



THE BOOTS COMPANY

Registration  
Number  
3467418

BOOTS INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2001



A41  
COMPANIES HOUSE

\*A3NYS7GN\*

0606  
24/01/02

**Registration**  
**No: 3467418**

**BOOTS INSURANCE SERVICES LIMITED**

**Board of Directors**

Year ended 31st March 2001

---

**Directors**

K S Piggott  
D A Stead

**Secretary**

S Fennell

**Registered Office**

1 Thane Road West  
Nottingham, NG2 3AA

---

**BOOTS INSURANCE SERVICES 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's principal activity is the provision of health and travel insurance products.

**Review of the business**

The company continues to grow its business in Health and Travel Insurance, primarily through its network of stores. The products are underwritten and administered by different specialist insurers and third party administrators, to ensure that customers are provided with the best possible offer.

Store activity drives the majority of sales, although new channel development is encouraging, particularly internet sales through Bootsinsurance.com. Sales and profit this year are in line with expectations.

**Results, retentions and dividends**

The results and retentions for the year are shown in the profit and loss account on page 8.

**Fixed Assets**

Details of fixed assets are detailed in note 5 on page 10.

**Directors**

The details of directors in office on 31st March 2001 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

K S Piggott

Date

1st April 2000

Resignations

S G Russell

Date

1st April 2000

**Remuneration of directors and directors' shareholding**

Details of the remuneration and shareholdings of the directors are included in notes 12 and 13 on pages 12 to 13.

By order of the board



S Fennell  
Secretary

Date

04 OCT. 2001

# **BOOTS INSURANCE SERVICES 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 year. 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.

**BOOTS INSURANCE SERVICES LIMITED**

**Auditors' Report**

Year ended 31st March 2001

Report of the Auditors to the members of Boots Insurance Services Limited.

We have audited the financial statements on pages 5 to 14.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors report and, as described on page 3, 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*

**KPMG Audit Plc**

Chartered Accountants

Registered Auditor

Birmingham

*22/1/02*

Date

**BOOTS INSURANCE SERVICES LIMITED**

**Profit and Loss Account**

Year ended 31st March 2001

	Notes	<b>2001</b> <b>£000</b>	<b>2000</b> <b>£000</b>
<b>Turnover</b>	1	<b>3,594</b>	2,730
Cost of sales		-	-
<b>Gross profit</b>		<u><b>3,594</b></u>	<u>2,730</u>
Operating costs	2	<b>(2,332)</b>	(2,848)
<b>Operating profit/(loss)</b>		<u><b>1,262</b></u>	<u>(118)</u>
Net Interest	3	<b>(4)</b>	-
<b>Profit/(Loss) on ordinary activities before taxation</b>		<u><b>1,258</b></u>	<u>(118)</u>
Tax on profit/(loss) on ordinary activities	4	<b>(386)</b>	24
<b>Profit/(Loss) on ordinary activities after taxation and Profit/(loss) for the financial year</b>		<u><b>872</b></u>	<u>(94)</u>

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 are no differences between the profit/(loss) as stated above and the profit/(loss) stated on an unmodified historical cost basis.

**BOOTS INSURANCE SERVICES LIMITED**  
**Reconciliation of Movements in Shareholders' Funds**  
Year ended 31st March 2001

	2001 £000	2000 £000
Profit/(loss) for the financial year	872	(94)
<b>Net increase/(decrease) in shareholders' funds</b>	<b>872</b>	<b>(94)</b>
Opening shareholders' funds	(4,139)	(4,045)
<b>Closing shareholders' funds</b>	<b>(3,267)</b>	<b>(4,139)</b>

**BOOTS INSURANCE SERVICES LIMITED**


**Balance Sheet**

At 31st March 2001

	Notes	2001 £000	2000 £000
<b>Fixed assets</b>			
Tangible assets	5	<u>120</u>	<u>190</u>
<b>Current assets</b>			
Debtors falling due within one year	6	729	2,164
Debtors falling due after more than one year	6	1,802	95
Cash at bank and in hand		<u>58</u>	<u>2</u>
		<u>2,589</u>	<u>2,261</u>
Creditors: Amounts falling due within one year	7	(531)	(6,491)
<b>Net current assets/(liabilities)</b>		<u>2,058</u>	<u>(4,230)</u>
<b>Total assets less current liabilities</b>		<b>2,178</b>	<b>(4,040)</b>
Creditors: Amounts falling due after more than one year	8	(5,445)	(99)
<b>Net liabilities</b>		<u>(3,267)</u>	<u>(4,139)</u>
<b>Capital and reserves</b>			
Called up share capital	9, 10	-	-
Profit and loss account	10	(3,267)	(4,139)
<b>Equity shareholders' funds</b>		<u>(3,267)</u>	<u>(4,139)</u>

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

27 SEP 2001

  
\_\_\_\_\_

**Director**



# **BOOTS INSURANCE SERVICES 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 under the historical cost convention and in accordance with applicable accounting standards.

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.

#### **Depreciation**

No depreciation is provided on assets in the course of construction. Other tangible fixed assets are written off to residual value by equal instalments over their expected normal lives, as follows:

Computer equipment	3 to 5 years
Fixtures and fittings	5 to 15 years

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

#### **Turnover**

Turnover comprises commission on sales of insurance policies.

#### **Pension funding**

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

The costs of providing pensions is spread over the employees working lives with the company. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes

#### **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 is 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.

**BOOTS INSURANCE SERVICES LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2001

<b>2. Operating costs</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Selling, distribution and store costs	1,452	2,143
Administrative expenses	880	705
<b>Operating costs</b>	<b>2,332</b>	<b>2,848</b>

**Operating profit/(loss) shown on page 5 is after charging:**

Operating lease rentals:

- Property rents	14	13
Depreciation of owned fixed assets	19	30
Depreciation on finance leased fixed assets	13	22
Auditors' remuneration - Audit fees	1	1

<b>3. Net Interest</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>

**Interest Payable and similar charges:**

Finance lease interest	4	-
------------------------	---	---

<b>4. Tax on profit/(loss) on ordinary activities</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>

**The charge/(credit) based on the profit/(loss) for the period consists of:**

UK corporation tax at 30% (2000: 30%)

- current year	391	(21)
- prior year	(5)	(3)
	<b>386</b>	<b>(24)</b>

**BOOTS INSURANCE SERVICES LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2001

<b>5. Tangible fixed assets</b>	<b>Plant and machinery £000</b>	<b>Fixtures, fittings, tools and equipment £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1st April 2000	105	171	276
Additions	-	7	7
Disposals	(49)	-	(49)
Reclassification and group transfers	(16)	(28)	(44)
<b>At 31st March 2001</b>	<b>40</b>	<b>150</b>	<b>190</b>
<b>Depreciation</b>			
At 1st April 2000	42	44	86
Depreciation for period	13	19	32
Disposals	(28)	-	(28)
Reclassification and group transfers	(4)	(16)	(20)
<b>At 31st March 2001</b>	<b>23</b>	<b>47</b>	<b>70</b>
<b>Net book value at 1st April 2000</b>	<b>63</b>	<b>127</b>	<b>190</b>
<b>Net book value at 31st March 2001</b>	<b>17</b>	<b>103</b>	<b>120</b>

The cost of plant and machinery includes £39,571 (2000: £80,308) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £22,693 (2000: £16,869) and the depreciation charge in the year was £12,938 (2000: £22,358).

<b>6. Debtors</b>	<b>2001 £000</b>	<b>2000 £000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	721	355
Amounts owed by group undertakings	-	1,809
Prepayments and Accrued Income	8	-
	<b>729</b>	<b>2,164</b>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	1,802	95
<b>Total debtors</b>	<b>2,531</b>	<b>2,259</b>

**BOOTS INSURANCE SERVICES LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2001

<b>7. Creditors: Amounts falling due within one year</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Amounts due to group undertakings	-	6,011
Corporation tax	250	-
Other taxation and social security	31	185
Accruals and deferred income	237	268
Finance lease creditor	13	27
	<u>531</u>	<u>6,491</u>

<b>8. Creditors: Amounts falling due after more than one year</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Amounts due to group undertakings	5,445	72
Finance lease creditor:		
- Within one to two years	-	21
- Within two to five years	-	6
	<u>5,445</u>	<u>99</u>

<b>9. Called up share capital</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

<b>10. Capital and reserves</b>	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
At 1st April 2000	-	(4,139)	(4,139)
Profit retained	-	872	872
<b>At 31st March 2001</b>	<u>-</u>	<u>(3,267)</u>	<u>(3,267)</u>

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2001

### 11. Staff numbers and costs

	2001	2000
The average number of persons employed by the company during the period was as follows:	14	18

The aggregated payroll cost was as follows:	2001 £000	2000 £000
Wages and salaries	447	530
Social security costs	42	51
Other pension costs	3	4
	492	585

### 12. Directors' remuneration

No director received any remuneration for his services to the company during the year (2000: £Nil).

### 13. Directors' shareholdings

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	Granted during the year	Ordinary Shares under options 2000
D A Stead	7,076	7,076	3,316	588p	-	-	-	3,316

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. 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 2001 represents the weighted average price for options outstanding at 31st March 2001.

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2001

### 13. Directors' shareholdings (continued)

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 below 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 Long Term Bonus Scheme operated by The Boots Company PLC. 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 schemes commenced in April 1999 and April 2000).

Conditional entitlement award under the Long Term Bonus Scheme					
	31st March 2001	Exercised during the year	Lapsed during The year	Granted during the year	31st March 2000
D A Stead	7,258	-	-	4,075	3,183

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
D A Stead	42	42	-

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

## **BOOTS INSURANCE SERVICES LIMITED**

### **Notes to the Financial Statements**

Year ended 31st March 2001

---

#### **14. Ultimate Holding Company**

---

The company's immediate holding company (which is also the immediate controlling party) is Boots Investments Limited and its 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 Financial Reporting Standard 8.