



THE BOOTS COMPANY

Registration
Number
3467418

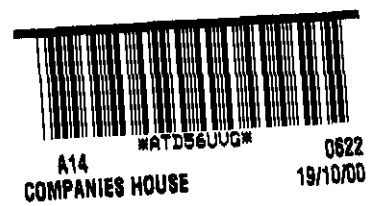
BOOTS INSURANCE SERVICES LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2000



Registration
No: 3467418

BOOTS INSURANCE SERVICES LIMITED

Directors' Report

Year ended 31st March 2000

Directors

S G Russell
D A Stead

Secretary

S Fennell

Registered Office

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 2000 (1999: 14 months to 31st March 1999).

Principal activities

The company's principal activity is the provision of health and travel insurance products.

Review of the business

The company has successfully sold Health and Travel Insurance through the store network of Boots The Chemists. Royal and Sun Alliance continue to underwrite and provide telesales and administrative support for all the products. By focusing on value creating activities, sales of Health and Travel Insurance have grown substantially this year and are inline with expectations.

Results, retentions and dividends

The results and retentions for the year are shown in the profit and loss account on page 5.

Fixed Assets

Details of fixed assets are detailed in note 4 on page 10.

Directors

The details of directors in office on 31st March 2000 are shown above. 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 11 and 12 on pages 12 to 13.

Registration

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BOOTS INSURANCE SERVICES LIMITED

Directors' Report

Year ended 31st March 2000

Year 2000

Our comprehensive work programme to achieve Year 2000 compliance was completed on schedule and the date transition was accomplished successfully with no material errors.

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 Boots group as a whole (as disclosed in the financial statements of The Boots Company PLC) were within the original budget estimate of £14m and no further costs are expected.

The success of this project was assured by thorough planning, a timely start and rigorous project management.

By order of the board



S Fennell

Secretary

- 2 OCT 2000

Date

BOOTS INSURANCE SERVICES LIMITED

Directors' responsibilities statement

Year ended 31st March 2000

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 2000

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.

Auditors Report (continued)

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 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc

Chartered Accountants

Registered Auditor

Birmingham



Date

BOOTS INSURANCE SERVICES LIMITED**Profit and Loss Account**

Year ended 31st March 2000

	Notes	2000 £000	Period ended 1999 £000
Turnover	1	2,730	1,844
Cost of sales		-	-
Gross profit		2,730	1,844
Operating costs	2	(2,848)	(7,659)
Loss on ordinary activities before taxation		(118)	(5,815)
Tax on loss on ordinary activities	3	24	1,770
Loss on ordinary activities after taxation and loss for the financial period		(94)	(4,045)

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

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

BOOTS INSURANCE SERVICES LIMITED
Reconciliation of Movements in Shareholders' Funds
Year ended 31st March 2000

	2000 £000	Period ended 1999 £000
Loss for the financial period	(94)	(4,045)
Net decrease in shareholders' funds	<u>(94)</u>	<u>(4,045)</u>
Opening shareholders' funds	(4,045)	-
Closing shareholders' funds	<u>(4,139)</u>	<u>(4,045)</u>

BOOTS INSURANCE SERVICES LIMITED

Balance Sheet

At 31st March 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	4	<u>190</u>	<u>204</u>
Current assets			
Debtors falling due within one year	5	2,164	2,209
Debtors falling due after more than one year	5	95	-
Cash at bank and in hand		<u>2</u>	<u>1</u>
		2,261	2,210
Creditors: Amounts falling due within one year	6	<u>(6,491)</u>	<u>(6,423)</u>
Net current liabilities		<u>(4,230)</u>	<u>(4,213)</u>
Total assets less current liabilities		(4,040)	(4,009)
Creditors: Amounts falling due after more than one year	7	(99)	(36)
Net liabilities		<u>(4,139)</u>	<u>(4,045)</u>
Capital and reserves			
Called up share capital	8, 9	-	-
Profit and loss account	9	(4,139)	(4,045)
Equity shareholders' funds		<u>(4,139)</u>	<u>(4,045)</u>

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

- 2 OCT 2000



Director

BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

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	4 to 5 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 employee's 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 2000

2. Operating costs	2000	Period ended
	£000	1999
		£000
Selling, distribution and store costs	2,143	4,227
Research and development costs	-	363
Administrative expenses	705	3,069
Operating costs	<u>2,848</u>	<u>7,659</u>

Operating loss shown on page 5 is after charging:

Operating lease rentals:

- Property rents	13	7
Depreciation of tangible fixed assets	52	31
Auditors' remuneration - Audit fees	1	2

3. Tax on loss on ordinary activities	2000	Period ended
	£000	1999
		£000

The credit based on the loss for the period consists of:

UK corporation tax at 30% (1999: 31%)	<u>24</u>	<u>1,770</u>
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BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

4. Tangible fixed assets			
	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Total £000
Cost			
At 1st April 1999	71	190	261
Additions	16	10	26
Disposals	(38)	-	(38)
Reclassification and group transfers	56	(29)	27
At 31st March 2000	105	171	276
Depreciation			
At 1st April 1999	42	15	57
Depreciation for period	22	29	51
Disposals	(31)	-	(31)
Reclassification and group transfers	9	-	9
At 31st March 2000	42	44	86
Net book value at 1st April 1999	29	175	204
Net book value at 31st March 2000	63	127	190

The cost of plant and machinery includes £80,308 (1999: £53,414) in respect of assets held under finance leases on which accumulated depreciation at the end of the year and the depreciation charge in the year was £16,869 (1999: £16,015).

5. Debtors		
	2000 £000	1999 £000
Falling due within one year:		
Trade debtors	355	316
Amounts owed by group undertakings	1,809	123
Corporation tax	-	1,770
	2,164	2,209
Falling due after more than one year:		
Amounts owed by group undertakings	95	-
Total debtors	2,259	2,209

BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

6. Creditors: Amounts falling due within one year	2000 £000	1999 £000
Amounts due to group undertakings	6,011	5,918
Other taxation and social security	185	438
Accruals and deferred income	268	50
Finance lease creditor	27	17
	<u>6,491</u>	<u>6,423</u>

7. Creditors: Amounts falling due after more than one year	2000 £000	1999 £000
Amounts due to group undertakings	72	-
Finance lease creditor:		
- Within one to two years	21	18
- Within two to five years	6	18
	<u>99</u>	<u>36</u>

8. Called up share capital	2000 £	1999 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

9. Capital and reserves	Called up share capital £000	Profit and loss account £000	Total £000
At 1st April 1999	-	(4,045)	(4,045)
Loss retained	-	(94)	(94)
At 31st March 2000	<u>-</u>	<u>(4,139)</u>	<u>(4,139)</u>

BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

10. Staff numbers and costs	Period ended	
	2000 £000	1999 £000

The average number of persons employed by the company during the period was as follows:

18	16
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The aggregated payroll cost was as follows:	Period ended	
	2000 £000	1999 £000

Wages and salaries	530	781
Social security costs	51	75
Other pension costs	4	4
	585	860

11. Directors' remuneration

No director received any remuneration for his services to the company during the period (1999: £Nil).

12. 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 2000 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 financial statements.

		Ordinary shares under executive and SAYE options							
Ordinary shares 2000	Ordinary shares 1999	Ordinary shares under options 2000	Average option price 2000	Exercised during the year	Exercise price	Market price at date of exercise	Granted During the year	Ordinary Shares under options 1999	
D A Stead	7,076	400	3,316	588p	6,676	337p	883p	-	9,992

The market price of the ultimate holding company's shares at 31st March 2000 was 537p. The range of market prices during the year was 457p to 884p. 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 2000 represents the weighted average price for options outstanding at 31st March 2000.

BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

12. Director' 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.

In prior years, certain directors were granted options to subscribe for ordinary shares in The Boots Company PLC under an executive share option scheme. All such options were exercised during the year.

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 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 April 1999).

Conditional entitlement award under the Long Term Bonus Scheme				
	31st March 2000	Exercised during the year	Lapsed during the year	Granted during the year
				31st March 1999
Long Term Bonus scheme				
D A Stead	3,183	-	-	2,055
				1,128

As a potential beneficiary, each participant in the scheme is deemed to be interested in the 2,402,413 ordinary shares of the company held by Boots ESOP* Trust Limited, on behalf of Boots Employee Trust, established to facilitate the operation of the company's executive bonus schemes.

Each director is deemed, as a potential beneficiary, to have an interest in the 20,119,540 ordinary shares of the company held by Boots (QUEST) Trustee Limited on behalf of Boots Qualifying Employee Share Trust, established in connection with the company's UK all-employee SAYE Share Option Scheme.

*Employee Share Ownership Plan

BOOTS INSURANCE SERVICES LIMITED

Notes to the Financial Statements

Year ended 31st March 2000

13. 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 the Financial Reporting Standard 8.