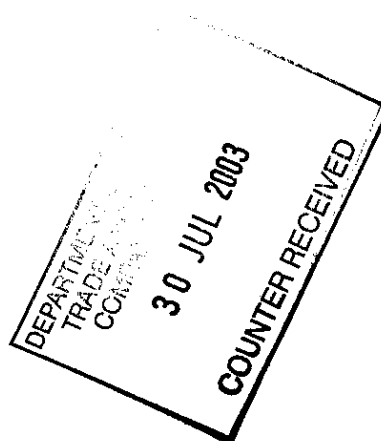
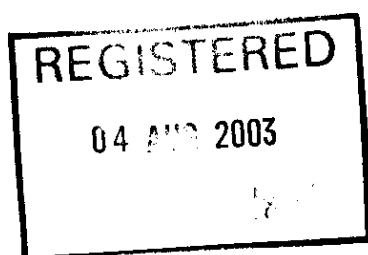


Sangers (Northern Ireland) Limited

Financial statements

Year ended 30 September 2002

Company registration number NI 18941



Sangers (Northern Ireland) Limited

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Directors' report	2
Statement of directors' responsibilities	4
Report of the independent auditors' to the members of Sangers (Northern Ireland) Limited	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

Sangers (Northern Ireland) Limited

Directors and other information

Directors

R J White, OBE (resigned 24 April 2002)
S J C Simms (Managing Director)
P Caffrey
P R Surgenor
M Hansen
D Jackson
J Malcolm
P Lemon
L Fitzgerald
R D Kells, OBE (appointed 24 April 2002)
N Meier (appointed 27 September 2002)
A Braden (appointed 27 September 2002)

Secretary

S J C Simms (resigned 24 April 2002)
P R Surgenor (appointed 24 April 2002)

Registered office

2 Marshalls Road
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 2002.

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

Results and dividends

The trading profit after taxation and before dividends for the year amounted to £1,331,699 (2001: £1,576,613). The directors recommend that a dividend of £700,000 be paid (2001: £1,500,000).

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 2002, the company's level of 'creditor days' amounted to 53 days (2001: 51 days).

Directors

The directors who held office during the year were:

R J White, OBE (resigned 24 April 2002)
S J C Simms
P Caffrey
P R Surgenor
M Hansen
D Jackson
J Malcolm
P Lemon
L Fitzgerald
R D Kells, OBE (appointed 24 April 2002)

Sangers (Northern Ireland) Limited

Directors' report *(continued)*

Directors' interests


Mr R J White holds one ordinary share in the company as a nominee of Alchem plc. There are no other directors' interests requiring to be disclosed under the Companies (Northern Ireland) Order 1986.

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.

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.

By order of the board


Director

8 January 2003

Sangers (Northern Ireland) Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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 maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

By order of the board


Director

8 January 2003



Chartered Accountants

Stokes House
College Square East
Belfast BT1 6DH
Northern Ireland

Report of the independent auditors' to the members of Sangers (Northern Ireland) Limited

We have audited the financial statements on pages 6 to 23.

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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable Northern Ireland law and accounting standards. Our responsibilities, as independent auditors, are established in Northern Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

KPMG
Chartered Accountants
Registered Auditors

8 January 2003

Sangers (Northern Ireland) Limited

Profit and loss account

Year ended 30 September 2002

	Note	2002 £	2001 £
Turnover - continuing operations	2	146,358,064	130,360,582
Cost of sales		(136,986,791)	(121,610,255)
Gross profit		9,371,273	8,750,327
Distribution costs		(920,787)	(864,767)
Administrative expenses		(7,746,611)	(7,298,364)
Other operating income		593,757	624,212
Profit due to interest in associated undertaking	9	1,060,861	1,193,000
Operating profit - continuing operations		2,358,493	2,404,408
Net interest payable	3	(140,612)	(320,603)
Profit on ordinary activities before taxation	4	2,217,881	2,083,805
Tax on profit on ordinary activities	5	(886,182)	(507,192)
Profit for the financial year	19	1,331,699	1,576,613
Retained profit brought forward		6,748,212	6,671,599
		8,079,911	8,248,212
Dividends on equity shares		(700,000)	(1,500,000)
Retained profit carried forward	19	7,379,911	6,748,212

The company has no recognised gains or losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 8 to 23 form part of these financial statements.

Sangers (Northern Ireland) Limited

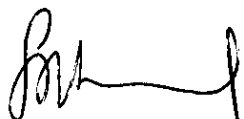
Balance sheet

At 30 September 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	8	436,319		462,200	
Tangible assets	9	7,395,336		7,792,308	
Investments	9	2,270,312		1,531,214	
			10,101,967		9,785,722
Current assets					
Stocks	10	11,892,229		11,217,043	
Debtors	11	33,490,574		28,674,221	
Cash at bank and in hand		2,626,484		2,051,978	
			48,009,287		41,943,242
Creditors: Amounts falling due within one year	12	(50,439,879)		(44,798,297)	
Net current liabilities			(2,430,592)		(2,855,055)
Total assets less current liabilities			7,671,375		6,930,667
Creditors: Amounts falling due after more than one year	13		-		(182,355)
Provisions for liabilities and charges	16		(291,364)		-
Net assets			7,380,011		6,748,312
Capital and reserves					
Called up share capital	18		100		100
Profit and loss account	19		7,379,911		6,748,212
Equity shareholders' funds	17		7,380,011		6,748,312

These financial statements were approved by the Board of directors on 8 January 2003 and signed on their behalf by:

S J C Simms
Director



P R Surgenor
Director



The notes on pages 8 to 23 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. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred Tax' in these financial statements. The comparative figures have been restated accordingly. The company has followed the transitional arrangements of FRS 17 'Retirement Benefits' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The company is exempt from the requirement of Financial Reporting Standard No. 1 to prepare a cashflow statement as it is a wholly owned subsidiary undertaking of Alchem plc and its cashflows are included within the consolidated cashflow statement of that company.

Goodwill

Goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) has been capitalised and amortised over the directors' estimate of its expected useful life. This represents a change in accounting policy and has resulted from the implementation of *FRS10: Goodwill and Intangible Assets*. Previously it was the policy to write goodwill off against reserves in the year of acquisition. The company is availing of the exemption in paragraph 68 of FRS 10 not to restate this element of goodwill previously written off against reserves as it is not seen as practicable in light of the various small acquisitions made by the company in recent years.

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.

Deferred taxation

Deferred tax 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 FRS 19.

Turnover

Turnover represents invoiced amounts of goods sold net of value added tax and settlement discount.

Pension funding

The company operates a defined benefit pension scheme under which contributions by the company and eligible employees are made for funding of death and retirement benefits. The expected cost of providing pension benefits is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of employees. Differences between the amounts funded and amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Sangers (Northern Ireland) Limited

Notes (*continued*)

1 Accounting policies (*continued*)

Finance leasing

Assets acquired under finance leases are included in tangible fixed assets at an amount equivalent to the purchase price of such assets and depreciated over their useful lives. Obligations under such finance leases, net of any finance charges allocated to future periods, are included as creditors in the balance sheet. Finance charges are spread evenly over the period of the lease.

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

Depreciation is provided by the company 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.

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 Net interest payable

	2002 £	2001 £
Payable:		
Bank interest on loans and overdrafts wholly repayable within five years	175,691	289,255
Bank interest on loans not wholly repayable within five years	-	53,180
Interest on finance leases	233	3,855
	<hr/>	<hr/>
	175,924	346,290
Receivable:		
Bank interest	(35,312)	(25,687)
	<hr/>	<hr/>
Net interest payable	<u>140,612</u>	<u>320,603</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated, after charging:-

	2002 £	2001 £
Auditors' remuneration - audit services	14,500	14,000
- non audit services	10,060	14,429
Depreciation and other amounts written off tangible fixed assets:		
Owned	837,553	775,597
Leased	23,699	25,123
Amortisation of goodwill	25,881	25,772
Remuneration of directors	332,586	340,072
Hire of motor vehicles - operating leases	284,411	233,901
and after crediting:		
Profit on sale of fixed assets	<u>(4,837)</u>	<u>(24,062)</u>

The results of Unidrug Distribution Group Limited, a joint venture company, incorporated on 21 June 1996, under an agreement between United Drug plc (50% interest), Alliance Unichem plc (25% interest) and Galenica Holdings AG (25% interest) have been included as a joint venture, given that the company is the nominee shareholder in Unidrug Distribution Group Limited. Its turnover, both by source and destination, all relates to the United Kingdom.

Sangers (Northern Ireland) Limited

Notes (continued)

5 Tax on profit from ordinary activities

	2002 £	2001 £
<i>Current tax:</i>		
UK corporation tax on profit of the period	250,000	184,000
Overprovision in respect of prior years	-	(14,808)
Share of tax charge from interest in Joint venture company (note 8)	344,818	353,000
	<u>594,818</u>	<u>522,192</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	291,364	-
Adjustments to the estimated recoverable amount of deferred tax liabilities arising in previous periods	-	(15,000)
Total deferred tax (note 15)	<u>291,364</u>	<u>(15,000)</u>
Tax on profit on ordinary activities	<u>886,182</u>	<u>507,192</u>

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 (30%, 2001: 30%). The differences are explained below:

	2002 £	2001 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,217,881	2,083,805
Less: profit due to interest in associated undertaking	(1,060,861)	(1,193,000)
	<u>1,157,020</u>	<u>890,805</u>
Current tax at 30% (2001: 30%)	347,106	267,242
<i>Effects of:</i>		
Expenses not deductible for tax purposes	18,264	828
Capital allowances for period in excess of depreciation	(116,399)	(120,605)
Goodwill amortisation	-	7,732
Adjustments to tax charge in respect of previous periods	-	(14,808)
Group relief	-	(134,375)
Other	1,029	177,986
	<u>250,000</u>	<u>184,000</u>
Total current tax charge (see above)	<u>250,000</u>	<u>184,000</u>

Sangers (Northern Ireland) Limited

Notes (continued)

6 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:-

	2002 No.	2001 No.
Warehouse	97	107
Delivery	40	41
Administration	92	92
	<hr/>	<hr/>
	229	240
	<hr/>	<hr/>

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

	2002 £	2001 £
Wages and salaries	3,454,780	3,230,006
Social security costs	277,606	268,518
Other pension costs	359,931	246,041
	<hr/>	<hr/>
	4,092,317	3,744,565
	<hr/>	<hr/>

- (iii) Remuneration of directors:-

	2002 £	2001 £
Directors' emoluments (excluding pension contributions)	312,865	315,141
	<hr/>	<hr/>

The emoluments of the highest paid director were £75,019 (2001: £72,817).

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

	No.	No.
Defined benefit schemes	5	5
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

7 Dividends

	2002 £	2001 £
<i>Equity shares:</i>		
Final dividend proposed	700,000	1,500,000

8 Intangible assets

(i) *Goodwill* Cost:

	Goodwill £
At 30 September 2001	537,849
Additions	-
At 30 September 2002	537,849
<i>Amortisation:</i>	
At 30 September 2001	75,649
Charge for year	25,881
At 30 September 2002	101,530
Net book value at 30 September 2002	436,319
Net book value at 30 September 2001	462,200

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets

(i) Tangible assets

	<i>Freehold land £</i>	<i>Freehold buildings £</i>	<i>Plant and machinery £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
<i>Cost</i>					
At 30 September 2001	23,500	4,996,110	6,427,369	403,110	11,850,089
Additions	-	152,999	321,231	54,550	528,780
Disposals	-	-	(332,900)	(134,609)	(467,509)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	23,500	5,149,109	6,415,700	323,051	11,911,360
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At 30 September 2001	-	483,701	3,412,365	161,715	4,057,781
Charge for year	-	120,785	662,435	78,032	861,252
Disposals	-	-	(314,893)	(88,116)	(403,009)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2002	-	604,486	3,759,907	151,631	4,516,024
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 September 2002	23,500	4,544,623	2,655,793	171,420	7,395,336
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2001	23,500	4,512,409	3,015,004	241,395	7,792,308
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book amount of motor vehicles includes £Nil (2001: £23,699) in respect of leased assets, on which depreciation of £23,699 (2001: £25,123) was charged in the year.

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets (continued)

(ii) Investments

<i>Investment in joint venture:</i>	2002 £	Movement in year £	2001 £
Cost of investment in Unidrug Distribution Group Limited	200,000	-	200,000
Cumulative share of profit retained by associated undertaking	2,977,527	1,083,916	1,893,611
Cumulative share of tax losses	(908,215)	(344,818)	(563,397)
	<u>2,269,312</u>	<u>739,098</u>	<u>1,530,214</u>
<i>Other investments:</i>			
Cost of investments in Bradbury Healthcare Limited	23,055	23,055	-
Cost of loss retained by associated undertaking	(23,055)	(23,055)	-
	<u>-</u>	<u>-</u>	<u>-</u>
Investment in Blackstaff Pharmaceuticals Limited	1,000	-	1,000
	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Included within fixed asset investments	<u>2,270,312</u>	<u>739,098</u>	<u>1,531,214</u>

The goodwill which has previously been eliminated as a matter of accounting policy will be charged or credited to the profit and loss account on subsequent disposal of the business to which it related. The cumulative amount of positive goodwill eliminated against reserves in the last 7 financial years, net of any goodwill attributable to businesses disposed of before 30 September 1998 was £232,827.

10 Stock

	2002 £	2001 £
Finished goods and goods for resale	<u>11,892,229</u>	<u>11,217,043</u>

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

Sangers (Northern Ireland) Limited

Notes (continued)

11 Debtors

	2002 £	2001 £
Amounts due within one year:		
Trade debtors	16,604,321	14,298,473
Amounts owed by group undertakings:		
Parent and fellow subsidiary undertakings	15,578,449	13,427,069
Other debtors	1,022,644	584,191
Corporation tax	-	56,516
Prepayments and accrued income	285,160	307,972
	<hr/>	<hr/>
	33,490,574	28,674,221
	<hr/>	<hr/>

The company has entered into a debt factoring arrangement whereby certain of its book debts are factored without recourse. At the year end the total book debt factored under this arrangement was £10,003,048 (2001: £6,773,131). In accordance with the accounting treatment required under *FRS 5: Reporting the Substance of Transactions* trade debtors are stated net of the amount of debt factored and are also net of cash received in the last month of the year which is due to the factoring company.

12 Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank loans	182,352	272,299
Bank overdrafts	-	-
Trade creditors	20,594,584	18,404,611
Amounts owed to group undertakings:		
Parent and fellow subsidiary undertakings	24,297,091	22,517,549
Other taxes and social security	4,022,090	1,073,826
Corporation tax	140,910	-
Other creditors	334	1,598,436
Accruals	1,202,518	929,751
Obligations under finance leases and hire purchase contracts	-	1,825
	<hr/>	<hr/>
	50,439,879	44,798,297
	<hr/>	<hr/>

The bank overdrafts and bank loans are secured by a parent company guarantee from United Drug plc.

Sangers (Northern Ireland) Limited

Notes (continued)

13 Creditors: Amounts falling due after one year

	2002 £	2001 £
Bank loans	-	182,355

The bank loan is secured by a parent company guarantee from United Drug plc.

14 Bank loans

	2002 £	2001 £
Bank loans payable by instalments:		
Due within one year	182,352	272,299
Due between one and two years	-	182,355
	<u>182,352</u>	<u>454,654</u>

All bank loans are subject to interest at a fixed rate and are repayable in equal quarterly instalments up to March 2003.

15 Obligations under finance leases and hire purchase contracts

	2002 £	2001 £
Due within one year	-	1,825
Due between one and two years	-	-
Due between two and five years	-	-
	<u>-</u>	<u>1,825</u>

Sangers (Northern Ireland) Limited

Notes (continued)

16 Provisions for liabilities and charges

Deferred taxation

The amounts provided for deferred taxation are set out below:

	Provided £	2002 Unprovided £	Provided £	2001 Unprovided £
Opening deferred taxation provision	-	-	15,000	-
Estimate of difference between accumulated depreciation and capital allowances in year	340,082	-	(15,000)	-
Other timing difference	(48,718)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing deferred taxation provision	291,364	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

17 Reconciliation of movement in equity shareholders' funds

	2002 £	2001 £
Opening equity shareholders' funds	6,748,312	6,671,699
Profit for the financial year	1,331,699	1,576,613
Dividends	(700,000)	(1,500,000)
	<hr/>	<hr/>
Closing equity shareholders' funds	7,380,011	6,748,312
	<hr/>	<hr/>

18 Share capital

	2002 £	2001 £
<i>Authorised:</i>		
Equity ordinary Shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
Equity ordinary shares of £1 each	100	100
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

19 Profit and loss account

	2002 £	2001 £
At beginning of year	6,748,212	6,671,599
Profit for the financial year	1,331,699	1,576,613
Dividends	(700,000)	(1,500,000)
	<hr/>	<hr/>
At end of year	7,379,911	6,748,212
	<hr/>	<hr/>

20 Commitments

The directors have authorised capital expenditure which has been contracted for at the year end of £Nil (2001:£Nil).

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

	2002 Motor vehicles £	2001 Motor vehicles £
Operating leases which expire:		
within one year	50,347	18,754
within two to five years	208,665	217,599
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

21 Pensions

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 Company has continued to account for pensions in accordance with SSAP 24 'Accounting for pension costs' and the disclosures given in (a) below are those required by that standard. Full implementation of FRS 17, *Retirement Benefits*, will not be made mandatory for the company until year ended 30 September 2005. Prior to this, phased transitional disclosures are required by the standard and to the extent not given in (a) are set out below in (b).

(a) SSAP 24 disclosures

The last actuarial valuation of the scheme prior to the year end was carried out with an effective date of 1 April 2002 using funding methods and valuation assumptions consistent with the Minimum Funding Requirement as set down in the Pensions Act 1995. This valuation indicated that, on the Minimum Funding Requirement basis, the scheme's assets amounted to £3,776,954 which were sufficient to cover approximately 68% of accrued liabilities, based on current earnings.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. In performing the valuation, it was assumed that investment returns would be 5.75% per annum compound, that salary increases would be 3% per annum and that the increase in retail prices would be 2.5% per annum.

The pension charge in connection with this scheme for the year was £270,506 (2001: £188,372) which represented the regular pension cost for the year as determined by the actuary. Provisions relating to variations from regular cost at the year end amounted to £192,102 (2001: £103,988). The contributions of employees have remained at 6%.

(b) FRS 17 Retirement benefits

The valuations of the defined benefit scheme used for the purpose of FRS 17 disclosures have been based on the most recent actuarial valuation as identified above and updated by the independent actuaries to take account of the requirements of FRS 17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

	2002	2001
Valuation method	[Projected unit]	[Projected unit]
Discount rate	5.75%	5.50%
Inflation rate	2.25%	2.5%
Increase to pensions in payment (pre 1 April 1997)	3.0%	3.0%
Increase to pensions in payment (post 31 March 1997)	2.25%	2.5%
Increase to pensions in deferment	2.25%	2.5%
Salary increases	2.75%	3.0%

Sangers (Northern Ireland) Limited

Notes (continued)

21 Pension (continued)

The market value of the assets in the pension schemes and the expected rate of return were:

	Long term rate of return expected at 30/09/02	Value at 30/09/02	Long term rate of return expected at 30/09/01	Value at 30/09/01
Equities	7.0%	2,604,000	7.0%	2,968,000
Bonds	5.5%	1,066,000	5.7%	685,000
Other	3.0%	137,000	6.0%	133,000
Total market value of pension scheme assets		3,807,000		3,786,000
Present value of pension scheme liabilities		(6,427,000)		(5,575,000)
Deficit in pension schemes		(2,620,000)		(1,789,000)
Related deferred tax asset		786,000		468,000
Net pension liability		(1,834,000)		(1,321,000)
				2002 £
Net assets				
Net assets				7,380,000
Pension debtor (SSAP 24)				(410,000)
Pension accrual (SSAP 24)				40,000
Pension deferred credit				192,000
Net assets excluding (SSAP 24) pension assets and liabilities				7,202,000
Pension liability (FRS 17)				(1,834,000)
Net assets including (FRS 17) pension liability				5,368,000
Reserves				
Profit and loss reserve				7,380,000
Pension prepayment (SSAP 24)				(410,000)
Pension accrual (SSAP 24)				40,000
Pension deferred credit (SSAP 24)				192,000
Profit and loss reserve excluding (SSAP 24) pension assets and liabilities				7,202,000
Pension liability (FRS 17)				(1,834,000)
Profit and loss reserve including (FRS 17) pension liability				5,368,000

Sangers (Northern Ireland) Limited

Notes (*continued*)

22 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 £2,100,000 are in place at the year end.

23 Group affiliation

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 smallest group in which the results of the company are consolidated is that headed by Alchem plc, a company incorporated in Northern Ireland. The consolidated financial statements of these groups are available to the public and may be obtained from the following addresses:

United Drug plc

James Street
Ballina
Co Mayo
Republic of Ireland

Alchem plc

Companies Registry
IDB House
64 Chichester Street
Belfast 1

Sangers (Northern Ireland) Limited

Notes (continued)

24 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 2002 these costs amounted to £38,031 (2001: £47,564).

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

	2002 £000	2001 £000
Purchases	(1,698,343)	(4,042)
The balance owed to the company at the year end	(250,112)	(293)

Non-executive directors of Alchem plc, the company's immediate parent company, purchase pharmaceutical and consumer products from the company. All transactions are carried out on terms consistent with those applied to dealings with unrelated parties. The aggregate value of these transactions is not considered material in the context of the company's financial results. The value of each director's transactions with the company is not considered material in the context of each director's own business affairs.

25 Comparative figures

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