

GEHE UK plc

3011757

**Report and financial statements
for the period ended 31 December 1995**

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Directors' report for the period ended 31 December 1995

The directors present their report and the audited financial statements for the period ended 31 December 1995.

Principal activities

The company was incorporated in England on 19 January 1995 (number 3011757).

On 2 May 1995 a controlling interest in AAH plc was obtained by the company as a result of a public takeover offer. The company is a subsidiary of GEHE AG, a company registered in Germany (number HRB9517) and quoted on the Frankfurt stock exchange.

The company's principal activity during the period was that of an investment company. In particular, the company acquired the whole of the issued ordinary share capital and preference share capital of AAH plc, a holding company of a group of companies involved in the wholesaling and manufacturing of pharmaceutical products, retail pharmacies, distribution services and environmental services.

Review of business and future prospects

The directors anticipate that GEHE UK plc will continue to be the holding company for AAH plc. The company will make further investments where suitable investments can be identified.

The level of business and the future prospects of the company's investments and the period end financial position of the company were considered to be satisfactory.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend. The profit for the financial year of £3,810,648 will be transferred to reserves.

Directors

The directors of the company at 31 December 1995 are listed below:

| | |
|--|---|
| Swift Incorporations Limited | (appointed 19 January 1995, resigned 20 February 1995) |
| Instant Companies Limited | (appointed 19 January 1995, resigned 20 February 1995) |
| G V Mischke | (appointed 20 February 1995, resigned 25 September 1995) |
| Dr K-G Eick | (appointed 20 February 1995) |
| D Kämmerer | (appointed 20 February 1995) |
| D Cirkel | (appointed 1 March 1995, resigned 25 September 1995) |
| M R Gatehouse (alternate to D Kämmerer) | (appointed 1 March 1995, resigned 3 November 1995) |
| S F Glossop (alternate to K-G Eick) | (appointed 1 March 1995, resigned 3 November 1995) |
| G Greenhalgh | (appointed 25 September 1995) |
| S M Meister | (appointed 25 September 1995) |
| D L Taylor | (appointed 25 September 1995) |

In accordance with the Articles of Association, Messrs Kämmerer, Greenhalgh, Meister, Taylor and Dr Eick will retire at the Annual General Meeting and, being eligible, offer themselves for reappointment.

Directors' responsibilities statement

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 period ended 31 December 1995. 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' interests in shares of the company

None of the directors had an interest in the share capital of the company for the period ended 31 December 1995, as shown by the register kept in accordance with Section 325 of the Companies Act 1985.

No director was beneficially interested in the issued share capital of any other company in the group, or had any material interest in any contracts with group companies, at any time during the year.

Share capital

During the period under review, 200,050,000 ordinary shares of £1 each were issued fully paid.

The members and their holding at 31 December 1995 were as follows:

| | |
|-------------------------|-----------------------------|
| GEHE AG | 200,049,999 ordinary shares |
| GEHE Pharma Handel GmbH | 1 ordinary share |

Further details of the company's capital are shown in note 12 to the financial statements.

Political and charitable contributions

No political or charitable contributions were made during the period.

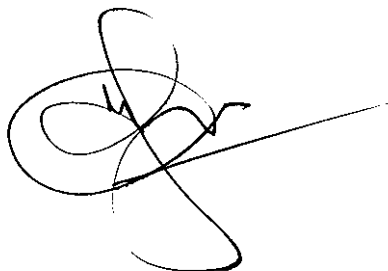
Auditors

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

Annual General Meeting

The Annual General Meeting will be held on 24 April 1996 at Hampton Court, Tudor Road, Manor Park, Runcorn, at 12 noon.

By order of the board



F J Murphy
Company secretary
14 March 1996

Report of the auditors to the members of GEHE UK plc

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 2 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.

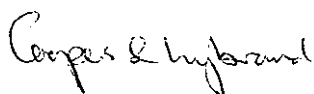
Basis of opinion

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 1995 and of its profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
14 March 1996

Profit and loss account for the period ended 31 December 1995

| | Notes | 11½ months ended 31 December 1995 £ |
|--|-------|---|
| Administrative expenses - continuing operations | | (25,256) |
| Operating loss - continuing operations | | (25,256) |
| Income from shares in group undertakings | | 13,700,000 |
| Interest receivable and similar income | | 109,202 |
| | | <u>13,783,946</u> |
| Interest payable and similar charges | 4 | (13,357,298) |
| Profit on ordinary activities before taxation | 5 | 426,648 |
| Taxation credit on ordinary activities | 6 | 3,384,000 |
| Retained profit for the period | | <u>3,810,648</u> |

The company has no recognised gains and losses other than the profits 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 profit for the period stated above, and their historical cost equivalents.

**Balance sheet
at 31 December 1995**

| | Notes | 1995 £ |
|---|-------|---------------------------|
| Fixed assets | | |
| Investments | 7 | <u>412,389,548</u> |
| Current assets | | |
| Debtors | 8 | 3,400,698 |
| Creditors: amounts falling due within one year | 9 | <u>(17,821,285)</u> |
| Net current liabilities | | <u>(14,420,587)</u> |
| Total assets less current liabilities | | <u>397,968,961</u> |
| Creditors: amounts falling due after more than one year | 10 | <u>(194,108,313)</u> |
| Net assets | | <u><u>203,860,648</u></u> |
| Capital and reserves | | |
| Called up share capital | 12 | 200,050,000 |
| Profit and loss account | 13 | <u>3,810,648</u> |
| Equity shareholders' funds | 14 | <u><u>203,860,648</u></u> |

The financial statements on pages 5 to 15 were approved by the board of directors on 14 March 1996 and were signed on its behalf by:

D.L. Taylor

Director

Cash flow statement for the period ended 31 December 1995

| | Notes | 1995 £ |
|--|-------|-----------------------------|
| Net cash outflow from operating activities | | <u>(21,953)</u> |
| Returns on investments and servicing of finance | | |
| Interest received | | 109,202 |
| Interest paid | | (12,148,638) |
| Dividends received from group undertaking | | <u>13,700,000</u> |
| Net cash outflow from returns on investments and servicing of finance | | <u>1,660,564</u> |
| Investing activities | | |
| Purchase of subsidiary undertakings | 15 | (395,601,223) |
| Purchase of fixed asset investments | | <u>(195,937)</u> |
| Net cash outflow from investing activities | | <u>(395,797,160)</u> |
| Net cash outflow before financing | | <u>(394,158,549)</u> |
| Financing | | |
| Issue of ordinary share capital | 16 | (200,050,000) |
| New unsecured loans | 16 | <u>(194,108,313)</u> |
| Net cash inflow from financing | | <u>(394,158,313)</u> |
| Decrease in cash and cash equivalents | 17 | <u>(236)</u> |
| | | <u><u>(394,158,549)</u></u> |

Reconciliation of operating loss to net cash inflow from operating activities

| | 1995 £ |
|--|-----------------|
| Continuing operating activities | |
| Operating loss | (25,256) |
| (Increase) in amounts owed by group undertakings | (10,814) |
| (Increase) in other debtors | (5,884) |
| Increase in amounts owed to group undertakings | 1 |
| Increase in accruals and deferred income | 20,000 |
| | <u>(21,953)</u> |

Notes to the financial statements for the period ended 31 December 1995

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 are prepared in accordance with the historical cost convention.

Intermediate parent undertaking

The financial statements contain information about GEHE UK plc as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, GEHE AG, a company incorporated in Germany.

Income from investments

Income from investments is included in the profit and loss account on an accruals basis.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

2 Directors' emoluments

None of the directors of the company are remunerated as directors of GEHE UK plc. Details of their remuneration is included in the financial statements of GEHE AG and fellow subsidiary companies' financial statements.

3 Employee information

The company has no employees other than the directors.

4 Interest payable and similar charges

11½ months
ended
31 December
1995
£

| | |
|---|-------------------|
| On bank loans and other loans: | |
| Repayable within five years, not by instalments | 2,423,055 |
| Repayable wholly in more than five years | 10,266,687 |
| On swap agreements | 589,391 |
| On loans from group undertakings | 78,165 |
| | <u>13,357,298</u> |

5 Profit on ordinary activities before taxation

1995
£

| | |
|---|--------|
| Profit on ordinary activities before taxation is stated after charging: | |
| Auditors' remuneration | 20,000 |

6 Tax on profit on ordinary activities

1995
£

| | |
|-----------------------------|------------------|
| Receivable for group relief | <u>3,384,000</u> |
|-----------------------------|------------------|

A tax credit for the period arises as the receipt of non-taxable income from investments leads to losses which are to be surrendered by way of group relief.

7 Investments

| | Interests in group undertakings £ | Other investments £ | Total £ |
|-------------------------|--|---------------------------|--------------------|
| Cost and net book value | | | |
| At 19 January 1995 | - | - | - |
| Additions | 412,193,611 | 195,937 | 412,389,548 |
| At 31 December 1995 | <u>412,193,611</u> | <u>195,937</u> | <u>412,389,548</u> |

Interests in group undertakings

| Name of undertaking | Country of registration | Description of shares held | Proportion of nominal value of issued shares held by company |
|---------------------|-------------------------|---|--|
| AAH plc | England and Wales | Ordinary 25p shares Preference £1 shares | 100% |
| GEHIS Limited | England and Wales | Ordinary £1 shares | 100% |

On 2 May 1995 the offer for the whole of the share capital of AAH plc became unconditional and subsequently all of the share capital of AAH plc was acquired for a cash consideration of £395,601,223 and the issue of £16,592,388 loan notes. The principal activity of AAH plc during the period was to act as a holding company of various subsidiaries involved in the wholesaling and manufacture of pharmaceutical products, retail pharmacies, distribution services and environmental services.

At 31 December 1995 the aggregate capital and reserves of that subsidiary totalled £108,414,347 and the loss for the nine months was £13,114,584.

On 15 December 1995 the company acquired the whole of the share capital of GEHIS Limited from a fellow subsidiary undertaking for consideration of £1. GEHIS Limited was non-trading at 31 December 1995.

At 31 December 1995 GEHIS Limited had capital and reserves of (£25,680).

8 Debtors

| | 1995 £ |
|---|-----------|
| Amounts falling due within one year | |
| Amounts owed by group undertakings | 10,814 |
| Receivable for group relief from group undertakings | 3,384,000 |
| Other debtors | 5,884 |
| | <hr/> |
| | 3,400,698 |
| | <hr/> |

9 Creditors: amounts falling due within one year

| | 1995 £ |
|------------------------------------|-------------------|
| Bank loans and overdrafts | 236 |
| Loan notes | 16,592,388 |
| Amounts owed to group undertakings | 1 |
| Accruals and deferred income | 1,228,660 |
| | <u>17,821,285</u> |

The floating rate unsecured £1 loan notes are guaranteed by Dresdner Bank AG, and are redeemable at the option of the noteholder on any interest payment date after 31 July 1996, and at the latest by 31 July 2000.

10 Creditors: amounts falling due after more than one year

| | 1995 £ |
|---|--------------------|
| Bank loans | 194,108,313 |
| Bank loans and overdrafts | |
| Repayable as follows: | |
| In one year or less | 236 |
| Between two and five years | 25,000,000 |
| In five years or more | 169,108,313 |
| | <u>194,108,549</u> |
| Repayable otherwise than by instalments in more than five years | <u>169,109,313</u> |

Included within bank loans and overdrafts are loans of £194,108,313 which are part of revolving credit facilities with various UK banks. The maturity of the debt has been stated by reference to the refinancing facility. The earliest dates on which the lenders could demand repayment in the absence of the facilities are 23 February 1996 and 24 June 1996. The loans are subject to variable rates of interest based upon LIBOR and have ranged between 7.21% and 7.29% during the period ended 31 December 1995. It is the opinion of the directors that more detailed analysis of the loan agreements would result in a statement of excessive length.

The company has swap agreements in respect of £110,000,000 of bank loans. The charge for the period represents the difference between the variable rate and the swap rates, which are set between 8.06% and 8.175%.

11 Deferred taxation

The company has no potential liability to deferred taxation.

12 Called up share capital

| | 1995 £ |
|---|-----------------------------|
| Authorised | |
| 200,100,000 ordinary shares of £1 each | 200,100,000 |
| | <u> </u> |
| Allotted, called up and fully paid | |
| 200,050,000 ordinary shares of £1 each | 200,050,000 |
| | <u> </u> |

During the year 200,050,000 ordinary £1 shares were issued at par as initial capital and to finance investment activities.

The authorised share capital of the company has been increased during the period ended 31 December 1995, as follows:

| | 1995 £ |
|----------------------------------|-----------------------------|
| Opening authorised share capital | 100,000 |
| Increase: | |
| 22 May 1995 | 100,000,000 |
| 19 June 1995 | 20,000,000 |
| 27 November 1995 | 80,000,000 |
| | <u> </u> |
| | 200,100,000 |
| | <u> </u> |

13 Profit and loss account

| | 1995 £ |
|--------------------------------|-----------------------------|
| At 19 January 1995 | - |
| Retained profit for the period | 3,810,648 |
| | <u> </u> |
| At 31 December 1995 | 3,810,648 |
| | <u> </u> |

14 Reconciliation of movements in shareholders' funds

| | 1995 £ |
|---|-------------|
| Profit for the period | 3,810,648 |
| Proceeds of issue of equity shares | 200,050,000 |
| | <hr/> |
| Net addition to shareholders' funds and closing shareholders' funds | 203,860,648 |
| | <hr/> <hr/> |

15 Analysis of the net outflow of cash and cash equivalents in respect of the purchase of subsidiary undertakings

| | 1995 £ |
|--|-------------|
| Cash consideration and net cash outflow in respect of the purchase of subsidiaries | 395,601,223 |
| | <hr/> <hr/> |

16 Analysis of changes in financing during the period

| | 1995 | |
|---------------------|--------------------|-------------|
| | Share capital £ | Loans £ |
| At 19 January 1995 | - | - |
| Shares issued | 200,050,000 | - |
| New loans | - | 194,108,313 |
| Issue of loan notes | - | - |
| | <hr/> | <hr/> |
| At 31 December 1995 | 200,050,000 | 194,108,313 |
| | <hr/> <hr/> | <hr/> <hr/> |

17 Cash and cash equivalents

| | 1995 £ |
|---------------------------------------|-------------|
| Changes in the year to bank overdraft | |
| At 19 January 1995 | - |
| Net cash flow | (236) |
| | <hr/> |
| At 31 December 1995 | (236) |
| | <hr/> <hr/> |

18 Ultimate parent undertaking

The ultimate parent undertaking is Franz Haniel & Cie GmbH by virtue of its majority shareholding in the immediate parent GEHE AG, and its consolidation of the GEHE 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, D47119 Duisburg, Ruhrort, Germany. Consolidated financial statements for the smallest group of undertakings are prepared by GEHE AG and may be obtained from the company secretary of GEHE UK plc, Hampton Court, Tudor Road, Manor Park, Runcorn, Cheshire, WA7 1TX.