Company registration number 02517178

Alliance Boots Holdings 1 Limited
Directors' report and financial statements
for the year ended 31 March 2011

Contents

Alliance Boots Holdings 1 Limited

Directors' report
for the year ended 31 March 2011

The Directors present their report and the audited financial statements for the year ended 31 March 2011

Principal activities
The Company's principal activity during the year was that of a holding company within the Alliance Boots GmbH Group ('Group')

Business review
The profit for the year was £163 9 million (2010 £198 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 Company's business activities, together with the factors likely to affect its future development and position, are set out in this report

The Company has considerable financial resources available After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the 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 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 £162 7 million (2010 £200 0 million) was declared and paid in the year

Directors
The following served as Directors during the year

A Clare	(appointed 17 January 2011)
M Delve	
F Standish	
K McCoy	(resigned 31 December 2010)

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

Political and charitable donations
No political or charitable donations were made during the current or prior year

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

Statement as to 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

Martin Delve
Director
8 July 2011

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 2011

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 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 2011 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 auditor

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 2011 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

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

Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
8 July 2011

Alliance Boots Holdings 1 Limited

Profit and loss account
for the year ended 31 March 2011

	Notes	2011 £million	2010 £million
Operating loss	2	(0 1)	(0 2)
Income from shares in subsidiary undertakings		162 7	200 0
Interest receivable and similar income	3	5 7	4 6
Interest payable and similar charges	4	(4 8)	(2 3)
Profit on ordinary activities before taxation		163 5	202 1
Tax on profit on ordinary activities	5	0 4	(3 2)
Profit for the financial year		163 9	198 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 2011

	Notes	2011 £million	2010 £million
Profit for the financial year		163 9	198 9
Actuarial loss recognised in the pension scheme	15	(0 5)	-
Deferred tax arising on actuarial loss recognised in the pension scheme	12	0 1	-
Total recognised gains and losses for the financial year		163 5	198 9

Alliance Boots Holdings 1 Limited

Balance sheet
as at 31 March 2011

	Notes	2011 £million	2010 £million
Fixed assets			
Tangible assets	7	0 2	0 2
Investments	8	244 2	603 1
		244 4	603 3
Current assets			
Debtors	9	376 3	5 5
Cash at bank and in hand		0 1	0 1
		376 4	5 6
Creditors amounts falling due within one year	10	(30 4)	(3 8)
Net current assets		346 0	1 8
Total assets less current liabilities		590 4	605 1
Creditors amounts falling due after more than one year	11	(36 3)	(51 2)
Provisions for liabilities and charges	12	(0 6)	(2 4)
Net assets excluding pension liability		553 5	551 5
Pension liability	15	(1 2)	-
Net assets including pension liability		552 3	551 5
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	6 7	5 9
Shareholders' funds		552 3	551 5

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

These financial statements were approved by the Board on 8 July 2011 and were signed on its behalf by

Martin Delve
Director

Alliance Boots Holdings 1 Limited

Notes to the financial statements
for the year ended 31 March 2011

1 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below

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

AB Acquisitions Holdings Limited ('ABAHL'), the ultimate parent undertaking of the Company, 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 ABAHL Group and, consequently, the Company is exempt under FRS 8, 'Related party Disclosures', from disclosing transactions with entities that are part of the ABAHL Group or investees of the ABAHL 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

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

Currency
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 their useful economic lives of not more than 50 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

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

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

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)
for the year ended 31 March 2011

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

Investments
Investments are stated at cost less provision for impairment

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 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
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 2011

2 Operating loss

	2011 £million	2010 £million
Administrative expenses	**(0 1)**	(0 2)
Operating loss	**(0 1)**	(0 2)

Operating loss is stated after crediting/(charging)

	2011 £million	2010 £million
Net foreign exchange gain/(loss)	**0 1**	(0 1)

The 2011 fee for the audit of these financial statements was borne by a fellow group undertaking The allocation that would have been incurred is £7,500 (2010 £7,500)

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 (2010 nil)

3 Interest receivable and similar income

	2011 £million	2010 £million
Interest receivable from group undertakings	**0 4**	1 6
Gains on derivative financial instruments	**5 3**	2 9
Other finance income	**-**	0 1
	5 7	4 6

4. Interest payable and similar charges

	2011 £million	2010 £million
Interest payable to group undertakings	**0 1**	-
Losses on derivative financial instruments	**4 6**	2 3
Net interest on pension scheme liabilities	**0 1**	-
	4 8	2 3

5 Tax on profit on ordinary activities

An analysis of the tax credit/(charge) for the year is presented as follows

	2011 £million	2010 £million
Current tax		
United Kingdom ('UK') corporation tax		
Corporation tax on income for the year at 28% (2010 28%)	**(1 4)**	(1 1)
Adjustments in respect of prior periods	**-**	(2 6)
	(1 4)	(3 7)
Deferred tax (note 12)		
Origination and reversal of timing differences	**1 1**	0 5
Adjustments in respect of prior periods	**0 6**	-
Effect of decreased tax rate	**0 1**	-
	1 8	0 5
Tax credit/(charge) on profit on ordinary activities	**0 4**	(3 2)

Notes to the financial statements (continued)
for the year ended 31 March 2011

5 Tax on profit on ordinary activities (continued)

The current tax charge for the year is lower than (2010 lower than) the standard rate of corporation tax of 28% (2010 28%) The differences are explained below

	2011 £million	2010 £million
Profit on ordinary activities before tax	**163 5**	202 1
Current tax at 28% (2010 28%)	**(45 8)**	(56 6)
Effects of		
Expenses not deductible for tax purposes	**(1 2)**	(0 5)
Non-taxable income	**45 6**	56 0
Adjustments in respect of prior periods	**-**	(2 6)
Total current tax charge as above	**(1 4)**	(3 7)

Factors affecting future tax charges
The standard rate of corporation tax in the UK changes to 26% with effect from 1 April 2011 During the year the UK Government announced that the rate of UK corporation tax would reduce by 1% over each of the next three years to 23%

6 Dividends

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

	2011 £million	2010 £million
Dividends paid in the year		
Interim dividend paid	**162 7**	200 0
	162 7	200 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 (2010 £0 6 million) and cumulative depreciation of £0 4 million (2010 £0 4 million) There were no additions or disposals during the year

8 Fixed asset investments

	Shares in group undertakings £million	Loans to group undertakings £million	Total £million
Cost			
At 1 April 2010	**244 2**	**358 9**	**603 1**
Transfer to current asset	**-**	**(358 9)**	**(358 9)**
At 31 March 2011	**244 2**	**-**	**244 2**

On 10 March 2011 the terms of the deposit agreement were amended to allow repayment on any date agreed between the Company and its counterparty, up to 30 November 2012, and as such the asset has been reclassified as a current asset

During the previous year, the Group restructured the legal ownership of its interest in the ordinary share capital of Hedef Alliance Holding A S ("Hedef") Under the restructuring, a new company, Alliance Healthcare Turkey Holding A S, was set up to hold the Group's entire 50 0% interest at that time The Company exchanged its 25 0% direct holding in Hedef for a 50 0% holding in Alliance Healthcare Turkey Holding A S The Company's direct holding in Alliance Healthcare Turkey Holding A S is shown within shares in group undertakings

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)
for the year ended 31 March 2011

8 Fixed asset investments (continued)

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

	Percentage interest in ordinary share capital and voting rights held by the Company's or its subsidiary undertakings	Country of operation	Country of incorporation	Main activity
Boots Norge A S	100	Norway	Norway	Pharmacy-led health and beauty retailing
Alliance Apotheek B V	100	The Netherlands	The Netherlands	Retail pharmacy operator
Alliance Healthcare España S A	99 2	Spain	Spain	Pharmaceutical wholesaling and distribution
Alliance Healthcare B V	100	The Netherlands	The Netherlands	Pharmaceutical wholesaling and distribution
ZAO Apteka Holding	96 0	Russia	Russia	Pharmaceutical wholesaling and distribution
Alliance Healthcare s r o	97 1	Czech Republic	Czech Republic	Pharmaceutical wholesaling and distribution
Alliance Healthcare Norge A S	100	Norway	Norway	Pharmaceutical wholesaling and distribution
Hedef Ecza Deposu Ticaret A S	70 0	Turkey	Turkey	Pharmaceutical wholesaling and distribution
United Company of Pharmacists S A E	50 0	Egypt	Egypt	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 were

	Percentage interest in ordinary share capital and voting rights held by the Company or its subsidiary undertakings	Country of operation	Country of incorporation	Main activity
Associates				
Galenica Ltd [1]	25 5	Switzerland	Switzerland	Pharmaceutical manufacturing, wholesaling and distribution and retail pharmacy operator
Alliance Healthcare Italia S p a	49 0	Italy	Italy	Pharmaceutical wholesaling and distribution and retail pharmacy operator
Alliance Healthcare S A	49 0	Portugal	Portugal	Pharmaceutical wholesaling and distribution
Hydra Pharm SPA[2]	30 0	Algeria	Algeria	Pharmaceutical wholesaling and distribution
Joint venture				
Guangzhou Pharmaceuticals Corporation[3]	50 0	China	China	Pharmaceutical wholesaling and distribution

[1] Indirectly held All shares have the same voting rights, but no shareholder may exercise more than 20% of the votes
[2] Indirectly held 15% owned by a subsidiary undertaking in which the Company has a 70% interest in the ordinary share capital and voting rights, and 15% owned by United Company of Pharmacists S A E
[3] Indirectly held

9 Debtors

	2011 £million	2010 £million
Amounts owed by group undertakings	**375 4**	-
Other debtors and accrued income	**0 9**	1 3
Derivative financial instruments	**-**	4 2
	376 3	5 5

Notes to the financial statements (continued)
for the year ended 31 March 2011

10 Creditors amounts falling due within one year

	2011 £million	2010 £million
Amounts owed to group undertakings	1 0	-
Other creditors including taxes and social security	3 3	3 8
Derivative financial instruments	25 4	-
Corporation tax payable	0 7	-
	30 4	3 8

The amounts owed to group undertakings as at 31 March 2011 relates to a non interest bearing loan and is repayable on demand

11 Creditors amounts falling due after more than one year

	2011 £million	2010 £million
Other creditors	0 3	-
Derivative financial instruments	36 0	51 2
	36 3	51 2

12 Provisions for liabilities

Deferred tax liability

	2011 £million	2010 £million
At 1 April	2 4	2 9
Profit and loss account credit	(1 8)	(0 5)
At 31 March	0 6	2 4

Provisions for the liabilities on the face of the balance sheet relate to deferred tax on the fair values of derivative financial instruments

Deferred tax asset relating to pension deficit

	2011 £million	2010 £million
At 1 April	-	-
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	-

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

	2011 £million	2010 £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 2009	36 2	509 4	7 0	552 6
Profit for the financial year	-	-	198 9	198 9
Equity dividends paid	-	-	(200 0)	(200 0)
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 31 March 2011	36 2	509 4	6 7	552 3

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

	2011 £million	2010 £million
Present value of funded defined benefit obligations	(4 0)	-
Fair value of plan assets	2 4	-
Present value of unfunded defined benefit obligations	-	-
Liability	(1 6)	-
Related deferred tax asset (note 12)	0 4	-
Net liability	(1 2)	-

Movements in present value of defined benefit obligation

	2011 £million	2010 £million
At 1 April 2010	-	-
Acquisition from fellow group undertaking	(3 2)	-
Interest cost	(0 3)	-
Current service cost[1]	-	-
Actuarial gains/(losses)	(0 5)	-
At 31 March 2011	(4 0)	-

[1]Current service cost for the year was £23,000

Movements in fair value of plan assets

	2011 £million	2010 £million
At 1 April 2010		
Acquisition from fellow group undertaking	2 1	-
Expected return on plan assets	0 2	-
Contributions by employer	0 1	-
At 31 March 2011	2 4	-

Expense recognised in the profit and loss account

	2011 £million	2010 £million
Interest on defined benefit pension plan obligation	(0 3)	-
Expected return on defined benefit pension plan assets	0 2	-
Total	(0 1)	-

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

	2011 £million	2010 £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 5m (2010 £nil)

Alliance Boots Holdings 1 Limited

Notes to the financial statements (continued)
for the year ended 31 March 2011

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 2011	2011
		Fair value £million
Equities	8 0	1 5
Government debt	4 4	0 0
Corporate bonds	5 1	0 6
Property	7 7	0 0
Other investments	0 5	0 3
Actual return on plan assets	6 3	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 2011 The other investments category consists of the cash held in the portfolio, and the current UK base rate has been used at the expected return

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

	2011
	%
Discount rate	5 06%
Expected rate of return on plan assets	6 30%
Expected return on plan assets at beginning of the period	6 90%
Future salary increases	-
Other material assumptions (e g , future pension increases, inflation)	3 70%
	3 70%

In valuing the liabilities of the pension fund at 31 March 2011, 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 2011 would have increased by £0 3 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 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 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 At 31 March 2011, the Company was contingently liable under this arrangement for a total amount of £0 1 million (2010 £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 2011 the gross borrowings outstanding under the Agreements in aggregate (including the impact of currency translation and capitalised interest) were £8,851 million (2010 £8,850 million)

Notes to the financial statements (continued)

for the year ended 31 March 2011

17 Ultimate parent undertaking

At 31 March 2011 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