Company registration number 02517178

Alliance Boots Holdings 1 Limited
Directors' report and financial statements
for the year ended 31 March 2012

Contents

Alliance Boots Holdings 1 Limited

Directors' report
for the year ended 31 March 2012

The Directors present their report and the audited financial statements for the year ended 31 March 2012

Principal activities
The Company is a holding company within the Alliance Boots GmbH group ("Group")

Business review
The profit for the year was £20 8 million (2011 £163 9 million)

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

Going concern
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

Principal risks and uncertainties
The Company's Directors monitor the overall risk profile of the Company In addition, the Directors of the Group are responsible for determining clear policies as to what the Group considers to be acceptable levels of risk These policies seek to enable people throughout the Group to use their expertise to identify risks that could undermine performance and to devise ways of bringing them 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 additional business risks for the Company necessary for an understanding of the development, performance or position of the business other than the financial risks detailed below

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 £25 0 million (2011 £162 7 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

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc therefore continue in office

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
29 June 2012

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 Directors' report and the financial statements
for the year ended 31 March 2012

The Directors are responsible for preparing the 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 2012 set out on pages 4 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 auditors

As explained more fully in the Statement of Directors' responsibilities in respect of the Directors' report and the financial statements set out on page 2, 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 (APB'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 APB's website at www frc org uk/apb/scope/private cfm

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 2012 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 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

A Cole (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
29 June 2012

Alliance Boots Holdings 1 Limited

Profit and loss account
for the year ended 31 March 2012

	Notes	2012 £million	2011 £million
Operating loss	2	(1 3)	(0 1)
Income from shares in subsidiary undertakings		26 0	162 7
Interest receivable and similar income	3	2 6	5 7
Interest payable and similar charges	4	(2 6)	(4 8)
Profit on ordinary activities before taxation		24 7	163 5
Tax on profit on ordinary activities	5	(3 9)	0 4
Profit for the financial year		20 8	163 9

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

The notes on pages 6 to 14 form part of the Company's financial statements

Statement of total recognised gains and losses
for the year ended 31 March 2012

	Notes	2012 £million	2011 £million
Profit for the financial year		20 8	163 9
Actuarial gain/(loss) recognised in the pension scheme	15	0 1	(0 5)
Deferred tax arising on actuarial gain/(loss) recognised in the pension scheme	12	-	0 1
Total recognised gains and losses for the financial year		20 9	163 5

Alliance Boots Holdings 1 Limited

Balance sheet
as at 31 March 2012

	Notes	2012 £million	2011 £million
Fixed assets			
Tangible assets	7	0 1	0 2
Investments	8	243 2	244 2
		243 3	244 4
Current assets			
Debtors (including £332,225,000 due after more than one year)	9	349 2	376 6
Cash at bank and in hand		-	0 1
		349 2	376 7
Creditors amounts falling due within one year	10	(42 8)	(30 7)
Net current assets		306 4	346 0
Total assets less current liabilities		549 7	590 4
Creditors amounts falling due after more than one year	11	(0 1)	(36 3)
Provisions for liabilities and charges	12	(0 3)	(0 6)
Net assets excluding pension liability		549 3	553 5
Pension liability	15	(1 1)	(1 2)
Net assets including pension liability		548 2	552 3
Capital and reserves			
Called up share capital	13,14	36 2	36 2
Share premium account	14	509 4	509 4
Profit and loss account	14	2 6	6 7
Shareholders' funds		548 2	552 3

The notes on pages 6 to 14 form part of the Company's financial statements

These financial statements were approved by the Board on 29 June 2012 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 2012

1 Accounting policies

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

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

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

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

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

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

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 Bank overdrafts are shown within borrowings in current liabilities on the balance sheet

Notes to the financial statements (continued)
for the year ended 31 March 2012

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 2012

2 Operating loss

	2012 £million	2011 £million
Administrative expenses	(1 3)	(0 1)
Operating loss	(1 3)	(0 1)

Operating loss is stated after charging

	2012 £million	2011 £million
Net foreign exchange gains	0 1	0 1
Impairment charge[1]	1 0	-
Vacant property charge[2]	0 2	-

[1]The exceptional impairment charge is described in note 8
[2]The vacant property charge is described in note 12

Auditor's remuneration
The 2012 fee for the audit of these financial statements was borne by a fellow group undertaking The allocation that would have been incurred is £3,000 (2011 £7,500)

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 (2011 nil)

3 Interest receivable and similar income

	2012 £million	2011 £million
Interest receivable from group undertakings	0 7	0 4
Gains on derivative financial instruments	1 9	5 3
	2 6	5 7

4 Interest payable and similar charges

	2012 £million	2011 £million
Interest payable to group undertakings	-	0 1
Losses on derivative financial instruments	2 6	4 6
Net interest on pension scheme liabilities	-	0 1
	2 6	4 8

5 Tax on profit on ordinary activities

An analysis of the tax charge for the year ended 31 March 2012 is presented as follows

	2012 £million	2011 £million
Current tax		
United Kingdom ('UK') corporation tax		
Corporation tax on income for the year at 26% (2011 28%)	(0 5)	(1 4)
Adjustments in respect of prior periods	(3 9)	-
	(4 4)	(1 4)
Deferred tax (note 12)		
Origination and reversal of timing differences	0 5	1 1
Adjustments in respect of prior periods	-	0 6
Effect of decreased tax rate	-	0 1
	0 5	1 8
Tax (charge)/credit on profit on ordinary activities	(3 9)	0 4

Notes to the financial statements (continued)
for the year ended 31 March 2012

5 Tax on profit on ordinary activities (continued)

The current tax charge for the year is lower than (2011 lower than) the standard rate of corporation tax of 26% (2011 28%) The differences are explained below

	2012 £million	2011 £million
Profit on ordinary activities before tax	24 7	163 5
Current tax at 26% (2011 28%)	(6 4)	(45 8)
Effects of		
Expenses not deductible for tax purposes	(0 3)	-
Non-taxable income	6 8	45 6
Short term timing differences	(0 6)	(1 2)
Adjustments in respect of prior periods	(3 9)	-
Total current tax charge as above	(4 4)	(1 4)

Factors affecting future tax charges
During the year to 31 March 2012, the UK Government substantively enacted a reduction in the corporation tax rate to 24%, effective from 1 April 2012 It was also announced that the rate would reduce by 1% over each of the next two years to 22% 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

6 Dividends

The Company's paid and proposed dividends are presented as follows

	2012 £million	2011 £million
Dividends paid in the year		
Interim dividend paid	25 0	162 7
	25 0	162 7

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 (2011 £0 6 million) and cumulative depreciation of £0 5 million (2011 £0 4 million) There were no additions or disposals during the year

8 Fixed asset investments

	Shares in group undertakings £million	Total £million
Cost		
At 1 April 2011	244 2	244 2
Impairment	(1 0)	(1 0)
At 31 March 2012	243 2	243 2

The impairment recognised during the year relates to the Directors' judgement of the permanent reduction in its investment when compared to the underlying net asset value of Alliance Unichem Investments 3 Limited, a directly held subsidiary undertakings of the Company

As at 31 March 2012 the cumulative impairment recognised within fixed asset investment cost was £27,000,000 (2011 £26,000,000)

Notes to the financial statements (continued)
for the year ended 31 March 2012

8 Fixed asset investments (continued)

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

	Percentage held by subsidiary undertakings	Percentage attributable to equity shareholders of the Company	Country of operation	Country of incorporation	Main activity
Boots Norge A S	100	100	Norway	Norway	Pharmacy-led health and beauty retailing
Alliance Apotheek B V	100	100	The Netherlands	The Netherlands	Retail pharmacy operator
Hedef Ecza Deposu Ticaret A S	80 0	80 0	Turkey	Turkey	Pharmaceutical wholesaling and distribution
Alliance Healthcare España S A	99 2	99 2	Spain	Spain	Pharmaceutical wholesaling and distribution
Alliance Healthcare B V	100	100	The Netherlands	The Netherlands	Pharmaceutical wholesaling and distribution
United Company of Pharmacists S A E	50 0	40 0	Egypt	Egypt	Pharmaceutical wholesaling and distribution
Alliance Healthcare s r o	97 1	97 1	Czech Republic	Czech Republic	Pharmaceutical wholesaling and distribution
Alliance Healthcare Norge A S	100	100	Norway	Norway	Pharmaceutical wholesaling and distribution

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

The Company's principal associates and joint venture, all of which are indirectly held, were

	Percentage interest in ordinary share capital and voting rights held by its subsidiary undertakings	Percentage attributable to equity shareholders of the Company	Country of operation	Country of incorporation	Main activity
Associates					
Galenica Ltd [1]	25 5	25 5	Switzerland	Switzerland	Pharmaceutical manufacturing, wholesaling and distribution and retail pharmacy operator
Alliance Healthcare Italia S p a	49 0	49 0	Italy	Italy	Pharmaceutical wholesaling and distribution and retail pharmacy operator
OOO Alliance Healthcare Rus	49 0	49 0	Russia	Russia	Pharmaceutical wholesaling and distribution
Alliance Healthcare S A	49 0	49 0	Portugal	Portugal	Pharmaceutical wholesaling and distribution
Hydra Pharm SPA	30 0	18 0	Algeria	Algeria	Pharmaceutical wholesaling and distribution
Joint venture					
Guangzhou Pharmaceuticals Corporation	50 0	50 0	China	China	Pharmaceutical wholesaling and distribution

[1] All shares have the same voting rights but no shareholder may exercise more than 20% of the votes

9. Debtors

	2012 £million	2011 £million
Amounts owed by group undertakings	348 6	375 7
Other debtors and accrued income	0 6	0 9
	349 2	376 6

Amounts owed by group undertakings includes £332,225,000 loaned to a fellow Group undertaking that is interest bearing and has a maturity date of 31 March 2014 This has been separately disclosed on the face of the balance sheet, as it is a material amount, in accordance with UITF 4 'Presentation of long-term debtors in current assets '

Notes to the financial statements (continued)
for the year ended 31 March 2012

10 Creditors amounts falling due within one year

	2012 £million	2011 £million
Amounts owed to group undertakings	0 3	1 3
Other creditors including taxes and social security	3 3	3 3
Derivative financial instruments	38 9	25 4
Corporation tax payable	0 3	0 7
	42 8	30 7

11 Creditors amounts falling due after more than one year

	2012 £million	2011 £million
Other creditors	0 1	0 3
Derivative financial instruments	-	36 0
	0 1	36 3

12 Provisions for liabilities and charges

Deferred tax liability and vacant property provision

	Deferred tax liability £million	Vacant property £million	Total £million
At 1 April	0 6	-	0 6
Provisions created during the year	-	0 2	0 2
Released to the profit and loss account	(0 5)	-	(0 5)
At 31 March	0 1	0 2	0 3

The deferred tax provision relates to the deferred tax liability on the fair values of derivative financial instruments

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

Deferred tax asset relating to pension deficit

	2012 £million	2011 £million
At 1 April	0 4	-
Acquisition from fellow group undertaking	-	0 3
Deferred tax credited to the statement of total recognised gains and losses	-	0 1
At 31 March (note 15)	0 4	0 4

The deferred tax asset of £0 4m has been deducted in arriving at the net pension liability on the face of the balance sheet

13 Called up share capital

	2012 £million	2011 £million
Allotted, called up and fully paid		
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 2010	36 2	509 4	5 9	551 5
Profit for the financial year	-	-	163 9	163 9
Actuarial losses on pension scheme net of tax	-	-	(0 4)	(0 4)
Equity dividends paid	-	-	(162 7)	(162 7)
At 1 April 2011	36 2	509 4	6 7	552 3
Profit for the financial year	-	-	20 8	20 8
Actuarial gains on pension scheme net of tax	-	-	0 1	0 1
Equity dividends paid	-	-	(25 0)	(25 0)
At 31 March 2012	36 2	509 4	2 6	548 2

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)
for the year ended 31 March 2012

15 Pension commitments

Defined benefit scheme

The Company has assumed the obligation to fund to the Alliance UniChem International Pension Scheme from a fellow group undertaking 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

	2012 £million	2011 £million
Present value of funded defined benefit obligations	(3 8)	(4 0)
Fair value of plan assets	2 3	2 4
Present value of unfunded defined benefit obligations	-	-
Liability	(1 5)	(1 6)
Related deferred tax asset (note 12)	0 4	0 4
Net liability	(1 1)	(1 2)

Movements in present value of defined benefit obligation

	2012 £million	2011 £million
At 1 April	(4 0)	-
Acquisition from fellow group undertaking	-	(3 2)
Interest cost	(0 2)	(0 3)
Current service cost[1]	-	-
Actuarial loss	0 4	(0 5)
At 31 March	(3 8)	(4 0)

[1]Current service cost for the year was £nil (2011 £23,000)

Movements in fair value of plan assets

	2012 £million	2011 £million
At 1 April	2 4	-
Acquisition from fellow group undertaking	-	2 1
Expected return on plan assets	0 2	0 2
Contributions by employer	-	0 1
Actuarial gains/(losses)	(0 3)	-
At 31 March	2 3	2 4

Expense recognised in the profit and loss account

	2012 £million	2011 £million
Interest on defined benefit pension plan obligation	(0 2)	(0 3)
Expected return on defined benefit pension plan assets	0 2	0 2
Total	-	(0 1)

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

	2012 £million	2011 £million
Other interest receivable and similar income	-	(0 1)
	-	(0 1)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial losses is £0 1m gain (2011 loss £0 5m)

15. Pension commitments (continued)

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

	Long-term rate of return expected at 31 March 2012	2012 Fair value £million	Long-term rate of return expected at 31 March 2011	2011 Fair value £million
Equities	6 85	1 1	8 00	1 5
Corporate bonds	4 10	1 0	5 10	0 6
Other investments	2 25	0 2	0 50	0 3
Actual return on plan assets	5 26	2 3	6 30	2 4

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 31 March 2012 The other investments category consists of the cash held by the Scheme

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

	2012 %	2011 %
Discount rate	4 80	5 06
Expected rate of return on plan assets	5 26	6 30
Expected return on plan assets at beginning of the period	6 30	6 90
Inflation	2 95	3 70
Other material assumptions (e g , future pension increases)	2 90	3 70

In valuing the liabilities of the pension fund at 31 March 2012, mortality assumptions have been made as indicated below If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 March 2012 would have increased by £0 1m (2011 £0 1m) 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 25 8 years (female)

The Company expects to contribute approximately £nil to its defined benefit plans in the next financial year

16 Operating leases

At 31 March 2012 the Company had annual commitments under non-cancellable operating leases as follows

	2012 Land and buildings £million	2011 Land and buildings £million
Less than one year	0 1	0 1
Between one and five years	0 2	0 3
	0 3	0 4

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 2012, the Company was contingently liable under this arrangement for a total amount of £nil million (2011 £0 1 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 under the Agreements

As at 31 March 2012 the gross borrowings outstanding under the Agreements in aggregate (including the impact of currency translation and capitalised interest) were £8,790 million (2011 £8,851 million)

Notes to the financial statements (continued)
for the year ended 31 March 2012

18 Ultimate parent undertaking

At 31 March 2012 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 certain funds advised by Kohlberg Kravis Roberts & Co L P S Pessina and O Barra, who are directors of Alliance Boots GmbH, are also directors of Alliance Santé Participations S A , which is ultimately owned by a family trust

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