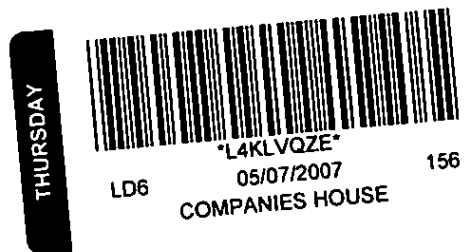


**Company Registration No. 286222**

**E Moss Limited**

**Report and Financial Statements**

**15 months ended 31 March 2007**



# **E Moss Limited**

## **Report and financial statements 2007**

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# **E Moss Limited**

## **Report and financial statements 2007**

### **Officers and professional advisers**

#### **Directors**

B M Andrews  
S W J Duncan  
S Hulme  
P D Kennerley  
S F Liebling  
A J M Prosser  
T J Scicluna  
C D Aylward  
M F Muller (Company Secretary)

#### **Registered Office**

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

#### **Bankers.**

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

#### **Auditors**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **E Moss Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the 15 months ended 31 March 2007. The company has changed its accounting reference date to 31 March.

### **Principal Activities**

The company is a wholly owned subsidiary of and operates as the Community Pharmacy division of Alliance Boots plc.

The principal activity of the company continues to be the retailing of pharmaceutical and allied products.

The company operated 944 branches nationwide at the period end (2005 – 957).

### **Business Review**

As shown in the company's profit and loss account on page 10 and as explained below, the company's sales for the 15 months are 31.7% higher than the 12 months ended 31 December 2005 and the profit after tax has similarly improved from £36,100,000 to £62,709,000.

The balance sheet on page 12 of the financial statements shows that the company's financial position at the period end is, in net asset terms, consistent with the prior period.

Revenue increased by 31.7% to £1,188 million for the 15 months. Trading profit increased 52.7% for the 15 months over the preceding period due to both revenue and trading margin growth and the profit on sale of 54 pharmacies as a result of the divestment programme to comply with the undertakings given to the Office of Fair Trading at the time they approved the merger between Alliance UniChem and Boots plc. Total dispensing volumes increased by 31.7% to 89.8 million items for the 15 months.

In England and Wales the adjustments to the reimbursement rate in relation to generic prescription medicines, which came into effect from the beginning of October 2006, slowed market growth in value terms in the six months to 31 March 2007 as anticipated. This regulatory action was expected and we have taken steps to mitigate the impact of these changes.

We continue to develop the role of retail pharmacists in the provision of healthcare services. Total service income, which came primarily from Medicine Use Reviews and other locally commissioned services, while still relatively modest, increased over 100% in the 15 months.

Over 70% of our pharmacies now incorporate private consultation facilities. This, together with our pharmacist accreditation programmes, has enabled us to increase the number of Medicine Use Reviews carried out by our pharmacists by almost ten times in the 15 months compared to the 9 months from 1 April 2005 when the service started under the new contract. Over 86,000 reviews were carried out in the 15 months and over 77,000 during the year to 31 March 2007, which we believe is well above our overall healthcare market share. At the beginning of October 2006 the Department of Health raised the fee rate for Medicine Use Reviews from £23 to £25 per review and for pharmacies that were already carrying out such reviews further increased the upper limit from 250 to 400 reviews per annum. The new pharmacy contract was introduced in Scotland in April 2006 and since the Minor Ailment Service became fully operational in July 2006 we have signed up over 126,000 patients.

In Scotland the smoking ban in public indoor spaces was introduced at the end of March 2006. Since then we have seen significant increases in the provision of smoking cessation services and sales of related products in our Scottish pharmacies. Similar bans in Wales and Northern Ireland have just been implemented in April 2007 with the ban in England to take effect from the beginning of July. By the period end, around 365 of our pharmacies were providing state funded stop smoking services in support of the public health agenda.

# **E Moss Limited**

## **Directors' report**

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

During the 15 months three central dispensaries were opened which dispense high volumes of acute and repeat prescriptions in a highly efficient way to local pharmacies. This brought the total number of central dispensaries to 13 at the period end. The changes being introduced by the Department of Health, including the introduction of electronic prescriptions, mean that we see an increasing role for such central dispensaries over the coming years, thereby freeing up community-based pharmacists to spend an increasing proportion of their time providing services and advice to their patients, in addition to dispensing acute prescriptions.

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

The number of pharmacies in the Community Pharmacy business reduced by a net 15 in the 15 months as a result of the divestment programme to comply with the undertakings given to the Office of Fair Trading at the time they approved our merger. While fulfilling these undertakings our Community Pharmacy business has not acquired pharmacies at its historical rate. Since the beginning of 2007 we have stepped up the rate of acquisitions, acquiring 16 pharmacies in the quarter to 31 March bringing the total acquired during the 15 months to 37. At 31 March 2007 the Community Pharmacy business operated 994 retail outlets, of which 939 were pharmacies.

It is intended to continue expanding the number of pharmacies operated by the company through acquiring new branches either individually or in groups. As set out in note 20, the company already has sufficient funding in place to meet its foreseeable needs.

Details of significant events since the balance sheet date are contained in note 27 to the financial statements on page 27.

### **Principal risks and uncertainties**

Competitive pressure in the UK is a continuing risk for the company, which could result in it losing sales to its key competitors. The company manages the risk by providing value added services to its customers, having fast response times and maintaining strong relationships with customers.

There is a risk, applicable to all other pharmacy businesses in the industry that the Department of Health could take further action to reduce drug tariff prices still further.

The company is financed by loans from its parent company as shown in note 20 on page 25 to the financial statements, these loans are aligned to LIBOR and therefore the company has limited interest rate exposure. The company's only third party debt is in respect of finance leases and is as disclosed in note 18 to the financial statements on page 24.

Group risks are discussed in the Group's Annual Report which does not form part of this report.

# **E Moss Limited**

## **Directors' report**

### **Dividend**

The directors have declared and paid an interim dividend of 21 17p per ordinary share, £51,639,000 (2005 – interim dividend 12 95 per ordinary share £31,600,000) They do not recommend a final dividend (2005 £nil)

### **Environment**

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the company's impact on the environment include improving our energy use efficiency, switching from conventional to hydro power and minimising the production of waste (both hazardous and non-hazardous)

### **Employees**

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 16

Information is provided to employees and their views ascertained through the operation of a training and management scheme and the publication of regular information sheets

During the period, the policy of the company has been to employ suitably qualified disabled persons and, as far as possible, to offer those individuals the same training, career development and promotion opportunities within the company as are offered to those who are not disabled

### **Directors and their interests**

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

B M Andrews  
S W J Duncan  
S Hulme  
P D Kennerley  
S F Liebling  
A J M Prosser  
S M Rockhill (resigned 1 August 2006)  
T J Scicluna  
C D Aylward  
C Rose (appointed 1 December 2006, resigned 31 May 2007)  
M F Muller (Company Secretary, appointed 1 February 2006)

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

S W J Duncan is also a director of Alliance Boots plc, the ultimate parent company, and his interests in the shares of that company are shown in the Alliance Boots plc financial statements

# E Moss Limited

## Directors' report

### Directors and their interests (continued)

The interests of the other directors in the shares of Alliance UniChem Plc and Alliance Boots plc at 31 March 2007 and 1 January 2006 are as follows

	Beneficial holdings	
	31 March 2007	31 December 2005
	Alliance Boots plc 37 & 7/39p Ordinary Shares No.	Alliance UniChem Plc 10p Ordinary Shares No.
B M Andrews	10,131	10,209
P D Kennerley	5,506	1,331
C D Aylward	5,795	2,267
S F Liebling	3,734	-
S Hulme	2,783	-
S M Rockhill	6,509	4,817

Alliance UniChem Plc share options				
1 January 2006 No.	Granted in the 15 months period No.	Exercised in the 15 months period No.	Lapsed in the 15 months period No.	31 March 2007 No.
B M Andrews	-	-	-	-
S Hulme	52,603	-	52,603	-
P D Kennerley	63,304	-	63,304	-
S F Liebling	53,804	-	53,804	-
A J M Prosser	53,804	-	53,804	-
S M Rockhill	84,631	-	84,631	-
T J Scicluna	47,642	-	47,642	-
C D Aylward	85,344	-	85,344	-

Alliance Boots plc share options				
1 January 2006 No	Share options granted in the 15 months period No.	Share options awarded in the 15 months period No.	Exercised in the 15 months period No.	31 March 2007 No.
B M Andrews	-	-	-	-
S Hulme	-	4,368	11,350	15,718
P D Kennerley	-	1,482	15,437	16,919
S F Liebling	-	1,482	12,259	13,741
A J M Prosser	-	1,482	11,804	13,286
S M Rockhill	-	4,836	13,167	18,003
T J Scicluna	-	2,853	15,437	18,290
C D Rose	-	-	-	-
M F Muller	-	1,482	12,713	14,195
C D Aylward	-	8,121	10,215	18,336

No directors had any interests in any other group companies

# **E Moss Limited**

## **Directors' report**

### **Payment of suppliers**

It is the policy of the company to abide by the payment terms negotiated with each of its suppliers whenever it is satisfied that the invoiced goods or services have been supplied in accordance with agreed terms and conditions. The trade creditors of the company at 31 March 2007 were equivalent to 72 days (80 days in 2005) purchases, based on average daily amount invoiced by suppliers during the period.

### **Auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- 1) so far as the director is aware there is no relevant information of which the company's auditors are unaware,
- 2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



M F Muller  
Director

29 June 2007



## **E Moss Limited**

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **E Moss Limited**

### **Independent auditors' report to the members of E Moss Limited**

We have audited the financial statements of E Moss Limited for the 15 months ended 31 March 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you, if in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the directors' report for the above period and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, and are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

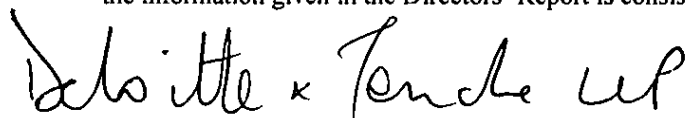
## **E Moss Limited**

### **Independent auditors' report to the members of E Moss Limited (continued)**

#### **Opinion**

In our opinion

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the company's affairs as at 31 March 2007 and of its profit for the 15 months then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

A handwritten signature in black ink, appearing to read 'Deloitte & Touche LLP', is written over the list of bullet points.

**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

29 June 2007

## E Moss Limited

### Profit and loss account

For the 15 months ended 31 March 2007

	Notes	2007 15 months £'000	2005 £'000 Restated
<b>Turnover</b>			
Existing operations		1,166,864	902,296
Acquisitions		21,025	-
		<b>1,187,889</b>	<b>902,296</b>
Continuing operations		1,106,729	834,757
Discontinued operations		81,160	67,539
		<b>1,187,889</b>	<b>902,296</b>
<b>Total turnover</b>	1,2	<b>1,187,889</b>	<b>902,296</b>
Cost of sales	2	(867,931)	(671,140)
		<b>319,958</b>	<b>231,156</b>
Gross profit	2		
Administrative expenses	2	(217,711)	(153,553)
Other operating income	2,4	1,362	470
		<b>101,196</b>	<b>78,073</b>
<b>Operating profit</b>			
Existing operations		101,196	78,073
Acquisitions		2,413	-
		<b>103,609</b>	<b>78,073</b>
Continuing operations		91,551	68,164
Discontinued operations		12,058	9,909
		<b>103,609</b>	<b>78,073</b>
<b>Total Operating profit</b>		<b>103,609</b>	<b>78,073</b>
Loss on disposal of fixed assets in continuing operations		(112)	(21)
Profit on disposal of pharmacy licences		16,165	322
		<b>119,662</b>	<b>78,374</b>
<b>Profit on ordinary activities before interest</b>			
Interest receivable and similar income		35	9
Interest payable and similar charges	6	(30,345)	(27,202)
		<b>89,352</b>	<b>51,181</b>
<b>Profit on ordinary activities before taxation</b>			
Tax on profit on ordinary activities	7	(26,643)	(15,081)
		<b>62,709</b>	<b>36,100</b>
<b>Retained profit for the financial year</b>	22	<b>62,709</b>	<b>36,100</b>

## **E Moss Limited**

### **Statement of total recognised gains and losses For the 15 months ended 31 March 2007**

	<b>Note</b>	<b>2007 15 months £'000</b>	<b>2005 £'000 Restated (Note 22)</b>
Total recognised gains and losses relating to the period		62,709	36,100
Prior year adjustment on adoption of FRS 20	23	489	-
<b>Total gains and losses recognised since the last annual report and financial statements</b>		<b>63,198</b>	<b>36,100</b>

### **Note of historical cost profit and losses For the 15 months ended 31 March 2007**

	<b>2007 15 months £'000</b>	<b>2005 £'000 Restated</b>
Reported profit on ordinary activities before taxation	89,352	51,181
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	21	17
<b>Historical cost profit on ordinary activities before taxation</b>	<b>89,373</b>	<b>51,198</b>
<b>Historical cost profit on ordinary activities for the period retained after taxation and dividends</b>	<b>11,091</b>	<b>4,517</b>

# E Moss Limited


## Balance sheet 31 March 2007


	Note	31 March 2007 £'000	31 December 2005 £'000 Restated
<b>Fixed assets</b>			
Intangible assets	10	496,113	507,418
Tangible assets	11	83,517	80,948
Investments	12	141,652	119,302
		<u>721,282</u>	<u>707,668</u>
<b>Current assets</b>			
Stocks	13	70,464	77,095
Debts subject to financing arrangements			
Securitised receivables		-	41,357
Non-recourse receipts		-	(35,000)
Net securitised receivables	14	-	6,357
Debtors	14	177,542	66,534
Cash at bank and in hand		6,281	-
Deferred tax	16	3,161	-
		<u>257,448</u>	<u>149,986</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(262,920)</u>	<u>(223,413)</u>
<b>Net current liabilities</b>		<u>(5,472)</u>	<u>(73,427)</u>
<b>Total assets less current liabilities</b>		<u>715,810</u>	<u>634,241</u>
<b>Creditors: amounts falling due after more than one year</b>			
Amounts owed to group undertakings	20	(378,651)	(306,600)
Obligations under finance leases	18	(9,784)	(10,097)
<b>Provisions for liabilities</b>	16	<u>-</u>	<u>(2,921)</u>
<b>Net assets</b>		<u>327,375</u>	<u>314,623</u>
<b>Capital and reserves</b>			
Called up share capital	17	243,938	243,938
Share premium account	21	15,000	15,000
Revaluation reserve	21	15,678	14,957
Profit and loss account	21	52,759	40,728
<b>Equity shareholders' funds</b>		<u>327,375</u>	<u>314,623</u>


These financial statements were approved by the Board of Directors on

29 June 2007

Signed on behalf of the Board of Directors

  
S W J Duncan  
Director

  
P D Kennerley  
Director

  
M F Muller  
Director

# **E Moss Limited**

## **Notes to the accounts**

**Period ended 31 March 2007**

### **1 Accounting policies**

#### **Basis of preparation**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets, in accordance with United Kingdom Generally Accepted Accounting Practice and applicable United Kingdom Law. The principal accounting policies adopted within that convention are set out below. These have been applied consistently throughout the period and the prior year except for the adoption of FRS 20 'Share-Based Payments', details of which are set out in note 9.

#### **Exemption from requirement to prepare group financial statements**

The company is entitled to the exemption conferred by Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements represent the trade and position of E Moss Limited as an individual entity.

#### **Cash flow statement**

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

#### **Turnover**

Turnover is the amount derived from the sale of goods and services in the normal course of business outside the company, net of trade discounts, value added tax and other sales related taxes.

#### **Retail pharmacy licences**

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

#### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost of these assets to their estimated residual values on a straight line basis over the period of their estimated useful economic lives.

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

Freehold land is not depreciated.

#### **Leased assets**

Assets held under finance leases are capitalised and depreciated over the estimated useful life of the asset. Finance charges are allocated over the primary period of the lease in proportion to the capital element of the lease outstanding. Costs of operating leases are charged to the profit and loss account on a straight line basis.

#### **Investments**

Investments are stated at cost less provision for impairment.

#### **Stocks**

Stocks consist of goods held for resale and are stated at the lower of cost and net realisable value.

#### **Pensions**

The company participates in a defined benefit scheme operated by the Alliance Boots plc Group. However, E Moss Limited is unable to identify its share of the underlying assets and liabilities. The company itself accounts for the scheme in its financial statements as if it were a defined contribution scheme in accordance with FRS 17.

# E Moss Limited

## Notes to the accounts

### Period ended 31 March 2007

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

#### Share-based payments

The Company has applied the requirements of Financial Reporting Standard 20 *Share-based payment* ("FRS 20"). In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The fair value of the employee services received in exchange for the grant of options over the shares of the parent company is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the estimate of the number of options that are expected to become exercisable is revised, and the impact of the revision of the original estimates is recognised in the income statement and a corresponding adjustment is made to equity.

#### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law, at the balance sheet date. Deferred tax is not provided on timing differences arising from either the revaluation of fixed assets or rolled over gains where there is no commitment to sell the asset. Deferred tax is only provided on unremitted earnings of subsidiaries and associates where there is a commitment to remit the earnings. Deferred tax assets are recognised to the extent that they are regarded as more likely than not to be recovered. Deferred tax assets and liabilities are not discounted.

#### Securitised receivables

Where the company has sold trade receivables and received an initial cash payment on a non-recourse basis in return, the gross amount of the trade receivables sold is disclosed on the face of the balance sheet as securitised receivables and the amounts received as non-recourse receipts. The company retains an interest in the receivables represented by the net of these two amounts.

Fixed charges in respect of securitised receivables are paid by Alliance Boots plc.

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

	Discontinued Operations 2007 £'000	Acquisitions 2007 £'000	Continuing operations 2007 £'000	Total 15 months 2007 £'000	Total 2005 £'000 Restated
Turnover	81,160	21,025	1,085,704	1,187,889	902,296
Cost of sales	(54,326)	(13,920)	(799,685)	(867,931)	(671,140)
Gross profit	26,834	7,105	286,019	319,958	231,156
Administrative expenses	(14,776)	(4,692)	(198,243)	(217,711)	(153,553)
Other operating income	-	-	1,362	1,362	470
Operating profit	12,058	2,413	89,138	103,609	78,073

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



# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 3. Information regarding directors and employees

	2007 15 months £'000	2005 £'000
<b>Directors' emoluments</b>		
Aggregate emoluments	3,512	1,835
Company contributions to pension schemes	287	117
	<u>3,799</u>	<u>1,952</u>
	No.	No
Number of directors who		
- are members of a defined benefit scheme	7	8
- exercised options in the 15 months period	7	5
	<u>£'000</u>	<u>£'000</u>
The highest paid director received		
Emoluments	1,037	475
Company contributions to pension schemes	145	34
	<u>1,182</u>	<u>509</u>

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

S W J Duncan is also a director of Alliance Boots plc, the ultimate parent company. Details of his emoluments are shown in Alliance Boots plc's financial statements.

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 3 Information regarding directors and employees (continued)

	2007 15 months No.	2005 No
Average number of persons employed (including directors)		
Sales and distribution	8,019	7,787
Administration	493	425
	<u>8,512</u>	<u>8,212</u>
	2007 15 months £'000	2005 £'000
Staff costs during the period (including directors)		
Wages and salaries	141,031	103,581
Social security costs	10,614	7,980
Pension costs	4,176	6,302
Share based payments charge	1,682	929
	<u>157,503</u>	<u>118,792</u>

### 4. Other operating income

	2007 15 months £'000	2005 £'000
Dividends received from investments	<u>1,362</u>	<u>470</u>

### 5 Operating profit

	2007 15 months £'000	2005 £'000
Operating profit is after charging:		
Depreciation		
Owned assets	12,594	9,448
Assets held under finance leases and hire purchase contracts	310	296
Rentals under operating leases		
Land and buildings	16,313	13,185
Pension contribution costs	13,659	5,600
Alliance Boots integration costs	4,329	-
Audit fees payable pursuant to legislation	<u>95</u>	<u>74</u>

Fees to auditors for other services amounted to £nil (2005 - £nil) during the period

### 6. Interest payable and similar charges

	2007 15 months £'000	2005 £'000
Bank loans and overdrafts	29,305	26,372
Finance leases and hire purchase contracts	<u>1,040</u>	<u>830</u>
	<u>30,345</u>	<u>27,202</u>

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 7. Tax on profit on ordinary activities

	2007 15 months £'000	2005 £'000 Restated
United Kingdom corporation tax at 30% (2005 – 30%)	34,025	16,457
Adjustments in respect of prior periods	(1,300)	524
	<u>32,725</u>	<u>16,981</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences – pension	(2,048)	(1,680)
– other	(4,122)	1,294
Adjustment in respect of prior periods	88	(1,514)
	<u>(6,082)</u>	<u>(1,659)</u>
Total deferred tax		
Tax on profit on ordinary activities	<u>26,643</u>	<u>15,081</u>

	2007 15 months £'000	2005 £'000
<b>Reconciliation of the current tax charge</b>		
Profit on ordinary activities before taxation	89,352	52,110
Tax charge at standard rate	26,806	15,633
Permanent differences	1,478	820
Dividends from UK companies, not taxable	(409)	(141)
Timing differences (reversing) – pension	2,048	1,680
Timing differences (reversing) – other	4,102	(1,535)
Other prior period adjustment	(1,300)	524
	<u>32,725</u>	<u>16,981</u>
Current tax charge for the period		

### 8. Equity dividends paid

	2007 15 months £'000	2005 £'000
Interim dividend paid 21 17p per ordinary share (2005 – 12 95p)	<u>51,639</u>	<u>31,600</u>

# E Moss Limited

## Notes to the accounts

### Period ended 31 March 2007

#### 9 Share based payments

The company participates in a number of share based compensation schemes for employees operated by the Alliance Boots Group. Certain employees of the company are eligible for participation in these schemes. The schemes take a variety of forms and details of active schemes are given below. On acquisition of Alliance UniChem Plc by Boots Group PLC all former Alliance UniChem schemes that the company's employees participated vested and were exercised on merger apart from the Save As You Earn scheme.

The Group operates a Performance Share Plan for performance periods commencing from 1 April 2006. Under the new scheme, executive Directors and certain senior executives can receive ordinary shares if a performance condition based on TSR relative to a UK retail index comprising the FTSE 350 General Retailers index and the FTSE 350 Food and Drug Retailers index (weighted 50% each) or based on the Group's Earnings Per Share growth depending on the individual's award. Further details of this scheme are set out in the Board report on remuneration. Fair value for the TSR element is estimated at the beginning of each performance period based on expected performance and thereafter adjusted only for the impact of leavers. Fair value is determined by an external valuer using a Monte Carlo pricing model for the TSR element and by reference to the market value of the share at the date of the grant, with future dividends included.

The Group provides UK employees with the opportunity to participate in the Group's Save As You Earn (SAYE) scheme which allows qualifying employees the opportunity to make regular savings over a fixed period of three, five or seven years. These savings accumulate with interest at a guaranteed rate. At the end of the savings contract a bonus is added to the savings and participants have the option to use their savings to buy shares in Alliance Boots plc at a fixed price. In common with other UK companies, the option price is set at a 20% discount to the market price of the Company's shares at the date of grant. Exercise of an option is subject to continued employment. The Alliance UniChem SAYE scheme existing at the date of merger has been continued with the exercise price being adjusted to reflect being part of Alliance Boots. The fair value of options on the date of grant has been estimated by an independent third party using a proprietary valuation model based on the binomial option pricing model. The inputs into the model for options granted in the period were option price (£6.37), expected annual volatility (18-20%) based on historic volatility, expected dividend yield (3.7%), expected term of options being of either three, five or seven years, a share price of £8.07 and a risk-free rate (4.7-4.9%). This resulted in the calculated fair value of an option to be either £1.97, £2.11 or £2.10 for a three, five or seven year expected term option respectively.

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

	15 months ended 31 March 2007		12 months ended 31 December 2005	
	Weighted average exercise price £	Number of options No	Weighted average exercise price £	Number of options No
Outstanding at 1 January	4.54	1,474,231	4.06	1,826,172
Granted during the period	-	-	6.08	402,637
Transfers to other group companies	-	-	4.06	180,486
Forfeited during the period	4.32	100,568	4.53	127,872
Exercised during the period	4.55	1,373,663	4.19	446,220
Outstanding at the end of the period	-	-	4.54	1,474,231
Exercisable at the end of the period	-	-	-	-

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

	31 March 2007	31 December 2005
Exercise price range	-	£2.85 to £6.08
Weighted average contractual life	-	4.8 years

# E Moss Limited

## Notes to the accounts Period ended 31 March 2007

### 9. Share based payments (continued)

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

	15 months ended 31 March 2007		12 months ended 31 December 2005	
	Weighted average exercise price £	Number of options No	Weighted average exercise price £	Number of options No
Outstanding at 1 January	3 23	2,293,034	2 94	2,389,985
Granted in the period	6 37	812,712	4 43	539,545
Transfers to other Group companies	-	-	2 92	16,629
Forfeited in the period	3 71	399,161	3 26	230,970
Exercised in the period	2 85	868,123	2 86	388 897
Outstanding at 31 March	4 67	1,838,462	3 23	2,293,034
Exercisable at the end of the period	-	-	-	-

The weighted average fair value of SAYE options granted during the period was £2 02 per share. The exercise price range and average contractual life of SAYE options outstanding as at 31 March is as follows

	31 March 2007	31 December 2005
Exercise price range	£2 18 to £6 37	£2 18 to £4 43
Weighted average contractual life	2 9 years	2 6 years

The fair value at measurement date for equity instruments (other than share options) granted during the year was as follows

	31 March 2007 Weighted average fair value per share £7 47	31 December 2005 Weighted average fair value per share -
Performance share plan awards		

The total expense recognised in the period in respect of share-based compensation was £1,682,000 (2005 £929,000) arising entirely from equity settled share-based compensation transactions

### 10. Intangible fixed assets

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

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

	Retail pharmacy licences £'000
At 1 January 2006	507,418
Acquired	30,568
Disposals	(41,873)
At 31 March 2007	<u>496,113</u>

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 11. Tangible fixed assets

	Freehold property £'000	Long leasehold property £'000	Short leasehold property £'000	Fixtures, fittings, and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>						
At 1 January 2006	14,074	9,922	6,939	87,174	4,258	122,367
Additions	682	81	799	17,924	1,807	21,293
Disposals	(1,505)	(324)	(1,152)	(5,782)	(1,527)	(10,290)
At 31 March 2007	13,251	9,679	6,586	99,316	4,538	133,370
<b>Accumulated depreciation</b>						
At 1 January 2006	2,643	837	1,484	34,826	1,629	41,419
Charge for period	344	180	579	10,811	990	12,904
Disposals	(233)	(72)	(178)	(3,010)	(977)	(4,470)
At 31 March 2007	2,754	945	1,885	42,627	1,642	49,853
<b>Net book value</b>						
At 31 March 2007	10,497	8,734	4,701	56,689	2,896	83,517
At 31 December 2005	11,431	9,085	5,455	52,348	2,629	80,948

Certain freehold and long leasehold properties were revalued in 1991 at £945,000. The historical cost of these properties is £91,000 and their historical net book value is £63,000. Included in fixtures, fittings and equipment are assets held under finance lease contracts having a net book value of £22,000 (2005 - £37,000).

Included in long leasehold property are assets held under finance lease having a net book value of £7,670,834 (2005 £7,800,134). Included in short leasehold property are assets held under finance lease having a net book value of £1,742,180 (2005 £2,448,961).

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 12. Investments

	Shares in subsidiaries £'000	Other investments £'000	Total £'000
Cost			
At 1 January 2006	118,125	1,177	119,302
Investments acquired during the period	26,823	290	27,113
Dividends from newly acquired subsidiaries	(26,010)	-	(26,010)
Post-acquisition cost adjustments	21,722	(1)	21,721
Hive –up of subsidiary investments	10,178	-	10,178
Strike-off of subsidiaries	(10,607)	-	(10,607)
Disposals	-	(45)	(45)
At 31 March 2007	140,231	1,421	141,652

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

Name of subsidiary undertaking	Country of Registration	Activity	% of ordinary shares held
P T Gibbs (Chemists) Limited	England and Wales	Retail Pharmacy	100
Coulson & Fisher (Shelford) Limited	England and Wales	Retail Pharmacy	100
J T Hope Evans (Cambridge) Limited	England and Wales	Retail Pharmacy	100
Harrison Parkinson & Co Limited	England and Wales	Retail Pharmacy	100
York House Pharmacy Limited	England and Wales	Retail Pharmacy	100
Ernest Oldcorn Limited	England and Wales	Retail Pharmacy	100
Time Pharmacy Limited	England and Wales	Retail Pharmacy	100
P M Nixon Limited	England and Wales	Retail Pharmacy	100
Linthorns Limited	England and Wales	Retail Pharmacy	100
David Hayes Pharmacy Limited	England and Wales	Retail Pharmacy	100

The company has the following material investments acquired in 2005

AP (NI) (No 1) Ltd (formerly E A Bairds N'Ards Ltd)	Northern Ireland	Retail Pharmacy	100
AP (NI) (No 2) (formerly E A Baird & Co)	Northern Ireland	Retail Pharmacy	100
AP (NI) (No 3) (formerly Bairds Chemists)	Northern Ireland	Retail Pharmacy	100

To avoid a statement of excessive length, details of investments which are not significant have been omitted

In the opinion of the directors the aggregate value of the shares is not less than the total amount at which they are stated in the balance sheet

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

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 12. Investments (continued)

Composition	Book value £'000	Fair value £'000
Intangible fixed assets	-	30,568
Tangible fixed assets	539	539
Stock	1,253	1,253
Debtors	2,024	2,024
Cash	2,791	2,791
Creditors	(2,335)	(2,335)
	<u>4,272</u>	<u>34,840</u>
Satisfied by -		
Cash		34,840
Total consideration		<u>34,840</u>

### 13. Stocks

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

### 14. Debtors

	2007 £'000	2005 £'000
Trade debtors	139,474	47,718
Amounts owed by group undertakings		-
Other debtors	10,462	9,121
Prepayments and accrued income	11,535	9,695
Assets held for sale	16,071	-
	<u>177,542</u>	<u>66,534</u>

#### Securitised receivables

During 2001, the company along with UniChem Ltd, entered into a five year agreement to sell UK receivables up to Alliance No 1 PLC ("Alliance"). Alliance had issued £100m of securitised notes to independent investors to finance the purchase of the receivables. The company had provided subordinated finance totalling £6.4m, representing the excess of the face value of the receivables sold over the £35m received. The secured notes were serviceable only from the cash flows generated from the securitised receivables, the subordinated finance of £6.4m from the company and the £8.2m of finance provided by UniChem Ltd.

The agreement ended in April 2006.



# E Moss Limited

## Notes to the accounts

### Period ended 31 March 2007

#### 15. Creditors amounts falling due within one year

	2007 £'000	2005 £'000
Bank loans and overdrafts	-	3,943
Trade creditors	5,089	8,077
Obligations under finance leases and hire purchase contracts (note 18)	251	243
Amounts owed to group undertakings	204,743	182,268
Corporation tax	22,694	9,791
Other taxes and social security	4,119	3,114
Other creditors	5,991	5,374
Accruals and deferred income	20,033	10,603
	<u>262,920</u>	<u>223,413</u>

#### 16. Provisions for liabilities

	2007 £'000	2005 £'000 Restated
<b>Deferred taxation</b>		
Balance at 1 January	2,921	5,069
Restated for share options	-	(248)
	<u>2,921</u>	<u>4,821</u>
Credit for the period	(6,170)	(386)
Prior period credit	88	(1,514)
	<u>(3,161)</u>	<u>2,921</u>

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

	Provided		Not provided	
	2007 £'000	2005 £'000 Restated	2007 £'000	2005 £'000
Capital allowances in advance of depreciation	5,598	4,096	-	-
OFT Divestments	(5,558)	-	-	-
Short term timing differences	(798)	(686)	-	-
Revaluation of property and goodwill	-	-	4,703	4,487
Chargeable gains deferred by roll over relief	-	-	8,955	9,217
Pension accrual	(2,048)	-	-	-
Share Options	(355)	(489)	-	-
	<u>(3,161)</u>	<u>2,921</u>	<u>13,658</u>	<u>13,704</u>

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 17. Called up share capital

	2007 £'000	2005 £'000
<b>Authorised:</b>		
400,000,000 ordinary shares of £1 each	400,000	400,000
<b>Called up, allotted and fully paid:</b>		
243,937,797 ordinary shares of £1 each	243,938	243,938

During the period, the company issued no ordinary shares of £1 each

### 18 Financial commitments

	2007 £'000	2005 £'000
<b>Obligations under finance leases and hire purchase contracts</b>		
Minimum lease payments due		
Within one year	251	243
Within two to five years	960	960
After five years	8,824	9,137
	10,035	10,340

#### Operating lease commitments

At 31 March 2007 the company was committed to making the following payments during the next year in respect of non-cancellable operating leases on land and buildings

	2007 Land and Buildings £'000	2005 Land and Buildings £'000
Leases which expire		
Within one year	1,812	449
Within two to five years	2,921	933
After five years	8,732	10,573
	13,465	11,955

#### Capital commitments

Capital expenditure contracted for, to the extent that it has not been provided for at the period end, amounts to £1,331,303 (2005 - £5,373,569)

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 19. Pension scheme

The company participates in a defined benefit scheme operated by the Alliance Boots plc Group. However, E Moss Limited is unable to identify its share of the underlying assets and liabilities. The company itself accounts for the scheme as if it were a defined contribution scheme in accordance with FRS 17. The pension scheme deficit at 31 March 2007 is £ 28m (2005 £48.1m). Full disclosure of the group pension scheme prepared in accordance with IFRS is shown in the consolidated financial statements of Alliance Boots plc, which are publicly available.

During the period the company made contributions amounting to £16,006,854 (2005 £5,072,547). The company will make a contribution of 20.6% of salaries during the next financial year and will also be required to pay a proportion of the group's pension funding deficit of £11.7m.

In addition the company operates a number of defined contributions schemes for which the pension cost charge for the period amounted to £1,828,028 (2005 - £1,229,931).

### 20. Amounts owed to group undertakings

Amounts due to group undertakings are as follows

	2007 £'000	2005 £'000
<b>Amounts falling due within one year (Note 15)</b>		
Ultimate parent undertaking	-	311
Fellow subsidiaries	204,743	181,957
	<u>204,743</u>	<u>182,268</u>
 <b>Amounts falling due after one year</b>		
Fellow subsidiaries	378,651	306,600
	<u>583,635</u>	<u>488,868</u>

The balance due after one year comprises a loan of £250,000,000 and a credit facility of £128,651,000 against a total facility of £200,000,000. With effect from 30 April 2007 the company renegotiated the loan and credit facilities. These now amount to £300,000,000 and £250,000,000 respectively. These are both interest bearing debts with the interest rate based on a three and one month LIBOR rate respectively. The loan and facility are repayable on 31 December 2008 and are considered sufficient to meet the foreseeable needs of the company.

# E Moss Limited

## Notes to the accounts

Period ended 31 March 2007

### 21. Movement on reserves

	Share premium £'000	Revaluation reserve £'000	Profit and loss reserve £'000 Restated
Balance at 1 January 2006	15,000	14,957	40,728
Retained profit for the 15 months	-	-	11,070
Realised revaluation surplus	-	721	(721)
Share based payments	-	-	1,682
Balance at 31 March 2007	<u>15,000</u>	<u>15,678</u>	<u>52,759</u>

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

The share based payment arises in connection with the Employee Share Ownership Plan trust, a discretionary trust set up to facilitate the operation of the company's long term incentive scheme for senior management. The amount represents the consideration paid for the Alliance Boots plc shares purchased by the trust which had not vested unconditionally in employees at the balance sheet date

### 22. Reconciliation of movement in equity shareholder's funds

	31 March 2007 £'000	31 December 2005 Restated £'000
Profit for the period	62,709	36,100
Movements relating to share based payments	1,682	929
Dividends paid on equity shares	(51,639)	(31,600)
Net addition to equity shareholder's funds	<u>12,752</u>	<u>5,429</u>
Opening equity shareholder's funds as previously reported	314,134	308,946
Prior year adjustment – implementation of FRS20	489	248
Opening equity shareholder's funds as restated	<u>314,623</u>	<u>309,194</u>
Closing equity shareholder's funds	<u>327,375</u>	<u>314,623</u>

# E Moss Limited

## Notes to the accounts

### Period ended 31 March 2007

#### 23. Prior year adjustment

The company policy for accounting for Share Based Payments has changed during the period to accord with Financial Reporting Standard 20 *Share Based Payments* ("FRS 20"). The comparative figures in the primary statements and notes have been restated to reflect the requirements of FRS 20.

The effects of these changes in accounting policy are summarised below

	2005 £'000
<b>Profit and loss account</b>	
Increase in administrative expenses	929
Decrease in tax on profit on ordinary activities	(241)
	<hr/>
Decrease in profit for the financial year	688
	<hr/>
<b>Balance sheet</b>	
Increase in deferred tax asset and Net Assets	489
	<hr/>
Increase in retained earnings as at 31 December 2005	489
Increase in equity shareholders funds as at 31 December 2005	489
	<hr/>

#### 24. Contingent liabilities

The company has entered into a Cross Guarantee arrangement with Alliance Boots plc, in favour of a third party in respect of finance facilities extended to the group. The arrangement ended during the period and as a result there was no liability under this arrangement (2005 - £nil).

#### 25. Ultimate parent company and controlling party

The immediate parent company is Alliance UniChem Group Limited. On 31 July 2006 the company's ultimate parent company, Alliance UniChem Plc, completed the merger with Boots Group Plc. Consequently on 31 July 2006 the company's ultimate parent company changed from Alliance UniChem Plc to Alliance Boots plc. The ultimate parent company and controlling party at the balance sheet date is Alliance Boots plc, a company incorporated in Great Britain, which is the parent undertaking of the only group which includes the company and for which group financial statements are prepared. Group financial statements are obtainable from The Secretary at Alliance Boots plc, Head Office, 4th Floor, 361 Oxford Street, Sedley Place, London W1C 2JL.

#### 26. Related party disclosures

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

#### 27. Subsequent Events

Since the period end the company has divested a further 19 branches to comply with the undertaking given to the Office of Fair Trading at the time they approved the merger between Alliance UniChem Plc and Boots Group Plc.