

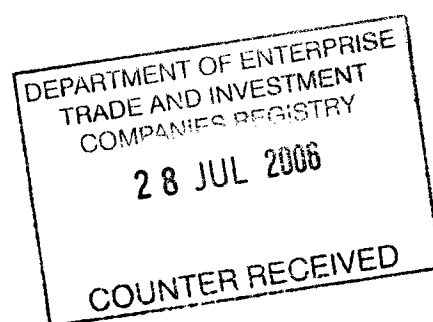


Sangers (Northern Ireland) Limited

Financial statements

Year ended 30 September 2005

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
L Fitzgerald
M Hansen
D Jackson
R D Kells, OBE
P Lemon
J Malcolm
N Meier
A Ralph (appointed 22 April 2005)
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 2005.

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 £2,675,522 (2004: £2,591,047). The directors recommend that a dividend of £NIL is paid (2004: £2,750,000).

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 2005, the company's level of 'creditor days' amounted to 58 days (2004: 51 days).

Directors

The directors who held office during the year were:

A Braden
L Fitzgerald
M Hansen
D Jackson
R D Kells, OBE
P Lemon
J Malcolm
N Meier
A Ralph (appointed 22 April 2005)
P R Surgenor

During the year Mr Stephen Simms resigned as director of the company and Mr Alan Ralph was appointed as director with effect from that date.

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.

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

7 July 2006

Sangers (Northern Ireland) Limited

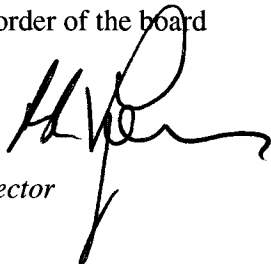
Statement of directors' responsibilities

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

7 July 2006



KPMG
Chartered Accountants
Stokes House
17-25 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 22.

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 2005 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

7 July 2006

Sangers (Northern Ireland) Limited

Profit and loss account

Year ended 30 September 2005

	Note	2005 £	2004 £
Turnover - continuing operations	2	186,016,076	183,927,602
Cost of sales		(174,655,117)	(172,534,791)
Gross profit		11,360,959	11,392,811
Distribution costs		(1,004,484)	(965,049)
Administrative expenses		(7,676,960)	(8,903,215)
Other operating income		877,481	766,065
Profit due to interest in associated undertakings	9	1,703,937	1,440,055
Operating profit - continuing operations		5,260,933	3,730,667
Net interest (payable)/receivable	3	(1,938,946)	(91,491)
Profit on ordinary activities before taxation	4	3,321,987	3,639,176
Tax on profit on ordinary activities	5	(646,465)	(1,048,129)
Profit for the financial year	16	2,675,522	2,591,047
Retained profit brought forward		7,479,241	7,638,194
		10,154,763	10,229,241
Dividends on equity shares		-	(2,750,000)
Retained profit carried forward	16	10,154,763	7,479,241

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 22 form part of these financial statements.

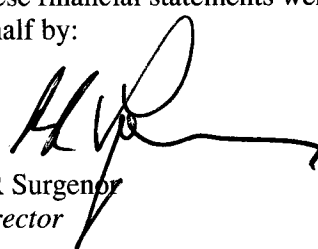
Sangers (Northern Ireland) Limited

Balance sheet

At 30 September 2005

	Note	2005		2004	
		£	£	£	£
Fixed assets					
Intangible assets	8	358,678		384,559	
Tangible assets	9	6,932,433		7,304,032	
Investments	9	6,496,699		5,070,725	
			13,787,810		12,759,316
Current assets					
Stocks	10	12,688,167		12,165,053	
Debtors	11	54,061,880		38,798,727	
Cash at bank and in hand		7,958,105		4,492,644	
			74,708,152		55,456,424
Creditors: Amounts falling due within one year	12	(77,862,071)		(60,350,217)	
Net current liabilities			(3,153,919)		(4,893,793)
Total assets less current liabilities			10,633,891		7,865,523
Provisions for liabilities and charges	13		(479,028)		(386,182)
Net assets			10,154,863		7,479,341
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		10,154,763		7,479,241
Equity shareholders' funds	14		10,154,863		7,479,341

These financial statements were approved by the Board of directors on 7 July 2006 and signed on their behalf by:


P R Surgenor
Director

The notes on pages 8 to 22 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 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 United Drug 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 has availed 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.

3 Net interest payable

	2005 £	2004 £
Payable:		
Bank interest on loans and overdrafts		
wholly repayable within five years	126,580	145,657
Marker BV loan interest	1,949,308	-
Receivable:		
Bank interest	(136,942)	(54,166)
	<hr/>	<hr/>
Net interest payable	1,938,946	91,491
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

4 Profit on ordinary activities before taxation

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

	2005 £	2004 £
Auditors' remuneration - audit services	25,801	13,650
- non audit services	22,320	37,157
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,037,255	876,366
Leased	-	-
Amortisation of goodwill	25,881	25,880
Remuneration of directors	505,805	525,686
Hire of motor vehicles - operating leases	323,189	316,790
and after crediting:		
Profit on sale of fixed assets	686	7,925

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

	2005 £	2004 £
<i>Current tax:</i>		
UK corporation tax on profit of the period	435,000	720,000
Overprovision in respect of prior years	(394,136)	(178,112)
	<u>40,864</u>	<u>541,888</u>
Share of tax charge from interest in Joint venture company (note 9)	512,702	433,000
	<u>553,566</u>	<u>974,888</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	(14,728)	73,241
Adjustments to the estimated recoverable amount of deferred tax liabilities arising in previous periods	107,627	-
	<u>92,899</u>	<u>73,241</u>
Total deferred tax (note 13)		
	<u>646,465</u>	<u>1,048,129</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%, 2004: 30%). The differences are explained below:

	2005 £	2004 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	3,321,987	3,639,176
Less: profit due to interest in associated undertaking	(1,703,937)	(1,440,055)
	<u>1,618,050</u>	<u>2,199,121</u>
Current tax at 30% (2004: 30%)	485,415	659,736
<i>Effects of:</i>		
Expenses not deductible for tax purposes	153,221	36,011
Capital allowances for period in excess of depreciation	14,728	18,800
Adjustments to tax charge in respect of previous periods	(394,136)	(178,112)
Group relief	(225,000)	-
Other	6,636	4,753
	<u>40,864</u>	<u>541,188</u>
Total current tax charge (see above)		

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:-

	2005 No.	2004 No.
Warehouse	124	128
Delivery	41	38
Administration	89	85
	<u>254</u>	<u>251</u>

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

	2005 £	2004 £
Wages and salaries	3,968,436	3,934,360
Social security costs	428,855	372,372
Other pension costs	397,404	388,610
	<u>4,794,695</u>	<u>4,695,342</u>

- (iii) Remuneration of directors:-

	2005 £	2004 £
Directors' emoluments (excluding pension contributions)	<u>505,805</u>	<u>443,110</u>

The emoluments of the highest paid director were £97,251 (2004: £81,950).

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

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

Sangers (Northern Ireland) Limited

Notes (continued)

7 Dividends

	2005 £	2004 £
<i>Equity shares:</i>		
Final dividend proposed	-	2,750,000

8 Intangible assets

(i) *Goodwill* Cost:

	Goodwill £
At 30 September 2004	537,849
Additions	-
At 30 September 2005	537,849
Amortisation:	
At 30 September 2004	153,290
Charge for year	25,881
At 30 September 2005	179,171
Net book value at 30 September 2005	358,678
Net book value at 30 September 2004	384,559

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>
Cost					
At 30 September 2004	23,500	5,423,955	7,734,567	358,900	13,540,922
Additions	-	5,934	658,226	37,235	701,395
Disposals	-	-	-	(91,440)	(91,440)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	23,500	5,429,889	8,392,793	304,695	14,150,877
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 30 September 2004	-	900,399	5,127,292	209,199	6,236,890
Charge for year	-	161,807	811,383	64,065	1,037,255
On disposals	-	-	-	(55,701)	(55,701)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2005	-	1,062,206	5,938,675	217,563	7,218,444
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 30 September 2005	23,500	4,367,683	2,454,118	87,132	6,932,433
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	23,500	4,523,556	2,607,275	149,701	7,304,032
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The net book amount of motor vehicles includes £Nil (2004: £Nil) in respect of leased assets, on which depreciation of £Nil (2004: £Nil) was charged in the year.

Sangers (Northern Ireland) Limited

Notes (continued)

9 Fixed assets (continued)

(ii) Investments

<i>Investment in joint venture:</i>	2005 £	Movement in year £	2004 £
Cost of investment in Unidrug Distribution Group Limited	200,000	-	200,000
Cumulative share of profit retained by associated undertaking	7,385,971	1,738,403	5,647,568
Cumulative share of tax	(1,853,917)	(512,702)	(1,341,215)
	<u>5,732,054</u>	<u>1,225,701</u>	<u>4,506,353</u>
<i>Other investments:</i>			
Cost of investments in Bradbury Healthcare Limited	23,055	-	23,055
Transfer from debtors of loans to Bradbury Healthcare Limited	234,739		
Cost of loss retained in Bradbury Healthcare Limited	(257,294)	(29,371)	(227,923)
Cost of loss retained by Pharma Services	(13,757)	(5,095)	(8,662)
	<u>(13,257)</u>	<u>(34,466)</u>	<u>(213,530)</u>
Investment in Blackstaff Pharmaceuticals Limited	1,000	-	1,000
Investment in Prima Brands Limited	776,902	-	776,902
	<u>6,496,699</u>	<u>1,191,235</u>	<u>5,070,725</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

	2005 £	2004 £
Finished goods and goods for resale	<u>12,688,167</u>	<u>12,165,053</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

	2005 £	2004 £
Amounts due within one year:		
Trade debtors	32,614,371	21,140,318
Amounts owed by group undertakings:		
Parent and fellow subsidiary undertakings	16,970,697	15,353,986
Other debtors	4,226,364	1,930,342
Prepayments and accrued income	250,448	374,081
	<hr/>	<hr/>
	54,061,880	38,798,727
	<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 (2004: £11,475,210). 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

	2005 £	2004 £
Trade creditors	27,610,304	23,901,941
Amounts owed to group undertakings:		
Parent and fellow subsidiary undertakings	43,380,076	29,118,199
Other taxes and social security	3,366,325	4,770,605
Corporation tax	646,690	926,732
Accruals and deferred income	1,858,676	1,632,740
	<hr/>	<hr/>
	77,862,071	60,350,217
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

13 Provisions for liabilities and charges

Deferred taxation

	2005 £	2004 £
Balance at 1 October 2004	386,182	312,941
Charge for year (note 5)	92,846	73,241
	<hr/>	<hr/>
Balance at 30 September 2005	479,028	386,182
	<hr/>	<hr/>

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

	Provided £	2005 Unprovided £	Provided £	2004 Unprovided £
Estimate of difference between accumulated depreciation and capital allowances in year	382,942	-	374,345	-
Other timing difference	96,086	-	11,837	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing deferred taxation provision	479,028	-	386,182	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 Reconciliation of movement in equity shareholders' funds

	2005 £	2004 £
Opening equity shareholders' funds	7,479,341	7,638,294
Profit for the financial year	3,102,141	2,591,047
Dividends	-	(2,750,000)
	<hr/>	<hr/>
Closing equity shareholders' funds	10,581,482	7,479,341
	<hr/>	<hr/>

15 Share capital

	2005 £	2004 £
Authorised:		
Equity ordinary Shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
Equity ordinary shares of £1 each	100	100
	<hr/>	<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

16 Profit and loss account

	2005 £	2004 £
At beginning of year	7,479,241	7,638,194
Profit for the financial year	3,102,141	2,591,047
Dividends	-	(2,750,000)
	<hr/>	<hr/>
At end of year	10,581,382	7,479,241
	<hr/>	<hr/>

17 Commitments

The directors have authorised capital expenditure which has been contracted for at the year end of £Nil (2004: £Nil).

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

	2005 Motor vehicles £	2004 Motor vehicles £
Operating leases which expire:		
within one year	43,309	39,784
within two to five years	608,216	504,195
	<hr/>	<hr/>

18 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.

Sangers (Northern Ireland) Limited

Notes (continued)

18 Pensions (continued)

(a) SSAP 24 disclosures (continued)

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 7.25% per annum compound, that salary increases would be 3.4% per annum and that the increase in retail prices would be 2.9% per annum.

The pension charge in connection with this scheme for the year was £281,210 (2004: £289,561) which represented the regular pension cost for the year as determined by the actuary of £159,664 (2004: £168,016) and a variation from regular costs of £121,545 (2004: £121,545). Provisions relating to variations from regular cost at the year end amounted to £542,152 (2004: £420,607). The contributions of employees have remained at 6%. The balance sheet includes a pension prepayment of £1,345,159 (2004: £1,015,000) and a pension accrual of £40,756 (2004: £24,000).

(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:

	2005	2004
Valuation method – Projected Unit		
Discount rate	5.0%	5.5%
Inflation rate	2.9%	2.9%
Increase to pensions in payment (pre 1 April 1997)	3.0%	3.0%
Increase to pensions in payment (post 31 March 1997)	2.8%	2.8%
Increase to pensions in deferment	2.9%	2.8%
Salary increases	3.4%	3.4%

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

	Long term rate of return expected at 30/09/05	Value at 30/09/05	Long term rate of return expected at 30/09/04	Value at 30/09/04
Equities	7.25%	4,726,000	7.0%	4,121,000
Bonds	4.25%	2,235,000	5.5%	1,460,000
Cash	4.5%	58,000	4.5%	45,000
Property	6.25%	569,000	5.5%	309,000
Total market value of pension scheme assets		7,588,000		5,935,000
Present value of pension scheme liabilities		(10,333,000)		(9,210,000)
Deficit in pension schemes		(2,745,000)		(3,275,000)
Related deferred tax asset		823,500		982,500
Net pension liability		1,921,500		2,292,500

Sangers (Northern Ireland) Limited

Notes (continued)

18 Pensions (continued)

(b) FRS 17 Retirement benefits (continued)

	2005 £	2004 £
Net assets		
Net assets	10,710,349	7,497,341
Pension debtor (SSAP 24)	(1,345,159)	(1,015,000)
Pension accrual (SSAP 24)	40,756	24,000
Pension deferred credit	542,152	421,000
	<hr/>	<hr/>
Net assets excluding (SSAP 24) pension assets and liabilities	9,948,098	6,927,341
Pension liability (FRS 17)	(2,745,000)	(3,275,000)
	<hr/>	<hr/>
Net assets including (FRS 17) pension liability	7,203,098	3,652,341
	<hr/>	<hr/>
Reserves		
Profit and loss reserve	10,710,349	7,497,341
Pension prepayment (SSAP 24)	(1,345,159)	(1,015,000)
Pension accrual (SSAP 24)	40,756	24,000
Pension deferred credit (SSAP 24)	542,152	421,000
	<hr/>	<hr/>
Profit and loss reserve excluding (SSAP 24) pension assets and liabilities	9,948,098	6,927,341
Pension liability (FRS 17)	(2,745,000)	(3,275,000)
Deferred tax asset	823,500	982,500
	<hr/>	<hr/>
Profit and loss reserve including (FRS 17) pension liability	8,026,598	4,634,841
	<hr/>	<hr/>
Movement in deficit during the year		2005 £
Deficit in the scheme at the beginning of year		(3,275,000)
Current service cost		(232,000)
Contributions paid		449,000
Past service cost		(50,000)
Other finance income/cost		(113,000)
Actuarial gain		476,000
		<hr/>
Deficit in the scheme at end of year		(2,745,000)
		<hr/>

Sangers (Northern Ireland) Limited

Notes (continued)

18 Pensions (continued)

If FRS 17 had been fully adopted in these financial statements the pension costs for the defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

	2005 £
Current service cost	232,000
Past service cost	50,000
	<hr/>
	282,000
	<hr/>

Analysis of amounts included in other finance income/costs:

	2005 £
Expected return on pension scheme assets	400,000
Interest on pension scheme liabilities	(513,000)
	<hr/>
	(113,000)
	<hr/>

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

	2005 %	2005 £
Actual return less expected return on scheme assets		884,000
Percentage of year end scheme assets	11.6	
Experience gains and losses arising on scheme liabilities		1,020,000
Percentage of present value of year end scheme liabilities	13.4	
Changes in assumptions underlying the present value of scheme liabilities		(1,428,000)
Percentage of present value of year end scheme liabilities	18.8	
		<hr/>
Actuarial gain recognised in statement of total recognised gains and losses		476,000
		<hr/>

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 £5,688,000 (2004: £3,768,000) are in place at the year end.

Sangers (Northern Ireland) Limited

Notes (continued)

20 Group affiliation

At 30 September 2005, 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 2005 these costs amounted to £55,992 (2004: £58,135).

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

	2005 £000	2004 £000
Purchases	(11,433,028)	(9,664,306)
The balance owed to the company at the year end	(2,306,456)	(1,696,859)

22 Comparative figures

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