

**AAH Retail Pharmacy Limited**  
**Report and financial statements**  
**for the year ended 31 December 1996**

**Registered no: 758153**



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**Report and financial statements**  
**for the year ended 31 December 1996**

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## **Directors and advisers**

### **Executive directors**

C Couturier - appointed 10 February 1997  
P N England  
G Greenhalgh  
G A Kershaw - appointed 31 January 1997  
M E Major  
S M Meister  
B M Stewart - resigned 10 February 1997  
A C Sanders  
J M Troughton

### **Secretary and registered office**

J R B Davies  
Unit C  
Hampton Court  
Tudor Road  
Runcorn

### **Registered Auditors**

Coopers & Lybrand  
Embankment Place  
London  
WC2N 6NN

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

## **Results**

Details of the results for the financial year are set out in the profit and loss account on page 6.

## **Principal activities**

The principal activities of the business throughout the year were the management of retail pharmacies and the operation of a chain of franchised pharmacies.

## **Review of business and future prospects**

Turnover and profit grew satisfactorily during the year due to both acquisition and like-for-like increases. The NHS side of the business in particular grew, continuing the company's core strategy.

Consumers, during 1996, became increasingly more aware of the Hills Pharmacy brand with both pharmacy and retail marketing initiatives.

During the year, and since the period end, the acquisition of Lloyds Chemists has created an increased workload and a challenging opportunity for the future of retail pharmacy in AAH.

## **Dividends and transfers to reserves**

The directors recommend a dividend of £3,161,125 for the year ended 31 December 1996 (9 month period to 31 December 1995 : £7,150,010) and an amount of £2,643,972 has been taken to reserves.

## **Changes in fixed assets**

The movements in tangible fixed assets are set out in note 10 to the financial statements.

## **Directors**

The directors of the company during the year ended 31 December 1996, all of whom have been directors for the whole of the year, except where otherwise stated, are listed on page 1.

## **Directors' interests**

No director had any interest in the ordinary shares of the company or was beneficially interested in the issued share capital of any other company in the group or of the parent undertakings, GEHE and Franz Haniel and Cie GmbH, or had any material interest in any contracts with group companies at any time during the period.

## **Directors' responsibilities**

The directors are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Employees**

The company's policy is to consult and discuss with employees at staff meetings matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

## Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally rather than drawing upon any published supplier payment code. For the company the policy is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction.
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

## Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

## For and on behalf of the board



M E Major  
Director

07/03/97

**Report of the auditors to the members of  
AAH Retail Pharmacy Limited**

We have audited the financial statements on pages 6 to 17.

**Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

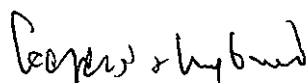
**Basis of opinion**

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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profits for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Coopers & Lybrand**

Chartered Accountants and Registered Auditors

London 7 March 1997

# Profit and loss account for the year ended 31 December 1996

		Continuing operations Year ended Notes 31 December 1996 £'000	Acquisitions Year ended 31 December 1996 £'000	Total Year ended 31 December 1996 £'000	Total 9 Month period to 31 December 1995 £'000
Turnover	2	186,373	12,699	199,072	129,395
Cost of sales		<u>(141,082)</u>	<u>(9,922)</u>	<u>(151,004)</u>	<u>97,223</u>
Gross profit		45,291	2,777	48,068	32,172
Net operating expenses	3	<u>(34,093)</u>	<u>(1,852)</u>	<u>(35,945)</u>	<u>(23,255)</u>
Operating profit		11,198	925	12,123	8,917
Profit on sale of fixed assets		103	-	103	-
Profit on disposal of businesses		818	-	818	-
Investment income		<u>32</u>	<u>-</u>	<u>32</u>	<u>26</u>
Profit on ordinary activities before interest		12,151	925	13,076	8,943
Interest receivable	6			806	576
Interest payable	6			<u>(5,764)</u>	<u>(3,627)</u>
Profit on ordinary activities before taxation	7			8,118	5,892
Tax on profit on ordinary activities	8			<u>(2,313)</u>	<u>(2,103)</u>
Profit for the financial period	19			5,805	3,789
Dividends	9			<u>(3,161)</u>	<u>(7,150)</u>
Retained profit/(loss) for the year	20			<u>2,644</u>	<u>(3,361)</u>

The company has no recognised gains and losses, other than the profits/(losses) above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.



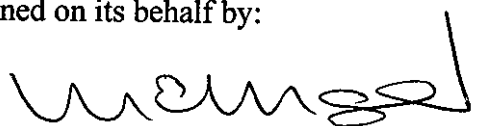
## Balance sheet at 31 December 1996

	Notes	31 December 1996 £'000	31 December 1995 £'000
<b>Fixed assets</b>			
Tangible assets	10	12,184	11,347
Investments	11	84	34
		<u>12,268</u>	<u>11,381</u>
<b>Current assets</b>			
Stocks	12	19,424	16,859
Debtors	13	36,257	30,294
Cash at bank and in hand		894	614
		<u>56,575</u>	<u>47,767</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(38,237)</u>	<u>(29,675)</u>
<b>Net current assets</b>		<u>18,338</u>	<u>18,092</u>
<b>Total assets less current liabilities</b>		<u>30,606</u>	<u>29,473</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(22,322)</u>	<u>(23,246)</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	16	(121)	(688)
		<u>(22,443)</u>	<u>(23,934)</u>
<b>Net assets</b>		<u>8,163</u>	<u>5,539</u>
<b>Capital and reserves</b>			
Called-up share capital	18	242	242
Share premium account	20	63	63
Revaluation reserve	20	86	86
Profit and loss account	20	7,772	5,148
<b>Equity shareholders' funds</b>		<u>8,163</u>	<u>5,539</u>

The financial statements on pages 6 to 17 were approved by the board of directors on and were signed on its behalf by:

M E Major

Director

  
07/03/97

## **Notes to the financial statements for the year ended 31 December 1996**

### **1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention.

#### **Goodwill**

Goodwill represents the excess of purchase consideration over the fair value of net assets acquired. Such goodwill is written off to reserves.

#### **Tangible fixed assets**

Tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated by reference to the expected lives of the assets concerned. Depreciation of assets bought and sold in the year is based on the number of months that the assets has been owned.

The following annual depreciation rates are applied on a straight line basis:

Freehold buildings	2%
Long leasehold land and buildings	2%
Short leasehold land and buildings	life of lease
Motor vehicles	40%
Plant and equipment	10% - 33 1/3%

Freehold land and long leasehold investment properties are not depreciated.

#### **Finance leases**

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period.

## **Operating leases**

Operating lease costs are charged against trading profit on a straight line basis over the lease term.

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

## **Foreign currencies**

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

## **Turnover**

Turnover, which excludes valued added tax and trade discount, represents the invoiced value of goods and services supplied.

## **Deferred taxation**

Deferred tax is accounted for, using the liability method, in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

## **Pension costs**

The company participates in two pension schemes, one defined benefit and one defined contribution, operated by its parent company, AAH plc. The assets of the schemes are independent of the company's and the group's finances. Contributions to the schemes are determined by a professionally qualified independent actuary. They are based upon pension costs across the group as a whole and are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The most recent actuarial valuation of the group's principal defined benefit scheme was carried out on 5 April 1994, particulars of which are disclosed in the financial statements of AAH plc. The company provides no other post retirement benefits to its employees.

## **Cash flow statement**

The company takes advantage of the exemption in FRS1 (revised), not to prepare a cashflow statement on the grounds that the company is a wholly owned subsidiary of Franz Haniel & Cie GmbH, which presents consolidated financial statements which are publicly available.

## 2 Turnover

All turnover arises from sales in the United Kingdom in healthcare services.

## 3 Net operating expenses

	Continuing operations Year ended 31 December 1996 £'000	Acquisitions Year ended 31 December 1996 £'000	Total Year ended 31 December 1996 £'000	Total 9 Month period to 31 March 1995 £'000
Distribution costs	28,148	1,871	30,019	19,823
Administrative expenses	6,851	-	6,851	4,215
Other operating income	(906)	(19)	(925)	(783)
	<u>34,093</u>	<u>1,852</u>	<u>35,945</u>	<u>23,255</u>

## 4 Directors' emoluments

The remuneration paid to directors of AAH Retail Pharmacy Limited was:

	Year ended 31 December 1996 £'000	9 Month period to 31 December 1995 £'000
Fees	237	176
Other emoluments (including benefits in kind and pension contributions)	70	46
	<u>307</u>	<u>222</u>

Fees and other emoluments (excluding pension contributions and compensation for loss of office) include amounts paid to:

	Year ended 31 December 1996 £'000	9 Month period to 31 December 1995 £'000
The Chairman	Nil	Nil
The highest paid director	68	50

The number of directors (including the Chairman and the highest paid director) who received emoluments (excluding pension contributions and compensation for loss of office) in the following ranges was:

	Year ended 31 December 1996	9 Month period to 31 December 1995
	Number	Number
£0 to £5,000	3	4
£10,001 to £15,000	-	2
£15,001 to £20,000	-	1
£45,001 to £50,000	-	-
£50,001 to £55,000	-	2
£60,001 to £65,000	2	1
£65,001 to £70,000	2	-

During the course of the year, Messrs. S M Meister, G Greenhalgh and M E Major were also Directors of AAH plc, the UK holding company for which consolidated group accounts are prepared. Their emoluments are disclosed within the financial statements of that company.

## 5 Employees

The average weekly number of persons (including executive directors) employed during the year, was:

	Year ended 31 December 1996	9 Month period to 31 December 1995
<b>By function</b>		
Selling and distribution	2,346	2,152
Administration	97	89
	<u>2,443</u>	<u>2,241</u>

Staff costs for the above persons were

	Year ended 31 December 1996	9 Month period to 31 December 1995
	£'000	£'000
Wages and salaries	17,020	12,555
Social security costs	2,167	863
Other pension costs (see note 17)	250	136
	<u>19,437</u>	<u>13,554</u>

## 6 Interest

	Year ended 31 December 1996	9 Month period to 31 December 1995
	£'000	£'000
<b>Interest receivable:</b>		
Bank interest receivable	(800)	(576)
Other interest receivable	(6)	-
	<u>(806)</u>	<u>(576)</u>
<b>Interest payable:</b>		
On finance leases	9	10
Group interest payable	5,755	3,617
Other interest payable	-	-
	<u>5,764</u>	<u>3,627</u>

## 7 Profit on ordinary activities before taxation

	Year ended 31 December 1996	9 Month period to 31 December 1995
	£'000	£'000
<b>Profit on ordinary activities before taxation is stated after crediting:</b>		
Rent receivable (net of outgoings)	<u>358</u>	<u>263</u>
<b>And after charging:</b>		
Depreciation charge for the period:		
Tangible owned fixed assets	1818	1,275
Assets held under finance leases	43	-
Auditors' remuneration - for audit	47	44
Loss on disposal of fixed assets	-	13
Hire of plant and machinery - operating leases	91	87
	<u></u>	<u></u>

## 8 Taxation

	Year ended 31 December 1996	9 Month period to 31 December 1995
	£'000	£'000
United Kingdom corporation tax at a rate of 33%	2,934	2,202
Deferred Taxation	(376)	(99)
Adjustment in respect of prior years:		
Current	(53)	-
Deferred	(192)	-
	<u>2,313</u>	<u>2,103</u>

## 9 Dividends

	Year ended 31 December 1996	9 Month period to 31 December 1995
	£'000	£'000
Ordinary:		
Final proposed	3,161	7,150

## 10 Tangible fixed assets

	Freehold land and buildings	Long leasehold land and buildings	Short leasehold land and buildings	Plant and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 January 1996	5,569	268	868	10,963	929	18,597
New business	460	65	-	36	-	561
Additions	-	-	135	1,431	525	2,091
Group transfers in	-	-	85	87	4	176
Disposals	(100)	-	-	(349)	(372)	(821)
<b>At 31 December 1996</b>	<b>5,929</b>	<b>333</b>	<b>1,088</b>	<b>12,168</b>	<b>1,086</b>	<b>20,604</b>
<b>Depreciation</b>						
At 1 January 1996	521	60	782	5,260	627	7,250
Charge for year	117	5	11	1,437	291	1,861
Disposals	(12)	-	-	(320)	(359)	(691)
<b>At 31 December 1996</b>	<b>626</b>	<b>65</b>	<b>793</b>	<b>6,377</b>	<b>559</b>	<b>8,420</b>
<b>Net book value</b>						
<b>At 31 December 1996</b>	<b>5,303</b>	<b>268</b>	<b>295</b>	<b>5,791</b>	<b>527</b>	<b>12,184</b>
At 1 January 1996	5,048	208	86	5,703	302	11,347

The net book value of tangible fixed assets includes an amount of £116,578 (1995: £160,482) in respect of assets held under finance leases.

## 11 Fixed asset investments

	£'000
<b>Other investments:</b>	
At 1 January 1996	34
Additions	50
<b>At 31 December 1996</b>	<b>84</b>

On 1 April 1996 the company acquired 26% of the ordinary share capital of Curtis Street (H.C.C.) Limited.

## 12 Stocks

	At 31 December 1996 £'000	At 31 December 1995 £'000
Goods for resale	19,424	16,859

## 13 Debtors

	At 31 December 1996 £'000	At 31 December 1995 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	29,057	25,371
Amounts owed by parent and fellow subsidiaries	1,255	348
Other debtors	4,689	3,392
Prepayments and accrued income	1,256	1,183
	<u>36,257</u>	<u>30,294</u>

## 14 Creditors: amounts falling due within one year

	At 31 December 1996 £'000	At 31 December 1995 £'000
Bank loans and overdrafts	11,959	1,889
Trade creditors	1,370	1,423
Amounts owed to parent and fellow subsidiary undertakings	16,857	12,810
Corporation tax	2,877	4,778
Other taxation and social security payable	393	336
Finance lease obligations	29	48
Other creditors	754	117
Accruals and deferred income	837	1,124
Dividends payable	3,161	7,150
	<u>38,237</u>	<u>29,675</u>



15 **Creditors : amounts falling due after more than one year**

	At 31 December 1996 £'000	At 31 December 1995 £'000
Amounts owed to parent company and fellow subsidiary undertakings	22,319	23,214
Finance lease obligations	3	32
	<u>22,322</u>	<u>23,246</u>

Amounts owed to group undertakings represent an unsecured loan from the company's immediate parent company. This loan bears interest at a rate of 1% above bank base rate and has no fixed repayment terms.

**Finance Leases**

The net finance lease obligations to which the company is committed are:

	At 31 December 1996 £'000	At 31 December 1995 £'000
In one year or less	29	48
Between one and two years	3	29
Between two and five years	-	3
Over five years	-	-
	<u>32</u>	<u>80</u>

16 **Deferred taxation**

Deferred taxation provided in the financial statements, and the amounts unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	At 31	At 31	At 31	At 31
	December	December	December	December
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
<b>Tax effect of timing differences:</b>				
Excess of tax allowances over depreciation	490	679	-	-
Deferred gains	-	70	135	-
Other timing differences	(369)	(61)	-	-
	<u>121</u>	<u>688</u>	<u>135</u>	<u>-</u>

The movements in the year are as follows:

	£'00
Provision at 1 January 1996	688
Transfer to profit and loss account (note 8)	(567)
Provision at 31 December 1996	<u>121</u>

17 **Pension obligations**

The company participates in two pension schemes, one defined contribution and one defined benefit, operated by its parent company, AAH plc. Particulars of the latest actuarial valuation, which was performed as at 5 April 1994 are disclosed in the financial statements of AAH plc. There was an amount of £26,483 accrued in respect of pension scheme contributions at the balance sheet date.

18 **Called-up share capital**

	At 31 December 1995 and 31 December 1996 £'000
<b>Authorised</b>	250
250,000 ordinary shares of £1 each	<u>250</u>
<b>Allotted, called up and fully paid</b>	242
242,450 ordinary shares of £1 each	<u>242</u>

## 19 Reconciliation of movements in shareholders' funds

	Year ended 31 December 1996 £'000	9 Month period to 31 December 1995 £'000
Profit for the financial period	5,805	3,789
Dividends	(3,161)	(7,150)
Goodwill written off	(20)	(75)
Opening shareholders' funds	5,539	8,975
Closing shareholders' funds	<u>8,163</u>	<u>5,539</u>

## 20 Reserves

	Share premium account £'000	Revaluation Reserve £'000	Profit and loss account £'000
At 1 January 1996	63	86	5,148
Goodwill written off	-	-	(20)
Retained profit for the year	-	-	2,644
At 31 December 1996	<u>63</u>	<u>86</u>	<u>7,772</u>

## 21 Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 1996 £'000	31 December 1995 £'000
Expiring within one year	10	4
Expiring between two and five years	49	89
	<u>59</u>	<u>93</u>

## 22 Ultimate holding company

The ultimate parent undertaking is Franz Haniel & Cie GmbH by virtue of its majority shareholding in GEHE AG and its consolidation of the GEHE AG Group results into its own consolidated financial statements.

Consolidated accounts for the largest group of undertakings are prepared by Franz Haniel & Cie GmbH and may be obtained from Franz Haniel Platz 1, D47119 Duisburg Ruhrort, Germany. Consolidated accounts for the smallest group of undertakings are prepared by AAH plc and may be obtained from the Company Secretary, AAH plc, Hampton Court, Tudor Road, Manor Park, Runcorn, Cheshire WA7 1TX.