Press release
17 May 2010

Alliance Boots
Preliminary results announcement for the year ended 31 March 2010

"A strong performance delivering double digit growth in trading profit"

Highlights:

Group
- Revenue, including share of associates and joint ventures, up 9.6% to £22.5 billion
- EBITDA, including share of associates and joint ventures, up 9.2% to £1,360 million
- Trading profit, including share of associates and joint ventures, up 12.7% to £1,074 million
- Underlying profit (after tax) more than doubled to £602 million
- Cash generated from operations £1,130 million
- Net borrowings reduced by £645 million

Health & Beauty Division
- Revenue up 5.2% – up 4.5% in constant currency
- Trading profit up 8.5%
- Boots UK
  - Like for like retail revenue up 3.0%
  - 'your local Boots pharmacy' roll-out completed
  - No7 Protect & Perfect Intense Beauty Serum launched
- Boots Opticians merged with Dollond & Aitchison

Pharmaceutical Wholesale Division
- Revenue up 10.3% – up 5.6% in constant currency
- Trading profit up 17.2%
- Business improvement programme largely completed
- Further selective deals with manufacturers

Stefano Pessina, Executive Chairman, commented:

"Since taking the company private, this is our third consecutive year of double digit trading profit growth. Having invested more than £1 billion over the period, we are confident that we are building a platform for sustained long term growth.

"Our strong financial position will enable us to continue to grow both organically and through acquisitions. We are increasingly establishing strategic partnerships with other leading businesses to accelerate our development, both in the UK and other markets."

Andy Hornby, Group Chief Executive, said:

"Alliance Boots performed strongly in 2009/10, delivering a double digit trading profit growth, combined with a robust cash flow. This is a particularly good performance, given the challenging economic conditions we faced throughout the year.

"Although we are planning for consumer demand across Europe to remain subdued, we are confident about our prospects for the year ahead."

Reconciliations of trading profit to profit from operations before associates and joint ventures, and underlying profit to profit for the year, are set out in the financial review section of this announcement.

A glossary of key terms is provided at the end of this announcement.

The Group's 2009/10 Annual Review, together with the Consolidated Financial Statements, will be published on our website (www.allianceboots.com) on 20 May 2010. In addition, the Group's Corporate Social Responsibility Report 2009/10 will be published on our website at the end of September 2010.

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Operating and financial review

Overview
In 2009/10 the Group has again reported strong growth in revenue, EBITDA and trading profit, while at the same time benefiting from historically low interest rates. This, together with tight management of working capital, has resulted in a robust cash flow. We continue to invest in developing our pharmacy-led health and beauty customer offering and expanding the scope of our pharmaceutical wholesaling activities, all of which is focused on driving future growth.

Financial highlights
Revenue increased year on year by 8.9% to £18,722 million. Trading profit (which comprises profit from operations before amortisation of customer relationships and brands, exceptional items and share of post tax earnings of associates and joint ventures) increased by 11.8% to £940 million and EBITDA on the same basis by 9.5% to £1,200 million. On a constant currency basis, revenue increased by 5.5%, an increase of 3.3% on a like for like basis.

For associates and joint ventures our share of underlying post tax earnings (which comprises post tax earnings before amortisation of customer relationships and brands, exceptional items, timing differences on net finance costs and related tax) increased by 34.7% to £101 million.

Revenue, including our share of revenue of associates and joint ventures, increased by 9.6% to £22,513 million. On the same basis, EBITDA increased by 9.2% to £1,360 million and trading profit by 12.7% to £1,074 million.

Cash generated from operations was strong at £1,130 million. This has enabled us to fund investment to grow our businesses while simultaneously reducing borrowings. During the year we invested £277 million of cash on capital expenditure and acquisitions, largely on our retail stores, logistics and information technology projects. Net borrowings at the year end were £8,389 million, a year on year reduction of £645 million, and shareholders' equity was £4,311 million.

Performance by Division
for the year ended 31 March 2010

	Revenue £million	Trading profit £million	Year on year growth: Revenue	Year on year growth: Trading profit
Health & Beauty	7,520	730	+5.2%	+8.5%
Pharmaceutical Wholesale	12,424	252	+10.3%	+17.2%
Contract Manufacturing & Corporate Costs	252	(42)		
Intra-group	(1,474)	-		
Group[1]	**18,722**	**940**	**+8.9%**	**+11.8%**
Share of revenue & trading profit of associates and joint ventures	3,791	134	+13.2%	+19.6%
	22,513	**1,074**	**+9.6%**	**+12.7%**

[1] Group trading profit comprises profit from operations before amortisation of customer relationships and brands, exceptional items and share of post tax earnings of associates and joint ventures.

Corporate development
We continue to progress opportunities to enter new geographical markets and to expand our presence in existing markets through acquisition. During 2009/10 we successfully merged Boots Opticians with Dollond & Aitchison, creating the second largest optical chain in the UK. The integration of the two businesses is progressing well, building on the strength of the Boots brand.

Our product brand strategy is now evolving at a pace, both in terms of product development and the internationalisation of our brands, which will give our Group a third dimension to generate long term growth.

We are increasingly establishing strategic partnerships with leading businesses to accelerate our development. These include Waitrose to operate Boots branded in-store pharmacies and trial selling selective product ranges in each other's stores, Mothercare to supply a new children's clothing brand for Boots, and Procter & Gamble to distribute and promote the Boots Laboratories' skincare product range in Italy.

Operating and financial review (continued)

Health & Beauty Division

Performance by business
for the year ended 31 March 2010

	Total £million	Year on year growth Reported	Constant currency	Like for like
Revenue				
UK:				
Boots UK	6,322	+2.6%	+2.6%	+2.5%
Boots Opticians	320	+76.8%	+76.8%	+0.2%
	6,642	**+4.7%**	**+4.7%**	**+2.4%**
International:				
Norway	373	+10.4%	+4.7%	+1.3%
Republic of Ireland	235	+7.8%	+1.1%	-3.9%
The Netherlands	174	+6.1%	-0.6%	-0.2%
Thailand	68	+19.3%	+9.3%	+5.1%
Italy	25	+8.7%	+0.1%	-
Russia	3	-25.0%	-22.5%	-11.8%
	878	**+9.2%**	**+2.7%**	**-0.3%**
	7,520	**+5.2%**	**+4.5%**	**+2.1%**
Trading profit				
UK	677	+7.8%	+7.8%	
International	53	+17.8%	+9.4%	
	730	**+8.5%**	**+8.0%**	
Trading margin				
UK	10.2%	+0.3pp	+0.3pp	
International	6.0%	+0.4pp	+0.4pp	
	9.7%	**+0.3pp**	**+0.3pp**	

In our Health & Beauty Division we delivered good growth in trading profit, despite difficult retail markets and regulatory pressures impacting dispensing profitability particularly in the UK. We attribute this success to the passion and commitment of our people. This has enabled us to deliver excellent customer care, execute our comprehensive business transformation programme, carry out a major store investment programme and develop and launch exciting new products.

Revenue increased year on year by 5.2% to £7,520 million, trading profit increased by 8.5% to £730 million and trading margin increased by 0.3 percentage points to 9.7%. On a constant currency basis revenue increased by 4.5% in total, up 2.1% on a like for like basis, and total trading profit increased by 8.0%.

Health & Beauty Division – UK
In the UK, total revenue increased year on year by 4.7% to £6,642 million, like for like revenue increasing by 2.4%. Trading profit increased by 7.8% to £677 million and trading margin by 0.3 percentage points to 10.2%.

Boots UK performed well throughout the year, including the important Christmas period, growing both revenue and trading margin, despite regulatory pressures impacting dispensing profitability.

Operating and financial review (continued)

Boots UK revenue by product category
for the year ended 31 March 2010

	£million	Year on year growth
Dispensing & Related Income	**2,351**	**+1.7%**
Retail:		
Retail Health[1]	798	+5.6%
Beauty & Toiletries[2]	2,182	+6.1%
Lifestyle[3]	991	-4.6%
	3,971	**+3.1%**
	6,322	**+2.6%**

1 Retail Health comprises sales of non-prescription medicines and other health related products.

2 Beauty & Toiletries comprises the cosmetics & fragrances, accessories and toiletries sub-categories.

3 Lifestyle comprises the baby, nutrition, photography, electrical, seasonal and other lifestyle sub-categories, including miscellaneous sales.

Dispensing & Related Income increased by 1.7%. This was due to good dispensing volume growth, which was partially offset by lower average revenue per prescription (mainly as a result of lower generic reimbursement prices) and strong growth in Related Income. Total dispensing volumes increased year on year by 3.9% to 212 million items, up 4.0% on a like for like basis, our growth being particularly strong in the domiciliary dosage category and from prescriptions collected on behalf of patients from doctors' practices. Profit growth was, however, held back by lower reimbursement prices, particularly for generic medicines.

Related Income from pharmacy services, which currently comes primarily from medicine checkups and other locally commissioned pharmacy services, whilst still relatively modest, increased year on year by over 8%. Our pharmacists in England and Wales carried out over 640,000 medicine checkups during the year, a year on year increase of around 15%. We have a market leading position in the provision of such services with more than 80% of our pharmacies incorporating private consultation facilities.

As the leading operator of retail pharmacies in the UK, we remain committed to making high quality healthcare more available and accessible. In October 2009 we launched BootsWebMD, our consumer health and wellness information portal created in partnership with WebMD, the leading US provider of healthcare services on the web. During the year we opened another five doctors' surgeries operating in Boots stores, bringing the total to 11, and plan to increase the number of such surgeries over the coming years. Recently we have completed the development of the Boots Employee Wellbeing Service – a corporate health programme combining web health assessment with pharmacy based services such as blood pressure monitoring, cholesterol testing and related advice.

Revenue in the Retail Health category, where we are the market leader, increased by 5.6% to £798 million. Sales of both non-prescription medicines and healthcare products such as vitamins increased year on year. The gross margin increased due to improved product mix and more effective use of promotions.

We continue to develop our differentiated healthcare product offering, including our extensive range of Boots branded healthcare products, building on our excellent reputation for customer care and trust.

Revenue in the Beauty & Toiletries category, where we have leading market positions and exclusive product brands, increased by 6.1% to £2,182 million, sales of cosmetics, fragrances, accessories and toiletries all increasing year on year.

In Beauty, No7 and fragrance sales were particularly strong. No7 benefited from the successful launch of new products including No7 Protect & Perfect Intense Beauty Serum, the clinically proven skincare product which provides genuine long term anti-ageing benefits. The launch in April 2009 was widely reported in the media, generating strong consumer demand which has continued through repeat purchases. As a result, sales of No7 products increased substantially, further consolidating its position as the UK's leading cosmetics and skincare brand. We continue to invest in new product development for No7 and launched a number of other new products during the year, including the No7 Lift & Luminate skincare range. Further product launches are planned in the coming months.

In the toiletries sub-category, growth was spread across almost all our product groupings, suncare increasing the most strongly driven by growth in self-tanning products, along with indulgent bathing, which benefited from strong promotions of our differentiated product offering.

Operating and financial review (continued)

Revenue in the Lifestyle category decreased by 4.6% to £991 million, reflecting the continuing decline in the photographic market, lower sales of baby products due to strong competition from the supermarkets and lower miscellaneous sales. This was partly offset by good revenue growth in the electrical sub-category. We have recently established a strategic partnership with Mothercare to design, source and supply a new children's clothing and accessories brand to be sold exclusively through Boots which will be launched in autumn 2010.

The business performed well during the key Christmas selling period, assisted again by our highly acclaimed 'Here come the girls' advertising campaign, promotional offers and Christmas gift catalogue.

Our own product brands, such as Boots, No7, Soltan, Botanics and 17, together with our exclusive ranges, such as Soap & Glory, continue to enable us to materially differentiate our retail offering from that of our competitors and are very important drivers of revenue and margin. In addition to the new No7 product ranges, other new developments during the year included the Boots Extracts Fairtrade range. We have also announced the launch of a number of new ranges, including Boots Aqua Balance, a new range of skincare products.

We attribute much of the Boots success again this year to our passionate focus on customer service and care, with the customer very much at the heart of our business strategy. We continue each week to analyse over 25,000 customer responses to in-store marketing surveys to better understand customers' evolving needs. We are pleased that our customer care number improved year on year as a result of our ongoing focus on key areas that we know are important to our customers, including 'value for money', 'quick and easy to pay', 'staff available and approachable', and 'time taken to get my prescription'. As a result, unsolicited customer compliments more than doubled.

During the year we recruited over 1,600 graduate and fully qualified pharmacists in the UK and continued to invest in our people. Over 2,500 employees attended our leadership development programme, with over 55,000 store colleagues accessing our e-learning system first introduced into stores in 2008/09.

The Boots Advantage Card loyalty scheme, where customers earn points on purchases for redemption at a later date, continues to be a key element of our offering. During the year the number of active Boots Advantage Card holders (which we define as members who have used their card at least once in the last 12 months) increased to 16.7 million, reflecting its position as one of the largest and most valued loyalty schemes in the UK.

We continue to invest in our store portfolio and in making our products more accessible and convenient for our customers to buy.

During the year we substantially increased the number of Boots stores where customers can collect goods ordered on our boots.com website. 'Order-on-line collect-in-store' is now available in more than 2,000 Boots stores across the UK, providing customers with convenient access to the extended Boots product range, including the full seasonal gift offering. The collection service is very popular with customers.

The roll-out of the 'your local Boots pharmacy' branded format was completed in December 2009 with around 1,000 pharmacies trading under this format. Post conversion we continue to consistently see substantial increases in both retail sales and dispensing volumes, with a higher mix of our own products than in our other formats.

In 2009/10 we relocated 46 stores, the majority of which were local pharmacies, and opened 10 new Boots stores. In addition to converting over 400 community pharmacies to 'your local Boots pharmacy' we refitted a further 36 stores. At the year end, in the UK we had 2,473 health and beauty stores, of which 2,380 included a pharmacy.

Following the rebranding of our 13 Waitrose pharmacies as Boots, we have commenced trials where Boots health and beauty products are being sold in selected Waitrose stores and Waitrose food products are being sold in selected Boots stores. This partnership supports our objective of making Boots products more accessible, while introducing a broader range of food products to give customers more reasons to shop at Boots.

Operating and financial review (continued)

In September 2009 we completed our major supply chain reconfiguration programme. Our new automated central distribution centre in Nottingham now handles retail products which are then distributed to stores via regional cross docking facilities. This replaced a manual central warehouse and 18 regional warehouses. The benefits are improved in-store stock availability, increased productivity and lower working capital. Since then, we have acquired a large distribution centre in Burton-on-Trent which we are automating to handle boots.com expansion, Boots seasonal products and products for export to our international businesses, consolidating activities currently carried out at three separate locations, with resulting improvements in efficiency and service levels. This is part of a wider business transformation programme which we have recently embarked on to make Boots central support functions more agile and efficient. Other key elements of this three year programme includes introducing a more streamlined organisational structure and significantly upgrading core IT systems and telecommunications networks.

In May 2009 we completed the merger of Boots Opticians with Dollond & Aitchison, creating the second largest optical chain in the UK. This was achieved by De Rigo, a worldwide leader in the design, manufacture and marketing of high quality eyewear, exchanging its ownership of Dollond & Aitchison for a 42% shareholding in the enlarged Boots Opticians business. The combined business was immediately established with a single management team and regional structure.

Boots Opticians total revenue increased by 76.8%, like for like revenue from owned practices increasing by 0.2%. Trading profit was held back by one-off costs to access merger synergies, the benefits of which will be seen in the coming year.

Since the merger, good progress has been made with the integration of the two businesses. This includes a successful rebranding trial of 10 Dollond & Aitchison practices as Boots Opticians, combining the best of both former businesses with an enhanced product offering. We have recently commenced the rebranding roll-out, which will be largely completed during 2010/11 and will double the number of Boots Opticians branded practices. By the end of April 2010 over 40 practices had been rebranded. At the year end we had 671 practices, including 203 franchises.

Health & Beauty Division – International

Total revenue in countries outside the UK increased year on year by 9.2% to £878 million. Trading profit increased by 17.8% to £53 million, reflecting substantial increased profitability in all countries other than in the Republic of Ireland. Trading margins increased by 0.4 percentage points. On a constant currency basis, revenue increased by 2.7%, like for like revenue decreased by 0.3%, and trading profit increased by 9.4%. In total a net 20 stores were added during the year, the number of stores with pharmacies increasing by 19 to 462.

Stores by country

at 31 March 2010

	Number
Norway	153
Republic of Ireland	55
The Netherlands	74
Thailand	165
Italy	21
Russia	9
	477

In Norway, revenue increased by 4.7% on a constant currency basis. Like for like revenue increased by 1.3%, good retail sales growth in converted stores more than compensating for a decrease in dispensing like for like revenue. During the year 67 stores were converted to our ‘Boots apotek’ branded format with a high proportion of Boots beauty and toiletries products. The success of this format, together with tight cost controls, enabled the business to substantially increase its profits. By the year end over 100 pharmacies were trading as ‘Boots apotek’, with the conversion programme scheduled to be completed by the end of 2010. On 31 March 2010, the business’s name was changed to Boots Norge.

In the Republic of Ireland, where we trade as Boots, revenue increased by 1.1% on a constant currency basis. Like for like revenue decreased by 3.9%, the fragile state of the Irish economy impacting retail sales. Dispensing growth was excellent and well ahead of the market. Profits were lower due to the decline in like for like revenue and lower gross margins. During the year, the number of active Boots Advantage Card holders increased by nearly 30% to 0.7 million, our Irish customers increasingly valuing the benefits of this loyalty scheme. Significant action has been taken to improve cost efficiencies. Four new stores were opened, including a flagship store in Cork, the country’s second largest city. Further openings are planned in 2010/11, as we secure attractive store locations on competitive lease terms.

Operating and financial review (continued)

In The Netherlands, revenue declined by 0.6% on a constant currency basis, like for like revenue decreasing by 0.2%. Profits increased, the previous year's results having been adversely impacted after Dutch healthcare insurers expanded the use of tenders for generic medicines, referred to as the "preference policy". Following promising results from the initial test of a new 'Boots apotheek' pharmacy concept (which has a much stronger retail offering than is typical in Dutch pharmacies), the trial has been extended to five stores. The decision whether to roll out this concept to more pharmacies will be taken in the next few months.

In Thailand, where Boots is one of the largest health and beauty pharmacy chains, revenue increased by 9.3% on a constant currency basis, like for like revenue increasing by 5.1%. A combination of sales and margin growth and underlying store cost efficiencies enabled the business to increase profits. A net 15 stores were added in the year.

At the year end we also operated 21 retail pharmacies in Italy and nine in Russia, with 43 stores now being operated by our franchise partner in the United Arab Emirates, Kuwait, Qatar, Bahrain and, since March 2010, Saudi Arabia.

Operating and financial review (continued)

Pharmaceutical Wholesale Division

Performance by business
For the year ended 31 March 2010

	Total £million	Year on year growth Reported	Constant currency
Revenue			
France	4,780	+5.8%	-0.9%
UK	2,544	+10.1%	+10.1%
Spain	1,358	+8.0%	+1.2%
Italy	1,162	+8.1%	+1.2%
The Netherlands	822	-2.8%	-9.0%
Russia	657	+40.1%	+49.1%
Czech Republic	442	+11.3%	+7.1%
Germany	343	+130.2%	+116.4%
Norway	334	+21.0%	+14.8%
Other	43	+2.4%	+0.3%
Intra-segment	(61)		
	12,424	**+10.3%**	**+5.6%**
Trading profit	**252**	**+17.2%**	**+13.3%**
Trading margin	**2.0%**	**+0.1pp**	**+0.1pp**

In our Pharmaceutical Wholesale Division, while market conditions continued to be difficult, the Division delivered a double digit growth in trading profit. This was achieved through a combination of organic growth, initial benefits from the business improvement programme announced a year ago and the full year impact of acquisitions in the previous year. Alliance Healthcare continues to be at the forefront of adapting its business model to better meet the needs of governments, pharmaceutical manufacturers and pharmacy customers.

Revenue increased by 10.3% to £12,424 million and trading profit increased by 17.2% to £252 million. Overall trading margins increased by 0.1 percentage points. Adjusting for acquisitions and disposals, on a constant currency basis, like for like revenue increased by 3.7% and like for like trading profit increased by 9.0%, reflecting good profit growth in all businesses other than in France, The Netherlands and Germany. Like for like trading margins increased by 0.1 percentage points.

As in the previous year, our published like for like revenue growth was held back by branded ethical manufacturers switching to distributing product direct to pharmacies which, under International Financial Reporting Standards, we account for on an agency basis. This means that we do not report these goods going through our wholesale network as revenue, although we are required to include the related receivables and payables on our balance sheet due to timing differences. Adjusting for this accounting treatment, our more comparable underlying like for like sales growth was around 6%, which was significantly higher than the market growth rate.

Just before the end of the last financial year we embarked on a Division-wide restructuring programme to further adapt our wholesale businesses to meet the changing expectations of customers and payors. The principal aims of the business improvement programme were to anticipate changes in the marketplace, make the most of future opportunities and support businesses in individual countries to implement our new wholesale business model. The programme, which has affected all businesses in the Division, is now close to completion and has to date resulted in around a 10% reduction in headcount, which has been partially achieved through staff turnover and the rationalisation of the distribution network, enabling eight distribution centres to be closed. Efficiency gains from the programme totalled just over £30 million in 2009/10. The full benefits of the programme, which was targeted to reduce operating costs by around £55 million per annum by 2011/12, will be largely seen in 2010/11.

We estimate that the wholesale markets in which we operate grew year on year by around 4% in value on a constant currency basis, this growth being weighted on the basis of our wholesale revenue. This is higher than in the previous year as a result of higher volume and price growth in Russia.

Market growth from the introduction of higher priced new branded pharmaceuticals has continued to be partially offset by increased penetration of lower priced generic medicines and by reductions in generics prices. Generic penetration rates rose year on year in all our western European markets, with penetration levels still typically being lower in southern Europe.

Operating and financial review (continued)

There has been a reduction in the overall level of the parallel trade market in Europe. This is due to manufacturers continuing to seek ways to curtail these activities, together with fewer material price differentials since the Euro significantly strengthened versus Sterling in late 2008.

We have continued to respond to the developing needs of branded ethical pharmaceutical manufacturers in the UK, who are increasingly adapting and changing their approaches to distribution across this market. This trend is growing and several companies have already made the switch from selling via all pharmaceutical wholesalers to either selling direct to pharmacies using relatively few wholesalers as distributors, or selling only through a small number of selected wholesalers.

We have long established strong relationships with many of these manufacturers. In addition, our responsiveness in meeting their changing requirements as well as our highly efficient and reliable logistics network have rapidly established Alliance Healthcare as the UK market leader and the partner of choice for pharmaceutical manufacturers. Across the Division we have also continued to expand the provision of pre-wholesale and contract logistics services to them.

Almus, our exclusive range of generic medicines, continues to provide marketing and sourcing benefits aimed at offsetting the impact of patent expiries. In 2009/10 Almus further broadened its product availability in France, Italy and the UK, and continued its international roll-out by launching in Spain and, through our associate, in Portugal.

We further differentiate our wholesale offering by continuing to develop the range of services offered to independent pharmacy customers. This includes membership of Alphega Pharmacy, which encompasses a comprehensive range of added-value services including branding, professional training and healthcare, retail support services and supply benefits together with pharmacy and IT support. Alphega Pharmacy, which operates in six countries, increased its membership year on year by 37% to more than 3,000 pharmacies.

In France, revenue decreased by 0.9% on a constant currency basis, a decrease of 2.0% on a like for like basis. Profitability was impacted by a number of factors, including increased competition in what continues to be a difficult market. As a result, we have decided to make a downward adjustment to the valuation we placed on this large and profitable business at the time the Group was taken private nearly three years ago. Accordingly we have impaired part of the business's goodwill, resulting in a non cash exceptional charge of £121 million.

In the previous financial year we completed the acquisition of Depolabo, a leading provider of pharmaceutical pre-wholesale and contract logistics services in France to wholesalers, pharmacies and hospitals on behalf of more than 50 manufacturers. This acquisition has enabled us to accelerate the expansion of such services in Europe as well as enhancing our range of added-value services for pharmaceutical manufacturers.

In the UK, revenue increased by 10.1%. This was mainly due to further contract wins, as more branded ethical pharmaceutical manufacturers switched to selling through a select number of national wholesalers, including ourselves, together with an increase in market share of generic products. Throughout 2009/10 we were pleased to maintain our market leading position in the UK for the provision of direct deliveries to pharmacies on behalf of manufacturers. This growth, together with benefits from the Division-wide business improvement programme, enabled the business to increase profits.

In January 2010, the Exeter service centre was relocated to a larger more efficient automated facility to provide additional capacity for growth and improve customer service levels.

Central Homecare, which provides home healthcare services to patients who require management of complex drug therapies, while still a relatively small part of our UK wholesale business, grew revenue and trading profit by more than 50% year on year. This demonstrates the future potential for specialist homecare services.

In Spain, total revenue increased by 1.2% on both a constant currency and like for like basis. Domestic competition remained strong, with profits from commercial activities adversely impacted by changes in the market. During the year manufacturers continued to curtail export sales and increase direct distribution to pharmacies. Despite this, the benefits from the Division-wide business improvement programme, together with ongoing tight management of costs, enabled the business to substantially increase profits year on year.

In Italy, revenue increased by 1.2% on both a constant currency and like for like basis. Market share gains together with benefits from the Division-wide business improvement programme enabled the business to substantially increase profits year on year.

Operating and financial review (continued)

In The Netherlands, revenue decreased by 9.0% on both a constant currency and like for like basis, mainly as a result of substantially lower reimbursement prices for generic prescription medicines. This was mainly due to Dutch healthcare insurers expanding the use of tenders for generic medicines from June 2008 onwards, referred to as the "preference policy" and regulatory price reductions on branded ethical products. These changes resulted in lower profits, despite significant benefits from the Division-wide business improvement programme.

In Russia, revenue increased by 49.1% on both a constant currency and like for like basis. Significant market share gains were made, mainly as a result of higher sales to retail pharmacies and hospitals supplying Aids, hepatitis and tuberculosis programmes. This enabled the business to deliver a very substantial increase in profits.

In the Czech Republic, revenue increased by 7.1% on both a constant currency and like for like basis, reflecting strong growth in the hospital channel. This, together with tight operating cost controls, enabled the business to increase profits.

Megapharm in Germany, which provides a range of specialised wholesaling and logistics services for oncology products, saw its revenue decrease by 3.5% on a like for like basis, mainly as a result of regulatory changes, referred to as the "15th amendment". Reported total revenue and trading profit were higher year on year as a result of us consolidating a full year's results for the first time, the business having been acquired in October 2008. In October 2009 we acquired the 10% minority interest in Megapharm to give us full ownership.

In Norway, revenue increased by 14.8% on both a constant currency and like for like basis, mainly due to health authority tenders being won and increased intra-group revenue. Revenue growth, together with improved margin mix on other sales, enabled the business to substantially increase its profits.

Other revenue mainly comprises own brand exports to third parties.

Other activities

Contract Manufacturing & Corporate Costs
BCM, our Contract Manufacturing business, manufactures consumer health and beauty products for internal supply and third party brands, and also produces special prescription medicines for individual use.

As previously announced, since the start of 2009/10 BCM has operated as a standalone business within the Group. This change has enabled BCM to compete more effectively, both internally and externally, by ensuring greater transparency and accountability, and by speeding up and improving the effectiveness of decision taking.

Total reported revenue increased year on year by £146 million to £252 million, as a result of the inclusion of intra-group revenue for the first time. Third party revenue decreased year on year by 2.6% on a constant currency basis, demand for contract manufactured consumer products falling as a result of the recession. BCM made a trading profit of £3 million in the year, the profit contribution in prior years having been allocated to Boots UK. Further actions are underway to modernise work practices and improve the business's cost competitiveness.

During the year, capacity to produce special prescription medicines was significantly expanded, to bring in-house production previously outsourced by Boots UK and to meet increasing demand from third party customers.

Corporate Costs decreased year on year by £2 million to £45 million. Following completion of a number of key programmes across the Group, costs are expected to further reduce.

Associates and joint ventures
Investment in associates and joint ventures, almost all of whom wholesale and distribute pharmaceuticals, is an important component of our Group's activities.

Our share of revenue of associates and joint ventures increased year on year by 13.2% to £3,791 million. Our share of trading profit at £134 million increased year on year by 19.6%, our share of underlying post tax earnings increasing by 34.7% to £101 million. On a constant currency basis, adjusting for changes in associate and joint venture interests, like for like revenue increased by 8.8%, like for like trading profit by 16.0% and like for like underlying post tax earnings by 31.0%.

Hedef Alliance performed particularly strongly due to good revenue growth, higher gross margins and improved efficiency. In 2009/10 Hedef Alliance had consolidated revenue of around £2.4 billion, of which £1.9 billion was in Turkey and £0.5 billion in Egypt. It operates over 135 distribution centres and has more than 8,500 employees.

In China, Guangzhou Pharmaceuticals Corporation, our joint venture established in 2008, performed well, revenue growth being partially offset by lower margins. In August 2009 we acquired the 20% minority interest in Alliance BMP, the subsidiary that holds our 50% interest in Guangzhou Pharmaceuticals Corporation.

Alliance Healthcare Portugal profitability was, however, impacted by higher costs. In September 2009, the business acquired majority ownership of Procafar in the Azores.

We do not comment specifically on the performance of Galenica and ANZAG as both are quoted companies who report their own results separately on different year ends. Galenica published its 2009 Annual Report in March 2010, reporting net profit (after tax) up 11.2% year on year on net sales up 7.7%. In addition to developing its international branded pharmaceuticals business, Galenica has continued to invest in Swiss pharmaceutical wholesaling and pharmacy, most recently through the acquisition of Sun Store, a pharmacy chain with more than 100 outlets.

Operating and financial review (continued)

Financial review

Financial summary
for the year ended 31 March 2010

	Underlying £million	Amortisation of customer relationships and brands £million	Exceptional items £million	Timing differences on net finance costs £million	Statutory £million
Trading profit/profit from operations before associates and joint ventures	**940**	(94)	(160)	-	**686**
Share of post tax earnings of associates and joint ventures	101	-	(2)	-	99
Net finance costs	(430)	-	128	(8)	(310)
Tax (charge)/credit	(9)	36	99	3	129
Underlying profit/profit for the year	**602**	(58)	65	(5)	**604**
Year on year increase in underlying profit/ profit for the year	**366**				**503**

Exceptional items
Exceptional items comprised the following:

	£million
Impairment of goodwill – France	(121)
Costs in relation to merger synergies and second phase of integration projects	(41)
Profit on disposal of non-current assets	2
	(160)
Share of exceptional items of associates and joint ventures	(2)
Discounts on repurchase of acquisition borrowings	128
Net exceptional items before tax	(34)
Tax on exceptional items	10
Exceptional tax credit	89
	65

The discounts on repurchase of acquisition borrowings were for borrowings acquired from holders in the secondary market in the first half of the year. The nominal value of acquisition borrowings acquired was £367 million at a cost of £239 million. In total £558 million has been repurchased since the programme began in early 2009 at a cost of £324 million. The discounts, net of related prepaid financing fees, have been accounted for as loan redemptions, reducing net borrowings.

The exceptional tax credit related to a release of deferred tax on remittable earnings from associates and joint ventures following a change in UK tax rules which exempts dividends from substantial shareholdings.

Timing differences on net finance costs
Timing differences on net finance costs comprise IAS 39 timing differences and the unwind of discounts on obligations to minority interests.

IAS 39 timing differences relate to derivative financial instruments 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. The net finance costs of £2 million in respect of IAS 39 timing differences includes finance income of £10 million and finance costs of £12 million.

Obligations to minority interests relate to their share of future dividends where there is a commitment to distribute a dividend. The committed dividends are dependent on future profits, and the liability recognised is discounted. The unwind of discounts in the year was £6 million.

Operating and financial review (continued)

Underlying net finance costs
Underlying net finance costs decreased year on year by 39.0% to £430 million, the Group having benefited during the year from low interest rates. As a result, interest cover increased to 2.2x trading profit.

Underlying net finance costs comprised the following:

	Funding £million	Retirement benefit obligations £million	Total £million
Finance income	53	207	260
Finance costs	(465)	(225)	(690)
	(412)	**(18)**	**(430)**

Underlying net finance costs for retirement benefit obligations comprised the expected return on defined benefit schemes' assets within finance income, and interest on schemes' liabilities within finance costs.

Underlying tax charge
The underlying tax charge of £9 million included a prior year tax credit of £47 million arising from the favourable resolution of prior year tax computations, a deferred tax credit of £40 million due to internal restructuring of the ownership of an associate (enabling the Group to control the timing of future dividends which give rise to withholding tax costs) and a prior year deferred tax credit of £33 million primarily resulting from tax revisions in the estimated valuations of tax base costs of the Group's property assets. Tax paid was £14 million.

Cash flow
for the year ended 31 March 2010

	£million
Trading profit	**940**
Underlying depreciation and amortisation	260
Exceptional items	(36)
Net movement in working capital and provisions	30
Movement in net retirement benefit obligations	(64)
Cash generated from operations	**1,130**
Interest	(368)
Tax	(14)
Investment	(277)
Disposals	39
Other	(6)
	504

Cash flow
During the year the Group generated a strong operating cash flow which was used to fund investment in growth and reduce net borrowings.

Cash generated from operations totalled £1,130 million, a year on year increase of 8.1%. This included a net working capital and provisions inflow of £30 million, reflecting a number of initiatives to improve working capital management. The movement in net retirement benefit obligations included a £20 million payment into the principal UK pension fund, in accordance with the agreement entered into in 2007, in addition to regular contributions.

Net interest paid of £368 million was lower than underlying net finance costs in the income statement charge, mainly due to the amortisation of prepaid financing fees of £30 million, £19 million of rolled up interest on subordinated debt which is payable when the debt itself is repaid and £18 million of costs for net retirement benefit obligations.

£277 million of cash was invested on capital expenditure and acquisitions net of cash and borrowings acquired. Over three quarters of this investment was in our Health & Beauty Division, primarily in the UK. Key areas of expenditure in the UK were the roll-out of the 'your local Boots pharmacy' branded format and other refits, relocations and retail store openings, other major investments being the new automated central distribution centre in Nottingham, the purchase of a distribution centre in Burton-on-Trent, and various information technology projects. Capital expenditure in our Pharmaceutical Wholesale Division was mainly on upgrading our distribution network and on information technology.

Operating and financial review (continued)

Other net cash outflows included a £37 million investment in a profit participating note and £39 million of dividends received from our associate and joint venture investments.

Financial position
At the year end net borrowings (defined as cash and cash equivalents, restricted cash, derivative financial instruments and borrowings net of amortised prepaid financing fees) were £8,389 million, a year on year reduction of £645 million.

Movement in net borrowings in the year

	£million
Total cash inflow	**504**
Discounts on repurchase of acquisition borrowings	128
Finance leases entered into	(6)
Amortisation of prepaid financing fees	(30)
Capitalised finance costs	(19)
Currency translation differences	74
Fair value adjustments on financial instruments	(6)
Decrease in net borrowings	**645**
Net borrowings at 1 April 2009	(9,034)
Net borrowings at 31 March 2010	**(8,389)**

In accordance with International Financial Reporting Standards, fees incurred relating to the raising of finance were netted off the related borrowing. These prepaid fees are amortised over the term of the financing being provided, resulting in an increase of net borrowings. Capitalised finance costs relate to the rolled up interest on the subordinated debt, which is payable when the debt itself is repaid.

Currency translation differences predominantly relate to the retranslation of elements of the acquisition borrowings drawn down in Euros and Swiss Francs. The strengthening of Sterling relative to the Euro over the year, which was partially offset by a weakening of Sterling relative to the Swiss Franc, gave rise to a decrease in net borrowings. In accordance with our currency risk treasury policy, borrowings were drawn in these currencies to partially hedge the translation exposures on the net assets of our significant businesses and investments denominated in Euros and Swiss Francs.

Analysis of net borrowings
at 31 March 2010

	£million
Cash and cash equivalents	343
Restricted cash – deposits collateralising loan notes	165
– other	184
Net derivative financial instruments	(203)
Borrowings	(8,878)
	(8,389)

Restricted cash comprises cash which is restricted for specific purposes and so is not available for the use of the Group in its day to day operations. At 31 March 2010 'restricted cash – other' consisted of deposits restricted under contractual agency agreements, cash pledged as collateral and cash restricted by law.

Derivative financial instruments, primarily in the form of interest rate caps, protect us from upward movements in interest rates but can have lower fair values in a lower interest rate environment.

Shareholders' equity
Shareholders' equity increased during the year by £129 million to £4,311 million at the year end.

Operating and financial review (continued)

Movement in shareholders' equity in the year

	£million
Profit for the year	**608**
Income and expense recognised directly in equity:	
Currency translation differences	36
Defined benefit schemes – net actuarial losses (after tax)	(500)
Future dividend obligations to minority interests	(30)
Transfer to special reserve	(4)
Net movements on available-for-sale reserve	30
Net fair value movement in cash flow hedges	(1)
Share of other comprehensive income of associates and joint ventures	(10)
Net movement in shareholders' equity	**129**
Shareholders' equity at 1 April 2009	4,182
Shareholders' equity at 31 March 2010	**4,311**

Currency translation differences arose on the retranslation of the net assets of our non-Sterling denominated businesses and investments, net of currency borrowings drawn to partially hedge these translation exposures. These differences were mainly as a result of the weakening of Sterling during the year relative to the Norwegian Krona and Turkish Lira.

Retirement benefit obligations

Net actuarial losses on defined benefit schemes increased mainly as a result of a 1.4% reduction in UK corporate bond yields (used to discount UK pension obligations), partially offset by increases in the value of scheme assets.

Movement in retirement benefit obligations in the year

	£million
Income statement:	
Costs within profit from operations	(45)
Net finance costs	(18)
	(63)
Net actuarial losses recognised in shareholders' equity (before tax)	(694)
Cash contributions	109
Currency translation differences	(2)
Net movement in retirement benefit obligations	**(650)**
Net retirement benefit assets at 1 April 2009	188
Net retirement benefit obligations at 31 March 2010	**(462)**

The principal scheme is the Boots Pension Scheme. This scheme, which is closed to new members, has continued with its investment strategy of planning to hold 15% of its assets in equity and property to back long term liabilities, and 85% of its assets in a diverse portfolio of high quality bonds to match liabilities up to 35 years. The other large scheme is the Alliance UniChem UK Group Pension Scheme which is also closed to new members. Both schemes entered into Memoranda of Understanding during 2007/08 with the Group, the main elements of which were an agreement that conservative investment strategies would be maintained, and a commitment to pay additional contributions. The additional cash contributions comprised £102 million in 2007/08 with a further £366 million to be made over 10 years from August 2008. £20 million was paid in 2009/10, with the same amount committed in each of the following three financial years.

In January 2010, the Group announced that it was entering into consultation with employees of our UK businesses about a proposal to introduce a new defined contribution pension scheme and close our UK defined benefit schemes to future accrual for active members. Since the year end, following an extensive consultation process, the Group has announced that the new defined contribution scheme is to be implemented with effect from 1 July 2010 with a number of significant enhancements to that originally proposed. As a result, the existing schemes will close to future accrual from that date.

Operating and financial review (continued)

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

Group liquidity is optimised through cash pooling and deposits with or loans from Group treasury companies. The Group's core borrowing is provided through committed bank facilities, partially drawn in Euros and Swiss Francs. These facilities mature between July 2014 and 2017. The Group also has access to a committed £820 million revolving credit facility. At the year end £14 million of this was drawn, £184 million was utilised to provide guarantees, mainly in relation to the Boots Pension Scheme, and £622 million was available. This facility provides access to funding in a range of currencies and is available until July 2014. As planned, the Group repaid its £300 million Eurobond in May 2009 on maturity.

Over 80% of net borrowings (gross of restricted cash) at 31 March 2010 are covered by facilities which are not repayable within the next five years. All are covered for at least the next four years.

The Group's net borrowings vary throughout the year in a predictable seasonal pattern. Working capital requirements are typically at their highest in the period September to November. The Group continues to monitor its net borrowings position on a daily basis against both budget and a rolling two month cash forecast.

The Group's committed bank borrowing facilities require compliance with certain financial and non financial undertakings and covenants. The principal covenant is a net borrowings:EBITDA ratio, subject to various adjustments, primarily to exclude companies outside the banking group and to adjust for properties.

Interest rate risk management
The Board's policy is to protect its ability to service its debt obligations by ensuring that floating rate interest payments on not less than 50% of the principal outstanding under the facilities raised to finance the acquisition of Alliance Boots plc are hedged. Exposures are hedged through a combination of interest rate caps and interest rate swaps.

At the year end, 65% of the Group's net borrowings were at fixed or capped interest rates. They included interest rate swaps with a notional principal amount of £511 million and interest rate caps over notional principal amounts of £3,500 million at 6.20% and €1,600 million at 4.80%. These caps end in July 2012. From that date up until July 2015, the Group has caps with notional principal amounts of £1,500 million at rates up to 6.00% and €2,000 million at rates up to 4.25%.

Currency risk management
The Group owns significant businesses and investments in continental Europe which cause a translation exposure on consolidation of their income statements and balance sheets. The Group partially hedges these translation exposures with borrowings denominated in the same currency. At the year end £2,063 million of the Group's net borrowings were in Euros.

The Group has a policy of hedging material currency denominated transaction exposures, other than those offset by corresponding translation exposures, by entering into forward currency exchange contracts where such exposures arise.

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

	Average 2009/10	At 31 March 2010	Average 2008/09	At 31 March 2009
Euro	1.13	1.11	1.21	1.08
Turkish Lira	2.42	2.29	2.39	2.39
Swiss Franc	1.70	1.60	1.88	1.63
Norwegian Krona	9.64	8.96	10.18	9.49
Russian Rouble	49.02	44.17	46.01	48.28

Basis of preparation
The summarised consolidated financial statements presented below have been extracted from the Group's audited Consolidated Financial Statements for the year ended 31 March 2010, prepared in accordance with International Financial Reporting Standards.

Summarised consolidated financial statements

Group income statement
for the year ended 31 March 2010

	2010 £million	2009 £million
Revenue	**18,722**	17,195
Profit from operations before associates and joint ventures	**686**	640
Share of post tax earnings of associates and joint ventures	**99**	75
Impairment of investment in associate	**-**	(15)
Profit from operations	**785**	700
Finance income	**398**	365
Finance costs	**(708)**	(1,052)
Profit before tax	**475**	13
Tax	**129**	88
Profit for the year	**604**	101
Attributable to:		
Equity shareholders of the Company	**608**	101
Minority interests	**(4)**	-
	604	101

All income and expense arose from continuing operations in the year.

Group statement of comprehensive income
for the year ended 31 March 2010

	2010 £million	2009 £million
Profit for the year	**604**	101
Other comprehensive income for the year		
Net exchange differences on translation of non-Sterling denominated operations	**35**	97
Defined benefit schemes – net actuarial losses	**(694)**	(152)
Fair value losses on cash flow hedging instruments net of amounts recycled	**(1)**	-
Net movements on available-for-sale reserve	**30**	21
Share of post tax other comprehensive income of associates and joint ventures	**(10)**	-
	(640)	(34)
Tax on other comprehensive income for the year	**194**	45
	(446)	11
Total comprehensive income for the year	**158**	112
Attributable to:		
Equity shareholders of the Company	**163**	109
Minority interests	**(5)**	3
	158	112

Summarised consolidated financial statements (continued)

Group statement of financial position

as at 31 March 2010

	2010 £million	2009 £million
Assets		
Non-current assets		
Goodwill	**4,649**	4,771
Other intangible assets	**5,456**	5,533
Property, plant and equipment	**2,091**	2,147
Investments in associates and joint ventures	**1,143**	1,079
Available-for-sale investments	**80**	39
Other receivables	**153**	66
Deferred tax assets	**227**	102
Retirement benefit assets	**-**	216
Derivative financial instruments	**10**	-
	13,809	13,953
Current assets		
Inventories	**1,623**	1,542
Trade and other receivables	**2,610**	2,649
Cash and cash equivalents	**343**	473
Restricted cash	**349**	343
Derivative financial instruments	**1**	4
Assets classified as held for sale	**9**	11
	4,935	5,022
Total assets	**18,744**	18,975
Liabilities		
Current liabilities		
Borrowings	**(556)**	(930)
Trade and other payables	**(3,377)**	(3,213)
Current tax liabilities	**(49)**	(14)
Provisions	**(37)**	(88)
	(4,019)	(4,245)
Net current assets	**916**	777
Non-current liabilities		
Borrowings	**(8,322)**	(8,674)
Other payables	**(92)**	(21)
Deferred tax liabilities	**(1,251)**	(1,498)
Retirement benefit obligations	**(462)**	(28)
Provisions	**(44)**	(35)
Derivative financial instruments	**(214)**	(250)
	(10,385)	(10,506)
Net assets	**4,340**	4,224
Equity		
Share capital	**1,065**	1,065
Share premium	**2,795**	2,795
Retained earnings	**239**	131
Other reserves	**212**	191
Shareholders' equity	**4,311**	4,182
Minority interests	**29**	42
Total equity	**4,340**	4,224

Summarised consolidated financial statements (continued)

Group statement of changes in equity

	Shareholders' equity						
2010	**Share capital £million**	**Share premium £million**	**Retained earnings £million**	**Other reserves £million**	**Total £million**	**Minority interests £million**	**Total equity £million**
At 1 April 2009	**1,065**	**2,795**	**131**	**191**	**4,182**	**42**	**4,224**
Profit for the year	**-**	**-**	**608**	**-**	**608**	**(4)**	**604**
Other comprehensive income for the year							
Net exchange differences on translation of non-Sterling denominated operations	**-**	**-**	**-**	**36**	**36**	**(1)**	**35**
Defined benefit schemes – net actuarial losses	**-**	**-**	**(694)**	**-**	**(694)**	**-**	**(694)**
Fair value losses on cash flow hedging instruments net of amounts recycled	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Net movements on available-for-sale reserve	**-**	**-**	**-**	**30**	**30**	**-**	**30**
Share of post tax other comprehensive income of associates and joint ventures	**-**	**-**	**-**	**(10)**	**(10)**	**-**	**(10)**
Tax on other comprehensive income for the year	**-**	**-**	**194**	**-**	**194**	**-**	**194**
	-	**-**	**(500)**	**55**	**(445)**	**(1)**	**(446)**
Total comprehensive income for the year	**-**	**-**	**108**	**55**	**163**	**(5)**	**158**
Transactions with owners							
Minority interests in businesses acquired	**-**	**-**	**-**	**-**	**-**	**32**	**32**
Future dividend obligations to minority interests	**-**	**-**	**-**	**(30)**	**(30)**	**(32)**	**(62)**
Transfer to special reserve	**-**	**-**	**-**	**(4)**	**(4)**	**4**	**-**
Purchase of minority interests	**-**	**-**	**-**	**-**	**-**	**(15)**	**(15)**
Contribution from minority interests	**-**	**-**	**-**	**-**	**-**	**3**	**3**
	-	**-**	**-**	**(34)**	**(34)**	**(8)**	**(42)**
At 31 March 2010	**1,065**	**2,795**	**239**	**212**	**4,311**	**29**	**4,340**

	Shareholders' equity						
2009	**Share capital £million**	**Share premium £million**	**Retained earnings £million**	**Other reserves £million**	**Total £million**	**Minority interests £million**	**Total equity £million**
At 1 April 2008	1,005	2,795	137	76	4,013	35	4,048
Profit for the year	-	-	101	-	101	-	101
Other comprehensive income for the year:							
Net exchange differences on translation of non-Sterling denominated operations	-	-	-	94	94	3	97
Defined benefit schemes – net actuarial losses	-	-	(152)	-	(152)	-	(152)
Net movements on available-for-sale reserve	-	-	-	21	21	-	21
Tax on other comprehensive income for the year	-	-	45	-	45	-	45
	-	-	(107)	115	8	3	11
Total comprehensive income for the year	-	-	(6)	115	109	3	112
Transactions with owners:							
Issue of share capital	60	-	-	-	60	-	60
Minority interests in businesses acquired	-	-	-	-	-	4	4
	60	-	-	-	60	4	64
At 31 March 2009	1,065	2,795	131	191	4,182	42	4,224

Owners comprise equity shareholders of the Company and minority interests.

Summarised consolidated financial statements (continued)

Group statement of cash flows

for the year ended 31 March 2010

	2010 £million	2009 £million
Operating activities		
Profit from operations	**785**	700
Adjustments to reconcile profit from operations to cash generated from operations:		
Share of post tax earnings of associates and joint ventures	**(99)**	(75)
Depreciation and amortisation	**359**	345
Impairment of goodwill and investment in associate	**121**	40
Gain on disposal of property, plant and equipment	**-**	(2)
Gain on disposal of assets classified as held for sale	**(2)**	-
Increase in inventories	**(73)**	(13)
Increase in receivables	**(40)**	(100)
Increase in payables and provisions	**143**	202
Movement in retirement benefit assets and obligations	**(64)**	(52)
Cash generated from operations	**1,130**	1,045
Tax paid	**(14)**	(23)
Net cash from operating activities	**1,116**	1,022
Investing activities		
Acquisition of businesses	**(11)**	(138)
Cash and cash equivalents of businesses acquired net of overdrafts	**-**	25
Disposal of businesses	**-**	1
Purchase of property, plant and equipment, and intangible assets	**(255)**	(294)
Purchase of available-for-sale investments	**(12)**	(3)
Other loans and purchase of profit participating note	**(39)**	-
Disposal of property, plant and equipment, and intangible assets	**14**	22
Disposal of available-for-sale investments	**2**	-
Disposal of assets classified as held for sale	**25**	-
Dividends received from associates and joint ventures	**39**	34
Dividends received from available-for-sale investments	**1**	-
Interest received	**49**	49
Net cash used in investing activities	**(187)**	(304)
Financing activities		
Interest paid	**(393)**	(646)
Interest element of finance lease obligations	**(2)**	(4)
Proceeds from borrowings	**39**	125
Repayment of borrowings, repurchase of acquisition borrowings and settlement of derivatives	**(666)**	(342)
Fees associated with financing activities	**(22)**	(22)
Net cash and cash equivalents transferred (to)/from restricted cash	**(5)**	161
Issue of ordinary share capital	**-**	60
Repayment of capital element of finance lease obligations	**(17)**	(20)
Purchase of minority interests	**(10)**	-
Contribution from minority interests	**3**	-
Net cash used in financing activities	**(1,073)**	(688)
Net (decrease)/increase in cash and cash equivalents in the year	**(144)**	30
Cash and cash equivalents at 1 April	**210**	197
Currency translation differences	**6**	(17)
Cash and cash equivalents at 31 March	**72**	210

All cash flows arose from continuing operations in the year.

Glossary of key terms

Constant currency
Exchange rates applicable for the financial information for the year ended 31 March 2009.

EBITDA
Trading profit before underlying depreciation and amortisation.

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 stakeholders to understand the elements of financial performance and assess trends in financial performance.

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 and cash equivalents, restricted cash, derivative financial instruments and borrowings net of unamortised prepaid financing fees.

Net finance costs
Finance costs net of finance income.

Restricted cash
Cash which is restricted for specific purposes and so is not available for the use of the Group in its day to day operations.

Share of underlying post tax earnings of associates and joint ventures
Share of post tax earnings of associates and joint ventures before amortisation of customer relationships and brands, exceptional items, timing differences on net finance costs and related tax.

Timing differences on net finance costs
IAS 39 timing differences and the unwind of the discount on obligations to minority interests.

Trading margin
Trading profit expressed as a percentage of revenue.

Trading profit
Profit from operations before amortisation of customer relationships and brands, exceptional items and share of post tax earnings of associates and joint ventures.

Underlying depreciation and amortisation
Depreciation and amortisation adjusted to exclude amortisation of customer relationships and brands and depreciation and amortisation within exceptional items.

Underlying net finance costs
Net finance costs adjusted to exclude exceptional items and timing differences on net finance costs.

Underlying profit
Profit for the year before amortisation of customer relationships and brands, exceptional items, timing differences on net finance costs and related tax.

Underlying tax charge/credit
Tax charge/credit adjusted to exclude tax on amortisation of customer relationships and brands, exceptional items, timing differences on net finance costs and exceptional tax.