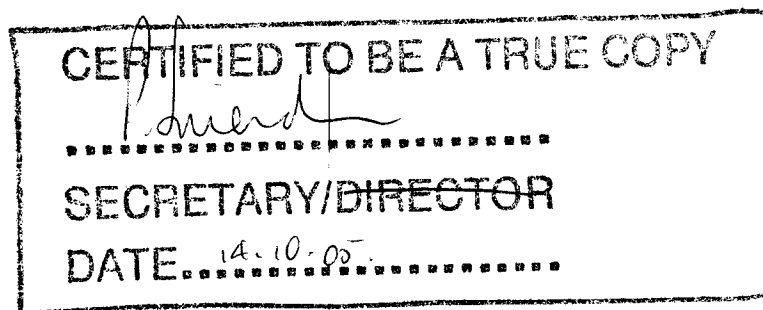




FC 3038

**AAH Pharmaceuticals Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2004**

Registered no: 123458



# **AAH Pharmaceuticals Limited**

## **Directors' report and financial statements for the year ended 31 December 2004**

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# **AAH Pharmaceuticals Limited**

## **Directors' report for the year ended 31 December 2004**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

### **Results**

Details of the results for the financial year are set out in the profit and loss account on page 5.

### **Principal activities**

The company's principal activities are the wholesaling of pharmaceutical products.

### **Review of business and future developments**

During the year the company continued the modernisation of its branch network.

The company succeeded in growing profits and cash margins during 2004 despite continuing pressures within the market. The changes to PPRS implemented by the government as of 1 January 2005 present further trading challenges for the business. Nevertheless, the directors are confident that the company is well placed to exploit remaining and new profit opportunities during 2005 and beyond.

### **Dividends**

The directors do not recommend a final dividend (2003: £nil). An interim dividend of £40.0 million was paid during the year (2003: £75.0 million).

### **Political and charitable contributions**

Charitable contributions of £10,247 were made during the year (2003: £19,136). No political contributions were made (2003: £nil).

### **Post Balance Sheet Event**

On 1 March 2005 the AAH Staff, Vestric and Macarthy pension schemes were formally merged. The receiving scheme was the Macarthy pension scheme and this has been renamed the Admenta Pension Scheme. The rights of all transferring members have been preserved.

# **AAH Pharmaceuticals Limited**

## **Directors' report for the year ended 31 December 2004 (continued)**

### **Directors**

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2004 except where otherwise stated, were as follows:

I Davidson	
S R Dunn	
P L Forster-Jones	
A G Grasso	(resigned on 6 August 2004)
M L James	
G R Lunt	
J F Poole	(resigned on 31 July 2004)
J A Richards	
J Bulmer	(appointed on 1 August 2004)

In accordance with the Articles of Association, none of the directors are required to retire at the annual general meeting.

### **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.

### **Employment policies**

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

Training is regarded as a fundamental requirement and appropriate programmes exist at group, divisional or subsidiary company level.

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

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

# **AAH Pharmaceuticals Limited**

## **Directors' report for the year ended 31 December 2004 (continued)**

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

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

The company had 43 days' purchases outstanding at 31 December 2004 based on the average daily amount invoiced by suppliers during the year (2003: 41 days).

### **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 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 2004 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**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

### **By order of the Board**



P Smerdon  
Secretary  
3 May 2005

## **Independent Auditors' Report to the members of AAH Pharmaceuticals Limited**

We have audited the financial statements which comprise 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 into 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.

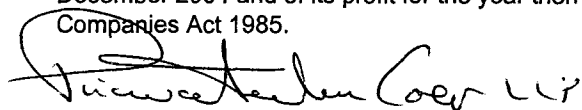
### **Basis of audit opinion**

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 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.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 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

4 May 2005

# AAH Pharmaceuticals Limited

## Profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	3	2,986,841	2,996,068
Cost of sales		(2,719,120)	(2,748,078)
<b>Gross profit</b>		<u>267,721</u>	<u>247,990</u>
Distribution costs and administrative expenses		(110,044)	(95,398)
Operating profit		<u>157,677</u>	<u>152,592</u>
Net interest receivable	6	19,355	13,929
<b>Profit on ordinary activities before taxation</b>	7	<u>177,032</u>	<u>166,521</u>
Tax on profit on ordinary activities	8	(51,482)	(47,733)
<b>Profit on ordinary activities after taxation</b>		<u>125,550</u>	<u>118,788</u>
Dividends	9	(40,000)	(75,000)
<b>Retained profit for the financial year</b>	21	<u><u>85,550</u></u>	<u><u>43,788</u></u>

The results have been derived wholly from continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

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

# AAH Pharmaceuticals Limited

## Balance sheet at 31 December 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
<b>Fixed assets</b>					
Intangible assets	10		2,250		3,250
Tangible assets	11		32,765		31,609
Investments	12		201		201
			<u>35,216</u>		<u>35,060</u>
<b>Current assets</b>					
Stocks	13		234,743		248,928
Debtors:					
Amounts falling due within one year	14		389,774		321,617
Amounts falling due after more than one year	14		254,915		188,607
Trade debtors subject to financing	15	-		21,903	
Less: non-returnable amounts received	15	-		<u>(20,507)</u>	
			-		1,396
Cash at bank and in hand			<u>8,012</u>		<u>21,490</u>
			<u>887,444</u>		<u>782,038</u>
<b>Creditors: amounts falling due within one year</b>	16		(468,888)		(450,336)
<b>Net current assets</b>			<u>418,556</u>		<u>331,702</u>
<b>Total assets less current liabilities</b>			453,772		366,762
<b>Creditors: amounts falling due after more than one year</b>	16		(111)		-
<b>Provisions for liabilities and charges</b>	18		(3,057)		(2,228)
<b>Deferred tax</b>	18		(618)		(98)
<b>Net assets</b>			<u>449,986</u>		<u>364,436</u>
<b>Capital and reserves</b>					
Called-up share capital	20		50,000		50,000
Profit and loss account	21		399,986		314,436
<b>Equity shareholders' funds</b>	22		<u>449,986</u>		<u>364,436</u>

The financial statements on pages 5 to 22 were approved by the board of directors on 3 May 2005 and were signed on its behalf by:



I Davidson  
Director  
3 May 2005



# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 December 2004

### 1 Principal accounting policies

The financial statements have been prepared under the historical cost convention in accordance with applicable Accounting Standards in the United Kingdom. Set out below is a summary of the more important accounting policies, which have been applied consistently except where stated.

#### Turnover

Turnover comprises sales of goods and services at invoice value excluding value added tax.

#### Taxation

The charge for taxation is based on the result for the year and deferred taxation has been recognised as a liability or asset if transactions have occurred at the balance sheet date that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax liabilities and assets are not discounted.

#### Trade debtors subject to financing

Trade debtors subject to financing are disclosed on the balance sheet using the linked presentation, in accordance with Financial Reporting Standard number 5 'Reporting the substance of transactions'.

#### Investments

Investments are included in the balance sheet at their cost of acquisition. Where appropriate, provision is made to write down the net book value of the investment to the underlying net asset value of the subsidiary companies.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less provision for depreciation. Cost comprises the purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated by reference to the expected lives of the assets concerned. Additional depreciation may be charged where directors consider there to have been an impairment in the underlying value of an asset. The following rates are applied:

Freehold buildings	2% straight line
Leasehold land and buildings	2% straight line or over the period of the lease if less than 50 years
Plant and equipment	10% - 20% on a reducing balance basis
Motor vehicles	25% - 33.3% on a reducing balance basis

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

# **AAH Pharmaceuticals Limited**

## **1 Principal accounting policies (continued)**

### **Leased assets**

Assets acquired under finance leases are capitalised and depreciated in line with assets of a similar nature. The capital element of future payments is treated as a liability and the interest element is charged to the profit and loss account over the period of the leases.

All other leases are operating leases and rental costs are charged to the profit and loss account on a straight line basis over the lease term.

### **Foreign currencies and derivatives**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Any such translation differences are taken to the profit and loss account.

### **Goodwill**

Goodwill represents the excess of the fair value of consideration given to acquire new businesses over the fair value of the separable net assets at the date of the acquisition. Goodwill is capitalised as an intangible asset on the balance sheet and then amortised over its estimated useful life. The estimated useful life is assessed on a case by case basis and is written off over a period of up to 20 years.

### **Pensions**

The company contributes to group pension schemes operated by AAH Limited. Contributions to the defined benefit schemes are determined by a professionally qualified actuary and are based on pension costs across the group as a whole. They are charged to the profit and loss account so as to spread the pension costs over the expected service lives of employees currently participating in the schemes.

Further details are given in note 19 to the financial statements.

### **Distribution costs and administrative expenses**

The directors do not consider it is practical to distinguish between distribution costs and administrative expenses. Accordingly these expenses are reported together in the profit and loss account.

## **2 Consolidated accounts, cash flow and related party disclosure**

The financial statements contain information about AAH Pharmaceuticals Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group accounts as its results are included by full consolidation in the financial statements of its ultimate parent, Franz Haniel & Cie GmbH, a company incorporated in Germany.

The company is a wholly owned subsidiary of Celesio AG, a company registered in Germany, and is included in the financial statements of Celesio 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.

# AAH Pharmaceuticals Limited

## 3 Turnover

Trading is predominantly carried out in the United Kingdom. Overseas sales during the year amounted to £1,681,000 (2003: £4,202,000).

## 4 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	1,882	1,501
Compensation for loss of office	512	-
Company pension contributions to other pension schemes	15	14
	<u>2,409</u>	<u>1,515</u>

Retirement benefits are accruing to five directors under defined benefit schemes (2003: six directors). Retirement benefits are accruing to a further two directors under money purchase schemes (2003: two directors).

	2004 £'000	2003 £'000
<b>Highest paid director</b>		
Aggregate emoluments and benefits under long-term incentive schemes	440	379
Company pension contributions to other pension schemes	15	14
Defined benefit schemes:		
Accrued pension at end of year	<u>15</u>	<u>13</u>

## 5 Employee information

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

	2004	2003
<b>By function</b>		
Direct operating and production	-	8
Selling and distribution	3,031	2,803
Administration	390	419
	<u>3,421</u>	<u>3,230</u>

Staff costs for the above persons were:

	2004 £'000	2003 £'000
Wages and salaries	56,298	51,943
Social security costs	4,510	4,243
Other pension costs (see note 19)	1,738	2,017
	<u>62,546</u>	<u>58,203</u>

## AAH Pharmaceuticals Limited

### 6 Net interest receivable

	2004 £'000	2003 £'000
Interest payable and similar charges		
Other interest and similar charges	<u>563</u>	<u>942</u>
Interest receivable		
Group interest	(19,802)	(12,465)
Other interest	<u>(116)</u>	<u>(2,406)</u>
	<u>(19,918)</u>	<u>(14,871)</u>
Net interest receivable	<u>(19,355)</u>	<u>(13,929)</u>

### 7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting) the following:

	2004 £'000	2003 £'000
Depreciation - tangible assets		
Charge for the year on owned assets	9,518	8,655
Charge for the year on assets held under finance leases	20	-
Amortisation - intangible assets	1,000	1,000
Auditors' remuneration		
For audit	146	134
Other	9	52
Operating lease rentals		
Land and buildings	5,981	5,517
Plant and machinery	858	2,217
Other	180	193
Profit on sale of fixed assets	(870)	(464)
Rent receivable	<u>(198)</u>	<u>(135)</u>

# AAH Pharmaceuticals Limited

## 8 Tax on profit on ordinary activities

	2004 £'000	2003 £'000
UK corporation tax at 30% (2003: 30%)	52,924	48,609
Adjustment in respect of previous years	(1,962)	(2,026)
	<u>50,962</u>	<u>46,583</u>
Deferred taxation (see note 18)	520	1,150
	<u>51,482</u>	<u>47,733</u>

The reconciliation of the current tax charge is as follows:

	2004 £'000	2003 £'000
Profit before tax multiplied by full UK corporation tax rate of 30% (2003: 30%)	53,110	49,956
Expenses not deductible for tax purposes:		
Timing differences	(855)	(2,321)
Permanent differences	648	775
Capital allowances for the period less depreciation	282	338
Profit on sale of assets to extent differs from chargeable gain	(261)	(139)
Adjustments for prior periods	(1,962)	(2,026)
	<u>50,962</u>	<u>46,583</u>

## 9 Dividends

	2004 £'000	2003 £'000
Interim paid	<u>40,000</u>	<u>75,000</u>

# AAH Pharmaceuticals Limited

## 10 Intangible assets and acquisitions

	Goodwill £'000
<b>Cost</b>	
At 1 January 2004 and at 31 December 2004	<u>5,000</u>
<b>Amortisation</b>	
At 1 January 2004	1,750
Charge for year	<u>1,000</u>
At 31 December 2004	<u>2,750</u>
<b>Net book value</b>	
At 31 December 2004	<u>2,250</u>
At 31 December 2003	<u>3,250</u>

The goodwill arose on the acquisition of the business of AAH Twenty Seven Limited on 5 April 2002 and is being amortised over a 5 year period on a straight line basis. The 5 year period was selected since that is considered to be the best estimate of its useful economic life.

## 11 Tangible fixed assets

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 January 2004	2,916	2,776	3,719	52,064	9,521	70,996
Reclassification within fixed assets	(1,151)	(596)	2,029	(282)	-	-
Transfer (from)/to fixed assets	-	(1,029)	-	4,296	-	3,267
Additions	465	-	41	6,648	1,894	9,048
Disposals	(205)	-	-	(427)	(1,370)	(2,002)
Transfers from group company	-	-	-	602	394	996
<b>At 31 December 2004</b>	<u>2,025</u>	<u>1,151</u>	<u>5,789</u>	<u>62,901</u>	<u>10,439</u>	<u>82,305</u>
<b>Depreciation</b>						
At 1 January 2004	764	427	1,672	31,805	4,719	39,387
Reclassification within fixed assets	(266)	216	305	(200)	(55)	-
Transfer (from)/to fixed assets	-	(388)	-	2,186	-	1,798
Charge for year	38	26	383	6,290	2,801	9,538
Disposals	(98)	-	-	(375)	(1,258)	(1,731)
Transfers from group company	-	-	-	356	192	548
<b>At 31 December 2004</b>	<u>438</u>	<u>281</u>	<u>2,360</u>	<u>40,062</u>	<u>6,399</u>	<u>49,540</u>
<b>Net book value</b>						
At 31 December 2004	<u>1,587</u>	<u>870</u>	<u>3,429</u>	<u>22,839</u>	<u>4,040</u>	<u>32,765</u>
At 31 December 2003	<u>2,152</u>	<u>2,349</u>	<u>2,047</u>	<u>20,259</u>	<u>4,802</u>	<u>31,609</u>

# AAH Pharmaceuticals Limited

## 11 Tangible fixed assets (continued)

The interest of the company in property held for resale has been transferred to debtors falling due within 1 year (see note 14). The interest of the company in assets held at customer premises has been transferred to fixed assets from current assets.

On 1 October 2004, AAH Pharmaceuticals Limited acquired the fixed assets of a fellow subsidiary, Barclay Pharmaceuticals Limited. The consideration paid for the assets was their net book value at 1 October 2004.

The fixed assets shown above include assets held under finance leases that have a cost of £171,000 as at 31 December 2004 (2003: £nil) and a net book value of £151,000 (2003: £nil).

## 12 Investments

	Shares in Group undertakings £'000	Unlisted Investments £'000	Total £'000
<b>Cost and net book value</b>			
At 1 January 2004 and at 31 December 2004	51	150	201

The company holds a participating interest in Tredimed SA, a purchasing company incorporated in France. This interest at 31 December 2003 and 31 December 2004 consisted of 2,500 preferential shares of FF200 each, representing a 25% holding.

Tredimed SA is regarded as a subsidiary of Celesio AG since that company owns 100% of the issued share capital either directly or via intermediate subsidiary companies.

The unlisted investments represent 300,000 10p ordinary shares in Nucare plc @ 50p each.

## 13 Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	-	482
Finished goods and goods for resale	234,743	248,446
	<u>234,743</u>	<u>248,928</u>

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

Stocks held under these arrangements amounted to £20,207,000 (2003: £24,267,000).

# AAH Pharmaceuticals Limited

## 14 Debtors

	2004 £'000	2003 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	229,688	221,570
Amounts owed by parent and fellow subsidiaries	107,868	90,211
Amounts owed by other group companies	164	-
Assets held for resale	789	-
Prepaid pension contribution (see note 19)	9,100	-
Prepayments and accrued income	4,221	4,033
Other debtors	37,944	5,803
	<u>389,774</u>	<u>321,617</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by parent and fellow subsidiaries	<u>254,915</u>	<u>188,607</u>

## 15 Trade debtors subject to financing

	2004 £'000	2003 £'000
Trade debtors subject to financing	-	21,903
Less: non-returnable amounts received	-	(20,507)
	<u>-</u>	<u>1,396</u>

In December 1999, the Admenta UK group entered into an agreement to securitise some of the debts of its wholesale and retail divisions. As a result the company sold trade debtors to an independent company (Griffith Limited). The scheme was wound down during 2004 and there were no transactions outstanding at the year end.

The terms of sale were such that Griffith Limited has no subsequent recourse to AAH Pharmaceuticals Limited or any other member of the Admenta UK group. The company and the group were not obliged to support any losses. The funds received in respect of the sale and costs charged thereon were secured on the trade debtors.

Costs charged to the profit and loss account during the year ended 31 December 2004 in respect of the funds received amounted to £552,000 (2003: £943,000) and were included in "interest payable and similar charges."



# AAH Pharmaceuticals Limited

## 16 Creditors

	2004 £'000	2003 £'000
<b>Amounts falling due within one year:</b>		
Bank overdraft	33,654	8,025
Trade creditors	370,548	356,032
Amounts owed to parent and fellow subsidiaries	10,764	12,414
Finance leases (see note 17)	31	-
Corporation tax	30,477	27,821
Other taxation and social security payable	9,584	15,072
Other creditors	3,992	26,184
Accruals and deferred income	9,838	4,788
	<u>468,888</u>	<u>450,336</u>
<b>Amounts falling due after more than one year:</b>		
Finance leases (see note 17)	<u>111</u>	<u>-</u>

## 17 Finance leases

Future minimum payments under finance leases are as follows:

Within one year	31	-
In more than one year, but not more than five years	111	-
	<u>142</u>	<u>-</u>
Less: finance charges included above	(31)	-
	<u>111</u>	<u>-</u>

## 18 Provisions for liabilities and charges

### (a) Provisions

	Restructuring £'000	Property £'000	Total £'000
At 1 January 2004	68	2,160	2,228
Charge to the profit and loss account	1,024	736	1,760
Utilised during the year	(833)	(98)	(931)
<b>At 31 December 2004</b>	<u>259</u>	<u>2,798</u>	<u>3,057</u>

The restructuring provision relates to ongoing restructuring of head office functions and branches. It is anticipated that the remaining provision will be utilised during 2004.

# AAH Pharmaceuticals Limited

## 18 Provisions for liabilities and charges (continued)

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

AAH Pharmaceuticals Limited has agreed to manage the leased properties of a fellow subsidiary, Barclay Pharmaceuticals Limited.

It is expected that approximately £225,000 of the property provision will be utilised within one year. The remaining balance of £2,573,000 will be used throughout the period until the end of the lease term or the assignment or disposal of the premises, over a maximum remaining period of 17 years.

### (b) Deferred tax

	2004 £'000	2003 £'000
At 1 January 2004	98	(1,052)
Deferred tax charge in the profit and loss account (see note 8)	520	1,150
<b>At 31 December 2004</b>	<b>618</b>	<b>98</b>

The deferred taxation liability recognised in the financial statements is as follows:

	2004 £'000	2003 £'000
Accelerated capital allowances	333	362
Short term timing differences	285	(264)
	<b>618</b>	<b>98</b>

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 December 2004

### 19 Pension obligations

The company participates in group pension schemes operated by AAH Limited (a UK parent company), two of which are defined benefit and one defined contribution. All of the schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company. The funds are valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. The SSAP 24 valuations are as follows:

	AAH Staff Pension Scheme	Vestric Pension Plan
Valuation date	6 April 2002	1 April 2002
Market value of assets at valuation date	£54.9 million	£39 million
Level of funding at valuation date	87.0%	99.0%
<b>Principal assumptions:</b>		
Long term interest rate	5.1%	5.2%
Investment return	5.6%	5.6%
Rate of salary growth	4.50%	4.50%
Rate of pension increases	2.8%	2.8%

Surpluses and deficits are dealt with over the expected working lifetime of the members by appropriate adjustments to the contribution rates.

The operating costs for all schemes were borne by the relevant fund. The total pension charge in respect of the company was £1,655,000 (2003: £2,017,000).

There were amounts of £283,000 accrued in respect of pension scheme contributions at the balance sheet date (2003: £224,000). This balance is included other creditors.

The company provides no other post-retirement benefits to its employees.

As at the last SSAP 24 actuarial valuations the AAH Staff Pension Scheme had a total deficit of £7.9 million, which represents a funding level of 87%. The Vestric pension scheme had a deficit of £0.4 million, which represents a funding level of 99%. During December 2004 lump sum payments totalling £16.0 million were made into the AAH Staff, Vestric and Macarthy pension schemes. The payments were made in order to reduce the current deficits within the schemes and to facilitate the merger of the schemes during early 2005. The contribution of £9.1 million representing the AAH share of these payments into the AAH Staff and Vestric schemes is included in debtors.

The figures incorporated within the accounts are under SSAP 24 but in addition an actuarial valuation was carried out as at 31 December 2004 by a qualified independent actuary for FRS 17 disclosure purposes. It is considered that 50% of the assets and liabilities of the AAH Staff scheme and 100% of the assets and liabilities of the Vestric Scheme are attributable to the company. The major assumptions used by the actuary for the FRS 17 disclosures were as follows:

	Staff Scheme			Vestric Scheme		
	2004	2003	2002	2004	2003	2002
<b>Assumptions:</b>						
Rate of increase in salaries	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Rate of increase in pensions payment	5.2%	5.2%	5.1%	2.7%	2.8%	2.2%
Discount rate	5.3%	5.4%	5.6%	5.3%	5.4%	5.6%
Inflation assumption	2.9%	2.8%	2.3%	2.9%	2.8%	2.3%

# AAH Pharmaceuticals Limited

## 19 Pension obligations (continued)

In accordance with the requirements of FRS 17, the amounts noted below have been identified. The disclosures for FRS 17 have been restated to reflect a change in the initial assumptions on the rate of increase in salaries. This change had the impact of increasing the present value of scheme liabilities by £0.4 million in respect of the Staff Scheme (of which £0.2 million was attributable to AAH Pharmaceuticals Limited) and £1.3 million in respect of the Vestric Scheme (of which £1.3 million was attributable to AAH Pharmaceuticals Limited). The change made was to alter the rate of increase in future salaries from 4.05% to 4.6% for the year 2002. The restated disclosures are shown below (\*).

Total Scheme	Staff Scheme			Vestric Scheme		
	2004	2003	2002	2003	2004	2002
	£'m	£'m	£'m restated *	£'m	£'m	£'m restated *
Total market value of assets	72.8	54.2	49.8	54.2	44.2	32.3
Present value of scheme liabilities	(76.9)	(71.8)	(66.0)	(71.8)	(49.5)	(42.4)
Deficit in the scheme	(4.1)	(17.6)	(16.2)	(17.6)	(5.3)	(10.1)
Related deferred tax asset	1.2	5.3	4.9	5.3	1.6	3.0
Net pension liability	(2.9)	(12.3)	(11.3)	(12.3)	(3.7)	(7.1)

Attributable to AAH Pharmaceuticals	Staff Scheme			Vestric Scheme		
	2004	2003	2002	2004	2003	2002
	£'m	£'m	£'m restated *	£'m	£'m	£'m restated *
Total market value of assets	36.4	27.1	24.9	44.2	36.8	32.3
Present value of scheme liabilities	(38.4)	(35.9)	(33.0)	(49.5)	(48.0)	(42.4)
Deficit in the scheme	(2.0)	(8.8)	(8.1)	(5.3)	(11.2)	(10.1)
Related deferred tax asset	0.6	2.7	2.4	1.6	3.4	3.0
Net pension liability	(1.4)	(6.1)	(5.7)	(3.7)	(7.8)	(7.1)

The company also prepares pension disclosures under IAS 19 for incorporation into the results of its parent company, Celesio AG. The change described above in respect of the assumption for the rate of increase in salaries was also effective for IAS 19 reporting purposes.

Group contributions during the year were £17,200,000 (2003: £2,654,000). The contribution rate for the AAH Staff scheme for the coming year is 17.2% of pensionable payroll. The Company contribution rate for the Vestric scheme for the coming year is 17.2% of basic pay. In addition to the 17.2% of pensionable payroll payable by the company for the two schemes the company will pay an allowance towards scheme running expenses plus a share of £34,000 per month.

The value of assets in the scheme at 31 December 2004 and 31 December 2003, along with the expected rates of return, were as follows:

		Long term rate of return			
		2004	2003	2002	
		%	%	%	
Scheme assets:	Equities & property	7.5%	7.9%	7.9%	
	Bonds	5.1%	5.3%	5.1%	
	Other	4.8%	3.8%	4.0%	
		Staff Scheme	Vestric Scheme		
		2004	2003	2004	2003
		£'m	£'m	£'m	£'m
Scheme assets:	Equities & property	28.1	22.3	31.5	26.3
	Bonds	44.3	31.5	12.4	10.2
	Other	0.4	0.4	0.3	0.3
		72.8	54.2	44.2	36.8

# AAH Pharmaceuticals Limited

## 19 Pension obligations (continued)

If the net pension liability had been recognised in the financial statements the company's net assets and profit and loss reserve at each year end would be as follows:

	2004 £'m	2003 £'m
Net assets excluding pension liability	450.0	364.6
Pension liability		(13.9)
Net assets including pension liability	<u>450.0</u>	<u>350.7</u>
Profit and loss reserve excluding pension liability	400.0	314.6
Pension liability	(5.1)	(13.9)
Profit and loss reserve including pension liability	<u>394.9</u>	<u>300.7</u>
Total liabilities excluding pension liability	(472.7)	(452.7)
Pension liability	(5.1)	(13.9)
Total liabilities including pension liability	<u>(477.8)</u>	<u>(466.6)</u>

If FRS 17 had been fully adopted then the following amounts would have been recognised through the primary financial statements of the company:

	2004			2003		
	AAH Staff scheme £'m	Vestric scheme £'m	Total £'m	AAH Staff scheme £'m	Vestric scheme £'m	Total £'m
<b>Analysis of amount charged to operating profit:</b>						
Current service cost	0.5	1.0	1.5	0.5	1.1	1.6
Past service cost	-	-	-	-	-	-
Gains and losses on any settlements and curtailments	-	-	-	-	-	-
Total operating charge	<u>0.5</u>	<u>1.0</u>	<u>1.5</u>	<u>0.5</u>	<u>1.1</u>	<u>1.6</u>

### Analysis of amount credited to other finance income:

Expected return on scheme assets	1.7	2.6	4.3	1.6	2.3	3.9
Interest on pension scheme liabilities	(1.9)	(2.6)	(4.5)	(1.8)	(2.3)	(4.1)
Net return	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>	<u>(0.2)</u>	<u>-</u>	<u>(0.2)</u>

### Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):

Actual return less expected return on pension scheme assets	2.8	1.7	4.5	1.1	3.1	4.2
Experience gains and losses arising on the scheme liabilities	(1.1)	1.6	0.5	-	0.3	0.3
Changes in financial assumptions underlying the scheme liabilities	(0.6)	(1.0)	(1.6)	(2.2)	(4.3)	(6.5)
Actuarial loss recognised in STRGL	<u>1.1</u>	<u>2.3</u>	<u>3.4</u>	<u>(1.1)</u>	<u>(0.9)</u>	<u>(2.0)</u>

# AAH Pharmaceuticals Limited

## 24 Capital commitments

The company had capital commitments at 31 December 2004 of £511,000 (2003: £437,000).

## 25 Contingent liabilities

	2004 £'000	2003 £'000
Guarantee of loans to certain pharmacy customers	<u>104,553</u>	<u>122,956</u>

The company has guaranteed the bank loans of approximately 916 independent retail pharmacist customers. The guarantees are conditional upon the retail pharmacists remaining customers of the company. In the opinion of the directors no material loss will arise in connection with the above.

## 26 Related party transactions

Executives required by the company to move their homes to take up appointments at the group head office were entitled to a relocation package provided by the company. This package involved, where necessary, the executives entering into a contract with the company in the above scheme during the year.

## 27 Post Balance Sheet Event

On 1 March 2005 the AAH Staff, Vestric and Macarthy pension schemes were formally merged. The receiving scheme was the Macarthy pension scheme and this has been renamed the Admenta Pension Scheme. The rights of all transferring members have been preserved.

## 28 Ultimate parent undertaking and ultimate controlling party

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

Consolidated financial statements for the largest group of undertakings are prepared by Franz Haniel & Cie GmbH and may be obtained from Franz Haniel Platz 1, D-47119 Duisburg, Ruhrort, Germany.

Consolidated accounts for the smallest group of companies are prepared by Celesio AG and may be obtained from Celesio AG, Neckartalstrasse 155, D-70376 Stuttgart, Germany.

# AAH Pharmaceuticals Limited

## 19 Pension obligations (continued)

In addition to the above the following FRS 17 disclosures are required:

	AAH Staff scheme £'m	2004 Vestric scheme £'m	Total £'m	AAH Staff scheme £'m	2003 Vestric scheme £'m	Total £'m
<b>Movements in company share of deficit during the year:</b>						
Deficit in scheme at beginning of year	(8.8)	(11.2)	(20.0)	(8.1)	(10.9)	(19.0)
Movement in year:						
Current service cost	(0.5)	(1.0)	(1.5)	(0.5)	(1.1)	(1.6)
Contributions	6.3	4.5	10.8	0.9	1.0	1.9
Other finance income	(0.2)	-	(0.2)	(0.2)	(0.1)	(0.3)
Actuarial loss	1.1	2.4	3.5	(0.9)	(0.9)	(1.8)
Deficit in scheme at end of year	(2.1)	(5.3)	(7.4)	(8.8)	(12.0)	(20.8)

History of experience gains and losses:

		Difference between the expected actual return on scheme assets:		Experience gains and losses on scheme liabilities:	
		Amount	% of scheme assets	Amount	% of scheme assets
		£'m	%	£'m	%
2004	AAH Staff Scheme	2.8	8%	(1.1)	-3%
	Vestric Scheme	1.7	4%	1.6	3%
	<b>Total</b>	<b>4.5</b>		<b>0.5</b>	
2003	AAH Staff Scheme	1.1	4%	-	0%
	Vestric Scheme	3.1	8%	0.3	1%
	<b>Total</b>	<b>4.2</b>		<b>0.3</b>	
2002 restated *	AAH Staff Scheme	(3.1)	-13%	(0.7)	-2%
	Vestric Scheme	(7.4)	-23%	1.0	3%
	<b>Total</b>	<b>(10.5)</b>		<b>0.3</b>	
<b>Total amount recognised in statement of total recognised gains and losses:</b>					
		Amount	% of scheme assets		
		£'m	%		
2004	AAH Staff Scheme	1.1	0%		
	Vestric Scheme	2.3	5%		
	<b>Total</b>	<b>3.4</b>			
2003	AAH Staff Scheme	(0.9)	-2%		
	Vestric Scheme	(0.9)	-2%		
	<b>Total</b>	<b>(1.8)</b>			
2002 restated *	AAH Staff Scheme	(4.6)	-14%		
	Vestric Scheme	(7.4)	-18%		
	<b>Total</b>	<b>(12.0)</b>			

# AAH Pharmaceuticals Limited

## Notes to the financial statements for the year ended 31 December 2004

### 20 Called-up share capital

	2004 £'000	2003 £'000
Authorised, allotted, called up and fully paid 50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

### 21 Reserves

	Profit and loss account £'000
At 1 January 2004	314,436
Retained profit for the financial year	85,550
At 31 December 2004	<u>399,986</u>

### 22 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit on ordinary activities after taxation	125,550	118,788
Dividends	<u>(40,000)</u>	<u>(75,000)</u>
	85,550	43,788
Opening shareholders' funds	<u>364,436</u>	<u>320,648</u>
Closing shareholders' funds	<u>449,986</u>	<u>364,436</u>

### 23 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2004		31 December 2003	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	11	190	203	244
Expiring between two and five years	47	744	313	1,282
Expiring over five years	5,424	-	5,656	-
	<u>5,482</u>	<u>934</u>	<u>6,172</u>	<u>1,526</u>