Phoenix Medical Supplies Limited

Directors' report and financial statements

Registered number 3603234

31 January 2008

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 January 2008

Principal activities

The principal activity of the Company is to act as a holding company of other companies, which either supply pharmaceutical products, surgical and medical equipment to retail chemists, doctors and health centres, or operate retail pharmacies

Business review

The operating loss for the year ended 31 January 2008 amounted to £3,594,000 *(2007 £4,370,000)*, with profit before tax of £9,089,000 *(2007 £11,759,000)*, as the Company incurred higher interest charges for the current year

On 9 November 2007, the Company acquired 100% of the issued share capital of Nucare PLC, for a consideration of £49,845,000 Nucare provides marketing and other support services to retail chemists For further details, please refer to note 9

Key performance indicators

Management uses a range of key performance indicators to monitor and manage the business, the most relevant being operating results and profit before tax, which are discussed in the Business review above

Key risks and uncertainties

The Company's subsidiaries operate in highly regulated markets, and significant changes to those regulations, whether directly impacting the businesses or the customers, may have a significant impact on those businesses, adverse or otherwise Examples to changes in regulations that may have a significant impact on subsidiary businesses are changes to the Control of Entry Regulations or changes to the NHS Pharmacy Contract

Management constantly review pending or potential changes to regulations and take appropriate action to minimise any adverse impact to the businesses

The key financial risk is a significant increase in interest rates

Proposed dividend

The directors do not recommend the payment of a dividend *(2007 £Nil)*

Financial risk management policies

The directors have reviewed the financial risk management objectives and policies of the Company and the Group The Company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure It also does not enter into any speculative financial instruments Appropriate trade terms are negotiated with suppliers and customers and management review these terms and the relationships with suppliers and customers and manage any exposure on normal trade terms

Market value of land and buildings

In the opinion of the directors, the market value of the land and buildings of the Company exceeds the book values of these assets at 31 January 2008 However, as it is not practicable to obtain full professional valuations for each property, the amount by which the market value exceeds the book value has not been quantified

Policy and practice on payment of creditors

Management agrees with suppliers the terms and conditions (including payment terms), on which it will transact with them The Company policy is to pay suppliers in accordance with these agreed terms

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows

H Iberl
R Pohl
Dr R Rupp
K J Black
D R Cole
K R Hudson
H U Kummer (appointed 1 May 2008)
B K Richter
P J Smith
N R Topping
Ø Winter (appointed 1 May 2008)
A S Young (resigned 29 January 2008)

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings, the company magazine and the company website Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and accordingly KPMG LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386 (2) of the Companies Act 1985

By order of the board

M P Blakeman
Secretary

Rivington Road
Whitehouse Industrial Estate
Runcorn
Cheshire
WA7 3DJ

16 June 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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 its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Phoenix Medical Supplies Limited

We have audited the financial statements of Phoenix Medical Supplies Limited for the year ended 31 January 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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

Independent auditors' report to the members of Phoenix Medical Supplies Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 January 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

16 July 2008

Profit and Loss Account
for the year ended 31 January 2008

	Note	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Administrative expenses		(7,256)	(8,002)
Other operating income		3,662	3,632
Operating loss		(3,594)	(4,370)
Income from shares in group undertakings		3,798	293
Profit / (loss) on ordinary activities before finance charges		204	(4,077)
Interest receivable and similar income	2	27,777	31,142
Interest payable and similar charges	3	(18,892)	(15,306)
Profit on ordinary activities before taxation	4-6	9,089	11,759
Tax on profit on ordinary activities	7	(1,749)	(3,376)
Profit on ordinary activities after taxation		7,340	8,383

There were no recognised gains or losses in the current or preceding year other than the profit for the year Consequently, a statement of total recognised gains and losses has not been presented

All activities are derived from continuing operations

Balance Sheet
at 31 January 2008

	Note	2008 £000	2007 £000
Fixed assets			
Tangible fixed assets	*8*	**13,636**	13,354
Investments	*9*	**166,636**	116,348
		180,272	129,702
Current assets			
Debtors	*10*	**388,840**	308,548
Cash at bank and in hand		**28,631**	49,057
Current assets		**417,471**	357,605
Creditors: amounts falling due within one year	*11*	**(189,889)**	(88,510)
Net current assets		**227,582**	269,095
Total assets less current liabilities		**407,854**	398,797
Creditors: amounts falling due after more than one year	*12*	**(109,675)**	(110,010)
Provisions for liabilities and charges	*13*	**(142)**	(6)
Net assets		**298,037**	288,781
Capital and reserves			
Called up share capital	*14*	**25,861**	25,861
Share premium account	*15*	**258,612**	258,612
Profit and loss account	*15*	**13,564**	4,308
Shareholders' funds - equity		**298,037**	288,781

These financial statements were approved by the board of directors on 16 June 2008 and were signed on its behalf by

PJ Smith
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 January 2008

	2008	2007
	£000	£000
Profit for the financial year	**7,340**	8,383
New shares issued	-	52,195
Capital contribution	**1,916**	-
Net addition to shareholders' funds	**9,256**	60,578
Opening shareholders' funds	**288,781**	228,203
Closing shareholders' funds	**298,037**	288,781

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements These financial statements present information about the Company as an individual undertaking and not about its group

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Phoenix Pharmahandel Atkiengesellschaft & Co KG, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) The consolidated financial statements of Phoenix Pharmahandel Atkiengesellschaft & Co KG, within which this Company is included, can be obtained from the address given in note 19

Investments

Fixed asset investments are shown at cost less provision for impairment

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Freehold buildings	-	2% per annum
Fixtures and fittings	-	10-33% per annum

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

The Company is part of a UK group and accordingly may utilise the group relief provisions whereby current taxable profits can be offset by current tax losses arising in other group companies in the UK The group has a policy that payment is made or received for tax losses received from, or surrendered to, other group companies

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold

Notes *(continued)*

1 Accounting policies *(continued)*

***Taxation** (continued)*

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Pension costs and other post-retirement benefits

The Company participates in a defined benefit scheme and a defined contribution scheme

For the defined contribution scheme, the amount charged to the profit and loss account, in respect of pension costs and other post-retirement benefits, is the contributions payable in the year Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

The defined benefit scheme is a multi-employer scheme, and it is funded, with the assets of the scheme being held separately from those of the Company, in separate trustee administered funds In accordance with FRS 17 – 'Retirement Benefits', the Company accounts for the contributions to the defined benefit scheme, as if it were a defined contribution scheme, because it is not possible to identify the Company's share of the underlying assets and liabilities on a consistent and reasonable basis The required disclosures for the entire defined benefit scheme are shown in note 17

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the actual rate payable or the forward contract rate Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the actual rate payable or forward contract rate

2 Interest receivable and similar income

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Other interest income	**5,939**	4,677
Interest receivable from group undertakings	**21,838**	26,465
	27,777	31,142

Notes *(continued)*

3 Interest payable and similar charges

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Bank loans and overdrafts	**(9,505)**	(7,406)
Interest payable to group undertakings	**(9,302)**	(7,891)
Exchange loss	**(85)**	(9)
	(18,892)	(15,306)

4 Profit on ordinary activities before taxation

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Profit on ordinary activities before taxation is stated after charging·		
Depreciation and other amounts written off tangible fixed assets		
Owned	**343**	326
Operating lease rentals		
Other	**143**	111

Auditors' remuneration

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Audit of these financial statements	17	35
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	17	-
	34	35

Notes *(continued)*

5 Staff costs

The average monthly number of employees (including executive directors) was

	2008 Number	2007 Number
Administration	**58**	57

Their aggregate remuneration comprised

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Wages and salaries	**3,731**	3,737
Social security costs	**393**	439
Pension costs	**1,144**	1,190
	5,268	5,366

6 Remuneration of directors and transactions

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Emoluments	**2,629**	2,756
Company contributions to defined contribution pension schemes	**11**	9
	2,640	2,765

Pensions
The number of directors who were members of pension schemes was as follows

	Year ended 31 January 2008 Number	Year ended 31 January 2007 Number
Money purchase schemes	**1**	1
Defined benefit schemes	**4**	4

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Highest paid director		
The above amounts for remuneration include the following in respect of the highest paid director		
Emoluments	**436**	430

Notes *(continued)*

6 Remuneration of directors and transactions *(continued)*

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 January 2008 was £57,393 (*2007 £161,896*)

7 Tax on profit on ordinary activities

The tax charge comprises

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Current tax		
UK Corporation tax	**1,663**	3,404
Adjustments in respect of prior years		
UK corporation tax	**(50)**	47
	1,613	3,451
Deferred tax		
Origination and reversal of timing differences	**40**	135
Adjustments in respect of prior years	**96**	(210)
Total deferred tax charge / (credit) *(note 13)*	**136**	(75)
Total tax charge on profit on ordinary activities	**1,749**	3,376

The difference between the total current year corporation tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	Year ended 31 January 2008 £000	Year ended 31 January 2007 £000
Profit on ordinary activities before tax	**9,089**	11,759
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% *(2007 30%)*	**2,727**	3,528
Effects of		
Expenses not deductible for tax purposes	**115**	99
Capital allowances greater than depreciation	**(40)**	(32)
UK dividend income	**(1,139)**	(88)
Adjustment to tax charge in respect of previous periods	**(50)**	47
Movement on short term timing differences	**-**	(103)
Current tax charge for year	**1,613**	3,451

The standard rate of corporation tax will be reduced to 28% and capital allowance legislation impacting on the calculation of the deferred tax provision will be introduced for taxable periods arising on or after 1 April 2008 The deferred tax provision has been calculated using the new standard rate of 28% It is expected that the Company will continue to pay corporation tax at the standard rate going forward

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings £000	Fixtures and fittings £000	Total £000
Cost			
At 1 February 2007	14,166	741	14,907
Additions	574	51	625
At 31 January 2008	14,740	792	15,532
Depreciation			
At 1 February 2007	1,149	404	1,553
Charge for year	259	84	343
At 31 January 2008	1,408	488	1,896
Net book value			
At 31 January 2008	**13,332**	**304**	**13,636**
At 31 January 2007	13,017	337	13,354

Included within freehold land and buildings is £3,085,500 (*2007 £ 3,085,500*) of land, which is not depreciated

Notes *(continued)*

9 Fixed asset investments

	Investments in subsidiaries £000	Other investments £000	Total £000
Cost and net book value			
At 1 February 2007	116,039	309	116,348
Additions	49,845	443	50,288
At 31 January 2008	**165,884**	**752**	**166,636**

Company name	**Principal activity**
Phoenix Healthcare Distribution Limited*	Pharmaceutical wholesale
L Rowland & Company Limited*	Holding company
L Rowland & Company (Retail) Limited	Pharmaceutical retail
Numark Limited*	Provision of marketing and support services to retail chemists
Nucare Limited*	Provision of marketing and support services to retail chemists

*Denotes subsidiaries held directly by the company

Investments in subsidiaries

On 9 November 2007, the Company acquired 100% of the issued share capital of Nucare Limited (formerly Nucare PLC), for a consideration of £49,845,000

Other investments

The addition to other investments during the year was the conversion of a loan to RX Systems Limited, into shares

Phoenix Medical Supplies Limited now owns 21% of RX Systems Limited

Notes *(continued)*

10 Debtors

	2008 £000	2007 £000
Amounts falling due within one year		
Amounts owed by group undertakings	388,078	306,948
Other debtors	92	14
Prepayments and accrued income	670	836
	388,840	307,798
Amounts falling due after more than one year		
Other debtors	-	750
Total debtors	388,840	308,548

11 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Loan notes	3,847	5,614
Bank loans and overdrafts	40,912	17,914
Trade creditors	-	138
Amounts owed to group undertakings	139,945	57,185
UK corporation tax	590	1,183
Other taxes and social security	77	71
Other creditors	29	27
Accruals and deferred income	4,489	6,378
	189,889	88,510

The bank loans and overdrafts consist of

	2008 £000	2007 £000
Bank overdraft	1	-
Bank loan – repayable by instalments	359	361
Other bank loans	40,552	17,553
	40,912	17,914

The loan notes are guaranteed by Barclays Bank PLC, under a cash covered guarantee scheme

Bank loan – repayable by instalments

The interest rate charged is 1 25% above base rate The loan is secured on freehold properties owned by Phoenix Medical Supplies Limited

Other bank loans

The bank loan recorded in the previous year was guaranteed by the ultimate parent company, Phoenix Pharmahandel Aktiengesellschaft and Co KG The interest rate charged was 6 848%, and the loan was repaid in December 2007 The interest rate charged on the new bank loan at 31 January 2008 is 0 8% above GBP LIBOR.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Due between one and two years		
Bank loans repayable by instalments	**384**	383
Due between two and five years		
Bank loans repayable by instalments	**1,319**	1,296
Amounts owed to group undertakings	**107,000**	107,000
	108,319	108,296
Due after more than five years		
Bank loans repayable by instalments	**972**	1,331
Total	**109,675**	110,010

Bank loans – repayable by instalments

The interest rate charged is 1 25% above base rate The loan is secured on freehold properties owned by Phoenix Medical Supplies Limited

Amounts owed to group undertakings

Interest is charged at 6 942%

13 Provisions for liabilities and charges

	2008 £000	2007 £000
Deferred tax provision	**142**	6

The movement on deferred tax is as follows

	Deferred taxation £000
At 1 February 2007	6
Charge to profit and loss account *(note 7)*	136
At 31 January 2008	142

There is no unprovided deferred tax at either year end

Notes *(continued)*

13 Provisions for liabilities and charges *(continued)*

The analysis of the deferred tax liability is as follows

	2008 £000	2007 £000
Timing differences on capital allowances	**150**	14
Other timing differences	**(8)**	(8)
	142	6

14 Called up share capital

	2008 £000	2007 £000
Authorised		
30,000,000 (*2007 30,000,000*) ordinary shares of £1 each	**30,000**	30,000
Allotted, called up and fully paid		
25,861,200 (*2007 25,861,200*) ordinary shares of £1 each	**25,861**	25,861

15 Reserves

	Share premium account £000	Profit and loss account £000	Total £000
At 1 February 2007	258,612	4,308	262,920
Capital contribution	-	1,916	1,916
Profit for the year	-	7,340	7,340
At 31 January 2008	**258,612**	**13,564**	**272,176**

Of the total reserves shown in the balance sheet, only the profit and loss account is regarded as distributable

Notes *(continued)*

16 Financial commitments

Annual commitments under non-cancellable operating leases are as follows

	2008 £000	2007 £000
	Other	Other
Operating leases which expire		
Within one year	**37**	33
Between two and five years	**121**	77
	158	110

17 Pension scheme

The principal scheme is a defined contribution scheme The assets of the scheme are held separately from those of the Company, in an independently administered fund The pension costs amounted to £51,000 *(2007 £35,000)*

Defined Benefit Schemes

The company has made contributions to a defined benefit scheme – The Phoenix Medical Supplies Limited Pension Scheme The scheme is a multi-employer scheme, the assets and liabilities of the scheme being held separately from those of the company, in separate trustee administered funds The company is unable to identity its share of assets and liabilities of the scheme, and therefore it accounts for the scheme as if it were a defined contribution scheme The value of the company's contributions to the pension scheme was £1,093,000 *(2007 £1,155,000)*

The latest full actuarial valuation for the Phoenix Medical Supplies Limited Scheme was carried out as at 31 March 2007 This valuation has been updated to 31 January 2008 by an independent actuary, using revised assumptions, which are consistent with the requirements of FRS 17

The major assumptions used in this valuation were

	2008	2007
Rate of increase in salaries	**4.5%**	4 0%
LPI pension increase	**3.5%**	3 0%
Discount rate	**6 1%**	5 3%
Inflation assumption	**3 5%**	3 0%

Notes *(continued)*

17 Pension scheme *(continued)*

Scheme assets

Scheme assets have been taken at their market value The assets in the merged scheme and the expected rates of return at the balance sheet date were

	%	2008 £000	%	2007 £000
Equities		10,410		8,560
Bonds	7%	2,490	7%	430
Property		480		780
Cash	4%	190	3 5%	2,110
Total fair value of assets		13,570		11,880
Present value of scheme liabilities		(18,300)		(17,080)
Deficit in the scheme		(4,730)		(5,200)
Related deferred tax asset		1,419		1,560
Net pension liability		(3,311)		(3,640)

The scheme is closed to new entrants and therefore, under the projected unit method, the current service cost would be expected to increase, as the members of the scheme approach retirement

18 Guarantees

The company has given cross guarantees to certain banks in respect of other companies within the Phoenix UK Group

19 Ultimate parent company and controlling party

The Company is ultimately owned and controlled by Phoenix Pharmahandel Aktiengesellschaft & Co KG, incorporated in Germany, the principal place of business of which is Pfingstweidstrasse 10-12, 68199 Mannheim, Germany The immediate parent company is Phoenix International Beteiligungs GmbH

The largest and smallest group of undertakings, for which group accounts have been drawn up, is that headed by Phoenix Pharmahandel Aktiengesellschaft & Co KG, a company incorporated in Germany that prepares consolidated financial statements which are available to the public from the aforementioned address