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AAH Pharmaceuticals Limited
Annual report and financial statements
for the year ended 31 December 2008

Registered no. 123458



CERTIFIED TO BE A TRUE COPY

P. Linn

COMPANY SECRETARY 21/10/09

AAH Pharmaceuticals Limited

Annual report and financial statements for the year ended 31 December 2008

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AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2008

The directors present their report and the audited financial statements of the company for the year ended 31 December 2008

Results

The results for the financial year are presented in the profit and loss account on page 8

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 2008. Market conditions were influenced by the decision of AstraZeneca to restrict the supply of its products in the UK with effect from February 2008, with AAH Pharmaceuticals Limited being one of two nominated logistics providers. Under the new AstraZeneca arrangements, products are now supplied to customers on an agency rather than a wholesale basis. The company receives a fee for its services as agent. This change in distribution arrangements is reflected in the overall fall in the company's turnover of 1.3% in 2008.

The growth reported by AAH Pharmaceuticals in 2008 in the sale of non-agency products and services was ahead of the overall market growth of 4.0%. This was generated principally by working with existing customers and suppliers to help them develop their businesses. Growth achieved with existing partners has been further 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 broadly maintained its level of gross profit (£216.0 million in 2008, £216.7 million in 2007).

Operating profit fell from 3.3% of turnover in 2007 to 2.8% of turnover in 2008. The factors behind this fall include increasing fuel and energy costs. In the light of these challenges, 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.

The directors consider that regular investment in customer facing services, 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 directors are confident that AAH Pharmaceuticals Limited is exceptionally well-placed to deal with any changes in the market.

AAH Pharmaceuticals Limited

Directors' report for the year ended 31 December 2008 (continued)

Dividends

The directors do not recommend a final dividend (2007 £nil) No interim dividend was paid during the year (2007 £130.0 million)

Political and charitable contributions

Charitable contributions of £4,943 were made during the year (2007 £8,645) These contributions included the following Guide Dogs for the Blind - £250 and the National Autistic Society - £875 No political contributions were made (2007 £nil)

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2008 except where otherwise stated, were as follows

M L James

J Bulmer

G R Lunt (resigned 31 May 2009)

J A Richards

C M Tomaszewski (appointed 1 May 2008)

In accordance with the Articles of Association, none of the directors are required to retire from the board

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 news releases are distributed to employees Other matters of importance or interest are featured in regular issues of the in-house magazines of AAH Pharmaceuticals Limited These 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 warehouse and head office 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

Directors' report for the year ended 31 December 2008 (continued)

Employment policies (continued)

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, and
- (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 35 days purchases outstanding at 31 December 2008 based on the average daily amount invoiced by suppliers during the year (2007: 37 days).

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

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 2008 (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. The function reports to the board on a regular 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 projections which are compiled on a periodic basis across the group. The UK group operates a cash pooling arrangement in which the company participates. Under this arrangement, cash funds which are in excess of day to day requirements are loaned to other UK group companies.

Foreign currency and interest rate risk the company uses instruments to manage its foreign currency risks, including forward currency contracts. 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 2008 (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

27 August 2009

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 2008 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 (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.

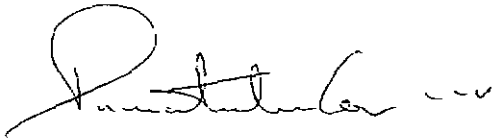
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**Independent auditors' report
to the members of AAH Pharmaceuticals Limited (continued)**

Opinion

In our opinion

- 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 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham

27 August 2009

AAH Pharmaceuticals Limited

Profit and loss account for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Turnover	3	3,040,616	3,080,482
Cost of sales		(2,824,606)	(2,863,799)
Gross profit		216,010	216,683
Distribution costs and administrative expenses		(129,960)	(116,369)
(Loss)/profit on sale of fixed assets	4	(248)	1,575
Operating profit		85,802	101,889
Interest payable and similar charges	7	(1,566)	(473)
Interest receivable and similar income	7	37,694	34,655
Profit on ordinary activities before taxation	8	121,930	136,071
Tax on profit on ordinary activities	9	(33,987)	(41,622)
Profit for the financial year	21	87,943	94,449

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 2008


	Notes	2008 £'000	2007 £'000
Profit for the financial year	21	87,943	94,449
Actuarial loss recognised in the pension scheme	19	(10,653)	(4,708)
Movement on deferred tax asset relating to pension liability	18	<u>2,983</u>	<u>1,318</u>
		(7,670)	(3,390)
Total gains and losses recognised since last annual report		<u><u>80,273</u></u>	<u><u>91,059</u></u>

AAH Pharmaceuticals Limited

Balance sheet at 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	12	28,430	30,197
Investments	13	51	51
		<u>28,481</u>	<u>30,248</u>
Current assets			
Stocks	14	209,102	243,700
Debtors			
Amounts falling due within one year	15	522,996	575,995
Amounts falling due after more than one year	15	321,569	234,811
Cash at bank and in hand		9,365	3,543
		<u>1,063,032</u>	<u>1,058,049</u>
Creditors amounts falling due within one year	16	<u>(517,911)</u>	<u>(604,189)</u>
Net current assets		<u>545,121</u>	<u>453,860</u>
Total assets less current liabilities		573,602	484,108
Creditors amounts falling due after more than one year	16	-	(25)
Provisions for liabilities and charges	18	<u>(4,600)</u>	<u>(2,179)</u>
Net assets excluding pension liability		<u>569,002</u>	<u>481,904</u>
Pension liability	19	<u>(10,287)</u>	<u>(3,462)</u>
Net assets including pension liability		<u>558,715</u>	<u>478,442</u>
Capital and reserves			
Called up share capital	20	50,000	50,000
Profit and loss account	21	508,715	428,442
Total shareholders' funds	22	<u>558,715</u>	<u>478,442</u>

The financial statements on pages 8 - 28 were approved by the board of directors on 27 August 2009 and were signed on its behalf by


 C M Tomaszewski
 Director
 27 August 2009

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008

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

Turnover represents the sale of goods and services, including services as an agent, at invoice values excluding value added tax.

Distribution costs and administrative expenses

The directors do not consider that 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 in the treatment of certain items for accounting and taxation purposes.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future have occurred at the balance sheet date. Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements, which arise because certain items of income and expenditure in the financial statements are dealt with in different years for taxation purposes.

Deferred taxation is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on tax rates that have been enacted or substantially enacted by the balance sheet date. 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. Additional amortisation may be charged where directors consider there to have been an impairment in the goodwill.

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 investee companies.

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

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 provided to write off the cost or valuation where the directors consider there to have been a diminution in value. It 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
Short leasehold land and buildings	2% straight line or over the period of the lease
Fixtures, fittings, plant and equipment	5% - 33 3% straight line
Motor vehicles	25% - 33 3% straight line

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.

Stocks

Stocks are valued at the lower of actual 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.

Provisions for liabilities and charges

Provision is made in the accounts for present obligations arising from past events, where there is a reasonable degree of certainty as to their amount and date of settlement. Where there is a potential obligation based on a past event which will probably not result in the company's assets being utilised, or amounts due upon the realisation of the obligation cannot be estimated with sufficient reliability, no provision is made, but a contingent liability is disclosed in the financial statements. Where utilisation of assets is deemed to be remote, no provision or disclosure is made.

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.

The company uses instruments to manage its foreign currency risks, including forward foreign currency contracts. These contracts are not revalued to fair value or shown in the balance sheet at the year end as all transactions derive from hedging activities.

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

1 Accounting policies (continued)

Pensions

The company contributes to group pension schemes operated by Admenta UK plc, including defined benefit and defined contribution schemes

Contributions to the defined benefit scheme are determined by a professionally qualified actuary and are based on pension costs across the Celesio group in the UK 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 19 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).

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

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 £nil (2007: £1,176,000).

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

4 Loss/(profit) on sale of fixed assets

	2008 £'000	2007 £'000
Loss/(profit) on sale of fixed assets	<u>248</u>	<u>(1,575)</u>

5 Directors' emoluments

	2008 £'000	2007 £'000
Aggregate emoluments	<u>1,556</u>	<u>1,782</u>

Retirement benefits under defined benefit schemes are accruing to four individuals who were directors of the company during 2008 (2007: six directors). Retirement benefits under money purchase schemes are accruing to one individual who was a director of the company during the year (2007: one director).

	2008 £'000	2007 £'000
Highest paid director		
Aggregate emoluments and benefits under long-term incentive schemes	328	469
Accrued pension at end of the year for the defined benefit scheme	<u>37</u>	<u>29</u>

6 Employee information

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

	2008	2007
By function		
Selling and distribution	2,853	2,827
Administration	<u>487</u>	<u>596</u>
	<u>3,340</u>	<u>3,423</u>
Staff costs (£'000)		
Wages and salaries	62,830	62,575
Social security costs	5,402	5,283
Other pension costs (see note 19)	<u>1,631</u>	<u>1,617</u>
	<u>69,863</u>	<u>69,475</u>

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

7 Interest

	2008 £'000	2007 £'000
Interest payable and similar charges		
Bank loan and overdraft interest	15	-
Group interest	1,164	-
Other interest and similar charges	387	473
	<u>1,566</u>	<u>473</u>
Interest receivable and similar income		
Bank interest	(72)	(43)
Group interest	(37,163)	(33,446)
Other interest	(148)	(192)
	<u>(37,383)</u>	<u>(33,681)</u>
Other finance income (see note 19)	(311)	(974)
	<u>(37,694)</u>	<u>(34,655)</u>
Net interest receivable	<u>(36,128)</u>	<u>(34,182)</u>

8 Profit on ordinary activities before taxation

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

	2008 £'000	2007 £'000
Rent receivable	(130)	(130)
Auditors' remuneration		
For audit	218	199
Depreciation - tangible assets		
Charge for the year on owned assets	7,179	7,387
Charge for the year on assets held under finance leases	35	35
Amortisation - intangible assets	-	250
Loss/(profit) on sale of fixed assets	248	(1,575)
Operating lease rentals		
Plant and machinery	152	159
Other	<u>12,462</u>	<u>12,531</u>

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

9 Tax on profit on ordinary activities

	2008 £'000	2007 £'000
UK corporation tax at 28.5% (2007: 30%)	35,201	39,430
Adjustment in respect of previous years	<u>5</u>	<u>725</u>
	35,206	40,155
Deferred taxation (see note 18)		
Current year movement	(134)	1,664
Restatement of opening balance due to tax rate change	-	84
Adjustment in respect of previous years	<u>(1,085)</u>	<u>(281)</u>
	(1,219)	1,467
	<u>33,987</u>	<u>41,622</u>

The tax assessed on the profit on ordinary activities for the year is lower than the average rate of corporation tax in the UK of 28.5% (2007: 30%). The standard rate of corporation tax changed to 28% on 1 April 2008. The reconciliation of the current tax charge is as follows:

	2008 £'000	2007 £'000
Profit before tax multiplied by the average rate of UK corporation tax of 28.5% (2007: 30%)	34,750	40,821
Timing differences & other items	(186)	(1,282)
Expenses not deductible for tax purposes	244	321
Capital allowances for the period less depreciation	302	91
Difference on chargeable gain on profit/(loss) on sale of assets	91	(521)
Adjustment in respect of previous years	<u>5</u>	<u>725</u>
	<u>35,206</u>	<u>40,155</u>

10 Dividends

	2008 £'000	2007 £'000
Interim dividend paid (2007: £2.60 per share) (see note 21)	<u>-</u>	<u>130,000</u>

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

11 Intangible assets

	Goodwill £'000
Cost and Amortisation	
At 1 January 2008 and at 31 December 2008	<u>5,000</u>
Net book value	
At 1 January 2008 and at 31 December 2008	<u><u>-</u></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	Short leasehold land and buildings £'000	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2008	1,564	7,680	75,169	2,174	86,587
Additions	-	491	5,236	129	5,856
Disposals	-	(519)	(5,022)	(103)	(5,644)
At 31 December 2008	<u>1,564</u>	<u>7,652</u>	<u>75,383</u>	<u>2,200</u>	<u>86,799</u>
Depreciation					
At 1 January 2008	527	2,614	51,791	1,458	56,390
Charge for the year	30	395	6,464	325	7,214
Disposals	-	(498)	(4,640)	(97)	(5,235)
At 31 December 2008	<u>557</u>	<u>2,511</u>	<u>53,615</u>	<u>1,686</u>	<u>58,369</u>
Net book value					
At 31 December 2008	<u>1,007</u>	<u>5,141</u>	<u>21,768</u>	<u>514</u>	<u>28,430</u>
At 31 December 2007	<u>1,037</u>	<u>5,066</u>	<u>23,378</u>	<u>716</u>	<u>30,197</u>

The fixed assets shown above include assets held under finance leases that have a cost of £171,000 as at 31 December 2008 (2007: £171,000) and a net book value of £13,000 (2007: £48,000).

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

13 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 January 2008 and at 31 December 2008	<u><u>51</u></u>

The company holds a participating interest in Tredimed SA, a purchasing company incorporated in France. This interest at 31 December 2007 and 31 December 2008 consisted of 2,500 preferential shares of 200 French Francs, 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.

14 Stocks

	2008 £'000	2007 £'000
Finished goods and goods for resale	<u><u>209,102</u></u>	<u><u>243,700</u></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 £37,942,000 (2007: £18,717,000).

15 Debtors

	2008 £'000	2007 £'000
Amounts falling due within one year:		
Trade debtors	278,604	272,224
Amounts owed by group undertakings	203,999	277,187
Other debtors	36,231	22,039
Prepayments and accrued income	4,162	4,545
	<u><u>522,996</u></u>	<u><u>575,995</u></u>

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

15 Debtors (continued)

	2008 £'000	2007 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	320,252	234,811
Deferred taxation (see note 18)	1,317	-
	<u>321,569</u>	<u>234,811</u>

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

Amounts owed by group undertakings that are shown above as falling due after more than one year 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

	2008 £'000	2007 £'000
Amounts falling due within one year.		
Bank overdraft	161,781	178,457
Trade creditors	312,075	335,687
Amounts owed to group undertakings	2,939	35,271
Finance leases (see note 17)	29	31
Corporation tax payable	18,234	25,906
Other taxation and social security payable	5,577	15,786
Other creditors	9,792	7,488
Accruals and deferred income	7,484	5,563
	<u>517,911</u>	<u>604,189</u>
Amounts falling due after more than one year		
Finance leases (see note 17)	<u>-</u>	<u>25</u>

Amounts owed to group undertakings that are shown above as falling due within one year are unsecured and are repayable within one month of the balance sheet date. The balances incur interest equivalent to the overall cost of borrowing for the UK group

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

17 Finance leases

	2008 £'000	2007 £'000
Future minimum payments under finance leases are as follows		
Within one year	29	31
In more than one year, but not more than five years	-	25
	<u>29</u>	<u>56</u>
Less finance charges included above	<u>(16)</u>	<u>(16)</u>
	<u>13</u>	<u>40</u>

18 Provisions for liabilities and charges

	Restructuring £'000	Provision for guarantee obligations £'000	Property £'000	Total £'000
At 1 January 2008	64	-	1,884	1,948
Charge/(credit) to the profit and loss account		1,800	1,449	3,249
Utilised during the year	(64)	-	(533)	(597)
At 31 December 2008	-	1,800	2,800	4,600

The restructuring provision relates to ongoing restructuring of head office functions and branches. It was fully utilised during the year.

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 £350,000 of the property provision will be utilised within one year. The remaining balance of £2,450,000 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 13 years.

The provision for guarantee obligations relates to the exposure of AAH Pharmaceuticals Limited on guarantees provided by the company relating to bank loans to pharmacy customers. It is expected that the provision will be utilised over the periods in which the guarantees are in force, which can be up to 10 years. It is not expected that a material amount of the provision will be utilised within one year.

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

18 Provisions for liabilities and charges (continued)

Deferred taxation

2008	2007
£'000	£'000

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

At 1 January	(1,115)	(1,264)
Deferred tax movement in the profit and loss account (see note 9)	(1,219)	1,467
Deferred tax movement in the statement of total recognised gains and losses	<u>(2,983)</u>	<u>(1,318)</u>
At 31 December	<u>(5,317)</u>	<u>(1,115)</u>

The movements in the non pension related deferred taxation (asset)/liability are as follows

At 1 January	231	(917)
Charge/(credit) to the profit and loss account	<u>(1,548)</u>	<u>1,148</u>
At 31 December	<u>(1,317)</u>	<u>231</u>

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

Accelerated capital allowances	315	538
Deferred gains	120	1,376
Short term timing differences	<u>(1,752)</u>	<u>(1,683)</u>
Deferred tax (debtor)/creditor	<u>(1,317)</u>	231
Deferred tax on pension liability (see note 19)	<u>(4,000)</u>	<u>(1,346)</u>
Total deferred taxation (asset)/liability	<u>(5,317)</u>	<u>(1,115)</u>

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

The deferred tax asset of £4,000,000 (2007 £1,346,000) has been deducted in arriving at the net pension deficit on the balance sheet on page 10

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

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 Admenta UK plc (a parent company in the Celesio group in the UK). 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 2008 amounted to £783,000 (2007 £504,000). Included in other creditors at the balance sheet date were amounts of £99,000 in respect of contributions (2007 £89,000)

Admenta Pension Scheme

A full actuarial valuation was carried out as at 6 April 2008 and was updated to 31 December 2008 by a qualified independent actuary for Financial Reporting Standard 17 disclosure purposes. The major assumptions used by the actuary were as follows:

	2008	2007	2006
Assumptions			
Rate of increase in salaries	3.8%	5.1%	4.8%
Rate of increase in pensions in payment	2.7%	3.2%	2.9%
Rate of increase in deferred pensions	2.8%	3.4%	3.1%
Discount rate	6.4%	5.8%	5.1%
Inflation assumption	2.8%	3.4%	3.1%
Assumed life expectancies on retirement at age 65			
Retiring today - males	86.4	87.1	83.5
Retiring today - females	88.8	89.5	86.4
Retiring in 20 years - males	88.3	89.1	83.5
Retiring in 20 years - females	90.6	91.4	86.4

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 Celesio group companies in the UK to the scheme during 2008 amounted to £2,016,000 (2007 £1,440,000). The contributions paid by the company in the period amounted to £1,671,000 (2007 £1,138,000), including £725,000 (2007 £nil) in respect of past service. The total paid of £1,671,000 also includes net costs of £40,000 which are paid on behalf of other operating entities in the Celesio group in the UK, which are recharged across to them. The net contributions paid in respect of the obligations of the company amount to £1,631,000.

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension obligations (continued)

Admenta Pension Scheme (continued)

The agreed contribution rate of the company for the coming year is 18.2% 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.

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		
		2008	2007	2006
		£'000	£'000	£'000
Total scheme assets	Equities	50,736	63,879	70,080
	Property	11,419	14,499	15,961
	Bonds	68,418	87,508	92,589
	Absolute Return Fund	6,791	7,202	-
	Other	312	189	459
		137,676	173,277	179,099

		Expected long term rate of return		
		2008	2007	2006
		%	%	%
Scheme assets	Equities	7.6%	7.5%	7.5%
	Property	6.1%	7.5%	7.5%
	Bonds	5.8%	5.4%	5.0%
	Absolute Return Fund	7.6%	7.5%	-
	Other	7.6%	5.4%	4.5%

		As at 31 December		
		2008	2007	2006
		£'000	£'000	£'000
Total scheme assets/(liabilities)				
	Market value of scheme assets as above	137,676	173,277	179,099
	Present value of scheme liabilities	(163,430)	(180,402)	(179,143)
	Deficit in the scheme	(25,754)	(7,125)	(44)
	Related deferred tax asset	7,211	1,995	13
	Net pension liability	(18,543)	(5,130)	(31)

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension obligations (continued)

Admenta Pension Scheme (continued)

	As at 31 December		
	2008	2007	2006
	£'000	£'000	£'000
Company share of scheme assets/(liabilities)			
Market value of scheme assets as above	74,427	92,904	95,530
Present value of scheme liabilities	(88,714)	(97,712)	(96,687)
Deficit in the scheme	(14,287)	(4,808)	(1,157)
Related deferred tax asset	4,000	1,346	347
Net pension liability	(10,287)	(3,462)	(810)

The amounts charged can be analysed as follows

	2008	2007
	£'000	£'000

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

Current service cost	808	1,059
Total operating charge	808	1,059

Analysis of amount credited to other finance income

Expected return on scheme assets	5,867	5,827
Interest on scheme liabilities	(5,556)	(4,853)
Net return	311	974

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

Actual return less expected return on scheme assets	(21,509)	(5,665)
Experience gains and losses arising on the scheme liabilities	-	(50)
Changes in assumptions underlying the present value of scheme liabilities	10,856	1,007
Actuarial (loss)/gain recognised in STRGL	(10,653)	(4,708)

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

19 Pension obligations (continued)

Admenta Pension Scheme (continued)

	2008 £'000	2007 £'000
Movements in the deficit in the Admenta scheme during the year		
Deficit in the scheme at 1 January	(4,808)	(1 157)
Movement in year		
Current service cost	(808)	(1,059)
Contributions	1,671	1,142
Other finance income	311	974
Actuarial (loss)/gain	(10,653)	(4,708)
Deficit in the scheme at 31 December	<u>(14,287)</u>	<u>(4 808)</u>

	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	%
2008	(21,509)	-29%	-	0%
2007	(5,665)	-6%	(50)	0%
2006	1,115	1%	(54)	0%
2005	8,394	9%	(967)	-1%
2004	4,497	6%	463	1%

	Total amount recognised in statement of total recognised gains and losses	
	Amount	% of scheme assets
	£'000	%
2008	(10,653)	-14%
2007	(4,708)	-5%
2006	3,668	4%
2005	1 304	1%
2004	3,424	4%

Included in other creditors at the balance sheet date were amounts of £74,000 accrued in respect of Admenta Pension Scheme contributions (2007 £216,000)

Other schemes

The contributions paid by the company to other miscellaneous schemes amounted to £17,000 (2007 £16,000)

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

20 Called up share capital

	2008 £'000	2007 £'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 2008	428,442
Actuarial loss on pension scheme	(10,653)
Movement on deferred tax relating to pension scheme	<u>2,983</u>
	(7,670)
Profit for the financial year	87,943
At 31 December 2008	<u>508,715</u>
At 31 December 2008	
Pension deficit	<u>(10,287)</u>
Profit and loss account excluding pension deficit	<u>519,002</u>

22 Reconciliation of movements in total shareholders' funds

	2008 £'000	2007 £'000
Profit for the financial year	87,943	94,449
Dividends	-	<u>(130,000)</u>
Retained profit/(loss) for the financial year	<u>87,943</u>	(35,551)
Actuarial loss on pension scheme	(10,653)	(4,708)
Movement on deferred tax relating to pension scheme	<u>2,983</u>	<u>1,318</u>
	(7,670)	(3,390)
Opening total shareholders' funds	<u>478,442</u>	517,383
Closing total shareholders' funds	<u>558,715</u>	<u>478,442</u>

AAH Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2008 (continued)

23 Capital commitments

The company had capital commitments at 31 December 2008 of £1,892,000 (2007 £1,163,000)

24 Financial commitments

At 31 December 2008, the company had annual commitments under non-cancellable operating leases as follows

	31 December 2008		31 December 2007	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Expiring within one year	263	826	434	586
Expiring between two and five years	101	4,972	231	5,309
Expiring over five years	5,856	-	6,699	-
	6,220	5,798	7,364	5,895

Certain property and vehicle lease interests are administered by AAH Pharmaceuticals Limited on behalf of Barclay Pharmaceuticals Limited, which is recharged the cost. The commitments which are managed on behalf of Barclay Pharmaceuticals Limited are disclosed in the accounts of that company.

25 Contingent liabilities

	2008 £'000	2007 £'000
Guarantee of loans to certain pharmacy customers	67,429	68,557
Guarantee of trade debt	54,565	45,107
Other guarantees	1,250	1,250
	123,244	114,914

The company has guaranteed 522 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 unprovided loss will arise in connection with the above. The company has also guaranteed the trade debt of certain pharmacy customers.

**Notes to the financial statements
for the year ended 31 December 2008 (continued)**

26 Financial derivatives

AAH Pharmaceuticals Limited has 4 forward currency contracts in place (2007: 6). The fair value of these forward contracts at 31 December 2008 was a net asset of £25,000 (2007: net liability of £83,000). The contracts have a range of maturity dates, running up to May 2009. 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.