

Registration
Number
4034358

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL
LIMITED)

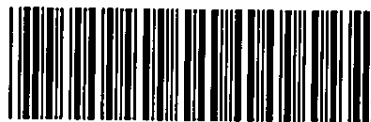
DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2008

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COMPANIES HOUSE

Registration

No 4034358

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Directors' Report

Year ended 31st March 2008

Directors:

Alex Salden
Andrew Wilkinson

Secretary:

D Foster

Registered Office:

1 Thane Road West
Nottingham,
NG2 3AA

Registration

No 4034358

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Directors' Report

Year ended 31st March 2008

The directors present their annual report together with the audited financial statements for the year ended 31st March 2008.

Principal activities

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 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 other than those noted below.

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements. On 16th September 2008, the company changed its name from Boots Beauty International Limited to Boots International Limited.

Review of the business

Export sales to 3rd Party retailers - The business has continued with the strategy of a multi-branded offer in dedicated space marketed on Boots branded fixtures. In March 2007 we announced the exit from a number of smaller export markets, these exits are now virtually completed and have been concluded within cost expectations. During the year further export sales opportunities have been pursued, within increased focus on a skincare range of products on the back of significant product support in the UK. Sales and profit from these operations continue to grow. As at the 31st March 2008 the business had 453 (2007: 577) implants and a further 324 (2007: 364) outlets. During the year the number of implants was increased in Russia, Romania and the Gulf offset by reductions in countries marked for exit.

Supply to Boots group companies - The business also supplies a number of other Alliance Boots group businesses. During 2007/08 its key group customers were the Boots Retail chain in Thailand and implant businesses in North America. In the year we began supply of Boots products through pilot stores in Norway via Alliance Apotek and also supplied a Soltan range through our wholesale division into Spain and Portugal. Our supply of products to businesses in Hong Kong and Taiwan has now ceased following closure of these businesses.

As a result of the above, as shown in the company's profit and loss account on page 8, sales increased by 12% to £26,645,000 (2007: £23,773,000) on last year and operating loss has decreased to £1,216,000 (2007: £8,094,000).

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BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Directors' Report

Year ended 31st March 2008

Principal risks and uncertainties

The group risks which the company is exposed to are discussed in the group's annual report, which does not form part of this report. The directors have noted that significant risks to Boots International Limited are exchange risk, the control of stock and supply chain and exposure to the key economies of Thailand and the USA.

Donations

As at the 31st March 2008 the company had made charitable donations of £10,000 (2007: Nil) and no political donations during the current or preceding year

Loss and dividends

The results for the year are shown in the profit and loss account on page 8. The directors do not recommend payment of a dividend for the year (2007: £Nil).

Directors

The details of directors in office on 31st March 2008 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.

Resignations

J G Farrington
W A C Cotton
M Waters

Date

9th October 2007
28th September 2007
29th February 2008

Appointments

A Salden
A Wilkinson
M Waters

Date

29th February 2008
9th October 2007
28th September 2007

Remuneration of directors and directors' shareholding

Details of the remuneration of the directors are included in note 15 on page 19.

Registration

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BOOTS INTERNATIONAL LIMITED
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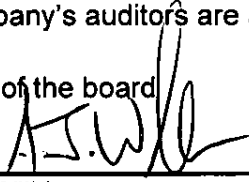
Directors' Report

Year ended 31st March 2008

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 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



Andrew Wilkinson
Director

9 Jun 2009.
Date

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Directors' Responsibilities Statement
Year ended 31st March 2008

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 2008

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

We have audited the financial statements of Boots International Limited (formerly Boots Beauty International Limited) for the year ended 31st March 2008, 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

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.

In addition we 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 2008

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 2008 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

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Birmingham

9 January 2009

Date

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Profit and Loss Account
Year ended 31st March 2008

	Notes	2008 £000	2007 £000
Turnover	2	26,645	23,773
Cost of sales		(20,964)	(18,256)
Gross profit		5,681	5,517
Operating costs	3	(6,897)	(13,611)
Operating loss		(1,216)	(8,094)
Costs of fundamental restructuring of continuing operations	4	(544)	(3,320)
Loss on ordinary activities before interest		(1,760)	(11,414)
Net interest payable	5	(527)	(226)
Loss on ordinary activities before taxation		(2,287)	(11,640)
Tax on loss on ordinary activities	6	465	2,598
Loss on ordinary activities after taxation being loss for the financial year	13	(1,822)	(9,042)

The result for both the current and preceding year is wholly attributable to the continuing operations of the company.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Other Primary Statements
Year ended 31st March 2008

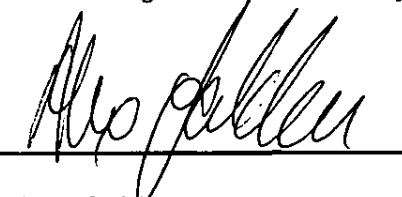
Statement of Total Recognised Gains and Losses	2008 £000	2007 £000
Loss for the financial year attributable to shareholders	(1,822)	(9,042)
Net currency adjustments	<u>11</u>	<u>(13)</u>
Total recognised losses for the year	<u>(1,811)</u>	<u>(9,055)</u>
Reconciliation of Movements in Shareholder's Funds		
	2008 £000	2007 £000
Total recognised losses for the year	(1,811)	(9,055)
Share capital issued	-	35,000
Share based payments	26	63
Net (decrease)/increase in shareholder's funds	<u>(1,785)</u>	<u>26,008</u>
Opening shareholder's funds / (deficit)	<u>4,420</u>	<u>(21,588)</u>
Closing shareholder's funds	<u>2,635</u>	<u>4,420</u>

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Balance Sheet
At 31st March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	7	<u>43</u>	<u>484</u>
Current assets			
Stocks	8	9,167	16,212
Debtors: falling due within one year	9	<u>8,073</u>	<u>11,039</u>
Debtors: falling due after more than one year	9	<u>467</u>	<u>1,111</u>
		8,540	12,150
Cash at bank and in hand		2,194	145
		<u>19,901</u>	<u>28,507</u>
Creditors: Amounts falling due within one year	10	<u>(17,309)</u>	<u>(24,571)</u>
Net current assets		<u>2,592</u>	<u>3,936</u>
Net assets		<u>2,635</u>	<u>4,420</u>
Capital and reserves			
Called up share capital	12,13	35,000	35,000
Profit and loss account	13	(32,365)	(30,580)
Shareholder's funds		<u>2,635</u>	<u>4,420</u>

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



Alex Salden
Director

9th January 2009

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

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.

Basis of preparation

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice, and under the historical cost accounting rules.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that Alliance Boots GmbH, a higher parent undertaking, includes the company's cash flows in its own published consolidated financial statements.

Fixed assets and depreciation

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

Plant and machinery	4 to 5 years
Fixtures, fittings, plant and equipment and tools and equipment	4 to 5 years
Assets in the course of construction	Not depreciated

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 bringing the stock to its current location and condition

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

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

1. Accounting policies (continued)

Pensions

The company participates in the 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.

Additionally, Boots also operates two Stakeholder Pension Plans, which are defined contribution pension arrangements.

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.

Share based payments

The fair value of the shares/options granted is charged as an employee expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares/options. The fair value is based on market value for the All Employee Share Ownership Plan and for the Long Term Bonus Scheme. The fair value of the options in the Executive Share Option Plan are established using an option pricing model. The amount recognised as an expense reflects the estimated number of shares/options that are expected to vest except where forfeiture is only due to market-based conditions not being achieved.

Foreign operations

The assets and liabilities of overseas operations are translated into Sterling at foreign exchange rates ruling at the balance sheet date. The results and cash flows of overseas operations are translated into Sterling on the average exchange rate for the period, which approximates the underlying actual rates.

Exchange differences arising from the translation of the results and net assets of overseas divisions are recognised in reserves. All other exchange differences are dealt with in the profit and loss account.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Notes to the Financial Statements

Year ended 31st March 2008

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 i.e. when a partner takes responsibility for stock and a sale is complete. £1,272,000 (2007: £1,738,000) of turnover originates in Switzerland and £25,373,000 (2007: £22,035,000) of turnover originates in the UK.

	2008 £000	2007 £000
Turnover by geographical destination is as follows:		
UK	1,036	1,590
Rest of Europe	9,986	7,184
USA	10,216	4,927
Rest of world	5,407	10,072
	<u>26,645</u>	<u>23,773</u>

3. Operating costs

	2008 £000	2007 £000
Selling, distribution and store costs	1,927	7,544
Administrative expenses	4,970	6,067
Operating costs	<u>6,897</u>	<u>13,611</u>

Loss on ordinary activities before interest is after charging:

Operating lease rentals - property rents	219	20
Depreciation of tangible fixed assets		
- Owned Assets	195	272
- Assets held under finance leases	15	18
- Impairment losses	202	408
Amounts receivable by the auditors is respect of:		
- Audit of financial statements	21	34
- Other services	-	30

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Notes to the Financial Statements

Year ended 31st March 2008

4. Exceptional items

The costs of restructuring of continuing operations arose in respect of the business undertaking a review of its activities and serving notice to exit relationships with a small number of export customers. This has had a material effect on the nature and focus of the company's operations.

The effect of the exceptional items reported after operating loss on the amounts charged to the profit and loss account for taxation was to decrease the charge to the profit and loss account by £163,000 (2007: £996,000).

5. Net interest payable	2008 £000	2007 £000
Interest receivable:		
Interest received from group undertakings	-	2
Other interest	<u>27</u>	<u>-</u>
	27	2
Interest payable and similar charges:		
Other interest	1	(2)
Interest paid to group undertakings	<u>(555)</u>	<u>(226)</u>
	(554)	(228)
Net interest payable	<u>(527)</u>	<u>(226)</u>
6. Tax on loss on ordinary activities	2008 £000	2007 £000

The tax credit on the loss for the year consists of:

Current taxation		
UK corporation tax	(277)	(2,641)
Adjustment in respect of prior years	<u>(832)</u>	<u>(312)</u>
	(1,109)	(2,953)
Overseas taxation	-	(42)
Total current tax	<u>(1,109)</u>	<u>(2,995)</u>
Deferred tax		
Origination and reversal of timing differences	644	397
Tax credit on loss on ordinary activities	<u>(465)</u>	<u>(2,598)</u>

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

6. Tax on loss on ordinary activities (continued)

Reconciliation of current tax credit

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2007: 30%). The actual tax credit for the current and prior year is below the standard rate for the reasons set out in the following reconciliation.

	2008 £000	2007 £000
Loss on ordinary activities before tax	<u>(2,287)</u>	<u>(11,640)</u>
UK standard rate of corporation tax at 30% (2007:30%)	(686)	(3,492)
Factors affecting charge for the year:		
Disallowable expenses	279	3
Depreciation in excess of capital allowances	90	102
Other timing differences	40	37
Prior year adjustments	(832)	355
Total current tax credit for the year	<u>(1,109)</u>	<u>(2,995)</u>

Factors that may affect future current and total tax charge

The standard rate of corporation tax in the UK changed to 28% on the 1st April 2008.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Notes to the Financial Statements

Year ended 31st March 2008

7. 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 2007	57	1,594	1,302	2,953
Additions	30	46	-	76
Disposals	(14)	(803)	(1,302)	(2,119)
At 31st March 2008	73	837	-	910
Depreciation				
At 1st April 2007	17	1,150	1,302	2,469
Charge for the year	15	195	-	210
Disposals	(2)	(710)	(1,302)	(2,014)
Impairment losses	-	202	-	202
At 31st March 2008	30	837	-	867
Net book value at 31st March 2007	40	444	-	484
Net book value at 31st March 2008	43	-	-	43

The cost of plant and machinery includes £72,000 (2007: £55,930) in respect of assets held under finance lease on which the accumulated depreciation at the end of the year was £29,000 (2007: £15,920) and for which the depreciation charge for the year was £15,000 (2007: £17,703).

8. Stocks	2008 £000	2007 £000
Finished goods and goods for resale	9,167	16,212

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Notes to the Financial Statements

Year ended 31st March 2008

9. Debtors	2008 £000	2007 £000
Falling due within one year:		
Trade debtors	227	1,814
Amounts owed by group undertakings	7,773	8,827
Prepayments and accrued income	20	27
Other debtors	12	371
Other taxation	41	-
	<u>8,073</u>	<u>11,039</u>
Falling due after more than one year:		
Deferred tax (see below)	467	1,111
Total debtors	<u>8,540</u>	<u>12,150</u>

	2008 £000	2007 £000
Analysis of deferred taxation debtor:		
Accelerated capital allowances	288	258
Other timing differences	179	853
	<u>467</u>	<u>1,111</u>

10. Creditors: Amounts falling due within one year	2008 £000	2007 £000
Bank loans and overdraft	-	108
Trade creditors	201	351
Amounts due to group undertakings	14,349	19,871
Other taxation and social security	21	88
Other creditors	-	436
Accruals	2,584	3,665
Finance leases	-	6
Corporation tax	154	46
	<u>17,309</u>	<u>24,571</u>

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

	2008 £000	2007 £000
11. Obligations under finance leases		
Within one year	-	6
Within one to two years	-	-
	<u>-</u>	<u>6</u>

	2008 £	2007 £
12. Called up share capital		
Authorised:		
40,000,000 ordinary shares of £1 each	<u>40,000,000</u>	<u>40,000,000</u>
Allotted, called up and fully paid:		
35,000,002 (2007: 35,000,002) ordinary shares of £1 each	<u>35,000,002</u>	<u>35,000,002</u>

13. Share capital and reserves	Share capital £000	Profit and loss account £000	Total £000
At 1st April 2007	35,000	(30,580)	4,420
Currency adjustments	-	11	11
Loss for the year	-	(1,822)	(1,822)
Share based payments	-	26	26
As 31st March 2008	<u>35,000</u>	<u>(32,365)</u>	<u>2,635</u>

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

14. Staff numbers and cost	2008	2007
	Number	Number

The average full time equivalent number of heads employed by the company during the year was:

62	66
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All of the employees provide a central function in the support of the company's principal activities.

	2008	2007
	£000	£000

The aggregated payroll cost was as follows:

Wages and salaries	3,200	3,077
Social security costs	284	341
Other pension costs	453	527
Equity settled transactions	26	63
	3,963	4,008

15. Directors' remuneration	2008	2007
	£000	£000

i) Directors' emoluments for services to the company	662	375
ii) Monies received from long term bonus schemes	-	-
iii) (a) The remuneration of the highest paid director, excluding pension contributions	463	242
(b) (i) Increase in accrued pension during the year, including inflation	34	6
(ii) Accumulated total accrued pension at year end	121	63

	2008	2007
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iv) Number of directors who are members of defined benefit pension schemes	4	2
v) Number of directors who have exercised options during the year	-	-

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

16. Commitments	2008 £000	2007 £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	-	19
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17. Pensions

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

Additionally, Boots also operates two Stakeholder Pension Plans, which are defined contribution pension arrangements.

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 £453,000 (2007: £527,000). There are no prepaid or accrued contributions at the year end.

At 31st March 2008 the scheme had a surplus on an IAS19 basis, which is not materially different to the surplus on an FRS17 basis, of £282.0m before tax. Details of the most recent actuarial valuation, which was on 1st April 2007, and detailed disclosures at 31st March 2008 can be found in the financial statements of Alliance Boots GmbH.

The scheme has entered into Memoranda of Understanding with the Group. This resulted in the payment of £52m of additional contributions during the period, an agreement that conservative investment strategies would be maintained and that a further £366m of contributions will be made over the next 10 years from August 2008, of which £20m will be paid in 2008/09 and each of the following four financial years.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Notes to the Financial Statements

Year ended 31st March 2008

18. Share-based payments

On the acquisition of Alliance Boots plc by AB Acquisitions Limited all former Alliance Boots plc schemes that the company's employees participated in vested and were exercised on acquisition.

The number and weighted average exercise prices of executive options granted are as follows:

	Weighted average exercise price 2008 £	Number of options 2008	Weighted average exercise price 2007 £	Number of options 2007
Outstanding at the beginning of the year	-	-	6.24	534,962
Forfeited during the year	-	-	6.24	534,962
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

The exercise price range and average contractual life of executive options outstanding as at 31st March is as follows:

	2008	2007
Exercise price range	-	-
Weighted average contractual life	-	-

The fair value at measurement date for equity instruments (other than share options) granted during the year was as follows:

	Weighted average fair value per share 2008 £	Weighted average fair value per share 2007 £
All employee share ownership plan	-	7.55
Co-investment plan awards	-	7.59
Performance share plan awards	-	7.47

The total expense recognised in the year in respect of share-based compensation was £26,000 (2007:£63,000) arising entirely from equity settled share-based compensation transactions.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)
Notes to the Financial Statements
Year ended 31st March 2008

19. Ultimate holding company

At 31 March 2008 the company's immediate parent company was The Boots Company PLC 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 certain funds advised by Kohlberg Kravis Roberts & Co. L.P. and Alliance Santé Participations S.A., a company indirectly wholly owned by S. Pessina.

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.

As a wholly owned subsidiary of Alliance Boots GmbH, the Company is exempt from disclosing transactions with other group undertakings and investees of the group qualifying as related parties as permitted by paragraph 3 of Financial Reporting Standard 8.

BOOTS INTERNATIONAL LIMITED
(formerly BOOTS BEAUTY INTERNATIONAL LIMITED)

Balance Sheet
At 31st March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	7	<u>43</u>	<u>484</u>
Current assets			
Stocks	8	9,167	16,212
Debtors: falling due within one year	9	8,073	11,039
Debtors: falling due after more than one year	9	467	1,111
		8,540	12,150
Cash at bank and in hand		2,194	145
		<u>19,901</u>	<u>28,507</u>
Creditors: Amounts falling due within one year	10	(17,309)	(24,571)
Net current assets		<u>2,592</u>	<u>3,936</u>
Net assets		<u>2,635</u>	<u>4,420</u>
Capital and reserves			
Called up share capital	12,13	35,000	35,000
Profit and loss account	13	(32,365)	(30,580)
Shareholder's funds		<u>2,635</u>	<u>4,420</u>

The financial statements were approved by the Board of Directors on _____
and are signed on its behalf by:

Alex Salden
Director