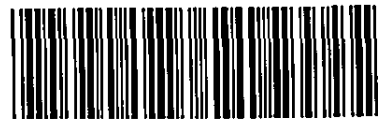


**Registration
Number
4077870**

BOOTS.COM DIRECT LIMITED
DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2008

WEDNESDAY



AHDMG6P1

A40

21/01/2009

374

COMPANIES HOUSE

BOOTS.COM DIRECT LIMITED

Directors' Report

Year ended 31st March 2008

Directors

P Fussey
T Stacey

Secretary

D Foster (appointed 5th April 2007)
S Fennell (resigned 5th April 2007)

Registered Office

1Thane Road West
Nottingham,
NG2 3AA

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

Principal activities

During the year the company operated an e-commerce website under the name of Boots.com. On 31st March 2008 the majority of the trade and assets of the company were transferred to Boots UK Limited and the company ceased trading.

Review of the business

Turnover increased by 42.5% to £41.9m.

Operating profit was £9.8m compared to £1.4m in the previous year.

During the year we expanded the Boots.com website to include a comprehensive section providing healthcare advice on a broad range of ailments. Development of a major site upgrade is now well underway which will make Boots.com much easier for our customers to use and more closely integrate the site with our retail offering.

Principal risks and uncertainties

The company is exposed to currency, credit and interest rate risk. The Group's treasury function manages these risks at a Group level in accordance with Group Treasury Policy including the use of financial instruments for the purpose of managing these risks. Group risks are discussed in the Group's annual review, which does not form part of this report.

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's annual review, which do not form part of this report.

Initiatives designed to minimise the company's impact on the environment include waste recycling, waste minimisation and reducing energy consumption and carbon emissions.

Donations

The company made no political or charitable donations during the current or preceding year.

BOOTS.COM DIRECT LIMITED

Directors' Report

Year ended 31st March 2008

Staff

Details of the number of employees and related costs can be found in note 13 on page 18.

Our aim is to ensure that all our people are informed and engaged with their business. We have a variety of approaches to fulfil this aim including regular face-to-face team briefings, conference calls, magazines, newsletters and a number of intranet sites. Feedback is sought on the effectiveness of our communications and surveys have been instituted to gauge the morale of our people and what is important to them.

It is critical to the success of the company that we continue to nurture the different and diverse talents in our business and we have designed our employment policies to achieve this. We aim to provide equal opportunities, regardless of sex, race, religion or belief, sexual orientation, disability or ethnic origin.

We do all that is practicable to meet our responsibilities towards the employment and training of disabled people. Where one of our people becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Profit and dividends

Details of the profit for the year are shown in the profit and loss account on page 7. No dividends have been paid for the year (2007: £Nil).

Directors

The details of directors in office on 31st March 2008 are shown on page 1. There have been no changes to the board of directors during the year and up to the date of signing the financial statements.

Remuneration of directors

Details of the remuneration of the directors are included in note 14 on page 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 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.

Registration
No: 4077870

BOOTS.COM DIRECT LIMITED

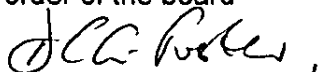
Directors' Report

Year ended 31st March 2008

Auditors

Pursuant to a shareholders resolution, the company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office.

By order of the board



D Foster
Secretary

5th December 2008
Date

BOOTS.COM DIRECT 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditors' Report

Year ended 31st March 2008

Independent Auditors' Report to the members of Boots.com Direct Limited

We have audited the financial statements of Boots.com Direct Limited for the year ended 31st March 2008, which comprise the Profit and Loss Account, 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 4.

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 profit 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

5 December 2008

Date

BOOTS.COM DIRECT LIMITED

Profit and Loss Account Year ended 31st March 2008

	Notes	Discontinued 2008 £000	Discontinued 2007 £000
Turnover	1	41,897	29,397
Cost of sales		(25,915)	(22,912)
Gross profit		15,982	6,485
Operating costs	2	(6,198)	(5,042)
Operating profit		9,784	1,443
Profit on sale of discontinued operations	3	14,117	-
Profit on ordinary activities before interest		23,901	-
Interest receivable	4	279	15
Interest payable	4	(8)	-
Profit on ordinary activities before taxation		24,172	1,458
Tax (charge)/credit on ordinary activities	5	(4,908)	3,208
Profit for the financial year	11	19,264	4,666

The results for the year are wholly attributable to the discontinued operations of the company and there have been no recognised gains or losses other than the profit for the current year and prior year as stated above.

BOOTS.COM DIRECT LIMITED**Reconciliation of Movements in Shareholder's Funds**

Year ended 31st March 2008

	2008 £000	2007 £000
Profit for the financial year attributable to shareholders	19,264	4,666
Net increase in shareholder's funds	<u>19,264</u>	<u>4,666</u>
Opening shareholder's funds/(deficit)	3,581	(1,085)
Closing shareholder's funds	<u>22,845</u>	<u>3,581</u>

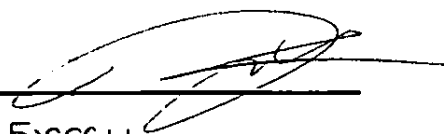
BOOTS.COM DIRECT LIMITED

Balance Sheet

Year ended 31st March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	6	-	207
Current assets			
Stock	7	-	3,930
Debtors falling due within one year	8	23,753	3,587
Debtors falling due after more than one year	8	-	4,908
		23,753	8,495
Cash at bank and in hand		-	114
		23,753	12,539
Creditors: Amounts falling due within one year	9	(908)	(9,165)
Net current assets		22,845	3,374
Total assets less current liabilities		22,845	3,581
Net assets		22,845	3,581
Capital and reserves			
Called up share capital	10	47,023	47,023
Profit and loss account	11	(24,178)	(43,442)
Shareholder's funds		22,845	3,581

The financial statements were approved by the Board of Directors on 5th December 2008 and are signed on its behalf by:


 P Fussey
 Director

BOOTS.COM DIRECT 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 except as noted below.

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.

Turnover

Turnover comprises of UK revenues earned net of value added tax.

To date revenue has been derived from three transaction streams: e-commerce product sales, hosting of microsites and advertising revenue generated from the web site. E-commerce product sales are recognised at the point of despatch to the customer.

Advertising revenue is received dependant upon the number of website page impressions. The amount of revenue recognised is determined after making allowances for the number of page impressions obtained and the time period in which the advertisements are published.

Tangible fixed assets and depreciation

All fixed assets are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment 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, remaining useful economic lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. Any impairment in the value of fixed assets is recognised immediately.

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

1. Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods.

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 and hire purchase contracts

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.

Leases, for which the company assumes substantially all of the risks and rewards of ownership, are classified as finance leases. 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.

Deferred taxation

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. This is in accordance with FRS19.

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.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

2. Operating costs	2008 £000	2007 £000
Selling and distribution costs	6,006	5,092
Administration expenses	192	(50)
	6,198	5,042

Operating profit shown on page 7 is after charging:

Depreciation of owned tangible fixed assets	56	165
Depreciation of assets held under finance leases	11	10

The audit fee was borne by a fellow group undertaking.

3. Profit on sale of discontinued operations

The profit on disposal of discontinued operations relates to the transfer of the majority of the trade and assets of the company to Boots UK Limited on 31st March 2008. These have been treated as discontinued operations:

Disposals	2008 £000	2007 £000
Book value		
Tangible fixed assets	155	-
Stock	7,631	-
Debtors	861	-
Creditors	(7,990)	-
Cash	226	-
Net assets disposed of	883	-
Profit on disposal	14,117	-
Total consideration settled through inter-company accounts	15,000	-

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

4. Net interest receivable	2008 £000	2007 £000
Interest receivable and similar income		
From group undertakings	167	8
Bank interest	112	7
	<u>279</u>	<u>15</u>
Interest payable and similar charges		
Other interest	(8)	-
	<u></u>	<u></u>
Net interest receivable	<u>271</u>	<u>15</u>
5. Tax on profit on ordinary activities	2008 £000	2007 £000
The tax charge/(credit) on the profit for the year comprises:		
Current taxation		
Adjustment in respect of prior years	-	168
Total current tax	<u>-</u>	<u>168</u>
Deferred tax		
Origination and reversal of timing differences	4,908	(3,376)
Tax on profit on ordinary activities	<u>4,908</u>	<u>(3,208)</u>

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

5. Tax on profit on ordinary activities (continued)

Reconciliation of current tax charge/(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 charge for the current and prior year is below the standard rate for the reasons set out in the following reconciliation:

	2008 £000	2007 £000
Profit on ordinary activities before taxation	24,172	1,458
UK standard rate of corporation tax at 30% (2007: 30%)	7,252	437
Factors affecting charge for the year:		
Depreciation in excess of capital allowances	16	15
Other timing differences	(124)	201
Relief for trading losses brought forward	(2,909)	(1,632)
Profit on disposal of business	(4,235)	-
Group tax adjustments	-	979
Prior year adjustments	-	168
Total current tax charge for the year	-	168

Factors affecting future tax charges:

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

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

6. Tangible fixed assets	Plant & Machinery £000	Fixtures, Fittings and Equipment £000	Total £000
Cost or valuation			
At 1st April 2007	37	23,902	23,939
Additions	-	726	726
Disposals	(37)	(21,274)	(21,311)
Intra-group transfers	-	(3,354)	(3,354)
At 31st March 2008	-	-	-
Depreciation			
At 1st April 2007	13	23,719	23,732
Charge for the period	4	63	67
Disposals	(17)	(21,279)	(21,296)
Intra-group transfers	-	(2,503)	(2,503)
At 31st March 2008	-	-	-
Net book value at 31st March 2007	24	183	207
Net book value at 31st March 2008	-	-	-

The cost of fixtures, fittings and equipment includes £Nil (2007: £50,888) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £Nil (2007: £10,206) and for which the depreciation charge for the year was £11,275 (2007: £9,601).

7. Stock	2008 £000	2007 £000
Finished goods and goods for resale	-	3,930

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

8. Debtors	2008 £000	2007 £000
Falling due within one year:		
Trade debtors	-	934
Amounts owed by group undertakings	23,753	2,653
	<u>23,753</u>	<u>3,587</u>
Falling due after more than one year:		
Deferred tax debtor (see below)	-	4,908
	<u>-</u>	<u>4,908</u>
Total debtors	<u>23,753</u>	<u>8,495</u>

Deferred tax debtor

£000

At 1st April 2007	4,908
Profit and loss account (see note 5)	(4,908)
At 31st March 2008	<u>-</u>

Analysis of deferred tax debtor	2008 £000	2007 £000
Accelerated capital allowances	-	1,960
Other timing differences	-	200
Tax losses	-	2,748
	<u>-</u>	<u>4,908</u>

The company has only recognised a deferred tax asset on losses which are likely to be utilised in the next five years. Unprovided deferred tax on losses is £Nil (2007: £Nil).

9. Creditors: Amounts falling due within one year	2008 £000	2007 £000
Trade creditors	-	1,622
Amounts due to group undertakings	778	6,641
Other taxation and social security	130	172
Accruals and deferred income	-	730
	<u>908</u>	<u>9,165</u>

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

10. Called up share capital	2008 £	2007 £
Authorised		
50,000,000 ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid		
47,022,830 ordinary shares of £1 each	<u>47,022,830</u>	<u>47,022,830</u>

11. Reserves	Share capital £000	Profit and loss account £000	Total £000
At 1st April 2007	47,023	(43,442)	3,581
Profit for the year	-	19,264	19,264
At 31st March 2008	<u>47,023</u>	<u>(24,178)</u>	<u>22,845</u>

12. Contingent liabilities

The company has given its bankers the right to set off credit balances on its current accounts against amounts owed by its parent and fellow UK subsidiaries. At 31st March 2008 the contingent liability was £Nil (2007: £Nil).

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

13. Staff numbers and costs	2008 Number	2007 Number
------------------------------------	------------------------	------------------------

The average full time equivalent number of persons employed by the company during the year was as follows:

43	32
-----------	-----------

The employees provide a central function in the support of the company's principal activities.

	2008 £000	2007 £000
--	----------------------	----------------------

The aggregate payroll cost was as follows:

Wages and salaries	918	816
Social security costs	82	77
Other pension costs	45	98
	1,045	991

14. Directors' remuneration	2008 £000	2007 £000
------------------------------------	----------------------	----------------------

i) Directors' emoluments for services to the company	221	156
ii) Compensation for loss of office	-	-
iii) Monies received from long term bonus schemes	-	-
iv) (a) The remuneration of the highest paid director, excluding pension contributions	221	102
(b) (i) Increase/ (decrease) in accrued pension during the year, including inflation	4	3
(ii) Accumulated total accrued pension at year end	19	28
v) Number of directors who are members of defined benefit pension schemes	1	2
vi) Number of directors who had exercised options during the period	1	-

BOOTS.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

15. 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.

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 £45,000 (2007: £98,000). 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. 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 company. 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 by participating employers 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.COM DIRECT LIMITED

Notes to the Financial Statements

Year ended 31st March 2008

16. 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.