



Registration
Number
301618

OPTREX LIMITED
DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2003



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Registration
No: 301618

OPTREX LIMITED
Board of Directors
Year ended 31st March 2003

Directors

P Davey
P H Stoneham
A V Unitt

Secretary

S Fennell

Registered Office

1 Thane Road West
Nottingham, NG2 3AA

OPTREX LIMITED

Directors' Report

Year ended 31st March 2003

The directors present their annual report together with the audited financial statements for the year ended 31st March 2003.

Principal activities

The company is engaged in the marketing, selling and distribution of branded OTC healthcare products in the UK and export markets. The major brand within the company's portfolio is the Optrex range of eyecare products. Around 90% of sales were to fellow Group companies in 2002/03. Most of the company's products are purchased from fellow subsidiaries. All of the company's activities are carried out on its behalf by fellow subsidiaries at cost.

Review of the business

Turnover fell by 0.8% from 2001/02. Investment in brand marketing expenditure has further reduced operating profit over the previous year by 20.6%. The directors are confident that this increased investment will generate future improvements in turnover and profit.

Profit, dividends and retentions

Details of profit, dividends and retentions are shown in the profit and loss account on page 6.

Payment of suppliers

The group is a signatory of the Better Payment Practice Code and Optrex 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 payments 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 2003 was 6 days.

Directors

The details of directors in office on 31st March 2003 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:

Appointments

A V Unitt
P H Stoneham

Date

17th June 2002
8th January 2003

Resignations

R L Gardner
B Clare
P Davey

Date

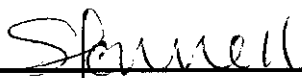
26th November 2002
31st January 2003
31st July 2003

Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 13 and 14 on pages 13 to 15.

OPTREX LIMITED
Directors' Report
Year ended 31st March 2003

By order of the board



S Fennell
Secretary

28 November 2003
Date

OPTREX LIMITED

Directors' responsibilities statement

Year ended 31st March 2003

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.

OPTREX LIMITED
Independent Auditors' Report
Year ended 31st March 2003

Independent Auditors' Report to the members of Optrex Limited

We have audited the financial statements on pages 6 to 16

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 auditors' 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 2003 and of its profit 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

28 November 2003
Date

OPTREX LIMITED
Profit and Loss Account
Year ended 31st March 2003

	Notes	2003 £000	2002 £000
Turnover	2	12,679	12,782
Cost of sales		(3,873)	(3,442)
Gross profit		8,806	9,340
Operating costs and other income	3	(1,389)	1
Operating profit being profit on ordinary activities before taxation		7,417	9,341
Tax on profit on ordinary activities	4	(2,224)	(2,803)
Profit on ordinary activities after taxation being profit for the financial year		5,193	6,538
Dividends		-	(7,000)
Retained profit/(loss) for the financial year		5,193	(462)

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 profit for the year as stated above.

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

OPTREX LIMITED
Reconciliation of Movements in Shareholders' Funds
Year ended 31st March 2003

	2003 £000	2002 £000
Profit/(loss) for the financial year	5,193	(462)
Net increase/(decrease) in shareholders' funds	5,193	(462)
Opening shareholders' funds	4,750	5,212
Closing shareholders' funds	9,943	4,750

OPTREX LIMITED

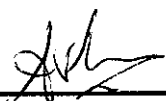
Balance Sheet

At 31st March 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Investments	5	<u>1</u>	<u>1</u>
Current assets			
Stocks	6	573	-
Debtors falling due within one year	7	<u>1,067</u>	<u>527</u>
Debtors falling due after more than one year	7	<u>37,531</u>	<u>22,671</u>
		<u>38,598</u>	<u>23,198</u>
		<u>39,171</u>	<u>23,198</u>
Creditors: Amounts falling due within one year	8	(1,199)	(8,763)
Net current assets		<u>37,972</u>	<u>14,435</u>
Total assets less current liabilities		37,973	14,436
Creditors: Amounts falling due more than one year	9	(28,030)	(9,686)
Provisions for liabilities and charges	10	-	-
Net assets		<u>9,943</u>	<u>4,750</u>
Capital and reserves			
Called up share capital	11	362	362
Profit and loss account	12	9,581	4,388
Equity shareholders' funds		<u>9,943</u>	<u>4,750</u>

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

28th November 2003



Director

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

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 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.

Turnover

Turnover comprises sales of consumer products to external customers and other group companies excluding 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.

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

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

2. Turnover	2003	2002
	£000	£000

Turnover by geographical destination is as follows:

UK	8,811	10,695
Rest of World	3,868	2,087
	<u>12,679</u>	<u>12,782</u>

3. Operating costs and other income	2003	2002
	£000	£000

Selling and distribution costs	1,462	18
Administration costs	(50)	2
Other operating income	(23)	(21)
	<u>1,389</u>	<u>(1)</u>

Operating profit shown on page 6 is after charging:

Remuneration of auditors: audit fees	<u>6</u>	<u>5</u>
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4. Tax on profit on ordinary activities	2003	2002
	£000	£000

The tax charge on the profit for the year consists of:

UK corporation tax	2,225	2,804
Relief for overseas taxation	(2)	(1)
	<u>2,223</u>	<u>2,803</u>
Overseas taxation	2	-
Total current tax charge	<u>2,225</u>	<u>2,803</u>

Deferred taxation

- Origination and reversal of timing differences	(1)	-
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Tax charge on profit on ordinary activities	<u>2,224</u>	<u>2,803</u>
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Reconciliation of current tax charge

The UK standard rate of corporation tax charge for the year is 30.0% (2002 30.0%). The actual tax charge for the current year equals (2002 - exceeds) the standard rate for the reasons set out in the reconciliation on page 11.

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

4. Tax on profit on ordinary activities (continued)	2003 £000	2002 £000
Profit on ordinary activities before tax	<u>7,417</u>	<u>9,341</u>
UK standard rate of corporation tax at 30%	2,225	2,802
Factors affecting charge for the year:		
Disallowable expenses	-	1
Total current tax charge for the year	<u>2,225</u>	<u>2,803</u>

5. Investments	Shares in subsidiary undertakings £000
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Cost and net book value

At 1st April 2002 and **at 31st March 2003**

1

The company owns beneficially the whole of the issued share capital of Optrex (Malaya) Sdn Bhd, a company incorporated in Malaysia, marketing consumer products.

In the opinion of the directors the value of the investments in subsidiary undertakings is not less than the amounts at which they are shown in the financial statements.

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

6. Stocks	2003 £000	2002 £000
Finished goods	<u>573</u>	<u>-</u>

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

7. Debtors	2003	2002
	£000	£000
Falling due within one year:		
Trade debtors	175	179
Amounts owed by group undertakings	881	339
Other debtors	11	9
	<u>1,067</u>	<u>527</u>
Falling due after more than one year:		
Amounts owed by group undertakings	37,530	22,671
Deferred taxation (see below)	1	-
	<u>37,531</u>	<u>22,671</u>
Total debtors	<u>38,598</u>	<u>23,198</u>

8. Creditors: Amounts falling due within one year	2003	2002
	£000	£000
Trade creditors	35	20
Amounts owed to group undertakings	50	7,172
Corporation tax	1,112	1,569
Other taxation and social security	1	-
Accruals and deferred income	1	2
	<u>1,199</u>	<u>8,763</u>

9. Creditors: Amounts falling due after more than one year	2003	2002
	£000	£000
Amounts owed to group undertaking	<u>28,030</u>	<u>9,686</u>

The amounts due to group undertakings are not interest bearing and no specific repayment terms exist.

Year ended 31st March 2003

2002
£000

—

362

9,581

13

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

14. 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 2003 are shown below. No director holds any loan capital in the ultimate holding company. The share interests of the directors of the ultimate holding company are included within those group financial statements.

		Ordinary shares under executive and SAYE options							
	Ordinary shares 2003	Ordinary Shares 2002	Ordinary shares under options 2003	Average option price 2003	Exercised during the year	Exercise Price	Market price at date of exercise	Granted during the year	Ordinary Shares under options 2002
P Davey **	3,563	1,455	41,625	632p	-	-	-	19,576	22,049
P H Stoneham	-	.*	65,979	614p	-	-	-	-	65,979*
A V Unitt **	1,594	1,110*	36,005	632p	-	-	-	18,897	17,108*

* At date of appointment

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

The market price of the ultimate holding company's shares at 31st March 2003 was 530.5p. The range of market prices during the year was 492p to 725p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2003 represents the weighted average price for options outstanding at 31st March 2003.

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 630p and 594p.

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

14. 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 conditional 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 is paid in cash and half paid as a share award.

	Ordinary shares conditional awards			
	31st March 2003	Exercised during the year	Lapsed during the year	Granted during the year
				31st March 2002
Long Term Bonus Scheme				
P Davey	6,569	3,192	-	2,165
A V Unitt	2,668	3,901	-	2,619
				7,596
				3,950*

* At date of appointment

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.

Conditional entitlement award under the All Employee Share Ownership Plan 2000			
	31st March 2003	Awarded during the year	31st March 2002
P Davey	81	39	42
A V Unitt	81	39	42*

* At date of appointment

As a potential beneficiary, each director is deemed to have an interest in a total of 16,848,663 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).

OPTREX LIMITED
Notes to the Financial Statements
Year ended 31st March 2003

15. Ultimate Holding Company

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.