



THE BOOTS COMPANY

Registration  
Number  
366250

CROOKES HEALTHCARE LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 1998



**Registration**  
**No: 366250**

**CROOKES HEALTHCARE LIMITED**

**Directors' Report**

Year ended 31st March 1998

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**Directors**

B Clare  
J S Sinclair  
P Davey

**Secretary**

S Fennell

**Registered Office**

1 Thane Road West  
Nottingham, NG2 3AA

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The directors present their annual report together with the audited financial statements for the year ended 31st March 1998.

**Principal activities**

The company is a wholly owned subsidiary of The Boots Company PLC. It is engaged in the marketing, selling and distribution of branded OTC healthcare and dietetic food products in the UK. Major brands within the company's portfolio include Nurofen, E45, Strepsils, and Sweetex. During the year the business also took over the marketing and distribution of the Hermal range of skincare products in the UK. The majority of the company's products are sourced from fellow subsidiaries. Some support functions, including new product development, are also carried out on the company's behalf by group undertakings in return for a service fee.

**Review of the business**

The OTC healthcare products marketed by the company performed strongly in 1997/98. The business continued to benefit from the change in regulatory status of ibuprofen in January 1996, and the subsequent programme of Nurofen product launches, both in pharmacy and non-pharmacy outlets.

The directors anticipate continuing growth from these core healthcare brands.

**Profit, dividends and retentions**

Details of profit, dividends and retentions are shown in the profit and loss account on page 4.

**Fixed assets**

The movement in fixed assets is shown in note 8 on page 10.

**Payment of suppliers**

Crookes Healthcare Limited 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 1998 was 42 days (1997: 29 days).

# CROOKES HEALTHCARE LIMITED

## Directors' Report

Year ended 31st March 1998

### Staff

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

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.

### Directors

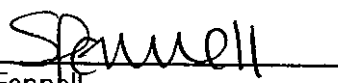
Details of directors in office at 31st March 1998 are shown on page 1. There have been the following changes to the board of directors during the year and up to the date of signing the financial statements.

<u>Appointment</u>	<u>Date</u>
J S Sinclair	1st October 1997
<u>Resignation</u>	<u>Date</u>
D A Stead	1st October 1997

### Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 17 and 18 on pages 15 to 17.

By order of the board

  
S Fennell  
Secretary

16.7.98  
Date

## **CROOKES HEALTHCARE LIMITED**

Year ended 31st March 1998

### **Directors' responsibilities statement**

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The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the result 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, for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

### **Auditors' report**

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Report of the Auditors to the members of Crookes Healthcare Limited.

We have audited the financial statements on pages 4 to 17.

### **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 the company's affairs as at 31st March 1998 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

*10 July 1998*  
Date

**CROOKES HEALTHCARE LIMITED****Profit and Loss Account**

Year ended 31st March 1998

	Notes	1998 £000s	1997 £000s
<b>Turnover</b>	1	<b>70,521</b>	63,392
Cost of sales		<b>(25,680)</b>	(24,618)
<b>Gross profit</b>		<b>44,841</b>	38,774
Operating costs	2	<b>(28,108)</b>	(29,190)
<b>Operating profit</b>		<b>16,733</b>	9,584
Exceptional item	3	<b>25</b>	-
<b>Profit on ordinary activities before interest</b>		<b>16,758</b>	9,584
Net interest	4	<b>1,350</b>	479
<b>Profit on ordinary activities before taxation</b>		<b>18,108</b>	10,063
Tax on profit on ordinary activities	5	<b>(6,048)</b>	(4,542)
<b>Profit on ordinary activities after taxation and profit attributable to shareholders</b>		<b>12,060</b>	5,521
Dividends	6	<b>(19,000)</b>	-
<b>(Loss)/profit retained</b>		<b>(6,940)</b>	5,521

The results for both periods 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 period as stated above.

There are no material differences between the profit as stated above and the profit stated on an unmodified historical cost basis.

**CROOKES HEALTHCARE LIMITED**  
**Reconciliation of Movements in Shareholders' Funds**  
Year ended 31st March 1998

	Notes	1998 £000s	1997 £000s
<b>Profit for the financial year</b>			
Dividends	6	12,060 (19,000)	5,521 -
Net (decrease)/increase in shareholders' funds		(6,940)	5,521
Opening shareholders' funds		7,466	1,945
<b>Closing shareholders' funds</b>		<u>526</u>	<u>7,466</u>

# CROOKES HEALTHCARE LIMITED

## Balance Sheet

31st March 1998

	Notes	1998 £000s	1997 £000s
<b>Fixed assets</b>			
Intangible assets	7	10,561	11,735
Tangible assets	8	1,508	1,288
Investments	9	32	32
		<u>12,101</u>	<u>13,055</u>
<b>Current assets</b>			
Debtors falling due within one year	10	10,730	8,773
Debtors falling due after more than one year	10	50,099	50,160
Cash at bank and in hand		36,628	12,443
		<u>97,457</u>	<u>71,376</u>
Creditors: Amounts falling due within one year	11	(34,192)	(12,610)
<b>Net current assets</b>		<u>63,265</u>	<u>58,766</u>
<b>Total assets less current liabilities</b>		<b>75,366</b>	<b>71,821</b>
Creditors: Amounts falling due after more than one year	12	(74,840)	(64,355)
<b>Net assets</b>		<u>526</u>	<u>7,466</u>
<b>Capital and reserves</b>			
Called up share capital	14	225	225
Profit and loss account	15	301	7,241
<b>Shareholders' funds</b>		<u>526</u>	<u>7,466</u>

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

16 JUL 1998

X  X

Director

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

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**1. Accounting policies**

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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 to the Companies Act 1985, being prepared under the historical cost convention adjusted by the revaluation of certain properties.

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

**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 and depreciation**

Following an initial period of brand development and promotion during which no amortisation is charged, intangible fixed assets acquired are amortised over their estimated useful lives up to a maximum of 15 years. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. No depreciation is provided on assets in the course of construction. Other tangible fixed assets are written off by equal instalments to estimated residual value over their expected useful lives. The lives assumed for fixtures and fittings and plant vary between three and twenty five years.

**Turnover**

Turnover comprises retail sales wholly in the UK to external customers (excluding VAT and other sales taxes).

**Pension funding**

The holding company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trustee administered funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three year intervals and include a review of contributions.

**Deferred taxation**

A deferred taxation provision is made only where the effects of timing differences between profits as stated in the financial statements and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent it is expected to be recovered.



**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

<b>2. Operating costs</b>	<b>1998</b>	<b>1997</b>
	<b>£000s</b>	<b>£000s</b>
Selling, distribution and store costs	<b>23,195</b>	27,974
Administrative expenses	<b>4,913</b>	1,216
<b>Operating costs</b>	<b><u>28,108</u></b>	<b><u>29,190</u></b>

**Operating profit shown on page 4 is after charging:**

Operating lease rentals:

- Property rents	<b>305</b>	300
- Computer and plant hire	<b>10</b>	21
Depreciation of tangible assets	<b>463</b>	394
Amortisation of intangible assets	<b>1,173</b>	1,173
Auditors' remuneration:		
- Audit fees	<b>13</b>	11

**3. Exceptional item**

The exceptional item relates to the disposal of the Femfresh brand during the year.

<b>4. Net interest</b>	<b>1998</b>	<b>1997</b>
	<b>£000s</b>	<b>£000s</b>
Finance lease interest payable	<b>(53)</b>	(29)
Short term bank interest receivable	<b>1,403</b>	508
	<b><u>1,350</u></b>	<b><u>479</u></b>

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

<b>5. Tax on profit on ordinary activities</b>	<b>1998</b>	<b>1997</b>
	<b>£000s</b>	<b>£000s</b>
The charge on the profit for the year consists of:		
UK corporation tax	<b>5,987</b>	3,630
Adjustments in respect of prior years:	-	734
Deferred tax - other timing differences	<b>61</b>	178
	<b>6,048</b>	<b>4,542</b>
<b>Unprovided deferred taxation in respect of the year:</b>		
Accelerated capital allowances	<b>4</b>	-
Other timing differences	<b>(39)</b>	25
	<b>(35)</b>	<b>25</b>
<b>6. Dividends</b>	<b>1998</b>	<b>1997</b>
	<b>£000s</b>	<b>£000s</b>
Interim paid	<b>19,000</b>	-
<b>7. Intangible assets - Product rights</b>		<b>£000s</b>
<b>Cost</b>		
At 1st April 1997 and at 31st March 1998		<b>18,846</b>
<b>Amortisation</b>		
At 1st April 1997		7,111
Charge for the year		1,174
<b>At 31st March 1998</b>		<b>8,285</b>
Net book value at 1st April 1997		<b>11,735</b>
<b>Net book value at 31st March 1998</b>		<b>10,561</b>

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

8. Tangible fixed assets				Payment on
	Plant and Machinery £000s	Fixtures Fittings tools and equipment £000s	account and assets in course of construction £000s	Total £000s
<b>Cost or Valuation</b>				
At 1st April 1997	1,193	1,233	169	2,595
Additions	621	127	85	833
Disposals	(437)	(25)	-	(462)
Reclassifications and transfers	83	(382)	(242)	(541)
<b>At 31st March 1998</b>	<b>1,460</b>	<b>953</b>	<b>12</b>	<b>2,425</b>
Gross book value of depreciable assets	1,460	953	-	2,413
<b>Depreciation</b>				
At 1st April 1997	436	871	-	1,307
Depreciation for year	274	189	-	463
Disposals	(303)	(23)	-	(326)
Reclassifications and group transfers	29	(556)	-	(527)
<b>At 31st March 1998</b>	<b>436</b>	<b>481</b>	<b>-</b>	<b>917</b>
Net book value at 1st April 1997	757	362	169	1,288
<b>Net book value at 31st March 1998</b>	<b>1,024</b>	<b>472</b>	<b>12</b>	<b>1,508</b>

The cost of tangible fixed assets includes £1,230,000 (1997: £609,000) in respect of assets held under finance leases on which the accumulated depreciation at the end of the year was £355,000 (1997 : £106,000) and for which the depreciation charge for the year was £249,000 (1997 : £94,000).

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

9. Investments	Shares in subsidiary undertakings £000s
<b>Cost</b>	
At 1st April 1997 and 31st March 1998	<u>45</u>
<b>Provision</b>	
At 1st April 1997 and 31st March 1998	<u>13</u>
<b>Net book value</b>	
At 1st April 1997 and 31st March 1998	<u>32</u>

The investment in subsidiary undertakings as at 31st March 1998 was as follows:

<u>Subsidiary undertakings</u>	<u>Country of Incorporation</u>	<u>Percentage Owned</u>	<u>Principal Activity</u>
Green Young and Company Ltd	Great Britain*	100	Inactive

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

\* Registered in England and Wales

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

<b>10. Debtors</b>	<b>1998 £000s</b>	<b>1997 £000s</b>
<b>Falling due within one year:</b>		
Trade debtors	<b>10,105</b>	8,512
Other debtors	<b>36</b>	22
Prepayments and accrued income	<b>589</b>	239
	<b>10,730</b>	8,773
<b>Falling due after more than one year:</b>		
Amounts owed by group undertakings	<b>50,099</b>	50,099
Deferred tax asset	-	61
	<b>50,099</b>	50,160
	<b>60,829</b>	58,933
<b>11. Creditors: Amounts falling due within one year</b>	<b>1998 £000s</b>	<b>1997 £000s</b>
Trade creditors	<b>5,538</b>	3,537
Amounts due to group undertakings	<b>20,976</b>	1,256
Corporation tax	<b>4,222</b>	5,080
Other taxation and social security	<b>1,933</b>	1,557
Other creditors	<b>433</b>	612
Accruals	<b>790</b>	447
Obligations under finance leases	<b>300</b>	121
	<b>34,192</b>	12,610

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

12. Creditors: Amounts falling due after more than one year	1998 £000s	1997 £000s
Amounts due to group undertakings	74,202	63,959
Obligations under finance leases	638	396
	<u>74,840</u>	<u>64,355</u>

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

Obligations under finance leases	1998 £000s	1997 £000s
Within one year	300	121
Between one and five years	638	396
	<u>938</u>	<u>517</u>

13. Provisions for liabilities and charges - deferred taxation	£000s
At 1st April 1997	(61)
Profit and loss account	61
<b>At 31st March 1998</b>	<u>-</u>

The deferred tax asset at 31st March 1997 is included within debtors

	1998 £000s	1997 £000s
<b>Analysis of provision/(debtor):</b>		
Other timing differences	-	(61)
	<u>-</u>	<u>(61)</u>
<b>Unprovided deferred taxation:</b>		
Capital gains rolled-over (net of capital losses)	<u>2,012</u>	<u>2,142</u>

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

14. Called up share capital	1998 £000s	1997 £000s
225,000 ordinary shares of £1 each	<u>225</u>	<u>225</u>

15. Profit and loss account	£000s
At 1st April 1997	7,241
Loss retained	(6,940)
<b>At 31st March 1998</b>	<u><b>301</b></u>

16. Staff numbers and costs	1998	1997
The average number of persons employed by the company during the year was:	<u>187</u>	<u>153</u>

	1998 £000s	1997 £000s
The aggregated payroll cost was as follows:		
Wages and salaries	5,194	3,811
Social security costs	442	351
	<u>5,636</u>	<u>4,162</u>

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

<b>17. Directors' remuneration</b>	<b>1998</b> <b>£000s</b>	<b>1997</b> <b>£000s</b>
(i) Directors' emoluments paid by other group undertakings for services to the company:	<u>135</u>	<u>133</u>
(ii) Monies received from long term bonus schemes	<u>24</u>	<u>23</u>
(iii) (a) The remuneration of the highest paid director, excluding pension contributions	<u>159</u>	<u>156</u>
(b) (i) Increase in accrued pension during the year, including inflation	2	3
(ii) Accumulated total accrued pension at year end	<u>9</u>	<u>7</u>

The highest paid director has not exercised share options nor received share options during the period.

	<b>1998</b>	<b>1997</b>
(iv) Number of directors who are members of defined benefit pension scheme	3	3
(v) Number of directors who have exercised options during the year (who are not directors of the ultimate holding company - see note 19 on page 16.)	3	1



**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

**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 1998 are shown below. No director holds any loan capital in the ultimate holding company.

		Ordinary shares under SAYE options							
Ordinary shares	Ordinary shares	Ordinary shares under options	Average exercise price	Exercised during the year	Exercise price	Market price at date of exercise	Granted during the year	Ordinary shares under option 1997	
1998	1997	1998	1998	the year	price	exercise	the year	1997	
B Clare	14,658	155	3,216	485p	57,500	488p	891p	-	60,716
P Davey	11,395	-	4,928	350p	27,500	523p	897p	-	32,428
J S Sinclair	652	313*	3,288	420p	939	386p	909p	-	4,227*

\*At date of appointment

The market price of the company's shares at 31st March 1998 was 957p. The range of market prices during the year was 676p to 963p. No options lapsed during the year. Prices shown for options exercised during the year represent the weighted average of prices. The average exercise price for 1998 represents the weighted average price for options outstanding at 31st March 1998.

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 17 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 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.

The number of shares purchased for the individual with the bonus payment is included within the ordinary shares in the table above.

**CROOKES HEALTHCARE LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 1998

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

	Ordinary shares conditional awards			
	31st March 1998	Exercised during the year	Lapsed during the year	Granted during the year
<b>Co-investment scheme</b>				
J S Sinclair	1,042	-	-	-
				1,042*
<b>Long Term Bonus Scheme</b>				
B Clare	4,190	-	-	4,190
P Davey	3,237	-	-	3,237
J S Sinclair	1,882	-	-	-
				1,882*

\*At date of appointment

As a beneficiary of The Boots ESOP Trust, each participant in the scheme is deemed technically to be interested in 520,593 ordinary shares held by Morgan Grenfell Nominees (Jersey) Limited on behalf of the Trust.

**19 Pensions**

The majority of the employees of the company are members of the Boots Pension Scheme. This is a defined benefit scheme, the costs for which are determined by Bacon & Woodrow, consulting actuaries.

Details of the most recent actuarial valuation as at 1st April 1992 can be found in the financial statements of The Boots Company PLC.

**20. 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.