Press release
2 May 2007

ALLIANCE BOOTS PRELIMINARY RESULTS

Preliminary results announcement for the year ended 31 March 2007

Alliance Boots plc, the international pharmacy-led health and beauty group, today reports preliminary results for the year ended 31 March 2007 which demonstrate that the Group has achieved its key priorities, delivering a strong set of results in line with management's targets.

Highlights:

- Our key profit measure pro forma adjusted earnings up 11.5% year on year*
- On track to deliver promised merger cost synergies
- Retail Division
  - good revenue growth
  - UK trading margin ahead of management's previous expectations
  - Boots branded Health & Beauty business increased profits for first time in five years
  - biggest expansion of Boots pharmacy brand to commence shortly
- Wholesale Division
  - performed well - reflecting strength of geographically diverse portfolio
  - successfully implemented Pfizer sole logistics service contract in UK
  - Chinese market entry agreed, subject to regulatory approval for the joint venture

Commenting on the results, Richard Baker, Chief Executive, said:

"We have delivered a strong financial performance while executing one of the biggest mergers undertaken in the UK. Across the Group we have seen the positive impact of our pre-merger planning, our new working relationships and our dedicated people all contributing to the good results.

"The results reaffirm our belief that in Alliance Boots we have created a leading international pharmacy-led health and beauty group with attractive prospects and opportunities."

** Pro forma adjusted earnings comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets, all on a pro forma basis to show the results from continuing operations of the Group as if the two former groups had always been combined. Further profit measures on a pro forma and statutory basis are shown on page 2.*

Group highlights – pro forma

To assist investors in understanding the performance of the Group, pro forma financial information has been prepared to show the results from continuing operations of the Group as if the two former groups had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Detailed pro forma financial information, including the basis of preparation, is set out in the "Additional pro forma financial information for continuing operations" section of this announcement.

Revenue	**up 3.6% to £14,608 million (2005/06 £14,096 million)**
Trading profit[1]	**up 6.3% to £641 million (2005/06 £603 million)**
Underlying trading profit[2]	**up 7.4% to £641 million (2005/06 £597 million[2])**
Adjusted earnings[3]	**up 11.5% to £467 million (2005/06 £419 million)**
Adjusted earnings per share[4]	**up 11.4% to 48.7 pence (2005/06 43.7 pence)**

[1] *Trading profit comprises profit from operations before exceptional items and amortisation of customer related intangible assets and share of associates' post tax earnings*

[2] *Underlying trading profit is after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005, so that the trading profits for both years are on a comparable basis*

[3] *Adjusted earnings comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets*

[4] *Adjusted earnings per share comprise adjusted earnings divided by the pro forma weighted average number of shares in issue during the year of 959 million (2005/06 958 million)*

Group highlights – statutory

The statutory financial results for the year ended 31 March 2007 contain a full year of results for the former Boots Group PLC businesses and eight months results for the former Alliance UniChem Plc businesses on an acquisition accounting basis. The comparative figures contain only the results of the former Boots Group PLC businesses and include within "Profit for the year attributable to equity shareholders" a £1,470 million profit after tax from discontinued operations.

Revenue – continuing operations	**£11,502 million (2005/06 £5,027 million)**
Profit from operations – continuing	**£480 million (2005/06 £369 million)**
Profit for the year attributable to equity shareholders	**£387 million (2005/06 £1,774 million)**
Basic earnings per share – total	**48.4 pence (2005/06 259.4 pence)**
– continuing	**45.8 pence (2005/06 44.4 pence)**

Key reconciliations between pro forma and statutory financial results are provided after the "Additional pro forma financial information for continuing operations" section of this announcement.

Details of exceptional items are shown after the "Key reconciliations between pro forma and statutory financial results" section of this announcement.

A glossary of key terms and principal businesses and associates by segment is provided at the end of this announcement.

Sir Nigel Rudd, Chairman, Richard Baker, Chief Executive and George Fairweather, Group Finance Director, will host a conference call for analysts at 08.00 UK time on Wednesday 2 May 2007.

UK dial in number:	020 7190 1596
International dial in number:	+44 20 7190 1596
Quote conference title:	Alliance Boots Preliminary Results

A replay facility will be available for seven days:

UK dial in number	020 7190 5901
International dial in number:	+44 20 7190 5901
Access number:	135735#

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Group overview

Introduction

Alliance Boots was created on 31 July 2006 through the merger of Alliance UniChem Plc and Boots Group PLC. The merger took place by way of a scheme of arrangement, Alliance UniChem Plc shares being cancelled, its shareholders receiving 1.332 shares in Boots Group PLC for each Alliance UniChem Plc share held. For statutory accounting purposes the merger has been accounted for as an acquisition of Alliance UniChem Plc by Boots Group PLC. On completion of the transaction Boots Group PLC was renamed Alliance Boots plc.

Pro forma financial results

To assist investors in understanding the performance of the Group, pro forma financial information has been prepared to show the results from continuing operations of the Group as if the two former groups had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

The results for the year are in line with management's targets at the time of the merger. The Retail Division delivered good revenue growth with trading margin in the UK ahead of management's previous expectations. The Wholesale Division performed well, reflecting the strength of our geographically diverse portfolio.

On a pro forma basis:
Revenue increased year on year by 3.6% to £14,608 million. Trading profit (which comprises profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings) increased by 6.3% to £641 million. This reflects an underlying increase in trading profit of 7.4% after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005, so that the trading profits for both years are on a comparable basis. Our share of associates' post tax earnings increased by 4.3% to £49 million. Underlying net finance costs (which exclude IAS 39 timing differences from hedging interest rate and currency exposures) reduced year on year by £19 million. Adjusted earnings (which comprises profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets) increased by 11.5% to £467 million. Adjusted earnings per share increased by 11.4% to 48.7 pence based on a pro forma weighted average number of shares in issue of 959 million compared to 958 million in the previous year.

Statutory financial results

The statutory financial results for the year ended 31 March 2007 contain a full year of results for the former Boots Group PLC businesses and eight months of results for the former Alliance UniChem Plc businesses on an acquisition accounting basis.

Profit from continuing operations was £480 million, compared to £369 million in the previous year. Within profit from continuing operations was a net £77 million of exceptional costs before tax and a £31 million charge for the amortisation of customer related intangible assets following the 31 July 2006 fair valuation of the consolidated assets of Alliance UniChem Plc. This compares with £33 million of net exceptional income before tax in the previous year. Net finance costs were £25 million compared to £20 million in the previous year. Total profit for the year attributable to equity shareholders, including profit after tax from discontinued operations, was £387 million compared to £1,774 million in the prior year which included profit after tax from discontinued operations of £1,470 million. Total basic earnings per share were 48.4 pence, compared to 259.4 pence. Basic earnings per share from continuing operations were 45.8 pence compared to 44.4 pence.

Further details of exceptional items are shown after the "Key reconciliations between pro forma and statutory financial results" section of this announcement.

Group overview (continued)

Dividends

The Board did not declare an interim dividend as dividends for the periods up until the merger on 31 July 2006 were paid to the respective shareholders of both former companies on 3 October 2006.

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

Merger update

Phase one – cost synergies

Following completion of the merger on 31 July 2006, the key initial focus was on implementing our new organisational structure, establishing a new corporate office in London utilising existing office space, and on delivery of our cost synergy plan.

Good progress has been made during the year in delivering over £20 million of merger cost savings, primarily from harmonising buying prices and reducing corporate costs, and we are on track with the longer term project to streamline our combined distribution network. We remain confident of delivering annual pre-tax cost savings of at least £100 million per annum as a result of the merger by the fourth full year following completion of the merger (being the 12 month period ending on the fourth anniversary of completion, completion having taken place on 31 July 2006). We still expect that over 60% of the run-rate savings will accrue by the second year following completion and 100% by the fourth year. As indicated in March 2007 in our pre year end close period announcement, the one-off costs related to achieving these synergies are not expected to exceed the £53 million estimate provided at the time of the merger, of which £23 million was taken as an exceptional charge before tax in 2006/07.

Phase two – UK retail

The development of our UK retail offer commenced shortly after the merger was completed. Following detailed work and various pilots, at the end of March 2007 we announced a major programme to capitalise on the pharmacy-led opportunities that we have in the UK market:

"your local Boots pharmacy"
During the last four months of our financial year we successfully trialled a new "your local Boots pharmacy" branded format for our community pharmacies. This combines a strong Boots branded retail offer, including own label products and the Boots Advantage Card loyalty scheme, with a tailored community focused prescription and service proposition. Following the success of this trial, in which we are seeing substantial increases in both retail sales and dispensing volumes, in late March 2007 we announced that we were to roll out this new format, investing around £65 million of capital to re-brand and refit the majority of the Community Pharmacy network over two years, starting in the summer.

Property optimisation
Following the merger we reviewed our combined UK retail property portfolio to identify opportunities to optimise our position in local markets to best serve the needs of our retail and prescription customers. This review, the conclusions of which we announced in late March 2007, identified around 100 localities where we are seeking to relocate or, in a limited number of cases, rationalise our portfolio over the next three years at a capital cost of around £35 million.

Group overview (continued)

Systems harmonisation
In March 2007 we also announced our decision to harmonise our UK pharmacy management systems over the next three years utilising “Nexphase”, a system originally co-developed by our UK wholesale business for its customers and used in our Community Pharmacy business.

As previously announced, the phase two projects will result in approximately £75 million of exceptional costs before tax, of which around £30 million will be in respect of non-current asset write offs. In 2006/07 these exceptionals totalled £2 million.

Phase three – international product offer

The third phase of our merger-related plans is focused on opportunities to internationalise the Boots brand and access new markets and territories utilising the skills and resources of the combined Group. While these plans are at an early stage of development we remain confident about the potential available to shareholders over the longer term.

Corporate developments

In April 2006, Hedef Alliance, our Turkish-based associate, exercised its option to acquire control and majority ownership of its associate, UCP, a leading pharmaceutical wholesaler in Egypt. In June 2006, ANZAG, our German-based associate, acquired 60% of Farmexpert, the third largest pharmaceutical wholesaler in Romania. Today we have wholesaling interests in 14 countries, either through direct ownership or via our associates.

In September 2006, we completed the acquisition of Cardinal Health’s UK short-line pharmaceutical wholesale business for £38 million in cash, the business being subsequently re-branded “Cordia Healthcare”. This has further developed our wholesale offering to independent pharmacy customers in the UK.

In January 2007 we announced that we were to enter the rapidly growing Chinese pharmaceutical market, currently the ninth largest in the world, through an agreement, which is subject to regulatory approval, to form a 50:50 joint venture in Guangzhou Pharmaceuticals Corporation, the third largest pharmaceutical wholesaler in China. The move into China follows our entry into Russia last year with the purchase of Apteka Holding.

The programme to comply with the undertakings given to the Office of Fair Trading at the time they approved our merger is now nearly complete. Of the 96 pharmacies in the UK originally identified for disposal, the Office of Fair Trading has subsequently agreed to withdraw two pharmacies from the agreed divestment list. To date 89 pharmacies have been sold, of which 68 were completed before the end of our financial year, with the remainder completed in April 2007. Negotiations for the sale of the remaining five pharmacies are progressing. The exceptional profit before tax on those Health & Beauty pharmacies sold during the year was £7 million. There was no recorded gain on those community pharmacies sold, as they were subject to fair value accounting on merger.

While fulfilling the Office of Fair Trading requirement to dispose of these pharmacies, our Community Pharmacy business has not acquired pharmacies at its historical rate. This will reduce the contribution from pharmacy acquisitions in the new financial year. Since the beginning of 2007 we have stepped up the rate of acquisitions in the UK, acquiring 16 pharmacies in the fourth quarter, bringing the total acquired in the UK during our financial year to 29 pharmacies.

Outlook

The Board expects the good trading performance it has seen in 2006/07 to continue in the current financial year.

Pro forma performance review

To assist investors in understanding the performance of the Group, pro forma financial information has been prepared to show the results from continuing operations of the Group as if the two former groups had always been combined as was provided at the announcement of the Group's interim results on 14 November 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Detailed pro forma financial information, including the basis of preparation, is set out in the "Additional pro forma financial information for continuing operations" section of this announcement.

Segmentation

New segmental reporting was introduced in our interim results to reflect the composition of the merged Group, the two principal segments being the Retail and Wholesale Divisions.

In the pro forma operating and financial review the Retail Division results are further split between the UK and International businesses, given the relative size of our UK retail businesses, and the Wholesale Division results are further split between Northern and Southern Europe to reflect the different regulatory and market dynamics typically encountered in these regions. Comparatives for the year have been prepared on the same basis.

A glossary of terms and a list of principal businesses by segment are included in the information at the end of this announcement.

Divisional highlights

for the year ended 31 March 2007

			Year on year growth	
	Revenue £million	**Trading profit £million**	**Revenue**	**Trading profit**
Retail	6,579	502	+4.2%	+6.4%
Wholesale	9,009	186	+3.4%	+10.1%
Other Commercial Activities & Corporate Costs	114	(47)	+29.5%	
Intra-group	(1,094)	-		
Group*	14,608	641	+3.6%	+6.3%
Share of associates' revenue & trading profit	2,118	70	+4.5%	-1.4%
	16,726	711	+3.7%	+5.5%

* *Group trading profit comprises profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings*

Pro forma performance review (continued)

Retail Division

Performance overview

The Retail Division delivered good revenue growth with trading margin in the UK ahead of management's previous expectations. Revenue increased year on year by 4.2% to £6,579 million, trading profit increasing by 6.4% to £502 million. This reflects an underlying increase in trading profit of 7.7% after adjusting the previous year's trading profit to include a full year's rental charge on the 312 retail outlets which were sold and leased back in July 2005 so that the trading profits for both years are on a comparable basis. Trading margin increased by 0.1 percentage point to 7.6%, an underlying increase of 0.2 percentage points after adjusting for the sale and leaseback transaction. On a constant currency basis, revenue increased by 4.3%, up 2.9% on a like for like basis, and trading profit increased by 6.2%, an increase of 7.6% after adjusting for the sale and leaseback transaction.

Trading profit in the Retail Division in the second half of the year was £294 million, an increase of 8.1% on the second half of the previous year on revenue up 2.9% to £3,454 million, reflecting a particularly strong trading margin in the UK.

Retail Division highlights
for the year ended 31 March 2007

		Year on year growth	
	Total £million	**Total**	**Like for like**
Revenue			
UK:			
Health & Beauty	4,945	+3.8%	+3.0%
Community Pharmacy	1,011	+4.6%	+2.1%
	5,956	+3.9%	+2.9%
International:			
Republic of Ireland	155	+9.2%	+7.5%
Norway	267	+3.1%	+0.8%
The Netherlands	138	+12.2%	+2.7%
Russia	1	n/a	n/a
Italy	25	+4.2%	+6.4%
Thailand	37	+12.1%	-4.9%
	623	+7.2%	+2.8%
	6,579	+4.2%	+2.9%
Trading profit			
UK	469	+7.3%	
International	33	-5.7%	
	502	+6.4%	
Trading margin			
UK	7.9%	+0.3pp	
International	5.3%	-0.7pp	
	7.6%	+0.1pp	

Pro forma performance review (continued)

Retail outlets[1]
at 31 March 2007

	With a pharmacy	Without a pharmacy	Total
UK:			
Health & Beauty	1,313	230[2]	1,543
Community Pharmacy	939	55	994
	2,252	285	2,537
International:			
Republic of Ireland	36	5	41
Norway	129	9	138
The Netherlands	75	-	75
Russia	6	-	6
Italy	20	1	21
Thailand	117	-	117
	383	15	398
	2,635	300	2,935

[1] *Excludes franchised outlets*

[2] *Includes 124 standalone optical practices*

Retail – UK

In the UK total retail revenue increased year on year by 3.9% to £5,956 million, like for like revenue increasing by 2.9%. Trading profit increased by 7.3% to £469 million and trading margin by 0.3 percentage points. Adjusting for the sale and leaseback transaction, underlying trading profit increased by 8.8% and underlying trading margin increased by 0.4 percentage points. Trading profit in the second half of the year was £277 million, an increase of 9.9% on the second half of the previous year on revenue up 2.5% to £3,133 million, reflecting a particularly strong trading margin in what continues to be highly competitive market.

UK revenue by product category
for the year ended 31 March 2007

	£million	Mix	Year on year growth
Health[1]	3,089	51.9%	+5.0%
Beauty & Toiletries[2]	1,729	29.0%	+5.4%
Lifestyle[3]	1,138	19.1%	-1.0%
	5,956	100.0%	+3.9%

[1] *The Health category comprises the dispensing & related income and retail healthcare sub-categories, the latter including sales of non-prescription medicines and optical sales*

[2] *The Beauty & Toiletries category comprises the cosmetics & fragrances and toiletries sub-categories*

[3] *The Lifestyle category comprises the baby, nutrition, photography, electrical, seasonal and other lifestyle sub-categories*

Pro forma performance review (continued)

Revenue in the Health category increased by 5.0% to £3,089 million with strong performances in both our dispensing & related income and healthcare sub-categories. Total dispensing volumes increased year on year by 5.5% to 182 million items, growth being particularly strong in the care homes sector and from our prescription collection services.

In England and Wales the adjustments to the reimbursement rate in relation to generic prescription medicines, which came into effect from the beginning of October, slowed market growth in value terms in the second half of the year as anticipated. This regulatory action was expected and we have taken steps to mitigate the impact of these changes.

We continue to develop the role of retail pharmacists in the provision of healthcare services. Total service income, which came primarily from Medicine Use Reviews and other locally commissioned services, while still relatively modest, increased year on year by more than 60%.

Over three quarters of our pharmacies now incorporate private consultation facilities. This, together with our pharmacist accreditation programmes, has enabled us to increase the number of Medicine Use Reviews carried out by our pharmacists by over six times compared to the previous year. Over 184,000 reviews were carried out during the year, which we believe is well above our overall healthcare market share. At the beginning of October 2006 the Department of Health raised the fee rate for Medicine Use Reviews from £23 to £25 per review, and for pharmacies that were already carrying out such reviews, further increased the upper limit from 250 to 400 reviews per annum. The new pharmacy contract was introduced in Scotland in April 2006 and since the Minor Ailment Service became fully operational in July 2006 we have signed up over 205,000 patients.

Further development of our service offering is ongoing with nearly 12,000 private or publicly funded chlamydia tests carried out during the year from around 500 pharmacies.

In Scotland the smoking ban in public indoor spaces was introduced at the end of March 2006. Since then we have seen significant increases in the provision of smoking cessation services and sales of related products in our Scottish pharmacies. Similar bans in Wales and Northern Ireland have just been implemented, with the ban in England to take effect from the beginning of July. By the year end, around 850 of our pharmacies were providing state funded stop smoking services in support of the public health agenda.

The National Health Service continues to plan for electronic prescriptions to be fully operational across all pharmacies in England by the end of 2007, the introduction being planned in phases. The initial service, which has now been fully deployed into all our pharmacies in England, enables pharmacies to scan barcodes on paper subscriptions printed by doctors. This service, coupled with smart cards issued by Primary Care Trusts to individual pharmacists who are registered users of the new system, enables pharmacies to claim an allowance of £200 per month for running the system. Once the vast majority of doctors and pharmacies have the new system operational, printed bar-coded prescriptions will be superseded by electronically transferred prescriptions from the doctor to the patient's nominated pharmacy. A similar electronic prescription service is scheduled to begin roll-out in Scotland in September 2007.

During the year three central dispensaries were opened which dispense high volumes of acute and repeat prescriptions in a highly efficient way to local pharmacies. This brought the total number of central dispensaries to 13 at the year end. The changes being introduced by the Department of Health, including the introduction of electronic prescriptions, mean that we see an increasing role for such central dispensaries over the coming years, thereby freeing up community-based pharmacists to spend an increasing proportion of their time providing services and advice to their patients, in addition to dispensing acute prescriptions.

As the leading operator of retail pharmacies in the UK with significantly more outlets than any other operator we remain committed to making high quality healthcare more available and accessible and now provide pharmacy services up until midnight in more than 50 pharmacies.

Pro forma performance review (continued)

Retail healthcare revenue in the UK benefited from the programme to address historic under-investment in Boots branded smaller Health & Beauty stores and the good summer weather in 2006. A strong "Change One Thing" campaign was run for the second consecutive New Year and the Boots Health Club was launched in April 2006, which enables customers to receive targeted healthcare information and offers on specific health issues on a periodic basis. The Boots Health Club now has 1.5 million members and particularly appeals to our older customers with around 40% of its members now aged 60 or over who, as members, are entitled to a 10% discount on our own brand products. This is an age group which was not previously highly represented in the Boots Advantage Card loyalty scheme. The most popular topics for Health Club members, of which almost 90% are women, are women's health, vitamins and supplements, and weight loss.

Revenue in the Beauty & Toiletries category in the UK, where we have leading market positions and brands, increased by 5.4% to £1,729 million. Revenue growth was strong in fragrances and in both self selection and premium cosmetics, these being key contributors to our biggest ever trading week in the run-up to Christmas, supported by the "Gorgeous" advertising campaign, and our successful post-Christmas sale. Fragrances growth mainly came from new product launches and the introduction of fragrance cabinets into more Health & Beauty stores. In August 2006 we successfully re-launched our Natural Collection range with its cosmetics products all priced below £2, resulting in very strong sales growth for this brand.

No.7, our leading cosmetics brand, has continued its growth, assisted by a successful promotional programme and continuing new product development with a strong pharmaceutical focus. Recently we have experienced unprecedented demand from customers for No.7 Protect and Perfect Beauty Serum. This follows extensive media coverage highlighting independent research at Manchester University that concluded that our patented anti-oxidant complex repairs photo-aged skin and improves fine wrinkles associated with photo-ageing. We are currently stepping up production in our manufacturing facility in Nottingham to meet demand.

We continued to grow revenue in Toiletries, helped by good growth in skincare due to improved layout and merchandising and higher sales of gradual tanning and premium skincare products. Men's toiletries performed particularly well, partly as a result of a new branded razor launch in the first half of the year. Sun care revenues also grew, boosted by the warm summer, with Soltan retaining its market leading position assisted by new product launches.

Revenue in the Lifestyle category in the UK decreased by 1.0% to £1,138 million. This reflected a continued decline in photographic revenue, despite market share gains in traditional photo products and growing digital photo sales from the kiosks we now have in 350 stores, together with flat sales of electrical beauty products. In contrast, our seasonal, baby and nutrition sub-categories all performed well throughout the year. Good seasonal gift sales combined with more selective buying, tight stock control and an excellent post-Christmas sale resulted in good sales and margin growth in our seasonal sub-category. Nutrition, which is a strong driver of footfall, benefited from an extension in our "Meal Deal" lunchtime offer to include more products. Baby sub-category growth reflected a particularly strong performance in nursery products assisted by a successful re-launch of our Boots own brand nappies. We continue to provide value to our customers via the Boots Parenting Club which we believe to be the largest membership baby club in the UK.

Our own brands and exclusive ranges enable us to differentiate our retail offer from that of our competitors and remain very important drivers of revenue and margin. No.7 and Soltan continue to be leaders in their respective markets. New product developments include the launch in August 2006 of the niche "Soap & Glory" indulgent bathing range, which is exclusive to Boots, and in January 2007 we launched the "Expert" range of products which sold over a million units in our fourth quarter and is now being backed by a new marketing campaign in our new financial year. Limited ranges of Boots branded products have been sold through over 800 of our Community Pharmacy business outlets since the merger was completed and are proving a popular addition to the range, particularly consumer healthcare medicines and our "Basics" range of low priced toiletries.

The Boots Advantage Card loyalty scheme, where customers earn points on purchases for redemption at a later date, remains a key element of our customer offer in our Boots branded stores. At the year end the number of active Boots Advantage Card holders (i.e. members who have used their card at least once in the last 12 months) was 15.1 million. Boots.com sales, which are allocated to the relevant product category, increased by 19.0% year on year to £29 million.

Pro forma performance review (continued)

Looking at the individual performances of our two retail businesses in the UK:

The Boots branded Health & Beauty business increased both its trading margin and trading profit year on year for the first time in five years. Revenue increased by 3.8% to £4,945 million, like for like revenue increasing by 3.0% of which we attribute about half a percentage point to the warm weather during the summer. Trading margin increased particularly in the latter part of the year, mainly as a result of improved stock management following recent infrastructure investments, better buying (partially as a result of merger synergies) and better targeted marketing programmes. Boots Opticians made a trading profit during the year, a further 15 practices being switched to the franchise model bringing the total franchised to 23.

The number of retail outlets the Health & Beauty business operates with a pharmacy increased by a net 23 during the year. 39 new NHS pharmacy contracts were opened, 26 of which were in existing destination Health & Beauty stores previously without a pharmacy, and one pharmacy was acquired. 242 retail outlets underwent major refits, many of which were part of our programme designed to address historic under-investment in smaller stores, and we carried out 11 relocations. At 31 March 2007 the Health & Beauty business operated 1,543 retail outlets, of which 1,313 had a pharmacy and 264 had an optical practice, 124 of which were standalone optical practices.

Our Health & Beauty business is on track with its systems rationalisation and supply chain reconfiguration programme announced in March 2006. Of the £40 million exceptional costs before tax identified when this programme was announced, £20 million was incurred in 2006/07, and in addition, the business exited certain third party logistics activities in Nottingham which resulted in incremental exceptional costs before tax of £5 million.

During the year our Health & Beauty business implemented a new training and development programme designed to raise the motivation, knowledge and enthusiasm of our people in store. Following the success of the initial programme in 80 stores we plan to roll out the programme to all Health & Beauty stores over the next two years.

Our Community Pharmacy business increased revenue by 4.6% to £1,011 million. Like for like sales increased by 2.1%, this being lower than in our Health & Beauty business due to Community Pharmacy’s greater weighting towards the dispensing market where adjustments to the reimbursement rate in relation to generic prescription medicines came into effect from the beginning of October 2006, which slowed market growth in value terms. Trading profit increased year on year due to the like for like revenue growth, trading margin being lower due to the generics reimbursement rate adjustments.

Following the successful trial of our new “your local Boots pharmacy” branded format for community pharmacies in which we are seeing substantial increases in both retail sales and dispensing volumes, we announced in late March 2007 that we were to roll out this new format, investing around £65 million of capital to re-brand and refit the majority of the Community Pharmacy network over the next two years, starting in the summer. This is expected to further increase sales of products exclusive to Boots.

The number of pharmacies in the Community Pharmacy business reduced by a net 23 in the year as a result of the divestment programme to comply with the undertakings given to the Office of Fair Trading at the time they approved our merger. While fulfilling these undertakings our Community Pharmacy business has not acquired pharmacies at its historical rate. Since the beginning of 2007 we have stepped up the rate of acquisitions, acquiring 16 pharmacies in the fourth quarter bringing the total acquired during the financial year to 29 pharmacies. At 31 March 2007 the Community Pharmacy business operated 994 retail outlets, of which 939 were pharmacies.

Pro forma performance review (continued)

Retail – International

Total retail revenue in countries outside the UK increased year on year by 7.2% to £623 million, like for like revenue increasing by 2.8%. Trading profit reduced by 5.7% to £33 million, trading margins reducing by 0.7 percentage points. On a constant currency basis, revenue increased by 8.3%. Trading profit in the second half of the year was £17 million, a decrease of 15.0% on the second half of last year, the reduction being mainly as a result of higher costs in Norway, total second half revenue increasing by 7.4% on the second half of last year to £321 million.

43 retail outlets were added during the year, the number of outlets with pharmacies increasing by 38. The major areas of expansion were a net 21 Boots openings in Thailand, six of which are airport concessions, and 12 additions in Norway, eight of which sell specialist surgical products into which we plan to incorporate new pharmacies. At 31 March 2007 we operated 398 retail outlets outside the UK, of which 383 had a pharmacy.

In the Republic of Ireland revenue increased by 9.2% to £155 million, an increase of 7.5% on a like for like basis, growth being very strong in the second half of the year due to a particularly good performance in the cosmetics & fragrances and retail healthcare sub-categories, assisted by a well executed seasonal marketing campaign. Trading profit and trading margin both increased year on year as a result.

In Norway revenue increased by 3.1% to £267 million, an increase of 0.8% on a like for like basis, like for like growth being higher in the second half of the year. The total number of pharmacies has continued to increase in the Norwegian market, newer openings taking share from existing outlets. Trading margin and profit was lower than in the previous year due to higher operating costs, mainly as a result of increased employment costs, particularly in the latter part of the year, and the addition of new outlets which take time to reach maturity.

In The Netherlands revenue increased by 12.2% to £138 million, an increase of 2.7% on a like for like basis. As in Norway, the total number of pharmacies continued to increase. Despite strong competition, trading margin increased year on year, mainly due to a more favourable product mix. Trading profit was higher as a result.

In Italy revenue increased by 4.2% to £25 million, an increase of 6.4% on a like for like basis. This increase, together with an increase in trading margin due to reduced operating expenses, resulted in a higher trading profit.

In Thailand revenue increased by 12.1% to £37 million, a decrease of 4.9% on a like for like basis due to the difficult economic and political climate and increased competition from new openings and on pricing which resulted in a lower trading margin and trading profit. Despite this, like for like transaction volumes increased and No.7 was successfully re-launched in October 2006.

Wholesale Division

Performance overview

The Wholesale Division performed well, reflecting the strength of our geographically diverse portfolio of businesses. Revenue totalled £9,009 million, an increase of 3.4%, trading profits increasing by 10.1% to £186 million. Overall trading margins increased by 0.2 percentage points. Adjusting for acquisitions and disposals, on a constant currency basis, like for like revenue increased by 1.0%, like for like trading profit increasing by 9.7% and like for like trading margins increasing by 0.2 percentage points.

Trading profit in the second half of the year in the Wholesale Division was £101 million, an increase of 13.5% on the second half of the previous year, merger synergies being increasingly realised in the UK, on revenue up 5.8% to £4,621 million.

In January 2007 we announced plans to re-brand the Wholesale Division's principal businesses in each country under a common brand name, "Alliance Healthcare". By the year end we had completed the re-branding in four of the eight countries in which we operate plus our associate in Portugal, with the programme scheduled for completion in early 2008.

Markets

We estimate that our wholesale markets grew year on year by around 2.5% in value on a constant currency basis, this growth being weighted on the basis of our wholesale revenue. This is lower than in the previous year, mainly as a result of negative volume growth in France as its government attempts to bring consumption down towards levels typically seen in other European countries. We expect that the overall market growth in 2007/08 will be higher at around 3.5%, largely because we believe that the rate of decline in consumption in France will start to slow down.

The growth in the market from the introduction of higher priced new pharmaceuticals has continued to be partially offset by growth in market penetration of lower priced generic drugs. This percentage is typically significantly higher in our markets in Northern Europe than in Southern Europe. Compared to the previous year, penetration of generics grew in all markets in which we operate.

We estimate that the overall level of parallel trade in Europe was broadly in line with the level in the previous year, with manufacturers continuing to seek ways to curtail these activities.

The continued growth of Almus, our exclusive range of generic drugs, is providing marketing and sourcing benefits aimed at offsetting the impact of patent expiries. The phased launch of Almus outside the UK commenced with France and Italy in April and May 2006 respectively, with additional products subsequently having been launched in these countries. The roll-out of Almus into other European countries is set to continue on a phased basis. Almus has been introduced into all Boots pharmacies in the UK, which is increasing the brand's sales and market presence.

Pro forma performance review (continued)

Wholesale Division highlights
for the year ended 31 March 2007

		Year on year growth	
	Total £million	**Total**	**Like for like**
Revenue			
Northern Europe:			
UK	1,978	+7.4%	+3.2%
Norway	222	-0.4%	+1.7%
The Netherlands	702	+3.1%	+3.7%
Russia	195	n/a	n/a
Czech Republic	247	+12.3%	+7.6%
	3,344	+12.8%	+3.5%
Southern Europe:			
France	3,746	-1.4%	-0.8%
Italy	931	+0.4%	+0.3%
Spain	1,053	+7.7%	+2.2%
Portugal	3	n/a	+3.0%
	5,733	-1.1%	-0.1%
Intra-segment	(68)		
	9,009	+3.4%	+1.0%
Trading profit			
Northern Europe	108	+14.9%	+12.9%
Southern Europe	78	+4.0%	+5.6%
	186	+10.1%	+9.7%
Trading margin			
Northern Europe	3.2%	-	+0.3pp
Southern Europe	1.4%	+0.1pp	+0.1pp
	2.1%	+0.2pp	+0.2pp

Wholesale – Northern Europe

Trading profit in the Northern Europe geographical area of our wholesale division totalled £108 million, a year on year increase of 14.9% on revenue up 12.8% to £3,344 million. Trading margin was in line with the previous year at 3.2%, like for like improvements being offset by the lower margin business in Russia which was acquired in March 2006. Adjusting for acquisitions and disposals, on a constant currency basis like for like revenue increased by 3.5%, like for like trading profits increased by 12.9% and like for like trading margins increased by 0.3 percentage points. Trading profit in the second half of the year was £59 million, an increase of 20.4% on the second half of the previous year on revenue up 16.8% to £1,741 million.

In the UK revenue increased by 7.4% to £1,978 million, like for like revenue increasing by 3.2% mainly as a result of higher intra-group sales to our Health & Beauty business. Trading margin and trading profit both increased year on year, merger synergies being increasingly realised as the year progressed.

In September 2006 we completed the acquisition of Cardinal Health's UK short-line pharmaceutical wholesale business for £38 million in cash, the business being subsequently re-branded as "Cordia Healthcare". This has further developed our wholesale offering to independent pharmacy customers.

In March, UniChem, our UK full-line wholesale business, successfully commenced its previously announced sole logistics services contract with Pfizer under which it provides delivery and related services to all pharmacies in the UK. Implementation of the contract was well planned and executed, resulting in high service levels since its launch. We are aware that other manufacturers are also contemplating whether to change their existing arrangements. In April 2007 the Office of Fair Trading announced that it had launched a market study into the distribution of medicines in the UK, which it

Pro forma performance review (continued)

has indicated will be concluded by the end of 2007. Since our year end, we have also entered into an agency agreement with AstraZeneca to provide delivery and related services on a non-exclusive basis.

In Norway revenue decreased by 0.4% to £222 million, an increase of 1.7% on a like for like basis, which was ahead of our estimate of market growth. Increased benefits from running our Norwegian retail and wholesale businesses more closely together resulted in increased trading margin and profit.

In The Netherlands revenue increased by 3.1% to £702 million, an increase of 3.7% on a like for like basis. Trading profit increased as a result of the revenue growth, trading margin being lower due to increased customer discounts. The development of Kring, our virtual chain of pharmacies, continued during the year with over 300 pharmacies now participating in the Kring programme, including the 75 pharmacies operated by our retail business in The Netherlands.

In Russia revenue was £195 million, an increase of around 16% in local currency on the comparable period in the previous year when the business was under prior ownership. The business traded profitably during the year, its integration into the Wholesale Division proceeding according to plan.

In the Czech Republic revenue increased by 12.3% to £247 million, an increase of 7.6% on a like for like basis, which was well ahead of our estimate of market growth, the business performing particularly well in the independent retail pharmacy sector throughout the year. Trading profit increased due to the revenue growth, trading margin being lower as a result of higher costs.

Wholesale – Southern Europe

Trading profit in the Southern Europe geographical area of our Wholesale Division totalled £78 million, a year on year increase of 4.0% on revenue down 1.1% to £5,733 million in what remain competitive markets. Trading margin increased by 0.1 percentage points to 1.4%. Adjusting for acquisitions and disposals, on a constant currency basis like for like revenue was down 0.1 percentage points year on year, like for like trading profit increased by 5.6% and like for like trading margin increased by 0.1 percentage points. Trading profit in the second half of the year was £42 million, an increase of 5.0% on the second half of the previous year on revenue up 0.1% to £2,910 million.

In France, revenue decreased by 1.4% to £3,746 million, a decrease of 0.8% on a like for like basis, the proportion of product which manufacturers sell and distribute direct to pharmacies continuing to increase. In the second half of our financial year, the French government announced an additional healthcare tax for 2006 allocated between all pharmaceutical wholesalers and distributors. Our share of this tax was £4 million which resulted in a reduction in trading margin in the second half of the year, our full year trading margin and trading profit increasing year on year due to the replacement of the debtor securitisation programme during the year which resulted in a corresponding increase in net finance costs.

We continue to counter the trend in direct sales within the French market through actions such as the roll-out of a more competitive generics offer and the launch of Almus in France in April 2006. As a result of these initiatives our generics revenue increased year on year by over 20%.

Following the completion of our service offering review in the first half of the year, the previously announced restructuring of the warehouse network is well underway, which will improve operational efficiency and better position our business to adapt as the market continues to evolve. £10 million of exceptional restructuring costs before tax were charged during the year, one depot being closed.

In Italy revenue increased by 0.4% to £931 million, an increase of 0.3% on a like for like basis, the market continuing to be impacted by government price cuts. Trading margin and profit were both higher than the previous year, mainly as a result of a beneficial mix of business in the second half of the year. Good progress has continued to be made in establishing our virtual chain of pharmacies in Italy. In May 2006 Almus was launched in the Italian market followed by Alvita, our own label range of healthcare commodity products, in July 2006.

In Spain total revenue increased by 7.7% to £1,053 million, an increase of 2.2% on a like for like basis, revenue growth from existing customers being particularly strong in the fourth quarter. Trading

Pro forma performance review (continued)

margin and profit increased year on year due to increased trading activities. During the year, the integration into our Spanish operations of the Farmacen and CERFC businesses acquired in 2005 was completed, with the closure of two depots, common IT systems being introduced and administration centralised.

Revenue in Portugal of £3 million was from our wholly owned pre-wholesale and contract logistics business.

Other Commercial Activities & Corporate Costs

Revenue from Other Commercial Activities totalled £114 million, a year on year increase of 29.5%.

Within this, revenue from contract manufacturing for third party health and beauty brands, which utilises capacity in our three Health & Beauty manufacturing facilities, increased by 36.5% to £86 million as a result of contract manufacturing for Reckitt Benckiser. Volumes manufactured for internal use increased by nearly 30%. The profit contribution from contract manufacturing has been allocated to our Health & Beauty business in the UK, as in prior years.

At the time of the £1.9 billion disposal of Boots Healthcare International in February 2006, Reckitt Benckiser entered into certain contract manufacturing arrangements with us. They have served notice of their intent to exit these arrangements at the beginning of 2008. To mitigate the impact of this decision on the efficiency of our manufacturing operations, we announced in March 2007 the need for around 300 redundancies in our Nottingham facility when the contract ends.

Revenue from our own brand export business increased by 12.0% to £28 million, higher sales in North America from the opening of over 1,500 new "implants" (i.e. dedicated merchandising display units) in third party retailers being partially offset by lower sales in Asia. At 31 March 2007 we had 2,413 "implants", of which 1,689 were in North America. Trading losses from our own brand export business increased by £5 million to £8 million, as a result of losses in Asia and adverse US Dollar currency movements. In the second half of the year the business broke even at the trading profit level compared to a loss of £1 million in the second half of the previous year.

A review of our own brand export business completed in the fourth quarter of our financial year concluded that its activities should be focused on our own international businesses and selected large export markets. Accordingly, we are in the process of withdrawing from a number of smaller export markets in Asia and Europe, which will result in a reduction of around 380 "implants".

Together the actions in respect of our manufacturing operations and own brand export business have resulted in exceptional charges before tax of £23 million.

Corporate Costs, which include unrealised profit in stock adjustments, increased year on year by £4 million to £39 million, due to higher unrealised profit in stock adjustments as our Health & Beauty business increased the amount of prescription medicines it buys from our UK wholesale business. Fixed corporate costs reduced as a result of merger synergies, these being largely offset by higher incentive payments. Fixed corporate costs are expected to reduce further as more synergies are realised.

Intra-group

Intra-group revenue totalled £1,094 million, a year on year increase of £79 million, of which £45 million resulted from higher sales from our UK wholesale business to our UK Health & Beauty retail business.

Associates

Our share of associates' revenue increased year on year by 4.5% to £2,118 million. Our share of trading profit at £70 million reduced year on year by 1.4%, our share of adjusted earnings increasing by 4.5% to £49 million. Our results were adversely impacted by a 19% adverse change in the exchange rate used to translate Hedef Alliance's results from Turkish Lira into Sterling compared to the previous year, Hedef Alliance contributing over half our associate earnings.

On a constant currency basis, adjusting for changes in associate interests, including Alliance Healthcare Portugal as an associate from the end of June 2005, like for like revenue increased by 6.6%, like for like trading profit by 6.9% and like for like earnings before exceptional items by 11.9%. Earnings benefited from an underlying tax rate on associates' earnings of 20.2%, a year on year decrease of 7.7 percentage points, which was mainly due to a reduction in the Turkish tax rate.

Pro forma performance review (continued)

Hedef Alliance increased its trading profit year on year in local currency despite the more difficult economic climate in Turkey, its net finance costs increasing as a result of higher interest rates. Alliance Healthcare Portugal performed particularly strongly, reflecting the benefits of the strategic partnership we entered into with the Portuguese national association of pharmacies in June 2005. We do not comment on the performance of Galenica in Switzerland and ANZAG in Germany as both associates are quoted companies which report their own results separately.

Underlying net finance costs

Underlying net finance costs (which exclude IAS 39 timing differences from hedging interest rate and currency exposures) were £42 million. This was £19 million lower than the comparable figure for the previous year, of which £9 million was due to higher net returns on our defined benefit pension schemes, partially as a result of additional contributions into the Boots Pension Scheme. The balance of the reduction was mainly due to lower net borrowings following the disposal of Boots Healthcare International and related special dividend and the sale and leaseback of 312 retail outlets in July 2005, partially offset by higher Euro interest rates, acquisition expenditure and interest costs which replace the fixed element of securitisation charged against trading profit up until the programmes were replaced by standard borrowings. Interest cover (which we define as trading profit divided by underlying net finance costs) was 15.3 times, compared to 9.9 times in the previous year.

Net finance costs are expected to increase in the new financial year, partially due to higher interest rates and the full year impact of replacing the securitisation programmes.

Underlying tax

The underlying tax rate, (which we define as the underlying tax charge (i.e. excluding tax on exceptional items, IAS 39 timing differences and exceptional tax credits), expressed as a percentage of trading profit net of underlying net finance costs), was 30.2%. This was 1.0 percentage points lower than in the previous year, mainly due to the impact of a reduction in the capital gains tax rate in France and the resolution of prior year issues.

Cash flow

Net cash generated by operations totalled £887 million. This included a net working capital inflow of £114 million, of which around half was due to the factoring of receivables on a non recourse basis primarily in Italy, a £67 million decrease in provisions mainly comprising store refurbishment and system rationalisation in Boots, and a one-off Boots pension outflow of £43 million. The one-off pension outflow, which was in the first half of the year, was the second and final instalment of the £85 million additional contributions which Boots agreed to pay into the Boots Pension Scheme from the Boots Healthcare International disposal proceeds.

The net cash outflow on acquisitions and disposals of businesses and associates was £19 million. The principal cash expenditure was £38 million on the Cordia Healthcare wholesale acquisition in the UK and the acquisition of 41 retail outlets, 30 of which were pharmacies in the UK. This was partially offset by £58 million of cash proceeds from the 68 pharmacies sold before the year end under the divestment programme agreed with the Office of Fair Trading.

Net cash capital expenditure was £236 million, of which £110 million was for growth and efficiency projects. Around 75% of the net expenditure was incurred in the UK in the Retail Division, the major area being our store investment programme.

Overall, total cash inflow in the year was £297 million. This compared to an outflow of £1,232 million in the previous year, which included a special dividend of £1,426 million.

Financial position

At the year end net borrowings (defined as borrowings, net of cash and cash equivalents and derivative financial instruments) were £1,048 million and shareholders’ equity was £5,760 million.

Retirement benefit obligations

The total charge before tax for retirement benefit obligations was £76 million, which was in line with the previous year. This comprised £81 million of costs within trading profit, a year on year increase of £9 million, and net finance income of £5 million compared to a net finance expense in the previous year of £4 million.

The Group's total net retirement benefit obligations at 31 March 2007 on an accounting basis were £26 million before deferred tax. This comprised a net surplus of £20 million for the former Boots schemes and £46 million of net obligations for the former Alliance UniChem schemes.

The net surplus in the former Boots schemes arose due to the £43 million additional contribution payment made in the first half of the year and a 0.5 percentage point increase in the long-term bond yield used to discount estimates of future pension obligations, partially offset by an allowance for future improvements to longevity.

At the date of the merger, the net retirement benefit obligations for the former Alliance UniChem schemes were £78 million. The decrease in the net obligations since then arose due to additional contributions and a 0.3 percentage point increase in the long term bond yield used to discount estimates of future retirement benefit obligations.

Additional pro forma financial information for continuing operations

Basis of preparation
The Group completed the acquisition of Alliance UniChem Plc on 31 July 2006. The statutory results for the Group for the year ended 31 March 2007 therefore include trading of the former Alliance UniChem Plc businesses for the period from 31 July 2006 to 31 March 2007.

To assist investors in understanding the performance of the Group, pro forma financial information has been prepared to show the results from continuing operations of the Group as if the two former groups had always been combined. This information has been prepared for the year ended 31 March 2007, with comparatives on the same basis for the year ended 31 March 2006. The pro forma revenue and profit statement for continuing operations has been prepared on an adjusted basis, which means before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Pro forma combined Group revenue and adjusted profit statement for continuing operations
for the year ended 31 March 2007

	2007 £million	2006 £million
Revenue including share of associates' revenue	**16,726**	16,123
Less: share of associates' revenue	**(2,118)**	(2,027)
Revenue	**14,608**	14,096
Trading profit including share of associates' trading profit	**711**	674
Less: share of associates' trading profit	**(70)**	(71)
Trading profit	**641**	603
Share of associates' post tax earnings before exceptional items	**49**	47
	690	650
Underlying net finance costs	**(42)**	(61)
	648	589
Underlying tax	**(181)**	(169)
Adjusted profit for the year	**467**	420
Attributable to:		
Equity shareholders (adjusted earnings)	**467**	419
Minority interests	**-**	1
	467	420
Adjusted earnings per share	**48.7p**	43.7p

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments
for the year ended 31 March 2007

Group revenue and trading profit

	2007 £million	2006 £million
Revenue		
Retail	**6,579**	6,312
Wholesale	**9,009**	8,711
Other Commercial Activities	**114**	88
Intra-group	**(1,094)**	(1,015)
	14,608	14,096
Trading profit		
Retail	**502**	472
Wholesale	**186**	169
Other Commercial Activities & Corporate Costs	**(47)**	(38)
	641	603

Additional pro forma financial information for continuing operations (continued)

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments (continued)
for the year ended 31 March 2007

Retail revenue and trading profit

	2007 £million	2006 £million
Revenue		
UK:		
Health & Beauty	**4,945**	4,764
Community Pharmacy	**1,011**	967
	5,956	5,731
International:		
Republic of Ireland	**155**	142
Norway	**267**	259
The Netherlands	**138**	123
Russia	**1**	-
Italy	**25**	24
Thailand	**37**	33
	623	581
	6,579	6,312
Trading profit		
UK	**469**	437
International	**33**	35
	502	472

Additional UK retail revenue analysis:

	2007 £million	2006 £million
UK:		
Health	**3,089**	2,941
Beauty & Toiletries	**1,729**	1,640
Lifestyle	**1,138**	1,150
	5,956	5,731

Wholesale revenue and trading profit

	2007 £million	2006 £million
Revenue		
Northern Europe:		
UK	**1,978**	1,841
Norway	**222**	223
The Netherlands	**702**	681
Russia	**195**	-
Czech Republic	**247**	220
	3,344	2,965
Southern Europe:		
France	**3,746**	3,799
Italy	**931**	927
Spain	**1,053**	978
Portugal	**3**	94
	5,733	5,798
Intra-segment	**(68)**	(52)
	9,009	8,711
Trading profit		
Northern Europe	**108**	94
Southern Europe	**78**	75
	186	169

Additional pro forma financial information for continuing operations (continued)

Pro forma combined Group adjusted segmental analysis for continuing operations – primary segments (continued)

for the year ended 31 March 2007

Other Commercial Activities & Corporate Costs

	2007 £million	2006 £million
Revenue		
Contract manufacturing	**86**	63
Own brand exports	**28**	25
	114	88
Trading loss		
Other Commercial Activities	**(8)**	(3)
Corporate Costs	**(39)**	(35)
	(47)	(38)

Pro forma combined Group adjusted cash flow for continuing operations

for the year ended 31 March 2007

	2007 £million	2006 £million
Cash generated by operations	**887**	770
Tax and interest	**(131)**	(183)
Dividends (net)	**(225)**	(1,671)
Acquisitions and disposals	**(19)**	(90)
Capital expenditure	**(236)**	(266)
Fixed asset disposal proceeds	**20**	317
Other investments (net)	**9**	(40)
Other	**(8)**	(69)
Total cash inflow/(outflow)	**297**	(1,232)

The pro forma combined cash flow excludes cash outflows related to the merger, which comprise capitalised transaction costs and costs in relation to merger synergies.

Key reconciliations between pro forma and statutory financial results

for the year ended 31 March 2007

	2007 £million	2006 £million
Revenue - continuing operations		
Pro forma revenue	**14,608**	14,096
Relating to pre acquisition	**(3,106)**	(9,069)
Statutory revenue	**11,502**	5,027

	2007 £million	2006 £million
Trading profit/profit from operations - continuing operations		
Pro forma trading profit	**641**	603
Relating to pre acquisition	**(92)**	(267)
	549	336
Exceptional items	**(77)**	33
Amortisation of customer related intangible assets	**(31)**	-
	441	369
Share of associates' post tax earnings	**39**	-
Statutory profit from operations	**480**	369

	2007 £million	2006 £million
Earnings/profit attributable to equity shareholders		
Pro forma adjusted earnings - continuing operations	**467**	419
Relating to pre acquisition	**(69)**	(199)
	398	220
Exceptional items	**(77)**	33
Amortisation of customer related intangible assets	**(31)**	-
Share of associates’ exceptional post tax earnings	**6**	-
IAS 39 timing differences	**1**	-
Tax credit on restatement of deferred tax for customer related intangible assets	**6**	-
Tax on exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences	**35**	39
Other exceptional tax credits	**28**	12
	366	304
Discontinued operations	**21**	1,470
Statutory profit for the year attributable to equity shareholders	**387**	1,774

Exceptional items – statutory

Net exceptional costs from continuing operations contained within the statutory financial results are set out below:

Exceptional items
for the year ended 31 March 2007

	Retail £million	Wholesale £million	Other Commercial Activities & Corporate Costs £million	Total £million
Costs in relation to merger synergies	**(17)**	**(1)**	**(5)**	**(23)**
Pharmacy systems harmonisation	**(2)**	**-**	**-**	**(2)**
Systems rationalisation and supply chain reconfiguration	**(25)**	**-**	**-**	**(25)**
French wholesale network restructuring	**-**	**(10)**	**-**	**(10)**
Restructuring of Other Commercial Activities	**-**	**-**	**(23)**	**(23)**
Health & Beauty pharmacy disposals	**7**	**-**	**-**	**7**
Other	**-**	**(1)**	**-**	**(1)**
Net exceptional costs within profit from operations before share of associates' post tax earnings	**(37)**	**(12)**	**(28)**	**(77)**
Net exceptional income within share of associates' post tax earnings				**6**
Net exceptional costs within profit from operations				**(71)**
Related tax credits				**26**
Other exceptional tax credits				**28**
				(17)

Group income statement

for the year ended 31 March 2007

	Note	**2007 £million**	2006 £million
Continuing operations			
Revenue	4	**11,502**	5,027
Profit from operations before share of associates' post tax earnings	4	**441**	369
Share of associates' post tax earnings		**39**	-
Profit from operations	4	**480**	369
Finance income		**251**	187
Finance costs		**(276)**	(207)
Profit before tax		**455**	349
Tax	7	**(89)**	(45)
Profit after tax from continuing operations		**366**	304
Discontinued operations			
Profit after tax from discontinued operations		**21**	1,470
Profit for the year		**387**	1,774
Attributable to:			
Equity shareholders of the Company		**387**	1,774
Minority interests		**-**	-
		387	1,774
Earnings per share – total	8		
Basic		**48.4p**	259.4p
Diluted		**48.2p**	259.0p
Earnings per share – continuing	8		
Basic		**45.8p**	44.4p
Diluted		**45.6p**	44.4p

Dividends paid to equity shareholders in the year and shown in the cash flow statement totalled £149 million (2006 £1,640 million).

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

Group statement of recognised income and expense
for the year ended 31 March 2007

	2007 £million	2006 £million
Exchange differences on overseas operations:		
- currency translation differences	**(11)**	8
- currency translation differences recycled on disposal of Boots Healthcare International	**-**	(12)
Defined benefit pension schemes:		
- actuarial gains and losses	**55**	(77)
Available-for-sale investments:		
- gains on revaluation deferred in equity	**6**	-
	50	(81)
Tax (charge)/credit on items taken directly to equity	**(12)**	23
Income and expense recognised directly in equity	**38**	(58)
Profit for the year	**387**	1,774
Total recognised income and expense for the year	**425**	1,716
Attributable to:		
Equity shareholders of the Company	**425**	1,717
Minority interests	**-**	(1)
	425	1,716

Group balance sheet
as at 31 March 2007

	2007 £million	2006 £million
Assets		
Non-current assets		
Goodwill	**2,388**	-
Other intangible assets	**1,508**	147
Property, plant and equipment	**1,671**	1,268
Investments in associates	**628**	-
Available-for-sale investments	**55**	-
Other receivables	**58**	32
Derivative financial instruments	**3**	2
Deferred tax assets	**4**	55
	6,315	1,504
Current assets		
Inventories	**1,360**	594
Trade and other receivables	**1,985**	461
Current tax assets	**2**	14
Cash and cash equivalents	**404**	856
Derivative financial instruments	**2**	1
Assets held for sale	**29**	1
	3,782	1,927
Total assets	**10,097**	3,431
Liabilities		
Current liabilities		
Borrowings	**(565)**	(183)
Trade and other payables	**(2,112)**	(632)
Current tax liabilities	**(115)**	(56)
Provisions	**(75)**	(62)
Derivative financial instruments	**(7)**	(1)
	(2,874)	(934)
Net current assets	**908**	993
Non-current liabilities		
Borrowings	**(764)**	(575)
Other payables	**(30)**	(30)
Deferred tax liabilities	**(456)**	(97)
Retirement benefit obligations	**(26)**	(56)
Provisions	**(54)**	(87)
Derivative financial instruments	**(121)**	-
	(1,451)	(845)
Net assets	**5,772**	1,652
Equity		
Share capital	**360**	181
Share premium	**2**	2
Shares to be issued	**11**	-
Retained earnings	**1,393**	1,131
Merger reserve	**3,972**	311
Capital redemption reserve	**29**	29
Other reserves	**(7)**	(2)
Shareholders' equity	**5,760**	1,652
Minority interests	**12**	-
Total equity	**5,772**	1,652

Group cash flow statement

for the year ended 31 March 2007

	2007 £million	2006 £million
Operating activities – continuing operations		
Profit from operations	**480**	369
Adjustments to reconcile profit from operations to cash generated from operations:		
Share of associates' post tax earnings	**(39)**	-
Depreciation, amortisation and impairments	**261**	180
Share-based compensation	**9**	5
Profit on disposal of businesses	**(7)**	-
Profit on disposal of property, plant and equipment	**-**	(171)
Decrease in inventories	**9**	65
Increase in receivables	**(10)**	(27)
Increase in payables and provisions	**26**	127
Decrease in retirement benefit obligations	**(47)**	(47)
Cash generated from operations – continuing operations	**682**	501
Tax paid	**(55)**	(69)
Interest paid	**(92)**	(37)
Net cash from operating activities – continuing operations	**535**	395
Investing activities – continuing operations		
Acquisition of businesses	**(96)**	-
Net cash of businesses acquired	**76**	-
Disposal of businesses	**58**	-
Purchase of investments in associates	**(2)**	-
Purchase of available-for-sale investments	**(7)**	-
Dividends received from associates	**14**	-
Purchase of property, plant and equipment and intangible assets	**(213)**	(181)
Disposal of property, plant and equipment	**18**	308
Interest received	**64**	21
Net cash (used in)/from investing activities – continuing operations	**(88)**	148
Financing activities – continuing operations		
Interest element of finance lease obligations	**(7)**	(4)
Dividends paid to equity shareholders	**(149)**	(1,640)
Payment of Alliance UniChem dividend declared prior to acquisition	**(47)**	-
Net (repayment of)/proceeds from borrowings	**(786)**	1
Repayment of capital element of finance lease obligations	**(26)**	(12)
Repurchase of own shares	**-**	(50)
Disposal of own shares	**3**	-
Net cash used in financing activities – continuing operations	**(1,012)**	(1,705)
Net cash outflow from continuing operations	**(565)**	(1,162)
Net cash inflow from discontinued operations[1]	**-**	39
Cash flows arising from disposal of discontinued operations	**(13)**	1,854
Net (decrease)/increase in cash and cash equivalents in the year	**(578)**	731
Cash and cash equivalents at 1 April	**813**	80
Currency translation differences	**-**	2
Cash and cash equivalents at 31 March	**235**	813

[1] During the year ended 31 March 2006, discontinued operations had cash inflows from operating activities of £67 million, cash outflows from investing activities of £7 million and cash outflows from financing activities of £21 million.

Notes to the financial information

for the year ended 31 March 2007

(1) BASIS OF PREPARATION

The financial information in the preliminary announcement does not constitute the Group's statutory financial statements for the years ended 31 March 2007 or 2006 but is derived from those financial statements. Statutory financial statements for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. The auditors have reported on those financial statements; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

(2) EXCHANGE RATES

The significant exchange rates relative to Sterling used in the preparation of the financial statements were as follows:

	Average			Year end	
	2007 Eight months ended 31 March	**2007 Year ended 31 March**	2006 Year ended 31 March	**2007**	2006
Euro	**1.487**	**1.475**	1.464	**1.472**	1.445
Turkish Lira	**2.843**			**2.737**	
US Dollar	**1.936**	**1.893**	1.778	**1.963**	1.734

(3) RECONCILIATION OF MOVEMENTS IN TOTAL EQUITY

	2007 £million	2006 £million
At 1 April	**1,652**	1,621
Total recognised income and expense for the year	**425**	1,716
Share-based compensation	**9**	5
Dividends to equity shareholders	**(149)**	(1,640)
Businesses acquired	**3,832**	-
Disposal of own shares	**3**	-
Repurchase of own shares	**-**	(50)
At 31 March	**5,772**	1,652

Notes to the financial information (continued)

for the year ended 31 March 2007

(4) SEGMENTAL ANALYSIS – PRIMARY SEGMENTS

Revenue and profit for the year ended 31 March 2007

	Retail £million	Wholesale £million	Other Commercial Activities & Corporate Costs £million	Eliminations £million	Total £million
Continuing operations					
External revenue	**6,085**	**5,303**	**114**	**-**	**11,502**
Inter-segment sales	**14**	**735**	**-**	**(749)**	**-**
Total revenue	**6,099**	**6,038**	**114**	**(749)**	**11,502**
Trading profit/(loss)	**462**	**128**	**(41)**	**-**	**549**
Exceptional items (note 5)	**(37)**	**(12)**	**(28)**	**-**	**(77)**
Amortisation of customer related intangible assets	**-**	**(31)**	**-**	**-**	**(31)**
Profit/(loss) from operations before share of associates' post tax earnings	**425**	**85**	**(69)**	**-**	**441**
Share of associates' post tax earnings[1]					**39**
Profit from operations					**480**
Finance income					**251**
Finance costs					**(276)**
Profit before tax					**455**
Tax[2]					**(89)**
Profit after tax from continuing operations					**366**
Discontinued operations					
Profit after tax from discontinued operations[3]					**21**
Profit for the year					**387**

[1] Share of associates' post tax earnings includes exceptional income of £6 million, comprising a profit on disposal of businesses of £3 million and an exceptional tax credit of £3 million.

[2] Tax on exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences amounted to a £35 million credit. Tax also included a credit of £14 million in respect of pharmacy disposals where the taxable gains arising are covered by previously unrecognised losses, a release of £14 million of tax provisions in respect of exceptional items recognised in prior years, and £6 million of tax credits in respect of restating deferred tax for customer related intangible assets following tax rate reductions in certain continental European countries.

[3] Profit after tax from discontinued operations included a £17 million release of a prior year tax provision no longer required and £4 million of other items net of tax.

Revenue and profit for the year ended 31 March 2006

	Retail £million	Other Commercial Activities & Corporate Costs £million	Total £million
Continuing operations			
External revenue	4,939	88	5,027
Trading profit/(loss)	352	(16)	336
Exceptional items	65	(32)	33
Profit/(loss) from operations	417	(48)	369
Finance income			187
Finance costs			(207)
Profit before tax			349
Tax[1]			(45)
Profit after tax from continuing operations			304
Discontinued operations			
Profit after tax from discontinued operations[2]			1,470
Profit for the year			1,774

[1] Tax on exceptional items amounted to a £39 million credit, relating to continuing operations. The tax charge also included a £12 million credit for adjustments in respect of prior periods.

[2] Profit after tax from discontinued operations included an attributable tax credit of £31 million in respect of the disposal costs.

Notes to the financial information (continued)

for the year ended 31 March 2007

(5) EXCEPTIONAL ITEMS

	2007 £million	2006 £million
Costs in relation to merger synergies	**(23)**	-
Pharmacy systems harmonisation	**(2)**	-
Systems rationalisation and supply chain reconfiguration[1]	**(25)**	(91)
French wholesale network restructuring[2]	**(10)**	-
Restructuring of Other Commercial Activities[3]	**(23)**	-
Health & Beauty pharmacy disposals[4]	**7**	-
Store refurbishment costs	**-**	(33)
Profit on disposal of property, plant and equipment	**-**	7
Profit on sale and leaseback[5]	**-**	150
Other	**(1)**	-
	(77)	33

[1] Associated with the systems rationalisation and supply chain reconfiguration programme within the Health & Beauty business.
[2] Arising from the restructuring of the warehouse network in France.
[3] Arising on restructuring decisions in contract manufacturing and own brand export business.
[4] Profit on disposal of Health & Beauty pharmacies sold in accordance with the undertakings given to the Office of Fair Trading.
[5] Profit on sale and leaseback of 312 stores in July 2005.

(6) ACQUISITION OF BUSINESS

On 31 July 2006 the Company acquired 100% of the ordinary shares of Alliance UniChem Plc ("Alliance UniChem") by means of a scheme of arrangement between Alliance UniChem and its shareholders. The scheme of arrangement was achieved by cancelling Alliance UniChem shares and issuing new shares in Boots Group PLC to existing Alliance UniChem shareholders under a fixed share ratio of 1.332 Boots Group PLC shares for each Alliance UniChem share. On completion of the transaction Boots Group PLC was renamed Alliance Boots plc.

The total purchase consideration of £3,850 million included £3,840 million for the issue of 481.8 million ordinary shares at a fair value of £7.97 per share, £11 million for ordinary shares to be issued in respect of outstanding share options, less £31 million for ordinary shares held in employee share trusts. In addition, £30 million of costs were incurred on the acquisition.

Alliance UniChem is a pan European distributor of healthcare products and provider of healthcare related services. The book values of the identifiable assets and liabilities and their fair value to the Group at the date of acquisition were as follows:

	Book value before acquisition £million	**Fair value adjustment £million**	**Fair value £million**
Intangible assets	**790**	**572**	**1,362**
Property, plant and equipment	**348**	**64**	**412**
Investments in associates	**398**	**205**	**603**
Available-for-sale investments	**42**	**-**	**42**
Inventories	**749**	**1**	**750**
Assets held for sale	**52**	**33**	**85**
Trade and other receivables	**1,525**	**-**	**1,525**
Cash and cash equivalents	**191**	**-**	**191**
Borrowings	**(1,483)**	**(20)**	**(1,503)**
Trade and other payables	**(1,411)**	**(58)**	**(1,469)**
Current and deferred tax liabilities	**(148)**	**(295)**	**(443)**
Retirement benefit obligations	**(78)**	**-**	**(78)**
	975	**502**	**1,477**
Minority interests			**(12)**
Goodwill arising on acquisition			**2,385**
			3,850
Satisfied by:			
Fair value of shares issued/to be issued			**3,820**
Costs associated with the acquisition			**30**
			3,850

Notes to the financial information (continued)
for the year ended 31 March 2007

(7) TAX

	2007 £million	2006 £million
UK corporation tax	**85**	58
Overseas tax	**26**	6
Deferred tax	**(22)**	(19)
	89	45

The underlying tax charge, calculated before exceptional items, amortisation of customer related intangible assets, IAS 39 timing differences, deferred tax restatements for customer related intangible assets and other exceptional tax credits, reconciles to the tax charge in the year as follows:

	2007 £million	2006 £million
Underlying tax charge	**158**	96
Tax on:		
- exceptional items	**(26)**	(39)
- amortisation of customer related intangible assets	**(9)**	-
- restating deferred tax on customer related intangible assets	**(6)**	-
Other exceptional credits	**(28)**	(12)
	89	45

(8) EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of shares in issue added to the dilutive potential shares assuming they had all converted to issued shares at the beginning of the year.

	2007			2006		
	Profit £million	Weighted average number of shares million	Earnings per share pence	Profit £million	Weighted average number of shares million	Earnings per share pence
Total						
Basic	**387**	**800**	**48.4**	1,774	684	259.4
Potentially dilutive share options	**-**	**2**		-	1	
Diluted	**387**	**802**	**48.2**	1,774	685	259.0
Continuing operations						
Basic	**366**	**800**	**45.8**	304	684	44.4
Potentially dilutive share options	**-**	**2**		-	1	
Diluted	**366**	**802**	**45.6**	304	685	44.4
Discontinued operations						
Basic	**21**	**800**	**2.6**	1,470	684	215.0
Potentially dilutive share options	**-**	**2**		-	1	
Diluted	**21**	**802**	**2.6**	1,470	685	214.6

Notes to the financial information (continued)
for the year ended 31 March 2007

(9) DIVIDENDS
The following dividends to equity shareholders were recognised in the year:

	2007		2006	
	pence per share	£million	pence per share	£million
Final dividend – year ended 31 March 2006/2005	**21.0**	**101**	21.0	150
Interim dividend – year ended 31 March 2007/2006	**-**	**-**	9.1	64
Special dividend	**10.0**	**48**	200.0	1,426
		149		1,640

The Board would ordinarily be recommending, in the normal course of business, a final dividend covering the period from 31 July 2006 until 31 March 2007. However, the terms of the recommended offer for the Company by AB Acquisitions Limited, announced on 20 April 2007, are such that the offer price is inclusive of any final dividend. Accordingly, no such final dividend will be paid. However, if the Company is not acquired by AB Acquisitions Limited (or any alternative offeror), the Board intends that the Company pay in due course an interim dividend, in respect of the year ended 31 March 2007, of an amount equal to the final dividend that would have been paid.

(10) RECONCILIATION OF NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS TO THE (INCREASE)/DECREASE IN NET (BORROWINGS)/CASH
Set out below is a reconciliation of the net (decrease)/increase in cash and cash equivalents to the (increase)/decrease in net (borrowings)/cash. Net (borrowings)/cash are defined by the Group as borrowings net of cash and cash equivalents and derivative financial instruments.

	2007 £million	2006 £million
Net (decrease)/increase in cash and cash equivalents	**(578)**	731
Cash and cash equivalents outflow from decrease in debt and lease financing	**812**	31
Movement in net (borrowings)/cash resulting from cash flows	**234**	762
Borrowings acquired with businesses	**(1,390)**	-
	(1,156)	762
Finance leases entered into	**(8)**	(24)
Currency translation differences and fair value adjustments on financial instruments	**16**	3
Movement in net (borrowings)/cash in the year	**(1,148)**	741
Net cash/(borrowings) at 1 April	**100**	(641)
Net (borrowings)/cash at 31 March	**(1,048)**	100

(11) ANALYSIS OF MOVEMENT IN NET (BORROWINGS)/CASH

	Cash and cash equivalents £million	Borrowings within current liabilities £million	Borrowings within non-current liabilities £million	Derivative financial instruments £million	Net (borrowings)/ cash £million
At 1 April 2006	**856**	**(183)**	**(575)**	**2**	**100**
Decrease in cash and cash equivalents	**(452)**	**(126)**	**-**	**-**	**(578)**
Decrease in borrowings	**-**	**448**	**364**	**-**	**812**
Borrowings acquired with businesses	**-**	**(457)**	**(808)**	**(125)**	**(1,390)**
Finance leases entered into	**-**	**(4)**	**(4)**	**-**	**(8)**
Other non-cash movements	**-**	**(248)**	**248**	**-**	**-**
Currency translation differences and fair value adjustments on financial instruments	**-**	**5**	**11**	**-**	**16**
At 31 March 2007	**404**	**(565)**	**(764)**	**(123)**	**(1,048)**

In the Group cash flow statement, cash and cash equivalents include bank overdrafts which are classified within borrowings within current liabilities in the balance sheet which amounted to £169 million at 31 March 2007 (2006 £43 million).

Notes to the financial information (continued)
for the year ended 31 March 2007

(12) NET CASH (OUTFLOW)/INFLOW ON ACQUISITIONS AND DISPOSALS
An analysis of the net cash (outflow)/inflow on acquisitions and disposals of businesses in the year is shown below:

	2007 £million	2006 £million
Acquisition of businesses	**(96)**	-
Net cash of businesses acquired	**76**	-
Disposal of businesses	**58**	-
Purchase of investments in associates	**(2)**	-
Borrowings acquired with businesses	**(1,390)**	-
Cash outflows on acquisitions and disposals – continuing operations	**(1,354)**	-
Cash flows arising from disposal of discontinued operations	**(13)**	1,854
	(1,367)	1,854

Glossary of key terms

Adjusted earnings per share
Adjusted earnings divided by the weighted average number of shares in issue during the year.

Adjusted earnings
Profit for the year attributable to equity shareholders before exceptional items, amortisation of customer related intangible assets and IAS 39 timing differences, all net of tax, and deferred tax restatements for customer related intangible assets.

Exceptional items
Items classified by Alliance Boots as exceptional in nature. These are not regarded as forming part of the trading activities of the Group, and so merit separate presentation to allow shareholders to understand the elements of financial performance and to assess the trends in financial performance. In 2006/07 these mainly comprised costs in relation to merger synergies, systems rationalisation and supply chain reconfiguration projects, and restructuring activities. In the previous year these mainly comprised the supply chain reconfiguration project, store refurbishment costs and profit on sale and leaseback.

IAS 39 timing differences
Derivative financial instruments are used to hedge interest rate and currency exposures. IAS 39 dictates whether changes in the fair value of these instruments can be matched in the income statement by changes in the fair value of the item being hedged. Where they cannot be matched, or do not fully match, the unmatched amount represents a timing difference that will reverse over the life of the financial instruments.

Interest cover
Trading profit divided by underlying net finance costs.

Like for like revenue
Like for like revenue on a constant currency basis compared to the comparable period in the previous year.

Net (borrowings)/cash
Borrowings, net of cash and cash equivalents and derivative financial instruments.

Net finance costs
Finance costs net of finance income.

Trading margin
Trading profit expressed as a percentage of revenue.

Trading profit
Profit from operations before exceptional items, amortisation of customer related intangible assets and share of associates' post tax earnings.

Underlying net finance costs
Net finance costs adjusted to exclude IAS 39 timing differences.

Underlying tax charge
The underlying tax charge excluding tax on exceptional items, amortisation of customer related intangible assets, IAS 39 timing differences, deferred tax restatements for customer related intangible assets and other exceptional tax credits.

Underlying tax rate
The underlying tax charge expressed as a percentage of trading profit net of underlying net finance costs.

Principal businesses and associates

Segment		Country	Principal business
Retail	– UK	UK – Health & Beauty	Boots the Chemists (incorporating Boots Opticians)
		– Community Pharmacy	Alliance Pharmacy
	– International	Republic of Ireland	Boots Retail (Ireland)
		Norway	Alliance Apotek
		The Netherlands	De Vier Vijzels
		Italy	Alliance Farmacie Comunali
		Thailand	Boots
Wholesale	– Northern Europe	UK	UniChem
		Norway	Holtung
		The Netherlands	Interpharm
		Russia	Alliance Healthcare Russia
		Czech Republic	Alliance Healthcare CZ
	– Southern Europe	France	Alliance Healthcare France
		Italy	Alleanza Salute Italia
		Spain	Alliance Healthcare España
Other Commercial Activities		UK, France & Germany	Boots Manufacturing
		Various others	Boots Retail International
Associates		Turkey	Hedef Alliance
		Germany	ANZAG
		Switzerland	Galenica
		Portugal	Alliance Healthcare Portugal
		Egypt	UCP
		Romania	Farmexpert