



Registration
Number
4034358

BOOTS BEAUTY INTERNATIONAL LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2006

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Registration

No 4034358

BOOTS BEAUTY INTERNATIONAL LIMITED**Directors' Report**

Year ended 31st March 2006

DirectorsJ G Farrington
M J Oliver
W A C Cotton**Secretary**

S Fennell

Registered Office1 Thane Road West
Nottingham,
NG2 3AA

The directors present their annual report together with the audited financial statements for the year ended 31st March 2006.

Principal activities

The company is a wholly owned subsidiary of Boots Group PLC. The principal activity of the company is the sale of Boots branded products to Third Party retailers worldwide and the sale of products to Boots Group companies in Asia and the USA. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities next year.

Review of the business

The business has continued with the strategy of a multi-branded offer in dedicated space marketed on Boots branded fixtures. There continues to be a large number of outlets where we sell product (typically No7) through "shelf space". As at 31st March 2006 we had 758 implants and a further 746 outlets with a single brand offer.

During the year, BBI Ltd extended its pilot scheme to supply Boots branded products to a US based Boots Group company for onward distribution in the USA to two third party retailers, Target and CVS. In addition, further implants were launched in Russia, Romania, Indonesia and Canada (with primarily pharmacy partners in those countries). The business entered into an agreement to pilot a retail franchise in the Gulf during the year, trading in the first of these stores commenced in May 2006.

As a result of the above, as shown in the company's profit and loss account on page 6, sales increased by 17.5% to £17,904,000 on last year and operating loss decreased by £2,781,000 (36.8%).

The balance sheet on page 8 of the financial statements shows that the company's financial position at the year-end is consistent with prior year. Details of the amounts owed to its parent company are shown in notes 8 and 9.

Boots Group PLC manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The performance of the Boots Retail International division of Boots Group PLC, which includes the company, is discussed in the group's annual report, which does not form part of this report.

Registration**No 4034358****BOOTS BEAUTY INTERNATIONAL LIMITED****Directors' Report****Year ended 31st March 2006****Staff**

Details of the number of employees and related costs can be found in note 13.

Loss and dividends

The results for the year are shown in the profit and loss account on page 6. The directors do not recommend payment of a dividend for the year (2005 nil).

Directors

The details of directors in office on 31st March 2006 are shown on page 1. There have been the following changes to the board of directors during the year and up to the date of signing the financial statements.

ResignationsDate

M J Oliver

31st July 2006

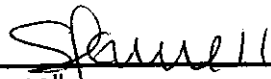
Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings in the group undertakings of the directors are included in notes 14 and 15 on pages 17 to 18.

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 information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



S Fennell
Secretary

26th January 2007
Date

BOOTS BEAUTY INTERNATIONAL LIMITED

Directors' Responsibilities Statement

Year ended 31st March 2006

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 judgments 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

Year ended 31st March 2006

Independent Auditors' Report to the members of Boots Beauty International Limited

We have audited the financial statements of Boots Beauty International Limited for the year ended 31st March 2006, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Independent Auditors' Report

Year ended 31st March 2006

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



KPMG Audit Plc

Chartered Accountants

Registered Auditor

Birmingham

6 JAN 2007

Date

BOOTS BEAUTY INTERNATIONAL LIMITED

Profit and Loss Account

Year ended 31st March 2006

	Notes	2006 £000	2005 £000
Turnover	2	17,904	15,238
Cost of sales		(13,287)	(11,499)
Gross profit		4,617	3,739
Operating costs	3	(9,394)	(11,297)
Operating loss and loss on ordinary activities before interest		(4,777)	(7,558)
Net interest receivable	4	17	82
Loss on ordinary activities before taxation		(4,760)	(7,476)
Tax on loss on ordinary activities	5	1,666	2,575
Loss on ordinary activities after taxation being loss for the year attributable to shareholders	12	(3,094)	(4,901)

The result for the year is wholly attributable to the continuing operations of the company.

There is no material difference between the loss as stated above and the loss stated on an unmodified historical cost basis.

BOOTS BEAUTY INTERNATIONAL LIMITED**Other Primary Statements**

Year ended 31st March 2006

Statement of Total Recognised Gains and Losses	2006 £000	2005 £000
Loss for the financial year attributable to shareholders	(3,094)	(4,901)
Net currency adjustments	<u>(4)</u>	<u>2</u>
Total recognised losses for the year	<u>(3,098)</u>	<u>(4,899)</u>
Prior year adjustment (see note 1)	<u>(26)</u>	<u>-</u>
Total recognised gains and losses since last annual report	<u>(3,124)</u>	<u>(4,899)</u>

Reconciliation of Movements in Shareholder's Funds	2006 £000	Restated* 2005 £000
Total recognised losses for the year	(3,098)	(4,899)
Net increase in shareholder's deficit	<u>(3,098)</u>	<u>(4,899)</u>
Opening shareholder's deficit	<u>(18,490)</u>	<u>(13,591)</u>
Closing shareholder's deficit	<u>(21,588)</u>	<u>(18,490)</u>

* Restated on adoption of FRS17 and FRS28 (see note 1)

BOOTS BEAUTY INTERNATIONAL LIMITED

Balance Sheet

At 31st March 2006

	Notes	2006 £000	Restated* 2005 £000
Fixed assets			
Tangible assets	6	<u>534</u>	<u>1,613</u>
Current assets			
Stocks	7	6,168	9,798
Debtors: falling due within one year	8	<u>14,494</u>	<u>6,114</u>
Debtors: falling due after more than one year	8	<u>1,508</u>	<u>470</u>
		16,002	6,584
Cash at bank and in hand		232	10,928
		<u>22,402</u>	<u>27,310</u>
Creditors: Amounts falling due within one year	9	<u>(44,507)</u>	<u>(47,325)</u>
Net current liabilities		<u>(22,105)</u>	<u>(20,015)</u>
Total assets less current liabilities		<u>(21,571)</u>	<u>(18,402)</u>
Creditors: Amounts falling due after more than one year	10	(17)	(88)
Net liabilities		<u>(21,588)</u>	<u>(18,490)</u>
Capital and reserves			
Called up share capital	11	-	-
Profit and loss account	12	(21,588)	(18,490)
Equity shareholder's deficit		<u>(21,588)</u>	<u>(18,490)</u>

The financial statements were approved by the Board of Directors on 26th January 2007
and are signed on its behalf by:



JON FARRINGTON
Director

* Restated on adoption of FRS17 and FRS28 (see note 1)

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS28 'Corresponding amounts'

The recognition and measurement criteria of FRS17 'Retirement benefits' have also been adopted, previously the transitional disclosures of that standard have been followed.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives hitherto required by the Companies Act 1985.

The corresponding amounts in these financial statements are restated in accordance with the new policies.

Impact of FRS17 'Retirement benefits'

The adoption of the recognition and measurement requirements of FRS17 has resulted in the removal of SSAP24 debtors and other pension provisions. As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, under FRS17 it accounts for the scheme as if it were a defined contribution scheme.

There is a prior year adjustment of £26,000 to decrease reserves as at 31st March 2005 as a result of these changes, a decrease in creditors of £37,000 partially offset by related deferred tax assets of £11,000. There is no impact on profit after tax for the year ended 31st March 2005.

The amount charged to the statement of total recognised gains and losses in respect of the above is £26,000.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Boots Group PLC, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated financial statements.

Following the year end, additional equity share capital was injected bringing the company into a net assets position and to provide cover for losses over the next financial year. On this basis, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

1. Accounting policies (continued)

Fixed assets and depreciation

Tangible fixed assets are written off to residual value by equal instalments over their expected normal lives, as follows:

Computer equipment	3 to 5 years
Motor vehicles	4 to 5 years
Fixtures and plant	4 to 5 years

Assets in the course of construction are not depreciated until they are brought into use. Any impairment in the value of fixed assets is charged to the profit and loss account as it arises.

Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods and costs related to distribution.

Deferred tax

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets where any liability is expected to be deferred indefinitely

Research and development

Expenditure on research and development is charged against profit in the year in which it is incurred.

Pensions

The company participates in the group wide Boots Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for 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.

Since 1st October 2000, new employees have been offered membership of Boots Stakeholder Pension Plan, a defined contribution pension arrangement. After five years' membership of this plan, employees have the opportunity to join Boots Pension Scheme.

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

1. Accounting policies (continued)

Leases

The rental costs of assets acquired under operating leases are charged to the profit and loss account on a straight-line basis over the life of the lease.

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account to produce, or approximate to, a constant periodic rate of charge on the remaining balance of the outstanding obligations.

Foreign currencies

The results of overseas joint arrangements are translated into sterling on an average exchange rate basis. Assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date.

Exchange differences arising from the translation of the non-monetary assets, less offsetting exchange differences on foreign currency borrowings and related tax are dealt with through reserves. All other exchange differences are dealt with in the profit and loss account.

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

2. Turnover

Turnover comprises amounts receivable for goods and services (excluding value added tax and other sales taxes). Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration.

	2006 £000	2005 £000
Turnover by geographical destination is as follows:		
UK	602	203
Rest of Europe	5,672	6,362
USA	2,793	1,389
Rest of world	8,837	7,284
	<u>17,904</u>	<u>15,238</u>

3. Operating costs

	2006 £000	2005 £000
Selling, distribution and store costs	6,712	2,718
Administrative expenses	2,682	8,579
Operating costs	<u>9,394</u>	<u>11,297</u>

Loss on ordinary activities before interest is after charging:

Operating lease rentals - property rents	22	25
Research & development costs	94	168
Depreciation of tangible fixed assets		
- Owned Assets	157	134
- Assets held under finance leases	27	22
Auditors remuneration – audit fees		
- Audit fees	34	25
- Non audit fees	-	21

4. Net interest receivable

	2006 £000	2005 £000
Interest receivable:		
Other interest	<u>21</u>	<u>126</u>
Interest payable and similar charges:		
Other interest	(4)	(43)
Exchange differences: monetary items	-	(1)
	<u>(4)</u>	<u>(44)</u>
Net interest receivable	<u>17</u>	<u>82</u>

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

5. Tax on loss on ordinary activities	2006 £000	2005 £000
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The tax credit on the loss for the year consists of:

Current taxation

UK corporation tax	(674)	(2,256)
Adjustment in respect of prior years	2	(216)
	<u>(672)</u>	<u>(2,472)</u>
Overseas taxation	44	52
Total current tax	(628)	(2,420)

Deferred tax

Origination and reversal of timing differences	(1,038)	(155)
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Tax credit on loss on ordinary activities	(1,666)	(2,575)
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Reconciliation of current tax credit

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2005 30%). The actual tax credit for the current year is below (previous year is above) the standard rate for the reasons set out in the following reconciliation.

	2006 £000	2005 £000
Loss on ordinary activities before tax	<u>(4,760)</u>	<u>(7,476)</u>
UK standard rate of corporation tax at 30%	(1,428)	(2,243)
Factors affecting charge for the year:		
Disallowable expenses	3	15
Changes in accelerated capital allowances	279	(37)
Relief for withholding tax suffered	(34)	-
Other timing differences	504	9
Overseas taxation	20	52
Prior year adjustments	28	(216)
Total current tax credit for the year	(628)	(2,420)

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

6. Tangible fixed assets	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Assets in the course of construction £000	Total £000
Cost				
At 1st April 2005	203	769	1,161	2,133
Additions	-	327	141	468
Disposals	(123)	(101)	-	(224)
Currency adjustment	-	(2)	-	(2)
At 31st March 2006	80	993	1,302	2,375
Depreciation				
At 1st April 2005	71	449	-	520
Charge for the year	31	153	-	184
Disposals	(71)	(92)	-	(163)
Impairment losses	-	-	1,302	1,302
Currency adjustment	-	(2)	-	(2)
At 31st March 2006	31	508	1,302	1,841
Net book value at 31st March 2005	132	320	1,161	1,613
Net book value at 31st March 2006	49	485	-	534

The cost of plant and machinery includes £78,842 (2005 £227,733) in respect of assets held under finance lease on which the accumulated depreciation at the end of the year was £29,772 (2005 £65,344) and for which the depreciation charge for the year was £27,106 (2005 £22,327).

The impairment losses relate to the write-off of SAP assets due the sale of the Boots Healthcare International business by the group.

7. Stocks	2006 £000	2005 £000
Finished goods and goods for resale	6,168	9,798

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

8. Debtors	2006 £000	Restated* 2005 £000
Falling due within one year:		
Trade debtors	1,999	786
Amounts owed by group undertakings	12,094	4,425
Prepayments and accrued income	12	21
Other debtors	225	882
Corporation tax debtor	164	-
	<u>14,494</u>	<u>6,114</u>
Falling due after more than one year:		
Deferred tax (see below)	1,508	470
	<u>16,002</u>	<u>6,584</u>
Total debtors		
* Restated on adoption of FRS17 and FRS28 (see note 1)		

	2006 £000	Restated* 2005 £000
Analysis of deferred taxation debtor:		
Accelerated capital allowances	380	225
Other timing differences	1,128	245
	<u>1,508</u>	<u>470</u>
* Restated on adoption of FRS17 and FRS28 (see note 1)		

9. Creditors: Amounts falling due within one year	2006 £000	Restated* 2005 £000
Bank loans and overdraft	2	-
Trade creditors	943	193
Amounts due to group undertakings	39,315	43,105
Other taxation and social security	60	87
Other creditors	3,747	3,557
Accruals	375	347
Finance leases	19	36
Corporation tax liability	46	-
	<u>44,507</u>	<u>47,325</u>
* Restated on adoption of FRS17 and FRS28 (see note 1)		

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

10. Creditors: Amounts falling due after more than one year	2006 £000	Restated* 2005 £000
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Finance Leases	<u>17</u>	<u>88</u>
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* Restated on adoption of FRS17 and FRS28 (see note 1)

Obligations under finance leases	2006 £000	2005 £000
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Within one year	19	36
Within one to two years	17	39
Within two to five years	-	49
	<u>36</u>	<u>124</u>

11. Called up share capital	2006 £	2005 £
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Authorised:

1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
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Allotted, called up and fully paid:

2 ordinary shares of £1 each	<u>2</u>	<u>2</u>
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12. Reserves	Profit and loss account £000
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At 1st April 2005 as originally reported	(18,464)
Prior year adjustment (see note 1)	<u>(26)</u>
At 1st April 2005 as restated	(18,490)
Currency adjustments	(4)
Loss for the year	(3,094)
As 31st March 2006	<u>(21,588)</u>

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

13. Staff numbers and cost	2006 Number	2005 Number
The average full time equivalent number of heads employed by the company during the year was:	<u>59</u>	<u>58</u>
	<u>£000</u>	<u>£000</u>
The aggregated payroll cost was as follows:		
Wages and salaries	3,041	2,720
Social security costs	365	312
Other pension costs	366	273
	<u>3,772</u>	<u>3,305</u>
14. Directors' remuneration	2006 £000	2005 £000
i) Directors' emoluments for services to the company	427	376
ii) Monies received from long term bonus schemes	-	24
iii) (a) The remuneration of the highest paid director, excluding pension contributions	295	280
(b) (i) Increase in accrued pension during the year, including inflation	5	5
(ii) Accumulated total accrued pension at year end	57	52
	<u>2006</u>	<u>2005</u>
iv) Number of directors who are members of defined benefit pension schemes	2	3
v) Number of directors who have exercised options during the year (who are not directors of the ultimate holding company - see note 15)	-	-

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

15. Directors' shareholdings and share options

The directors who held office at the end of the financial year had the following interests in the ordinary shares of Boots Group PLC, according to the register of directors' interests:

<u>Number of Ordinary Shares during the year</u>		
	<u>Interest at start of year¹</u>	<u>Interest at end of year</u>
W A C Cotton	4,343	26,283
J G Farrington	785	3,630
M J Oliver	22,528	32,250

¹ Comparatives restated on the basis of the consolidation of share capital

Included in the interests disclosed above are shares to which the director has a conditional entitlement under various share schemes operated by the group. Details of such schemes are given in the annual report of Boots Group PLC.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in Boots Group PLC or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

<u>Number of options during the year</u>				
	<u>At start of year</u>	<u>Granted</u>	<u>Exercised</u>	<u>At end of year</u>
W A C Cotton	76,474	-	-	76,474
J G Farrington	18,592	-	-	18,592
M J Oliver	63,314	-	-	63,314

As a potential beneficiary, each director is deemed to have an interest in a total of 8,003,718 ordinary shares of the company held by the following employee trusts, namely, Boots ESOP Trust Limited (established to facilitate the operation of the company's executive bonus schemes), Boots (QUEST) Trustee Limited (established in connection with the company's UK all-employee SAYE Share Option Scheme) and Boots Share Plan Trustee Limited (established in connection with the All Employee Share Ownership Plan).

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

16. Commitments	2006 £000	2005 £000
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Annual commitments under operating leases for land and buildings are as follows:

Expiring:

Over one year and less than five years

22

23

17. Pensions

The company participates in a funded group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Since 1st October 2000, new employees have been offered membership of Boots Stakeholder Pension Plan, a defined contribution pension arrangement. After five years' membership of this plan, employees have the opportunity to join Boots Pension Scheme.

As the company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for 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.

Contributions payable to the pension fund during the year were £366k (2005 £273k).

At 31st March 2006 the scheme had a deficit on an IAS19 basis, which is not materially different to the deficit on an FRS17 basis, of £56.2m before tax. Details of the most recent actuarial valuation, which was on 1st April 2004, and detailed disclosures at 31st March 2006 can be found in the financial statements of Boots Group PLC.

BOOTS BEAUTY INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 2006

18. Ultimate Holding Company

The company's immediate holding company (which is also the immediate controlling party) is The Boots Company PLC and ultimate holding company (which is also the ultimate controlling party) is Boots Group PLC, both companies are incorporated in Great Britain and registered in England and Wales. The results of the company are included in the group financial statements of Boots Group PLC.

Copies of the group financial statements may be obtained from 1 Thane Road West, Nottingham NG2 3AA.

The company is exempt from disclosing transactions with other group undertakings and investees of the group qualifying as related parties in the financial statements of the company as permitted by paragraph 3 of Financial Reporting Standard 8.

On 31st July 2006 Boots Group PLC merged with Alliance UniChem plc. On this date the ultimate holding company, Boots Group PLC, changed its name to Alliance Boots plc.