

Company registration number: 02517178

Alliance Boots Holdings 1 Limited
Strategic report, Directors' report
and financial statements
for the year ended 31 March 2014



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Alliance Boots Holdings 1 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 was £113.9 million (2013: £253.5 million).

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.

There are no business risks for the Company necessary for an understanding of the development, performance or position of the business.

By order of the Board:



F Standish
Company Secretary
25 July 2014

Registered office:
2 The Heights
Brooklands
Weybridge
Surrey
KT13 0NY

Alliance Boots Holdings 1 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.

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

An interim dividend of £114.5 million (2013: £546.0 million) was declared and paid in the year.

Directors

The following served as Directors during the year:

A Clare
M Delve
F Standish

The Group places Directors' and Officers' insurance centrally and provides coverage for Directors' and Officers' liability exposure.

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
25 July 2014

Registered office:
2 The Heights
Brooklands
Weybridge
Surrey
KT13 0NY

Registered in England and Wales No. 02517178

Alliance Boots Holdings 1 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 accountings 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 Holdings 1 Limited

We have audited the financial statements of Alliance Boots Holdings 1 Limited for the year ended 31 March 2014 set out on pages 5 to 14. 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 Directors' responsibilities statement 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.



Christopher Hearn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
25 July 2014

Alliance Boots Holdings 1 Limited

Profit and loss account

for the year ended 31 March 2014

	Notes	2014 £million	2013 £million
Operating loss	2	(0.9)	(0.1)
Profit on disposal of fixed assets investments	8	-	216.8
Income from shares in subsidiary undertakings		114.5	36.6
Interest receivable and similar income	3	0.3	1.0
Interest payable and similar charges	4	-	(0.7)
Profit on ordinary activities before taxation		113.9	253.6
Tax on profit on ordinary activities	5	-	(0.1)
Profit for the financial year		113.9	253.5

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

The notes on pages 7 to 14 form part of the Company's financial statements.

Statement of total recognised gains and losses

for the year ended 31 March 2014

	Notes	2014 £million	2013 £million
Profit for the financial year		113.9	253.5
Actuarial loss recognised in the pension scheme gross of tax	14,15	(0.6)	(0.1)
Current tax credit on contribution to pension scheme in deficit	14	0.2	-
Total recognised gains and losses for the financial year		113.5	253.4

Alliance Boots Holdings 1 Limited

Balance sheet

as at 31 March 2014

	Notes	2014 £million	2013 £million
Fixed assets			
Tangible assets	7	-	0.1
Investments	8	200.0	200.0
		200.0	200.1
Current assets			
Debtors (including £40.0 million due after more than one year (2013: £nil))	9	58.3	60.3
Cash at bank and in hand		0.1	0.1
		58.4	60.4
Creditors: amounts falling due within one year	10	(3.4)	(3.4)
Net current assets		55.0	57.0
Total assets less current liabilities		255.0	257.1
Creditors: amounts falling due after more than one year	11	-	(0.1)
Provisions for liabilities and charges	12	(0.1)	(0.1)
Net assets excluding pension liability		254.9	256.9
Pension liability	15	(0.3)	(1.3)
Net assets including pension liability		254.6	255.6
Capital and reserves			
Called up share capital	13,14	36.2	36.2
Profit and loss account	14	218.4	219.4
Shareholders' funds		254.6	255.6

The notes on pages 7 to 14 form part of the Company's financial statements.

These financial statements were approved by the Board on 25 July 2014 and were signed on its behalf by:



M Delve
Director

Alliance Boots Holdings 1 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 applicable accounting standards, 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.

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.

Interest receivable and similar income

Interest receivable and similar income comprises interest receivable on funds invested, calculated using the effective interest rate, fair value movements on applicable derivative financial instruments and net exchange movements related to funds invested.

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.

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:

- Leasehold improvements – depreciated to their estimated residual values over the remaining life of the lease.

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.

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.

Investments

Investments are stated at cost less provision for impairment.

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.

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

1. Accounting policies (continued)

Financial instruments and derivative financial instruments

Financial assets and liabilities are recognised in the balance sheet at fair value when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities, excluding derivative financial instruments, are subsequently measured at amortised cost using the effective interest rate method.

The Company uses derivative financial instruments to hedge its exposure to currency translation and interest rate risks arising from operating, financing and investing activities. The Company does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for at fair value with movements taken to the profit and loss account.

Derivative financial instruments are recognised initially at fair value, with movements on remeasurement recognised immediately in the profit and loss account. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

The fair value of forward exchange contracts is their market price at the balance sheet date.

Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the currency translation exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

Post retirement benefits

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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.

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 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 Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

2. Operating loss

	2014 £million	2013 £million
Administrative expenses	(0.9)	(0.1)
Operating loss	(0.9)	(0.1)

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).

Staff numbers and costs

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

3. Interest receivable and similar income

	2014 £million	2013 £million
Interest receivable from group undertakings	0.3	0.6
Gains on derivative financial instruments	-	0.4
	0.3	1.0

4. Interest payable and similar charges

	2014 £million	2013 £million
Interest payable to group undertakings	-	0.2
Losses on derivative financial instruments	-	0.4
Net interest on pension scheme liabilities	-	0.1
	-	0.7

5. Tax on profit on ordinary activities

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

	2014 £million	2013 £million
Current tax		
United Kingdom ('UK') corporation tax		
Corporation tax on income for the year at 23% (2013: 24%)	-	(0.2)
	-	(0.2)
Deferred tax (note 12)		
Origination and reversal of timing differences	-	0.1
	-	(0.1)

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

	2014 £million	2013 £million
Profit on ordinary activities before tax	113.9	253.6
Current tax at 23% (2013: 24%)	(26.2)	(60.9)
Effects of:		
Profit on disposal of fixed asset investments	-	52.0
Expenses not deductible for tax purposes	(0.1)	-
Non-taxable income	26.3	8.8
Short term timing differences	-	(0.1)
Total current tax charge as above	-	(0.2)

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. The deferred tax asset at 31 March 2014 has been calculated based on the rate of 20%.

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

6. Dividends

The Company's paid dividends are presented as follows:

	2014 £million	2013 £million
Dividends paid in the year		
Interim dividends paid	114.5	546.0
	114.5	546.0

7. Tangible fixed assets

The tangible assets of the Company, which are in relation to short leasehold land and buildings, are included in the balance sheet at a cost of £0.6 million (2013: £0.6 million) and cumulative depreciation of £0.6 million (2013: £0.5 million). There were no additions or disposals during the year.

8. Fixed asset investments

	Shares in subsidiary undertakings £million	Total £million
Cost		
At 1 April 2013	200.0	200.0
Additions	5.0	5.0
Disposals	(5.0)	(5.0)
At 31 March 2014	200.0	200.0

On 28 February 2014, the Company acquired a 100% interest in the share capital of Alliance Healthcare Norge AS and Alliance Boots Investments 1 Limited from Alliance Boots Group Limited, one of its subsidiary undertakings, for £0.3 million and £4.7 million respectively. Subsequent to this, on 28 February 2014, the Company disposed of its entire interest in Alliance Healthcare Norge AS and Alliance Boots Investments 1 Limited for £0.3 million and £4.7 million respectively to its immediate parent company, Alliance Boots Holdings Limited.

During the prior year, on 31 August 2012, the Company disposed of its investment in Alliance Healthcare Turkey Holdings A.S. to a fellow wholly owned subsidiary of AB Acquisitions Holdings Limited, the Company's ultimate parent company and controlling party, for consideration of £260.0 million realising a profit on disposal of £216.8 million.

As at 31 March 2014, the cumulative provision for impairment recognised within fixed asset investments was £nil (2013: £nil).

The Company's principal subsidiary undertakings at the balance sheet date, all of which are indirectly held, were:

	Percentage of ordinary shares attributable to equity shareholders of the Company	Country of operation	Main activity
Alliance Apotheek B.V.	100	The Netherlands	Retail pharmacy operator
Alliance Healthcare España S.A.	99.2	Spain	Pharmaceutical wholesaling and distribution
Alliance Healthcare Nederland B.V.	100	The Netherlands	Pharmaceutical wholesaling and distribution
Alliance Healthcare s.r.o.	97.1	Czech Republic	Pharmaceutical wholesaling and distribution

The respective countries of incorporation for the principal subsidiaries are the same as the country of operation.

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 Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

8. Fixed asset investments (continued)

The Company's principal associates and joint venture, all of which are 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
Joint venture			
Guangzhou Pharmaceuticals Corporation	50.0	China	Pharmaceutical wholesaling and distribution

The respective countries of incorporation for the principal associates and joint venture are the same as the country of operation.

9. Debtors

	2014 £million	2013 £million
Amounts owed by group undertakings	58.2	60.0
Other debtors and accrued income	-	0.3
Corporation tax recoverable	0.1	-
	58.3	60.3

Amounts owed by group undertakings include £40.0 million (2013: £nil) loaned to a fellow Group undertaking that is interest bearing and has a maturity date of 17 January 2016. This has been separately disclosed on the face of the balance sheet, as a material amount, in accordance with UITF 4 'Presentation of long-term debtors in current assets.'

There is a further £18.1 million loan (2013: £58.9 million) to the same fellow Group undertaking that is interest bearing and has a facility maturity date of 1 April 2016. This has not been separately disclosed as a long term debtor as funds can be redeemed within the maximum of a 3 month notice period.

10. Creditors: amounts falling due within one year

	2014 £million	2013 £million
Other creditors including taxes and social security	3.4	3.3
Corporation tax payable	-	0.1
	3.4	3.4

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

	2014 £million	2013 £million
Other creditors	-	0.1
	-	0.1

12. Provisions for liabilities and charges

Vacant property provision

	Vacant property £million	Total £million
At 1 April 2013 and at 31 March 2014	0.1	0.1

The vacant property provision represents recognition of the net costs arising from vacant properties and sub-let properties.

Deferred tax asset relating to pension deficit

	2014 £million	2013 £million
At 1 April 2013	0.4	0.4
Release to the statement of total recognised gains and losses	(0.3)	-
At 31 March 2014 (note 15)	0.1	0.4

The deferred tax asset of £0.1 million (2013: £0.4 million) has been deducted in arriving at the net pension liability on the face of the balance sheet.

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

13. Called up share capital

	2014 £million	2013 £million
Allotted, called up and fully paid		
361,739,711 Ordinary shares of 10p each	36.2	36.2

14. Reconciliation of movements in equity shareholders' funds

	Called up share capital £million	Share premium account £million	Profit and loss account £million	Total £million
At 1 April 2012	36.2	509.4	2.6	548.2
Share capital reduction	-	(509.4)	509.4	-
Profit for the financial year	-	-	253.5	253.5
Actuarial loss on pension scheme net of tax	-	-	(0.1)	(0.1)
Equity dividends paid	-	-	(546.0)	(546.0)
At 1 April 2013	36.2	-	219.4	255.6
Profit for the financial year	-	-	113.9	113.9
Actuarial loss on pension scheme gross of tax	-	-	(0.6)	(0.6)
Current tax credit on contribution to pension scheme in deficit	-	-	0.2	0.2
Equity dividends paid	-	-	(114.5)	(114.5)
At 31 March 2014	36.2	-	218.4	254.6

15. Pension commitments

Defined benefit scheme

The Company has assumed the obligation to fund to the Alliance UniChem International Pension Scheme. This pension scheme is a targeted defined contribution benefit scheme for overseas members, under Guernsey regulations. The scheme has been accounted for as a defined benefit scheme under FRS17 as the scheme liabilities are based upon a guaranteed proportion of pensionable salary and a constructive obligation exists to fund these liabilities. No formal actuarial valuation has been carried out for this scheme and is not required under the regulations.

	2014 £million	2013 £million
Present value of funded defined benefit obligations	(4.5)	(4.2)
Fair value of plan assets	4.1	2.5
Liability	(0.4)	(1.7)
Related deferred tax asset (note 12)	0.1	0.4
Net liability	(0.3)	(1.3)

Movements in present value of defined benefit obligation

	2014 £million	2013 £million
At 1 April	(4.2)	(3.8)
Interest cost	(0.2)	(0.2)
Actuarial loss	(0.1)	(0.2)
At 31 March	(4.5)	(4.2)

Movements in fair value of plan assets

	2014 £million	2013 £million
At 1 April	2.5	2.3
Expected return on plan assets	0.2	0.1
Contribution	1.6	-
Actuarial (loss)/gain	(0.2)	0.1
At 31 March	4.1	2.5

Expense recognised in the profit and loss account

	2014 £million	2013 £million
Interest on defined benefit pension plan obligation	(0.2)	(0.2)
Expected return on defined benefit pension plan assets	0.2	0.1
Total	-	(0.1)

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

15. Pension commitments (continued)

The net expense is recognised in the following line items in the profit and loss account:

	2014 £million	2013 £million
Interest payable and similar charges	-	(0.1)
	-	(0.1)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial losses is £0.3 million loss (2013: £0.1 million loss).

The fair value of the plan assets and the expected return on those assets were as follows:

	2014 Long-term rate of return expected at 31 March 2014	2014 Fair value £million	2013 Long-term rate of return expected at 31 March 2013	2013 Fair value £million
Equities	7.50	1.3	6.75	1.3
Corporate bonds	3.80	0.9	3.50	1.1
Cash in investment fund	0.50	0.4	0.50	0.1
Cash held in Trustee bank account	0.50	1.5	0.50	-
Actual return on plan assets	3.41	4.1	4.99	2.5

The overall expected rate of return is calculated by weighting the individual rates in accordance with the balance in the plan's investment portfolio. The individual rates have been derived from relevant investment indices as at 31 March 2014.

Principal actuarial assumptions (expressed as weighted averages) at the year-end were as follows:

	2014 %	2013 %
Discount rate	4.30	4.65
Expected rate of return on plan assets	3.41	4.99
Expected return on plan assets at beginning of the period	4.99	5.26
Inflation	3.20	3.40
Other material assumptions (e.g., future pension increases)	2.95	3.10

In valuing the liabilities of the pension fund at 31 March 2014, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that the member of the fund lived for one year longer, the value of the reported liabilities at 31 March 2014 would have increased by £0.1 million (2013: £0.1 million) before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Future retiree upon reaching 65: 24.9 years (female).

The Company expects to contribute £nil to this defined benefit plan in the next financial year.

16. Operating leases

At 31 March 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	2014 Land and buildings £million	2013 Land and buildings £million
Less than one year	0.1	0.1
Between one and five years	-	0.1
	0.1	0.2

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 March 2014

17. Contingent liabilities

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 purpose of charging or crediting interest. Under this arrangement, each participating company agrees that it is jointly and severally liable to the bank, with each other participating company, for the aggregate overdraft balances on current accounts of all participating companies. Each 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. At 31 March 2014, the Company was contingently liable under this arrangement for a total amount of £nil million (2013: £nil million).

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, AB Acquisitions Limited (a fellow subsidiary undertaking within the Alliance Boots Group) as a Borrower and Deutsche Bank AG as the Facility Agent for the Lenders. As a Guarantor under the Agreements the Company has guaranteed the liabilities of fellow subsidiary undertakings within the Group.

As at 31 March 2014, the gross borrowings outstanding under the Agreements in aggregate (including the impact of currency translation and capitalised interest) were £8,357 million (2013: £8,836 million).

18. Ultimate parent undertaking

At 31 March 2014, the Company's immediate parent company was Alliance Boots Holdings 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 three private equity investment vehicles 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.