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Number  
2741587

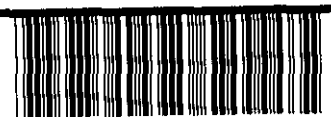
BOOTS HEALTHCARE INTERNATIONAL  
LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2004



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COMPANIES HOUSE

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0478  
10/12/04

**Registration**  
**No: 2741587**

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Board of Directors**

Year ended 31st March 2004

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**Directors**

P H Stoneham  
A V Unitt

**Secretary**

S Fennell

**Registered Office**

1 Thane Road West  
Nottingham, NG2 3AA

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# **BOOTS HEALTHCARE INTERNATIONAL LIMITED**

## **Directors' Report**

Year ended 31st March 2004

The directors present their annual report together with the audited financial statements for the year ended 31st March 2004.

### **Principal activities**

The company is a wholly owned subsidiary of Boots Holdings (BHI) Limited. It is engaged in the development and marketing of consumer healthcare products, concentrating on three categories; analgesics, cough and cold and skincare in the UK and overseas. The function of the company includes central marketing, category development, new product development, business development and head office functions including finance, personnel and systems technology.

### **Review of the business**

Turnover and profitability improved significantly in the year in line with management's expectations.

### **Result, dividends and retentions**

Details of result, dividends and retentions are shown on the profit and loss account on page 6. The directors do not recommend the payment of a final dividend (2003: Nil).

### **Payment of suppliers**

The group is a signatory of the Better Payment Practice Code and Boots Healthcare International Limited complies with the terms of this code. The company agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The number of days' purchases outstanding at 31st March 2004 was 47 days.

### **Staff**

The company continues to involve staff in the decision-making process and communicates regularly with staff during the year. Their involvement in the company's performance is encouraged through employee bonus and share schemes. The involvement extends to the board of Boots Pensions Ltd, on which there are three employee representatives as well as a retired employee.

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Directors' Report**

Year ended 31st March 2004

**Directors**

The details of directors in office on 31st March 2004 are shown on page 1. There has been the following change to the board of directors during the year and up to the date of signing the financial statements:

Resignations

P Davey

Date

31 July 2003

**Remuneration of directors and directors' shareholdings**

Details of the remuneration and shareholdings of the directors are included in notes 17 and 18 on pages 19 to 21.

By order of the board



S Fennell

**Secretary**

**20 MAY 2004**

Date

## **BOOTS HEALTHCARE INTERNATIONAL LIMITED**

### **Directors' Responsibilities Statement**

Year ended 31st March 2004

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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 group and to prevent and detect fraud and other irregularities.

# **BOOTS HEALTHCARE INTERNATIONAL LIMITED**

## **Independent Auditors' Report**

Year ended 31st March 2004

### **Independent Auditors' Report to the members of Boots Healthcare International Limited.**

We have audited the financial statements on pages 6 to 22.

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 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 are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
Birmingham

24/5/04  
Date

# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Profit and Loss Account

Year ended 31st March 2004

	Notes	2004 £000	2003 £000
<b>Turnover</b>	2	<b>236,237</b>	104,029
Cost of sales		<b>(85,105)</b>	(34,518)
<b>Gross profit</b>		<b>151,132</b>	69,511
Operating costs	3	<b>(156,024)</b>	(118,460)
<b>Operating loss</b>		<b>(4,892)</b>	(48,949)
Release/(charge) of provisions against investments		<b>1,222</b>	(6,900)
<b>Loss on ordinary activities before interest</b>		<b>(3,670)</b>	(55,849)
Net interest receivable	4	-	71
<b>Loss on ordinary activities before taxation</b>		<b>(3,670)</b>	(55,778)
Tax on loss on ordinary activities	5	<b>2,113</b>	14,342
<b>Loss on ordinary activities after taxation and loss for the financial year attributable to shareholders</b>		<b>(1,557)</b>	(41,436)
Dividends paid and proposed		-	-
<b>Retained loss for the financial year</b>		<b>(1,557)</b>	(41,436)

The result for the year is wholly attributable to the continuing operations of the company and there have been no recognised gains or losses other than the loss for the year as stated above.

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

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**  
**Reconciliation of Movements in Shareholders' Funds**  
Year ended 31st March 2004

	2004 £000	2003 £000
<b>Loss for the financial year</b>	(1,557)	(41,436)
Dividends	-	-
	<u>(1,557)</u>	<u>(41,436)</u>
Issue of share capital	-	88,556
<b>Net (decrease)/increase in shareholders' funds</b>	(1,557)	47,120
Opening shareholders' funds	47,120	-
<b>Closing shareholders' funds</b>	<u>45,563</u>	<u>47,120</u>



# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Balance Sheet

At 31st March 2004

	Notes	2004 £000	2003 £000
<b>Fixed assets</b>			
Intangible assets	6	612	489
Tangible assets	7	12,632	7,110
Investments	8	-	-
		<u>13,244</u>	<u>7,599</u>
<b>Current assets</b>			
Stocks	9	4,424	6,686
Debtors falling due within one year	10	<u>24,007</u>	<u>21,989</u>
Debtors falling due after more than one year	10	<u>151,938</u>	<u>90,362</u>
Total debtors	10	175,945	112,351
Cash at bank and in hand		36,997	60,337
		<u>217,366</u>	<u>179,374</u>
Creditors: Amounts falling due within one year	11	(182,945)	(128,891)
<b>Net current assets</b>		<u>34,421</u>	<u>50,483</u>
<b>Total assets less current liabilities</b>		47,665	58,082
Creditors: Amounts falling due after more than one year	12	(1,398)	(10,633)
Provisions for liabilities and charges	13	(704)	(329)
<b>Net assets</b>		<u>45,563</u>	<u>47,120</u>
<b>Capital and reserves</b>			
Called up share capital	14/15	70,000	70,000
Share premium account	15	18,556	18,556
Profit and loss account	15	(42,993)	(41,436)
<b>Equity shareholders' funds</b>		<u>45,563</u>	<u>47,120</u>

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

20th May 2004

  
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Director

# **BOOTS HEALTHCARE INTERNATIONAL LIMITED**

## **Notes to the Financial Statements**

Year ended 31st March 2004

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### **1. Accounting policies**

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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 applicable accounting standards, 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 a parent undertaking includes the company in its own published consolidated financial statements.

#### **Foreign currencies**

Overseas investments are stated at the rate of exchange in force at the date each investment was made. Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Profits and losses arising from changes in exchange rates in the normal course of trading are taken to the profit and loss account.

#### **Fixed assets, amortisation and depreciation**

The cost of Intangible fixed assets acquired (which are capitalised only if separately identifiable) is not amortised except where the end of the useful economic lives of the acquired intangible asset can be reasonably foreseen. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. The carrying value of intangible assets (including in particular those being amortised over periods greater than 20 years) is reviewed annually and any impairment in the value charged to the profit and loss account.

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

- Plant, equipment, fixtures and fittings and motor vehicles - depreciated over 3 to 20 years according to the estimated life of the asset.

#### **Turnover**

Turnover comprises sales to overseas group companies and external customers (excluding VAT and other sales taxes).

#### **Stock**

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

# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

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### 1. Accounting policies (continued)

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#### 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.

#### Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with 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.

#### 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 FRS 19.

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.

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### 2. Turnover

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The principal activity of the Company is the development and marketing of consumer healthcare products.

An analysis of turnover by geographical market is given below:

	2004 £000	2003 £000
UK	99,200	-
Rest of Europe	87,440	68,810
Rest of World	49,597	35,219
	<u>236,237</u>	<u>104,029</u>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>3. Operating costs</b>	<b>2004 £000</b>	<b>2003 £000</b>
Selling and distribution costs	<b>107,834</b>	66,297
Research and development costs	<b>7,712</b>	9,168
Administrative expenses	<b>40,478</b>	42,995
<b>Operating costs</b>	<b>156,024</b>	<b>118,460</b>
<b>Operating loss shown on page 6 is after charging:</b>		
Depreciation of tangible fixed assets - owned	<b>1,508</b>	1,798
- leased	<b>278</b>	244
Amortisation of intangible assets	<b>91</b>	422
Auditors' remuneration - audit fees	<b>38</b>	36
Auditors' remuneration - non-audit fees	<b>11</b>	13
<b>4. Net interest receivable</b>	<b>2004 £000</b>	<b>2003 £000</b>
<b>Interest receivable and similar income:</b>		
From group companies	<b>143</b>	10
Bank interest	<b>-</b>	118
	<b>143</b>	<b>128</b>
<b>Interest payable and similar charges:</b>		
Other interest	<b>(85)</b>	-
Finance lease interest	<b>(58)</b>	(57)
	<b>(143)</b>	<b>(57)</b>
<b>Net interest receivable</b>	<b>-</b>	<b>71</b>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>5. Tax on loss on ordinary activities</b>	<b>2004 £000</b>	<b>2003 £000</b>
<b>The tax credit on the loss for the year consists of:</b>		
UK corporation tax	(2,013)	(14,887)
Tax underprovided in previous years	(600)	-
Overseas taxation	54	118
Relief for overseas tax	71	(71)
<b>Total current tax</b>	<b>(2,488)</b>	<b>(14,840)</b>
Deferred tax:	375	498
<b>Tax on loss on ordinary activities</b>	<b>(2,113)</b>	<b>(14,342)</b>

**Reconciliation of current tax charge**

The standard rate of corporation tax charge for the year is 30.0% (2003: 30.0%). The actual tax credit for the current and previous year is below the standard rate for the reasons set out in the following reconciliation:

	<b>2004 £000</b>	<b>2003 £000</b>
Loss on ordinary activities before tax	(3,670)	(55,778)
UK standard rate of corporation tax at 30%	(1,101)	(16,733)
Factors affecting charge for the year:		
Disallowable expenses	91	2,462
Changes in the accelerated capital allowances	(307)	475
Changes in pension fund prepayment	(15)	23
Short term timing differences	(15)	(996)
Relief for overseas tax	125	(71)
Research and development credits	(300)	-
Provisions against current accounts	(366)	-
Prior year adjustments	(600)	-
<b>Total current tax credit for the year</b>	<b>(2,488)</b>	<b>(14,840)</b>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED****Notes to the Financial Statements**

Year ended 31st March 2004

<b>6. Intangible assets</b>	<b>Product rights £000</b>
<b>Cost</b>	
At 1st April 2003	8,380
Additions	214
<b>At 31st March 2004</b>	<b>8,594</b>
<b>Amortisation</b>	
At 1st April 2003	7,891
Charge for the year	91
<b>At 31st March 2004</b>	<b>7,982</b>
Net book value at 31st March 2003	489
<b>Net book value at 31st March 2004</b>	<b>612</b>

# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

<b>7. Tangible fixed assets</b>				
	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Assets in the course of construction £000	Total £000
<b>Cost</b>				
At 1st April 2003	13,952	4,622		18,574
Additions	491	162	6,832	7,492
Disposals	(382)	(2)		(392)
Group transfers	11			11
<b>At 31st March 2004</b>	<b>14,071</b>	<b>4,779</b>	<b>6,832</b>	<b>25,692</b>
<b>Depreciation</b>				
At 1st April 2003	8,942	2,512		11,462
Depreciation for year	1,402	382	-	1,786
Disposals	(182)	(2)		(182)
Group transfers	(2)			(2)
<b>At 31st March 2004</b>	<b>10,160</b>	<b>2,890</b>		<b>13,050</b>
Net book value at 31st March 2003	5,003	2,107		7,110
<b>Net book value at 31st March 2004</b>	<b>3,916</b>	<b>1,889</b>	<b>6,832</b>	<b>12,637</b>

The cost of plant and machinery includes £1,593,570 (2003: £1,261,465) in respect of assets held under finance leases on which the accumulated depreciation at the end of the year was £626,162 (2003: £348,242) and for which the depreciation charge for the year was £277,920 (2003: £244,714).

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>8. Fixed asset investments</b>	<b>Shares in subsidiary undertakings £000</b>
<b>Cost</b>	
At 1st April 2003	6,900
Additions	-
<b>At 31st March 2004</b>	<b>6,900</b>
<b>Provision</b>	
At 1st April 2003	6,900
Movement	-
<b>At 31st March 2004</b>	<b>6,900</b>
<b>Net book value</b>	
At 31st March 2003	-
<b>At 31st March 2004</b>	<b>-</b>

The investment in subsidiary undertakings as at 31st March 2004 was as follows:

<u><b>Subsidiary undertakings</b></u>	<u><b>Country of Incorporation</b></u>	<u><b>Percentage Owned</b></u>	<u><b>Principal Activity</b></u>
BHI Service Bureau Ltd	Great Britain *	100%	Administration services

Group Financial statements have not been prepared as permitted by section 228 (2) of the Companies Act 1985.

\* Registered in England and Wales

<b>9. Stocks</b>	<b>2004 £000</b>	<b>2003 £000</b>
Finished goods and goods for resale	<b>4,424</b>	<b>6,686</b>



**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>10. Debtors</b>	<b>2004 £000</b>	<b>2003 £000</b>
<b>Falling due within one year:</b>		
Trade debtors	10,742	8,188
Amounts owed by group undertakings	11,103	11,564
Prepayments and accrued income	-	325
Other taxation and social security	1,703	1,221
Other debtors	459	691
	<u>24,007</u>	<u>21,989</u>
<b>Falling due after more than one year:</b>		
Amounts owed by group undertakings	149,868	88,292
Other debtors	2,070	2,070
	<u>151,938</u>	<u>90,362</u>
<b>Total debtors</b>	<u>175,945</u>	<u>112,351</u>

<b>11. Creditors: Amounts falling due within one year</b>	<b>2004 £000</b>	<b>2003 £000</b>
Bank loans and overdrafts	110,085	72,966
Obligations under finance leases	364	291
Trade creditors	8,285	9,318
Amounts due to group undertakings	60,266	40,806
Corporation tax	-	74
Other taxation and social security	336	819
Other creditors	432	578
Accruals	3,177	4,039
	<u>182,945</u>	<u>128,891</u>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>12. Creditors: Amounts falling due after more than one year</b>	<b>2004 £000</b>	<b>2003 £000</b>
Obligations under finance leases	540	621
Amounts due to group undertaking	-	9,220
Other creditors	858	792
	<u>1,398</u>	<u>10,633</u>

<b>13. Provisions for liabilities and charges</b>	<b>Deferred taxation £000</b>
At 1st April 2003	329
Profit and loss account	375
<b>At 31st March 2004</b>	<u><b>704</b></u>

	<b>2004 £000</b>	<b>2003 £000</b>
<b>Analysis of deferred taxation provision:</b>		
Accelerated capital allowances	681	238
Pension prepayment	633	619
Other timing differences	(610)	(528)
	<u>704</u>	<u>329</u>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>14. Equity share capital</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Authorised:		
500,000,000 ordinary shares of £1 each	<u><b>500,000,000</b></u>	<u><b>500,000,000</b></u>
Allotted, called up and fully paid:		
70,000,002 ordinary shares of £1 each	<u><b>70,000,002</b></u>	<u><b>70,000,002</b></u>

In the year to 31 March 2003 70,000,000 ordinary shares of £1 were issued for a value of £88,555,510. Accordingly an amount of £18,555,510 was transferred to the share premium account. The shares were issued in consideration for the trade and assets of the Boots Healthcare International division, which were transferred out of The Boots Company PLC.

<b>15. Share capital and reserves</b>	<b>Called up Share Capital £000</b>	<b>Share Premium Account £000</b>	<b>Profit and Loss Account £000</b>	<b>Total £000</b>
At 1st April 2003	70,000	18,556	(41,436)	47,120
Loss retained	-	-	(1,557)	(1,557)
<b>At 31st March 2004</b>	<u><b>70,000</b></u>	<u><b>18,556</b></u>	<u><b>(42,993)</b></u>	<u><b>45,563</b></u>

**BOOTS HEALTHCARE INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2004

<b>16. Staff numbers and costs</b>	<b>2004</b>	<b>2003</b>
The average number of full time equivalents employed by the company during the year was:	<u>355</u>	<u>336</u>
	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
The aggregated payroll cost was as follows:		
Wages and salaries	<b>15,885</b>	12,688
Social security costs	<b>1,362</b>	956
Other pension costs	<b>946</b>	220
	<u><b>18,193</b></u>	<u>13,864</u>
<b>17. Directors' remuneration</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
i) Directors' emoluments for services to the company	<b>806</b>	487
ii) Monies received from long term bonus schemes	<b>56</b>	16
iii) (a) The remuneration of the highest paid director, excluding pension contributions	<b>432</b>	215
(b) (i) Increase in accrued pension during the year, including inflation	<b>7</b>	10
(ii) Accumulated total accrued pension at year end	<b>14</b>	32
The highest paid director received, but did not exercise any share options during the year.		
	<b>2004</b>	<b>2003</b>
iv) Number of directors who are members of defined benefit pension schemes	<b>2</b>	3
v) Number of directors who have exercised options during the year (who are not directors of the ultimate holding company)	-	-

# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

### 18. Directors' shareholdings and share options

The beneficial interests of the directors, who are not directors of the ultimate holding company, and their families, in the share capital of the ultimate holding company at 31st March 2004 are shown below. No director holds any loan capital in the ultimate holding company. The share interests of the directors who are directors of the ultimate holding company are included within those group financial statements.

		Ordinary shares under Executive and SAYE options								
Ordinary shares 2004	Ordinary shares 2003	Ordinary shares under options 2004	Average Option Price 2004	Exercised during the year	Exercise price	Market Price at date of exercise	Granted during the year	Lapsed during the year	Ordinary shares under options 2003	
P H Stoneham	493	-	101,127	611p	-	-	35,148	-	65,979	
A V Unitt **	3,948	1,594	56,401	623p	-	-	20,396	-	36,005	

\*\* Included within the Ordinary shares held are shares purchased under the Share Investment Plan by the following: A V Unitt 238 shares.

The market price of the ultimate holding company's shares at 31st March 2004 was 619.5p. The range of market prices during the year was 524.5p to 752.5p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2004 represents the weighted average price for options outstanding at 31st March 2004.

Under a savings related scheme options may be granted to qualifying employees to subscribe for ordinary shares at approximately 80% of market price.

Under the executive share option plan, certain directors were granted options to subscribe for ordinary shares in Boots Group PLC. These options become exercisable 3 years after grant if the performance target is met. If the target is not met the performance period is extended but if the target is still not met by the end of the sixth year of the performance period, the options lapse. Once the performance target is met, such options are exercisable up to 10 years from grant at option prices of between 594p and 635p.

# BOOTS HEALTHCARE INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

### 18. Directors' shareholdings and share options (continued)

The table below shows the number of shares in Boots Group PLC (the ultimate holding company) over which certain directors have been granted rights under the Long Term Bonus scheme. Under the Long Term Bonus scheme, at the end of a four year performance cycle, (three years for the schemes commenced in 2002). Half the bonus earned in 2004 will be paid in cash and half paid as a share award.

Share Award under the Long Term Bonus Scheme					
	31st March 2004	Exercised during the year	Lapsed during the year	Granted during the year	31st March 2003
P H Stoneham	-	830	-	830	-
A V Unitt	-	3,742	-	1,074	2,668

The table below shows the number of shares in Boots Group PLC (the ultimate holding company) that have been conditionally awarded to certain directors under the All Employee Share Ownership Plan. The employee will normally become unconditionally entitled to these shares after remaining employed for a further three years.

Free shares awards under the All Employee Share Ownership Plan 2000			
	31st March 2004	Awarded during the year	31 <sup>st</sup> March 2003
A V Unitt	121*	40	81

\*42 shares for A V Unitt become unconditional on 20<sup>th</sup> March 2004

As a potential beneficiary, each director is deemed to have an interest in a total of 15,701,287 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 Company's All Employee Share Ownership Plan).

# **BOOTS HEALTHCARE INTERNATIONAL LIMITED**

## **Notes to the Financial Statements**

Year ended 31st March 2004

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### **19. Pensions**

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The company participates in a funded group wide pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. 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.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme. At 31st March 2004 the scheme had a deficit on an FRS 17 basis of £58m before tax.

Details of the most recent actuarial valuation and FRS 17 disclosures at 31st March 2004 can be found in the financial statements of Boots Group PLC

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### **20. Contingent liability**

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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 2004 the contingent liability was £26,235,468 (2003: £60,337,215).

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### **21. Ultimate Holding Company**

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The company's immediate holding company is Boots Holdings (BHI) Limited (which is also the immediate controlling party) and the ultimate holding company is Boots Group PLC (which is also the ultimate controlling party), a company 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.