

Company Registration No. 3446039

UniChem Limited

Report and Financial Statements

Year ended 31 March 2008

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UniChem Limited

Report and financial statements 2008

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UniChem Limited

Report and financial statements 2008

Officers and professional advisers

Directors

S Pessina
O Smedley

D Coles
M Stephenson

J C Main
P Forster Jones

Secretary

M Pagni

Registered office

UniChem House
Cox Lane
Chessington
Surrey
KT9 1SN

Bankers

National Westminster Bank Plc
1 Princes Street
London
EC3P 3AR

Auditors

KPMG Audit Plc
Chartered Accountants & Registered Auditors
London

UniChem Limited

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2008. The comparative period was the 15 month period ended 31 March 2007.

Business Review and Principal Activities

The Company is a wholly owned subsidiary within the Alliance Boots GmbH group of companies.

The Company's principal activity during the year was the distribution and wholesaling of pharmaceutical, medical and healthcare products in the UK.

Operating profit was £46,872,000 (2007: £54,853,000). Within operating profit was £23,810,000 (2007: £10,748,000) of exceptional costs. The exceptional costs comprised £871,000 (2007: £1,056,000) in relation to merger cost synergies arising from the merger of the Boots Group and Alliance UniChem in July 2006, £1,539,000 (2007: £367,000) in relation to the acquisition of the Alliance Boots Group by AB Acquisitions Limited in June 2007 and £21,400,000 (2007: £9,325,000) of costs in relation to pension deficit funding.

Operating profit before exceptional items and pension deficit funding costs increased by 8% to £70,682,000. Within profit on disposal of fixed assets is £13,904,000 (2007: nil) relating to the sale of properties to fellow group undertakings.

Profit on ordinary activities after taxation was £57,856,000 (2007: £51,762,000).

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the period end is, in net asset terms, consistent with the prior year.

Principal risks and uncertainties

Our Directors play the leading role, monitoring the overall risk profile and regularly reporting to the Group Board through the audit committee. Where we identify risks that are not acceptable, we develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

The Company is subject to a range of regulations relating to such things as product margins, product traceability and the conditions under which products must be stored. Changes to these could affect profitability.

Environment

At a time when climate change is of increasing concern to us all, our highest environmental priority is to improve our carbon management. As such, we are implementing various initiatives to ensure that our business operation causes minimal disruption or harm to the environment and that we actively support environmentally-friendly schemes.

UniChem Limited

Directors' report (continued)

Employees

Details of the number of employees and the related costs can be found in note 16 to the financial statements on page 20.

The Company actively encourages the involvement of employees and operates training and management programmes as appropriate. Information is provided to employees regularly throughout the year using a combination of staff magazines, formal presentations and employee briefings.

The employment policy does not discriminate between employees or potential employees on the grounds of sex, colour, race, ethnic or national origin, marital status or religious beliefs. In the case of the disabled, the Company gives full consideration to applications for employment from disabled persons who can demonstrate that they have the necessary abilities. If an employee became disabled whilst in employment and, as a result, was unable to perform his/her normal duties, every effort would be made to offer suitable alternative employment and assist with retraining.

Dividends

An interim dividend of £50.0 million (2007: £40.4 million) was paid during the year.

Financial instruments

The Company is exposed to currency, credit and interest rate risk. The Group's treasury function manages these risks at a Group level in accordance with Group Treasury Policy including the use of financial instruments for the purpose of managing these risks. Group risks are discussed in the Group's 2007/08 Annual Review, which does not form part of this report.

Directors

The details of the current Directors in office are shown on page 1. There have been the following changes to the Board of Directors during the year and up to the date of signing the financial statements:

<u>Appointments</u>	<u>Date</u>
P Forster Jones	7 December 2007
T Scicluna	1 August 2007
S Ball	1 June 2007
<u>Resignations</u>	<u>Date</u>
D S Griffiths	28 March 2008
K S S Hide	1 December 2007
C Martin	1 December 2007
P Cattee	1 December 2007
M H Smith	1 December 2007
S Ball	30 June 2008
A Butler	31 October 2008
T Scicluna	31 October 2008

Remuneration of directors

Details of the remuneration of the Directors are included in note 16 on page 20. The Directors had no beneficial interests in the share capital of the Company throughout the period.

UniChem Limited

Directors' report (continued)

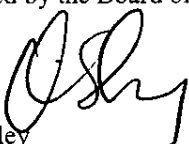
Auditors

KPMG Audit Plc were appointed auditors during the year, and will be proposed for reappointment in accordance with s385 of the Companies Act 1985.

Disclosure of information to auditors

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

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



O Smedley

Director

5 December 2008

UniChem Limited

Statement of directors' responsibilities

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

Independent auditors' report to the members of Unichem Limited

We have audited the financial statements of UniChem Limited for the year ended 31st March 2008, which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholder's funds 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 5.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies 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.

Independent auditors' report

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

5/12/08

Date

UniChem Limited

Profit and loss account Year ended 31 March 2008

		Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
	Notes		
Turnover	2	1,779,493	2,196,699
Cost of sales		<u>(1,589,067)</u>	<u>(2,035,282)</u>
Gross profit		190,426	161,417
Administrative expenses	3	<u>(143,554)</u>	<u>(106,564)</u>
Operating profit	4	46,872	54,853
Profit on disposal of fixed assets		13,852	228
Income from shares in group undertakings		10,317	7,376
Net interest receivable	5	<u>288</u>	<u>4,496</u>
Profit on ordinary activities before taxation		71,329	66,953
Tax on profit on ordinary activities	6	<u>(13,473)</u>	<u>(15,191)</u>
Profit on ordinary activities after taxation and profit for the financial period	14	<u>57,856</u>	<u>51,762</u>

The profit for the periods presented is wholly attributable to the continuing operations of the Company.

Distribution costs are considered to be a component of cost of sales due to the nature of the Company's business and as such are not separately disclosed.

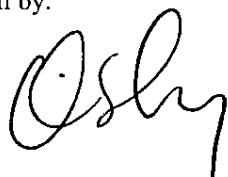
There are no recognised gains or losses in the current year and the preceding period other than as stated above.

UniChem Limited

Balance sheet As at 31 March 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible assets	7	40,109	58,113
Investments	8	4,756	4,756
		<u>44,865</u>	<u>62,869</u>
Current assets			
Stocks	9	109,972	130,882
Debtors	10	582,790	409,754
Cash at bank and in hand		5,053	4,526
		<u>697,815</u>	<u>545,162</u>
Creditors: amounts falling due within one year	11	(546,700)	(418,574)
Net current assets		<u>151,115</u>	<u>126,588</u>
Total assets less current liabilities		<u>195,980</u>	<u>189,457</u>
Provisions for liabilities and charges	12	-	(2,412)
Net assets		<u>195,980</u>	<u>187,045</u>
Capital and reserves			
Called up share capital	13,14	14,559	14,559
Share premium account	14	118,816	118,816
Profit and loss account	14	62,605	53,670
Shareholder's funds		<u>195,980</u>	<u>187,045</u>

These financial statements were approved by the Board of Directors on 5 December 2008 and were signed on its behalf by:



O Smedley
Director



M Stephenson
Director

UniChem Limited

Reconciliation of movement in shareholder's funds Year ended 31 March 2008

		Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
	Notes		
Profit for the financial period attributable to shareholder		57,856	51,762
Dividends paid	15	(50,000)	(40,360)
Share-based payments		1,079	1,401
Net increase in shareholder's funds		8,935	12,803
Opening shareholder's funds		187,045	174,242
Closing shareholder's funds		195,980	187,045

UniChem Limited

Notes to the financial statements Year ended 31 March 2008

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice, and under the historical cost accounting rules. The financial statements have been prepared on a going concern basis.

Under FRS 1, 'Cash Flow Statements', the Company is exempt from the requirement to prepare a cash flow statement on the grounds that Alliance Boots GmbH, a higher parent undertaking, includes the Company's cash flows in its own published consolidated financial statements.

The Company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the Company as an individual undertaking and not about its group. The Company is included within the consolidated financial statements of Alliance Boots GmbH, a higher parent undertaking.

Turnover

Turnover is the amount derived from the sale of goods and services in the normal course of business outside the Company, net of trade discounts, value added tax and other sales-related taxes. Turnover from the sale of goods is recognised at the point at which title passes.

Agency sales

Sales made on behalf of suppliers with whom the Company has a distribution arrangement are excluded from turnover. The management fee for this service is included in turnover.

Foreign exchange

Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary assets and liabilities in foreign currencies are translated at the rate ruling on the date of the transaction. Profits and losses arising from changes in exchange rates are taken to the profit and loss account.

Tangible fixed assets and depreciation

All fixed assets are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, in equal instalments over their expected useful economic lives as follows:

- Freehold land and assets in the course of construction – not depreciated;
- Freehold and long leasehold buildings – depreciated to their estimated residual values over their useful economic lives of not more than 50 years;
- Plant and machinery – 3 to 10 years; and
- Fixtures, fittings, tools and equipment – 3 to 20 years.

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. Any impairment in the value of fixed assets is recognised immediately.

Leased assets

The costs of operating leases are charged to the profit and loss account on a straight-line basis.

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

1. Accounting policies (continued)

Investments

Investments are stated at cost less provision for impairment.

Stocks

Stocks consist of goods held for resale and are valued at the lower of cost and net realisable value.

Pensions and other post retirement benefits

The Company participates in the Alliance UniChem Group UK pension scheme, incorporating both a multi-employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the group. The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly accounts for contributions to the scheme as if it were a defined contribution scheme. Particulars of the group scheme are contained in the group accounts of Alliance Boots GmbH, prepared in accordance with International Financial Reporting Standards.

Expense arising from share-based payments

The fair value of the options granted by the parent undertaking to participating employees is charged as an employee expense. The fair value is measured at the grant date and spread over the vesting period. The fair value is based on estimated market value at the date of grant. The amount recognised as an expense reflects the estimated number of shares/options that are expected to vest except where forfeiture is only due to 'total share holder return' targets not being achieved.

In accordance with the transitional provisions of FRS20 'Share-based Payments' no expense is recorded in respect of grants made under the above schemes prior to 7th November 2002.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law, at the balance sheet date. Deferred tax is not provided on timing differences arising from either the revaluation of fixed assets or rolled over gains where there is no commitment to sell the asset. Deferred tax is only provided on unremitted earnings of subsidiaries and associates where there is a commitment to remit the earnings. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

Operating leases

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

2. Turnover

Turnover is derived from activities in the UK.

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

3. Administrative expenses

Included in administrative expenses are the following exceptional costs:

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
- Acquisition costs ¹	1,539	367
- Pension funding ²	21,400	9,325
- Costs in relation to merger cost synergies ³	871	1,056

¹ Costs associated with the settlement of share option scheme obligations, including employer's national insurance contributions, following the acquisition of the group by AB Acquisitions Limited on 26th June 2007.

² Additional pension deficit funding payment.

³ Costs in relation to merger synergies of Boots Group PLC with Alliance UniChem Plc following the acquisition which took place in July 2006.

4. Operating profit

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
Operating profit is stated after charging:		
Depreciation	9,166	8,473
Rentals under operating leases:		
- land and buildings	1,951	1,610
- plant and machinery	150	227
Auditors' remuneration		
- audit services	80	91

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

5. Net interest receivable

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
Interest receivable and other similar income		
Interest charged on customer balances	-	1
Other interest	-	108
Interest receivable from group undertakings	630	4,387
	<u>630</u>	<u>4,496</u>
Interest payable and other similar charges		
Other interest	(342)	-
	<u>(342)</u>	<u>-</u>
Net interest receivable	<u>288</u>	<u>4,496</u>

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

6. Tax on profit on ordinary activities

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
UK corporation tax at 30% (2007: 30%)	17,089	16,859
Adjustments in respect of prior periods	(598)	(3,005)
Current tax	16,491	13,854
Deferred tax	(2,504)	1,308
Adjustments in respect of prior years	(514)	29
	<u>13,473</u>	<u>15,191</u>

The standard rate of current tax for the year, based on the UK rate of corporation tax is 30% (2007: 30%). The current tax charge for the current year and prior period is below the standard rate of corporation tax for the reasons set out in the following reconciliation:

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
Profit on ordinary activities before taxation	<u>71,329</u>	<u>66,953</u>
Tax charge at standard rate	21,399	20,086
Capital allowances in excess of depreciation	(384)	(1,007)
Expenses not deductible for tax purposes	(3,716)	295
Dividends from UK companies	(3,095)	(2,213)
Adjustments in respect of prior periods	(598)	(3,005)
Other timing differences	<u>2,885</u>	<u>(302)</u>
Current tax charge for the year	<u>16,491</u>	<u>13,854</u>

Factors affecting future tax charges

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

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

7. Tangible fixed assets

	Freehold land and buildings £'000	Long leaseholds £'000	Short leaseholds £'000	Furniture, fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2007	20,254	5,963	2,758	45,343	14,934	89,252
Additions	12	-	-	4,247	4,261	8,520
Disposals	(16,288)	(5,044)	-	(4,329)	(3,993)	(29,654)
At 31 March 2008	3,978	919	2,758	45,261	15,202	68,118
Depreciation						
At 1 April 2007	4,717	1,871	1,138	17,674	5,739	31,139
Charge for the year	304	150	82	4,560	4,070	9,166
Disposals	(4,121)	(1,791)	-	(3,665)	(2,719)	(12,296)
At 31 March 2008	900	230	1,220	18,569	7,090	28,009
Net book value						
At 31 March 2008	3,078	689	1,538	26,692	8,112	40,109
At 31 March 2007	15,537	4,092	1,620	27,669	9,195	58,113

Included within furniture, fixtures and equipment are assets in the course of construction of £157,000 (2007: £8,697,000).

8. Fixed asset investments

Shares in group undertakings	£'000
As at 1 April 2007 and 31 March 2008	4,756

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

8. Investments (continued)

The principal subsidiary and associated undertakings, and the interests held, are:

Company	Percentage of ordinary share capital held	Country of incorporation	Main activity
OTC Direct Limited	100%		Pharmaceutical wholesaler
Pharmacy Initiative 1 Plc	27%	Great Britain	Enterprise Initiative Scheme investment
Pharmacy Initiative 2 Plc	27%	Great Britain	Enterprise Initiative Scheme investment
Pharmacy Initiative 3 Plc	27%	Great Britain	Enterprise Initiative Scheme Investment

In the opinion of the Directors the value of the Company's investment in group undertakings is not less than the amount shown above.

9. Stocks

	2008 £'000	2007 £'000
Goods held for resale	<u>109,972</u>	<u>130,882</u>

10. Debtors

	2008 £'000	2007 £'000
Falling due within one year:		
Trade debtors	257,055	195,408
Amounts owed by group undertakings	279,428	190,779
Other debtors	29,891	16,143
Prepayments and accrued income	<u>15,810</u>	<u>7,424</u>
	582,184	409,754
Falling due after more than one year:		
Deferred tax asset (note 12)	<u>606</u>	-
	<u>582,790</u>	<u>409,754</u>

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

11. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	16,374	8,552
Trade creditors	473,271	358,084
Other creditors	31,469	21,916
Amounts owed to group undertakings	10,593	12,293
Corporation tax	4,742	5,581
Other taxes and social security	2,219	2,333
Accruals and deferred income	8,032	9,815
	<u>546,700</u>	<u>418,574</u>

12. Provisions for liabilities and charges

	2008 £'000	2007 £'000
Deferred taxation		
Liability at 1 April	2,412	1,075
Current period (credit)/charge	(2,504)	1,308
Adjustment in respect of prior periods	(514)	29
	<u>(606)</u>	<u>2,412</u>
(Asset)/liability at 31 March		

The amount of tax provided in the financial statements:	Provided		Not provided	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Capital allowances in excess of depreciation	3,230	2,684	-	-
Share options	-	(272)	-	-
Pension	(3,258)	-	-	-
Other	(578)	-	-	-
	<u>(606)</u>	<u>2,412</u>	<u>-</u>	<u>-</u>
Deferred tax (asset)/liability	<u>(606)</u>	<u>2,412</u>	<u>-</u>	<u>-</u>

13. Called up share capital

	2008 £'000	2007 £'000
Authorised:		
200,000,000 ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>
Called up, allotted and fully paid:		
14,559,000 ordinary shares of £1 each	<u>14,559</u>	<u>14,559</u>

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

14. Share capital and reserves

	Called up share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 April 2007	14,559	118,816	53,670	187,045
Profit for the year	-	-	57,856	57,856
Dividends paid	-	-	(50,000)	(50,000)
Share-based payments	-	-	1,079	1,079
At 31 March 2008	14,559	118,816	62,605	195,980

15. Dividends

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
Interim dividend paid £3.434 per share (2007: £2.772 per share)	50,000	40,360

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

16. Information regarding directors and employees

	Year ended 31 March 2008 £'000	15 month period ended 31 March 2007 £'000
Directors' emoluments		
Emoluments	2,218	1,648
Pension contributions	100	139
	<u>2,318</u>	<u>1,787</u>
The following amounts related to the highest paid director:		
Emoluments	367	522
Pension contributions	17	46
	<u>384</u>	<u>568</u>

One Director is a member of the Alliance UniChem Group UK Defined Benefit pension scheme (2007: one).

	Year ended 31 March 2008 No.	15 month period ended 31 March 2007 No.
Average monthly number of persons employed (excluding directors)	<u>3,933</u>	<u>3,260</u>
Staff costs during the period (including directors)	£'000	£'000
Wages and salaries	67,980	62,161
Social security costs	5,680	6,318
Other pension costs	24,216	6,867
Share based payments	1,079	1,401
	<u>98,955</u>	<u>76,747</u>

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

17. Share based payments

On the acquisition of Alliance Boots plc by AB Acquisitions Limited all former Alliance Boots plc schemes that the Company's employees participated in vested and were exercised on acquisition with the exception of the Save As You Earn Scheme (SAYE).

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

	Year ended 31 March 2008		15 month period ended 31 March 2007	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
Outstanding at the beginning of the period	-	-	4.55	1,292,061
Granted during the period	-	-	-	-
Transfers to group companies	-	-	-	-
Forfeited during the year	-	-	4.15	(75,924)
Exercised during the year	-	-	4.58	(1,216,137)
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

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

	Year ended 31 March 2008		15 month period ended 31 March 2007	
	Weighted average exercise price £	Number of options	Weighted average exercise price £	Number of options
Outstanding at the beginning of the period	4.67	1,328,758	3.23	1,694,673
Granted during the period	-	-	6.37	536,284
Transfers to group companies	-	-	-	-
Forfeited during the year	5.61	(530,113)	3.71	(260,610)
Exercised during the year	3.49	(557,238)	2.85	(641,589)
Outstanding at the end of the period	5.34	241,407	4.67	1,328,758
Exercisable at the end of the period	-	-	-	-

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

	31 March 2008	31 March 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 total expense recognised in the year in respect of share-based compensation was £1,079,000 (2007: £1,401,000) arising entirely from equity-settled share-based compensation transactions.

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Notes to the financial statements (continued) Year ended 31 March 2008

18. Operating lease commitments

At 31 March 2008 the Company was committed to making the following payments during the next year under operating leases:

	31 March 2008		31 March 2007	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases which expire:				
Between two and five years	359	-	215	-
After five years or more	3,237	150	1,051	85
	<u>3,596</u>	<u>150</u>	<u>1,266</u>	<u>85</u>

19. Capital commitments

At 31 March 2008 the Company was committed to future payments of £1,852,000 for purchases of tangible fixed assets (2007: £2,569,000).

20. Contingent liabilities

The Company has guaranteed bank loans of £11,340,000 (2007: £135,000) to third parties for the financing of pharmacy businesses, and property rental guarantees of £3,321,000 (2007: £3,020,000). The term of the loan is 7 years and it is secured against assets.

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 the Agreements) between, amongst others, AB Acquisitions Limited (a fellow subsidiary undertaking within the Alliance Boots GmbH group) 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 £8,465 million.

The Company has entered into an arrangement with its bank under which its current account balances are netted on a daily basis with those of the other participating group companies for the purpose of charging or crediting interest. Under this arrangement, each participating Company agrees that it is jointly and severally liable to the bank, with each other participating Company, for the aggregate overdraft balances on current accounts of all participating companies. Each of the participating Company's liability is limited to the amount of any positive cash balance it has in its current accounts with the bank on the day netting takes place. At 31 March 2008, the Company was contingently liable under this arrangement for a total amount of £5,053,000 (31 March 2007: £4,526,000).

21. Pension scheme

The Company participates in the Alliance UniChem Group UK pension scheme, incorporating both a multi employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the group. The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly accounts for contributions to the scheme as if it were a defined contribution scheme.

UniChem Limited

Notes to the financial statements (continued) Year ended 31 March 2008

21. Pension scheme (continued)

Contributions to the defined benefit scheme for the year were £23,428,000 (2007: £6,126,000). This includes additional contributions of £21,400,000 paid to fund the deficit. The agreed contribution rate for the next 12 months is 20.6%. Contributions to the defined contribution scheme for the period were £788,000 (2007: £741,000). There are no prepaid or accrued contributions to either scheme at 31 March 2008.

At 31 March 2008 the scheme had a surplus on an IAS 19, 'Employee Benefits', basis, which is not materially different to the surplus on an FRS17 basis, of £29,000,000 before tax. Details of the most recent actuarial valuation and detailed disclosures at 31 March 2008 can be found in the financial statements of Alliance Boots GmbH.

22. Related party transactions

As a wholly owned subsidiary of Alliance Boots GmbH, the Company is exempt from disclosing transactions with other group undertakings and investees of the group qualifying as related parties as permitted by paragraph 3 of FRS 8, 'Related Party Disclosures'.

Trading transactions with other related parties were:

Trading transactions with other related parties were:	Turnover in year £000	2008 Amount owing at year end £000	Turnover in period £000	2007 Amount owing at period end £000
P. Cattee	32,590	N/A	46,063	2,805

Transactions with P Cattee were trading transactions with a pharmacy business, of which he is a Director, on an arms length basis. P Cattee resigned as a Director of UniChem Ltd on 1 December 2007, so transactions have been disclosed up to that date.

23. Immediate and ultimate parent company

At 31 March 2008 the Company's immediate parent company was Alliance UniChem Group 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.