

Company registration number: 06166753

Alliance Boots Limited
Strategic report, Directors' report
and financial statements
for the year ended 31 March 2014

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Alliance Boots Limited

Strategic report

for the year ended 31 March 2014

Principal activities

The Company is an investment holding company within the Alliance Boots GmbH Group ("Group").

Business review

The profit for the year is £94,261,000 (2013: £7,815,000 loss).

On 3 May 2013, the Company received a £695,827,000 dividend in specie of a 25.48% stake in Galenica Ltd. from Alliance Boots Investments 2 Limited and as a consequence impaired its investment in Alliance Boots Investments 2 Limited by £601,648,000. Subsequent to this, on 3 May 2013, the Company declared an interim dividend of £695,827,000 to AB Acquisitions UK Topco Limited which was settled by way of the entire investment in Galenica Ltd..

Principal risks and uncertainties

The Company's Directors monitor the overall risk profile of the Company. In addition, the Directors are responsible for determining clear policies as to what the Company considers to be acceptable levels of risk. These policies seek to enable the Company to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Directors identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

By order of the Board



F Standish
Company Secretary
8 May 2014

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

Registered in England and Wales No. 06166753

Alliance Boots Limited

Directors' report

for the year ended 31 March 2014

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

Dividends

On 3 May 2013, the Company declared an interim dividend of £695,827,000 which was settled in specie by way of the entire investment in Galenica Ltd. (2013: £nil).

Directors

The following served as Directors during the year:

G Fairweather
A Clare
M Delve
F Standish

Post balance sheet events

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

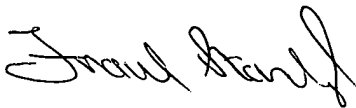
Auditors

KPMG Audit Plc resigned as auditor of the Company on 8 April 2014 pursuant to section 516 of the Companies Act 2006. On 9 April 2014, KPMG LLP were appointed as auditor of the Company.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board:



F Standish

Company Secretary
8 May 2014

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

Registered in England and Wales No. 06166753

- Alliance Boots Limited

Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

for the year ended 31 March 2014

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report

to the members of Alliance Boots Limited

We have audited the financial statements of Alliance Boots Limited for the year ended 31 March 2014 set out on pages 5 to 10. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

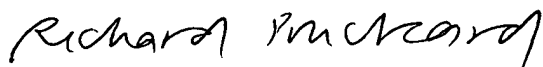
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Richard Pinckard (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
8 May 2014

Alliance Boots Limited

Profit and loss account

for the year ended 31 March 2014

| | Notes | 2014 £000 | 2013 £000 |
|---|-------|---------------|-----------------|
| Operating costs | 2 | - | (11,058) |
| Exceptional operating costs | 2 | (601,648) | - |
| Operating loss | 2 | (601,648) | (11,058) |
| Income from shares in group undertakings | 3 | 695,909 | - |
| Interest receivable and similar income | 4 | - | 775 |
| Profit/(loss) on ordinary activities before taxation | | 94,261 | (10,283) |
| Tax result/credit on profit/(loss) on ordinary activities | 5 | - | 2,468 |
| Profit/(loss) for the financial year | | 94,261 | (7,815) |

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

The notes on pages 7 to 10 form part of the Company's financial statements.

Statement of total recognised gains and losses

for the year ended 31 March 2014

| | Notes | 2014 £000 | 2013 £000 |
|--|-------|---------------|----------------|
| Profit/(loss) for the financial year | | 94,261 | (7,815) |
| Income from shares in group undertakings | 8 | - | 601,578 |
| Total recognised gains for the financial year | | 94,261 | 593,763 |

Alliance Boots Limited

Balance sheet

as at 31 March 2014

| | Notes | 2014 £000 | 2013 £000 |
|-----------------------------|-------|------------------|------------------|
| Fixed assets | | | |
| Investments | 6 | 2,782,679 | 3,384,245 |
| Net assets | | 2,782,679 | 3,384,245 |
| Capital and reserves | | | |
| Called up share capital | 7,8 | 100 | 100 |
| Capital contribution | 8 | 2,099,559 | 2,299,559 |
| Other reserves | 8 | 601,578 | 601,578 |
| Profit and loss account | 8 | 81,442 | 483,008 |
| Shareholders' funds | | 2,782,679 | 3,384,245 |

The notes on pages 7 to 10 form part of the Company's financial statements.

These financial statements were approved by the Board on 8 May 2014 and were signed on its behalf by:



M Delve

Director

Alliance Boots Limited

Notes to the financial statements

for the year ended 31 March 2014

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice, and under the historical cost convention.

Alliance Boots GmbH, the intermediate parent entity, includes the Company's assets, liabilities and results in its own publicly-available consolidated financial statements. Under FRS 1 (Revised 1996), 'Cash flow statements', the Company is therefore exempt from the requirement to prepare a cash flow statement.

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

The Company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the Company as an individual undertaking and not about its group.

The Directors consider that the Company has adequate resources to remain in operation for the foreseeable future, and have therefore continued to adopt the going concern basis for preparing the financial statements.

Interest payable and similar charges

Interest payable and similar charges comprises interest payable on borrowings, calculated using the effective interest rate, financing fees, fair value movements on applicable derivative financial instruments and net exchange movements related to financing items.

Investments

Investments are stated at cost less provision for impairment.

Impairment of assets

The Company's fixed assets are reviewed at each balance sheet date to determine whether events or changes in circumstances exist that indicate that their carrying amount may not be recoverable. If such an indication exists, the fixed asset's recoverable amount is estimated. The recoverable amount is the higher of a fixed asset's net realisable value and its value in use. An impairment loss is recognised in the profit and loss account for the amount by which the asset's carrying amount exceeds its recoverable amount.

Taxation

Current taxation

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

Share capital

Equity instruments

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

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

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

Dividends

Interim dividends on equity instruments classified as part of shareholders' funds are recognised as appropriations in the reconciliation of movements in shareholders' funds. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised by the shareholders of the Company and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Alliance Boots Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

2. Operating loss

| | 2014 £000 | 2013 £000 |
|--|------------------|-----------------|
| Administrative expenses | - | (11,058) |
| Exceptional operating costs ¹ | (601,648) | - |
| Operating loss | (601,648) | (11,058) |

¹ The exceptional operating cost is described in note 6.

Auditor's remuneration

The 2014 fee for the audit of these financial statements was borne by a fellow group undertaking. The amount allocated that would have been incurred is £3,000 (2013: £3,000). Amounts receivable by the Company's auditors in respect of non-audit services provided to the Company were £nil (2013: £nil).

Staff numbers and costs

The Directors have not received any remuneration for their services to the Company either during the current or prior year. There were no employees during the year (2013: nil).

3. Income from shares in group undertakings

| | 2014 £000 | 2013 £000 |
|--|----------------|--------------|
| Income from shares in group undertakings | 695,909 | - |
| | 695,909 | - |

4. Interest receivable and similar income

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Interest receivable from group undertakings | - | 775 |
| | - | 775 |

5. Tax on profit/(loss) on ordinary activities

An analysis of the tax result for the year ended 31 March 2014 is presented as follows:

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Current tax | | |
| <i>United Kingdom ("UK") corporation tax</i> | | |
| Corporation tax on profit for the year at 23% (2013: loss at 24%) | - | 2,468 |
| Tax on profit/(loss) on ordinary activities | - | 2,468 |

The current tax result for the financial year is lower than (2013: equal to) the standard rate of corporation tax of 23% (2013: 24%). The differences are explained below

| | 2014 £000 | 2013 £000 |
|--|--------------|--------------|
| Profit/(loss) on ordinary activities before tax | 94,261 | (10,283) |
| Current tax at 23% (2013: 24%) | (21,680) | 2,468 |
| Effects of: | | |
| Non-taxable dividends received from UK companies | 160,059 | - |
| Impairment of investment | (138,379) | - |
| Total current tax result/credit | - | 2,468 |

Factors that may affect future current and total tax charges

During the year to 31 March 2014, the UK Government substantively enacted a reduction in the corporation tax rate to 21%, effective from 1 April 2014 and to 20% from 1 April 2015. This will reduce the Company's future current tax charge accordingly.

Alliance Boots Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

6. Fixed asset investments

| | Shares in subsidiary undertakings £000 | Shares in associate undertakings £000 | Total £000 |
|-------------------------|---|--|------------------|
| Cost | | | |
| At 1 April 2013 | 3,384,245 | - | 3,384,245 |
| Additions | 82 | 695,827 | 695,909 |
| Disposals | - | (695,827) | (695,827) |
| Impairment | (601,648) | - | (601,648) |
| At 31 March 2014 | 2,782,679 | - | 2,782,679 |

Additions in the year comprised an additional investment of £82,000 in Alliance Boots Investments 2 Limited on 29 April 2013 and the receipt of a £695,827,000 dividend in specie of a 25.48% stake in Galenica Ltd. from Alliance Boots Investments 2 Limited and as a consequence impaired its investment in Alliance Boots Investments 2 Limited by £601,648,000. Subsequently this investment was disposed by way of a dividend in specie to the Company's immediate parent company (note 8).

The Company's investments represents a direct holding in 100% of the share capital and voting rights of Alliance Boots International Limited and Alliance Boots Investments 2 Limited respectively, both UK based investment holding companies.

The Company's principal subsidiary undertakings, all of which are indirectly held, were:

| | Percentage of ordinary shares attributable to equity shareholders of the Company | Country of operation | Main activity |
|---|---|----------------------|---|
| Health & Beauty Division | | | |
| Boots UK Limited | 100 | UK | Pharmacy-led health and beauty retailing |
| Boots Opticians Professional Services Limited | 58.0 | UK | Optical practices |
| Boots Retail (Ireland) Limited | 100 | Republic of Ireland | Pharmacy-led health and beauty retailing |
| Alliance Apotheek B.V. | 100 | The Netherlands | Retail pharmacy operator |
| Boots Retail (Thailand) Limited | 100 | Thailand | Pharmacy-led health and beauty retailing |
| Pharmaceutical Wholesale Division | | | |
| Alliance Healthcare France S.A. | 99.8 | France | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare Deutschland AG | 79.9 | Germany | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare (Distribution) Limited | 100 | UK | Pharmaceutical wholesaling and distribution |
| Hedef Ecza Deposu Ticaret A.S. | 83.9 | Turkey | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare España S.A. | 99.2 | Spain | Pharmaceutical wholesaling and distribution |
| OOO Alliance Healthcare Russia | 80.0 | Russia | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare Nederland B.V. | 100 | The Netherlands | Pharmaceutical wholesaling and distribution |
| United Company of Pharmacists S.A.E. | 42.0 | Egypt | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare s.r.o. | 97.1 | Czech Republic | Pharmaceutical wholesaling and distribution |
| Farmexpert DCI S.A. | 79.9 | Romania | Pharmaceutical wholesaling and distribution |
| Alliance Healthcare Norge A.S. | 100 | Norway | Pharmaceutical wholesaling and distribution |
| Armila UAB | 79.9 | Lithuania | Pharmaceutical wholesaling and distribution |
| Contract Manufacturing | | | |
| BCM Limited | 100 | UK | Contract manufacturing |

The respective countries of incorporation for the principal subsidiaries are the same as the country of operation, except for those operating in the UK where the country of incorporation is England & Wales.

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

Alliance Boots Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

6. Fixed asset investments (continued)

Associates and joint venture

The Company's principal associates and joint ventures, all of which were indirectly held, were:

| | Percentage of ordinary shares attributable to equity shareholders of the Company | Country of operation | Main activity |
|---------------------------------------|---|----------------------|--|
| Associates | | | |
| Alliance Healthcare Italia S.p.a. | 49.0 | Italy | Pharmaceutical wholesaling and distribution and retail pharmacy operator |
| Alliance Healthcare S.A. | 49.0 | Portugal | Pharmaceutical wholesaling and distribution |
| Boots Hearingcare Limited | 49.0 | UK | Hearingcare services |
| Hydra Pharm SPA | 18.9 | Algeria | Pharmaceutical wholesaling and distribution |
| Oktal Pharm d.o.o | 39.2 | Croatia | Pharmaceutical wholesaling and distribution |
| Joint venture | | | |
| Guangzhou Pharmaceuticals Corporation | 50.0 | China | Pharmaceutical wholesaling and distribution |
| UniDrug Distribution Group Limited | 50.0 | UK | Pre-wholesale and contract logistic services |

The respective countries of incorporation for the principal associates and joint ventures are the same as the country of operation, except for those operating in the UK where the country of incorporation is England & Wales.

7. Called up share capital

| | 2014 £000 | 2013 £000 |
|---|--------------|--------------|
| Allotted, called up and fully paid | | |
| 100,003 ordinary shares of £1 each | 100 | 100 |

8. Reconciliation of movements in equity shareholders' funds

| | Called up share capital £000 | Capital contribution £000 | Other reserves £000 | Profit and loss account £000 | Total £000 |
|--|------------------------------------|---------------------------------|---------------------------|------------------------------------|---------------|
| At 1 April 2012 | 100 | 2,299,559 | - | 490,823 | 2,790,482 |
| Income from shares in group undertakings | - | - | 601,578 | - | 601,578 |
| Loss for the financial year | - | - | - | (7,815) | (7,815) |
| At 1 April 2013 | 100 | 2,299,559 | 601,578 | 483,008 | 3,384,245 |
| Profit for the financial year | - | - | - | 94,261 | 94,261 |
| Equity dividends paid | - | (200,000) | - | (495,827) | (695,827) |
| At 31 March 2014 | 100 | 2,099,559 | 601,578 | 81,442 | 2,782,679 |

On 3 May 2013, the Company passed a resolution that declared that the capital contribution reserve was to be treated as a distributable reserve. Subsequent to this, the Company declared an interim dividend of £695,827,000 which was settled in specie by way of the entire investment in Galenica Ltd. to AB Acquisitions UK Topco Limited. £200,000,000 of the interim dividend was distributed from the capital contribution reserve.

Ultimate parent undertaking

At 31 March 2014 the Company's immediate parent company was AB Acquisitions UK Topco Limited and its ultimate parent company and controlling party was AB Acquisitions Holdings Limited. AB Acquisitions Holdings Limited is also the parent undertaking of the largest group in which the Company is consolidated.

AB Acquisitions Holdings Limited is incorporated in Gibraltar, and its registered office is 57/63 Line Wall Road, Gibraltar. AB Acquisitions Holdings Limited is jointly controlled by Alliance Santé Participations S.A., and certain funds advised by Kohlberg Kravis Roberts & Co. L.P., S. Pessina and O. Barra, who are Directors of Alliance Boots GmbH, are also Directors of Alliance Santé Participations S.A., which is ultimately owned by a family trust.

The smallest group in which the results of the Company are consolidated is that headed by Alliance Boots GmbH, a company incorporated in Switzerland. The consolidated financial statements of this group are available from the Alliance Boots website at www.allianceboots.com.