

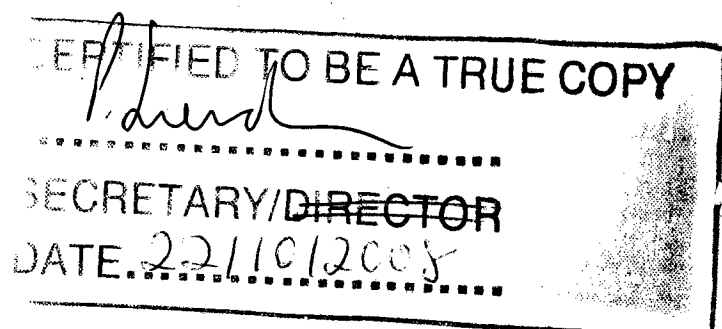
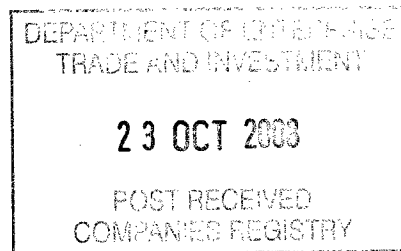


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AAH Pharmaceuticals Limited
Annual report and financial statements
for the year ended 31 December 2007

Registered no: 123458



AAH Pharmaceuticals Limited

Annual report and financial statements for the year ended 31 December 2007

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AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007.

Results

The results for the financial year are presented in the profit and loss account on page 7.

Principal activities

AAH Pharmaceuticals Limited is the leading distributor of pharmaceutical and healthcare products and services in the UK. The company works in partnership with manufacturers to supply pharmacies, hospitals and dispensing doctors.

Review of business and future developments

The directors monitor the progress of the company and the implementation of its strategy by reference to key performance indicators. The indicators employed include turnover, gross profit and operating margin. These are discussed in more detail below.

The pharmaceutical wholesaling market continued to be highly competitive in 2007. Market conditions were influenced by the decision of Pfizer in 2006 to restrict the supply of its products in the UK, with Alliance Unichem plc being the sole nominated logistics provider. This is reflected in a fall in company turnover in 2007 of 2.1%.

Nevertheless, the growth reported by AAH Pharmaceuticals in 2007 in the sale of non-Pfizer products and services was ahead of the overall market growth of 7.0%. This was generated principally by working with existing customers and suppliers to help them develop their businesses. Growth achieved with existing partners has been supported by a number of new accounts and supply contracts which were also secured during the year.

Despite competitive pressure across all customer channels, the company improved its gross profit percentage (7.0% in 2007, 6.4% in 2006).

The company continues to focus on the cost efficiency of its services. This focus is maintained across the business, at branch and head office level. As a result, the operating margin improved from 2.7% of turnover in 2006 to 3.3% of turnover in 2007.

The directors consider that regular investment in customer facing services and systems and supply chain capabilities are key to the ongoing success of the business. For example, the company continues to provide services and advice to pharmacists on medicine usage reviews. The development of supply chain capabilities in 2007 included the completion of a new warehouse in

The directors are confident that AAH Pharmaceuticals Limited is exceptionally well-placed to deal with any changes in the market which may follow the events described above.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2007 (continued)

Dividends

The directors do not recommend a final dividend (2006: £nil). An interim dividend of £130.0 million was paid during the year (2006: £30.0 million). The interim dividend amounted to £2.60 per share (2006: £0.60 per share).

Political and charitable contributions

Charitable contributions of £8,645 were made during the year (2006: £12,439). These included donations to the Meningitis Trust (£700). No political contributions were made (2006: £nil).

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2007 except where otherwise stated, were as follows:

M L James	
G R Lunt	
J A Richards	
J Bulmer	
I Davidson	(until 21 December 2007)
S R Dunn	(until 21 December 2007)

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

Directors' interests

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 Celesio group annual report and company news releases are distributed. Other matters of importance or interest are featured in regular issues of the AAH in-house magazines which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company performance.

Training and development are regarded as fundamental requirements and key to the retention of staff. Appropriate programmes exist at group and subsidiary level.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2007 (continued)

Employment policies (continued)

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.

Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally. The policy is to:

- (a) agree the terms of payment with creditors at the outset of any supply chain partnership and in advance of any provision of goods and services
- (b) pay in accordance with the agreed terms and any other contractual or legal obligations.

The payment policy applies to all creditors for the supply of revenue and capital goods and services.

The company had 37 days purchases outstanding at 31 December 2007 based on the average daily amount invoiced by suppliers during the year (2006: 43 days).

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.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of key risks. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them.

Competition

AAH Pharmaceuticals Limited operates in a market which is highly competitive, particularly around price and product availability. There is, as a result, a downward pressure on margins with the additional risk that the company will not meet the expectations of customers. To mitigate this risk, the company undertakes market research at regular intervals to understand customer and supplier expectations and identify whether their needs are being met. The sales and commercial teams also monitor market prices on a daily basis.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2007 (continued)

Principal risks and uncertainties (continued)

Supply chain

The provision of a process driven quality service to customers and suppliers is dependent on the availability of a number of key systems, including warehouse management, supply chain support and customer ordering. The company has a policy of continually investing in these systems to ensure it retains its leading position amongst pharmaceutical wholesalers. The systems are monitored and assessed on a regular basis, using a variety of diagnostic tools such as benchmarking.

People

The company recognises that the success of AAH Pharmaceuticals Limited is dependent almost entirely upon the efforts of its staff. There are a number of training and development programmes in place, and staff retention is monitored by the board of directors.

Financial risk management

The company is exposed to a variety of financial risks, which include credit, liquidity, foreign currency and interest rate risk. The company has employed a programme that seeks to manage and limit any adverse effects of these risks - which are described in more detail below - on the financial performance of the company.

The directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board, although use is made of a central treasury function which arranges the overall funding requirements of Celesio in the UK ('the UK group'). This central function operates within a framework of clearly defined policies and procedures which have been approved by the directors, and reports to the board on a monthly basis.

The policies approved by the board of directors are implemented by the company's finance department and the central treasury function. The policies, which are documented in departmental manuals, cover funding and hedging instruments, exposure limits and a system of authority for the approval and execution of transactions.

Credit risk: the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The finance and sales teams also liaise with customers on a regular basis to ensure that key issues are identified at an early stage.

Liquidity risk: the company participates in the banking arrangements of the UK group, which are arranged with the assistance of the central treasury function. The UK group funds its operations through a mix of retained earnings, borrowings and leasing that is designed to ensure that the company has sufficient funds for its day to day operations and other activities. Cash flow requirements are monitored through rolling projections which are compiled across the group.

Foreign currency and interest rate risk: the company uses instruments to manage its foreign currency risks. The company also has both interest bearing assets and liabilities, these being managed within the UK group.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2007 (continued)

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 those financial statements, the directors are required to (a) select suitable accounting policies and then apply them consistently and (b) make judgments and estimates that are reasonable and prudent and (c) state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business in which case there should be supporting assumptions or qualifications as necessary.

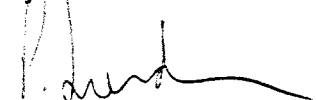
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Statement of disclosure of information to auditors

Each person who is a director at the date of approval of this report confirms the following: so far as each director is aware (a) there is no relevant audit information - that is information needed by the company's auditors in connection with preparing their report - of which the company's auditors are unaware and (b) the director has taken all the steps necessary as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provision of section 234ZA of the Companies Act 1985.

By order of the Board



P Smerdon
Secretary

24 April 2008

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 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 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 report to you whether, in our opinion, the directors' report is consistent with the financial statements.

In addition we also 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 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.

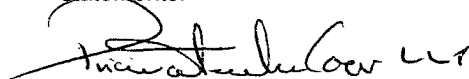
Basis of audit opinion

We conducted our audit in accordance with international standards on auditing 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion (a) the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2007 and of its profit for the year then ended; (b) the financial statements have been properly prepared in accordance with the Companies Act 1985; and (c) the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Birmingham

28 April 2008

AAH Pharmaceuticals Limited

Profit and loss account for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Turnover	3	3,080,482	3,145,676
Cost of sales		(2,863,799)	(2,944,580)
Gross profit		<u>216,683</u>	<u>201,096</u>
Distribution costs and administrative expenses		(116,369)	(117,574)
Profit/(loss) on sale of fixed assets	4	1,575	(21)
Operating profit		<u>101,889</u>	<u>83,501</u>
Net interest receivable	7	34,182	24,439
Profit on ordinary activities before taxation	8	<u>136,071</u>	<u>107,940</u>
Tax on profit on ordinary activities	9	(41,622)	(31,988)
Profit for the financial year	21	<u><u>94,449</u></u>	<u><u>75,952</u></u>

The results have been derived wholly from continuing operations.

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

AAH Pharmaceuticals Limited

Statement of total recognised gains and losses for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Profit for the financial year	21	94,449	75,952
Actuarial (loss)/gain recognised in the pension scheme	19	(4,708)	3,668
Movement on deferred tax asset relating to pension liability	18	<u>1,318</u>	<u>(1,100)</u>
		(3,390)	2,568
Total gains and losses recognised since last annual report		<u><u>91,059</u></u>	<u><u>78,520</u></u>

AAH Pharmaceuticals Limited

Balance sheet at 31 December 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	11	-	250
Tangible assets	12	30,197	31,021
Investments	13	51	201
		<u>30,248</u>	<u>31,472</u>
Current assets			
Stocks	14	243,700	240,517
Debtors:			
Amounts falling due within one year	15	575,995	532,852
Amounts falling due after more than one year	15	234,811	254,198
Cash at bank and in hand		3,543	6,825
		<u>1,058,049</u>	<u>1,034,392</u>
Creditors: amounts falling due within one year	16	<u>(604,189)</u>	<u>(544,376)</u>
Net current assets		<u>453,860</u>	<u>490,016</u>
Total assets less current liabilities		484,108	521,488
Creditors: amounts falling due after more than one year	16	(25)	(55)
Provisions for liabilities and charges	18	<u>(2,179)</u>	<u>(3,240)</u>
Net assets excluding pension liability		481,904	518,193
Pension liability	19	<u>(3,462)</u>	<u>(810)</u>
Net assets including pension liability		<u>478,442</u>	<u>517,383</u>
Capital and reserves			
Called up share capital	20	50,000	50,000
Profit and loss account	21	<u>428,442</u>	<u>467,383</u>
Total shareholders' funds	22	<u>478,442</u>	<u>517,383</u>

The financial statements on pages 7 - 25 were approved by the board of directors on 24 April 2008 and were signed on its behalf by:


M. L. James
Director
24 April 2008

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2007

1 Accounting policies

The financial statements have been prepared on the going concern basis and under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. Set out below is a summary of the principal accounting policies, which have been applied consistently except where stated.

Turnover

Other than for long term contracts, turnover represents the sale of goods and services at invoice value excluding value added tax. The recognition of revenue under long term contracts is described below.

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.

Taxation

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

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.

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.

AAH Pharmaceuticals Limited

1 Accounting policies (continued)

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
Warehouse fixtures, fittings, plant and equipment	5% - 33.3% straight line

Stocks and long term contracts

The company has been involved in a long-term contract to develop a warehouse in Stoke, in which it has acted as the principal contract manager. Turnover on the contract reflects the costs incurred to date in establishing and managing the contract, plus the directors' best estimate of profits attributable to the work completed to date. For this purpose, the directors' best estimate of attributable profits includes a proportion of the total profits anticipated to be made on the contract, to the extent that their realisation is reasonably foreseeable, and after making an appropriate provision for all future possible costs.

Any long term contract balances in stocks comprise costs incurred on long term contracts, net of amounts transferred to cost of sales, after deducting foreseeable losses and related payments on account. Costs include all direct material and labour costs incurred in bringing a contract to its state of completion at the year end, including an appropriate proportion of indirect expenses. Provisions for estimated losses on contracts are made in the period in which such losses are foreseen. Long term contract balances do not include attributable profit. Any excess of payments received over amounts recorded as turnover is classified under creditors due within one year. Amounts recoverable on contracts, being the amount by which recorded turnover is in excess of payments on account, is classified under debtors.

Other 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 Accounting policies (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.

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. These financial statements are prepared in accordance with Financial Reporting Standard 17. 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. Further details and disclosures relating to Financial Reporting Standard 17 are given in note 18 to the financial statements.

Dividends

These financial statements are prepared in accordance with Financial Reporting Standard 25. Distributions to holders of an equity instrument are therefore debited directly to equity net of any related income tax benefit.

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).

3 Turnover

Turnover is generated in the United Kingdom, predominantly to customers in this country. Overseas sales to Europe and the Middle East during the year amounted to £1,176,000 (2006: £42,744,000).

AAH Pharmaceuticals Limited

4 Profit/(loss) on sale of fixed assets

	2007 £'000	2006 £'000
(Profit) / loss on sale of fixed assets	<u>(1,575)</u>	<u>21</u>

5 Directors' emoluments

	2007 £'000	2006 £'000
Aggregate emoluments	1,782	1,811
Company contributions to non-company pension schemes	-	20
	<u>1,782</u>	<u>1,831</u>

Retirement benefits under defined benefit schemes are accruing to six individuals who were directors of the company during 2007 (2006: six directors). Retirement benefits under money purchase schemes are accruing to one individual who was a director of the company during the year (2006: two directors).

	2007 £'000	2006 £'000
Highest paid director		
Aggregate emoluments and benefits under long-term incentive schemes	469	467
Company contributions to non-company pension schemes	-	20
Accrued pension at end of year for the defined benefit scheme	<u>29</u>	<u>23</u>

6 Employee information

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

	2007	2006
By function		
Selling and distribution	2,827	2,886
Administration	<u>596</u>	<u>583</u>
	<u>3,423</u>	<u>3,469</u>
Staff costs (£'000)		
Wages and salaries	62,575	61,761
Social security costs	5,283	5,158
Other pension costs (see note 19)	<u>1,617</u>	<u>1,888</u>
	<u>69,475</u>	<u>68,807</u>

AAH Pharmaceuticals Limited

7 Net interest receivable

	2007 £'000	2006 £'000
Interest payable and similar charges		
Other interest and similar charges	473	22
	<u>473</u>	<u>22</u>
Interest receivable		
Bank interest	(43)	(69)
Group interest	(33,446)	(23,445)
Other interest	(192)	(168)
	<u>(33,681)</u>	<u>(23,682)</u>
Other finance income (see note 19)	(974)	(779)
	<u>(34,655)</u>	<u>(24,461)</u>
Net interest receivable	<u>(34,182)</u>	<u>(24,439)</u>

8 Profit on ordinary activities before taxation

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

	2007 £'000	2006 £'000
Depreciation - tangible assets		
Charge for the year on owned assets	7,387	7,050
Charge for the year on assets held under finance leases	35	34
Accelerated depreciation	-	3,710
Amortisation - intangible assets	250	1,000
Other fixed asset adjustments	-	1
Auditors' remuneration For audit	199	151
Operating lease rentals Plant and machinery	159	212
Other	12,531	8,885
Rent receivable	<u>(130)</u>	<u>(127)</u>

AAH Pharmaceuticals Limited

9 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
UK corporation tax at 30% (2006: 30%)	39,430	31,903
Adjustment in respect of previous years	<u>725</u>	<u>(680)</u>
	40,155	31,223
Deferred taxation (see note 18)		
Current year movement	1,664	765
Restatement of opening balance due to tax rate change	84	-
Adjustment in respect of previous years	<u>(281)</u>	<u>-</u>
	1,467	765
	<u>41,622</u>	<u>31,988</u>

There has been a change in the corporation tax rate from 30% to 28% which was announced in the budget of March 2007 and which will take effect on 1 April 2008.

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006: 30%). The reconciliation of the current tax charge is as follows:

	2007 £'000	2006 £'000
Profit before tax multiplied by full UK corporation tax rate of 30% (2006: 30%)	40,821	32,382
Expenses not deductible for tax purposes:		
Timing differences & other items	(1,282)	(985)
Permanent differences	321	553
Capital allowances for the period less depreciation	91	(54)
Profit on sale of assets - difference from chargeable gain	(521)	7
Adjustment in respect of previous years	<u>725</u>	<u>(680)</u>
	<u>40,155</u>	<u>31,223</u>

10 Dividends

	2007 £'000	2006 £'000
Interim dividend paid (see note 21)	<u>130,000</u>	<u>30,000</u>

AAH Pharmaceuticals Limited

11 Intangible assets

	Goodwill £'000
Cost	
At 1 January 2007 and at 31 December 2007	<u>5,000</u>
Amortisation	
At 1 January 2007	4,750
Charge for the year	<u>250</u>
At 31 December 2007	<u>5,000</u>
Net book value	
At 31 December 2007	<u>-</u>
At 31 December 2006	<u>250</u>

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

12 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 2007	1,564	1,151	6,486	73,660	2,222	85,083
Additions	-	-	1,194	6,264	40	7,498
Disposals	-	(1,151)	-	(4,755)	(88)	(5,994)
At 31 December 2007	<u>1,564</u>	<u>-</u>	<u>7,680</u>	<u>75,169</u>	<u>2,174</u>	<u>86,587</u>
Depreciation						
At 1 January 2007	498	327	2,304	49,763	1,170	54,062
Charge for the year	29	19	310	6,697	367	7,422
Disposals	-	(346)	-	(4,669)	(79)	(5,094)
At 31 December 2007	<u>527</u>	<u>-</u>	<u>2,614</u>	<u>51,791</u>	<u>1,458</u>	<u>56,390</u>
Net book value						
At 31 December 2007	<u>1,037</u>	<u>-</u>	<u>5,066</u>	<u>23,378</u>	<u>716</u>	<u>30,197</u>
At 31 December 2006	<u>1,066</u>	<u>824</u>	<u>4,182</u>	<u>23,897</u>	<u>1,052</u>	<u>31,021</u>

The fixed assets shown above include assets held under finance leases that have a cost of £171,000 as at 31 December 2007 (2006: £171,000) and a net book value of £48,000 (2006: £83,000).

AAH Pharmaceuticals Limited

13 Investments

	Shares in group undertakings £'000	Unlisted Investments £'000	Total £'000
Cost and net book value			
At 1 January 2007	51	150	201
Disposal	-	(150)	(150)
At 31 December 2007	51	-	51

The company holds a participating interest in Tredimed SA, a purchasing company incorporated in France. This interest at 31 December 2006 and 31 December 2007 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, which represent ordinary shares in Nucare plc, were sold during the year ending 31 December 2007. Proceeds of £313,000 were received in respect of the sale, realising a profit of £163,000.

14 Stocks

	2007 £'000	2006 £'000
Finished goods and goods for resale	<u>243,700</u>	<u>240,517</u>

The company has 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 £18,717,000 (2006: £18,321,000).

15 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Trade debtors	272,224	233,394
Amounts owed by group undertakings	277,187	265,952
Amounts recoverable on contracts	-	10,094
Prepayments and accrued income	4,545	5,026
Other debtors	22,039	18,386
	<u>575,995</u>	<u>532,852</u>

Amounts falling due after more than one year:

Amounts owed by group undertakings	234,811	253,281
Deferred taxation (see note 18)	-	917
	<u>234,811</u>	<u>254,198</u>

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15 Debtors (continued)

Amounts owed by group undertakings that are shown above as falling due within one year are unsecured, interest free and are repayable within one month of the balance sheet date.

Other amounts owed by group undertakings shown above are unsecured and have no fixed repayment date, other than that they fall due after more than one year. The balances are either interest free or attract interest equivalent to the overall cost of borrowing for the UK group.

16 Creditors

	2007 £'000	2006 £'000
Amounts falling due within one year:		
Bank overdraft	178,457	95,401
Trade creditors	335,687	401,601
Amounts owed to group undertakings	35,271	11,673
Finance leases (see note 17)	31	31
Corporation tax payable	25,906	13,097
Other taxation and social security payable	15,786	9,049
Other creditors	7,488	8,193
Accruals and deferred income	5,563	5,331
	<u>604,189</u>	<u>544,376</u>
Amounts falling due after more than one year:		
Finance leases (see note 17)	<u>25</u>	<u>55</u>

Amounts owed to group undertakings that are shown above as falling due within one year are unsecured, interest free and are repayable within one month of the balance sheet date.

17 Finance leases

	2007 £'000	2006 £'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	<u>25</u>	<u>55</u>
	56	86
Less: finance charges included above	<u>(16)</u>	<u>(27)</u>
	<u>40</u>	<u>59</u>

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18 Provisions for liabilities and charges

	Restructuring	Property	Deferred taxation	Total
	£'000	£'000	£'000	£'000
At 1 January 2007	138	3,102	-	3,240
Charge to the profit and loss account	116	(447)	231	(100)
Utilised during the year	(190)	(771)	-	(961)
At 31 December 2007	64	1,884	231	2,179

The restructuring provision relates to ongoing restructuring of head office functions and branches. It is anticipated that the remaining provision will be used in 2008.

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 with the assistance of the property services department.

It is expected that at least £504,000 of the property provision will be utilised within one year. The remaining balance of £1,380,000 will be used until either the end of the lease term or the assignment or disposal of the premises. This will be over a maximum remaining period of 14 years.

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

	2007 £'000	2006 £'000
At 1 January	(1,264)	(3,127)
Deferred tax movement in the profit and loss account (see note 9)	1,467	765
Transferred in from group undertaking on acquisition	-	(2)
Deferred tax movement in the statement of total recognised gains and losses	(1,318)	1,100
At 31 December	(1,115)	(1,264)

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

Accelerated capital allowances	538	874
Deferred gains	1,376	933
Short term timing differences	(1,683)	(2,724)
Deferred tax creditor/(debtor)	231	(917)
Deferred tax on pension asset (see note 19)	(1,346)	(347)
Total deferred taxation (asset)/liability	(1,115)	(1,264)

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

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19 Pension obligations

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

The company also participates in the Admenta Pension Scheme, which is operated by AAH Limited (a UK parent company). This is a defined benefit 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 Pension Scheme

The contributions paid by the company to the scheme during 2007 amounted to £504,000 (2006: £728,000). Included in other creditors at the balance sheet date were amounts of £89,000 in respect of contributions (2006: £87,000).

Admenta Pension Scheme

A full actuarial valuation was carried out as at 6 April 2005 and was updated to 31 December 2007 by a qualified independent actuary for FRS 17 disclosure purposes. The major assumptions used by the actuary were as follows:

	2007	2006	2005
Assumptions:			
Rate of increase in salaries	5.1%	4.8%	4.6%
Rate of increase in pensions in payment	3.2%	2.9%	2.7%
Rate of increase in deferred pensions	3.4%	3.1%	2.9%
Discount rate	5.8%	5.1%	4.8%
Inflation assumption	3.4%	3.1%	2.9%

The scheme has a range of rates of increase for different benefit categories, not all of which are shown above. Further details of the rates can be found in the scheme documentation.

The total contributions paid by the group to the scheme during 2007 amounted to £1,440,000 (2006: £1,541,000). The contributions paid by the company in the period amounted to £1,142,000 (2006: £1,138,000). 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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19 Pension obligations (continued)

Admenta Pension Scheme (continued)

The value of assets in the scheme, as identified by the actuarial valuation described above, along with the liabilities and expected rates of return, were as follows:

		Market value as at 31 December		
		2007	2006	2005
		£'000	£'000	£'000
Total scheme assets:	Equities	78,378	86,051	84,143
	Bonds	87,508	92,589	87,779
	Guaranteed Return Fund	7,202	-	-
	Other	189	459	1,117
		<u>173,277</u>	<u>179,099</u>	<u>173,039</u>

		Long term rate of return		
		2007	2006	2005
		%	%	%
Scheme assets:	Equities	7.5%	7.5%	7.5%
	Bonds	5.4%	5.0%	4.5%
	Guaranteed Return Fund	7.5%	-%	-%
	Other	5.4%	4.5%	4.5%

		As at 31 December		
		2007	2006	2005
		£'000	£'000	£'000
Total scheme assets/(liabilities)				
	Market value of scheme assets as above	173,277	179,099	173,039
	Present value of scheme liabilities	(180,402)	(179,143)	(181,202)
	Deficit in the scheme	(7,125)	(44)	(8,163)
	Related deferred tax asset	1,995	13	2,449
	Net pension liability	<u>(5,130)</u>	<u>(31)</u>	<u>(5,714)</u>

		As at 31 December		
		2007	2006	2005
		£'000	£'000	£'000
Company share of scheme assets/(liabilities)				
	Market value of scheme assets as above	92,904	95,530	92,033
	Present value of scheme liabilities	(97,712)	(96,687)	(97,556)
	Deficit in the scheme	(4,808)	(1,157)	(5,523)
	Related deferred tax asset	1,346	347	1,657
	Net pension liability	<u>(3,462)</u>	<u>(810)</u>	<u>(3,866)</u>

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19 Pension obligations (continued)

Admenta Pension Scheme (continued)

2007	2006
£'000	£'000

The amounts charged can be analysed as follows:

Analysis of amount charged to distribution and administrative expenses against operating profit in respect of the Admenta Pension Scheme:

Current service cost	1,059	1,219
Past service cost	-	-
Gains and losses on any settlements and curtailments	-	-
Total operating charge	<u>1,059</u>	<u>1,219</u>

Analysis of amount credited to other finance income:

Expected return on scheme assets	5,827	5,386
Interest on scheme liabilities	(4,853)	(4,607)
Net return	<u>974</u>	<u>779</u>

Analysis of amount recognised in Statement of total recognised gains and losses (STRGL):

Actual return less expected return on scheme assets	(5,665)	1,115
Experience gains and losses arising on the scheme liabilities	(50)	(54)
Changes in assumptions underlying the present value of scheme liabilities	1,007	2,607
Actuarial (loss)/gain recognised in STRGL	<u>(4,708)</u>	<u>3,668</u>

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

Surplus/(deficit) in the scheme at 1 January	(1,157)	(5,523)
Movement in year		
Current service cost	(1,059)	(1,219)
Past service costs	-	-
Curtailment gains	-	-
Contributions	1,142	1,138
Other finance income	974	779
Actuarial (loss)/gain	(4,708)	3,668
Surplus/(deficit) in the scheme at 31 December	<u>(4,808)</u>	<u>(1,157)</u>

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19 Pension obligations (continued)

Admenta Pension Scheme (continued)

	Difference between the expected and actual return on scheme assets		Experience gains and losses on scheme liabilities	
	Amount	% of scheme assets	Amount	% of scheme liabilities
	£'000	%	£'000	%
2007	(5,665)	(6)%	(50)	(0)%
2006	1,115	1%	(54)	0%
2005	8,394	9%	(967)	(1)%
2004	4,497	6%	463	1%
2003	4,167	7%	295	0%
Total amount recognised in statement of total recognised gains and losses				
	Amount	% of scheme assets		
	£'000	%		
2007	(4,708)	(5)%		
2006	3,668	4%		
2005	1,304	1%		
2004	3,424	4%		
2003	(3,468)	(5)%		

Included in other creditors at the balance sheet date were amounts of £61,000 accrued in respect of Admenta Pension Scheme contributions (2006: £89,000).

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20 Called up share capital

	2007 £'000	2006 £'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 Profit and loss account

	£'000
At 1 January 2007	467,383
Actuarial loss on pension scheme	(4,708)
Movement on deferred tax relating to pension scheme	<u>1,318</u>
	(3,390)
Profit for the financial year	94,449
Dividends (see note 10)	<u>(130,000)</u>
Retained loss for the financial year	(35,551)
At 31 December 2007	<u>428,442</u>

22 Reconciliation of movements in total shareholders' funds

	2007 £'000	2006 £'000
Profit for the financial year	94,449	75,952
Dividends	<u>(130,000)</u>	<u>(30,000)</u>
Retained (loss)/profit for the financial year	(35,551)	45,952
Actuarial (loss)/gain on pension scheme	(4,708)	3,668
Movement on deferred tax relating to pension scheme	<u>1,318</u>	<u>(1,100)</u>
	(3,390)	2,568
Opening total shareholders' funds	<u>517,383</u>	<u>468,863</u>
Closing total shareholders' funds	<u>478,442</u>	<u>517,383</u>

23 Capital commitments

The company had capital commitments at 31 December 2007 of £1,163,000 (2006: £1,881,000).

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24 Financial commitments

At 31 December 2007, the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2007		31 December 2006	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	434	586	15	652
Expiring between two and five years	231	5,309	91	2,851
Expiring over five years	6,699	-	6,678	1,315
	<u>7,364</u>	<u>5,895</u>	<u>6,784</u>	<u>4,818</u>

25 Contingent liabilities

	2007 £'000	2006 £'000
Guarantee of loans to certain pharmacy customers	68,557	109,780
Other guarantees	<u>1,250</u>	<u>5,050</u>
	<u>69,807</u>	<u>114,830</u>

The company has guaranteed 547 bank loans to 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 Financial derivatives

AAH Pharmaceuticals Limited has 20 forward currency contracts in place (2006: 6). The fair value of these forward contracts at 31 December 2007 was a net asset of £105,000 (2006: net liability of £83,000). The contracts have a range of maturity dates, running up to May 2008. The forward currency contracts have been purchased to manage the company's foreign exchange risk.

27 Ultimate parent undertaking and ultimate controlling party

The immediate parent undertaking is Admenta Holdings 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.