



THE BOOTS COMPANY

Registration
Number
2741587

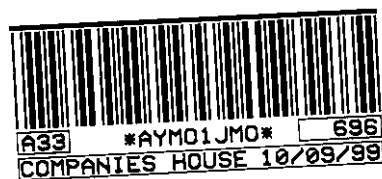
BOOTS HEALTHCARE INTERNATIONAL LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1999



Registration
No: 2741587

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Directors' Report

Year ended 31st March 1999

<u>Directors</u>	<u>Secretary</u>	<u>Registered Office</u>
B Clare J S Sinclair D A R Thompson	S Fennell	1 Thane Road West Nottingham, NG2 3AA

The directors present their annual report together with the audited financial statements for the year ended 31st March 1999.

Principal activities

The company is a wholly owned subsidiary of The Boots Company PLC. It trades as an agent acting on behalf of its parent.

Profit, dividends and retentions

Details of profit, dividends and retentions are shown on the profit and loss account on page 4. The directors have declared an interim dividend of £177,500 (1998: £167,500).

Directors

The details of directors in office on 31st March 1999 are shown above. There have been no changes to the board of directors during the year.

Remuneration of directors and directors' shareholdings

Details of the remuneration and shareholdings of the directors are included in notes 9 and 10 on pages 8 to 10.

Year 2000

During the year we have made good progress against our plans for achieving Year 2000 compliance. We adopted a combination of modifying existing systems where they continue to meet our requirements and replacing others where there was an opportunity to enhance business process. We have now developed and tested compliant software for our key business processes and the large majority of systems are already in operation.

Contingency planning has been an area for consideration within our business and will be monitored on an ongoing basis. We have a high degree of confidence that our key suppliers have, or will achieve, compliance and pose no risk of disruption. We will continue to liaise, however, with our supplier base throughout the calendar year to confirm any appropriate contingency actions.

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Directors' Report

Year ended 31st March 1999

Year 2000 (continued)

It is not possible to estimate, with a reasonable degree of accuracy, the incremental costs attributable to Year 2000 systems compliance for individual subsidiaries. However the costs for the group as a whole have been disclosed in the group financial statements of The Boots Company PLC.

Overall, we believe that we have taken appropriate steps to ensure that the business operations continue throughout the Millenium change with minimal disruption. It is not possible to guarantee that no unforeseen problems will arise and we will continue to invest management attention to monitor our supplier preparedness and refine and rehearse contingency plans.

By order of the board



A W Stride
Assistant Secretary

28 JUL 1999

Date

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Year ended 31st March 1999

Directors' responsibilities statement

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the profit or loss for the financial year and of the state of affairs of the company at the end of that period. The directors are of the opinion that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis. The directors have a responsibility to ensure that the company has suitable internal controls for maintaining adequate 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 responsibilities for taking such steps that are reasonably open to them for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

Auditors' report

Report of the Auditors to the members of Boots Healthcare International Limited.

We have audited the financial statements on pages 4 to 10.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

29 July 1999
Date

BOOTS HEALTHCARE INTERNATIONAL LIMITED**Profit and Loss Account**

Year ended 31st March 1999

	Notes	1999 £	1998 £
Operating income	2	250,000	250,000
Profit on ordinary activities before interest		250,000	250,000
Tax on profit on ordinary activities	3	(77,500)	(77,500)
Profit on ordinary activities after taxation and profit for the financial year		172,500	172,500
Dividends		(177,500)	(167,500)
Retained (loss)/profit		(5,000)	5,000

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

BOOTS HEALTHCARE INTERNATIONAL LIMITED
Reconciliation of Movements in Shareholders' Funds
Year ended 31st March 1999

Statement of recognised gains and losses	1999 £	1998 £
Profit for the financial year attributable to shareholders	172,500	172,500
Dividends	(177,500)	(167,500)
Net (decrease)/increase in shareholders' funds	(5,000)	5,000
Opening shareholders' funds	5,002	2
Closing shareholders' funds	2	5,002

BOOTS HEALTHCARE INTERNATIONAL LIMITED

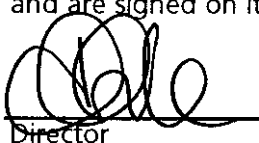
Balance Sheet

31st March 1999

	Notes	1999 £	1998 £
Current assets			
Debtors falling due within one year	4	77,500	82,500
Debtors falling due after more than one year	4	2	2
		77,502	82,502
Creditors: Amounts falling due within one year	5	(77,500)	(77,500)
		2	5,002
Net assets			
Capital and reserves			
Called up share capital	6	2	2
Profit and loss account	7	-	5,000
		2	5,002
Equity shareholders' funds			
		2	5,002

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

29 JUL 1999



Director

J.S. SINCLAIR

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 1999

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in Schedule 4 of the Companies Act 1985, being prepared under the historical cost convention.

A cash flow statement has not been presented in the financial statements of the company as permitted by paragraph 5a of the revised Financial Reporting Standard 1.

2 Operating income

Operating income comprises fees received from the holding company.

3 Tax on profit on ordinary activities

	1999 £	1998 £
UK corporation tax	<u>77,500</u>	<u>77,500</u>

4 Debtors

	1999 £	1998 £
Amounts falling due within one year:		
Amounts owed by group undertaking	77,500	82,500
Amounts falling due after more than one year:		
Amounts owed by group undertaking	2	2
	<u>77,502</u>	<u>82,502</u>

5 Creditors: Amounts falling due within one year

	1999 £	1998 £
Corporation tax	<u>77,500</u>	<u>77,500</u>

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 1999

6 Equity share capital	1999	1998
	£	£
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

7 Profit and loss account	£
At 1st April 1998	5,000
Loss retained	(5,000)
At 31st March 1999	<u><u>-</u></u>

8 Ultimate holding company

The company's immediate and ultimate holding company (which is also the ultimate controlling party) is The Boots Company PLC, 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 The Boots Company 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 as permitted by paragraph 3 of the Financial Reporting Standard 8.

9 Directors' remuneration

No director has received any remuneration for his services to the company during the year (1998: £Nil).

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 1999

10 Directors' shareholdings and share options

The beneficial interests in the ordinary share capital of the ultimate holding company at 31st March 1999 of those directors who are not directors of the ultimate holding company, and their families, are shown below. No director holds any loan capital in the ultimate holding

		Ordinary shares under executive and SAYE options							
Ordinary shares 1999	Ordinary shares 1998	Ordinary shares under options 1999	Average option price 1999	Exercised during the year	Exercise price	Market price at date of exercise	Granted during the year	Ordinary shares under options 1998	
B Clare	5,658	14,658	3,216	485p	-	-	-	3,216	
J S Sinclair	307	652	2,064	501p	1,650	418p	888p	426	3,288

The market price of the ultimate holding company's shares at 31st March 1999 was 895p. The range of market prices during the year was 836p to 1070p. No options lapsed during the year. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 1999 represents the weighted average price for options outstanding at 31st March 1999.

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

The table on page 10 shows the number of shares in The Boots Company PLC (the ultimate holding company) over which certain directors have been granted conditional rights under the Restricted Share Co-investment scheme and the Long Term Bonus scheme operated by The Boots Company PLC. Under the Co-investment scheme, none of the shares are receivable until three years after the grant of these rights and the number then receivable will depend on the total shareholder return (ie share price movement plus gross dividends) of The Boots Company PLC compared with that of ten other leading companies over a specified period. Under the Long Term Bonus scheme, at the end of a four year performance cycle, half the bonus earned is paid in cash and half is converted into an equivalent number of shares. The individual will normally become entitled to receive those shares only after remaining employed for a further three years.

BOOTS HEALTHCARE INTERNATIONAL LIMITED

Notes to the Financial Statements

Year ended 31st March 1999

10 Directors' shareholdings and share options (continued)

	Ordinary shares conditional awards				
	31st March 1999	Exercised during the year	Lapsed during the year	Granted during the year	31st March 1998
Co-investment scheme					
J S Sinclair	1,042	-	-	-	1,042
Long Term Bonus Scheme					
B Clare	7,411	-	-	3,221	4,190
J S Sinclair	3,430	-	-	1,548	1,882

As a beneficiary of The Boots ESOP Trust, each participant in the scheme is deemed technically to be interested in 1,641,829 ordinary shares held by Morgan Grenfell Nominees (Jersey) Limited on behalf of the Trust.

As a potential beneficiary of The Boots Qualifying Employee Share Trust, each director is deemed to have an interest in 16,862,912 ordinary shares held by Boots (Quest) Trustees Limited on behalf of the Trust.