



THE BOOTS COMPANY

Registration
Number
366250

CROOKES HEALTHCARE LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2001



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Registration
No: 366250

CROOKES HEALTHCARE LIMITED

Board of Directors

Year ended 31st March 2001

Directors

K R Challenger
W A C Cotton
P Davey
R L Gardner
J S Sinclair

Secretary

S Fennell

Registered Office

1 Thane Road West
Nottingham, NG2 3AA

CROOKES HEALTHCARE LIMITED

Directors' Report

Year ended 31st March 2001

The directors present their annual report together with the audited financial statements for the year ended 31st March 2001.

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, Balneum, Strepsils, and Sweetex. 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.

Review of the business

The OTC healthcare products marketed by the company performed strongly in 2000/01, with all the company's core brands showing excellent growth. The directors anticipate continuing growth from the core healthcare brands.

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 Boots Company PLC is a signatory of the Confederation of British Industry's Prompt Payment Code and Crookes Healthcare 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 2001 was 54 days (2000: 49 days)

CROOKES HEALTHCARE LIMITED

Directors' Report

Year ended 31st March 2001

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.

Directors

The details of directors in office on 31st March 2000 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

R L Gardner
D Stephens
M Tebbutt

Date

15th March 2001
5th April 2001
5th April 2001

Resignations

K. Challender
W A C Cotton
J S Sinclair


Date

5th April 2001
5th April 2001
31st March 2001

Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 16 and 17 on pages 16 to 18.

By order of the board



S Fennell
Secretary

03 DEC 2001

Date

CROOKES HEALTHCARE LIMITED
Directors' responsibilities statement

Year ended 31st March 2001

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.

CROOKES HEALTHCARE LIMITED

Auditors' Report

Year ended 31st March 2001

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

We have audited the financial statements on pages 6 to 19.

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 professions 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. 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 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 2001 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

20/12/01
Date

CROOKES HEALTHCARE LIMITED

Profit and Loss Account

Year ended 31st March 2001

	Notes	2001 £000	2000 £000
Turnover	1	108,233	94,560
Cost of sales		(47,623)	(39,367)
Gross profit		60,610	55,193
Operating costs	2	(32,952)	(32,483)
Operating profit and profit on ordinary activities before interest		27,658	22,710
Net interest	3	(63)	(73)
Profit on ordinary activities before taxation		27,595	22,637
Tax on profit on ordinary activities	4	(8,475)	(7,429)
Profit on ordinary activities after taxation and profit for the financial year		19,120	15,208
Dividends		(43,000)	-
Retained (loss)/profit		(23,880)	15,208

The result for 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 financial 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.

CROOKES HEALTHCARE LIMITED
Reconciliation of Movements in Shareholders' Funds
Year ended 31st March 2001

	2001 £000	2000 £000
(Loss)/profit for the financial year	(23,880)	15,208
Net (decrease)/ increase in shareholders' funds	(23,880)	15,208
Opening shareholders' funds	24,691	9,483
Closing shareholders' funds	811	24,691


CROOKES HEALTHCARE LIMITED

Balance Sheet

Year ended 31st March 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Intangible assets	6	7,042	8,215
Tangible assets	7	1,012	1,207
Investments	8	32	32
		<u>8,086</u>	<u>9,454</u>
Current assets			
Debtors falling due within one year	9	24,565	12,102
Debtors falling due after more than one year	9	93,133	11,251
Cash at bank and in hand		28,816	91,604
		<u>146,514</u>	<u>114,957</u>
Creditors: Amounts falling due within one year	10	(139,526)	(94,315)
Net current assets		<u>6,988</u>	<u>20,642</u>
Total assets less current liabilities		15,074	30,096
Creditors: Amounts falling due after more than one year	11	(14,238)	(5,405)
Provisions for liabilities and charges	12	(25)	-
Net assets		<u>811</u>	<u>24,691</u>
Capital and reserves			
Called up share capital	13	225	225
Profit and loss account	14	586	24,466
Shareholders' funds		<u>811</u>	<u>24,691</u>

The financial statements were approved by the Board of Directors on 5th November 2001 and are signed on its behalf by:


 Director

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

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 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 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.

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. Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

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.

CROOKES HEALTHCARE LIMITED**Notes to the Financial Statements**

Year ended 31st March 2001

1. Accounting policies (continued)

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.

2. Operating costs	2001 £000	2000 £000
Selling, distribution and store costs	26,659	27,185
Administrative expenses	6,293	5,298
Operating costs	<u>32,952</u>	<u>32,483</u>

Operating profit shown on page 6 is after charging:

Operating lease rentals:

- Property rents	305	305
- Computer and plant hire	1	1
Depreciation of tangible fixed assets	466	593
Amortisation of intangible assets	1,173	1,173
Auditors' remuneration - audit fees	20	15

3. Net interest payable	2001 £000	2000 £000
Finance lease interest payable	<u>(63)</u>	<u>(73)</u>

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

4. Tax on profit on ordinary activities	2001	2000
	£000	£000

The charge/(credit) on the profit for the year consists of:

UK corporation tax	8,610	7,312
Adjustments in respect of prior years	(160)	117
Deferred Tax - short term timing differences	25	-
	<u>8,475</u>	<u>7,429</u>

5. Deferred tax	2001	2000
	£000	£000

Unprovided deferred taxation in respect of the year:

Accelerated capital allowances	11	(46)
Other timing differences	92	18
	<u>103</u>	<u>(28)</u>

6. Intangible assets	Product rights
	£000

Cost

At 1st April 2000 and at 31st March 2001	<u>18,846</u>
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Amortisation

At 1st April 2000	10,631
Charge for the year	1,173

At 31st March 2001	<u>11,804</u>
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Net book value at 1st April 2000	<u>8,215</u>
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Net book value at 31st March 2001	<u>7,042</u>
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CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

7. Tangible fixed assets			
	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost or valuation			
At 1st April 2000	1,620	700	2,320
Additions	335	117	452
Disposals	(512)	-	(512)
Reclassification and group transfers	9	1	10
At 31st March 2001	1,452	818	2,270
Gross book value of Depreciable assets	1,452	818	2,270
Depreciation			
At 1st April 2000	632	481	1,113
Depreciation for year	313	153	466
Disposals	(301)	-	(301)
Reclassification and group transfers	(20)	-	(20)
At 31st March 2001	624	634	1,258
Net book value at 1st April 2000	988	219	1,207
Net book value at 31st March 2001	828	184	1,012

The cost of plant and machinery includes £1,376,767 (2000: £1,544,600) in respect of assets held under finance leases on which the accumulated depreciation at the end of the year was £547,193 (2000: £566,200) and for which the depreciation charge for the year was £312,647 (2000: £329,500).

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

8. Investments	Shares in subsidiary undertakings £000
Cost	
At 1st April 2000 and at 31st March 2001	<u>45</u>
Provision	
At 1st April 2000 and at 31st March 2001	<u>13</u>
Net book value	
At 1st April 2000 and at 31st March 2001	<u>32</u>

The investment in subsidiary undertakings as at 31st March 2001 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 2001

9. Debtors	2001 £000	2000 £000
Falling due within one year:		
Trade debtors	24,026	10,886
Amounts owed by group undertakings	-	1,215
Other debtors	539	1
	24,565	12,102
Falling due after more than one year:		
Amounts owed by group undertakings	93,133	11,251
Total debtors	117,698	23,353

10. Creditors: Amounts falling due within one year	2001 £000	2000 £000
Trade creditors	9,565	8,079
Bank loans and overdrafts	73,586	45,161
Amounts due to group undertakings	44,555	32,769
Corporation tax	5,510	5,173
Other taxation and social security	2,615	857
Other creditors	1,352	768
Accruals	2,015	1,094
Obligations under finance leases	328	414
	139,526	94,315

11. Creditors: Amounts falling due after more than one year	2001 £000	2000 £000
Amounts due to group undertakings	13,765	4,848
Obligations under finance leases	473	557
	14,238	5,405

The amounts owed to group undertakings are non-interest bearing and no specific repayment terms exist.

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

Obligations under finance leases	2001 £000	2000 £000
Within one year	328	414
Between one and five years	473	557
	801	971

12. Provisions for liabilities and charges	Deferred taxation £000
At 1st April 2000	-
Profit and loss account	25
At 31st March 2001	25

13. Called up share capital	2001 £000	2000 £000
Authorised, allotted, called up and fully paid: 225,000 ordinary shares of £1 each	225	225

14. Profit and loss account	£000
At 1st April 2000	24,466
Profit retained	(23,880)
At 31st March 2001	586

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

15. Staff numbers and costs	2001	2000
The average number of persons employed by the company during the year was:	177	185
	2001	2000
	£000	£000
The aggregated payroll cost was as follows:		
Wages and salaries	6,088	5,966
Social security costs	527	526
Other pension costs	37	46
QUEST charges (including related NI)	37	142
	6,689	6,680

16. Directors' remuneration	2001	2000
	£000	£000
i) Directors' emoluments for services to the company	138	109
ii) Monies received from long term bonus schemes	-	5
iii) (a) The remuneration of the highest paid director, excluding pension contributions	72	70
(b) (i) Increase in accrued pension during the year, including inflation	4	4
(ii) Accumulated total accrued pension at year end	10	21

The highest paid director did not receive nor exercised any share options during the year.

	2001	2000
iv) Number of directors who are members of defined benefit pension schemes	5	4
v) Number of directors who have exercised options during the year (who are not directors of the ultimate holding company - see note 16 on page 17).	1	1

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

17. 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 2001 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 2001	Ordinary Shares 2000	Ordinary shares under options 2001	Average option price 2001	Exercised during the year	Exercise Price	Market price at date of exercise	Ordinary Shares under options 2000
K R Challenger	1,233	1,010	-	-	-	-	-	1,326
W A C Cotton	12,798	13,257	1,760	588p	1,682	410p	511p	3,442
P Davey	-	1,645	2,704	624p	-	-	-	2,704
R L Gardner	2,411	2,411*	2,947	499p	-	-	-	2,947*
J S Sinclair	4,159	2,861	2,704	624p	-	-	-	2,704

* At date of appointment

The market price of the ultimate holding company's shares at 31st March 2001 was 627p. The range of market prices during the year was 479p to 649p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2001 represents the weighted average price for options outstanding at 31st March 2001.

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 the next page 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 (two years for the new schemes commencing in April 1999 and April 2000).

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

17. Directors' shareholdings and share options (continued)

	Ordinary shares conditional awards				31st March 2000
	31st March 2001	Exercised during the year	Lapsed during the year	Granted during the year	
Co-investment scheme					
W A C Cotton	-	1,266	625	-	1,891
Long Term Bonus Scheme					
W A C Cotton	2,999	-	-	2,056	943
P Davey	9,938	3,237	-	4,404	8,771
R L Gardner	3,231	-	-	-	3,231*
J S Sinclair	7,192	1,882	-	3,415	5,659

* At date of appointment

The table below shows the number of shares in The Boots Company PLC (the ultimate holding company) that have been conditionally awarded to certain directors under The Boots Company All Employee Share Ownership Plan 2000. 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 2001	Awarded during the year	31st March 2000
K R Challenger	42	42	-
W A C Cotton	42	42	-
P Davey	42	42	-
R L Gardner	42	42	-*
J S Sinclair	42	42	-

* At date of appointment

As a potential beneficiary, each director is deemed to have an interest in a total of 20,159,866 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 Boots Company's All Employee Share Ownership Plan 2000).

* Employee Share Ownership Plan

CROOKES HEALTHCARE LIMITED

Notes to the Financial Statements

Year ended 31st March 2001

18. Pensions

The majority of employees of the company are members of Boots Pension scheme. This is a defined benefit scheme, the cost for which is determined by Bacon & Woodrow, consulting actuaries. Details of the most recent actuarial valuation as at 1st April 1998 can be found in the financial statements of The Boots Company PLC.

19. 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 in the financial statements of the company as permitted by paragraph 3 of Financial Reporting Standard 8.