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Sangers (Northern Ireland) Limited

Directors' report and financial statements

Year ended 30 September 2006

Company registration number NI18941

Sangers (Northern Ireland) Limited

Directors' report and financial statements

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Sangers (Northern Ireland) Limited

Directors and other information

Directors

A Braden (*resigned 09/12/2005*)
L Fitzgerald
M Hansen
D Jackson
R D Kells, OBE
P Lemon
J Malcolm
N Meier
A Ralph
P R Surgenor

Secretary

P R Surgenor

Registered office

2 Marshalls Road
Belfast
BT5 6SR

Solicitors

Elliot Duffy Garrett
Royston House
34 Upper Queen Street
Belfast

Bankers

First Trust Bank
37 Cregagh Road
Belfast

Auditors

KPMG
Stokes House
17/25 College Square East
Belfast

Company registration number

NI 18941

Sangers (Northern Ireland) Limited

Directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 September 2006.

Principal activities and business review

The company, which is a wholly owned subsidiary of Alchem plc, is engaged in the wholesale and distribution of pharmaceutical and over the counter products.

The results for the company show a pre-tax profit of £1,788,203 (2005: £1,730,260).

Future outlook

The directors consider that both the results for the year and trading prospects are satisfactory and it is the directors' intention to develop the present activities of the company.

Principal risks and uncertainties

The company has a comprehensive system of risk management and internal controls.

Risk management is an integral part of the company's business process. A detailed risk register is maintained and plans to address the identified risks are updated and reviewed by the executive directors on a regular basis.

The risks and uncertainties which are currently judged to have the largest impact on the company's performance are noted below.

The company faces competition in its various markets and if it fails to compete successfully market share and profitability may decline.

Distribution of third party products by the company is currently by agreement. There is no certainty that these agreements will be renewed when they expire, which could lead to declines in sales and profitability.

Changes in government regulations, in the healthcare and pharmaceutical sector, may adversely affect the company.

Should the company not be able to fulfil the demand for its products due to circumstances such as the loss of a storage facility or disruptions to its supply chains, sales volumes and profitability could be affected.

The company's IT facilities could be subject to hacking or viruses, which could result in downtime, which in turn could lead to declines in sales and profitability.

The success of the company is built upon a strong, effective management team committed to achieving a superior performance. The loss of key personnel could for a time have a significant impact on business performance.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Sangers (Northern Ireland) Limited

Directors' report *(continued)*

Financial risk management

The management of the financial risks facing the company is governed by policies reviewed and approved by the Board of Directors. These policies primarily cover liquidity risk, credit risk, interest rate risk and currency risk. The primary objective of the company's policies is to minimise financial risk at reasonable cost. The company does not trade in financial instruments. The company uses cash resources and borrowings at prevailing rates to finance its operations. Trade debtors and creditors arise directly from operations on normal terms. The company's exposure to price risk of financial instruments is therefore minimal.

The company ensures that it has sufficient financing facilities available through cash flow generated from operating activities and banking facilities to meet its projected short and medium term funding requirements and avails of market interest rates. It has not entered into any long term borrowing arrangements.

The majority of the company's activities are conducted in sterling, with the amount of trade in other currencies being minimal. Therefore the currency risk to the company is minimal.

Fixed assets

In the directors' opinion, the market value of the freehold premises is not materially different from the historical value shown in the financial statements.

Payments to suppliers

Company policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure suppliers are made aware of these terms and to abide by them. At 30 September 2006, the company's level of 'creditor days' amounted to 63 days (2005: 58 days).

Directors

The directors who held office during the year were:

A Braden (*resigned 09/12/2005*)
L Fitzgerald
M Hansen
D Jackson
R D Kells, OBE
P Lemon
J Malcolm
N Meier
A Ralph
P R Surgenor

Sangers (Northern Ireland) Limited

Directors' report *(continued)*

Directors' interests

None of the directors had a material interest at any time during the year in any contract of significance in relation to the company's business or any other material interest, required by law to be disclosed, in any transaction or arrangement with the company.

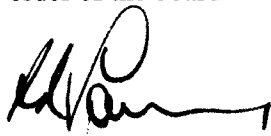
Disclosure of information to auditors

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

Auditors

KPMG have expressed their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the Annual General Meeting in accordance with Article 393 of the Companies (Northern Ireland) Order 1986.

By order of the board


Director

30 July 2007

Sangers (Northern Ireland) Limited

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

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

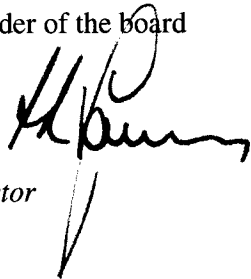
In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies (Northern Ireland) Order 1986. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

By order of the board



Director

30 July 2007



KPMG
Chartered Accountants
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of Sangers (Northern Ireland) Limited

We have audited the financial statements of Sangers (Northern Ireland) Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members as a body in accordance with article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.



KPMG
Chartered Accountants
Stokes House
17-25 College Square East
Belfast BT1 6DH
Northern Ireland

Independent auditors' report to the members of Sangers (Northern Ireland) Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the directors' report is consistent with the financial statements.

KPMG
Chartered Accountants
Registered Auditors

30 July 2007

Sangers (Northern Ireland) Limited

Profit and loss account Year ended 30 September 2006

	Note	2006 £	Restated 2005 £
Turnover - continuing operations	2	198,269,880	186,016,076
Cost of sales		(186,511,721)	(174,655,117)
Gross profit		11,758,159	11,360,959
Distribution costs		(1,162,498)	(1,004,484)
Administrative expenses		(7,693,732)	(7,677,750)
Other operating income		842,480	877,481
Operating profit - continuing operations		3,744,409	3,556,206
Other interest receivable and similar income	4	237,722	136,942
Other finance income	4	520,000	513,000
Interest payable and similar charges	4	(2,228,928)	(2,075,888)
Other finance costs	4	(485,000)	(400,000)
Profit on ordinary activities before taxation	5	1,788,203	1,730,260
Tax on profit on ordinary activities	6	289,846	(149,963)
Profit for the financial year	16	2,078,049	1,580,297

There is no material difference between the company's results as reported and on a historical cost basis for the period and the previous year. Accordingly, no note of historical cost profits and losses has been prepared.

The notes on pages 11 to 31 form part of these financial statements.

Sangers (Northern Ireland) Limited

Statement of total recognised gains and losses Year ended 30 September 2006

	2006 £	Restated 2005 £
Profit for the financial year	2,078,049	1,580,297
Actuarial gain on pension scheme	275,000	476,000
Related deferred tax	(82,500)	(142,800)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	2,270,549	1,913,497
	<hr/>	<hr/>
Prior year adjustment (as explained in note 3)	(2,546,920)	
	<hr/>	
Total gains and losses recognised since last annual report	(276,371)	
	<hr/>	

The notes on pages 11 to 31 form part of these financial statements.

Sangers (Northern Ireland) Limited

Balance sheet

At 30 September 2006

	Note	2006		Restated 2005	
		£	£	£	£
Fixed assets					
Intangible assets	8	332,796		358,678	
Tangible assets	9(i)	6,249,685		6,932,433	
Investments	9(ii)	978,406		978,406	
			7,560,887		8,269,517
Current assets					
Stocks	10	13,684,171		12,688,167	
Debtors	11	59,933,683		52,716,721	
Cash at bank and in hand		12,033,299		7,958,105	
			85,651,153		73,362,993
Creditors: Amounts falling due within one year	12	(86,950,572)		(77,319,919)	
Net current liabilities			(1,299,419)		(3,956,926)
Total assets less current liabilities			6,261,468		4,312,591
Provisions for liabilities and charges	13		(247,169)		(301,441)
Net assets excluding pension liabilities			6,014,299		4,011,150
Pension liabilities					
Total of defined benefit schemes: With net liabilities			(1,654,100)		(1,921,500)
Net assets including pension liabilities			4,360,199		2,089,650
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		4,360,099		2,089,550
Shareholders' funds	14		4,360,199		2,089,650

These financial statements were approved by the Board of directors on 30 July 2007 and signed on their behalf by:

P R Surgenor
Director

The notes on pages 11 to 31 form part of these financial statements.

Sangers (Northern Ireland) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'; and
- FRS 28 'Corresponding amounts'

The recognition and measurement requirements of FRS 17 'Retirement benefits' have also been adopted, which has resulted in a prior year adjustment as previously the transitional disclosures of that standard have been followed.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as required by the Companies (Northern Ireland) Order 1986.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The company has applied the transitional rules contained within FRS 15 'Tangible fixed assets' to retain previous valuations as the basis on which certain assets are held.

Under Financial Reporting Standard No. 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Turnover

Turnover is stated net of trade discounts, value added tax and similar taxes and derives from the provision of goods falling within the company's ordinary activities.

Sangers (Northern Ireland) Limited

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill is the difference between the fair value of the consideration given on the acquisition of a business and the aggregate fair value of the separate net assets acquired.

Goodwill arising on acquisitions prior to 31 December 1997 was either set off directly against reserves or amortised through the profit and loss account over the directors' estimate of its useful life. (In all cases this was deemed to be less than 20 years). Goodwill previously eliminated against reserves has not been reinstated on implementation of Financial Reporting Standard No.10.

In all other cases goodwill is being amortised through the profit and loss account in equal instalments over its estimated economic life of up to a maximum of 20 years on a straight-line basis.

Goodwill is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill, whether written off directly to reserves, or amortised through the profit and loss account, is taken into consideration, when that part of the business which caused the initial entry is subsequently sold or closed, in determining the profit or loss on the disposal.

Tangible fixed assets

Land and buildings

Land and buildings are stated at cost. The company has adopted the transitional arrangements under FRS 15 'Tangible fixed assets' and has decided to retain the carrying value of land and buildings at the existing valuation figure. A review of the carrying value of land and buildings will continue to be undertaken every five years, with any impairment in value recognised in the year. Freehold land and buildings are depreciated over their expected useful life of 50 years.

Other fixed assets and depreciation

All other tangible fixed assets are initially recorded at historic cost.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	10% - 20%
Motor vehicles	-	20% - 25%

The interest cost incurred on land and buildings during their development is capitalised and included within the cost of the relevant asset, where the purchase is financed by specific borrowings.

Investments

Investments are shown at cost less provision for permanent diminution in value. Income from investments, together with any related tax credit, is recognised in the profit and loss account in the year in which it is receivable.

Stock

Stocks are valued at the lower of current replacement cost and net realisable value. Current replacement cost does not differ materially from historic cost.

Sangers (Northern Ireland) Limited

Notes (*continued*)

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the profit/loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2 Turnover and segmental information

Turnover represents sales of pharmaceutical and over the counter products within Northern Ireland.

Sangers (Northern Ireland) Limited

Notes (continued)

3 Prior year adjustment

The company has adopted the reporting requirements of FRS 17 'Retirement Benefits' in its primary statements from 1 October 2004. The financial information for the year ended 30 September 2005 which was originally prepared under the accounting requirements of SSAP 24 'Pension Costs' has been restated following the adoption of FRS 17. The main impact of the change in accounting policy was to record on the Balance Sheet the full amount of the deficit in the defined benefit pension scheme measured in accordance with FRS17 and to derecognise a pension asset that arose on a previous acquisition. The impact on the 2005 results and closing Balance Sheet as originally reported is set out below:

	<i>As reported* under SSAP 24 £</i>	<i>Prior year adjustment £</i>	<i>As restated under FRS 17 £</i>
<i>Profit and Loss Account</i>			
Turnover	186,016,076	-	186,016,076
Operating expenses	(180,755,143)	(790)	(180,755,933)
	<hr/>	<hr/>	<hr/>
Operating profit	3,556,996	(790)	3,556,206
Finance costs (net)	(1,938,946)	113,000	(1,825,946)
	<hr/>	<hr/>	<hr/>
Profit before tax	1,618,050	112,210	1,730,260
Tax	(133,763)	(16,200)	(149,963)
	<hr/>	<hr/>	<hr/>
Profit for year	1,484,287	96,010	1,580,297
	<hr/>	<hr/>	<hr/>
<i>Statement of Total Recognised Gains and Losses</i>			
Profit for year	1,484,287	96,010	1,580,297
Actuarial gains and losses	-	476,000	476,000
Related deferred tax	-	(142,800)	(142,800)
	<hr/>	<hr/>	<hr/>
Total recognised gains and losses	1,484,287	429,210	1,913,497
	<hr/>	<hr/>	<hr/>

* Stated after adjusting for the change in accounting for the joint venture businesses (Note 9 (ii)).

Sangers (Northern Ireland) Limited

Notes (continued)

3 Prior year adjustment (continued)

	<i>As reported * under SSAP 24 £</i>	<i>Prior year adjustment £</i>	<i>As restated under FRS 17 £</i>
Balance Sheet			
Intangible assets	358,678	-	358,678
Tangible assets	6,932,433	-	6,932,433
Investments	978,406	-	978,406
Stock	12,688,167	-	12,688,167
Debtors	54,061,880	(1,345,159)	52,716,721
Cash at bank and in hand	7,958,105	-	7,958,105
Creditors due within 1 year	(77,862,071)	542,152	(77,319,919)
Provisions for liabilities	(479,028)	177,587	(301,441)
Net assets before provisions	4,636,570	(625,420)	4,011,150
Pension liability	-	(1,921,500)	(1,921,500)
Net assets after pension liability	4,636,570	(2,546,920)	2,089,650
Share capital	100	-	100
Profit and Loss Account reserve	4,636,470	(2,546,920)	2,089,550
	4,636,570	(2,546,920)	2,089,650

* Stated after adjusting for the change in accounting for the joint venture businesses (Note 9 (ii)).

Sangers (Northern Ireland) Limited

Notes (continued)

4 Interest payable

Other interest receivable and similar income

	2006	2005
	£	£
Bank interest	237,722	136,942

Other finance income

	2006	2005
	£	£
Interest on pension scheme liabilities	520,000	513,000

Interest payable and similar charges

	2006	2005
	£	£
Bank interest on loans and overdrafts wholly repayable within five years	79,283	126,580
Marker BV loan interest	2,149,645	1,949,308
	2,228,928	2,075,888

Other finance costs

	2006	2005
	£	£
Expected return on pension scheme assets	485,000	400,000

Sangers (Northern Ireland) Limited

Notes (continued)

5 Notes to the profit and loss account

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

	2006 £	2005 £
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,097,466	1,037,255
Leased	-	-
Amortisation of goodwill	25,881	25,881
Hire of motor vehicles - operating leases	347,432	323,189
Profit on sale of fixed assets	12,153	686
Auditors' remuneration - audit services	28,675	25,801
- non audit services	26,202	22,320
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

6 Tax on profit on ordinary activities

<i>Analysis of charge in period</i>	2006 £	<i>Revised</i> 2005 £
<i>UK corporation tax:</i>		
Current tax on profit for the period	240,800	435,000
Overprovision in respect of prior years	(508,474)	(394,136)
	<hr/>	<hr/>
Total current tax	(267,674)	40,864
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	(56,032)	(14,728)
Adjustments to the estimated recoverable amount of deferred tax liabilities arising in previous periods	1,760	107,627
	<hr/>	<hr/>
	(54,272)	92,899
Other timing differences	32,100	16,200
	<hr/>	<hr/>
Total deferred tax	(22,172)	109,099
	<hr/>	<hr/>
Tax charge on profit on ordinary activities	(289,846)	149,963
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

6 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher than the standard rate of corporation tax in the UK (2006: 30%; 2005: 30%). The differences are explained below:

	2006 £	Revised 2005 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,788,203	1,730,260
Current tax at 30% (2005: 30%)	536,461	519,078
<i>Effects of:</i>		
Expenses not deductible for tax purposes	145,078	135,758
Capital allowances for period in excess of depreciation	56,035	14,728
Other timing differences	(32,100)	(16,200)
Adjustments to tax charge in respect of previous periods	(508,474)	(394,136)
Group relief	(368,820)	(225,000)
Share options	(96,161)	-
Other	307	6,636
Total current tax charge (see above)	(267,674)	40,864

Sangers (Northern Ireland) Limited

Notes (continued)

7 Directors and employees

- (i) The average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

	2006 No.	2005 No.
Warehouse	118	124
Delivery	44	41
Administration	90	89
	<u>252</u>	<u>254</u>

- (ii) The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	4,156,297	3,968,436
Social security costs	418,182	428,855
Other pension costs	413,108	397,404
	<u>4,987,587</u>	<u>4,794,695</u>

- (iii) Remuneration of directors:

	2005 £	2004 £
Directors' emoluments (excluding pension contributions)	<u>472,714</u>	<u>505,805</u>

The emoluments of the highest paid director were £107,074 (2005: £97,251).

Retirement benefits are accruing to the following number of directors under:

	No.	No.
Defined benefit schemes	<u>6</u>	<u>7</u>

Sangers (Northern Ireland) Limited

Notes (continued)

8 Intangible assets

	Goodwill £
<i>Cost</i>	
At beginning of year	537,849
Additions	-
	<hr/>
At end of year	537,849
	<hr/>
<i>Amortisation</i>	
At beginning of year	179,171
Charged in year	25,881
	<hr/>
At end of year	205,052
	<hr/>
Net book value	
At 30 September 2006	332,797
	<hr/> <hr/>
At 30 September 2005	358,678
	<hr/> <hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets

(i) Tangible fixed assets

	<i>Freehold land £</i>	<i>Freehold buildings £</i>	<i>Plant and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost					
At beginning of year	23,500	5,429,889	8,392,793	304,695	14,150,877
Additions	-	1,921	429,082	-	431,003
Disposals	-	-	(40,762)	-	(40,762)
At end of year	23,500	5,431,810	8,781,113	304,695	14,541,118
Depreciation					
At beginning of year	-	1,062,206	5,938,675	217,563	7,218,444
Charge for year	-	161,809	893,085	42,572	1,097,466
On disposals	-	-	(24,427)	-	(24,477)
At end of year	-	1,224,015	6,807,283	260,135	8,291,433
Net book value					
At 30 September 2006	23,500	4,207,795	1,973,830	44,560	6,249,685
At 30 September 2005	23,500	4,367,683	2,454,118	87,132	6,932,433

Included in the net book value of motor vehicles is £Nil (2005: £Nil) in respect of leased assets.
Depreciation for the year on these assets was £Nil (2005: £Nil).

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets (continued) (ii) Investments

	2006 £	2005 £
Investments in joint ventures	200,501	200,501
Investments in subsidiary undertakings	777,905	777,905
	<u>978,406</u>	<u>978,406</u>

Proforma information - 30 September 2006:

	Excluding share of results of Joint Venture £	Share of results of Joint Venture £	Including share of results of Joint Venture £
Profit for the financial year	2,078,049	1,595,190	3,673,239
Profit and loss account	4,360,099	7,113,483	11,473,582
Net assets	4,360,199	7,113,483	11,473,682

In the current year a prior year adjustment has been reflected to exclude the results of joint venture businesses which are only included on a consolidated basis. The effect has been to reduce the 2005 opening reserves by £4,327,058, reduce the 2005 profit for the financial year by £1,191,235 and reduce the 2005 closing reserves by £5,518,293.

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets (continued)

(ii) Investments

The principal companies in which the company's interests at the year end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Blackstaff Pharmaceuticals Limited	United Kingdom	Dormant	100% ordinary
J Bradbury Surgical Limited	Northern Ireland	Dormant	100% ordinary
Prima Brands	Northern Ireland	Wholesale distribution of pharmaceutical products	100% ordinary
<i>Participating interests</i>			
Unidrug Distribution Group Limited	United Kingdom	Warehousing and distribution of prescription drugs and over the counter medicines	50% ordinary*
Pharma Services (NI) Limited	Northern Ireland	Installation of PMR systems into pharmaceutical retail outlets	50% ordinary**
Bradbury Healthcare Limited	Scotland	Dormant	50% ordinary***

* Joint venture arrangement between United Drug plc (with Sangers (Northern Ireland) Limited as the nominee shareholder) and Switzerland-based Alloga.

** Joint venture between Sangers (Northern Ireland) Limited and McLernons Computers (NI) Limited.

*** Joint venture between Sangers (Northern Ireland) Limited and Harold Mitchell & Company Limited.

Sangers (Northern Ireland) Limited

Notes (continued)

10 Stock

	2006 £	2005 £
Finished goods and goods for resale	13,684,171	12,688,167

In the opinion of the directors, the replacement value of stocks is not materially different from the above amounts.

11 Debtors

	2006 £	2005 £
Trade debtors	34,602,155	32,614,371
Amounts owed by subsidiary undertakings	551,531	404,141
Amounts owed by undertakings in which the company has a participating interest	40,931	27,603
Amounts owed by related undertakings	20,813,995	16,538,953
Other debtors	3,249,547	2,881,205
Prepayments and accrued income	396,115	250,448
Corporation tax	279,409	-
	59,933,683	52,716,721

12 Creditors: Amounts falling due within one year

	2006 £	2005 £
Trade creditors	32,388,433	27,610,304
Amounts owed to parent undertaking	4,359,562	4,359,562
Amounts owed to undertakings in which the company has a participating interest	217,830	217,830
Amounts owed to related undertakings	42,378,118	39,802,684
Other taxes and social security	901,008	1,505,589
Corporation tax	-	646,690
Accruals and deferred income	6,705,621	3,177,260
	86,950,572	77,319,919

Sangers (Northern Ireland) Limited

Notes (continued)

13 Provisions for liabilities and charges

Deferred taxation

	2006 £	Restated 2005 £
Balance at 1 October	301,441	386,182
(Credit)/charge for year (note 5)	(54,272)	92,846
Prior year adjustment	-	(177,587)
	<hr/>	<hr/>
Balance at 30 September	247,169	301,441
	<hr/>	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2006		2005	
	Provided £	Unprovided £	Provided £	Unprovided £
Estimate of difference between accumulated depreciation and capital allowances in year	328,671	-	382,942	-
Other timing difference	(81,502)	-	(81,501)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing deferred taxation provision	247,169	-	301,441	-
	<hr/>	<hr/>	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

14 Reconciliation of movement in shareholders' funds

	2006 £	Restated 2005 £
Opening balance previously reported	10,154,863	7,479,341
Prior year adjustment (see note 3)	(2,546,920)	(2,976,130)
Prior year adjustment (see note 9 (ii))	(5,518,293)	(4,327,058)
As restated	2,089,650	176,153
Profit for the financial year	2,078,049	1,580,297
Actuarial gains and losses	275,000	476,000
Deferred tax on pension movement	(82,500)	(142,800)
Closing shareholders' funds	4,360,199	2,089,650

15 Share capital

	2006 £	2005 £
<i>Authorised:</i>		
Ordinary shares of £1 each	1,000,000	1,000,000
<i>Allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	100	100

16 Profit and loss account

	2006 £	Restated 2005 £
Opening balance previously reported	10,154,763	7,479,241
Prior year adjustment (see note 3)	(2,546,920)	(2,976,130)
Prior year adjustment (see note 9 (ii))	(5,518,293)	(4,327,058)
As restated	2,089,550	176,053
Profit for the financial year	2,078,049	1,580,297
Actuarial gains and losses	275,000	476,000
Deferred tax on pension movement	(82,500)	(142,800)
Balance at 30 September	4,360,099	2,089,550
Profit and loss reserve excluding pension liability	6,014,199	4,011,050
Pension liability	(1,654,100)	(1,921,500)
Profit and loss reserve including pension liability	4,360,099	2,089,550

Sangers (Northern Ireland) Limited

Notes (continued)

17 Commitments

The directors have authorised capital expenditure which has been contracted for at the year end of £Nil (2005: £Nil).

Annual commitments under non-cancellable operating leases are as follows:

	2006 £	2005 £
Operating leases which expire:		
within one year	45,305	43,309
within two to five years	622,727	608,216
	<u> </u>	<u> </u>

18 Pension scheme

The main pension scheme of the company is the Sangers (Northern Ireland) Limited Pension Fund which is a defined benefit scheme providing benefits based on final pay and service at retirement. The assets of the scheme are held separately from those of the company, being directly invested on a discretionary basis by Legal & General.

The latest full actuarial valuation was carried out at 1 April 2005 and was updated for FRS 17 purposes to 30 September 2006 by a qualified independent actuary.

The major assumptions used in this valuation were:

	2006	2005	2004
Rate of increase in salaries	3.5%	3.4%	3.4%
Rate of increase in pensions in payment (pre 1 April 1997)	3.0%	3.0%	3.0%
Rate of increase in pensions in payment (post 31 March 1997)	3.0%	2.8%	2.8%
Rate of increase in deferred pensions	3.0%	2.9%	2.8%
Discount rate applied to scheme liabilities	5.0%	5.0%	5.5%
Inflation assumption	3.0%	2.9%	2.9%

The assumptions used by the actuary are chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Sangers (Northern Ireland) Limited

Notes (continued)

18 Pensions (continued)

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and this inherently uncertain, were:

	Value at 30/09/06	Value at 30/09/05	Value at 30/09/04
Equities	5,395,000	4,726,000	4,121,000
Bonds	2,625,000	2,235,000	1,460,000
Cash	38,000	58,000	45,000
Property	<u>698,000</u>	<u>569,000</u>	<u>309,000</u>
Total market value of pension scheme assets	8,756,000	7,588,000	5,935,000
Present value of pension scheme liabilities	<u>(11,119,000)</u>	<u>(10,333,000)</u>	<u>(9,210,000)</u>
Deficit in pension schemes	(2,363,000)	(2,745,000)	(3,275,000)
Related deferred tax asset	<u>708,900</u>	<u>823,500</u>	<u>982,500</u>
Net pension liability	<u>(1,654,100)</u>	<u>(1,921,500)</u>	<u>(2,292,500)</u>

The expected rates of return on the assets in the scheme were:

	Long term rate of return 30/09/06	Long term rate of return 30/09/05	Long term rate of return 30/09/04
Equities	7.25%	7.25%	7.00%
Bonds	4.25%	4.25%	5.50%
Cash	4.75%	4.50%	4.50%
Property	6.25%	6.25%	5.50%

Movement in deficit during the year

	2006 £	2005 £
Deficit in the scheme at the beginning of year	(2,745,000)	(3,275,000)
Current service cost	(286,000)	(232,000)
Contributions paid	428,000	449,000
Past service cost	-	(50,000)
Other finance income/cost	(35,000)	(113,000)
Actuarial gain	275,000	476,000
Deficit in the scheme at end of year	<u>(2,363,000)</u>	<u>(2,745,000)</u>

Sangers (Northern Ireland) Limited

Notes (continued)

18 Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit

	2006 £	2005 £
Current service cost	286,000	232,000
Past service cost	-	50,000
	<u>286,000</u>	<u>282,000</u>

Analysis of amounts included in other finance income/costs:

	2006 £	2005 £
Expected return on pension scheme assets	(485,000)	(400,000)
Interest on pension scheme liabilities	520,000	513,000
	<u>35,000</u>	<u>113,000</u>

Analysis of amount recognised in statement of total recognised gains and losses:

	2006 £	2005 £
Actual return less expected return on scheme assets	394,000	884,000
Experience gains and losses arising on scheme liabilities	-	1,020,000
Changes in assumptions underlying the present value of scheme liabilities	(119,000)	(1,428,000)
	<u>275,000</u>	<u>476,000</u>

History of experience gains and losses:

	2006 %	2005 %	2004 %
Difference between the expected and actual return on scheme assets expressed as a percentage of the year end scheme assets	4.5	11.6	2.8
Experience gains and losses on scheme liabilities expressed as a percentage of the year end present value of scheme liabilities	-	(9.9)	0.4
Total amount recognised in the statement of total recognised gains and losses expressed as a percentage of the year end present value of the scheme liabilities	(2.5)	(4.6)	(0.2)

Sangers (Northern Ireland) Limited

Notes (continued)

19 Contingencies

There are cross guarantees in place to First Trust Bank plc in respect of the bank overdraft of certain group undertakings. There are also guarantees in place to Ulster Bank, Bank of Ireland and First Trust Bank in respect of all the present and future liabilities of several of their customers. Guarantees totalling £7,235,000 (2005: £5,688,000) are in place at the year end.

20 Group affiliation

At 30 September 2006, the company's entire share capital was owned by Alchem plc, a company incorporated in Northern Ireland.

The largest group in which the results of the company are consolidated is that headed by United Drug plc, a company incorporated in the Republic of Ireland. The directors regard United Drug plc as the ultimate parent company. The consolidated financial statements of this group are available to the public and may be obtained from the following addresses:

United Drug plc
James Street
Ballina
Co Mayo
Republic of Ireland

21 Related party transactions

Since more than 90% of the company's voting rights are controlled within the United Drug plc group of companies, of which it is a member, the company has taken advantage of the exemption not to disclose transactions with entities that are part of the group.

The company pays the administration costs of the main pension scheme, Sangers (Northern Ireland) Limited Pension Fund. In the year ended 30 September 2006 these costs amounted to £39,196 (2005: £55,992).

During the year the company made the following related party transactions with Unidrug Distribution Group Limited, a joint venture of Sangers (NI) Limited.

	2006 £000	2005 £000
Purchases	(13,899,541)	(11,433,028)
The balance owed to the company at the year end	(2,992,604)	(2,306,456)

22 Comparative figures

Comparative figures have been reclassified where necessary on a basis consistent with the current year.