Press release
18 May 2009

Alliance Boots
Preliminary results announcement for the year ended 31 March 2009

"Strong growth in revenue, EBITDA and trading profit"

Alliance Boots, the international pharmacy-led health and beauty group, today reports preliminary results for the year ended 31 March 2009 which demonstrate that the Group has continued to perform well in 2008/09, despite the increasingly challenging business environment.

Highlights:

Group
- Continued strong financial performance
- Revenue, including share of associates and joint ventures, up 15.5% to £20.5 billion
- EBITDA, including share of associates and joint ventures, up 11.3% to £1,245 million
- Trading profit, including share of associates and joint ventures, up 11.6% to £953 million
- £100 million merger cost synergy target achieved 18 months ahead of schedule
- Secure financing and robust financial position

Health & Beauty Division
- Revenue up 4.4% - up 2.9% in constant currency
- Trading profit up 11.6%
- Boots UK
  - Revenue up 3.2%
  - Like for like revenue up 1.3%
  - Over 450 stores now trading as "your local Boots pharmacy"
- Boots Opticians merger with Dollond & Aitchison completed after year end

Pharmaceutical Wholesale Division
- Challenging markets
- Revenue up 17.8% - up 3.8% in constant currency
- Trading profit up 4.4%
- Division-wide business improvement programme underway
- Key acquisitions in Germany and France

Associates and joint ventures
- Share of post tax earnings of associates and joint ventures up 25.0% to £75 million

Cash flow
- £1,045 million cash generated from operations

To assist in understanding the performance of the Group, all references to year on year performance (unless otherwise stated) are based on comparative pro forma financial information for the year ended 31 March 2008 as if the acquisition of Alliance Boots plc by AB Acquisitions Limited on 26 June 2007 had taken place prior to 31 March 2007.

Financial summary

	£million
Revenue	17,195
EBITDA[1]	1,096
Underlying depreciation and amortisation[2]	(255)
Trading profit[3]	841
Share of post tax earnings of associates and joint ventures	75
Underlying net finance costs[4]	(705)
Underlying tax credit[5]	25
Underlying profit[6]	236

A reconciliation of underlying profit to statutory profit for the year is set out below:

	£million
Underlying profit[6]	236
Amortisation of customer relationships and brands	(80)
Net exceptional items before tax[7]	(58)
IAS 39 timing differences	(60)
Tax credit on items not in underlying profit	63
Profit for the year	101

1 EBITDA comprises trading profit before underlying depreciation and amortisation.
2 Underlying depreciation and amortisation excludes depreciation and amortisation within exceptional items and amortisation of customer relationships and brands.
3 Trading profit comprises profit from operations before exceptional items, amortisation of customer relationships and brands, and share of post tax earnings of associates and joint ventures.
4 Underlying net finance costs comprise net finance costs adjusted to exclude exceptional items and IAS 39 timing differences.
5 Underlying tax credit excludes tax on exceptional items, amortisation of customer relationships and brands, and IAS 39 timing differences.
6 Underlying profit excludes exceptional items, amortisation of customer relationships and brands, IAS 39 timing differences and related tax.
7 Net exceptional items mainly comprised costs in relation to the Pharmaceutical Wholesale Division restructuring programme, merger synergies and the second phase of integration projects, impairment of goodwill, investment in associate and an available-for-sale investment, and discounts on the repurchase of acquisition borrowings.

Commenting on the results, Stefano Pessina, Executive Chairman, said:

"I am pleased that Alliance Boots has again reported strong growth in revenue, EBITDA and trading profit. This reflects the underlying strength of our two core business activities, the importance of health and wellbeing to both individuals and governments, and the benefits from transforming our Group.

The Group's financial position remains strong, reflecting a focus on profit generation and working capital management, combined with secure long term funding arrangements. We have a strong cash flow and in addition are benefiting from historically low interest rates.

Since our year end, Alliance Boots has continued to perform well, reflecting the markets in which we operate and the further benefits we are generating through transforming the Group. As a result we remain confident about our prospects for the year ahead.

This is a great Group with great brands and market leading positions in attractive markets. We are fully committed to the development and growth of Alliance Boots and believe that we are on track to become the world's leading pharmacy-led health and beauty group."

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

The Group's 2008/09 Annual Review, together with the Consolidated Financial Statements, will be published on our website (www.allianceboots.com) on 28 May 2009. In addition, the Group's Corporate Social Responsibility Report 2008/09 will be published on our website at the end of September 2009.

For further information, please contact:

Alliance Boots

Yves Romestan/Zoe Farthing/Olivia Hall
Tel: +44 (0) 1932 871569

Finsbury

Zoe Watt/Kirsty Flockhart
Tel: +44 (0) 20 7251 3801

Operating and financial review

Overview
To assist in understanding the performance of the Group, all references to year on year performance (unless otherwise stated) are based on comparative pro forma financial information for the year ended 31 March 2008 as if the acquisition of Alliance Boots plc by AB Acquisitions Limited on 26 June 2007 had taken place prior to 31 March 2007.

In 2008/09 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 healthy operating cash flow. We continue to invest in developing our pharmacy-led health and beauty customer offering and on 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 12.4% to £17,195 million. Trading profit (which comprises profit from operations before exceptional items, amortisation of customer relationships and brands, and share of post tax earnings of associates and joint ventures) increased by 9.1% to £841 million and EBITDA on the same basis by 6.7% to £1,096 million. On a constant currency basis, revenue increased by 3.0% in total, an increase of 1.1% on a like for like basis.

For associates and joint ventures our share of post tax earnings before exceptional items increased by 25.0% to £75 million.

Revenue, including our share of revenue of associates and joint ventures, increased by 15.5% to £20.5 billion. On the same basis, EBITDA increased by 11.3% to £1,245 million and trading profit by 11.6% to £953 million.

Cash generated from operations was strong at £1,045 million, including a net working capital and provisions inflow of £89 million. This has enabled us to fund investment to grow our businesses. We invested a net £272 million of cash on capital expenditure, largely on upgrading retail stores and on logistics. In addition, a net £61 million of cash was invested in acquisitions, net of cash and borrowings acquired, the key transactions being the purchase of Megapharm in Germany and Depolabo in France. Net borrowings at the year end were £9,034 million and shareholders' equity was £4,182 million.

Business transformation
Following the move to private ownership in June 2007, we are continuing to dedicate much of our efforts to accelerating the transformation of the Group.

Key transformation priorities during the year were our cost saving programme, the development and expansion of the Boots health and beauty pharmacy-led retail brand and the exploitation of our product development capability and brands.

Cost savings in 2008/09 were primarily delivered through exploiting cost synergies between our UK businesses. In January 2009 we reached our initial £100 million pre tax cost saving target set when the merger of Alliance UniChem and Boots Group was first announced. This milestone was achieved 18 months ahead of schedule with significant further savings still to be made, while ensuring at all times that we continue to meet customer expectations in terms of products and service. We expect these savings to be higher in 2009/10, when we will also start to see initial benefits from completing the reconfiguration of the Boots UK supply chain.

In 2008/09 we further developed and expanded the Boots brand through completing the integration of Boots the Chemists and Alliance Pharmacy businesses and rolling out the re-branding of Alliance Pharmacy outlets as "your local Boots pharmacy" in the UK. In addition we started to roll out the new "Boots apotek" pharmacy concept in Norway and, towards the end of the year, began to test the "Boots apotheek" pharmacy concept in The Netherlands.

We continue to work towards exploiting the full potential of our product development capability and brands. In 2008/09 new developments included the extension of our No7 range and the launch of the Boots Laboratories Serum[7] skincare range in France, and in Portugal through our associate. Since the year end we have successfully launched No7 Protect & Perfect Intense Beauty Serum, the clinically proven skincare product which provides genuine long term anti-ageing benefits.

Operating and financial review (continued)

Divisional highlights
for the year ended 31 March 2009

	Revenue £million	Trading profit £million	Year on year growth Revenue	Trading profit
Health & Beauty	7,147	673	+4.4%	+11.6%
Pharmaceutical Wholesale	11,265	215	+17.8%	+4.4%
Contract Manufacturing & Corporate Costs	106	(47)	+1.0%	
Intra-group	(1,323)	-		
Group[1]	17,195	841	+12.4%	+9.1%
Share of revenue & trading profit of associates and joint ventures	3,348	112	+34.8%	+34.9%
	20,543	953	+15.5%	+11.6%

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

In this review, the Health & Beauty Division results are further split between the UK and International businesses, given the relative size of our UK activities.

Operating and financial review (continued)

Health & Beauty Division

Performance overview

Financial highlights
for the year ended 31 March 2009

	Total £million	Year on year growth Reported	Constant currency	Like for like
Revenue				
UK:				
Boots UK	6,162	+3.2%	+3.2%	+1.3%
Boots Opticians	181	-1.3%	-1.3%	+1.7%
	6,343	+3.1%	+3.1%	+1.3%
International:				
Norway	338	+14.6%	+3.4%	+1.1%
Republic of Ireland	218	+18.5%	+0.4%	-2.9%
The Netherlands	164	+11.6%	-5.3%	-6.4%
Thailand	57	+21.3%	+11.4%	+4.6%
Italy	23	+15.0%	-3.6%	-3.6%
Russia	4	+100.0%	+65.4%	+52.7%
	804	+15.7%	+1.3%	-1.3%
	7,147	+4.4%	+2.9%	+1.1%
Trading profit				
UK	628	+11.2%	+11.2%	
International	45	+18.4%	+1.9%	
	673	+11.6%	+10.5%	
Trading margin				
UK	9.9%	+0.7pp	+0.7pp	
International	5.6%	+0.1pp	-	
	9.4%	+0.6pp	+0.7pp	

In our Health & Beauty Division we delivered double digit growth in trading profit, despite the difficult retail environments in all the countries in which we operate. 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 exciting new products.

Revenue increased year on year by 4.4% to £7,147 million, trading profit increased by 11.6% to £673 million and trading margin increased by 0.6 percentage points to 9.4%. On a constant currency basis revenue increased by 2.9% in total, up 1.1% on a like for like basis, and total trading profit increased by 10.5%.

Health & Beauty Division - UK
In the UK, total revenue increased year on year by 3.1% to £6,343 million, like for like revenue increasing by 1.3%. Trading profit increased by 11.2% to £628 million and trading margin by 0.7 percentage points to 9.9%.

Boots UK performed well throughout the year, including the important Christmas period, growing both revenue and trading margin. Benefits from the business transformation programme were increasingly realised, which in particular enabled costs to be saved.

Operating and financial review (continued)

Boots UK revenue by product category
for the year ended 31 March 2009

	£million	Mix	Year on year growth
Dispensing & Related Income	2,311	37.5%	+7.5%
Retail:			
Retail Health[1]	756	12.3%	+1.6%
Beauty & Toiletries[2]	2,056	33.3%	+0.4%
Lifestyle[3]	1,039	16.9%	+0.9%
	3,851	62.5%	+0.8%
	6,162	100.0%	+3.2%

Comparatives have been restated to exclude optical revenue, as Boots Opticians is now reported as a separate business, and to reflect the transfer of accessories from Lifestyle to Beauty & Toiletries where it is now managed.

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

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

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

Dispensing & Related Income increased by 7.5%, due to dispensing volume growth and increased Related Income, partially offset by a slightly lower average revenue per prescription mainly as a result of lower generic reimbursement prices. Total dispensing volumes increased year on year by 8.5% to 204 million items. Volume growth on a like for like basis increased by 5.0%, our growth being particularly strong in prescriptions collected on behalf of patients from doctors' practices and in prescriptions supplied in patient specific packs to care homes.

Related Income from pharmacy services, which currently comes primarily from medicine checkups (formerly called medicine use reviews) and other locally commissioned pharmacy services, whilst still relatively modest, increased year on year by over 30%. Our pharmacists in England and Wales carried out 560,000 medicine checkups during the year, a year on year increase of over 45%. We have a market leading position in the provision of such services with more than 80% of our pharmacies now 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. At the year end we had six doctors' surgeries operating in Boots stores, utilising space surplus to retail requirements. As previously stated we intend to increase the number of such surgeries over the coming years.

Revenue in the Retail Health category, where we are the market leader, increased by 1.6% to £756 million. Sales of both non-prescription medicines and healthcare products such as vitamins increased year on year. The gross margin increased substantially 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. The Boots Health Club, which enables customers to receive targeted healthcare information on specific health issues, increased its membership by nearly 30% during the year and now has 4.8 million members.

Revenue in the Beauty & Toiletries category, where we have leading market positions and exclusive product brands, increased by 0.4% to £2,056 million, growth in toiletries being partially offset by lower sales of cosmetics and fragrances. Sales of accessories were at a similar level to last year.

No7, our cosmetics and skincare brand, maintained its market leading position in the UK, the previous year's sales having been particularly good due to the exceptional demand for our award-winning No7 Protect & Perfect Beauty Serum in the early months of 2007/08. We continue to invest in new product development of No7, launching a number of new products throughout the year including No7 Dual Protection Tinted Moisturiser, No7 Extreme Length Mascara and a new No7 Protect & Perfect Foundation range.

We are committed to ensuring that No7 continues to provide customers with market leading innovative products at attractive prices. Since the year end we have successfully launched a number of exciting No7 products, including No7 Protect & Perfect Intense Beauty Serum, the clinically proven skincare product which provides genuine long term anti-ageing benefits. This product has generated considerable media coverage and strong consumer demand.

Operating and financial review (continued)

In the toiletries sub-category, growth was spread across almost all our product groupings, suncare increasing the most strongly. Better buying and mix enabled us to improve our gross margin in every product group while at the same time continuing to offer our customers excellent value and choice.

Revenue in the Lifestyle category increased by 0.9% to £1,039 million, which was a particularly strong performance given the difficult retail environment. We achieved good revenue growth in the baby and nutrition sub-categories, with seasonal and electrical also increasing year on year. This more than compensated for a continuing decline in photographic. As in 2007/08 we had good seasonal gift sales, assisted again by an award winning advertising campaign, “Here come the girls”, and an excellent post Christmas sale.

Our own product brands, such as Boots, No7, Soltan, Botanics and 17, together with our exclusive ranges, 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 launch of Boots Original Beauty Formula in January 2009. This new range of indulgent preparations for face, hands and body uses traditional ingredients in packaging inspired by the Boots archive. Since the year end we also announced the launch of a number of new ranges, including Boots Skin Clear, Boots Expert Orthodontic dental products and Boots Vitamin E skincare range.

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. Part of this process includes asking respondents whether they would “strongly agree” to the “likelihood of recommending Boots” as a place to shop. We are pleased that the positive responses received progressively increased throughout the year.

We recruited around 950 pharmacists during the year and we continued to invest in our people, with over 2,500 employees attending our leadership development programme. We have introduced e-learning into our stores, enabling product knowledge training to be undertaken every week by our people. In addition, a Boots commercial academy has been recently established to ensure that we have the very best people supporting and developing our customer offering.

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 by 6.5% to 16.4 million, reflecting its position as one of the largest and most valued loyalty schemes in the UK.

During the year we carried out a major upgrade of the boots.com website to make it easier for our customers to use. The website is now more closely integrated with our retail offering with “order-on-line collect-in-store” available in over 1,300 Boots stores at the year end. This new feature in particular gives “your local Boots pharmacy” customers convenient access to the extended Boots product range, including the full seasonal gift offerings. Further enhancements to the website are planned over the coming months. In addition we are jointly developing a consumer health and wellness information portal with WebMD, the leading provider of health information services in the US. The portal, which will be branded BootsWebMD, will be launched later in 2009.

The roll-out of the “your local Boots pharmacy” branded format is now well underway, with 401 stores re-branded during the year. At the year end 451 pharmacies were trading under the new format. The programme is scheduled to be completed by the end of 2009, at which point we will have well over 1,000 “your local Boots pharmacy” stores. 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.

Operating and financial review (continued)

In 2008/09 we relocated 51 stores, the majority of which were local pharmacies, and opened 21 new Boots stores, of which 17 incorporated a pharmacy. In addition to the “your local Boots pharmacy” programme we refitted a further 57 stores and also acquired 18 pharmacies. The number of acquisitions was less than in previous years, partly as a result of restricted availability in the first half of the year following the change in UK capital gains tax rules in April 2008 which meant that a larger than usual number of transactions took place in March 2008. Currently we are prioritising direct investment in new and existing stores. In July 2008 we sold 44 of our footwear outlets (which traded as Scholl), closing the remaining five stores shortly thereafter, as these were not part of our core health and beauty retail proposition. At the year end, in the UK we had 2,591 health and beauty stores, of which 2,375 included a pharmacy.

Our major supply chain reconfiguration programme, announced just over three years ago, remains on track for completion later in 2009. By the year end our automated central distribution centre was handling around half of our retail volume.

Boots Opticians, which we now manage as a separate business, increased trading profits substantially in the year as a result of like for like revenue growth, lower costs and increased franchise income. Like for like revenue from owned practices increased by 1.7%, total revenue declining by 1.3% due to more franchising. During the year we successfully switched 10 practices to our franchise model and also relocated two standalone owned Boots Opticians practices to within Boots UK stores, utilising space surplus to our retail requirements.

On 5 May 2009 we completed the merger of Boots Opticians with Dollond & Aitchison to create the second largest optical chain in the UK. The combined business, which trades as Boots Opticians, had at that date 684 practices, including 207 franchises. It is envisaged that the Dollond & Aitchison practices will, in due course, adopt the Boots Opticians brand. Both businesses have a strong heritage and an excellent reputation for service and customer care, providing a great opportunity to combine these strengths under one brand with a differentiated product offering. De Rigo, a worldwide leader in the design, manufacture and marketing of high quality eyewear, exchanged its ownership of Dollond & Aitchison for a 42% shareholding in the combined business.

Health & Beauty Division - International

Total revenue in countries outside the UK increased year on year by 15.7% to £804 million. Trading profit increased by 18.4% to £45 million, mainly as a result of currency translation and strong profit growth in the Republic of Ireland, which was partially offset by lower profits in The Netherlands and Norway. Trading margins increased by 0.1 percentage points. On a constant currency basis, revenue increased by 1.3%, like for like revenue decreasing by 1.3%, and trading profit increased by 1.9%. In total a net seven stores were added during the year, the number of stores with pharmacies increasing by 10 to 443.

Stores
at 31 March 2009

	Number
Norway	149
Republic of Ireland	51
The Netherlands	77
Thailand	150
Italy	20
Russia	10
	457

In Norway, revenue increased by 3.4% on a constant currency basis. Like for like revenue increased by 1.1%, good retail sales growth, particularly in converted stores, and higher dispensing volume, more than compensating for lower average prescription reimbursement prices. Profitability was adversely impacted by higher employee costs due to a national shortage of pharmacists. By the year end 36 stores were successfully trading as “Boots apotek”, our new branded format specifically developed for the Norwegian market, which sells a targeted range of Boots beauty products in addition to other health and beauty products. The conversion programme will continue throughout 2009/10.

Operating and financial review (continued)

In the Republic of Ireland, where we trade as Boots, revenue increased by 0.4% on a constant currency basis. Like for like revenue decreased by 2.9%, lower retail sales resulting from the fragile state of the Irish economy, being partially offset by excellent growth in dispensing which was well ahead of the market. Profits increased mainly due to improved margins. Three stores were added during the year, including one retail pharmacy acquisition.

In The Netherlands, revenue decreased by 5.3% on a constant currency basis. Like for like revenue decreased by 6.4%, mainly as a result of substantially lower reimbursement prices for generic prescription medicines. These were as a result of Dutch healthcare insurers expanding the use of tenders for generic medicines from June 2008 onwards, referred to as the "preference policy". This has substantially reduced the profitability of pharmacies across The Netherlands. As a result, like other major pharmacy chains, we have impaired part of the business' goodwill, resulting in a non cash exceptional charge of £25 million. Following our success in Norway, in February 2009 we commenced a test of a new "Boots apotheek" pharmacy concept with a much stronger retail offering than typical in Dutch pharmacies. Initial results are promising with the targeted range of Boots branded health and beauty products being particularly popular.

In Thailand, where Boots is one of the largest health and beauty pharmacy chains, revenue increased by 11.4% on a constant currency basis. Like for like revenue increased by 4.6%, growth varying significantly throughout the year due to the continued political instability. Despite this, the business increased its trading profit year on year through a combination of sales and margin growth and cost efficiencies. A net nine pharmacies were added in the year, bringing the total at the year end to 150.

At the year end we also operated 20 retail pharmacies in Italy and 10 in Russia, with a further 36 stores operated by our franchise partner in the United Arab Emirates, Kuwait, Qatar and Bahrain.

Pharmaceutical Wholesale Division

Performance overview

Financial highlights
for the year ended 31 March 2009

		Year on year growth	
	Total £million	**Reported**	**Constant currency**
Revenue			
France	4,519	+14.8%	-2.6%
UK	2,311	+10.8%	+10.8%
Spain	1,257	+13.7%	-3.6%
Italy	1,075	+16.5%	-1.0%
The Netherlands	846	+14.9%	-2.3%
Russia	469	+66.9%	+52.7%
Czech Republic	397	+35.0%	+6.9%
Norway	276	+13.6%	+2.3%
Germany	149	n/a	n/a
Other	42	-	n/a
Intra-segment	(76)		
	11,265	+17.8%	+3.8%
Trading profit	215	+4.4%	-4.4%
Trading margin	1.9%	-0.3pp	-0.2pp

In 2008/09 our Pharmaceutical Wholesale Division experienced the most difficult market conditions we have seen. This was due to significant regulatory changes in a number of countries, tough competition in part due to currency movements and evolving ways in which prescription medicines are supplied to pharmacies. Alliance Healthcare is at the forefront of adapting its business model to meet the needs of governments, pharmaceutical manufacturers and pharmacy customers. This, together with acquisitions, enabled the Division to increase its trading profit year on year, albeit at a lower rate than has historically been the case.

Revenue totalled £11,265 million, an increase of 17.8%, trading profits increasing by 4.4% to £215 million. Overall trading margins decreased by 0.3 percentage points. Adjusting for acquisitions and disposals, on a constant currency basis, like for like revenue increased by 2.2% and like for like trading profit decreased by 8.4%, almost entirely due to France and Spain, like for like trading margins decreasing by 0.2 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.

We have recently 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 this programme are 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 affects all businesses in the Division and will result in a 10% reduction in headcount (of which a quarter had taken place by the year end). This reduction, which will be partially achieved through staff turnover, will be completed over the next 12 months. The programme is targeted to reduce operating costs by around £55 million per annum by 2011/12 and has resulted in exceptional charges of £60 million in 2008/09.

Operating and financial review (continued)

Markets and products

We estimate that the wholesale markets in which we operate grew year on year by around 3.5% 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 lower growth in France due to measures taken by the French government to reduce high consumption levels of prescription medicines.

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 being typically lower in southern Europe.

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 strengthened versus Sterling.

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 a 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 2008/09 Almus broadened its product availability in France, Italy and the UK, and will shortly continue its international roll-out by launching in Spain. During the year we also expanded our range of Alvita branded healthcare products and launched in The Netherlands.

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. During the year Alphega Pharmacy was launched in Russia and now operates in six countries, having more than doubled its membership year on year to around 2,200 pharmacies.

In France, revenue decreased by 2.6% on a constant currency basis, a decrease of 3.0% on a like for like basis. Profitability was impacted by reduced volume throughput, mainly as a result of the growth in the proportion of product which manufacturers sell and distribute direct to pharmacies continuing to increase, and measures taken by the French government to reduce high consumption levels of prescription medicines. We continue to counter the trend in direct sales within the French market through actions such as our attractive generics offering.

In December 2008 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. The acquisition enables 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 10.8% to £2,311 million, like for like revenue increasing by 10.2%. This was mainly due to a number of branded ethical pharmaceutical manufacturers switching to selling through a select number of national wholesalers, including ourselves, which more than offset lower revenue from manufacturers selling direct to pharmacies. Throughout 2008/09 we maintained our market leading position in the UK for the provision of direct deliveries to pharmacies on behalf of manufacturers. Year on year we increased volume through our logistics network by over 8.0%, an increase over the last two years of close to 30%. Profitability was, however, impacted by higher costs in a number of areas. Actions have recently been taken to reduce costs as part of the Division-wide restructuring programme.

Operating and financial review (continued)

UniChem, our principal UK pharmaceutical wholesale business, was re-branded as Alliance Healthcare (Distribution) on 1 April 2009.

In April 2008 we acquired Central Homecare, which provides home healthcare services to patients in the UK who require management of complex drug therapies. This acquisition gives us a presence in what we see as a highly attractive segment of the market with excellent long term growth potential.

In Spain, total revenue decreased by 3.6% 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. Costs continued to be tightly managed and in February 2009 we rationalised our distribution facilities in the Catalonia region.

In Italy, revenue decreased by 1.0% on both a constant currency and like for like basis. Manufacturers continued to increase direct distribution to pharmacies, which, together with strong regional competition, adversely impacted profitability.

In The Netherlands, revenue decreased by 2.3% 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. Costs and margins were tightly managed throughout the year, enabling the business to increase profitability.

In Russia, revenue increased by 52.7% 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. This enabled the business to deliver strong year on year profit growth.

In the Czech Republic, revenue increased by 6.9% on both a constant currency and like for like basis, reflecting a strong performance in the hospital channel where we gained market share. This, together with lower operating costs, enabled the business to increase profits year on year. In February 2009, we opened a new building on our existing Prague distribution site, which expanded our capacity to handle additional pre-wholesaling and contract logistics services volume.

In Norway, revenue increased by 2.3% on both a constant currency and like for like basis, profitability being impacted by higher freight and employee costs. Holtung, our principal business, was re-branded as Alliance Healthcare Norge on 31 March 2009.

Germany is reported as a separate country for the first time, following the October 2008 acquisition of 90% of Megapharm, which provides a range of specialised wholesaling and logistics services for oncology products. This acquisition further extends the range of specialist added-value services we offer our manufacturer and pharmacist customers and is in line with our strategy of broadening our wholesaling services beyond traditional pharmaceutical wholesaling. Since being acquired, Megapharm has traded in line with our expectations at the time of purchase.

Other revenue mainly comprises own brand exports to third parties.

Operating and financial review (continued)

Other activities

Contract Manufacturing & Corporate Costs
Revenue from Contract Manufacturing for third party health and beauty brands, which utilises manufacturing capacity not required for internal supply, increased year on year by 1.0% to £106 million, a decrease of 0.2% on a like for like and constant currency basis. Third party volumes increased significantly as a result of new contracts to manufacture proprietary brands for leading consumer goods companies. The profit contribution from Contract Manufacturing was allocated to Boots UK as in prior years.

During 2008/09 we embarked on a programme to establish our Contract Manufacturing business, BCM, as a standalone business within the Group with effect from 1 April 2009. We believe that this change will enable it 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.

Corporate Costs increased year on year to £47 million due to higher expenditure on resources necessary to drive key programmes across the Group.

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

Our share of revenue of associates and joint ventures increased year on year by 34.8% to £3,348 million. Our share of trading profit at £112 million increased year on year by 34.9%, our share of post tax earnings before exceptional items increasing by 25.0% to £75 million, there being no exceptional items in the year we are reporting on. On a constant currency basis, adjusting for changes in associate and joint venture interests, like for like revenue increased by 5.7%, like for like trading profit by 13.1% and like for like post tax earnings before exceptional items by 6.3%.

After a strong year on year performance for many years, the earnings of Hedef Alliance were lower, mainly as a result of lower gross margins due to product mix and reduced supplier discounts. During the year Hedef Alliance reduced headcount in its Turkish business in order to improve efficiency and performance. Alliance Healthcare Portugal continued to perform well, increasing both trading margin and profit. In China, Guangzhou Pharmaceuticals Corporation, our joint venture established in January 2008, has performed in line with our original expectations, substantially growing like for like trading profits.

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. The Group has recorded a non cash exceptional charge of £15 million to impair its investment in ANZAG, based on a comparison of ANZAG's carrying value and estimated recoverable amount. Galenica published its 2008 Annual Report in March 2009 in which they reported net profit (after tax) up 40.4% year on year on net sales up 6.9%.

In August 2008 we announced that we had signed a conditional agreement to acquire an initial 25% equity shareholding in one of Brazil's leading pharmaceutical wholesalers. As the conditions were not met, we chose not to proceed with the investment.

Operating and financial review (continued)

Financial review

Financial summary

	Underlying £million	Exceptional items £million	Amortisation of customer relationships and brands £million	IAS 39 timing differences £million	Statutory £million
Trading profit/profit from operations before associates and joint ventures	841	(121)	(80)	-	640
Share of post tax earnings of associates and joint ventures	75	-	-	-	75
Impairment of investment in associate	-	(15)	-	-	(15)
Net finance costs	(705)	78	-	(60)	(687)
Tax credit	25	24	23	16	88
Underlying profit/profit for the year	**236**	**(34)**	**(57)**	**(44)**	**101**

Exceptional items

Exceptional items comprised the following charges:

	£million
Costs in relation to Pharmaceutical Wholesale Division restructuring programme	(60)
Costs in relation to merger synergies and second phase of integration projects	(36)
Impairment of goodwill	(25)
	(121)
Impairment of investment in associate	(15)
Impairment of available-for-sale investment	(28)
Discounts on repurchase of acquisition borrowings	106
Tax credit on exceptional items	24
	(34)

The costs in relation to the Pharmaceutical Wholesale Division restructuring programme, merger synergies and second phase of integration projects comprised non cash related items of £10 million and cash related items of £86 million, of which just over half will be paid in future years.

All the impairment charges were non cash. The impairment of available-for-sale investment was for the Group's investment in Cegedim to reflect the market value of its quoted shares at 31 March 2009.

The discounts on repurchase of acquisition borrowings were for borrowings (principally mezzanine debt) acquired from holders in the secondary market. The nominal value of acquisition borrowings acquired was £191 million and the total discount, net of the related prepaid financing fees, has been accounted for as a loan redemption, reducing net borrowings. The cash cost of the repurchase was financed by our immediate parent company, of which £60 million was by way of new investment in the Company's ordinary share capital.

Subsequent to 31 March 2009, the Group has agreed to repurchase further acquisition borrowings. The nominal value to be repurchased is £227 million for a cash cost of £142 million.

Operating and financial review (continued)

Net finance costs

Underlying net finance costs were £705 million, the Group having benefited during the year from low interest rates.

Net interest paid of £623 million was lower than the income statement charge, mainly due to the amortisation of prepaid financing fees of £46 million and rolled up interest on mezzanine debt of £27 million which is payable when the debt itself is repaid. The other principal non cash items within underlying net finance costs were in relation to retirement benefit obligations, which netted to a £7 million cost. This comprised the expected return on defined benefit schemes' assets of £234 million within finance income, and interest on schemes' liabilities of £241 million within finance costs. Statutory gross finance costs, after adjusting for these principal non cash costs, were £738 million.

Tax

Underlying tax was a credit of £25 million. This credit was a result of the recognition of deferred tax on capital allowances that have not been claimed due to taxable losses and the recognition of prior period UK losses. Tax paid was £23 million.

Cash flow

During the year the Group generated a strong operating cash flow which was used to fund investment in growth.

	£million
Trading profit	**841**
Underlying depreciation and amortisation	255
Profit on disposal of property, plant and equipment	(2)
Exceptional items	(86)
Net movement in working capital and provisions	89
Movement in net retirement benefit assets	(52)
Cash generated from operations	**1,045**
Interest	(623)
Tax	(23)
Acquisitions	(61)
Net capital expenditure	(272)
Other	92
Total cash inflow	**158**

Cash generated from operations totalled £1,045 million. This included a net working capital and provisions inflow of £89 million reflecting a number of initiatives to improve working capital management, including a project to bring UK creditors' terms in line with market. The movement in net retirement benefits 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.

A net £61 million of cash was invested in acquiring businesses, net of cash and borrowings acquired, the principal acquisitions being Megapharm in Germany, Depolabo in France and Central Homecare in the UK, all of which were in our Pharmaceutical Wholesale Division. 19 pharmacies were acquired in our Health & Beauty Division, mainly in the UK.

£272 million of cash was invested on net capital expenditure, which was £17 million more than the underlying depreciation and amortisation charge. This demonstrates our continuing commitment to invest in the long term development of Alliance Boots. Over three quarters of this investment was in our Health & Beauty Division, primarily in the UK. The key areas of expenditure in the UK were the roll-out of the "your local Boots pharmacy" branded format and retail store openings, refits and relocations, other major projects being the new automated central distribution centre in Nottingham for the supply chain reconfiguration programme and information technology projects. Capital expenditure in our Pharmaceutical Wholesale Division was mainly on upgrading our distribution network and on information technology.

Other net cash inflows included £34 million of dividends received from our associate investments and £60 million from the issue of ordinary share capital.

Operating and financial review (continued)

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 £9,034 million. The movement in the year was as follows:

	£million
Total cash inflow	**158**
Discount on repurchase of bank loans	106
Finance leases entered into	(9)
Amortisation of prepaid financing fees	(46)
Capitalised finance costs	(27)
Currency translation differences	(410)
Fair value adjustments on financial instruments	(60)
Net movement in borrowings in the year	**(288)**
Net borrowings at 1 April 2008	(8,746)
Net borrowings at 31 March 2009	**(9,034)**

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 both of these currencies relative to Sterling over the year gave rise to an increase 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.

Shareholders' equity

Shareholders' equity increased during the year by £169 million to £4,182 million at the year end. The movement in the year was as follows:

	£million
Profit for the year	**101**
Income and expense recognised directly in equity:	
Currency translation differences	94
Defined benefit schemes - net actuarial losses	(152)
Net movements on available-for-sale reserve	21
Tax on items taken directly in equity	45
Issue of share capital	60
Net movement in shareholders' equity in the year	**169**
Shareholders' equity at 1 April 2008	4,013
Shareholders' equity at 31 March 2009	**4,182**

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. The gains were a result of the relative weakening of Sterling during the year.

The net actuarial losses on defined benefit schemes were a result of lower than expected returns on pension fund assets, partially offset by reductions in liabilities due to higher government gilt rates used to discount pension obligations.

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 2014 and 2017. The Group also has access to a committed £820 million revolving credit facility, £194 million of which has been utilised in providing guarantees, mainly in relation to the Boots Pension Scheme, and £626 million of which was available at the year end. This facility provides access to funding in a range of currencies and is available until 2014. In addition, the Group has in issue a £300 million Eurobond which matures and will be repaid on 26 May 2009.

Operating and financial review (continued)

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 62% of the Group's total borrowings were at fixed or capped interest rates.

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 £2,271 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. In the past year, general market conditions have created discontinuities in some foreign exchange markets which have made hedging uneconomic or unavailable. We have since seen a reversion to more normal markets and hedging activities have been resumed.

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

	Average 2008/09	At 31 March 2009	Pro forma average 2007/08	At 31 March 2008
Euro	1.21	1.08	1.42	1.27
Turkish Lira	2.39	2.39	2.52	2.57
Swiss Franc	1.88	1.63	2.33	2.00

Retirement benefit obligations
The total charge before tax for retirement benefit obligations was £61 million. This comprised £54 million of costs within profit from operations and net finance costs of £7 million. At the year end the total net retirement benefit surplus on an accounting basis was £188 million before deferred tax.

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% its of 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. This scheme, which is also closed to new members, plans to hold 50% of assets in return-seeking asset classes such as equities and 50% in investments with cash flows which match projected pension obligations under a liability-driven investment strategy. 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 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 2008/09, with the same amount committed in each of the following four financial years.

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 2009, prepared in accordance with International Financial Reporting Standards.

Summarised consolidated financial statements

Group income statement
for the year ended 31 March 2009

	Year ended 31 March 2009 £million	Period ended 31 March 2008 £million
Revenue	**17,195**	11,865
Profit from operations before associates and joint ventures	**640**	486
Share of post tax earnings of associates and joint ventures	**75**	49
Impairment of investment in associate	**(15)**	-
Profit from operations	**700**	535
Finance income	**365**	254
Finance costs	**(1,052)**	(853)
Profit/(loss) before tax	**13**	(64)
Tax	**88**	74
Profit for the year/period	**101**	10
Attributable to:		
Equity shareholders of the Company	**101**	10
Minority interests	**-**	-
	101	10

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

Group statement of recognised income and expense
for the year ended 31 March 2009

	Year ended 31 March 2009 £million	Period ended 31 March 2008 £million
Exchange differences on translation of non-Sterling denominated operations	**97**	101
Defined benefit schemes - net actuarial (losses)/gains	**(152)**	181
Fair value gains on cash flow hedging instruments net of amounts recycled	**-**	1
Net movements on available-for-sale reserve	**21**	(24)
	(34)	259
Tax on items taken directly to equity	**45**	(54)
Income and expense recognised directly in equity	**11**	205
Profit for the year/period	**101**	10
Total recognised income and expense for the year/period	**112**	215
Attributable to:		
Equity shareholders of the Company	**109**	213
Minority interests	**3**	2
	112	215

The comparative financial information for the period ended 31 March 2008 is from 13 April 2007 to 31 March 2008 and includes the results of the Alliance Boots plc group from the date of acquisition on 26 June 2007.

Summarised consolidated financial statements (continued)

Group balance sheet
as at 31 March 2009

	2009 £million	2008 £million
Assets		
Non-current assets		
Goodwill	**4,771**	4,514
Other intangible assets	**5,533**	5,460
Property, plant and equipment	**2,147**	2,078
Investments in associates and joint ventures	**1,079**	910
Available-for-sale investments	**39**	48
Other receivables	**66**	66
Deferred tax assets	**102**	66
Retirement benefit assets	**216**	317
Derivative financial instruments	**-**	1
	13,953	13,460
Current assets		
Inventories	**1,542**	1,422
Trade and other receivables	**2,649**	2,130
Cash and cash equivalents	**473**	413
Restricted cash	**343**	366
Derivative financial instruments	**4**	2
Assets classified as held-for-sale	**11**	-
	5,022	4,333
Total assets	**18,975**	17,793
Liabilities		
Current liabilities		
Borrowings	**(930)**	(733)
Trade and other payables	**(3,213)**	(2,509)
Current tax liabilities	**(14)**	(30)
Provisions	**(88)**	(31)
Derivative financial instruments	**-**	(22)
	(4,245)	(3,325)
Net current assets	**777**	1,008
Non-current liabilities		
Borrowings	**(8,674)**	(8,585)
Other payables	**(21)**	(25)
Deferred tax liabilities	**(1,498)**	(1,545)
Retirement benefit obligations	**(28)**	(20)
Provisions	**(35)**	(57)
Derivative financial instruments	**(250)**	(188)
	(10,506)	(10,420)
Net assets	**4,224**	4,048
Equity		
Share capital	**1,065**	1,005
Share premium	**2,795**	2,795
Retained earnings	**131**	137
Other reserves	**191**	76
Shareholders' equity	**4,182**	4,013
Minority interests	**42**	35
Total equity	**4,224**	4,048

Summarised consolidated financial statements (continued)

Group cash flow statement
for the year ended 31 March 2009

	Year ended 31 March 2009 £million	Period ended 31 March 2008 £million
Operating activities		
Profit from operations	**700**	535
Adjustments to reconcile profit from operations to cash generated from operations:		
Share of post tax earnings of associates and joint ventures	**(75)**	(49)
Depreciation and amortisation	**345**	256
Impairment of goodwill and investment in associate	**40**	-
Profit on disposal of property, plant and equipment	**(2)**	-
(Increase)/decrease in inventories	**(13)**	34
(Increase)/decrease in receivables	**(100)**	224
Increase/(decrease) in payables and provisions	**202**	(265)
Movement in retirement benefit assets and obligations	**(52)**	(116)
Cash generated from operations	**1,045**	619
Tax paid	**(23)**	(58)
Net cash from operating activities	**1,022**	561
Investing activities		
Acquisition of businesses	**(138)**	(10,790)
Cash and cash equivalents of businesses acquired net of overdrafts	**25**	420
Disposal of businesses	**1**	20
Purchase of investments in associates and joint ventures	**-**	(41)
Purchase of available-for-sale investments	**(3)**	(3)
Purchase of property, plant and equipment, and intangible assets	**(294)**	(222)
Disposal of property, plant and equipment, and intangible assets	**22**	19
Dividends received from associates and joint ventures	**34**	19
Interest received	**49**	61
Net cash used in investing activities	**(304)**	(10,517)
Financing activities		
Interest paid	**(646)**	(598)
Interest element of finance lease obligations	**(4)**	(4)
Proceeds from borrowings	**125**	8,200
Repayment of borrowings, repurchase of acquisition borrowings and settlement of derivatives	**(342)**	(621)
Fees associated with financing activities	**(22)**	(246)
Net cash and cash equivalents transferred from/(to) restricted cash	**161**	(366)
Issue of ordinary share capital	**60**	3,800
Repayment of capital element of finance lease obligations	**(20)**	(16)
Contribution from minority interests	**-**	17
Net cash (used in)/from financing activities	**(688)**	10,166
Net increase in cash and cash equivalents in the year/period	**30**	210
Cash and cash equivalents at beginning of year/period	**197**	-
Currency translation differences	**(17)**	(13)
Cash and cash equivalents at 31 March	**210**	197

All cash flows arose from continuing operations in the year/period.

Glossary of key terms

Constant currency
Exchange rates applicable for the pro forma financial information for the year end 31 March 2008.

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 pledged as collateral in respect of loan note obligations and deposits restricted under contractual agency agreements.

Trading margin
Trading profit expressed as a percentage of revenue.

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

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

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

Underlying profit
Profit for the year before exceptional items, amortisation of customer relationships and brands, IAS 39 timing differences and related tax.

Underlying tax charge/credit
Tax charge/credit adjusted to exclude tax on exceptional items, amortisation of customer relationships and brands, IAS 39 timing differences and exceptional tax.