on behalf of Barclay Pharmaceuticals Limited, which are recharged at cost The commitments which are managed on behalf of Barclay Pharmaceuticals Limited are disclosed in the financial statements of that company

Finance leases - Lessee

During the year the company entered into a sale and leaseback transaction relating to its IT equipment IT fixed assets with a net book value of £1,762,000 were sold to a third party provider of which assets with a value of £639,000 were leased back from them under a finance lease The lease back is at a fixed fee over a lease term of 3 years

The future minimum lease payments under finance leases are as follows

	2009	2008	1 January 2008
	£'000	£'000	£'000
Future minimum payments under finance leases			
Within 1 year	**241**	29	31
In more than 1 year, but no more than 5 years	**320**	-	25
Less finance charges included above	**(58)**	(16)	(16)
Present value	**503**	13	40

23 Lease commitments *(continued)*

Finance leases – Lessor

The Company has finance lease arrangements with customers for pharmacy equipment These leases have terms of renewal but no purchase options and escalation clauses Renewals are at the option of the lessee Future minimum lease payment receivables under finance lease contracts are as follows

	2009 £'000	2008 £'000	1 January 2008 £'000
Within 1 year	**605**	697	866
In more than 1 year, but no more than 5 years	**1,700**	1,957	2,283
Less unearned finance income	**-**	-	-
Present value	**2,305**	2,654	3,149

The minimum lease payments receivable at the end of the reporting period closely represent the gross investment in the lease at the end of the reporting period

24 Contingent liabilities

	2009 £'000	2008 £'000	1 January 2008 £'000
Guarantee of loans to pharmacy customers	**62,869**	67,429	68,557
Guarantee of trade debt	**56,886**	54,565	45,107
Other guarantees	**1,250**	1,250	1,250
	121,005	123,244	114,914

The company has guaranteed bank loans to independent retail pharmacist customers The guarantees are conditional upon the retail pharmacists remaining customers of the company In the opinion of the directors no material unprovided loss will arise in connection with these arrangements The company has also guaranteed a part of the trade debt of pharmacy customers

25 Financial risk management and derivative financial instruments

a) Principles of risk management

The company is exposed to risks resulting from changes in exchange rates and interest rates Based on a risk appraisal, selected hedging instruments are used to limit these risks where appropriate

The use of derivatives is subject to uniform group guidelines, compliance of which is monitored constantly These include functional segregation of trading, settlement and accounting activities and the authorisation of only a few qualified employees to enter into derivative financial instruments All derivatives are entered into exclusively for hedging purposes and are entered into only with selected banks Derivatives are not used for trading or other speculative purposes

b) Interest rate risks

The company is exposed to certain interest rate risk, i e short-term fluctuation in interest rates leading to changes in the interest due or owed

At 31 December 2009, if interest rates had been 0 1% higher/lower with all other variables held constant, pre-tax profit for the year would have been £7,081,000 (2008 £5,903,000) lower/higher

c) Foreign currency risk

Foreign currency risks refer to the possible impairment of balance sheet items and any forward transactions due to fluctuations in exchange rates The currency risks mostly relate to operating activities As the company largely settle their operating business in its functional currency, the transaction risk from foreign currencies can be classified as low The major part of the foreign exchange rate risks results from euro (EUR) and US dollar (USD) movements against Sterling (GBP)

At 31 December 2009, the company has foreign currency forward contracts outstanding at 31 December 2009 designated as hedges of expected future purchases from suppliers denominated in US Dollar and Euros for which the company has firm commitments

At 31 December 2009 if the currency had weakened/strengthened by 10% against the US dollar with all variables held constant, pre-tax profit would have been £685,000 (2008 £989,000) lower/higher

At 31 December 2009 if the currency had weakened/strengthened by 10% against the Euro with all variables held constant, pre-tax profit would have been £199,000 (2008 £305,000) lower/higher

d) Credit risk

Due to its existing customer structure, the bad debt risk in the company can be classified as low as the large customers are operators of the healthcare systems and therefore in the past enjoyed a very high credit standing In addition, to the large number of business relationships, there is no significant concentration of risk either

e) Liquidity risk

Liquidity risk is understood as the risk that the company will not be in the position to meet its ongoing payment obligations at any time The liquidity risk is managed by means of centralised financial planning by the parent company, Admenta Holdings Limited, which provides the required finance for operations and capital expenditure between AAH and its sister companies Liquidity management takes the form of rolling liquidity planning taking into account existing lines of credit The parent company has a significant amount of unused long-term confirmed lines of credit and bank guarantees, can make use of these at any time and bears the majority of the liquidity risk for the UK operations

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

25 Financial risk management and derivative financial instruments *(continued)*

e) Liquidity risk (continued)

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments at the reporting date

	On demand	Less than 1 year	1 to 5 years	> 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2009					
Financial liabilities					
Obligations under finance leases and hire purchase contracts	-	210	293	-	503
Derivative financial instrument	-	47	-	-	47
Trade and other payables	-	366,009	-	-	366,009
Bank loans and overdraft	-	210,210	-		210,210
	-	576,476	293	-	576,769
Year ended 31 December 2008					
Financial liabilities					
Obligations under finance leases and hire purchase contracts	-	29	-	-	29
Derivative financial instrument	-	13	-	-	13
Trade and other payables	-	317,900	-	-	317,900
Bank loans and overdraft	-	161,781	-	-	161,781
	-	479,723	-	-	479,723
As at 1 January 2008					
Financial liabilities					
Obligations under finance leases and hire purchase contracts	-	31	25	-	56
Derivative financial instrument	-	-	-	-	-
Trade and other payables	-	350,803	-	-	350,803
Bank loans and overdraft	-	178,457	-	-	178,457
	-	529,291	25	-	529,316

25 Financial risk management and derivative financial instruments *(continued)*

f) Capital management

The prime objective of the company's capital management is to ensure that it maintains the financial flexibility needed to allow for value-creating investments as well as healthy balance sheet ratios

The company monitors its capital structure based on the equity ratio, gearing and the interest coverage ratio No mandatory external guidelines need to be observed in this respect

	2009	2008	1 January 2008
	£'000	£'000	£'000
Equity	**595,127**	564,356	476,819
Total Assets	**1,227,551**	1,095,932	1,069,671
Equity ratio	**48%**	51%	45%
Net financial debt	**244,327**	161,781	178,457
Equity	**595,127**	564,356	476,819
Gearing	**0.41**	0 29	0 37
Operating profit	**81,694**	84,979	
Finance expense	**1,150**	1,566	
Interest coverage ratio	**71 0**	54 3	

g) Hedge accounting

Cash flow hedges are used by the company to secure future cash flows from planned purchase of merchandise and highly probable future sales

At 31 December 2009, the company had fourteen forward currency contracts (2008 three) which were designated as cash flow hedges of the foreign currency risk arising from firm commitments to purchase goods from suppliers in US dollars and Euros The forward contracts held by the company as at 31 December 2009 had maturity dates ranging from 4 January 2010 to 22 February 2010 The forward contracts held by the company as at 31 December 2008 had maturity dates ranging from 2 January 2009 to 15 January 2009

	2009		2008		1 January 2008	
	Asset	**Liability**	Asset	Liability	Asset	Liability
	£'000	**£'000**	£'000	£'000	£'000	£'000
Forward currency Contracts	**40**	**47**	40	13	105	-

The terms of the foreign currency forward contracts have been negotiated to match the terms of the commitments There were no highly probable transactions for which hedge accounting has been claimed that have not occurred and no significant element of hedge ineffectiveness requiring recognition in the income statement

The cash flow hedges of the expected future purchases in January and February 2010 were assessed to be highly effective and as at 31 December 2009, a net unrealised loss of £34,000 (2008 £78,000), with a related deferred tax asset of £9,000 (2008 £22,000) was included in other comprehensive income in respect of these contracts

The amounts retained in other comprehensive income at 31 December 2009 are expected to mature and affect the income statement by a loss of £7,000 in 2010

25 Financial risk management and derivative financial instruments *(continued)*

h) Fair values

The carrying amount of the company's current and non current assets and liabilities approximate their fair value

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique

Level 1 Quoted (unadjusted) prices in active markets for identical assets or liabilities,
Level 2 Other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly,
Level 3 Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The company's derivative financial instruments measured at fair value, being foreign exchange contracts, are classified as level 2 according to the hierarchy above

26 Related party transactions

Related parties, as defined by IAS 24, include the management board of AAH Pharmaceuticals Limited and the ultimate majority shareholder, Franz Haniel & Cie GmbH, Duisburg and its subsidiaries, as well as associates All transactions with related parties have been concluded at arms length

The items from related party transactions are presented below

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		£'000	£'000	£'000	£'000
Parent					
Celesio AG, Germany	**2009**	-	-	**824**	-
	2008	-	-	852	-
	As at 1 January 2008	-	-	887	-
Other related parties					
	2009	**924,231**	**49,604**	**611,733**	**35,055**
	2008	984,948	65,944	526,285	5,825
	As at 1 January 2008	-	-	490,956	15,116

The total remuneration and structure of compensation paid to members of the management board including directors are presented in note 4

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

27 Events after the reporting period

There were no significant reportable post balance sheet events

28 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Admenta Holdings Limited The company's ultimate parent undertaking and controlling party is Franz Haniel & Cie GmbH, a company registered in Germany, by virtue of its majority shareholding in the intermediate parent Celesio AG and its consolidation of the Celesio AG Group results into its own consolidated financial statements

Consolidated financial statements for the largest group of undertakings are prepared by Franz Haniel & Cie GmbH and may be obtained from Franz Haniel Platz 1, D-47119 Duisburg, Ruhrort, Germany Consolidated financial statements for the smallest group of companies are prepared by Celesio AG and may be obtained from Celesio AG, Neckartalstrasse 155, D-70376 Stuttgart, Germany

29 Transition to International Financial Reporting Standards

For all periods up to and including the year ended 31 December 2008, the Company prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP) These financial statements, for the year ended 31 December 2009, are the first the Company has prepared in accordance with International Financial Reporting Standards (IFRSs)

Accordingly, the Company has prepared financial statements which comply with IFRSs applicable for periods beginning on or after 1 January 2009 as described in the accounting policies In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2008, the Company's date of transition to IFRSs This note explains the principal adjustments made by the Company in restating its UK GAAP statement of financial position as at 1 January 2008 and its previously published UK GAAP financial statements for the year ended 31 December 2008

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

29 Transition to IFRSs *(continued)*

Reconciliation of equity as at 1 January 2008 (date of transition to IFRSs)

	Notes	UK GAAP	Effect of transition to IFRSs	IFRSs
		£'000	£'000	£'000
Assets				
Non current assets				
Property, plant and equipment	A	30,197	(3,149)	27,048
Finance lease	A	-	2,283	2,283
Financial assets	B	234,862	(234,811)	51
Deferred income tax asset	C	-	1,424	1,424
		265,059	(234,253)	30,806
Current Assets				
Inventories		243,700	-	243,700
Trade and other receivables	B	575,995	215,522	791,517
Other current financial assets	D	-	105	105
Cash and short term deposits		3,543	-	3,543
		823,238	215,627	1,038,865
Total assets		**1,088,297**	**(18,626)**	**1,069,671**
Liabilities				
Non current liabilities				
Other financial liabilities		25	-	25
Provisions	C	2,179	(231)	1,948
Pension liability	E	3,462	3,383	6,845
		5,666	3,152	8,818
Current liabilities				
Trade and other payables	B	370,958	(20,155)	350,803
Income tax liability		25,906	-	25,906
Other financial liabilities		178,488	-	178,488
Other current liabilities		28,837	-	28,837
		604,189	(20,155)	584,034
Equity				
Issued capital		50,000	-	50,000
Revenue reserves	A,C,E	428,442	(1,699)	426,743
Other reserves	D	-	76	76
Total equity		478,442	(1,623)	476,819
Total equity and liabilities		**1,088,297**	**(18,626)**	**1,069,671**

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

29 Transition to IFRSs *(continued)*

Reconciliation of equity as at 31 December 2008

	Notes	UK GAAP	Effect of transition to IFRSs	IFRSs
		£'000	£'000	£'000
Assets				
Non current assets				
Property, plant and equipment	A	28,430	(2,654)	25,776
Finance lease	A	-	1,957	1,957
Financial assets	B	320,303	(320,252)	51
Deferred income tax asset	C	1,317	1,493	2,810
		350,050	(319,456)	30,594
Current Assets				
Inventories		209,102	-	209,102
Trade and other receivables	B	522,996	323,835	846,831
Other current financial assets	D	-	40	40
Cash and short term deposits		9,365	-	9,365
		741,463	323,875	1,065,338
Total assets		**1,091,513**	**4,419**	**1,095,932**
Liabilities				
Non current liabilities				
Provisions		4,600	-	4,600
Pension liability	E	10,287	(4,121)	6,166
		14,887	(4,121)	10,766
Current liabilities				
Trade and other payables	B	315,014	2,886	317,900
Income tax liability		18,234	-	18,234
Other financial liabilities	D	161,810	13	161,823
Other current liabilities		22,853	-	22,853
		517,911	2,899	520,810
Equity				
Issued capital		50,000	-	50,000
Revenue reserves	A,C,E	508,715	5,621	514,336
Other reserves	D	-	20	20
Total equity		558,715	5,641	564,356
Total equity and liabilities		**1,091,513**	**4,419**	**1,095,932**

29 Transition to IFRSs *(continued)*

Reconciliation of profit and loss for the year ended 31 December 2008

	Notes	UK GAAP	Effect of transition to IFRSs	IFRSs
		£'000	£'000	£'000
Revenue		3,040,616	-	3,040,616
Cost of sales		(2,824,606)	-	(2,824,606)
Gross profit		**216,010**	**-**	**216,010**
Other income	F	-	18,017	18,017
Distribution costs and administrative expenses	A,E,F	(129,960)	(19,088)	(149,048)
Loss on sale of financial assets	F	(248)	248	-
Operating profit		**85,802**	**(823)**	**84,979**
Finance expense		(1,566)	-	(1,566)
Finance income	A,F	37,694	328	38,022
Profit before taxation		**121,930**	**(495)**	**121,435**
Income tax expense	C	(33,987)	145	(33,842)
Profit for the financial year attributable to the equity holders of the parent		**87,943**	**(350)**	**87,593**

The company did not present a statement of cash flows under UK GAAP

Notes to the financial statements for the year ended 31 December 2009 *(continued)*

29 Transition to IFRSs *(continued)*

Notes to the reconciliation of equity as at 1 January 2008 and 31 December 2008

A Leases
Certain assets within property, plant and equipment have been reclassified to finance leases under the criteria of IAS 17

B Balance sheet reclassifications
Reclassification of intercompany receivables and payables

C Tax
Tax effect of IFRSs adjustments

D Cash flow hedges
The fair value of a forward foreign exchange contract is recognised under IFRSs, and was not recognised under UK GAAP The contract has been designated at the date of transition to IFRSs as a hedging instrument in a cash flow hedge of a highly probable forecast sale The corresponding adjustment has been recognised in the other comprehensive income reserve in equity

E Pensions
Pension provisions are measured using the projected unit credit method taking account of future salary and pension developments and using market interest rates, all indirect benefit obligations must also be recorded as liabilities The company has elected to adopt the "corridor approach" for actuarial gains and losses pursuant to IAS 19 which was not the case under UK GAAP

F Reclassification
Other income has been reclassified from distribution cost and administrative expense to other income