

**Barclay Pharmaceuticals Limited
Directors' report and financial statements
for the year ended 31 December 2000**

Registered no: 2770716



Barclay Pharmaceuticals Limited

Annual report for the year ended 31 December 2000

	Pages
Directors' report	1 - 3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 14

Barclay Pharmaceuticals Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Results

Details of the results for the financial year are set out in the profit and loss account on page 5.

Principal activities

The company's principal activity during the year was the sale and distribution of pharmaceuticals and other products.

Review of business and future prospects

The company again demonstrated strong sales and profit growth during the year. In addition, the directors believe that the company is well placed to capitalise on further growth opportunities. Accordingly the directors are satisfied with the performance for the year and look forward to another successful year in 2001.

Dividends

The directors do not recommend the payment of a final dividend (1999: £3.25 million). An interim dividend of £3.0 million was paid during the year (1999: £nil).

Political and charitable contributions

Charitable contributions of £3,415 were made during the year (1999: £1,825). No political contributions were made (1999: £Nil).

Directors

The directors of the company, all of whom have been directors for the whole of the year ended 31 December 2000 except where otherwise stated, were as follows:

D A Condliffe
S R Dunn
C P Gee
D T Gittins
M S Green (appointed 6 January 2000)
G A Kershaw
G V Mischke (resigned 31 August 2000)
R A Mittermeier (appointed 1 September 2000, resigned 1 December 2000)
Dr U M Schneider (appointed 1 December 2000)
R C H Vizard
M A Ward
C F Wilson
G M Winkle

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

Barclay Pharmaceuticals Limited

Directors' interests

According to the register kept under section 325 of the Companies Act 1985, no director had a notifiable interest in the shares of the company or other group companies at any time during the year. As permitted, the register does not contain details of directors' interests in parent undertakings which are incorporated outside Great Britain.

None of the directors had a material interest in any contracts with group companies.

Employment policies

The directors pursue a policy of promoting equality of opportunity to all employees and of fostering and developing their involvement and interest in the company. Both formal and informal systems of communication are used and managers have a specific responsibility to communicate effectively with the employees. Copies of the group annual report and news releases are distributed and other matters of importance or interest are featured in regular issues of the group in-house magazine which seeks to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Training is regarded as a fundamental requirement and appropriate programmes exist at group, divisional or subsidiary company level.

Wherever possible, disabled persons are given the same consideration for employment opportunities as other applicants and training and promotion prospects are identical. In particular, special consideration is given to continuity of employment in the case of an employee who becomes disabled, with suitable retraining for alternative employment, if practicable.

The company recognises the high standards required to ensure the health, safety and welfare of its employees at work, its customers and the general public. The policies in this regard are regularly reviewed with the objective of ensuring that these standards are maintained.

Impact of the Euro

The GEHE Group recognises the wide implications of the Euro for businesses, including impacts on commercial arrangements and financial systems. Appropriate preparation is being made in those entities resident in Euro-land countries, based on the EU timetable for transition towards the introduction of notes and coins in January 2002.

Within the UK, the Group's preparations recognise the uncertain position regarding possible entry to the single currency, and the situation is monitored closely.

Barclay Pharmaceuticals Limited

Creditor payment policy

The policy of the company regarding the payment of trade creditors is determined internally rather than drawing upon any published supplier payment code. For the company, the policy is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with their contractual and other legal obligations.

The payment policy applies to all creditors for revenue and capital supplies of goods and services, without exception.

The company had 45 days purchases outstanding at 31 December 2000 based on the average daily amount invoiced by suppliers during the year (1999: 62 days)

Statement of directors' responsibilities

The directors are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

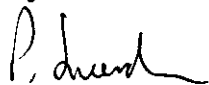
The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be put to the members at the annual general meeting.

By order of the Board



P Smerdon
Secretary
28 February 2001

Barclay Pharmaceuticals Limited

Report of the auditors to the members of Barclay Pharmaceuticals Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

1 March 2001

Barclay Pharmaceuticals Limited

Profit and loss account for the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	258,558	228,712
Cost of sales		(233,860)	(206,609)
Gross profit		<u>24,698</u>	<u>22,103</u>
Distribution costs		(13,410)	(12,688)
Administrative expenses		(50)	(56)
Interest receivable	5	4	-
Profit on ordinary activities before taxation	6	<u>11,242</u>	<u>9,359</u>
Tax on profit on ordinary activities	7	(3,343)	(2,887)
Profit on ordinary activities after taxation		<u>7,899</u>	<u>6,472</u>
Dividends	8	(3,000)	(3,250)
Retained profit for the year	18	<u><u>4,899</u></u>	<u><u>3,222</u></u>

All operations are continuing.

The company has no recognised gains and losses other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

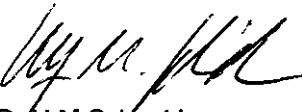
There is no material difference between the results above and the results on an unmodified historical cost basis.

Barclay Pharmaceuticals Limited

Balance sheet at 31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9	486	533
Investments	10	-	-
		<u>486</u>	<u>533</u>
Current assets			
Stocks	11	25,781	29,203
Debtors:			
Amounts falling due within one year	12	33,890	35,821
Amounts falling due after more than one year	12	46,730	43,536
Cash at bank and in hand		4,660	9,593
		<u>111,061</u>	<u>118,153</u>
Creditors: amounts falling due within one year	13	(38,911)	(44,931)
		<u>72,150</u>	<u>73,222</u>
Net current assets			
		<u>72,150</u>	<u>73,222</u>
Total assets less current liabilities		72,636	73,755
Creditors: amounts falling due after more than one year	13	(23,677)	(29,552)
Provisions for liabilities and charges	14	(506)	(649)
		<u>48,453</u>	<u>43,554</u>
Net assets			
		<u>48,453</u>	<u>43,554</u>
Capital and reserves			
Called-up share capital	17	25,000	25,000
Profit and loss account	18	23,453	18,554
		<u>48,453</u>	<u>43,554</u>
Equity shareholders' funds	19		
		<u>48,453</u>	<u>43,554</u>

The financial statements on pages 5 to 14 were approved by the board of directors on 28 February 2001 and were signed on its behalf by:



Dr U M Schneider
Director

Barclay Pharmaceuticals Limited

Notes to the financial statements for the year ended 31 December 2000

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Set out below is a summary of the more important accounting policies, which have been applied consistently except where stated otherwise.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Consolidated accounts

The financial statements contain information about Barclay Pharmaceuticals Limited as an individual company, rather than consolidated information as the parent of a group. The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare group accounts as its results are included by full consolidation in the financial statements of its ultimate parent, Franz Haniel & Cie GmbH, a company incorporated in Germany.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Cash flow statement

The company takes advantage of the exemption in FRS 1 (revised) not to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary whose ultimate parent prepares consolidated financial statements which are publicly available.

Investments

Investments are included in the balance sheet at their cost of acquisition. Where appropriate, provision is made to write down the net book value of the investment down to the underlying net asset value of subsidiary companies.

Tangible fixed assets

Tangible fixed assets are stated at cost less provision for depreciation. Cost comprises the purchase cost together with any incidental expenses of acquisition.

Depreciation is calculated by reference to the expected lives of the assets concerned. Additional depreciation may be charged where directors consider there to have been an impairment in the

Leasehold properties	period of the lease
Fixtures, fittings and equipment	10% - 25% straight line
Motor vehicles	25% on a reducing balance

Barclay Pharmaceuticals Limited

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Leased assets

All leases are operating leases and the rental costs are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The company contributes to group pension schemes operated by AAH Limited and Lloyds Chemists Limited. Contributions to the defined benefit scheme are determined by a professionally qualified actuary and are based on pension costs across the group as a whole. They are charged to the profit and loss account so as to spread the pension costs over the expected service lives of employees currently participating in the schemes.

Further details are given in note 16 to the financial statements.

2 Turnover

Turnover represents cash and credit sales made in the United Kingdom excluding value added tax.

3 Directors' emoluments

	2000 £'000	1999 £'000
Aggregate emoluments	<u>398</u>	<u>64</u>

Retirement benefits are accruing to three directors under a defined benefit scheme (1999: one director). No such benefits are accruing under money purchase schemes (1999: no directors).

	2000 £'000	1999 £'000
Highest paid director		
Aggregate emoluments and benefits under long-term incentive schemes	141	191
Defined benefit schemes:		
Accrued pension at end of year	<u>4</u>	<u>7</u>

The emoluments of Mr Kershaw, Mr Mischke, Mr Mittermeier, Dr Schneider, Mr Vizard and Mr Ward are paid by the immediate parent company (AAH Subsidiaries Limited) which makes no recharge to the company. Mr Kershaw, Mr Mischke, Mr Mittermeier, Dr Schneider, Mr Vizard and Mr Ward are directors of the parent and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no emoluments in respect of Mr Kershaw, Mr Mischke, Mr Mittermeier, Dr Schneider, Mr Vizard and Mr Ward are disclosed. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of AAH Subsidiaries Limited.

Barclay Pharmaceuticals Limited

3 Directors' emoluments (continued)

Mr Dunn and Mr Wilson are paid by a fellow group company (AAH Pharmaceuticals Limited) which makes no recharge to the company. The emoluments of Mr Dunn and Mr Wilson are included in the aggregate of directors' emoluments disclosed in the financial statements of AAH Pharmaceuticals Limited.

4 Employee information

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

	2000	1999
By function		
Direct operating and distribution	415	378
Administration	43	39
	<u>458</u>	<u>417</u>

Staff costs for the above persons were:

	2000 £'000	1999 £'000
Wages and salaries	6,871	6,435
Social security costs	619	545
Other pension costs (see note 16)	85	78
	<u>7,575</u>	<u>7,058</u>

5 Interest receivable

	2000 £'000	1999 £'000
Interest receivable		
Group interest	<u>4</u>	<u>-</u>

6 Profit on ordinary activities before taxation

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

	2000 £'000	1999 £'000
Depreciation - tangible owned assets		
Charge for the year	114	124
Auditors' remuneration - for audit	20	19
Operating lease rentals:		
Land and buildings	476	441
Other	835	779
Loss / (profit) on sale of fixed assets	2	(8)
Release of surplus property provision (see note 14)	<u>(97)</u>	<u>-</u>

Barclay Pharmaceuticals Limited

7 Tax on profit on ordinary activities

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999: 30.25%)	3,373	2,887
Adjustment in respect of previous years	(30)	-
	<u>3,343</u>	<u>2,887</u>

8 Dividends

	2000 £'000	1999 £'000
Interim paid	3,000	-
Final proposed	-	3,250
	<u>3,000</u>	<u>3,250</u>

9 Tangible fixed assets

Movements in the year ended 31 December 2000

	Short leasehold land and buildings £'000	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January	623	1,865	105	2,593
Additions	-	35	80	115
Disposals	-	-	(38)	(38)
Group transfers out	-	(47)	-	(47)
At 31 December	<u>623</u>	<u>1,853</u>	<u>147</u>	<u>2,623</u>
Depreciation				
At 1 January	389	1,627	44	2,060
Charge for year	35	59	20	114
Disposals	-	-	(8)	(8)
Group transfers out	-	(29)	-	(29)
At 31 December	<u>424</u>	<u>1,657</u>	<u>56</u>	<u>2,137</u>
Net book value				
At 31 December	<u>199</u>	<u>196</u>	<u>91</u>	<u>486</u>
At 1 January	<u>234</u>	<u>238</u>	<u>61</u>	<u>533</u>

Barclay Pharmaceuticals Limited

10 Investments

	Shares in Subsidiaries £'000
Cost	
At 1 January 2000 and 31 December 2000	<u>1,053</u>
Provision for impairment	
At 1 January 2000 and 31 December 2000	<u>(1,053)</u>
Net book value	
At 1 January 2000 and 31 December 2000	<u>-</u>

Subsidiary	Nature of business	Country of incorporation	Class of capital	% held
Illingworth Healthfoods Limited	Dormant	England and Wales	£1 ordinary shares	100
John Hamilton (Pharmaceuticals) Limited	Dormant	Scotland	£1 ordinary shares	100

11 Stocks

	2000 £'000	1999 £'000
Finished goods and goods for resale	<u>25,781</u>	<u>29,203</u>

The company had consignment stock arrangements with suppliers in the ordinary course of business. The terms provide, inter alia, that the consignor retains title to the products and both parties have the right of return over the products without penalty. In all cases the consignor will sell the products directly to the customers. Under these arrangements the company is neither liable to buy the products nor is at risk in relation to market fluctuations. Accordingly, the consignment stocks are not recorded in the balance sheet.

Stocks held under these arrangements amounted to £613,000 (1999: £851,000).

12 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	27,952	26,359
Amounts owed by parent and fellow subsidiaries	3,506	5,614
Other debtors	2,087	3,621
Prepayments and accrued income	345	227
	<u>33,890</u>	<u>35,821</u>

Barclay Pharmaceuticals Limited

12 Debtors (continued)

Amounts falling due after more than one year:

Amounts owed by parent and fellow subsidiaries	44,190	40,996
Amounts owed by other group companies	<u>2,540</u>	<u>2,540</u>
	<u>46,730</u>	<u>43,536</u>

13 Creditors

2000	1999
£'000	£'000

Amounts falling due within one year:

Trade creditors	28,989	36,904
Amounts owed to parent and fellow subsidiaries	7,357	94
Amounts owed to other group companies	24	45
Corporation tax	1,478	1,742
Other taxation and social security payable	417	178
Other creditors	167	2,105
Accruals and deferred income	479	613
Dividends payable	-	3,250
	<u>38,911</u>	<u>44,931</u>

Amounts falling due after more than one year:

Amounts owed to parent and fellow subsidiaries	16,117	21,996
Amounts owed to other group companies	<u>7,560</u>	<u>7,556</u>
	<u>23,677</u>	<u>29,552</u>

14 Provisions for liabilities and charges

	Property £'000
At 1 January 2000	649
(Release) to the profit and loss account (see note 6)	(97)
Utilised during the year	(46)
At 31 December 2000	<u><u>506</u></u>

The property provision represents an assessment of the costs to cover rent and rates for vacant leasehold premises, taking account of the anticipated period until the leases are assigned or disposed of. The assessment, which is undertaken at the end of each accounting period, is made on a property by property basis in conjunction with the group's property services department.

It is expected that approximately £50,000 of the property provision will be utilised within one year. The remaining balance of £456,000 will be used throughout the period until the assignment or disposal of the premises over a maximum remaining period of 6 years.

Barclay Pharmaceuticals Limited

15 Deferred taxation

The deferred taxation (asset) / liability recognised in the financial statements, and the amount not recognised of the total potential (asset) / liability, are as follows:

	Amount recognised		Amount not recognised	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Deferred gains	-	-	73	264

16 Pension obligations

The company participates in group pension schemes operated by AAH Limited and Lloyds Retail Chemists Limited, one of which is defined benefit and two defined contribution. All of the schemes are funded and constituted as independently administered funds with their assets being held separately from those of the company. The funds are valued every three years by a professionally qualified, independent actuary, the rates of contribution payable being determined by the actuary. The latest actuarial assessment of the scheme was at 6 April 1999. Particulars of the valuation are contained in the accounts of AAH Limited.

There were amounts of £16,000 accrued in respect of pension scheme contributions at the balance sheet date (1999: £12,000)

The company provides no other post-retirement benefits to its employees.

17 Called-up share capital

	2000 £'000	1999 £'000
Authorised, allotted, called up and fully paid 25,000,000 ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>

18 Reserves

	Profit and loss account £'000
At 1 January 2000	18,554
Retained profit for the financial year	4,899
At 31 December 2000	<u><u>23,453</u></u>

Barclay Pharmaceuticals Limited

19 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year	7,899	6,472
Dividends	(3,000)	(3,250)
	<u>4,899</u>	<u>3,222</u>
Opening shareholders' funds	43,554	40,332
Closing shareholders' funds	<u>48,453</u>	<u>43,554</u>

20 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 2000		31 December 1999	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring within one year	-	521	-	83
Expiring between two and five years	-	160	-	672
Expiring over five years	543	-	333	-
	<u>543</u>	<u>681</u>	<u>333</u>	<u>755</u>

21 Capital commitments

Capital expenditure that has been contracted for but has not been provided for in the financial statements amounts to £nil (1999: £nil).

22 Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosure of intra-group transactions and balances as these are eliminated on consolidation in the financial statements of the ultimate parent undertaking.

23 Ultimate parent undertaking and ultimate controlling party

In the opinion of the directors the company's ultimate controlling party is the ultimate parent undertaking, Franz Haniel & Cie GmbH, a company registered in Germany, by virtue of its majority shareholding in the immediate parent GEHE AG and its consolidation of the GEHE AG Group results into its own consolidated financial statements.

Consolidated financial statements for the largest group of undertakings are prepared by Franz Haniel & Cie GmbH and may be obtained from Franz Haniel Platz 1, D47119 Duisburg, Ruhrort, Germany.

Consolidated accounts for the smallest group of companies are prepared by GEHE AG and may be obtained from GEHE AG, Neckartalstrasse 155, D-70376 Stuttgart, Germany.