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AAH Pharmaceuticals Limited
Directors' report and financial statements
for the year ended 31 December 2005

Registered no: 123458

CERTIFIED TO BE A TRUE COPY

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SECRETARY/DIRECTOR

DATE 23/10/2006

AAH Pharmaceuticals Limited

Directors' report and financial statements for the year ended 31 December 2005

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AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2005

The directors present their report and the audited financial statements of the company for the year ended 31 December 2005.

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 consolidated its position during 2005 despite continuing pressures within the market. The directors are confident that the company is well placed to exploit remaining and new profit opportunities during 2006 and beyond. The financial statements reflect an adjustment to the commercial terms of a principal customer, Lloyds Pharmacy Limited. This change took place with effect from 1 January 2005.

Dividends

The directors do not recommend a final dividend (2004: £nil). An interim dividend of £45.0 million was paid during the year (2004: £40.0 million).

Political and charitable contributions

Charitable contributions of £24,488 were made during the year (2004: £10,247). No political contributions were made (2004: £nil).

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2005 except where otherwise stated, were as follows:

I Davidson
S R Dunn
P L Forster-Jones
M L James
G R Lunt
J A Richards
J Bulmer

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2005 (continued)

Directors (continued)

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 2005 (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 46 days purchases outstanding at 31 December 2005 based on the average daily amount invoiced by suppliers during the year (2004: 43 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 2005 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
26 April 2006

Independent Auditors' Report to the members of AAH Pharmaceuticals Limited

We have audited the financial statements of AAH Pharmaceuticals Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

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


Basis of audit opinion

We conducted our audit in accordance with international standards on auditing standards (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.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2005 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
26 April 2006

AAH Pharmaceuticals Limited

Profit and loss account for the year ended 31 December 2005

	Notes	2005 £'000	2004 £'000 Restated
Turnover	3	2,902,608	2,986,841
Cost of sales		(2,713,710)	(2,719,120)
Gross profit		<u>188,898</u>	<u>267,721</u>
Distribution costs and administrative expenses		(112,046)	(109,929)
Operating profit		<u>76,852</u>	<u>157,792</u>
Net interest receivable	6	26,349	19,355
Profit on ordinary activities before taxation	7	<u>103,201</u>	<u>177,147</u>
Tax on profit on ordinary activities	8	(28,699)	(51,516)
Profit on ordinary activities after taxation		<u>74,502</u>	<u>125,631</u>
Dividends	9	(45,000)	(40,000)
Retained profit for the financial year	20	<u><u>29,502</u></u>	<u><u>85,631</u></u>

The results have been derived wholly from continuing operations.

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

AAH Pharmaceuticals Limited

Statement of Total Recognised Gains and Losses for the year ended 31 December 2005

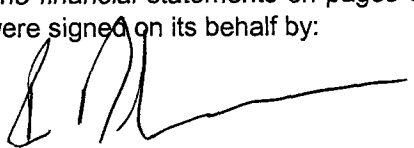
	Notes	2005 £'000	2004 £'000 Restated
Retained profit for the financial year		29,502	85,631
Actuarial gain recognised in the pension scheme		1,304	3,423
Movement on deferred tax asset relating to pension liability		(391)	(1,027)
Total recognised gains/(losses) relating to the year		<u>30,415</u>	<u>88,027</u>
Prior year adjustment	1 & 18	(11,538)	
Total gains and losses recognised since last annual report		<u>18,877</u>	

AAH Pharmaceuticals Limited

Balance sheet at 31 December 2005

	Notes	2005 £'000	2004 £'000 Restated
Fixed assets			
Intangible assets	10	1,250	2,250
Tangible assets	11	29,884	32,765
Investments	12	201	201
		<u>31,335</u>	<u>35,216</u>
Current assets			
Stocks	13	229,597	234,743
Debtors:			
Amounts falling due within one year	14	563,501	380,674
Amounts falling due after more than one year	14	128,761	257,027
Cash at bank and in hand		68,223	8,012
		<u>990,082</u>	<u>880,456</u>
Creditors: amounts falling due within one year	15	<u>(545,123)</u>	<u>(468,888)</u>
Net current assets		<u>444,959</u>	<u>411,568</u>
Total assets less current liabilities		476,294	446,784
Creditors: amounts falling due after more than one year	15	(83)	(111)
Provisions for liabilities and charges	17	<u>(3,482)</u>	<u>(3,057)</u>
Net assets excluding pension liability		<u>472,729</u>	<u>443,616</u>
Pension liability		<u>(3,866)</u>	<u>(5,168)</u>
Net assets including pension liability		<u><u>468,863</u></u>	<u><u>438,448</u></u>
Capital and reserves			
Called-up share capital	19	50,000	50,000
Profit and loss account	20	418,863	388,448
Equity shareholders' funds	21	<u><u>468,863</u></u>	<u><u>438,448</u></u>

The financial statements on pages 5 to 22 were approved by the board of directors on 26 April 2006 and were signed on its behalf by:


I Davidson
Director
26 April 2006

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2005

1 Principal accounting policies and significant estimation techniques

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.

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.

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.

AAH Pharmaceuticals Limited

1 Principal accounting policies and significant estimation techniques (continued)

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 scheme are determined by a professionally qualified actuary and are based on pension costs across the group as a whole. The company has adopted Financial Reporting Standard 17 'Retirement Benefits' in these financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The net liabilities under the defined benefit pension scheme are included in the balance sheet, the expected return on pension scheme assets and interest costs are included within net finance income and actuarial gains and losses are included within the statement of total recognised gains and losses.

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 £8,661,000 (2004: £1,681,000).

4 Directors' emoluments

	2005 £'000	2004 £'000
Aggregate emoluments	1,799	1,882
Compensation for loss of office	-	512
Company pension contributions to other pension schemes	18	15
	<u>1,817</u>	<u>2,409</u>

Retirement benefits are accruing to six directors under defined benefit schemes (2004: five directors). Retirement benefits are accruing to two directors under money purchase schemes (2004: two directors).

	2005 £'000	2004 £'000
Highest paid director		
Aggregate emoluments and benefits under long-term incentive schemes	497	440
Company pension contributions to other pension schemes	18	15
Defined benefit schemes:		
Accrued pension at end of year	<u>18</u>	<u>15</u>

5 Employee information

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

	2005	2004
By function		
Selling and distribution	2,862	3,031
Administration	534	390
	<u>3,396</u>	<u>3,421</u>

Staff costs for the above persons were:

	2005 £'000	2004 £'000 Restated
Wages and salaries	56,615	56,298
Social security costs	4,903	4,510
Other pension costs (see note 18)	1,547	1,623
	<u>63,065</u>	<u>62,431</u>

AAH Pharmaceuticals Limited

6 Net interest receivable

	2005 £'000	2004 £'000
Interest payable and similar charges		
Other interest and similar charges	<u>18</u>	<u>563</u>
Interest receivable		
Bank interest	(12)	-
Group interest	(26,088)	(19,802)
Other interest	<u>(267)</u>	<u>(116)</u>
	<u>(26,367)</u>	<u>(19,918)</u>
Net interest receivable	<u>(26,349)</u>	<u>(19,355)</u>

7 Profit on ordinary activities before taxation

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

	2005 £'000	2004 £'000
Depreciation - tangible assets		
Charge for the year on owned assets	7,261	9,518
Charge for the year on assets held under finance leases	34	20
Amortisation - intangible assets	1,000	1,000
Other fixed asset adjustments	3	-
Auditors' remuneration		
For audit	182	146
Other	76	9
Operating lease rentals		
Land and buildings	6,617	5,981
Plant and machinery	199	858
Other	2,416	180
Profit on sale of fixed assets	(925)	(870)
Rent receivable	<u>(132)</u>	<u>(198)</u>

8 Tax on profit on ordinary activities

	2005 £'000	2004 £'000 Restated
UK corporation tax at 30% (2004: 30%)	30,922	52,924
Adjustment in respect of previous years	<u>(3,032)</u>	<u>(1,962)</u>
	27,890	50,962
Deferred taxation (see note 17)	<u>809</u>	<u>554</u>
	<u>28,699</u>	<u>51,516</u>

AAH Pharmaceuticals Limited

8 Tax on profit on ordinary activities (continued)

The reconciliation of the current tax charge is as follows:

	2005 £'000	2004 £'000 Restated
Profit before tax multiplied by full UK corporation tax rate of 30% (2004: 30%)	30,960	53,144
Expenses not deductible for tax purposes:		
Timing differences & other	477	(889)
Permanent differences	540	648
Capital allowances for the period less depreciation	145	282
Profit on sale of assets to extent differs from chargeable gain	(1,200)	(261)
Adjustments for prior periods	<u>(3,032)</u>	<u>(1,962)</u>
	<u>27,890</u>	<u>50,962</u>

9 Dividends

	2005 £'000	2004 £'000
Interim paid	<u>45,000</u>	<u>40,000</u>

10 Intangible assets and acquisitions

	Goodwill £'000
Cost	
At 1 January 2005 and at 31 December 2005	<u>5,000</u>
Amortisation	
At 1 January 2005	2,750
Charge for year	<u>1,000</u>
At 31 December 2005	<u>3,750</u>
Net book value	
At 31 December 2005	<u>1,250</u>
At 31 December 2004	<u>2,250</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.

AAH Pharmaceuticals Limited

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
Cost						
At 1 January 2005	2,025	1,151	5,789	62,901	10,439	82,305
Reclassification within fixed assets	21	-	(21)	-	-	-
Transfer (from)/to fixed assets	(481)	-	-	-	-	(481)
Adjustments	-	-	(49)	(295)	(41)	(385)
Additions	-	-	97	7,172	753	8,022
Disposals	-	-	-	(1,624)	(8,805)	(10,429)
At 31 December 2005	1,565	1,151	5,816	68,154	2,346	79,032
Depreciation						
At 1 January 2005	438	281	2,360	40,062	6,399	49,540
Transfer (from)/to fixed assets	(6)	-	-	-	-	(6)
Adjustments	2	-	(46)	(284)	(54)	(382)
Charge for year	35	23	196	6,534	507	7,295
Disposals	-	-	-	(1,618)	(5,681)	(7,299)
At 31 December 2005	469	304	2,510	44,694	1,171	49,148
Net book value						
At 31 December 2005	1,096	847	3,306	23,460	1,175	29,884
At 31 December 2004	1,587	870	3,429	22,839	4,040	32,765

The interest of the company in property held for resale of £481,000 has been transferred to debtors falling due within one year (see note 14).

During 2005, commercial vehicles with a net book value of £3,077,000 were sold at arm's length at a profit of £693,000. The vehicles were subsequently leased back on an operating lease.

The fixed assets shown above include assets held under finance leases that have a cost of £171,000 as at 31 December 2005 (2004: £171,000) and a net book value of £117,000 (2004: £151,000).

The adjustments to cost of £385,000 and to depreciation of £382,000 follow a review of the asset register. The resulting net loss on disposal of £3,000 is shown in note 7 to the accounts.

AAH Pharmaceuticals Limited

12 Investments

	Shares in Group undertakings £'000	Unlisted Investments £'000	Total £'000
Cost and net book value			
At 1 January 2005 and at 31 December 2005	51	150	201

The company holds a participating interest in Tredimed SA, a purchasing company incorporated in France. This interest at 31 December 2004 and 31 December 2005 consisted of 2,500 preferential shares of FF200 each, representing a 25% holding.

Tredimed SA is a subsidiary of Celesio AG, the latter owning 100% of the issued share capital either directly or via intermediate subsidiary companies.

The unlisted investments represent 600,000 10p ordinary shares in Nucare plc.

13 Stocks

	2005 £'000	2004 £'000
Finished goods and goods for resale	<u>229,597</u>	<u>234,743</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 £19,245,000 (2004: £20,207,000).

14 Debtors

	2005 £'000	2004 £'000 Restated
Amounts falling due within one year:		
Trade debtors	249,400	229,688
Amounts owed by parent and fellow subsidiaries	268,187	107,868
Amounts owed by other group companies	737	164
Corporation tax recoverable	8,803	-
Other taxation recoverable	11,196	-
Assets held for resale	4,197	789
Prepayments and accrued income	6,426	4,221
Other debtors	14,555	37,944
	<u>563,501</u>	<u>380,674</u>

AAH Pharmaceuticals Limited

14 Debtors (continued)

	2005 £'000	2004 £'000
Amounts falling due after more than one year:		
Amounts owed by parent and fellow subsidiaries	127,291	254,915
Deferred taxation (see note 17)	1,470	2,112
	<u>128,761</u>	<u>257,027</u>

15 Creditors

	2005 £'000	2004 £'000
Amounts falling due within one year:		
Bank overdraft	120,170	33,654
Trade creditors	399,226	370,548
Amounts owed to parent and fellow subsidiaries	9,225	10,764
Amounts owed to other group companies	671	-
Finance leases (see note 16)	31	31
Corporation tax	-	30,477
Other taxation and social security payable	-	9,584
Other creditors	4,001	3,992
Accruals and deferred income	11,799	9,838
	<u>545,123</u>	<u>468,888</u>
Amounts falling due after more than one year:		
Finance leases (see note 16)	<u>83</u>	<u>111</u>

16 Finance leases

	2005 £'000	2004 £'000
Future minimum payments under finance leases are as follows:		
Within one year	31	31
In more than one year, but not more than five years	83	111
	<u>114</u>	<u>142</u>
Less: finance charges included above	(31)	(31)
	<u>83</u>	<u>111</u>

AAH Pharmaceuticals Limited

17 Provisions for liabilities and charges

(a) Provisions

	Restructuring £'000	Property £'000	Total £'000
At 1 January 2005	259	2,798	3,057
Charge to the profit and loss account	50	810	860
Utilised during the year	(259)	(176)	(435)
At 31 December 2005	50	3,432	3,482

The restructuring provision relates to ongoing restructuring of head office functions and branches. It is anticipated that the remaining provision will be used in 2006.

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 at least £130,000 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 16 years.

(b) Deferred tax

Movements in the deferred taxation (asset)/liability are as follows:

	2005 £'000	2004 £'000 Restated
At 1 January as previously reported	618	98
Prior year adjustment (see note 18)	(4,945)	(6,006)
At 1 January as restated	(4,327)	(5,908)
Deferred tax movement in the profit and loss account (see note 8)	809	554
Deferred tax movement in the statement of total recognised gains and losses (see note 18)	391	1,027
At 31 December	(3,127)	(4,327)

The deferred taxation (asset)/liability recognised in the financial statements can be analysed as follows:

Accelerated capital allowances	753	333
Deferred gains	933	-
Short term timing differences	(3,156)	(2,445)
	(1,470)	(2,112)
Deferred tax on pension asset (see note 18)	(1,657)	(2,215)
	(3,127)	(4,327)

Deferred tax assets are disclosed within debtors due after more than one year.

AAH Pharmaceuticals Limited

18 Pension obligations

The company participates in the pension scheme operated by AAH Limited (a UK parent company). This is the Admenta scheme, which is a defined benefit scheme. This was formed on 1 March 2005 as a result of the merger of the AAH Staff, Vestric and Macarthy pension plans.

The company also participates in the AAH Lloyds scheme, which is a defined contribution scheme.

All schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company. The operating costs for the schemes were borne by the relevant fund.

AAH Lloyds scheme

Total contributions to the scheme during 2005 amounted to £588,000 (2004: £222,000). There were amounts of £215,000 accrued in respect of contributions at the balance sheet date (2004: £105,000). This balance is included other creditors.

Admenta scheme

An actuarial valuation of the scheme was carried out as at 31 December 2005 by a qualified independent actuary for FRS 17 disclosure purposes. The major assumptions used by the actuary for the FRS 17 disclosures were as follows:

	2005	2004	2003
Assumptions:			
Rate of increase in salaries	4.6%	4.6%	4.6%
Rate of increase in pensions in payment	2.7%	2.7%	2.6%
Rate of increase in deferred pensions	2.9%	2.9%	2.8%
Discount rate	4.8%	5.3%	5.4%
Inflation assumption	2.9%	2.9%	2.8%

The scheme has a range of rates of increase for different benefit categories. Further details of the rates can be found in the scheme documentation.

The total contributions of the group to the scheme during 2005 amounted to £2,411,000 (2004: £17,200,000). The contributions of the company amounted to £1,282,000 (2004: £10,869,000). The agreed contribution rate of the company for the coming year is 17.2% per annum of pensionable salaries. Expenses and levies to the pension protection fund are payable in addition to this rate.

The pension plan is closed to new entrants so the average age of the membership is expected to increase over time. The projected unit method is used to calculate the current service cost. This calculates the value of the following years' pension accrual and expresses it as a percentage of pensionable pay. This percentage will increase as the members of the Scheme approach retirement. Surpluses and deficits are dealt with over the expected working lifetime of the members by appropriate adjustments to the contribution rates.

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18 Pension obligations (continued)

Admenta scheme (continued)

The value of assets in the scheme at 31 December 2005 and 31 December 2004, along with the expected rates of return, were as follows:

		Market value as at 31 December		
		2005	2004	2003
		£'000	£'000	£'000
Total scheme assets:	Equities & property	84,143	72,925	61,149
	Bonds	87,779	78,059	61,107
	Other	1,117	680	923
		173,039	151,664	123,179

		Long term rate of return		
		2005	2004	2003
		%	%	%
Scheme assets:	Equities & property	7.5%	7.5%	7.9%
	Bonds	4.5%	5.1%	5.3%
	Other	4.5%	4.8%	3.8%

		As at 31 December		
		2005	2004	2003
		£'000	£'000	£'000
Total scheme assets:	Market value of scheme assets as above	173,039	151,664	123,179
	Present value of scheme liabilities	(181,202)	(164,009)	(154,860)
	Deficit in the scheme	(8,163)	(12,345)	(31,681)
	Related deferred tax asset	2,449	3,703	9,504
	Net pension liability	(5,714)	(8,642)	(22,177)

		As at 31 December		
		2005	2004	2003
		£'000	£'000	£'000
AAH share of scheme assets:	Market value of scheme assets as above	92,033	80,571	63,939
	Present value of scheme liabilities	(97,556)	(87,954)	(83,960)
	Deficit in the scheme	(5,523)	(7,383)	(20,021)
	Related deferred tax asset	1,657	2,215	6,006
	Net pension liability	(3,866)	(5,168)	(14,015)

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18 Pension obligations (continued)

Admenta scheme (continued)

2005	2004
£'000	£'000

The amounts charged can be analysed as follows:

Analysis of amount charged to operating profit in respect of the Admenta scheme:

Current service cost	1,284	1,440
Past service cost	-	30
Gains and losses on any settlements and curtailments	-	-
Total operating charge	<u>1,284</u>	<u>1,470</u>

Analysis of amount credited to other finance income:

Expected return on scheme assets	5,154	4,307
Interest on pension scheme liabilities	(4,596)	(4,491)
Net return	<u>558</u>	<u>(184)</u>

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

Actual return less expected return on pension scheme assets	8,394	4,497
Experience gains and losses arising on the scheme liabilities	(6,123)	(1,074)
Changes in financial assumptions underlying the scheme liabilities	(967)	-
	<u>(7,090)</u>	<u>(1,074)</u>
Actuarial loss recognised in STRGL	<u>1,304</u>	<u>3,423</u>

Movements in the surplus/(deficit) in the Admenta scheme during the year:

Deficit in scheme at beginning of the year	(7,383)	(20,021)
Movement in year		
Current service cost	(1,284)	(1,440)
Past service costs	-	(30)
Curtailment gains	-	-
Contributions	1,282	10,869
Other finance income	558	(184)
Actuarial gain/(loss)	1,304	3,423
Deficit at end of the year	<u>(5,523)</u>	<u>(7,383)</u>

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18 Pension obligations (continued)

Admenta scheme (continued)

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
	£'000	%	£'000	%
2005	8,394	10%	(967)	-1%
2004	4,497	7%	463	1%
2003	4,167	7%	295	0%
2002	(10,575)	-17%	367	1%
Total amount recognised in statement of total recognised gains and losses:				
	Amount	% of scheme assets		
	£'000	%		
2005	1,304	2%		
2004	3,424	5%		
2003	(3,468)	-6%		
2002	(10,518)	-16%		

There were amounts of £70,000 accrued in respect of pension scheme contributions at the balance sheet date (2004: £283,000). This balance is included other creditors.

The company has reported a prior year adjustment following its adoption of Financial Reporting Standard 17 at 1 January 2005. The impact of this change has been to reduce prepaid pension contributions and report a pensions deficit of £5,523,000 (2004: £7,383,000), to increase the deferred tax asset by £1,657,000 (2004: £2,215,000) and to reduce net reserves by £3,884,000 (2004: £11,538,000).

	Analysis of the prior year adjustment		
	Pension charge	Deferred tax	Total
	£'000	£'000	£'000
Opening shareholders' funds at 1 January 2004	(20,021)	6,006	(14,015)
Profit and loss account for the year ended 31 December 2004	115	(34)	81
Adjustment to the statement of total recognised gains and losses for the year ended 31 December 2004	3,423	(1,027)	2,396
	(16,483)	4,945	(11,538)

AAH Pharmaceuticals Limited

19 Called-up share capital

	2005 £'000	2004 £'000
Authorised, allotted, called up and fully paid 50,000,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

20 Reserves

	Profit and loss account £'000
At 1 January 2005 as previously reported	399,986
Prior year adjustment (see note 18)	(11,538)
At 1 January 2005 as restated	<u>388,448</u>
Actuarial gain/(loss) on pension scheme	1,304
Movement on deferred tax relating to pension scheme	(391)
Retained profit for the financial year	29,502
At 31 December 2005	<u>418,863</u>

21 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit on ordinary activities after taxation	74,502	125,631
Dividends	(45,000)	(40,000)
	<u>29,502</u>	<u>85,631</u>
Actuarial gain on pension scheme	1,304	3,423
Movement on deferred tax relating to pension scheme	(391)	(1,027)
Opening shareholders' funds as previously reported	449,986	364,436
Prior year adjustment (see note 18)	(11,538)	(14,015)
Opening shareholders' funds as restated	<u>438,448</u>	<u>350,421</u>
Closing shareholders' funds	<u>468,863</u>	<u>438,448</u>

22 Financial commitments

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2005		31 December 2004	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	87	1,249	11	190
Expiring between two and five years	539	2,240	47	744
Expiring over five years	5,117	-	5,424	-
	<u>5,743</u>	<u>3,489</u>	<u>5,482</u>	<u>934</u>

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23 Capital commitments

The company had capital commitments at 31 December 2005 of £1,603,000 (2004: £437,000).

24 Contingent liabilities

	2005 £'000	2004 £'000
Guarantee of loans to certain pharmacy customers	<u>109,780</u>	<u>104,553</u>

The company has guaranteed the bank loans of approximately 636 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.

25 Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosure of intra-group transactions and balances as these are eliminated on consolidation in the financial statements of the ultimate parent undertaking.

26 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.