

Company Registration No. 04452715

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

Report and financial statements for the year ended
31 March 2008

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ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

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ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Delve	(appointed 29 May 2008)
K McCoy	(appointed 29 May 2008)
S Pessina	(resigned 29 May 2008)
G Fairweather	(resigned 29 May 2008)
O Barra	(resigned 29 May 2008)
S W Duncan	(resigned 29 May 2008)
D Murphy	(appointed 26 June 2007, resigned 29 May 2008)
M Pagni	(appointed 11 July 2007, resigned 29 May 2008)
J Huth	(appointed 11 July 2007, resigned 31 March 2008)
M Caprioli	(appointed 11 July 2007, resigned 29 May 2008)
R Baker	(resigned 11 July 2007)
S Wheway	(resigned 11 July 2007)
Sir Nigel Rudd	(resigned 26 June 2007)
G Dawson	(resigned 26 June 2007)
A Loader	(resigned 26 June 2007)
T Parker	(resigned 26 June 2007)
H Ploix	(resigned 26 June 2007)
P Ponsolle	(resigned 26 June 2007)
M Stach	(resigned 26 June 2007)

SECRETARY

F Standish	(appointed 11 July 2007)
M Pagni	(resigned 11 July 2007)

REGISTERED OFFICE

Sedley Place
4th Floor
361 Oxford Street
London
W1C 2JL

AUDITORS

KPMG Audit Plc
Chartered Accountants
London

ALLIANCE BOOTS HOLDINGS LIMITED

(formerly Alliance Boots plc)

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31 March 2008

PRINCIPAL ACTIVITY

The Company is a holding company within the Alliance Boots GmbH group

RE-REGISTRATION AS A PRIVATE COMPANY

On 30 July 2007, the Company re-registered as a private company and changed its name from Alliance Boots plc to Alliance Boots Limited. On 3 June 2008 the Company subsequently changed its name to Alliance Boots Holdings Limited.

BUSINESS REVIEW AND FUTURE PROSPECTS

The Company was acquired by AB Acquisitions Limited on 26 June 2007 and was withdrawn from listing on the London Stock Exchange on 28 June 2007.

The results for the year are set out in detail on page 6. The profit on ordinary activities after taxation for the year is £583 million (2007: £52 million).

During the year the Company acquired a number of subsidiaries from other companies in the Alliance Boots GmbH group as detailed in note 8.

The Directors do not anticipate any significant changes to the level of business activity in the coming year. The Directors are satisfied with the performance of the Company for the year and with its financial position at the end of the year. The Directors consider the future prospects of the Company to be good.

POLITICAL AND CHARITABLE DONATIONS

The Company made no political or charitable donations in the year.

PARENT COMPANY

The smallest group in which the results of the Company are consolidated is that headed by Alliance Boots GmbH, a company incorporated in Switzerland. The consolidated financial statements of this group are available from the Alliance Boots website at www.allianceboots.com.

At 31 March 2008, the Company's immediate parent company was AB Acquisitions Limited, and the ultimate parent company and controlling party was AB Acquisitions Holdings Limited. AB Acquisitions Holdings Limited is also the parent undertaking of the largest group in which the company is consolidated.

DIVIDEND

The Directors declared and paid interim dividends during the period totalling £1,550 million, comprising £1,000 million paid on 6 August 2007, and £550 million paid on 20 August 2007. No dividends were paid by Alliance Boots GmbH, which heads the smallest group in which the results of the Company are consolidated.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

FINANCIAL INSTRUMENTS

The Company's policies are described in the Accounting Policies note on page 8. The exposure of the Company to price risk, credit risk, liquidity risk and cash flow risk in respect of financial instruments is set out in notes 10 and 11 to the financial statements.

ALLIANCE BOOTS HOLDINGS LIMITED

(formerly Alliance Boots plc)

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors have considered the risks attached to the Company's financial instruments which principally comprise loans to and from other group companies and external borrowings. The Directors have taken a prudent approach in their consideration of the various risks attached to these financial instruments. A comprehensive description and analysis of the principal risks and uncertainties which impact the Group in which the Company is a part are disclosed in the 2007/08 Annual Review of Alliance Boots. The Directors' policy on hedging is to hedge all financial risks where it is feasible and cost effective to do so.

DIRECTORS

The Directors who served throughout the year, and subsequently are shown below

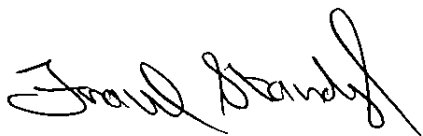
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H Ploix	(resigned 26 June 2007)
P Ponsolle	(resigned 26 June 2007)
M Stach	(resigned 26 June 2007)

DISCLOSURE OF INFORMATION TO AUDITORS

As at the date of approval of this Directors' Report, each of the Directors of the Company confirm that

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information, and to establish that the Company's auditors are aware of that information

Approved by the Board of Directors
and signed on behalf of the Board



F Standish
Secretary

31 July 2008

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing their report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLIANCE BOOTS HOLDINGS LIMITED

We have audited the financial statements of Alliance Boots Holdings Limited for the year ended 31 March 2008 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 section 235 of the Companies Act 1985. 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 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 4.

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 Act 1985. 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

Date *31 July 2008*

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2008

	Notes	2008 £million	2007 restated (note 19) £million
Other operating costs	3	(31)	(24)
Exceptional items	2	(50)	4
OPERATING LOSS		(81)	(20)
Dividends received from group undertakings		602	10
Interest receivable and similar income	4	223	157
Interest payable and similar charges	5	(179)	(84)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		565	63
Tax credit/(charge) on profit on ordinary activities	6	18	(11)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		583	52

The amounts recorded in the current year derive from continuing activities in the United Kingdom

There is no difference between the profit on ordinary activities before taxation and the retained profit for the financial period as stated above and their historical cost equivalents

There are no other recognised gains or losses for the year other than those recorded in the profit and loss account

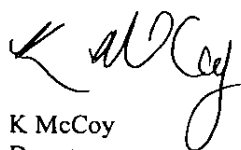
ALLIANCE BOOTS HOLDINGS LIMITED
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BALANCE SHEET
as at 31 March 2008

	Notes	2008 £million	2007 restated (note 19) £million
FIXED ASSETS			
Investments	8	6,354	1,193
Derivative financial instruments	10	1	-
		<u>6,355</u>	<u>1,193</u>
CURRENT ASSETS			
Debtors	9	145	1,547
Cash at bank and in hand	10	236	290
		<u>381</u>	<u>1,837</u>
CREDITORS: amounts falling due within one year			
Borrowings	10	(28)	(225)
Other creditors	12	(535)	(980)
		<u>(563)</u>	<u>(1,205)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(182)</u>	<u>632</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,173</u>	<u>1,825</u>
CREDITORS: amounts falling due after more than one year			
Borrowings	10	(1,877)	(314)
Other creditors	12	(3,749)	(7)
Derivative financial instruments	10	-	(2)
		<u>(5,626)</u>	<u>(323)</u>
NET ASSETS		<u>547</u>	<u>1,502</u>
CAPITAL AND RESERVES			
Called up share capital	13	362	360
Share premium	14	19	2
Capital redemption reserve	14	29	29
Retained earnings	14	137	1,111
SHAREHOLDER'S FUNDS		<u>547</u>	<u>1,502</u>

These financial statements were approved by the Board of Directors on 31 July 2008

Signed on behalf of the Board of Directors


K McCoy
Director

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

NOTES TO THE ACCOUNTS
for the year ended 31 March 2008

1. ACCOUNTING POLICIES

Basis of Preparation

Following the delisting of Alliance Boots plc and the re-registering as a private company, the Company has opted to adopt United Kingdom generally accepted accounting principles and applicable accounting standards ("UK GAAP") and no longer presents its result under International Financial Reporting Standards ("IFRS"). A summary explanation of the transition from IFRS to UK GAAP is presented in note 19 of this report. In accordance with UK GAAP, the financial statements have been prepared under the historical cost convention, and the principal accounting policies adopted within that convention are set out below.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Alliance Boots GmbH includes the company's cash flows in its own published consolidated financial statements.

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements. These financial statements present information about the Company as an individual undertaking and not about its Group.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Foreign currency transactions

Transactions in currencies other than the company's functional currency are translated into the company's functional currency (pounds sterling) at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Exchange gains and losses are recognised in the profit and loss account.

Interest receivable

Interest receivable comprises interest receivable on funds invested calculated using the effective interest rate method, exchange gains, gains on hedging instruments that are recognised in the profit and loss account and dividends received from investments.

Interest payable

Interest payable comprises interest payable on borrowings calculated using the effective interest rate method, exchange losses, and losses on hedging instruments that are recognised in the profit and loss account.

Impairment of assets

The Company's assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount.

Cash at bank and in hand

Comprises cash at bank and in hand and short term deposits with maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Financial instruments and derivative financial instruments

Financial assets and liabilities are recognised in the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument. The Company uses derivative financial instruments to hedge its exposure to currency translation and interest rate risks arising from operating, financing and investing activities.

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Financial instruments and derivative financial instruments (continued)

In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value with movements taken to the profit and loss account.

Derivative financial instruments are recognised initially at fair value, with movements on remeasurement recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their market price at the balance sheet date.

Cashflow hedges

Where a derivative financial instrument is designated as a hedge in the variability of cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve.

When the forecasted transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If the hedged forecasted transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains and losses that were recognised directly in equity are reclassified into profit or loss in the same period, or periods, during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the profit and loss account in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the profit and loss account.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the profit and loss account.

Fair value hedges

Where a derivative financial instrument hedges the changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (or an identified portion of such an asset, liability or firm commitment), any gain or loss on the hedging instrument is recognised in the profit and loss account. The hedged item is also stated at fair value in respect of the risk(s) being hedged, with any gain or loss recognised in the profit and loss account.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the currency translation exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss account over the period of the borrowings on an effective interest basis.

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Taxation

Tax on the profit or loss for the year represents the sum of current and deferred taxation arising on those profits. Tax is recognised in the profit and loss account except to the extent that it is attributable to a gain or loss recognised directly in reserves, in which case the associated tax charge or credit is also included there.

Current taxation

Current tax is the amount of tax estimated to be payable or recoverable in respect of the taxable profit or loss for the year, along with adjustments to estimates in respect of previous periods. The tax rate used is the rate or rates enacted or substantially enacted for the period by the balance sheet date.

Deferred taxation

In accordance with FRS 19, deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date. No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets where any liability is expected to be deferred indefinitely. Deferred tax assets are only recognised to the extent that the Directors believe there will be sufficient taxable profits against which those assets can reverse in the future.

2. EXCEPTIONAL ITEMS

Exceptional items in the current year comprise £50 million costs incurred in connection with the acquisition of the Company by AB Acquisitions Limited which was completed on 26 June 2007.

3. OPERATING COSTS

Operating costs included a fee of £10,000 (2007: £10,000) to the auditors in respect of audit fees of the Company.

Directors' emoluments totalled £5,071,000 (2007: £7,589,000). Company contributions to Directors' money purchase pension schemes totalled £264,000 (2007: £139,000). Compensation for loss of office totalled £3,274,000 (2007: £1,805,000). Amounts paid to third parties in respect of directors' services totalled £18,300 (2007: £37,000). The emoluments of the highest paid director were £1,048,000 (2007: £1,987,000), he is a member of a defined benefit pension scheme under which his accrued pension at the year end was £98,000 (2007: £71,000), he exercised share options in 2008 (2007: Nil) and received shares under a long term incentive scheme in 2007 and 2008. During the year, three directors (2007: four) accrued retirement benefits under defined benefit schemes. The total number of directors who exercised share options was three (2007: none). The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was seven (2007: nine). The following directors were covered by directors and officers indemnity insurance during the year ended 31 March 2008: S Pessina, G Fairweather, O Barra, S W Duncan, M Pagni, R Baker, S Wheway, Sir Nigel Rudd, G Dawson, A Loader, T Parker, H Ploix, P Ponsolle, M Stach.

There were no employees during the year or the prior year.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	2008 £million	2007 £million
Interest receivable from subsidiary undertakings	185	122
Interest receivable from bank deposits	21	20
Other interest receivable	17	15
	<u>223</u>	<u>157</u>

ALLIANCE BOOTS HOLDINGS LIMITED
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5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£million	£million
Interest payable to subsidiary undertakings	58	42
Interest payable on bank loans and overdrafts	93	6
Interest payable on bonds	23	24
Financing fees	4	-
Other interest payable	1	12
	<u>179</u>	<u>84</u>

6 TAX CREDIT/(CHARGE) ON PROFIT ON ORDINARY ACTIVITIES

	2008	2007
	£million	(restated) £million
The tax credit on the profit for the year consists of		
Current taxation		
UK corporation tax on profits for the year	14	(12)
Adjustments in respect of prior periods	5	1
Total current tax	<u>19</u>	<u>(11)</u>
Deferred taxation		
Origination and reversal of timing differences	(1)	-
Tax credit/(charge) for the year	<u>18</u>	<u>(11)</u>

Reconciliation of current tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2007 30%)
The actual tax credit for the year differs from the standard rate for the reasons set out in the following reconciliation

	2008	2007
	£million	(restated) £million
Profit on ordinary activities before taxation	565	63
Expected tax (charge)/credit at 30%	(170)	(19)
Dividends from UK companies not taxable	162	3
Non taxable income	22	5
Non deductible expenditure	(1)	(1)
Adjustments in respect of prior periods	5	1
Total current tax (charge)/credit for the year	<u>18</u>	<u>(11)</u>

Factors affecting future tax charges

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008

7. DIVIDENDS PAID

	2008	2007
	£million	£million
Equity dividends on ordinary shares		
Final dividend paid – nil per share (2007 21p per share)	-	101
Interim/Special dividend – 159p per share (2007 10p per share)	1,550	48
	<u>1,550</u>	<u>149</u>

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8. INVESTMENTS

	Shares in group undertakings restated £million	Loans to group undertakings £million	Total Restated £million
At 31 March 2007 – as restated	492	701	1,193
Additions	3,015	2,100	5,115
Currency translation differences	-	46	46
At 31 March 2008	3,507	2,847	6,354

Subsidiary undertakings

The principal subsidiary undertakings of the Company are

	Percentage held by Company	Percentage held by subsidiary undertakings	Country of operation	Country of incorporation	Main activity
Health & Beauty Division					
Boots UK Limited	100	-	UK	England and Wales	Pharmacy-led health and beauty retailing
Alliance UniChem Norge A S	-	100	Norway	Norway	Retail pharmacy operator
Boots Retail (Ireland) Limited	100	-	Eire	Eire	Pharmacy-led health and beauty retailing
Alliance Apotheek B V	-	100	The Netherlands	The Netherlands	Retail pharmacy operator
Boots Retail (Thailand) Limited	100	-	Thailand	Thailand	Pharmacy-led health and beauty retailing
Pharmaceutical Wholesale Division					
UniChem Limited	-	100	UK	England and Wales	Pharmaceutical wholesaler
Alliance Healthcare S A	-	99.2	Spain	Spain	Pharmaceutical wholesaler
Alleanza Healthcare Italia SpA	-	100	Italy	Italy	Pharmaceutical wholesaler
Alliance Healthcare B V	-	100	The Netherlands	The Netherlands	Pharmaceutical wholesaler
Alliance Healthcare s r o	-	97.1	Czech Republic	Czech Republic	Pharmaceutical wholesaler
Apteka Holding ZAO	-	66	Russia	Russia	Pharmaceutical wholesaler
Holtung A S	-	100	Norway	Norway	Pharmaceutical wholesaler
Boots Beauty International Limited	-	100	UK	England and Wales	Wholesaling of Boots branded products
Contract Manufacturing					
BCM Limited	100	-	UK	England and Wales	Manufacturer

In addition to the holding in Apteka Holding ZAO above, Hedef Alliance Holding A S, an associate in which the Group has a 50% interest, has a direct interest of 30% in Apteka Holding ZAO

As permitted by Section 231(5) of the Companies Act 1985, only principal undertakings are shown. A complete list of all subsidiary undertakings is filed with the Company's annual return.

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Associates and joint ventures

The principal associates and joint ventures of the Company, all of which are indirectly held, are

	Percentage interest in ordinary share capital	Country of operation	Country of incorporation	Main activity
Associates				
Alliance Healthcare S A	49	Portugal	Portugal	Pharmaceutical wholesaler
Andreae-Noris Zahn AG	29.99	Germany	Germany	Pharmaceutical wholesaler
Galenica A G	25.5	Switzerland	Switzerland	Pharmaceutical manufacturer, retailer and wholesaler
Hedef Alliance Holding A S	50	Turkey	Turkey	Pharmaceutical wholesaler
Joint venture				
Guangzhou Pharmaceutical Corporation	50	China	China	Pharmaceutical wholesaler

As permitted by section 231 (5) of the Companies Act 1985, only principal undertakings are shown

9. DEBTORS

	2008 £million	2007 £million
Amounts falling due within one year		
Amounts due from subsidiary undertakings	111	1,540
Other debtors and accrued income	34	7
	<u>145</u>	<u>1,547</u>

ALLIANCE BOOTS HOLDINGS LIMITED
(formerly Alliance Boots plc)

10. FINANCIAL ASSETS AND LIABILITIES

Outlined below is information regarding the contractual terms of the Company's borrowings. Further information on the Company's exposure to interest rate and currency risk is provided in note 11.

The carrying amount of financial assets and liabilities is as follows:

	31 March 2008 £million	31 March 2007 £million
Current borrowings		
Bank overdrafts repayable on demand	(14)	(14)
€300 million floating Eurobond 2007	-	(204)
Medium term notes	(14)	(7)
	<u>(28)</u>	<u>(225)</u>
Non-current borrowings		
Bank loans – senior facilities	(1,575)	-
£300 million Eurobond 2009 5.5%	(302)	(302)
Medium term notes	-	(12)
	<u>(1,877)</u>	<u>(314)</u>
Total borrowings	(1,905)	(539)
Cash and cash equivalents	236	290
Total borrowings net of cash and cash equivalents	(1,669)	(249)
Derivative financial instruments	1	(2)
Net borrowings	(1,668)	(251)
Financial guarantee	-	(9)
Amounts due from subsidiary undertakings	2,958	2,241
Amounts due to subsidiary undertakings	(4,267)	(955)
Net financial liabilities	<u>(2,977)</u>	<u>(1,026)</u>

The Company's principal net borrowings are from the following sources:

1. A bond of £300 million, issued on 26 May 1999, was transferred from The Boots Company PLC to Alliance Boots Limited on 20 January 2003 at its market value on that date of £309 million. The bond, which carries a fixed interest rate of 5.5% per annum, is due for repayment on 26 May 2009 and is held at amortised cost.
2. £1,550m of variable rate committed bank loans. These loans, which are denominated in Sterling and Euro, are fully drawn and their carrying value at 31 March 2008 is £1,575 million, including the impact of currency revaluation and reported net of unamortised fees incurred in respect of these loans. The loans are repayable between 2015 and 2016.
3. £518 million of loans to parent undertakings are included within current liabilities and £3,749 million of loans to subsidiary undertakings are included within non-current liabilities.

The Company's bank overdrafts are repayable on demand.

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10. FINANCIAL ASSETS AND LIABILITIES (continued)

Maturity profile of financial liabilities before the impact of derivative financial instruments

The table below shows the contractual maturities of financial liabilities on an undiscounted basis, including interest payments. Interest is calculated based on liabilities held at 31 March 2008 without taking account of any future debt assurance. Floating rate interest has been estimated using prevailing interest conditions at 31 March 2008. Cash flows in non-Sterling currencies are translated using exchange rates at 31 March 2008.

Terms and borrowings repayment schedule March 2008	Carrying value £million	Contractual cash flows £million	1 year or less £million	1-2 years £million	2-5 years £million	>5 years £million
Fixed						
£300 million Eurobond 2009 5.5%	(302)	(333)	(17)	(316)	-	-
Medium term notes	(4)	(4)	(4)	-	-	-
Floating						
Bank loans – senior facilities	(1,575)	(2,611)	(142)	(121)	(387)	(1,961)
Bank overdrafts	(14)	(14)	(14)	-	-	-
Medium term notes	(10)	(10)	(10)	-	-	-
Total borrowings	(1,905)	(2,972)	(187)	(437)	(387)	(1,961)
Amounts due to subsidiary undertakings	(4,267)	(4,528)	(693)	(3,835)	-	-
Total non-derivative financial liabilities	(6,172)	(7,500)	(880)	(4,272)	(387)	(1,961)
Currency swaps						
-outflows		(14)	(14)	-	-	-
-inflows		14	14	-	-	-
Currency exchange contracts						
-outflows		(364)	(364)	-	-	-
-inflows		364	364	-	-	-
Total derivative – currency and interest rate instrument liabilities	-	-	-	-	-	-
Total financial liabilities	(6,172)	(7,500)	(880)	(4,272)	(387)	(1,961)

All floating rate borrowings re-price within six months of the balance sheet date.

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10. FINANCIAL ASSETS AND LIABILITIES (continued)

Terms and borrowings repayment schedule March 2007	Carrying value £million	Contractual cash flows £million	1 year or less £million	1-2 years £million	2-5 years £million	>5 years £million
Fixed						
£300 million Eurobond 2009 5 5%	(302)	(350)	(17)	(17)	(316)	-
Medium term notes	(3)	(4)	-	(4)	-	-
Floating						
€300 million floating Eurobond 2007	(204)	(207)	(207)	-	-	-
Bank overdrafts	(14)	(14)	(14)	-	-	-
Medium term notes	(16)	(16)	(12)	(4)	-	-
Total borrowings	(539)	(591)	(250)	(25)	(316)	-
Amounts due to subsidiary undertakings	(955)	(955)	(955)	-	-	-
Financial guarantee	(9)	-	-	-	-	-
Total non-derivative financial liabilities	(1,503)	(1,546)	(1,205)	(25)	(316)	-
Currency swaps						
-outflows		(22)	(13)	(9)	-	-
-inflows		20	12	8	-	-
	(2)	(2)	(1)	(1)	-	-
Currency exchange contracts						
-outflows		(44)	(37)	(7)	-	-
-inflows		44	37	7	-	-
	-	-	-	-	-	-
Total derivative – currency and interest rate instrument liabilities	(2)	(2)	(1)	(1)	-	-
Total financial liabilities	(1,505)	(1,548)	(1,206)	(26)	(316)	-

Currency profile

The analysis of financial assets and liabilities by currency (before the effect of currency hedging) is as follows

31 March 2008	Total £million	Sterling £million	Euros £million	Other £million
Bank overdrafts repayable on demand	(14)	(14)	-	-
Bank loans – senior facilities	(1,575)	(886)	(689)	-
£300 million Eurobond 2009 5 5%	(302)	(302)	-	-
Medium term notes	(14)	-	-	(14)
Total borrowings	(1,905)	(1,202)	(689)	(14)
Cash and cash equivalents	236	169	67	-
Derivative financial instruments	1	1	-	-
Amounts due from subsidiary undertakings	2,958	2,230	589	139
Amounts due to subsidiary undertakings	(4,267)	(3,513)	(624)	(130)
Bank overdrafts repayable on demand	(2,977)	(2,315)	(657)	(5)

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10. FINANCIAL ASSETS AND LIABILITIES (continued)

31 March 2007	Total £million	Sterling £million	Euros £million	Other £million
Bank overdrafts repayable on demand	(14)	(13)	-	(1)
€300 million floating Eurobond 2007	(204)	-	(204)	-
£300 million Eurobond 2009 5 5%	(302)	(302)	-	-
Medium term notes	(19)	-	(7)	(12)
Total borrowings	(539)	(315)	(211)	(13)
Cash and cash equivalents	290	288	2	-
Derivative financial instruments	(2)	(2)	-	-
Financial guarantee	(9)	(9)	-	-
Owed by subsidiary undertakings	2,241	1,804	423	14
Owed to subsidiary undertakings	(955)	(920)	(34)	(1)
Net financial (liabilities)/assets	1,026	846	180	-

A comparison of carrying values and fair values is set out below

	Carrying value 2008 £million	Fair value 2008 £million	Carrying value 2007 £million	Fair value 2007 £million
Bank overdrafts repayable on demand	(14)	(14)	(14)	(14)
€300 million floating Eurobond 2007	-	-	(204)	(204)
Medium term notes	(14)	(14)	(19)	(19)
Bank loans – senior facilities	(1,575)	(1,619)	-	-
£300 million Eurobond 2009 5 5%	(302)	(286)	(302)	(295)
Total borrowings	(1,905)	(1,933)	(539)	(532)
Cash and cash equivalents	236	236	290	290
Derivative financial instruments	1	1	(2)	(2)
Financial guarantee	-	-	(9)	(9)
Amounts due from subsidiary undertakings	2,958	2,958	2,241	2,241
Amounts due to subsidiary undertakings	(4,267)	(4,267)	(955)	(955)
Net financial (liabilities)/assets	(2,977)	(3,005)	1,026	1,033

Fair values of bonds, and currency exchange contracts have been determined with reference to quoted market prices

The fair values of cross currency swaps have been calculated by discounting the future cash flows of the individual contracts using the appropriate market interest rate curve and currency rates prevailing at 31 March 2008

The fair value of bank overdrafts approximate to their carrying value due to their short term nature The carrying values of the senior facilities (which are variable rate) are lower than the fair values of the instruments mainly due to the impact of unamortised fees included in the carrying value

All fair values are shown excluding any accrued interest (clean prices)

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11. FINANCIAL INSTRUMENTS

Capital structure risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern

Liquidity risk management

Access to cost-effective funding is managed by maintaining a range of committed and uncommitted facilities, sufficient to meet anticipated needs, arranging funding ahead of requirements, and developing diversified sources of funding

The Company's liquidity is optimised through cash pooling and deposits or loans to and from subsidiary companies

The Company's core borrowing is provided through £1,550 million of committed term loans which are fully drawn, and inter-company funding arrangements. The carrying value of the committed term loans (which are denominated in Euro and Sterling) at 31 March 2008 was £1,575 million, including the impact of currency revaluation and reported net of unamortised fees incurred in respect of the loans. These loans mature between 2015 and 2016. The Company also has access to a committed £820 million revolving credit facility, £200 million of which has been utilised in providing a guarantee to the Boots Pension scheme, and £620 million of which was available to the company and other borrowers at 31 March 2008. This facility provides access to funding in a range of currencies and is available until 2014.

The Company monitors its net debt position on a daily basis against both budget and a rolling two month cash forecast. The maturity profile of the Company's financial liabilities at 31 March 2008 are shown in note 10.

Credit risk management

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, at the balance sheet date.

The Company considers the possibility of significant loss in the event of non-performance by a financial or commercial counterparty to be unlikely.

Exposures to financial counterparties arise from the use of derivative financial instruments, cash balances and short term deposits. The Company protects itself against the risk of financial loss arising from failure of external financial counterparties by setting ratings based limits to the maximum exposure to individual counterparties or their groups. Limits are set by reference to ratings issued by the major ratings agencies, Standard and Poor's and Moody's Investors Service Limited.

At 31 March 2008 total exposures of the Company to external financial counterparties was £237 million of which £1 million related to derivative financial assets and £236 million of cash and cash equivalents.

There has been no change to any methods or assumptions from the comparative period.

Market risk

Market risk is the risk that changes in market prices, such as currency exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risks within acceptable parameters. The Company transacts in financial instruments including derivatives in order to manage these risks in accordance with the treasury policies of the Company.

There has been no change to any methods or assumptions from the comparative period.

Currency risk

Company is party to a variety of currency derivatives in the management of exchange rate exposures, including cross currency swaps, and currency exchange contracts. Movements in the fair value of all forward contracts other than those designated and effective as cash flow hedges are reported directly in the income statement.

There has been no change to any methods or assumptions from the comparative period.

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11. FINANCIAL INSTRUMENTS (continued)

The effect of currency swaps and forward contracts on net borrowings of the company are shown below

	Before hedging 2008 £million	After hedging 2008 £million	Before hedging 2007 £million	After hedging 2007 £million
Sterling	(2,315)	(2,932)	846	1050
Euro	(657)	(59)	180	(36)
Other	(5)	14	-	12
	(2,977)	(2,977)	1,026	1,026

At 31 March 2008 the total notional amount of outstanding currency exchange contracts that the Company has committed was £1,041 million (2007 £312 million)

At 31 March 2008 the balance sheet carrying value of the Company's outstanding forward exchange contracts was £nil (2007 £nil)

Currency risk – sensitivity analysis

The table below shows the Company's sensitivity of non-Sterling exchange rates on non-Sterling financial instruments

A 10% strengthening of Sterling against the following currencies at 31 March 2008 would have increased/(decreased) equity and the profit by the amounts shown below. This analysis assumes that all other variables, including interest rates, remain constant. In this table financial instruments are only considered sensitive for exchange rates where they are not in the functional currency of the Company

	Impact on equity 2008 £million	Impact on Profit 2008 £million	Impact on equity 2007 £million	Impact on Profit 2007 £million
Euro	-	6	-	4
Other	-	1	-	1
	-	7	-	5

A 10 per cent weakening of Sterling against the same currencies at 31 March 2008 would have had the equal and opposite effect to that shown above on the basis that all other variables remain constant

Interest rate risk

The Company has a mixture of fixed and floating rate borrowings. Before the impact of derivative financial instruments, £306 million (10 %) of borrowings are at fixed interest rates (predominantly relating to the £300 million Eurobond 2009 5.5%). The re-pricing risk of the fixed borrowings coincides with their maturity. The floating rate borrowings re-price within 6 months of the reporting date, based on short term borrowing rates for the relevant currency.

The Company has interest rate swaps with a notional principal of £500 million to swap £500 million of outstanding borrowings from floating to fixed interest rates. In the period to March 2008 no amounts were deferred in equity in respect of these instruments. All of the fair value movements in these instruments from inception to 31 March 2008 have been recognised in the profit and loss account.

After taking into account the impact of derivative financial instruments, £802 million (27%) of the Company's total borrowings are at fixed interest rates. All other borrowings re-price within 6 months of the reporting date.

At 31 March 2008 £500 million (32%) of the principal outstanding under the senior facility was hedged.

The impact of a 1% increase and a 1% decrease in interest rates on 31 March 2008 on the profit are shown in the table below. This analysis assumes that all other variables had been constant throughout the year. On this basis there would have been no significant amounts recognised directly in equity.

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11. FINANCIAL INSTRUMENTS (continued)

	1% increase in interest rates 2008 £million	1% decrease in interest rates 2008 £million	1% increase in interest rates 2007 £million	1% decrease in interest rates 2007 £million
Impact on profit/(loss) – derivative financial instruments	21	(21)	-	-
Impact on profit/(loss) – variable rate instruments	(28)	28	12	
	<u>(7)</u>	<u>7</u>	<u>12</u>	

Derivative financial instruments

Achieving hedge accounting is based on measuring the effectiveness of the derivative as a hedging instrument as well as fulfilling hedge documentation rules. The effectiveness test compares the change in fair value of the designated derivative and the change in the fair value of the hedged item, to determine if this ratio falls within the permitted range of 80% to 125%. Any derivative that falls outside the permitted range is classified as held-for-trading. Gains or losses on the derivative are recognised immediately in the income statement except where the derivative is designated within an effective cash flow relationship, in which case the gains and losses are deferred in equity and are recycled through the profit and loss account at the time that the hedged item is recognised in the profit and loss account. The hedge accounting treatment is described further in the Accounting policies (note 1).

Where a derivative does fall within the permitted range but is not 100% effective, the ineffective element is recognised in the profit and loss account immediately. This gives rise to a gain or loss which is recognised under interest receivable or interest payable as appropriate. These gain or losses represent timing differences that will reverse over the life of the financial instruments.

12. OTHER CREDITORS

	2008 £million	2007 £million
Amounts falling due after more than one year		
Financial guarantee	-	7
Amounts due to subsidiary undertakings	<u>3,749</u>	<u>-</u>
	<u>3,749</u>	<u>7</u>
Amounts falling due within one year		
Amounts due to subsidiary undertakings	518	955
Financial guarantee	-	2
Other creditors	17	20
Taxation	-	2
Accruals and deferred income	<u>-</u>	<u>1</u>
	<u>535</u>	<u>980</u>

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13. SHARE CAPITAL

Authorised and allotted

	2008 Number of shares million	2008 £million	2007 Number of shares million	2007 £million
Ordinary shares of 37 ⁷ / ₃₉ pence each				
Authorised	1,288	479	1,288	479
Allotted, called up and fully paid	973	362	968	360

In issue

	31 March 2008 Number of shares million	31 March 2007 Number of shares million
At beginning of year	968	486
Shares issued	5	482
At end of year	973	968

During the year the Company issued 5,412,087 ordinary shares at a premium of 309p per share in exchange for £18,714,950 cash

14. RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

	Share capital £million	Share premium £million	Capital redemption reserve £million	Retained earnings restated £million	Total equity restated £million
Issue of new shares	181	2	29	1,213	1,425
Profit for the year	179	-	-	-	179
Dividends to shareholders	-	-	-	52	52
Movement in own shares	-	-	-	(149)	(149)
At 31 March 2007	-	-	-	(5)	(5)
At 31 March 2007	360	2	29	1,111	1,502
Issue of new shares	2	17	-	-	19
Profit for the year	-	-	-	583	583
Dividends to shareholders	-	-	-	(1,550)	(1,550)
Movement in own shares	-	-	-	(7)	(7)
At 31 March 2008	362	19	29	137	547

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15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2008, the Company's immediate parent company was AB Acquisitions Limited, and its ultimate parent company and controlling party was AB Acquisitions Holdings Limited. AB Acquisitions Holdings Limited is also the parent undertaking of the largest group in which the Company is consolidated.

AB Acquisitions Holdings Limited is incorporated in Gibraltar, and its registered office is 57/63 Line Wall Road, Gibraltar. AB Acquisitions Holdings Limited is jointly controlled by certain funds advised by Kohlberg Kravis Roberts & Co. L.P. and Alliance Santé Participations S.A., a company indirectly wholly owned by S. Pessina.

The smallest group in which the results of the Company are consolidated is that headed by Alliance Boots GmbH, a company incorporated in Switzerland. The consolidated financial statements of this group are available from the Alliance Boots website at www.allianceboots.com.

16. RELATED PARTY TRANSACTIONS

The Company's related party transactions are with fellow subsidiary undertakings of the Alliance Boots GmbH group, and this continues to be the case. Amounts due from and to fellow subsidiary undertakings are set out within notes 9 and 12 of this report. Interest receivable from subsidiary undertakings is set out in note 4 and interest payable to subsidiary undertakings is set out in note 5. Dividends received from subsidiary undertakings during the year were £540 million. During the year, the Company received charges from another Group company for the provision of management services of £31 million.

17. CONTINGENT LIABILITIES

On 21 December 2007, the Company became a Guarantor under both a £8,270 million multi-currency Senior Facilities Agreement and a £750 million multi-currency Subordinated Facility Agreement (together with the Agreements) between, amongst others, the Company as a Borrower and Deutsche Bank AG as the Facility Agent for the Lenders. As a Guarantor under the Agreements the Company has guaranteed the liabilities of fellow subsidiary undertakings within the Alliance Boots GmbH group under the Agreements.

As at 31 March 2008 the gross borrowings outstanding under the Agreements in aggregate (including the impact of currency translation and capitalised interest) were £8,645 million.

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18. SHARE-BASED COMPENSATION

On acquisition of Alliance Boots plc by AB Acquisitions Limited all former Alliance Boots plc schemes vested and were exercised on acquisition with the exception of the Save As You Earn scheme and certain Executive Share Option Plans held by non-UK employees

The number and weighted average exercise prices of executive options granted are as follows

	2008	2008	2007	2007
	Weighted	Number of	Weighted	Number of
	average	options	average	options
	exercise price		exercise price	
	£		£	
Outstanding at 1 January	5 84	3,297,691	6 31	3,704,432
Businesses acquired	-	-	4.34	826,093
Forfeited during the year	-	-	6.26	(1,212,854)
Exercised during the year	5 94	(2,972,500)	3 67	(19,980)
Outstanding at the end of the year	4.93	325,191	5 84	3,297,691
Exercisable at the end of the year	4 93	325,191	4 35	806,113

The exercise price range and average contractual life of executive options outstanding as at 31 March is as follows

	2008	2007
Exercise price range	£3 67 to £6 14	£3 67 to £7 10
Weighted average contractual life	3 4 years	7 8 years

The number and weighted average exercise prices of SAYE options granted are as follows

	2008	2008	2007	2007
	Weighted	Number of	Weighted	Number of
	average	options	average	options
	exercise price		exercise price	
	£		£	
Outstanding at 1 January	4 67	3,361,750	-	-
Businesses acquired	-	-	3 43	1,977,742
Forfeited during the year	5 65	(1,378,156)	5 27	(66,938)
Granted in the period	-	-	6 37	1,461,946
Exercised during the year	3 53	(1,333,653)	-	-
Outstanding at the end of the year	4 93	636,187	4 67	3,361,750
Exercisable at the end of the year	-	-	-	-

The exercise price range and average contractual life of SAYE options outstanding as at 31 March is as follows

	2008	2007
Exercise price range	£2 53 to £6 37	£2 18 to £6 37
Weighted average contractual life	2 3 years	2 9 years

The expense in respect of share-based compensation is recognised by the employing entities in the Group. No charge is recognised in Alliance Boots Holdings Limited

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19. RESTATEMENT OF PRIOR YEAR COMPARATIVES TO UK GAAP FROM IFRS

Following the delisting of Alliance Boots plc and its re-registering as a private company, the Company has opted to adopt UK GAAP accounting policies and no longer presents its results under International Financial Reporting Standards ("IFRS")

The principal adjustment relates to the accounting for investments in subsidiary undertakings. Under IFRS, investments in subsidiary undertakings are required to be stated at fair value on acquisition and, where the consideration is in the form of the issue of share capital of the Company, a merger reserve is recognised to reflect the excess of the fair value over the nominal value of the shares. Any dividends received out of the pre-acquisition reserves of the subsidiary undertaking are deducted from the cost of the investment and a corresponding transfer is made from the merger reserve to retained earnings. Under UK GAAP, investments in subsidiary undertakings are required to be initially stated at cost and, where the consideration is in the form of the issue of share capital of the Company, and relief is available under sections 131 and 132 of the Companies Act 1985, no merger reserve is recognised and the cost of the investment is represented by the nominal values of the shares issued. Impairments of investments made under IFRS have therefore been reviewed based on the UK GAAP investment level and amended as appropriate. All dividends received are recognised in the profit and loss account.

The table below shows the impact on the balance sheet as previously presented at 31 March 2007

	31 March 2007 IFRS £million	Effect of transition £million	31 March 2007 UK GAAP £million
FIXED ASSETS			
Investments	7,571	(6,378)	1,193
CURRENT ASSETS			
Debtors	1,547	-	1,547
Cash at bank and in hand	290	-	290
	<u>1,837</u>	<u>-</u>	<u>1,837</u>
CREDITORS: amounts falling due within one year			
Borrowings	(225)	-	(225)
Other creditors	(980)	-	(980)
	<u>(1,205)</u>	<u>-</u>	<u>(1,205)</u>
NET CURRENT ASSETS	<u>632</u>	<u>-</u>	<u>632</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>8,203</u>	<u>(6,378)</u>	<u>1,825</u>
CREDITORS: amounts falling due after more than one year			
Borrowings	(314)	-	(314)
Other payables	(7)	-	(7)
Derivative financial instruments	(2)	-	(2)
	<u>(323)</u>	<u>-</u>	<u>(323)</u>
NET ASSETS	<u>7,880</u>	<u>(6,378)</u>	<u>1,502</u>
CAPITAL AND RESERVES			
Called up share capital	360	-	360
Share premium	2	-	2
Shares to be issued	11	(11)	-
Merger reserve	6,426	(6,426)	-
Capital redemption reserve	29	-	29
Retained earnings	1,052	59	1,111
SHAREHOLDER'S FUNDS	<u>7,880</u>	<u>(6,378)</u>	<u>1,502</u>

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19 RESTATEMENT OF PRIOR YEAR COMPARATIVES TO UK GAAP FROM IFRS (continued)

The table below shows the impact on the balance sheet as previously presented at 31 March 2006

	31 March 2006 IFRS £million	Effect of transition £million	31 March 2006 UK GAAP £million
FIXED ASSETS			
Investments	3,046	(2,064)	982
CURRENT ASSETS			
Debtors	1,245	-	1,245
Cash at bank and in hand	774	-	774
	<u>2,019</u>	<u>-</u>	<u>2,019</u>
CREDITORS: amounts falling due within one year			
Borrowings	(291)	-	(291)
Other creditors	(754)	-	(754)
	<u>(1,045)</u>	<u>-</u>	<u>(1,045)</u>
NET CURRENT ASSETS	<u>974</u>	<u>-</u>	<u>974</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,020</u>	<u>(2,064)</u>	<u>1,956</u>
CREDITORS: amounts falling due after more than one year			
Borrowings	(531)	-	(531)
Other payables	-	-	-
Derivative financial instruments	-	-	-
	<u>(531)</u>	<u>-</u>	<u>(531)</u>
NET ASSETS	<u>3,489</u>	<u>(2,064)</u>	<u>1,425</u>
CAPITAL AND RESERVES			
Called up share capital	181	-	181
Share premium	2	-	2
Merger reserve	2,123	(2,123)	-
Capital redemption reserve	29	-	29
Retained earnings	1,154	59	1,213
SHAREHOLDER'S FUNDS	<u>3,489</u>	<u>(2,064)</u>	<u>1,425</u>

The table below shows the impact on the profit and loss account for the year ended 31 March 2007

	Year ended 31 March 2007 IFRS £million	Effect of transition £million	Year ended 31 March 2007 UK GAAP £million
Other operating costs	(24)	-	(24)
Exceptional items	4	-	4
OPERATING LOSS	<u>(20)</u>	<u>-</u>	<u>(20)</u>
Dividends received from group undertakings	10	-	10
Impairment of investment in subsidiary undertakings	642	(642)	-
Interest receivable and similar income	157	-	157
Interest payable and similar charges	(84)	-	(84)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>705</u>	<u>(642)</u>	<u>63</u>
Tax charge on profit on ordinary activities	(11)	-	(11)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	<u>694</u>	<u>(642)</u>	<u>52</u>