Company registration number: 00928555

Boots UK Limited
Strategic report, Directors' report and financial statements

for the period 1 April 2014 to 31 August 2015

Boots UK Limited

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Boots UK Limited

Strategic report
for the period 1 April 2014 to 31 August 2015

The Directors, in preparing this strategic report, have complied with s414c of the Companies Act 2006.

Principal activities
Boots UK Limited's (the "Company") principal activity during the period was pharmacy-led health and beauty retailing.

Business review
Walgreens Boots Alliance, Inc. ('Walgreens Boots Alliance'), the Company's new ultimate parent, has an accounting reference date of 31 August. Therefore during the period, the year end of the Company was changed from 31 March to 31 August in order to align reporting period ends across the Walgreens Boots Alliance Group (the "Group"). As a result, the current financial period results are for seventeen months ended 31 August 2015 and are not comparable with the comparative results for the year ended 31 March 2014.

Turnover increased to £9,198 million (12 months to 31 March 2014: £6,340 million). Operating profit before exceptional items increased to £701 million (12 months to 31 March 2014: £564 million).

Within operating profit was £125 million (12 months to 31 March 2014: £22 million) of exceptional costs. The exceptional costs comprised £121 million of costs relating to pension deficit funding (12 months to 31 March 2014: £22 million) and £4 million relating to restructuring projects (12 months to 31 March 2014: £nil). Operating profit after exceptionals increased to £576 million (12 months to 31 March 2014: £542 million).

The Company's profit for the financial period was £426 million (12 months to 31 March 2014: £397 million).

The Company had net assets of £1,133 million (31 March 2014: £1,204 million) at the end of the financial period.

The Company delivered good retail turnover growth, during an increasingly competitive and promotion-led trading environment, and in line with the longer financial period. We attribute this success to our omni-channel offering which is differentiated from that of competitors due to the sale of exclusive brands, such as No7, Boots Pharmaceuticals, Botanics, Liz Earle, Soap & Glory, and 'only at Boots', together with our long established reputation for trust and customer care.

The Boots Advantage Card loyalty program, where customers earn points on purchases for redemption at a later date, continues to be a key element of the Company offering. Our on-line platforms, boots.com and BootsWebMD.com, are two of the most visited health websites, and play an increasingly important role in our business.

Turnover from pharmacy increased due to the longer financial period, as did dispensing volumes on a reported basis totalling 321 million items (12 months to 31 March 2014: 222 million items).

We continue to invest in our store portfolio, making our products more accessible and convenient for customers to buy. During the period, we opened 26 new Boots stores and acquired 19 community pharmacies.

The key performance indicators used by the Company to manage performance are market share, turnover, gross profit, trading profit (a measure of profit excluding certain non-trading measures, for example exceptional items), and cash flow.

Going concern
The Company has net assets and generates positive cash flows and expects this to continue in future periods. Based on these facts, the Company's Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 people throughout the Company to use their expertise 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.

Macro economic and political environment
Risk
The Company could be affected adversely by the impact of the current macroeconomic and political environment on key suppliers and customer groups.

Mitigation
The Company has a rigorous process for identifying and monitoring all business critical suppliers and we develop appropriate contingency plans for suppliers we consider to be vulnerable. The Company also has a rigorous planning process to assess the impact of macroeconomic and political developments on key customer groups.

Impact of regulation
Risk
The Company operates in regulated markets and could be adversely affected by changes to existing regulation, new regulation and/or failure to comply with regulation. The Company could be adversely affected by changes to licensing regimes for pharmacies, prescription processing regimes or reimbursement arrangements.

Mitigation
The Company seeks to control this type of risk through active involvement in policy-making processes, understanding and contributing to government thinking on regulatory matters and building relationships with regulatory bodies directly and through representation in relevant professional and trade associations.

Changes and trends in consumer behaviour
Risk
The Company could be adversely affected by changes in consumer spending levels, shopping habits and preferences, including attitudes to its retail and product brands.

Mitigation
The Company's commercial skills and ability to respond flexibly to changing consumer demand is highly developed. Its strategy remains to continue to enhance its market leading position in pharmacy-led health and beauty retailing in the UK, backed by differentiated brands and expert customer service.

Competition
Risk
Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company. The Company has a wide variety of competitors, including other pharmacies, supermarkets and department stores.

Mitigation
The Company's strategy is to capitalise on the potential and strength of its leading brands and the trust in which they are held, and to build strong relationships with customers and suppliers, and to enhance our buying and promotional activities.

Health, safety and environmental risks
Risk
The Company could suffer reputational damage caused by a major health and safety or environmental incident.

Mitigation
The Company applies standards throughout the Group which are closely monitored and regularly audited. Health, safety and environmental incidents are logged and analysed in order to learn the necessary lessons. Any major incident is promptly reported to and investigated by the executive management.

Product/services risk
Risk
The Company could be adversely impacted by the supply of defective products or provision of inadequate services. In particular, this could come from allowing the infiltration of counterfeit products into the supply chain, errors in re-labelling of products and contamination or product mishandling issues. Through its pharmacies, the Company is exposed to risks relating to the professional services it provides.

Mitigation
The Company has robust purchasing, well developed contractual controls in relation to suppliers and a cohesive product control framework. This includes specific controls for the identification of counterfeit product. The Company also has a rigorous governance framework in place in its pharmacies and the Company conducts regular dispensing compliance reviews to ensure that individual pharmacies follow approved processes.

Major operational business failures
Risk
The Company could be adversely impacted by a major failure of its distribution centres and logistics infrastructure, IT systems or operational systems of key third party suppliers.

Mitigation
The Company operates rigorously audited control frameworks, regularly updates and tests business continuity plans and continually seeks to improve control of core business processes, both through self-assessment and through specific programmes relating to the delivery of key strategic projects.

Increased costs
Risk
Operating costs may be subject to increases which are outside the control of the Company.

Mitigation
The Company uses procurement professionals and sophisticated procurement techniques to purchase goods and services on a national and international basis. The Company carefully controls operating costs such as payroll and has a property management function to manage lease negotiations in the UK.

Change management
Risk
The Company could be affected adversely by the failure to achieve the anticipated commercial, operational and financial benefits from the various change programmes in the course of implementation throughout the Company.

Mitigation
The Company has in place robust governance processes to control all key change programmes, including regular programme board and steering group meetings at which progress to achieve the required benefits is monitored rigorously.

Currency exchange
Risk
The Company has transaction currency exposures relating to the import and export of goods in currencies other than the Company's functional currency.

Mitigation
The Company has rigorous policies and procedures in place to manage and report transaction exposures. Translation exposures are partially mitigated by ensuring that borrowings are denominated in the major currencies in which we operate.

Strategic report (continued)
for the period 1 April 2014 to 31 August 2015

Pension contributions
Risk
The Company could be required to increase the funding of its defined benefit pension schemes due to lower than expected pension fund investment returns and/or increased life expectancy of scheme members.

Mitigation
The Company retains independent actuaries to review investment performance, provide periodic investment advice and advise on appropriate actuarial assumptions and sensitivities. In addition, the Company ensures that there are sufficient cash reserves in place to fulfil any funding shortfall. All UK defined benefit schemes are closed to future accruals.

Data protection
Risk
The Company processes a significant volume of confidential personal and business data and could be adversely affected if any of this data is accidentally or maliciously lost.

Mitigation
The Company applies rigorous information security policies and procedures such as strong perimeter controls, access controls and data encryption. The Company is committed to the Payment Card Industry Data Security Standards and ensures that all processing done by ourselves complies with data protection legislation.

By order of the Board:

A Thompson
Company Secretary
30 November 2015

Boots UK Limited

Directors' report

for the period 1 April 2014 to 31 August 2015

The Directors present their report and the audited financial statements for the 17 month period ended 31 August 2015.

Financial instruments
The Company is exposed to currency, credit and interest rate risk. The Group's treasury function manages these risks at a Group level in accordance with Group Treasury Policy including the use of financial instruments for the purpose of managing these risks. Group risks are discussed in the Group's Annual Report, which does not form part of this report.

Dividends
A dividend of £497 million (12 months to 31 March 2014: £371 million) was declared and paid in the period.

Future developments
The Company intends to continue operating in pharmacy-led health and beauty retailing.

Post balance sheet events
A dividend of £219 million was declared and paid on 30 September 2015.

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

Directors
The following served as Directors during the period and subsequently:

S Lehane
M Muller
S Roberts

Auditor
KPMG LLP resigned as auditor of the Company on 11 May 2015 pursuant to s516 and s519 of the Companies Act 2006. On 10 September 2015 Deloitte LLP were appointed auditor of the Company. Deloitte LLP have indicated their willingness to continue in office.

Disclosure of information to auditor
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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board:

A Thompson
Company Secretary
30 November 2015

Registered office:
Nottingham
NG2 3AA

Registered in England and Wales No. 00928555

Boots UK Limited

Statement of Directors' responsibilities
for the period 1 April 2014 to 31 August 2015

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 period. 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 judgments 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 Boots UK Limited

We have audited the financial statements of Boots UK Limited for the 17 month period ended 31 August 2015 which comprise of the Profit and Loss Account, the Balance Sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 August 2015 and of its profit for the 17 month period then ended;
- have been properly prepared in accordance with United Kingdom 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.

Jane Whitlock ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK

30 November 2015

Boots UK Limited

Profit and loss account
for the period 1 April 2014 to 31 August 2015

	Notes	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Turnover	2	**9,198**	6,340
Operating profit	2	**576**	542
Income from investments		**11**	2
Interest receivable and similar income	4	**1**	2
Interest payable and similar charges	5	**(46)**	(39)
Profit on ordinary activities before taxation		**542**	507
Tax on profit on ordinary activities	6	**(116)**	(110)
Profit for the financial period	18	**426**	397

There were no recognised gains and losses for the current and preceding financial periods other than the profit of £426 million (12 months to 31 March 2014: £397 million) shown above. Accordingly, no separate statement of total recognised gains and losses is presented.

There is no difference between the reported profit shown above and the profit for the period restated on an historical cost basis. Accordingly, no note of historical cost profits is presented.

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

The notes on pages 9 to 19 form part of the Company's financial statements.

Boots UK Limited

Balance sheet
as at 31 August 2015

	Notes	31 August 2015 £million	31 March 2014 £million
Fixed assets			
Tangible assets	8	**920**	849
Intangible assets	9	**766**	748
Investments	10	**39**	19
		1,725	1,616
Current assets			
Stocks	11	**630**	563
Debtors	12	**625**	685
Cash at bank and in hand		**82**	59
		1,337	1,307
Creditors: amounts falling due within one year	13	**(1,172)**	(979)
Net current assets		**165**	328
Total assets less current liabilities		**1,890**	1,944
Creditors: amounts falling due after more than one year	14	**(747)**	(731)
Provisions for liabilities and charges	15	**(10)**	(9)
Net assets		**1,133**	1,204
Capital and reserves			
Called up share capital	17,18	**710**	710
Other reserves	18	**-**	54
Profit and loss account	18	**423**	440
Shareholder's funds		**1,133**	1,204

The notes on pages 9 to 19 form part of the Company's financial statements.

These financial statements were approved by the Board on 30 November 2015 and were signed on its behalf by:

MFMuel

M Muller
Director

Registered in England and Wales No. 00928555

Notes to the financial statements

for the period 1 April 2014 to 31 August 2015

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 applicable accounting standards and under the historical cost convention. A true and fair override relating to the amortisation of intangible assets has been invoked by the directors, as described within the Intangible assets section below.

Walgreens Boots Alliance, Inc. ('Walgreens Boots Alliance'), the Company's new ultimate parent, has an accounting reference date of 31 August. Therefore during the period, the year end of the Company was changed from 31 March to 31 August in order to align reporting period ends across the Walgreens Boots Alliance Group (the "Group"). As a result, the current financial period results are for seventeen months ended 31 August 2015 and are not comparable with the comparative results for the year ended 31 March 2014.

Walgreens Boots Alliance, Inc. ("the Group"), the ultimate 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.

In addition, under SSAP 25, 'Segmental Reporting', the Company is exempt from the requirement to present segmental information on the grounds that Walgreens Boots Alliance, Inc. includes segmental information in its own publicly-available consolidated financial statements.

The Company's voting rights are wholly controlled within the 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 also qualifies on this basis for the exemption from presenting financial instruments disclosures in accordance with FRS 29, 'Financial Instruments: Disclosures'. The disclosures required by FRS 29 are included in the Group's publicly-available consolidated financial statements.

As the Company is a wholly-owned subsidiary of the Group, it is exempt under s401 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.

Going Concern
The Company has net assets and generates positive cash flows and expects this to continue in future periods. Based on these facts the Company's Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign Currencies
Transactions denominated in non-sterling currencies are recorded at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in non-sterling currencies at the balance sheet date are translated at the exchange rates ruling at that date. Non-monetary assets and liabilities denominated in non-sterling currencies are translated using the exchange rates at the date of the underlying transactions. Exchange gains or losses are included in the profit or loss account.

Turnover
Turnover shown on the face of the profit and loss account is the amount derived from the sale of goods and provision of services in the normal course of business, net of trade discounts, value added tax and other sales-related taxes. Turnover from the sale of goods is recognised at the point contractual obligations to a customer have been fulfilled. For the sale of goods, turnover is recognised when legal title transfers to a customer. Where services provided to a customer relate to partial performance against contractual obligations, turnover is recognised to the extent that a right to consideration has been obtained through performance to date.

In respect of the Boots loyalty scheme, the Advantage Card, as points are issued to customers the retail fair value of those points expected to be redeemed is deferred. When the points are used by customers they are recorded as turnover. Sales of gift vouchers are only included in turnover when vouchers are redeemed or when redemption is considered remote.

Tangible fixed assets
Cost
All tangible fixed assets are stated at cost less accumulated depreciation and impairment losses.

Depreciation
Depreciation of tangible fixed assets is provided to write off the cost, less residual value, in equal instalments over their expected useful economic lives as follows:

- Freehold land and assets in the course of construction – not depreciated;
- Freehold and long leasehold buildings – depreciated to their estimated residual values over their useful economic lives;
- Short leasehold buildings – depreciated over the lease term;
- Building improvements – depreciated over the lower of: their useful economic lives and the remaining lease term
- Plant and machinery – 3 to 10 years; and
- Fixtures, fittings, tools and equipment – 3 to 20 years.

Residual values, where material, and remaining useful economic lives are reviewed annually and adjusted if appropriate.

Disposals
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account. Any impairment in the value of fixed assets is recognised immediately.

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

1. Accounting policies (continued)

Intangible assets
Cost
Intangible assets purchased separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be measured reliably and are subsequently measured at cost. Internally generated intangible assets are capitalised only where readily ascertainable market values are obtainable. Intangible assets are not amortised as the directors consider that the intangibles held have indefinite useful economic lives. Accordingly, in line with the allowances within FRS 10 "Goodwill and intangible assets", management consider that this departure from the Statutory Accounting Rules is necessary to give a true and fair view in accordance with the applicable United Kingdom accounting standards. This treatment adopted is not inconsistent with the requirements of the Companies Act 2006.

Goodwill represents the excess of the fair value of consideration paid over the fair value of the identifiable trade and assets acquired. Goodwill arising on the purchase of an entity's trade and assets is capitalised and carried at cost less accumulated impairment losses.

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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable income, referred to as income generating units ("IGU").

For intangible assets that either have an indefinite useful economic life or a useful economic life that exceeds twenty years, the recoverable amount is estimated annually or more frequently when there is an indication that the asset is impaired.

The recoverable amounts of the IGUs are determined from value in use calculations which use discounted pre tax cash flows for a period of five years taken from approved budgets and three year forecasts, and extrapolated cash flows for the periods beyond these using estimated long term growth rates. The key assumptions are:

- **Long term average growth rates** are used to extrapolate cash flows. These are determined with reference to both internal approved budgets and forecasts and available external long term growth data for both the country and sector of each IGU.
- **Gross margins** are based on past performance and management's expectations of market development. No improvements to margins beyond periods covered by approved budgets and forecasts have been assumed.

Stocks
Stocks consist of goods held for resale and are valued at the lower of cost and net realisable value. Cost is determined using the retail inventory method. The cost of raw materials and packaging is their purchase price. The cost of finished goods comprises the purchase cost of goods, direct labour and those overheads related to distribution based on normal activity levels. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Cash at bank and in hand
Cash at bank and in hand comprises cash in hand and short term deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

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 Group exchanging a fixed amount of cash or other assets for a fixed number of the Company's 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
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.

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

1. Accounting policies (continued)

Leases
Leases, for which the Company assumes substantially all the risks and rewards of ownership, are classified as finance leases. The cost of assets held under finance leases, including lease premiums paid upfront, is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned or over the lease term if shorter. The corresponding obligations under these leases are shown in creditors. The finance charge element of rentals is charged to the profit and loss account through interest payable and similar charges using a constant periodic rate of charge on the remaining balance of the outstanding obligations.

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease even where payments are not made on such a basis. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight-line basis over the shorter of the lease term and the period until the contractually-specified rent review date.

Post retirement benefits
The Company participates in the Boots Pension Scheme, incorporating both a multi-employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the Group. The Company is not an employing entity and not the sponsoring entity of the defined benefit scheme. As permitted under FRS 17, 'Retirement benefits', these schemes have been accounted for in these financial statements as if the schemes were defined contribution schemes. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period. Particulars of the Group scheme are contained in the consolidated financial statements of Walgreens Boots Alliance, Inc. prepared in accordance with accounting policies generally accepted in the US.

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.

Deferred taxation
Deferred tax is recognised on all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that it is more likely than not there will be suitable taxable profits against which the underlying timing differences can reverse. Deferred tax liabilities are not recognised in respect of corporation tax on chargeable gains arising on the disposal of assets where that gain is expected to be deferred indefinitely.

Deferred tax is measured on a non-discounted basis at the average rates expected to apply in the periods when the timing differences are expected to reverse using the tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Profit from operations

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Turnover	**9,198**	6,340
Cost of sales	**(5,107)**	(3,501)
Gross profit	**4,091**	2,839
Distribution costs	**(3,193)**	(2,115)
Administrative expenses	**(322)**	(182)
Operating profit	**576**	542

Operating profit is stated after charging/(crediting):

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Depreciation of tangible fixed assets:		
- owned assets	**215**	146
- held under finance leases	**1**	1
Impairment of tangible fixed assets	**-**	2
Loss on disposal of tangible fixed assets	**2**	1
Operating lease rentals payable:		
- land and buildings	**511**	348
- plant and machinery	**12**	9
Net foreign exchange (gain)/loss	**(2)**	1
Exceptional items:		
- reorganisation costs (note 15)	**4**	-
- pension deficit funding (note 19)	**121**	22

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

2. Profit from operations (continued)

Auditor's remuneration
The fee in respect of auditing the 31 August 2015 financial statements of the Company pursuant to legislation was £0.3 million (12 months to 31 March 2014: £0.2 million), of which £nil (12 months to 31 March 2014: £0.2 million) was payable to the Company's former auditor, KPMG LLP, and £0.3 million (12 months to 31 March 2014: £nil) was payable to the existing auditor, Deloitte LLP. Amounts receivable by the Company's auditor in respect of non-audit services provided to the Company were £0.4 million (12 months to 31 March 2014: £nil).

3. Staff numbers and costs

All staff and directors were employed and paid on behalf of the Company by a fellow Group undertaking.

Directors' remuneration

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Aggregate remuneration	2.9	1.9
Amounts receivable under long-term incentive schemes	0.7	-
Company contributions to defined contribution schemes	0.2	0.4
	3.8	2.3

Amounts receivable under a long-term incentive scheme which have not been paid to the directors as at 31 August 2015 were £0.3 million. These are payable in January 2016 and are conditional upon continued employment.

	Period from 1 April 2014 to 31 August 2015 Number	12 month period to 31 March 2014 Number
The number of directors who:		
Are members of a defined benefit pension scheme	2	3
Are members of a defined contribution pension scheme	3	8
Had rewards receivable in the form of shares under the long-term incentive scheme	3	6

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Remuneration of the highest paid director:		
Aggregate remuneration	1.4	0.4
Amounts receivable under long-term incentive schemes	0.3	-
Company contributions to defined contribution schemes	0.1	0.1
	1.8	0.5

The highest paid director received shares in respect of qualifying services under the long-term incentive scheme.

4. Interest receivable and similar income

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Interest receivable from Group undertakings	1	2

5. Interest payable and similar charges

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Interest payable to Group undertakings	42	36
Other finance costs	4	3
	46	39

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

6. Tax on profit on ordinary activities

An analysis of the tax charge for the period 1 April 2014 to 31 August 2015 is presented as follows:

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Current tax		
United Kingdom ('UK') corporation tax		
Corporation tax on income for the period at 20.7% (12 months to 31 March 2014: 23.0%)	**127**	122
Adjustments in respect of prior periods	**5**	(5)
	132	117
Deferred tax (note 16)		
Origination and reversal of timing differences	**(15)**	(2)
Adjustment in respect of prior periods	**(1)**	(5)
	(16)	(7)
Tax on profit on ordinary activities	**116**	110

The current tax charge for the financial period is greater than (12 months to 31 March 2014: equal to) the standard rate of corporation tax of 20.7% (12 months to 31 March 2014: 23.0%). The differences are explained below:

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Profit on ordinary activities before tax	**542**	507
Current tax at 20.7% (12 months to 31 March 2014: 23.0%)	**112**	117
Effects of:		
Depreciation in excess of capital allowances	**7**	4
Expenses not deductible for tax purposes	**5**	3
Pension contributions for tax purposes	**3**	(2)
Adjustments in respect of prior periods	**5**	(5)
Total current tax charge as above	**132**	117

Factors that may affect future current and total tax charges
During the period to 31 August 2015, the UK Government announced that the corporation tax rate would reduce by 1% from 1 April 2017 to 19% and a further 1% from 1 April 2020 to 18%. These further changes to the tax rate have not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

7. Dividends

The Company's paid dividends are presented as follows:

	Period from 1 April 2014 to 31 August 2015 £million	12 month period to 31 March 2014 £million
Dividends paid in the period		
Dividends paid	**497**	371

Notes to the financial statements (continued)

for the period 1 April 2014 to 31 August 2015

8. Tangible fixed assets

	Land and buildings £million	Plant and machinery £million	Fixtures, fittings, tools and equipment £million	Payments on account and assets in course of construction £million	Total £million
Cost					
As at 1 April 2014	369	63	2,000	3	2,435
Additions	5	6	221	51	283
Reclassified from assets in course of construction	13	5	26	(44)	-
Other reclassifications[1]	4	38	(13)	-	29
Disposals[2]	(10)	(9)	(397)	-	(416)
As at 31 August 2015	**381**	**103**	**1,837**	**10**	**2,331**
Depreciation					
As at 1 April 2014	200	13	1,373	-	1,586
Charge for the period	25	19	172	-	216
Other reclassifications[1]	1	26	(6)	-	21
Disposals[2]	(9)	(8)	(395)	-	(412)
As at 31 August 2015	**217**	**50**	**1,144**	**-**	**1,411**
Net book value					
As at 31 March 2014	169	50	627	3	849
As at 31 August 2015	**164**	**53**	**693**	**10**	**920**

[1] Other reclassifications include the transfer of motor vehicles from fixtures and fittings to plant and machinery, and the reclassification of contributions to assets previously held as negative assets into other creditors.

[2] During the period, the Company disposed of a number of assets with nil net book value.

The net book value of tangible fixed assets held under finance leases of £1 million (31 March 2014: £2 million) is included in the total net book value presented above. Depreciation for the financial period on these assets was £1 million (12 months to 31 March 2014: £1 million).

The net book value of land and buildings is comprised of:

	31 August 2015 £million	31 March 2014 £million
Freehold land and buildings	**16**	16
Long leasehold buildings	**3**	2
Short leasehold buildings and building improvements	**145**	151
	164	169

9. Intangible assets

	Goodwill £million	Pharmacy licences £million	Total £million
Cost			
As at 1 April 2014	41	707	748
Additions	-	18	18
As at 31 August 2015	**41**	**725**	**766**
Net book value			
As at 31 March 2014	41	707	748
As at 31 August 2015	**41**	**725**	**766**

Pharmacy licences recognised as intangible assets do not expire and therefore are considered to have an indefinite life. Goodwill has been identified as having an indefinite life based on the life and history of the Boots brand along with current market strength and future development plans.

These assets are not amortised but are subject to annual impairment tests. The annual impairment tests support the carrying value of goodwill and pharmacy licences and therefore there was no impairment charge in the period.

Notes to the financial statements (continued)

for the period 1 April 2014 to 31 August 2015

10. Fixed asset investments

	Shares in subsidiary undertakings £million	Shares in associate, joint venture and other investment undertakings £million	Total £million
Cost			
As at 1 April 2014	14	14	28
Additions	20	-	20
As at 31 August 2015	**34**	**14**	**48**
Provision			
As at 1 April 2014 and as at **31 August 2015**	9	-	9
Net book value			
As at 31 March 2014	5	14	19
As at 31 August 2015	**25**	**14**	**39**

During the period, the Company made an investment of £20 million to obtain 100% equity share in Burrows & Close Limited, a small pharmacy chain in the UK.

The Company's subsidiary undertakings at the balance sheet date are presented as follows:

	Holding	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Main activity
Blyth Pharmacy Limited	Ordinary shares	77.5	77.5	England & Wales	Pharmacy
Burrells Limited	Ordinary shares	100	100	Scotland	Dormant
Burrows & Close Limited	Ordinary shares	100	100	England & Wales	Dormant
Easterhouse Health Centre Pharmacy Limited	Ordinary shares	100	100	Scotland	Dormant
Gordon's Chemist Limited	Ordinary shares	100	100	England & Wales	Dormant
HF Healthcare Limited	Ordinary shares	100	100	England & Wales	Dormant

The Company's associate and joint venture undertakings at the balance sheet date are presented as follows:

	Holding	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Main activity
B.H.C.P. Limited	Ordinary shares	25.0	25.0	England & Wales	Pharmacy
Beccles H.C.C. Limited	Ordinary shares	50.0	50.0	England & Wales	Pharmacy
Boots Hearingcare Limited	Ordinary shares	49.0	49.0	England & Wales	Hearingcare Services
Clarepharm Limited	Ordinary shares	31.3	31.3	England & Wales	Pharmacy
Coatbridge Dispensary Limited	Ordinary shares	14.3	14.3	Scotland	Pharmacy
Colne (HCC) Limited	Ordinary shares	25.0	25.0	England & Wales	Pharmacy
Govanhill Pharmacy Limited	Ordinary shares	10.1	10.1	Scotland	Pharmacy
Maryhill Dispensary Limited	Ordinary shares	25.0	25.0	Scotland	Pharmacy
Torrington Park H.C.C. Limited	Ordinary shares	31.0	31.0	England & Wales	Pharmacy
Tuschem Limited	Ordinary shares	22.0	22.0	England & Wales	Pharmacy
W.H.C.P (Dundee) Limited	Ordinary shares	27.4	27.4	Scotland	Pharmacy
Woodside Pharmacy (Glasgow) Limited	Ordinary shares	25.0	25.0	Scotland	Pharmacy

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

10. Fixed asset investments (continued)

The Company's other investment undertakings at the balance sheet date are presented as follows:

	Holding	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Main activity
Company Chemists' Association Limited	Ordinary shares	11.1	11.1	England & Wales	Pharmacy Forum
Holmscroft H.C. Limited	Ordinary shares	10.0	10.0	Scotland	Pharmacy
Keighley Health Centre Limited	Ordinary shares	16.7	16.7	England & Wales	Pharmacy
Nelson (H.C.C.) Limited	Ordinary shares	10.6	10.6	England & Wales	Pharmacy
Octapharm Limited	Ordinary shares	15.0	15.0	England & Wales	Pharmacy
Swindon Health Centre (PD) Limited	Ordinary shares	12.7	12.7	England & Wales	Pharmacy
Victoria Pharmacy Limited	Ordinary shares	12.5	12.5	Scotland	Pharmacy

11. Stocks

	31 August 2015 £million	31 March 2014 £million
Raw materials and consumables	**18**	3
Finished goods and goods held for resale	**612**	560
	630	563

There is no material difference between the estimated replacement cost and the carrying value of stocks.

12. Debtors

	31 August 2015 £million	31 March 2014 £million
Falling due within one year:		
Trade debtors	**66**	39
Amounts owed by Group undertakings	**422**	514
Other debtors	**64**	51
Prepayments and accrued income	**56**	81
	608	685
Falling due after more than one year:		
Other debtors	**1**	-
Prepayments and accrued income	**1**	-
Deferred tax (note 16)	**15**	-
	17	-
Total debtors	**625**	685

13. Creditors: *amounts falling due within one year*

	31 August 2015 £million	31 March 2014 £million
Trade creditors	**279**	289
Amounts owed to Group undertakings (note 14)	**299**	193
Other creditors including taxes and social security (note 14)	**161**	106
Accruals and deferred income	**392**	329
Corporation tax payable	**38**	55
VAT payable	**3**	7
	1,172	979

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

14. Creditors: amounts falling due after more than one year

	31 August 2015 £million	31 March 2014 £million
Obligations under finance leases	1	2
Amounts owed to Group undertakings	713	700
Other creditors	33	29
	747	731

The maturity of the Company's net obligations under finance leases is presented as follows:

	31 August 2015 £million	31 March 2014 £million
Between one year and five years (note 14)	1	2

The maturity of the Company's amounts owed to Group undertakings is presented as follows:

	31 August 2015 £million	31 March 2014 £million
Less than one year (note 13)	299	193
Between one year and five years (note 14)	713	700
	1,012	893

The amount owed to Group undertakings between one year and five years is unsecured debt and is a loan due for repayment on 31 March 2018. Management expect that at 31 March 2017 this loan will either be rolled or replaced with a similar agreement. Interest is charged at LIBOR plus 0.44% per annum.

The maturity of the Company's other creditors is presented as follows:

	31 August 2015 £million	31 March 2014 £million
Less than one year (note 13)	161	106
Between one year and five years (note 14)	29	20
More than five years (note 14)	4	9
	194	135

15. Provisions for liabilities and charges

	Reorganisation £million	Vacant property £million	Deferred tax liability £million	Total £million
As at 1 April 2014	2	6	1	9
Charged/(credited) to profit and loss account	4	1	(16)	(11)
Provisions utilised during the period	(2)	(1)	-	(3)
Classified to debtors (note 12)	-	-	15	15
As at 31 August 2015	**4**	**6**	**-**	**10**

The reorganisation provision relates to supply chain and central support office reorganisations. The remaining costs are expected to be incurred over the next year.

The vacant property provision represents recognition of the net costs arising from vacant properties and sub-let properties. The exact timing of utilisation of this provision will vary according to the individual properties concerned.

The deferred tax asset is further explained in note 16.

16. Deferred tax

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset the associated current tax assets and liabilities.

Deferred tax (assets)/liabilities are attributable to the following after offset:

	31 August 2015 £million	31 March 2014 £million
Accelerated capital allowances	4	6
Other short term timing differences	(19)	(5)
	(15)	1

The movement in the net deferred tax (asset)/liability for the period is presented as follows:

	Accelerated capital allowances £million	Other short term differences £million	Total £million
Deferred tax (assets)/liabilities			
As at 1 April 2014	6	(5)	1
Profit and loss account credit	(2)	(14)	(16)
As at 31 August 2015	**4**	**(19)**	**(15)**

No deferred tax liability has been recognised in respect of chargeable gains rolled over into replacement assets held by the Company. The tax arising on these rolled over gains would only become payable if the assets were sold and it was not possible to claim further rollover relief. The total amount of deferred tax unprovided at the balance sheet date is £11 million (31 March 2014: £11 million). At present it is not envisaged that any such tax will become payable in the foreseeable future.

17. Called up share capital

	31 August 2015 £million	31 March 2014 £million
Allotted, called up and fully paid		
709,750,000 ordinary shares of £1 each	710	710

18. Reconciliation of movements in equity shareholder's funds

	Called up share capital £million	Other reserves £million	Profit and loss account £million	Total £million
As at 1 April 2013	710	54	414	1,178
Profit for the financial year	-	-	397	397
Equity dividends paid	-	-	(371)	(371)
As at 1 April 2014	710	54	440	1,204
Profit for the financial period	-	-	426	426
Transfer of reserves	-	(54)	54	-
Equity dividends paid	-	-	(497)	(497)
As at 31 August 2015	**710**	**-**	**423**	**1,133**

Following a review, the Directors consider that the other reserves now forms part of the profit and loss account.

19. Retirement benefits

The Company participates in the Boots Pension Scheme, incorporating both a multi-employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the Group. The Company is not an employing entity and not the sponsoring entity of the defined benefit scheme. As permitted under FRS 17, 'Retirement benefits', these schemes have been accounted for in these financial statements as if the schemes were defined contribution schemes.

Contributions to the defined benefit schemes from Boots UK Limited for the period, disclosed as exceptional items, were £121 million (12 months to 31 March 2014: £22 million). This includes an accelerated payment of £55m as a result of the Walgreens Boots Alliance, Inc. acquisition of the remaining 55% equity stake in Alliance Boots GmbH on 31 December 2014. The agreed contributions for the next 12 months are £24 million. There are no prepaid or accrued contributions to either scheme at the balance sheet date (31 March 2014: £nil).

As at 31 August 2015 the defined benefit scheme had a surplus on an ASC 715-30 'Defined Benefit Plans - Pensions' basis of £304 million (31 March 2014: deficit of £78 million). Details of the most recent actuarial valuation and detailed disclosures at 31 August 2015 can be found in the financial statements of Walgreens Boots Alliance, Inc.

Notes to the financial statements (continued)
for the period 1 April 2014 to 31 August 2015

20. Operating leases

As at 31 August 2015 the Company had annual commitments under non-cancellable operating leases as follows:

	31 August 2015 Land and buildings £million	**31 August 2015 Other £million**	31 March 2014 Land and buildings £million	31 March 2014 Other £million
Less than one year	**44**	**3**	28	1
Between one and five years	**95**	**2**	81	4
More than five years	**162**	**1**	200	-
	301	**6**	309	5

21. Commitments

Capital commitments at the balance sheet date for which no provisions have been made, are presented as follows:

	31 August 2015 £million	31 March 2014 £million
Contracted	**24**	17

22. Contingent liabilities

On 21 December 2007, the Company became a Guarantor under both a £8,270 million multi-currency Senior Facilities Agreement and a £750 million multi-currency Subordinated Facility Agreement (together the Agreements) between, amongst others, Superior Acquisitions Limited (formerly AB Acquisitions Limited, a fellow subsidiary undertaking within the Walgreens Boots Alliance, Inc. Group) as a Borrower and Deutsche Bank AG as the Facility Agent for the Lenders. Effective 09 January 2015 the Company was irrevocably and unconditionally released and discharged from all present and future obligations as Guarantor under the Agreements.

The Company has entered into an arrangement with its bank under which its current account balances are netted on a daily basis with those of the other participating Group companies for the purposes of charging or crediting interest. Under this arrangement, each participating company agrees that it is jointly and severally liable to the bank, with each participating company, for the aggregate overdraft balances on current accounts of all participating companies. Each of the participating company's liability is limited to the amount of any positive cash balance it has in its current accounts with the bank on the day netting takes place. As at 31 August 2015, the Company was contingently liable under this arrangement for a total amount of £82 million (31 March 2014: £59 million).

23. Post balance sheet events

A dividend of £219 million was declared and paid on 30 September 2015.

24. Related party transactions

All transactions with related parties were on an arm's length basis. A summary of these transactions is as follows:

Transactions with Walgreens
Following Walgreen Co.'s acquisition of a 45% equity stake in Alliance Boots GmbH in August 2012, Walgreen Co. and its subsidiaries were related parties. In the period ended 31 August 2015, Walgreen Co. and its subsidiaries were related parties up to the date of Walgreens Boots Alliance, Inc. acquisition of the remaining 55% equity stake in Alliance Boots GmbH on 31 December 2014.

Transactions with Walgreens (excluding those Walgreens subsidiaries which the Group accounts for as joint ventures) for the period to 31 December 2014 were turnover of £34 million (12 months to 31 March 2014: £29 million) and the reimbursement of administrative costs (including secondments) of £1 million (12 months to 31 March 2014: £1 million).

Transactions with Boots Hearingcare Limited
Boots UK Limited owns a 49% stake in Boots Hearingcare Limited and therefore is a related party.

Transactions with Boots Hearingcare Limited generated turnover of £18 million (12 months to 31 March 2014: £11 million). As at 31 August 2015, amounts due from Boots Hearingcare Limited were £1 million (31 March 2014: £1 million).

Loan to director
An unsecured 4.0 per cent loan was repaid on 31 December 2014. The amount of liability including interest to the Company at the beginning of the period was £88,136, the maximum during the period was £90,819 and at the end of the period was £nil. Interest charged during the period amounted to £2,908. During the period, the full amount of the loan was repaid.

25. Ultimate parent undertaking

As at 31 August 2015 the Company's immediate parent company was Alliance Boots Holdings Limited and its ultimate parent company and controlling party was Walgreens Boots Alliance, Inc. Walgreens Boots Alliance, Inc. is also the parent undertaking of the largest and smallest group in which the Company is consolidated. The consolidated financial statements of this group are available from the Walgreens Boots Alliance, Inc. website at www.walgreensbootsalliance.com.

Walgreens Boots Alliance, Inc. is incorporated in the United States of America, and its principal office address is 108 Wilmot Road, Deerfield, Illinois, 60015.