

GEHE UK plc
Directors' report and financial statements
for the year ended 31 December 2002

Registered no: 3011757



GEHE UK plc

Annual report for the year ended 31 December 2002

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Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The principal activity of the company is that of a holding company.

Review of business and future developments

The level of business and the future prospects of the company's investments and the year end financial position of the company are considered to be satisfactory. No changes in the company's investments are anticipated in the immediate future.

Results

Details of the results for the financial year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend (2001: £Nil). The profit for the financial year of £2,593,000 will be transferred to reserves (2001: £726,000).

Political and charitable contributions

No political or charitable contributions were made during the year (2001: £Nil).

Directors

The directors of the company during the year ended 31 December 2002, all of whom have been directors for the whole of the year, except where otherwise stated, were as follows:

G. J. G. Hülse(resigned 31 March 2002)
D. Kämmerer (resigned 31 March 2002)
S. M. Meister (resigned 31 March 2002)
Dr F. Oesterle (resigned 31 March 2002)
M. A. Ward
R.C.H. Vizard (appointed 31 March 2002, retired 30 September 2002)
S. R. Dunn (appointed 14 October 2002)
J. Hood (appointed 14 October 2002)
P. Smerdon (appointed 31 March 2002)

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Directors' interests

According to the register kept under section 325 of the Companies Act 1985, no director had a notifiable interest in the shares of the company or other group companies at any time during the year. As permitted, the register does not contain details of directors' interests in parent undertakings which are incorporated outside Great Britain.

None of the directors had a material interest in any contracts with group companies.

Statement of 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 and of the profit or loss of the company for that period.

The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records, that 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 1985. 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

On behalf of the Board



P Smerdon
Director
12 February 2003

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Independent auditor's report to the members of GEHE UK plc

We have audited the financial statements which comprise of the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

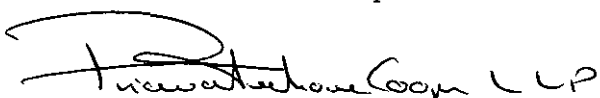
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 affairs of the company at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

12 February 2003

GEHE UK plc

Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Administrative expenses		<u>(442)</u>	<u>(160)</u>
Operating loss		(442)	(160)
Income from shares in group undertakings		37,000	38,000
Interest receivable and similar income	5	<u>858</u>	<u>3,871</u>
Profit on ordinary activities Before interest and taxation		37,416	41,711
Interest payable and similar charges	6	<u>(49,561)</u>	<u>(56,960)</u>
Loss on ordinary activities Before taxation	7	(12,145)	(15,249)
Taxation credit on ordinary activities	8	14,738	15,975
Retained profit for the financial year	15	<u><u>2,593</u></u>	<u><u>726</u></u>

The results have been derived wholly from continuing operations.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results above and the results on an unmodified historical cost basis.

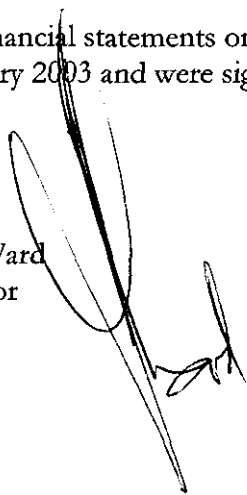
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Balance sheet at 31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Investments	9	<u>1,303,100</u>	<u>1,303,100</u>
Current assets			
Debtors	10	8,441	10,277
Cash		416	-
Creditors: amounts falling due within one year	11	<u>(423,511)</u>	<u>(252,524)</u>
Net current liabilities		<u>(414,654)</u>	<u>(242,247)</u>
Total assets less current liabilities		888,446	1,060,853
Creditors: amounts falling due after more than one year	12	<u>(455,500)</u>	<u>(630,500)</u>
Net assets		<u><u>432,946</u></u>	<u><u>430,353</u></u>
Capital and reserves			
Called-up share capital	14	400,050	400,050
Profit and loss account	15	32,896	30,303
Equity shareholders' funds	16	<u><u>432,946</u></u>	<u><u>430,353</u></u>

The financial statements on pages 4 to 12 were approved by the board of directors on 12 February 2003 and were signed on its behalf by:

M A Ward
Director



Notes to the financial statements for the year ended 31 December 2002

1 Principal accounting policies

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

The accounts have been prepared on the going concern basis despite the existence of net current liabilities. This is considered to be justified in view of the available unutilised long term bank facilities and the anticipated renewal of the loan account with GEHE Invest plc.

Financial Reporting Standard 19 'Deferred Tax' has been adopted in the year but did not require any adjustments in respect of prior periods.

Consolidated accounts

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.

Investments

Shares in group companies are shown at historic cost less any necessary write down for impairment.

Borrowing costs

Interest arising on borrowings is charged to the profit and loss account on an accruals basis.

Swap agreements

Interest adjustments receivable or payable under interest rate swap agreements are credited or charged to the profit and loss account for the period of account in which they accrue. Other amounts receivable or payable in connection with such agreements are also credited or charged to the profit and loss account on an accruals basis, being an apportionment of the amount received or paid, over the remaining term of the company's rights or obligations under the agreement.

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Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for accounting and taxation purposes. Deferred tax liabilities are provided in full but deferred tax assets are recognised only to the extent it is considered more likely than not that the associated tax deduction can be utilised on their reversal. Deferred tax liabilities and assets are not discounted.

2 Cash flow statement and related party disclosures

The company is a wholly owned subsidiary of GEHE AG, a company registered in Germany, and is included in the financial statements of GEHE AG, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

The company has not disclosed transactions with fellow group companies, in accordance with the exemption under the terms of Financial Reporting Standard 8.

3 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	<u>1,088</u>	<u>-</u>

Retirement benefits are accruing to two directors under a defined benefit scheme (2001: no directors). No such benefits are accruing under defined contribution schemes (2001: no directors).

Highest paid director	2002 £'000	2001 £'000
Aggregate emoluments and benefits under long-term incentive schemes.	822	-
Company pension contributions to other pension schemes	65	-
Defined benefit schemes: accrued pension at end of year	<u>28</u>	<u>-</u>

One director is participating in a long term incentive scheme operated by the parent company, GEHE AG. The scheme requires an investment by the director concerned in Euro denominated bonds which may be redeemed between 5 and 10 years after purchase for amounts determined by reference to the economic value added performance of GEHE AG during the period of tenure. These certificates first became eligible for redemption on 1 July 2002.

The emoluments of Mr Smerdon, Mr Vizard and Mr Ward are paid by a subsidiary company which makes no recharge to the company. Mr Smerdon, Mr Vizard and Mr Ward are directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of these subsidiaries. Mr Smerdon, Mr Vizard and Mr Ward were paid by a subsidiary company (AAH Subsidiaries Limited) until 31 March 2002. They were then paid by a subsidiary company (Lloyds Pharmacy Limited) for the remainder of the year, or until retirement, as appropriate.

3 Directors' emoluments (continued)

Mr Hood is paid by a fellow company (Lloyds Pharmacy Limited). Mr Hood is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of these subsidiaries. Accordingly no emoluments in respect of Mr Hood is disclosed. His emoluments are included in the aggregate of the directors emoluments disclosed in the financial statements of Lloyds Pharmacy Limited.

Mr Dunn is paid by a fellow company (AAH Pharmaceuticals Limited). Mr Dunn is a director of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of his emoluments in respect of each of these subsidiaries. Accordingly no emoluments in respect of Mr Dunn is disclosed. His emoluments are included in the aggregate of the directors emoluments disclosed in the financial statements of AAH Pharmaceuticals Limited.

Mr Hülse, Mr Kämmerer, Mr Meister and Dr Oesterle received no emoluments from the GEHE UK plc group. Their services to GEHE UK plc are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to the parent company, GEHE AG, and other entities in the GEHE AG group. Details of their remuneration are included, as appropriate, in the financial statements of GEHE AG and fellow subsidiary companies' financial statements.

4 Employee information

The company has no employees other than directors.

5 Interest receivable and similar income

	2002 £'000	2001 £'000
Group interest receivable	-	270
Release of swap deferred income (see note 11)	858	3,601
	<u>858</u>	<u>3,871</u>

6 Interest payable and similar charges

	2002 £'000	2001 £'000
Group interest payable	14,650	13,686
On bank loans and other loans:		
Repayable within five years, not by instalments	2,898	5,140
Repayable wholly in more than five years	22,124	32,373
On swap agreements (note 12)	9,889	5,761
	<u>49,561</u>	<u>56,960</u>

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7. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration for audit	<u><u>6</u></u>	<u><u>6</u></u>

Auditors remuneration includes fee in respect of Gehe Invest plc.

8 Taxation credit on ordinary activities

	2002 £'000	2001 £'000
Receivable for group relief	<u><u>14,738</u></u>	<u><u>15,975</u></u>
The reconciliation of the current tax charge is as follows:		
Loss before tax multiplied by the full UK corporation tax rate of 30%	(3,643)	(4,575)
Expenses not deductible for tax purposes		
Permanent differences	5	-
Dividend received from subsidiaries	(11,100)	(11,400)
Current tax credit for the year	<u><u>(14,738)</u></u>	<u><u>(15,975)</u></u>

9. Investments

Interests in group
undertakings
£'000

Cost and net book value

At 1 January and 31 December 2002

1,303,100

The interests of the company in group undertakings are as follows:

Name of undertaking	Country of registration	Description of shares held	Proportion of nominal value of issued shares held by the company
AAH Limited	England and Wales	Ordinary 25p shares	100 %
Lloyds Chemists Limited	England and Wales	Ordinary 5p shares	100 %
GEHE Invest plc	England and Wales	Ordinary £1 shares	100 %
GEHIS Limited	England and Wales	Ordinary £1 shares	100 %
Exmir Limited	England and Wales	Ordinary £1 shares	100 %

The principal activity of AAH Limited during the year was to act as a holding company of various subsidiaries. The principal activities of these subsidiaries is the wholesale of pharmaceutical products and the operation of retail pharmacies.

The principal activity of Lloyds Chemists Limited during the year was to act as a holding company of various subsidiaries involved in property leasing and the operation of retail pharmacies.

The principal activity of GEHE Invest plc during the year was the provision of an intercompany loan to the company.

The principal activity of GEHIS Limited was the provision of computer services to fellow group companies. GEHIS Limited ceased trading during the year.

Exmir Limited was dormant throughout the year.

10 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year:		
Group relief receivable	8,438	10,274
Other debtor	<u>3</u>	<u>3</u>
	<u>8,441</u>	<u>10,277</u>

11 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank overdraft	-	208
Amounts due to parent company	119,139	-
Amounts due to subsidiary undertakings	297,082	241,683
Accruals and deferred income	7,290	10,633
	<u>423,511</u>	<u>252,524</u>

The amounts owed to the parent company represent unsecured loans from GEHE AG, due for repayment on 24 January 2003, is subject to commercial interest rates based on LIBOR. The amounts owed to subsidiary undertakings represent unsecured loans from subsidiaries due for repayment at the latest on 23 June 2003. Of the total amount owed to subsidiary undertakings £230,113,000 is a loan from GEHE Invest plc and is subject to commercial interest rates based on LIBOR.

The company received payments totalling £12,772,000 in 1998 for which it agreed to accept the transfer of interest rate swap agreements in respect of £250,000,000 of loans. The consideration received was based on the market value of the agreements as determined by the company's bankers. The income of £12,772,000 is being credited to the profit and loss account over the remaining term of the agreements on an accruals basis. The amount credited in 2002 is £858,000 (2001: £3,601,000) (see note 5). £nil falling due within one year (2001: £858,000) and £nil falling due after one year (2001: £ nil).

12 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	-	34,500
Repayable otherwise than by instalments in two to five years	-	596,000
Repayable otherwise than by instalments in more than five years	455,500	596,000
	<u>455,500</u>	<u>630,500</u>

Included within bank loans and overdrafts are secured loans of £455,500,000 denominated in sterling, which are part of revolving credit facilities with various UK banks. These loans are guaranteed by GEHE AG. The maturity of the debt has been stated by reference to the refinancing facility. The loans are subject to variable rates of interest based upon LIBOR and have ranged between 4.21202% and 5.38419% during the year ended 31 December 2002. It is the opinion of the directors that more detailed analysis of the loan agreements would result in a statement of excessive length.

At the year end the company had interest rate swap agreements in respect of £510,000,000 of bank loans. The charge for the year (note 6) represents the difference between the variable rate and the fixed swap rates, which are set between 5.52000% and 7.93750%.

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13 Deferred taxation

The company had no liability to deferred taxation at 31 December 2002 (2001: £nil).

14 Called up share capital

	2002 £'000	2001 £'000
Authorised		
400,100,000 ordinary shares of £1 each	<u>400,100</u>	<u>400,100</u>
Allotted, called up and fully paid		
400,050,000 ordinary shares of £1 each	<u>400,050</u>	<u>400,050</u>

15 Profit and loss account

	2002 £'000	2001 £'000
At 1 January 2002	30,303	29,577
Retained profit for the financial year	<u>2,593</u>	<u>726</u>
At 31 December 2002	<u>32,896</u>	<u>30,303</u>

16 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit for the financial year	2,593	726
Opening shareholders' funds	<u>430,353</u>	<u>429,627</u>
Closing shareholders' funds	<u>432,946</u>	<u>430,353</u>

17 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is GEHE AG, a company registered in Germany. The company's ultimate parent undertaking and controlling party, Franz Haniel & Cie GmbH, is a company registered in Germany, 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 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 accounts for the smallest group of companies are prepared by GEHE AG and may be obtained from GEHE AG, Neckartalstrasse 155, D-70376 Stuttgart, Germany.