Company registration number 04452715

Alliance Boots Holdings Limited
Directors' report and financial statements
for the year ended 31 March 2010

Contents

Alliance Boots Holdings Limited

Directors' report

for the year ended 31 March 2010

The Directors present their report and the audited financial statements for the year ended 31 March 2010

Principal activities
The Company is a holding company within the Alliance Boots GmbH group ("Group")

Business review
Operating profit before exceptional costs was £nil (2009 £nil)

Within operating loss was £24 million of exceptional operating costs (2009 £nil) The exceptional operating costs comprised a £24 million impairment recognised during the year, mainly relating to the Directors' judgement of the permanent reduction in the underlying net asset value of the subsidiary undertaking Boots International Limited

The Company's retained profit for the financial year was £527 million (2009 £2,512 million)

A bond of £300 million, issued on 26 May 1999, was repaid on 26 May 2009

Principal risks and uncertainties
The Company's Directors monitor the overall risk profile of the Company In addition, the Directors are responsible for determining clear policies as to what the Company considers to be acceptable levels of risk These policies seek to enable people throughout the Company to use their expertise to identify risks that could undermine performance and to devise ways of bringing them within acceptable levels Where the Directors identify risks that are not acceptable, they 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

Dividends
The Directors declared and paid an interim dividend of £862 million during the year (2009 £nil)

Directors
The following served as Directors during the year

M Delve
K McCoy
F Standish (appointed 17 August 2009)

Directors and Officers insurance has been taken out on behalf of the Company

Political and charitable donations
The Company has made no political or charitable donations during the year

Financial instruments
The Company's policies are described in the Accounting Policies note on pages 7 to 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 note 11 of the financial statements

Auditors
The Company reappointed KPMG Audit Plc as auditors during the year Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

Statement as to 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 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

By order of the Board

Frank Standish
Company Secretary

30 June 2010

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

Registered in England and Wales No 04452715

Statement of Directors' responsibilities
for the year ended 31 March 2010

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 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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006 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

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 2010 set out on pages 5 to 18 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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
As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/UKNP

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Stephen Cooper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
London
29 June 2010

Alliance Boots Holdings Limited

Profit and loss account
for the year ended 31 March 2010

	Notes	2010 £million	2009 £million
Exceptional operating costs	2	(24)	-
Operating loss	2	(24)	-
Profit on disposal of fixed asset investment		18	-
Income from shares in Group undertakings		512	2,615
Interest receivable and similar income	4	161	229
Interest payable and similar charges	5	(137)	(375)
Profit on ordinary activities before taxation		530	2,469
Tax on profit on ordinary activities	6	(3)	43
Profit for the financial year		527	2,512

There are no recognised gains and losses for the current and preceding financial years other than the profit of £527 million (2009 £2,512 million profit) shown above Accordingly, no statement of recognised gains and losses is presented

The amounts presented for the current and preceding financial years are derived from continuing operations

Alliance Boots Holdings Limited

Balance sheet
as at 31 March 2010

	Notes	2010 £million	2009 £million
Fixed assets			
Investments	8	7,460	7,302
		7,460	7,302
Current assets			
Debtors	9	284	238
Derivative financial instruments	10	7	4
Restricted cash	12	18	18
Cash at bank and in hand		135	269
		444	529
Creditors: amounts falling due within one year			
Borrowings	10	(25)	(304)
Other creditors	13	(1,238)	(1,101)
		(1,263)	(1,405)
Net current liabilities		(819)	(876)
Total assets less current liabilities		6,641	6,426
Creditors amounts falling due after more than one year			
Borrowings	10	(1,685)	(1,707)
Other creditors	14	(2,073)	(1,489)
Derivative financial instruments	10	(155)	(169)
		(3,913)	(3,365)
Net assets		2,728	3,061
Capital and reserves			
Called up share capital	16,17	362	362
Share premium	17	23	21
Capital redemption reserve	17	29	29
Profit and loss account	17	2,314	2,649
Shareholders' funds		2,728	3,061

The notes on pages 7 to 18 form part of the Company's financial statements

These financial statements were approved by the Board on 30 June 2010 and were signed on its behalf by

K McCoy

Kathleen McCoy
Director

Company registration number 04452715

Notes to the financial statements
for the year ended 31 March 2010

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 convention

AB Acquisitions Holdings Limited ('ABAHL'), the ultimate parent undertaking of the Company, includes the Company's assets, liabilities and results in its own publicly-available consolidated financial statements Under FRS 1 (Revised 1996), 'Cash flow statements', the Company is therefore exempt from the requirement to prepare a cash flow statement

The Company's voting rights are wholly controlled within the ABAHL Group and consequently, the Company is exempt under FRS 8, 'Related party Disclosures', from disclosing transactions with entities that are part of the ABAHL Group or investees of the ABAHL Group qualifying as related parties

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated 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

Going Concern
The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 2

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The directors, having assessed the responses of the directors of the company's parent Alliance Boots GmbH to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Alliance Boots GmbH group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Alliance Boots GmbH, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Currency
Transactions denominated in non-sterling currencies are recorded at the rates ruling at the dates of the transactions or if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in non-sterling currencies at the balance sheet date are translated at the exchange rates ruling at that date or the contracted rate Non-monetary assets and liabilities denominated in non-sterling currencies are translated using the exchange rates at the date of the underlying transactions Exchange gains or losses are included in the profit and loss account

Interest receivable and similar income
Interest receivable and similar income comprises interest receivable on funds invested calculated using the effective interest rate method, losses on hedging instruments that are recognised in the profit and loss account, net exchange movements related to funds invested and dividends received from investments

Interest payable and similar charges
Interest payable and similar charges comprises interest payable on borrowings calculated using the effective interest rate, financing fees, losses on hedging instruments that are recognised in the profit and loss account and net exchange movements related to financing items

Restricted cash
Restricted cash comprises deposits, the use of which is restricted for specific purposes and so is not available for the use of the Company in its day-to-day operations

Impairment of assets
The Company's fixed 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 fixed asset's recoverable amount is estimated The recoverable amount is the higher of a fixed asset's net realisable value and its value in use 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
Cash comprises cash in hand and deposits repayable on demand Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

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

Investments
Investments are stated at cost less provision for impairment

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 Financial assets and financial liabilities, excluding derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate method

Notes to the financial statements (continued)
for the year ended 31 March 2010

1 Accounting policies (continued)

The Company uses derivative financial instruments to hedge its exposure to currency translation and interest rate risks arising from operating, financing and investing activities 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 re-measurement 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

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in 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 income statement 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 or 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

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

Taxation

Current taxation

Current tax is recognised at the amount expected to be paid or recovered for the period based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date

Deferred taxation

Deferred tax is recognised on all timing differences that have originated but not reversed by the balance sheet date Deferred tax assets are only recognised to the extent that it is more likely than not there will be suitable taxable profits against which the underlying timing differences can reverse Deferred tax liabilities are not recognised in respect of corporation tax on chargeable gains arising on the disposal of assets where that gain is expected to be deferred indefinitely

Deferred tax is measured on a non-discounted basis at the average rates expected to apply in the periods when the timing differences are expected to reverse using the tax rates and laws enacted or substantively enacted at the balance sheet date

Share capital

Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities Accordingly, a financial instrument is treated as equity if

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable, and
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Group exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments

Equity instruments are recorded as share capital and share premium, as applicable, net of tax-effected share issue costs To the extent that this definition is not met, the proceeds of any issue are classified as a financial liability

Dividends

Interim dividends on equity instruments classified as part of shareholders' funds are recognised as appropriations in the reconciliation of movements in shareholders' funds Dividends unpaid at the balance sheet date are only recognised at that date to the extent that they are appropriately authorised by the shareholders of the Company 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

Alliance Boots Holdings Limited

Notes to the financial statements (continued)
for the year ended 31 March 2010

2 Operating loss

Operating loss is stated after charging

	2010 £million	2009 £million
Operating loss before exceptional costs	**-**	-
Exceptional operating costs	**(24)**	-
Operating loss	**(24)**	-

The 2010 audit fee of £14,000 is included in operating loss (2009 £10,000 borne by a fellow group undertaking) The exceptional operating costs are described in note 8

3 Staff numbers and costs

No Director received or waived any remuneration for their services to the Company during the year

Directors and Officers insurance has been taken out on behalf of the Company

4 Interest receivable and similar income

	2010 £million	2009 £million
Interest receivable from bank deposits	**1**	9
Interest receivable from group undertakings	**159**	217
Other interest receivable	**1**	3
	161	229

5 Interest payable and similar charges

	2010 £million	2009 £million
Interest payable on bank loans and overdrafts	**92**	120
Interest payable to group undertakings	**17**	173
Interest on bonds	**3**	17
Financing fees	**12**	12
Fair value losses on derivative financial instruments	**9**	44
Other finance costs	**4**	9
	137	375

6 Tax on profit on ordinary activities

An analysis of the tax credit/(charge) for the year is presented as follows

	2010 £million	2009 £million
Current tax		
UK Corporation tax on profits for the year at 28% (2009 28%)	**(9)**	28
Adjustments in respect of prior periods	**4**	3
	(5)	31
Deferred tax (note 15)		
Origination and reversal of timing differences	**2**	12
Tax (charge)/credit on profit on ordinary activities	**(3)**	43

Notes to the financial statements (continued)
for the year ended 31 March 2010

6 Tax on profit on ordinary activities (continued)

The tax (charge) / credit for the financial year is lower than (2009 higher than) the standard rate of corporation tax of 28% (2009 28%) The differences are explained below

	2010 £million	2009 £million
Profit on ordinary activities before tax	530	2,469
Current tax at 28% (2009 28%)	(148)	(691)
Effects of		
Expenses not deductible for tax purposes	(9)	-
Income non-taxable for tax purposes	148	731
Other timing differences	-	(12)
Adjustments in respect of prior periods	4	3
Total current tax (charge)/credit as above	(5)	31

7 Dividends

The Company's paid and proposed dividends are presented as follows

	2010 £million	2009 £million
Dividends paid in the year		
Interim dividends paid	862	-

8 Fixed asset investments

	Shares in subsidiary undertakings £million	Loans to group undertakings £million	Total £million
Cost			
At 1 April 2009	3,570	3,732	7,302
Additions	747	85	832
Repayment	-	(622)	(622)
Disposals	(16)	-	(16)
Currency translation adjustments	-	(12)	(12)
Impairment	(24)	-	(24)
At 31 March 2010	4,277	3,183	7,460

The impairment recognised during the year relates to the Directors' judgement of the permanent reduction in the underlying net asset value of the subsidiary undertaking Boots International Limited

Alliance Boots Holdings Limited

Notes to the financial statements (continued)
for the year ended 31 March 2010

8 Fixed asset investments (continued)

The Company's principal subsidiary undertakings at the balance sheet date are presented as follows

	Percentage held by the Company	Percentage held by subsidiary undertakings	Country of incorporation	Main activity
Health & Beauty Division				
Boots UK Limited	100	-	England & Wales	Pharmacy-led health and beauty retailing
Boots Opticians Professional Services Limited	-	58	England & Wales	Optical practices
Boots Norge A S	-	100	Norway	Pharmacy-led health and beauty retailing
Boots Retail (Ireland) Limited	100	-	Republic of Ireland	Pharmacy-led health and beauty retailing
Alliance Apotheek B V	-	100	The Netherlands	Retail pharmacy operator
Boots Retail (Thailand) Limited	100	-	Thailand	Pharmacy-led health and beauty retailing
Pharmaceutical Wholesale Division				
Alliance Healthcare (Distribution) Limited	100	-	England & Wales	Pharmaceutical wholesaling and distribution
Alliance Healthcare España S A	-	99 2	Spain	Pharmaceutical wholesaling and distribution
Alleanza Healthcare Italia SpA	-	100	Italy	Pharmaceutical wholesaling and distribution
Alliance Healthcare B V	-	100	The Netherlands	Pharmaceutical wholesaling and distribution
ZAO Apteka Holding	-	66	Russia	Pharmaceutical wholesaling and distribution
Alliance Healthcare s r o	-	97 1	Czech Republic	Pharmaceutical wholesaling and distribution
Megapharm GmbH Pharmazeutische Erzeugnisse	100	-	Germany	Pharmaceutical wholesaling and distribution
Alliance Healthcare Norge A S	-	100	Norway	Pharmaceutical wholesaling and distribution
Boots International Limited	100	-	England & Wales	Wholesaling of Boots branded products
Contract Manufacturing				
BCM Limited	100	-	England & Wales	Contract manufacturing

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

As permitted by section 410 of the Companies Act 2006, only principal undertakings are shown A complete list of all subsidiary undertakings is filed with the Company's annual return

9 Debtors

	2010 £million	2009 £million
Amounts owed by group undertakings	**250**	202
Deferred tax (note 15)	**15**	13
Other debtors and accrued income	**19**	23
	284	238

Within debtors was £nil (2009 £3 million) due after more than one year

Notes to the financial statements (continued)

for the year ended 31 March 2010

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

	2010 £million	2009 £million
Current borrowings		
Bank overdrafts	(25)	(4)
£300 million Eurobond 2009 5 5%	-	(300)
	(25)	(304)
Non current borrowings		
Bank loans – senior facilities	(1,685)	(1,707)
	(1,685)	(1,707)
Total borrowings	(1,710)	(2,011)
Restricted cash	18	18
Cash at bank and in hand	135	269
Total borrowings net of cash at bank and in hand	(1,557)	(1,724)
Derivative financial instruments – currency and interest rate instrument assets	7	4
Derivative financial instruments – currency and interest rate instrument liabilities	(155)	(169)
Net borrowings	(1,705)	(1,889)
Amounts due from group undertakings	3,433	3,934
Amounts due to group undertakings	(3,294)	(2,555)
Net financial liabilities	(1,566)	(510)

The Company's principal net borrowings are £1,550 million 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 2010 was £1,685 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

A bond of £300 million, issued on 26 May 1999, was transferred from The Boots Company PLC to Alliance Boots Holdings Limited on 20 January 2003 at its market value on that date of £309 million The bond, which carried a fixed interest rate of 5 5% per annum, was repaid on 26 May 2009

Notes to the financial statements (continued)

for the year ended 31 March 2010

10. Financial assets and liabilities (continued)

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

The tables below show the contractual maturities of financial liabilities on an undiscounted basis, including interest payments Interest is calculated based on liabilities held at 31 March 2009 and 31 March 2010 respectively without taking account of any future debt issuance Floating rate interest has been estimated using prevailing interest conditions at 31 March 2009 and 31 March 2010 and cash flows in non-Sterling currencies are translated using exchange rates at those dates

At 31 March 2010	Carrying value £million	Aggregate contractual cash flows £million	1 year or less £million	1-2 years £million	2-5 years £million	>5 years £million
Floating						
Bank overdrafts	(25)	(25)	(25)	-	-	-
Bank loans – senior facilities	(1,685)	(2,314)	(80)	(87)	(350)	(1,797)
Total borrowings	(1,710)	(2,339)	(105)	(87)	(350)	(1,797)
Amounts due to subsidiary undertakings	(3,294)	(3,323)	(1,239)	(2,084)		
Total non-derivative financial liabilities	(5,004)	(5,662)	(1,344)	(2,171)	(350)	(1,797)
Interest rate derivatives						
- outflows		(75)	(25)	(25)	(25)	-
- inflows		33	6	8	19	-
	(26)	(42)	(19)	(17)	(6)	-
Currency swaps						
- outflows		(788)	(29)	(236)	(523)	-
- inflows		655	27	197	431	-
	(129)	(133)	(2)	(39)	(92)	-
Total derivative financial liabilities	(155)	(175)	(21)	(56)	(98)	-
Total financial liabilities	(5,159)	(5,837)	(1,365)	(2,227)	(448)	(1,797)

At 31 March 2009	Carrying value £million	Aggregate 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%	(300)	(317)	(317)	-	-	-
Floating						
Bank overdrafts	(4)	(4)	(4)	-	-	-
Bank loans – senior facilities	(1,707)	(2,498)	(93)	(93)	(357)	(1,955)
Total borrowings	(2,011)	(2,819)	(414)	(93)	(357)	(1,955)
Amounts due to subsidiary undertakings	(2,555)	(2,589)	(1,089)	(1,500)	-	-
Total non-derivative financial liabilities	(4,566)	(5,408)	(1,503)	(1,593)	(357)	(1,955)
Interest rate derivatives						
- outflows	(42)	(43)	(17)	(13)	(13)	-
	(42)	(43)	(17)	(13)	(13)	-
Currency swaps						
- outflows		(778)	(39)	(31)	(708)	-
- inflows		645	37	30	578	-
	(127)	(133)	(2)	(1)	(130)	-
Total derivative financial liabilities	(169)	(176)	(19)	(14)	(143)	-
Total financial liabilities	(4,735)	(5,584)	(1,522)	(1,607)	(500)	(1,955)

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

Notes to the financial statements (continued)
for the year ended 31 March 2010

10 Financial assets and liabilities (continued)

Currency profile

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

At 31 March 2010	Total £million	Sterling £million	Euros £million	Other £million
Bank overdrafts	(25)	(22)	(4)	1
Bank loans – senior facilities	(1,685)	(897)	(788)	-
Total borrowings	(1,710)	(919)	(792)	1
Restricted cash	18	18	-	-
Cash at bank and in hand	135	8	118	9
Derivative financial instruments	(148)	(153)	5	-
Amounts due from subsidiary undertakings	3,433	3,139	244	50
Amounts due to subsidiary undertakings	(3,294)	(2,972)	(311)	(11)
Net financial (liabilities)/assets	(1,566)	(879)	(736)	49

At 31 March 2009	Total £million	Sterling £million	Euros £million	Other £million
Bank overdrafts	(4)	-	(4)	-
Bank loans – senior facilities	(1,707)	(892)	(815)	-
£300 million Eurobond 2009 5 5%	(300)	(300)	-	-
Total borrowings	(2,011)	(1,192)	(819)	-
Restricted cash	18	18	-	-
Cash at bank and in hand	269	215	54	-
Derivative financial instruments	(165)	(165)	-	-
Amounts due from subsidiary undertakings	3,934	3,196	666	72
Amounts due to subsidiary undertakings	(2,555)	(2,200)	(350)	(5)
Net financial (liabilities)/assets	(510)	(128)	(449)	67

A comparison of carrying values and fair values of the Company's financial assets and liabilities held to finance the Group's operations is set out below

	2010		2009	
	Carrying value £million	Fair value £million	Carrying value £million	Fair value £million
Liabilities held at amortised cost				
Bank overdrafts	(25)	(25)	(4)	(4)
Bank loans – senior facilities	(1,685)	(1,718)	(1,707)	(1,745)
£300 million Eurobond 5 5%	-	-	(300)	(298)
Amounts due to group undertakings	(3,294)	(3,294)	(2,555)	(2,555)
	(5,004)	(5,037)	(4,566)	(4,602)
Financial liabilities held at fair value				
Interest rate derivatives	(26)	(26)	(42)	(42)
Cross currency swap derivatives	(129)	(129)	(127)	(127)
	(155)	(155)	(169)	(169)
Loan and receivable financial assets				
Amounts due from subsidiary undertakings	3,433	3,433	3,934	3,934
	3,433	3,433	3,934	3,934
Financial assets held at fair value				
Derivative instruments – foreign exchange contracts	7	7	4	4
	7	7	4	4
Restricted cash	18	18	18	18
Cash at bank and in hand	135	135	269	269
Net financial liabilities	(1,566)	(1,599)	(510)	(546)

The fair values of bank overdrafts approximate to their carrying value due to either their short term nature or being re-priced at variable interest rates The carrying value of the senior facilities, which are variable rate, were lower than the fair values of the instruments due mainly to the impact of unamortised fees included in the carrying value Fair values of bonds and currency exchange contracts have been determined with reference to quoted market prices The fair values of interest rate derivatives and cross currency swaps have been calculated by discounting the future cash flows of the individual contracts using the appropriate market interest curve and currency exchange rates prevailing at 31 March 2009 and 31 March 2010 respectively

Notes to the financial statements (continued)
for the year ended 31 March 2010

10 Financial assets and liabilities (continued)

The carrying values of financial assets and liabilities held at fair value, as analysed by the three levels of the fair value hierarchy, were

2010	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Financial liabilities				
Interest rate derivatives	-	(26)	-	(26)
Cross currency swap derivatives	-	(129)	-	(129)
	-	(155)	-	(155)
Financial assets				
Forward foreign exchange derivatives	-	7	-	7
	-	7	-	7

2009	Level 1 £million	Level 2 £million	Level 3 £million	Total £million
Financial liabilities				
Interest rate derivatives	-	(42)	-	(42)
Cross currency swap derivatives	-	(127)	-	(127)
	-	(169)	-	(169)
Financial assets				
Forward foreign exchange derivatives	-	4	-	4
	-	4	-	4

The three levels of the fair value hierarchy reflect the significance of the valuation inputs used in making fair value measurements and are defined as follows

Level 1 quoted prices in active markets for the same instrument
Level 2 quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data
Level 3 valuation techniques for which any significant input is not based on observable market data

Derivative financial instruments
The derivative financial instruments that the Group holds are not traded in an active market Accordingly, their fair values are determined by using suitable valuation techniques that do not make use of entity-specific estimates or by using movements in observable prices for underlying financial instruments attributable to the hedged risks The fair value of interest rate swaps is calculated by discounting the estimated cash flows received and paid based on the applicable observable yield curves using the interest free rate The fair value of interest rate caps is calculated using an options pricing methodology The fair value of cross currency contracts and forward exchange contracts are estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using the risk-free interest rate The fair value of credit derivatives is calculated by discounting anticipated cash flows using the applicable observable yield curve plus a margin derived from the current trading value of the underlying security All computed fair values for derivative financial instruments include an appropriate adjustment for own and counterparty credit risk as appropriate

The fair value of bank overdrafts, bank loans and amounts due to and from group undertakings approximate to their carrying value due to either their short term nature or being re-priced at variable interest rates The carrying values of the senior facility bank loans (which are variable rate) are lower than the fair values of the instruments due mainly to the impact of unamortised fees included in the carrying value

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

11 Financial risk management

Financial risk management - overview
The Company's trading and financing activities expose it to various financial risks that could adversely impact on future earnings and cash flows Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk The Company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Company's financial performance and position

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
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due

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

Notes to the financial statements (continued)
for the year ended 31 March 2010

11 Financial risk management (continued)

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 2010 was £1,685 million (2009 £1,707 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, £14million (2009 £nil) of which was drawn down at March 2010, £184 million (2009 £194 million) of which was utilised in providing guarantees, principally to the Boots Pension scheme, and £622 million (2009 £626 million) of which was available to the company and other borrowers at 31 March 2010 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 2010 are shown in note 10

Credit risk management
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's derivative financial instruments, cash balances and short term deposits

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 2010 total exposures of the Company to external financial counterparties was £169 million (2009 £291 million) of which £16 million related to derivative financial assets, £18m related to restricted cash and £135 million to cash at bank and in hand

There has been no change to any methods or assumptions in assessment and management of credit risk 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 in assessment and management of market risk from the comparative period

Currency risk
The 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 in assessment and management of currency risk from the comparative period

The effect of currency swaps and forward contracts on the net financial liabilities of the Company is shown below

	2010 Before hedging £million	**2010 After hedging £million**	2009 Before hedging £million	2009 After hedging £million
Sterling	**(879)**	**(1,574)**	(128)	(526)
Euro	**(736)**	**7**	(449)	7
Other	**49**	**1**	67	9
Total	**(1,566)**	**(1,566)**	(510)	(510)

At 31 March 2010 the total notional amount of outstanding currency exchange contracts that the Company has committed was £1,632 million (2009 £592 million) At 31 March 2010 the balance sheet carrying value of the Company's outstanding forward exchange contracts was £7 million (2009 £4 million)

Notes to the financial statements (continued)
for the year ended 31 March 2010

11 Financial risk management (continued)

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 2010 and 31 March 2009 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

	2010 Impact on equity £million	2010 Impact on profit £million	2009 Impact on equity £million	2009 Impact on profit £million
Euro	-	-	-	1
Other	-	-	-	1
	-	-	-	2

A 10% (2009 10%) weakening of Sterling against these currencies at 31 March 2010 and 31 March 2009 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 only floating rate borrowings Before the impact of derivative financial instruments, at 31 March 2010 none of total borrowings are at fixed interest rates (2009 £300 million, relating to the Eurobond 2009 5 5%) 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 had 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 year to 31 March 2010 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 2010 have been recognised in the profit and loss account

After taking into account the impact of derivative financial instruments, at 31 March 2010 £500 million (2009 £800 million) of the Company's total borrowings (29%) were at fixed interest rates All other borrowings re-price within 6 months of the reporting date At 31 March 2010 £500 million (2009 £500 million) of the principal outstanding (29%) under the senior facility was hedged

The impact of a 1% increase and a 1% decrease in interest rates on 31 March 2009 and 31 March 2010 on the profit are shown in the table below Because short term interest rates are currently at historic lows, a 1% fall in interest rates is not possible and the Company does not benefit from rate reductions on intercompany deposits

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

	2010 1% increase in interest rates £million	2010 1% decrease in interest rates £million	2009 1% increase in interest rates £million	2009 1% decrease in interest rates £million
Gain/(loss) – derivative financial instruments	32	(25)	19	(19)
(Loss)/gain – variable rate financial instruments	(15)	(11)	(3)	3

12 Restricted cash

Restricted cash at 31 March 2010 of £18 million (2009 £18 million) consisted of deposits held as collateral in respect of a pharmacy financing scheme

13 Creditors: amounts falling due within one year

	2010 £million	2009 £million
Amounts due to subsidiary undertakings	1,221	1,066
Other creditors	3	6
Accruals	14	29
	1,238	1,101

14 Creditors: amounts falling due after more than one year

	2010 £million	2009 £million
Amounts due to subsidiary undertakings	2,073	1,489
	2,073	1,489

Notes to the financial statements (continued)
for the year ended 31 March 2010

15 Deferred tax

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset the associated current tax assets and liabilities Deferred tax assets are attributable to the following after offset

	2010 £million	2009 £million
Other timing differences	15	13
	15	13

The movement in the net deferred tax asset/liability for the year is presented as follows

	Other timing differences £million
Deferred tax assets	
At 1 April 2009	13
Deferred tax charge for the year	2
At 31 March 2010	**15**

At 31 March 2009 the Company had no capital losses (2009 £nil) No deferred tax asset has been recognised in respect of capital losses (2008 £nil)

16 Called up share capital

	2010 £million	2009 £million
Authorised		
1,288,743,534 ordinary shares of 37⁷⁄₃₉ pence	479	479
Allotted, called up and fully paid		
973,759,585 ordinary shares of 37⁷⁄₃₉ pence	362	362

17 Reconciliation of movements in equity shareholders' funds

	Share capital £million	Share premium £million	Capital redemption reserve £million	Profit and loss account £million	Total £million
At 1 April 2008	362	19	29	137	547
Proceeds of ordinary share capital issued	-	2	-	-	2
Profit for the financial year	-	-	-	2,512	2,512
At 1 April 2009	362	21	29	2,649	3,061
Proceeds of ordinary share capital issued	-	2	-	-	2
Profit for the financial year	-	-	-	527	527
Equity dividends paid	-	-	-	(862)	(862)
At 31 March 2010	**362**	**23**	**29**	**2,314**	**2,728**

18 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 2010 the gross borrowings outstanding under the Agreements in aggregate (including the impact of currency translation and capitalised interest) were £8,850 million (2009 £8,876 million)

19 Ultimate parent undertaking

At 31 March 2010 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 Alliance Santé Participations S A , and certain funds advised by Kohlberg Kravis Roberts & Co L P S Pessina, and O Barra, who are Directors of Alliance Boots GmbH, are also Directors of Alliance Santé Participations S A , which is ultimately owned by a family trust

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