Company Registration No. 286222

E Moss Limited

Report and financial statements

For the year ended 31 March 2008

E Moss Limited

Report and financial statements 31 March 2008

Contents

E Moss Limited

Report and financial statements 31 March 2008

Officers and professional advisers

Directors

C D Aylward
S W J Duncan
P D Kennerley
M F Muller

Company Secretary

M Pagni

Registered Office

Fern House
53 – 55 High Street
Feltham
Middlesex
TW13 4HU

Banker

Barclays Bank PLC
Level 28
1 Churchill Place
London
E14 5HP

Auditors

KPMG Audit Plc
Chartered Accountants
8 Salisbury Square
London
EC4Y 8BB

E Moss Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2008.

Principal activities

The company's principal activity during the year was the retailing of health and beauty and allied products.

On 31 March 2008, the company sold the majority of the trade and assets of 888 retail outlets with pharmacies to Boots UK Limited, a fellow group company. Following the sale, the company owned 102 retail outlets at the period end (at 31 March 2007: 944), of which 53 were retail outlets with pharmacies.

Review of business

Turnover decreased by 22.2% to £923.6 million.

Operating profit was £28.4 million, compared to £103.6 million in the previous period. Within operating profit was £46.2 million (2007: £18.9 million) of exceptional costs. The exceptional costs comprised £0.2 million (2007: £nil) in relation to merger cost synergies arising from the merger of the Boots group and the Alliance UniChem group in July 2006, £10.7 million (2007: £4.3 million) for the second phase of integration projects following merger including re-branding of community pharmacies, property optimisation and systems harmonisation, £2.3 million (2007: £0.3 million) in relation to the acquisition of the Alliance Boots group by AB Acquisitions Limited in June 2007, and £5.5 million (2007: £0.6 million) in relation to the disposal of the Scholl footwear and chiropody business. In addition, within operating profit was £27.5 million (2007: £13.7 million) of costs in relation to pension deficit funding.

Operating profit before exceptional items and pension deficit funding costs decreased by 39.2% to £74.6 million. The company recognised an impairment on subsidiary investments of £7.2 million as a result of a change in the company's view of the long term weighted average cost of capital since the original purchase of the investments.

Turnover from Dispensing and Related Income reduced slightly in value as a result of downward adjustments to reimbursement rates in relation to generic prescription medicines which came into effect in England and Wales in October 2006, July 2007 and October 2007, and slowed dispensing market growth in value terms. As usual, we are taking steps to mitigate the impact of these changes where possible.

We continue to develop the role of retail pharmacists in the provision of healthcare services. Total Related Income, which comes primarily from Medicine Use Reviews and other locally commissioned services, whilst still relatively modest, increased year on year. In England, the smoking ban in public indoor spaces was introduced in 2007. Since then we have seen a significant increase in customer usage of our smoking cessation services.

Following the successful trial of our new "your local Boots pharmacy" branded format in which we saw substantial increases in both retail sales and dispensing volumes, the company decided to roll out this new format over a two year period to the majority of its pharmacies. Prior to the sale of retail outlets to Boots UK Limited, 50 pharmacies were trading under the new format.

During the year we acquired 73 retail outlets with a pharmacy (15 month period ended 31 March 2007: 37) in addition to opening a further 2 retail outlets with pharmacies (15 month period ended 31 March 2007: 1). The company divested of 23 retail outlets with pharmacies during the year (15 month period ended 31 March 2007: 54) to comply with the undertakings given to the Office of Fair Trading at the time they approved the merger between Alliance UniChem and Boots. The company also closed 6 retail outlets with pharmacies. At 31 March 2008, following the sale of 888 retail outlets to Boots UK Limited, the company operated 102 retail outlets, of which 53 were retail outlets with pharmacies and 49 were Scholl footwear and chiropody outlets.

Directors' report (continued)

Subsequent to the year end, as set out in note 26, the company sold its Scholl footwear and chiropody business.

Details of significant events since the balance sheet date are contained in note 26 to the financial statements on page 24.

Principal risks and uncertainties

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 annual review, which does not form part of this report.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's annual review, which does not form part of this report.

Initiatives designed to minimise the company's impact to the environment include waste recycling, waste minimisation and reducing energy consumption and carbon emissions.

Donations

The company made no political donations during the current or preceding year.

The company made £0.1 million of charitable donations during the year (2007: £0.1 million).

Payment to suppliers

The company agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them. The company does not follow any code or standard payment practice.

The number of day's purchases outstanding at 31 March 2008 was 68 days (2007: 72 days).

Employees

Details of the number of employees and related costs can be found in note 3 on page 13.

Our aim is to ensure that all our people are informed and engaged with their business. We have a variety of approaches to fulfil this aim including regular face-to-face team briefings, conference calls, magazines, newsletters and a number of intranet sites. Feedback is sought on the effectiveness of our communications and surveys have been instituted to gauge the morale of our people and what is important to them.

It is critical to the success of the company that we continue to nurture the different and diverse talents in our business and we have designed our employment policies to achieve this. We aim to provide equal opportunities, regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin.

We do all that is practicable to meet our responsibilities towards the employment and training of disabled people. Where one of our people becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Directors' report (continued)

Profit and dividends

Details of profit are shown in the profit and loss account on page 8.

The directors have declared and paid an interim dividend of 20.50p per ordinary share, £50,000,000 on 29 June 2007 (15 month period ended 31 March 2007: 21.17p per ordinary share, £51,639,000). They do not recommend a final dividend (15 month period ended 31 March 2007: £nil).

Directors and their interests

The directors who held office throughout the period, except as noted, are as follows:

C D Aylward
S W J Duncan
P D Kennerley
M F Muller
S McCandlish (appointed 8 May 2007; resigned 31 December 2008)
P Bennett (appointed 5 November 2007; resigned 31 December 2008)
C Rose (resigned 31 May 2007)
T J Scicluna (resigned 1 August 2007)
B M Andrews (resigned 30 November 2007)
S Hulme (resigned 31 December 2008)
S F Liebling (resigned 31 December 2008)
A J M Prosser (resigned 31 December 2008)

None of the directors listed above held any shares in the company.

Remuneration of directors

Details of the remuneration of directors are included in note 3 on page 13.

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 themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

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

By order of the board

M F Muller
Director

16 January 2009

E Moss Limited

Statement of directors' responsibilities

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 judgements 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 auditor's report to the members of E Moss Limited

We have audited the financial statements of E Moss Limited for the year ended 31 March 2008 which comprise the Profit and loss account, the Balance sheet, the Statement of total recognised gains and losses, the Note of historical cost profits and losses 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 auditor's report to the members of E Moss Limited (continued)

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 16 January 2009
Chartered Accountants
Registered Auditor

E Moss Limited

Profit and loss account
For the year ended 31 March 2008

	Notes	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Turnover			
Continuing operations		61,228	65,645
Discontinued operations		862,377	1,122,244
Total turnover	1,2	**923,605**	**1,187,889**
Cost of sales	2	(689,000)	(867,931)
Gross profit	2	234,605	319,958
Administrative expenses	2	(206,758)	(217,711)
Other operating income	2,4	555	1,362
Operating profit	5	**28,402**	**103,609**
Continuing operations		(235)	1,275
Discontinued operations		28,637	102,334
Total operating profit		**28,402**	**103,609**
Loss on disposal of fixed assets in continuing operations		(1,454)	(112)
Profit on disposal of business	6	28,561	16,165
Impairment of subsidiary investments		(7,151)	-
Profit on ordinary activities before interest		**48,358**	**119,662**
Interest receivable and similar income		309	35
Interest payable and similar charges	7	(34,011)	(30,345)
Profit on ordinary activities before taxation		14,656	89,352
Tax on profit on ordinary activities	8	1,450	(26,643)
Profit for the financial period	22	**16,106**	**62,709**

E Moss Limited

Statement of total recognised gains and losses
For the year ended 31 March 2008

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Total recognised gains and losses relating to the period	16,106	62,709
Total gains and losses recognised since the last annual report and financial statements	16,106	62,709

Note of historical cost profits and losses

For the year ended 31 March 2008

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Reported profit on ordinary activities before taxation	14,656	89,352
Difference between the historical cost depreciation charge and the actual depreciation charge for the period	13	21
Historical cost profit on ordinary activities before taxation	14,669	89,373
Historical cost (loss)/profit on ordinary activities for the period retained after taxation and dividends	(33,881)	11,091

E Moss Limited

Balance sheet
31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	11	21,171	496,113
Tangible assets	12	10,359	83,517
Investments	13	134,190	141,652
		165,720	721,282
Current assets			
Stocks	14	3,598	70,464
Debtors	15	721,510	177,542
Cash at bank and in hand		8,340	6,281
Deferred tax	17	4,994	3,161
		738,442	257,448
Creditors: amounts falling due within one year	16	(601,787)	(262,920)
Net current assets/(liabilities)		136,655	(5,472)
Total assets less current liabilities		302,375	715,810
Creditors: amounts falling due after more than one year			
Amounts owed to group undertakings		-	(378,651)
Obligations under finance leases	19	(7,474)	(9,784)
Net assets		294,901	327,375
Capital and reserves			
Called up share capital	18	243,938	243,938
Share premium account	21	15,000	15,000
Revaluation reserve	21	1,825	15,678
Profit and loss account	21	34,138	52,759
Shareholders' funds		294,901	327,375

These financial statements were approved by the Board of Directors on 16 January 2009.

By order of the board

M F Muller
Director

Notes to the financial statements
Year ended 31 March 2008

1. **Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and under the historical cost accounting rules.

Exemption from requirement to prepare group 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.

Cash flow statement

The company has taken advantage of the exemption allowed under Financial Reporting Standard (FRS) No. 1 (Revised), "Cash Flow Statements" from the requirement to present a cash flow statement because it is a wholly owned subsidiary undertaking of Alliance Boots GmbH whose consolidated financial statements are publicly available and contain a consolidated cash flow statement.

Turnover

Turnover comprises retail sales to external customers (excluding value added tax). Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration. For a non-advantage card transaction, this is when the sale is made in the store. All turnover is sourced in and is destined for the United Kingdom.

In respect of the Boots loyalty scheme, the Advantage Card, when points are issued to customers the retail value of those points expected to be redeemed is deferred. When the points are used by customers they are recorded as revenue. Sales of gift vouchers are only included in revenue when vouchers are redeemed.

Retail pharmacy licences

Retail pharmacy licences, being the exclusive right to be reimbursed for the dispensing of prescription medicines from a specified location, are capitalised, where there is an asset that can be separated from the other identifiable assets that together form a retail pharmacy business. As they do not have a finite economic life they are not amortised and are subjected to an annual impairment test. The directors' valuation of retail pharmacy licences less any impairment in value is included in intangible fixed assets.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is provided to write-off the cost less residual value, by equal instalments over their expected economic useful lives as follows:

Freehold property	- 50 years
Long and short leasehold properties	- the shorter of the period of the lease and 50 years
Fixtures, fittings and equipment	- between 3 and 10 years
Motor vehicles	- between 4 and 5 years

Freehold land is not depreciated.

Any impairment in the value of such fixed assets is recognised immediately.

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.

1. Accounting policies (continued)

Leases (continued)

Leases for which the company assumes substantially all of the risks and rewards of ownership, are classified as finance leases. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account to produce, or approximate, a constant periodic rate of charge on the remaining balance of the outstanding obligations.

Investments

Investments are stated at cost less provisions for any impairment in the carrying value of the investments.

Stocks

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods and costs related to distribution to its current location and condition.

Pensions

The company participates in the Alliance UniChem UK Group Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme.

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

The fair value of shares/options granted is charged as an employee expense. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares/options. The fair value is based on market value. 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.

Taxation

Current tax, including UK corporation tax and foreign 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 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 substantively enacted at the balance sheet date. This is in accordance with FRS 19.

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 recognised to the extent that they are regarded as more likely than not to be recovered.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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

2. Analysis of turnover and profit, acquisitions and continuing operations

	Discontinued operations	Continuing operations		Total	Total
		Acquisitions	Existing operations	Year ended 31 March	15 months ended 31 March
	2008	2008	2008	2008	2007
	£'000	£'000	£'000	£'000	£'000
Turnover	862,377	486	60,742	923,605	1,187,889
Cost of sales	(648,707)	(386)	(39,907)	(689,000)	(867,931)
Gross profit	213,670	100	20,835	234,605	319,958
Administrative expenses	(185,588)	(129)	(21,041)	(206,758)	(217,711)
Other operating income	555	-	-	555	1,362
Operating profit/(loss)	28,637	(29)	(206)	28,402	103,609

Turnover and profit before taxation are derived almost entirely from the provision of pharmaceutical and related goods and services in the United Kingdom.

3. Information regarding directors and employees

	Year ended 31 March 2008	15 months ended 31 March 2007
	£'000	£'000
Directors' emoluments		
Aggregate emoluments	4,534	3,512
Company contributions to pension schemes	369	287
	4,903	3,799
	No.	No.
Number of directors who:		
- are members of a defined benefit scheme	6	7
- exercised options in the period	9	7
	£'000	£'000
The highest paid director received:		
Emoluments	1,325	1,037
Company contributions to pension schemes	157	145
	1,482	1,182

All remuneration was in respect of the management of the company during the period.

S W J Duncan is also a director of Alliance Boots GmbH, a wholly owned subsidiary undertaking of AB Acquisitions Holdings Limited, the ultimate parent company. Details of his emoluments are shown in Alliance Boots GmbH's Annual Review. S McCandlish was paid by Boots UK Limited for his services as director and this was charged to E Moss Limited through management fee charges.

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

3. Information regarding directors and employees (continued)

Average number of persons employed (including directors)	Year ended 31 March 2008 No.	15 months ended 31 March 2007 No.
Sales and distribution	8,696	8,019
Administration	531	493
	9,227	8,512

Staff costs during the period (including directors)	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Wages and salaries	148,807	141,031
Social security costs	9,198	10,614
Pension costs	4,463	4,176
Share based payments charge	2,395	1,682
	164,863	157,503

Included in operating profit in the current year was an amount of £27,500,000 (15 month period ended 31 March 2007: £13,659,000) relating to pension deficit funding (refer to note 5).

4. Other operating income

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Dividends received from investments	555	1,362

5. Operating profit

Operating profit is after charging:

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Depreciation		
Owned assets	12,229	12,594
Assets held under finance leases and hire purchase contracts	215	310
Rentals under operating leases		
Land and buildings	14,287	16,313
Additional pension contribution costs	27,500	13,659
Provision for loss on sale of Scholl division	5,482	-
Merger cost synergies	173	-
Costs relating to the acquisition of the Alliance Boots group by AB Acquisitions Limited	2,326	342
Alliance Boots integration costs	10,671	4,329

5. Operating profit (continued)

Amounts receivable by the auditors and their associates in respect of:

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Audit of these financial statements	80	-
Other services relating to taxation	31	-
Total	111	-

On 14 December 2007, Deloitte & Touche LLP resigned as auditors and KPMG Audit Plc were appointed to fill the vacancy. In the current year, amounts paid to Deloitte & Touche LLP totalled £94,000 (15 month period ended 31 March 2007: £95,000).

6. Profit on disposal of business

On 31 March 2008, the company sold the trade and assets of 888 retail outlets with pharmacies to Boots UK Limited, a fellow group company. Net assets with a book value of £678 million were transferred for £693 million. Also included in the profit on disposal of business was profit on the divestment of 23 retail outlets with pharmacies (15 month period ended 31 March 2007: 54) to comply with the undertakings given to the Office of Fair Trading at the time they approved the merger between Alliance UniChem and Boots.

7. Interest payable and similar charges

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Bank loans and overdrafts	33,250	29,305
Finance leases and hire purchase contracts	761	1,040
	34,011	30,345

8. Tax on profit on ordinary activities

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
United Kingdom corporation tax at 30% (2007 –30%)	2,413	34,025
Adjustments in respect of prior periods	(2,030)	(1,300)
Total current tax	383	32,725
Deferred taxation		
Origination and reversal of timing differences – pension	(1,102)	(2,048)
– other	(1,290)	(4,122)
Adjustment in respect of prior periods	559	88
Total deferred tax	(1,833)	(6,082)
Tax on profit on ordinary activities	(1,450)	26,643

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

8. Tax on profit on ordinary activities (continued)

Reconciliation of the current tax charge	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Profit on ordinary activities before taxation	14,656	89,352
Tax charge at standard rate	4,397	26,806
Non taxable income in relation to the disposal of business	(4,556)	-
Other non taxable income	(7,188)	-
Permanent differences	7,535	1,478
Dividends from UK companies, not taxable	(167)	(409)
Timing differences (reversing) – pension	1,102	2,048
Timing differences (reversing) – other	1,290	4,102
Prior period adjustment	(2,030)	(1,300)
Current tax charge for the period	383	32,725

A change in the corporation tax rate from 30% to 28% will take effect from 1 April 2008

9. Equity dividends paid

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Interim dividend paid 20.50p per ordinary share (2007: 21.17p)	50,000	51,639

The 2008 interim dividend was declared on 29 June 2007. The Directors do not recommend a final dividend (15 month period ended 31 March 2007: £nil).

10. Share based payments

On 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 (SAYE) scheme.

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

	Year ended 31 March 2008		15 months ended 31 March 2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£	No.	£	No.
Outstanding at beginning of period	-	-	4.54	1,474,231
Forfeited during the period	-	-	(4.32)	(100,568)
Exercised during the period	-	-	(4.55)	(1,373,663)
Outstanding at the end of the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-

10. Share based payments (continued)

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

	31 March 2008	31 March 2007
Exercise price range	-	-
Weighted average contractual life	-	-

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

	Year ended 31 March 2008		15 months ended 31 March 2007	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	£	No.	£	No.
Outstanding at beginning of period	4.67	1,838,462	3.23	2,293,034
Granted in the period	-	-	6.37	812,712
Forfeited in the period	(5.64)	(746,710)	(3.71)	(399,161)
Exercised in the period	(3.57)	(720,600)	(2.85)	(868,123)
Transferred to group undertaking	(4.86)	(371,152)	-	-
Outstanding at end of period	-	-	4.67	1,838,462
Exercisable at the end of the period	-	-	-	-

The exercise price range and average contractual life of SAYE options outstanding as at 31 March that were transferred to Boots UK Limited on 31 March 2008 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 period in respect of share-based compensation was £2,395,000 (15 month period ended 31 March 2007: £1,682,000) arising entirely from equity settled share-based compensation transactions.

11. Intangible fixed assets

In accordance with FRS 10, intangible fixed assets, which are regarded as having an indefinite useful economic life, are not amortised but are subject to an annual impairment test.

The annual impairment test supports the carrying value of the pharmacy licences and, consequently, there was no impairment charge in the period.

	Retail pharmacy licences £'000
At 1 April 2007	496,113
Acquired	97,365
Disposals	(572,307)
At 31 March 2008	21,171

12. Tangible fixed assets

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Fixtures, fittings, and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation						
At 1 April 2007	13,251	9,679	6,586	99,316	4,538	133,370
Additions	2,606	508	432	15,146	1,464	20,156
Disposals	(14,397)	(2,593)	(6,099)	(109,032)	(5,805)	(137,926)
At 31 March 2008	1,460	7,594	919	5,430	197	15,600
Accumulated depreciation and impairment						
At 1 April 2007	2,754	945	1,885	42,627	1,642	49,853
Charge for period	272	473	84	10,714	901	12,444
Impairment	-	-	207	1,239	95	1,541
Disposals	(2,613)	(1,077)	(1,692)	(50,740)	(2,475)	(58,597)
At 31 March 2008	413	341	484	3,840	163	5,241
Net book value						
At 31 March 2008	1,047	7,253	435	1,590	34	10,359
At 31 March 2007	10,497	8,734	4,701	56,689	2,896	83,517

Certain freehold and long leasehold properties were revalued in 1991 at £945,000. These were disposed of during the current year. The historical cost of these properties as at 31 March 2007 was £91,000 and their historical net book value was £63,000.

Included in long leasehold property are assets held under finance lease having a net book value of £7,208,860 (2007: £7,670,834). Included in short leasehold property at 31 March 2007 were assets held under finance lease having a net book value of £1,742,180. Those assets were disposed of during the year ended 31 March 2008.

Included in fixtures, fittings and equipment at 31 March 2007, were assets held under finance lease contracts having a net book value of £22,000. Those assets were disposed of during the year ended 31 March 2008.

13. Investments

	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 April 2007	140,231	1,421	141,652
Investments acquired during the period	320	-	320
Disposals of subsidiaries	-	(136)	(136)
Impairment of investments	(7,151)	(140)	(7,291)
Strike-off of subsidiaries	(355)	-	(355)
At 31 March 2008	133,045	1,145	134,190

The company has investments in the following subsidiary undertakings acquired during the period:

Name of subsidiary undertaking	Country of Registration	Activity	% of ordinary shares held
Rupam Pharmacy Limited	England and Wales	Retail Pharmacy	100
AMK Locums Limited	England and Wales	Retail Pharmacy	100
Brights Chemists Limited	England and Wales	Retail Pharmacy	100
Greer Pharmacy Group Limited	England and Wales	Retail Pharmacy	100
Elliot & Carter Limited	England and Wales	Retail Pharmacy	100
Bellpharm Limited	England and Wales	Retail Pharmacy	100
Wavemill Limited	England and Wales	Retail Pharmacy	100
Wavemill Associates Limited	England and Wales	Retail Pharmacy	100
Broadley Chemists Limited	England and Wales	Retail Pharmacy	100
Henderson Pharmacy Limited	England and Wales	Retail Pharmacy	100
Caton Pharmacy Limited	England and Wales	Retail Pharmacy	100
Pharmaphoto Limited	England and Wales	Retail Pharmacy	100
Combe Martin Pharmacy Limited	England and Wales	Retail Pharmacy	100
Sawtry Pharmacy Limited	England and Wales	Retail Pharmacy	100
S.J. & B.J. Moul Limited	England and Wales	Retail Pharmacy	100
The Marlow Pharmacy Limited	England and Wales	Retail Pharmacy	100
H Nevilles Chemists Limited	England and Wales	Retail Pharmacy	100
Kiddem Limited	England and Wales	Retail Pharmacy	100

The company has the following material investments:

AP (NI) (No.1) Ltd	Northern Ireland	Retail Pharmacy	100
AP (NI) (No.2)	Northern Ireland	Retail Pharmacy	100
AP (NI) (No.3)	Northern Ireland	Retail Pharmacy	100

To avoid a statement of excessive length, details of investments which are not significant have been omitted. A full list of subsidiary investments is available from Companies House.

Fair value and acquisition information in relation to the acquisitions where the trade and assets have been transferred to E Moss Limited in the period is set out below. No acquisition is considered to be material in isolation.

13. Investments (continued)

Composition	Book value £'000	Fair value £'000
Intangible fixed assets	-	76,049
Tangible fixed assets	1,013	1,013
Stock	3,598	3,598
Debtors	9,636	9,636
Cash	(3,525)	(3,525)
Creditors	(8,611)	(8,611)
	2,111	78,160
Satisfied by:-		
Cash		78,160
Total consideration		78,160

14. Stocks

Stocks consist of goods held for resale. Their replacement cost does not differ significantly from the carrying value.

15. Debtors

	2008 £'000	2007 £'000
Trade debtors	7,639	139,474
Amounts owed by group undertakings	696,338	-
Other debtors	8,940	10,462
Prepayments and accrued income	849	11,535
Corporation tax	7,744	-
Assets held for sale	-	16,071
	721,510	177,542

16. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Trade creditors	425	5,089
Obligations under finance leases and hire purchase contracts	15	251
Amounts owed to group undertakings	599,081	204,743
Corporation tax	-	22,694
Other taxes and social security	18	4,119
Other creditors	-	5,991
Accruals and deferred income	2,248	20,033
	601,787	262,920

16. Creditors: amounts falling due within one year (continued)

Part of the balance due to fellow subsidiaries comprises a loan of £300 million and a credit facility of £230.1 million against a total facility of £250 million. These are both interest bearing debts with the interest rate based on a three and one month LIBOR rate respectively. The loan and facility were repayable on 31 December 2008 and were considered sufficient to meet the foreseeable needs of the company.

Subsequent to the balance sheet date, an amount of £693 million, included in accounts receivable from Boots UK Limited, was offset against the £530 million inter company loan account, with the balance of £163 million being placed into a treasury deposit account with Boots UK Limited.

17. Deferred tax

	2008 £'000	2007 £'000
Deferred taxation		
Opening balance	(3,161)	2,921
Credit for the period	(2,392)	(6,170)
Prior period charge	559	88
Closing balance	(4,994)	(3,161)

The amounts provided in the financial statements and the amounts not provided are:

	Provided		Not provided	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Capital allowances in advance of depreciation	558	5,598	-	-
OFT Divestments	-	(5,558)	-	-
Short term timing differences	(2,402)	(798)	-	-
Revaluation of property and goodwill	-	-	511	4,703
Chargeable gains deferred by roll over relief	-	-	-	8,955
Pension accrual	(3,150)	(2,048)	-	-
Share-based payments	-	(355)	-	-
	(4,994)	(3,161)	511	13,658

18. Called up share capital

	2008 £'000	2007 £'000
Authorised:		
400,000,000 ordinary shares of £1 each	400,000	400,000
Called up, allotted and fully paid:		
243,937,797 ordinary shares of £1 each	243,938	243,938

19. Financial commitments

	2008 £'000	2007 £'000
Obligations under finance leases and hire purchase contracts		
Minimum lease payments due:		
Within one year	15	251
Within two to five years	69	960
After five years	7,405	8,824
	7,489	10,035

Operating lease commitments

At 31 March 2008 the company was committed to making the following payments during the next year in respect of non-cancellable operating leases on land and buildings:

	2008 Land and Buildings £'000	2007 Land and Buildings £'000
Leases which expire:		
Within one year	5	1,812
Within two to five years	1,192	2,921
After five years	1,495	8,732
	2,692	13,465

Capital commitments

Capital expenditure contracted for, to the extent that it has not been provided for at the period end, amounted to £nil (2007: £1,331,303).

20. Pension scheme

The company participates in the Alliance UniChem UK Group Pension Scheme, a defined benefit scheme operated by the Alliance Boots Group. However, E Moss Limited is unable to identify its share of the underlying assets and liabilities. The company itself accounts for the scheme as if it were a defined contribution scheme in accordance with FRS 17. The pension scheme surplus at 31 March 2008 was £29,000,000 (2007: deficit of £28,000,000). Full disclosure of the group pension scheme prepared in accordance with IFRS is shown in the consolidated financial statements of Alliance Boots GmbH, which are publicly available from the Group's website at www.allianceboots.com.

During the period the company made contributions amounting to £30,254,172 (15 month period ended 31 March 2007: £16,006,854). The company will make a contribution of 20.6% of salaries during the next financial year.

In addition the company operates a number of defined contributions schemes for which the pension cost charge for the period amounted to £1,708,190 (15 month period ended 31 March 2007: £1,828,028).

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

21. Movement on reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss reserve £'000
Balance at 1 April 2007	15,000	15,678	52,759
Profit for the financial year	-	-	16,106
Dividends paid on equity shares	-	-	(50,000)
Realised revaluation surplus	-	(13,853)	13,853
Share based payments	-	-	1,420
Balance at 31 March 2008	15,000	1,825	34,138

The revaluation reserve arose on the revaluation of freehold and long leasehold properties in November 1991 and the directors' valuation of retail pharmacy licences.

22. Reconciliation of movement in equity shareholders' funds

	Year ended 31 March 2008 £'000	15 months ended 31 March 2007 £'000
Profit for the period	16,106	62,709
Movements relating to share based payments	1,420	1,682
Dividends paid on equity shares	(50,000)	(51,639)
Net (reduction)/addition to equity shareholders' funds	(32,474)	12,752
Opening equity shareholders' funds as previously reported	327,375	314,134
Prior year adjustment – implementation of FRS 20	-	489
Opening equity shareholders' funds as restated	327,375	314,623
Closing equity shareholders' funds	294,901	327,375

23. 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 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.

24. Ultimate parent company and controlling party

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.

25. Related party disclosures

The company has taken advantage of the exemption in paragraph 3(c) of Financial Reporting Standard No.8 "Related Party Disclosures" not to disclose transactions with entities that are part of the group or investees of the group qualifying as related parties.

26. Post balance sheet events

Amounts owed to group undertakings

Subsequent to the balance sheet date, an amount of £693 million, included in accounts receivable from Boots UK Limited, was offset against the £530 million inter company loan account, with the balance of £163 million being placed into a treasury deposit account with Boots UK Limited.

Sale of Scholl Retail

On 4 July 2008, the company entered into an agreement to sell the majority of its Scholl Retail division for £1 million. A formal announcement of the sale was also made to staff on this date. The accounts as at 31 March 2008 included a provision for the write down of assets to their net realisable value.

In the terms of the Sale and Purchase Agreement, the purchaser has undertaken to meet the obligations of the leases in respect of the retail outlets purchased. The future minimum lease payments over the remaining lives of the leases amounts to £14.7 million.