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Sterling
Against the dollar ($ per £)

Source: Thomson Reuters Datastream

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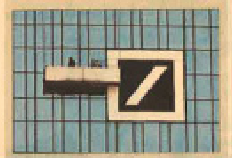

Alliance Boots faces tax claims

Organisations allege it broke OECD rules

Group says it strives for 'ethical standards'

By Alison Smith and Vanessa Houlder

Alliance Boots, which owns one of the UK's oldest and most trusted high street brands, has come under fresh pressure from campaigners over how much tax it pays.

The claims are the latest allegations aimed at reinforcing public anger that large companies can use complex arrangements to minimise their tax bills within the law.

Two organisations – War on Want and Change to Win – said that the way Alliance Boots handled deals between the company and entities controlled by Stefano Pessina, its executive chairman, broke Organisation for Economic Co-operation and Development guidelines.

The campaigners' target is a set of transactions involving Dascoli, a Luxembourg-based finance company. In the first of these moves, Dascoli bought more than £220m of Alliance Boots' debt when it was trading at deep discounts to its par value.

The campaigners said that when Alliance Boots repurchased the debt in 2013, most of the benefit of its increased value could have gone to entities controlled by Mr Pessina. The transactions "were structured in such a way that they may have significantly enriched those connected with the entities at the expense of the company and taxpayers", they said.

Alliance Boots rejected the claims, calling them "inaccurate and, we believe, defamatory". It said it complied strictly with the law and had strong corporate governance standards and fully transparent financial disclosures in its annual reports. "We . . . always strive to maintain the highest ethical standards."

The group has previously been explicit about buying back debt from distressed sellers when it could do so at a steep discount, in order to reduce its high borrowings.

This is the second time in two months that Alliance Boots – which opened in Nottingham in 1849 and is now 45 per cent owned by US pharmacy group Walgreen – has come under fire from campaigners.

Unite, Britain's biggest trade union, said in October that the chain had "avoided paying more than £1bn in taxes" since it was taken private by Kohlberg Kravis Roberts and Mr Pessina in a £12bn deal in 2007. Alliance Boots said it observed the highest standards of ethics and had invested more than £2.1bn to build its business and contributed £1bn to its pension fund.

KKR declined to comment.

Private equity groups typically use debt to finance their acquisitions to lower their cost of capital and get the tax benefit associated with debt to maximise their returns.

The OECD guidelines were strengthened in 2011 and, even though they are voluntary, some non-governmental organisations regard them as an effective way to hold companies to account.

In this instance, the campaigners said Alliance Boots breached the guidance by providing too little information for outside stakeholders to judge whether the transactions were fair and transparent. They also said that moving profit to tax havens went against the spirit of the UK tax regime.

War on Want and Change to Win said they stood by their complaint, which would fall to the UK business department to investigate.

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A&B melts gold to trigger cash flow

By Duncan Robinson

Pawnbroker Albemarle & Bond has resorted to smelting some of its stocks of gold jewellery in an attempt to raise ready cash and avoid breaching the terms of its bank financing.

The cash-strapped company said it had launched a "programme of exceptional smelting of retail stocks" – turning the gold chains and rings forfeited by its customers into lumps of the yellow metal which can be sold for cash more quickly than

up its cash shortfall by launching a £35m rights issue but was forced to scrap the plan when its main shareholder – EZCorp, the US short term-lending group – failed to back it.

The pawnbroker's failed cash call came after it was hit by plunging gold prices and a subsequent drop in the number of people seeking to pawn items, as well as increased competition.

Its pledge book has shrunk 12 per cent year on year. Gold prices, meanwhile, are about a

The Short View
James Mackintosh

There may, or may not, be a great rotation under way from bonds to equities. But investors are definitely rotating out of gold into cash, shares, bonds and – perhaps – Bitcoins.

Gold was down to $1,245 an ounce yesterday afternoon – a loss of a quarter in 12 months and more than a third down from its peak two years ago.

Meanwhile, Bitcoins – an electronic alternative to gold for those wanting a currency immune to government debasing – have gone parabolic. The price of one Bitcoin on the Mt Gox exchange has passed $1,000 for the first time, having risen fivefold in a month. The total value of all Bitcoins is up from $131m to $12bn in a year.

But the story is not just of goldbugs abandoning the metal for another overpriced asset. Gold is falling for good reason.

First, the world looks a safer place. Washington avoided default, the eurozone has hung together (Italy's senate even ejected the troublesome Silvio Berlusconi) and Iran is negotiating.

Second, the cost of holding gold is rising. Holding a chunk of metal is cheap if the money could do little elsewhere. But the opportunity cost is going up as real yields rise – and the price of gold has long been inversely related to the real yield, as measured by inflation-linked bonds.

Finally, the inflation that gold buyers feared would follow from massive money printing by central banks has failed to materialise – in fact, quite the opposite. In the US and Europe, inflation has fallen