Company registration number 00027657

The Boots Company PLC
Directors' report and financial statements
for the year ended 31 March 2011

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The Boots Company PLC

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 activities during the year were pharmaceutical distribution and holding Boots brands and intellectual property

Business review
Turnover decreased by 41 2% (2010 3 3%) to £674 million (2010 £1,146 million) Operating profit before exceptional items decreased by 18 4% (2010 increased by 9 4%) to £142 million (2010 £174 million)

Within operating profit was £nil (2010 £47 million credit) of exceptional costs The exceptional costs comprised £nil (2010 £47 million) relating to the grant of a licence to Boots Opticians Limited, a fellow Group undertaking Operating profit was £142 million (2010 £221 million)

The Company's retained profit for the financial year was £200 million (2010 £175 million)

On 1 October 2010 the Company transferred the trade and assets of its pharmaceutical distribution business to Alliance Healthcare Distribution Limited, a fellow Group undertaking

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

Risk management
Our approach is to identify, monitor and assess all significant risks and take steps, where necessary, to mitigate them

The Group's risk management process
The executive Directors and the Director of Internal Audit & Risk Management continue to play the leading role, monitoring the overall risk profile and regularly reporting to the Board through the audit committee The process of risk identification is facilitated by the use of risk registers for Alliance Boots, and for each business In addition, the Board through the executive Directors is responsible for determining clear policies as to what Alliance Boots considers to be acceptable levels of risk These policies seek to enable employees to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels

Where we identify risks that are not acceptable, we 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

The risks the Company faces

Impact of regulation
Risk
The Company operates in regulated markets and could be adversely affected by changes to existing regulation, new regulation and/or failure to comply with regulation

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

Competition
Risk
Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company The Company faces competition from direct competitors and alternative supply sources such as importers and manufacturers who supply direct to pharmacies

Mitigation
The Company's strategy is to capitalise on the potential and strength of its leading brands and the trust in which they are held, and to build strong relationships with customers and suppliers The Company continues to expand the scope of its operations in response to a changing marketplace, including entering into distribution agreements with manufacturers who wish to sell direct to pharmacies

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

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

Product/services risk
Risk
The Company could be adversely impacted by the supply of defective products or provision of inadequate services In particular, this could come from allowing the infiltration of counterfeit products into the supply chain, errors in re-labelling of products and contamination or product mishandling issues

Mitigation
The Company has robust purchasing, well developed contractual controls in relation to suppliers and a cohesive product control framework This includes specific controls for the identification of counterfeit product

Directors' report
for the year ended 31 March 2011

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

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

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

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

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

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

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

Mitigation
The Company retains independent actuaries to review investment performance, provide periodic investment advice and advise on appropriate actuarial assumptions and sensitivities All UK defined benefit schemes are closed to future accruals

Pension scheme indemnity
The Company, as principal employer of the Alliance UniChem Group UK Pension Scheme has granted, and there is in force in respect of each of the directors of Alliance UniChem Pension trustee Limited, a qualifying pension scheme indemnity provision (as referred to in section 236 of the Companies Act 2006) Such indemnity is of infinite duration and shall continue to be granted in respect of a director even after he has ceased to hold such office

Dividends
Interim dividends of £320 million (2010 £Nil) were declared and paid in the year

Directors
The following served as Directors during the year

D Foster
A W Gourlay
K Murphy

Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General meeting of the Company

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

D Foster
Company Secretary
30 June 2011

Registered office
Nottingham
NG2 3AA

Registered in England and Wales No 00027657

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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

Independent auditors' report
to the members of The Boots Company PLC

We have audited the financial statements of The Boots Company PLC for the year ended 31 March 2011 set out on pages 5 to 13 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 Directors' responsibilities statement set out 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 (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 web-site 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

S Haydn-Jones (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham, B4 6GH
30 June 2011

The Boots Company PLC

Profit and loss account
for the year ended 31 March 2011

	Notes	2011 £million	2010 £million
Turnover	2		
Continuing operations		169	151
Discontinued operations		505	995
		674	1,146
Operating profit	2		
Continuing operations		139	171
Discontinued operations		3	50
		142	221
Income from shares in Group undertakings		97	-
Interest receivable and similar income	4	1	1
Interest payable and similar charges	5	-	(2)
Profit on ordinary activities before taxation		240	220
Tax on profit on ordinary activities	7	(40)	(45)
Profit for the financial year		200	175

There were no recognised gains and losses for the current and preceding financial years other than the profit of £200 million (2010 £175 million) shown above Accordingly, no statement of recognised gains and losses is presented

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

The notes on pages 7 to 13 form part of the Company's financial statements

The Boots Company PLC

Balance sheet
as at 31 March 2011

	Notes	2011 £million	2010 £million
Fixed assets			
Tangible assets	9	5	5
Investments	10	1,187	1,000
		1,192	1,005
Current assets			
Stocks	11	-	10
Debtors	12	194	314
Current asset investments	13	14	13
		208	337
Creditors amounts falling due within one year	14	(34)	(27)
Net current assets		174	310
Net assets		1,366	1,315
Capital and reserves			
Called up share capital	16,17	209	209
Share premium account	17	254	254
Capital redemption reserve	17	57	57
Capital contribution reserve	17	171	-
Profit and loss account	17	675	795
Shareholders' funds		1,366	1,315

The notes on pages 7 to 13 form part of the Company's financial statements

These financial statements were approved by the Board on 30 June 2011 and were signed on its behalf by

Ken Murphy
Director

Registered in England and Wales No 00027657

Notes to the financial statements (continued)
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, includes the Company's assets, liabilities and results in its own publicly-available consolidated financial statements Under FRS 1 (Revised 1996), 'Cash flow statements', the Company is therefore exempt from the requirement to prepare a cash flow statement In addition, under SSAP 25, 'Segmental Reporting', the Company is exempt from the requirement to present segmental information on the grounds that Alliance Boots GmbH includes segmental information in its own publicly-available consolidated financial statements in compliance with IFRS 8, 'Operating Segments'

The Company's voting rights are wholly controlled within the Group and, consequently, the Company is exempt under FRS 8, 'Related party Disclosures', from disclosing transactions with entities that are part of the Group or investees of the Group qualifying as related parties The Company also qualifies on this basis for the exemption from presenting financial instruments disclosures in accordance with FRS 29, 'Financial Instruments Disclosures' The disclosures required by FRS 29 are included in the Group's publicly-available consolidated financial statements

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

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

Turnover
Turnover shown on the face of the profit and loss account is the amount derived from the sale of goods in the normal course of business, net of trade discounts, value added tax and other sales-related taxes Turnover from the sale of goods is recognised at the point contractual obligations to a customer have been fulfilled For the sale of goods, turnover is recognised when legal title transfers to a customer

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

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

- Freehold land and assets in the course of construction – not depreciated,
- Freehold and long leasehold buildings – depreciated to their estimated residual values over their useful economic lives of not more than 50 years,
- Plant and machinery – 3 to 10 years, and
- Fixtures, fittings, tools and equipment – 3 to 20 years

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

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

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

Stocks
Stocks consist of goods held for resale and are valued at the lower of cost and net realisable value Cost is determined using the first in, first out method The cost of raw materials and packaging is their purchase price The cost of finished goods comprises the purchase cost of goods, direct labour and those overheads related to distribution based on normal activity levels Cost is valued at retail prices and reduced by appropriate margins to take into account factors such as average cost, obsolescence, seasonality and damage Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale

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

1 Accounting policies (continued)

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

Investments
Investments are stated at cost less provision for impairment

Post retirement benefits
The Company participates in the Boots Pension Scheme, incorporating both a multi-employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the Group The Company is unable to identify its share of the underlying assets and liabilities of the defined benefit scheme and accordingly, as permitted by FRS 17, 'Retirement benefits' accounts for contributions to the scheme as if it were a defined contribution scheme As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period Particulars of the Group scheme are contained in the consolidated financial statements of Alliance Boots GmbH, prepared in accordance with International Financial Reporting Standards

Additionally, the Company also operates two Stakeholder Pension Plans, which are defined contribution pension arrangements

Taxation
Current taxation
Current tax is recognised at the amount expected to be paid or recovered for the period based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date

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

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

2 Profit from operations

	2011 £million	2010 £million
Turnover	674	1,146
Cost of sales		
Continuing operations	(6)	(5)
Discontinued operations	(501)	(939)
	(507)	(944)
Gross profit	167	202
Distribution costs		
Continuing operations	(13)	(15)
Discontinued operations	(1)	(6)
	(14)	(21)
Administrative expenses		
Continuing operations	(11)	40
Discontinued operations	-	-
	(11)	40
Operating profit	142	221

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

2 Profit from operations (continued)

Operating profit is stated after charging/(crediting)

	2011 £million	2010 £million
Depreciation of tangible fixed assets		
- owned assets	1	1
Exceptional items		
- Profit on grant of licence	-	(47)

Amounts receivable by the auditors and their associates

The 2011 fee in respect of auditing the accounts of the Company pursuant to legislation was borne by a fellow Group undertaking Amounts receivable by the Company's auditors in respect of non-audit services provided to the Company were £Nil (2010 £Nil)

3 Staff numbers and costs

The average monthly number of full time equivalent persons employed by the Company during the year, analysed by function, was

	2011 Number of employees	2010 Number of employees
Administration	69	210

Costs incurred in respect of these employees were

	2011 £million	2010 £million
Wages and salaries	2	6
Social security costs	-	1
Pension costs	-	1
	2	8

No director received or waived any remuneration for his services to the Company during the year

On 1 July 2010 all employees were transferred to Boots Management Services Limited, a fellow Group undertaking

4 Interest receivable and similar income

	2011 £million	2010 £million
Interest receivable from bank deposits	1	1

5 Interest payable and similar charges

	2011 £million	2010 £million
Interest payable to Group undertakings	-	2

6 Profit on disposal of business

On 1 October 2010 the Company transferred the trade and assets of its pharmaceutical distribution business to Alliance Healthcare Distribution Limited, a fellow Group undertaking

	2011 £million	2010 £million
Tangible fixed assets	5	-
Stock	9	-
Net assets disposed	14	-
Cash consideration	14	-
Profit on disposal of business	-	-

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

7 Tax on profit on ordinary activities
An analysis of the tax charge for the year ended 31 March 2011 is presented as follows

	2011 £million	2010 £million
Current tax		
United Kingdom ('UK') corporation tax		
Corporation tax on income for the period at 28% (2010 28%)	42	49
Adjustments in respect of prior periods	(2)	(4)
Tax on profit on ordinary activities	40	45

The current tax charge for the financial year is lower (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	240	220
Current tax at 28% (2010 28%)	67	62
Effects of		
Provisions against investments and loans to Group undertakings	1	-
Expenses not deductible for tax purposes	4	-
Non-taxable income	(3)	(13)
Non-taxable dividends received from UK companies	(27)	-
Adjustments in respect of prior periods	(2)	(4)
Total current tax charge as above	40	45

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%

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

	2011 £million	2010 £million
Dividends paid in the year		
Interim dividends paid	320	-

9 Tangible fixed assets

	Freehold land and buildings £million	Plant and machinery £million	Fixtures, fittings, tools and equipment £million	Payments on account and assets in course of construction £million	Total £million
Cost					
At 1 April 2010	1	20	5	-	26
Additions	-	2	3	1	6
Disposal of business	-	(3)	(3)	(1)	(7)
At 31 March 2011	**1**	**19**	**5**	**-**	**25**
Depreciation					
At 1 April 2010	1	17	3	-	21
Charge for the year	-	1	-	-	1
Disposal of business	-	(2)	-	-	(2)
At 31 March 2011	**1**	**16**	**3**	**-**	**20**
Net book value					
At 31 March 2010	-	3	2	-	5
At 31 March 2011	**-**	**3**	**2**	**-**	**5**

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

10 Fixed asset investments

	Shares in subsidiary undertakings £million
Cost	
At 1 April 2010	1,011
Additions	187
Disposals	(11)
At 31 March 2011	**1,187**
Provision	
At 1 April 2010	11
Disposals	(11)
At 31 March 2011	-
Net book value	
At 31 March 2010	1,000
At 31 March 2011	**1,187**

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

	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Main activity
AB Property Holdings Limited	100	Cayman Islands	Holding Company

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

11 Stocks

	2011 £million	2010 £million
Finished goods and goods held for resale	-	10

12 Debtors

	2011 £million	2010 £million
Amounts owed by Group undertakings	193	313
Other debtors	1	1
	194	314

13 Current asset investments

	2011 £million	2010 £million
Listed investments	14	13

14 Creditors amounts falling due within one year

	2011 £million	2010 £million
Trade creditors	-	3
Amounts owed to Group undertakings	6	-
VAT payable	4	
Accruals and deferred income	1	2
Corporation tax payable	23	22
	34	27

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

15 Deferred tax

At 31 March 2011 the Company had capital losses totalling £147 million (2010 £152 million) which are available for offset against future chargeable gains arising in the Company or in other Group undertakings A deferred tax asset of £38 million (2010 £43 million) relating to these losses has not been recognised in these financial statements

16 Called up share capital

	2011 £million	2010 £million
Allotted, called up and fully paid		
836,022,397 ordinary shares of 25p each	209	209

17 Reconciliation of movements in equity shareholders' funds

	Called up share capital £million	Share premium account £million	Capital redemption reserve £million	Capital contribution reserve £million	Profit and loss account £million	Total £million
At 1 April 2009	209	254	57	-	620	1,140
Profit for the financial year	-	-	-	-	175	175
At 1 April 2010	209	254	57	-	795	1,315
Capital contribution	-	-	-	171	-	171
Profit for the financial year	-	-	-	-	200	200
Equity dividends paid	-	-	-	-	(320)	(320)
At 31 March 2011	**209**	**254**	**57**	**171**	**675**	**1,366**

On 31 March 2011 a capital contribution of £171 million was made by Alliance Boots Holdings Limited

18 Retirement benefits

The Company participates in the Boots Pension Scheme, incorporating both a multi-employer defined benefit scheme and a defined contribution plan, the assets and liabilities of which are held independently from the Group The Company is unable to identify its share of the assets and liabilities of the defined benefit scheme on a reasonable basis and as permitted under FRS 17, 'Retirement benefits', this scheme has been accounted for in these financial statements as if the scheme was a defined contribution schemes

Contributions to the defined benefit scheme for the year were £186,000 (2010 £1 million) The agreed contribution rate for the next 12 months is nil% Contributions to the defined contribution scheme for the year were £22,000 (2010 £80,000) There are no prepaid or accrued contributions to either scheme at the balance sheet date

Following an extensive consultation process, the Group implemented a new defined contribution scheme in the UK with effect from 1 July 2010, and as a result, all the Group's defined benefit pension schemes in the UK were closed to future accrual from that date

At 31 March 2011 the defined benefit scheme had a deficit on an FRS17, 'Retirement benefits', basis, of £147 million (2010 £416 million) before tax Details of the most recent actuarial valuation and detailed disclosures at 31 March 2011 can be found in the financial statements of Alliance Boots GmbH

19 Contingent liabilities

On 21 December 2007, the Company became a Guarantor under both a £8,270 million multi-currency Senior Facilities Agreement and a £750 million multi-currency Subordinated Facility Agreement (together the Agreements) between, amongst others, AB Acquisitions Limited (a fellow subsidiary undertaking within the Alliance Boots GmbH 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 Alliance Boots GmbH 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

The Company has entered into an arrangement with its bank under which its current account balances are netted on a daily basis with those of the other participating Group companies for the purposes of charging or crediting interest Under this arrangement, each participating company agrees that it is jointly and severally liable to the bank, with each participating company, for the aggregate overdraft balances on current accounts of all participating companies Each of the participating company's liability is limited to the amount of any positive cash balance it has in its current accounts with the bank on the day netting takes place At 31 March 2011, the Company was contingently liable under this arrangement for a total amount of £nil (2010 £nil)

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

20 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 Sante 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 Sante 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