



THE BOOTS COMPANY PLC

Registration  
Number  
4034358

BOOTS BEAUTY INTERNATIONAL LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2002



Registration

No 4034358

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Directors' Report**

Year ended 31st March 2002

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**Directors**

A J Heaton  
M J Oliver  
S R Page

**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 2002. The comparative figures are for the nine month period ended 31st March 2001.

**Principal activities**

The principal activity of the company is the sale of Boots Branded Products into Europe.

**Review of the business**

The business was set up to provide the sale of Boots brand products to third party retailers internationally. During the year the business expanded its operation to the Netherlands, developed its existing business in Switzerland and set up a trial operation in Italy.

**Results, retentions and dividends**

The results and retentions for the year are shown in the profit and loss account on page 5. No dividend is proposed.

**Payments to suppliers**

The Boots Company PLC is a signatory of the Better Payment Practice Code and Boots Beauty International 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 payment 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 2002 was 20.

Registration

No 4034358

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Directors' Report**

Year ended 31st March 2002

**Directors**

The details of directors in office on 31st March 2002 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 J Heaton

S R Page

Date

15th May 2001

15th May 2001

Resignations

D C G Foster

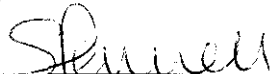
Date

18th May 2001

**Remuneration of directors and directors' shareholding**

Details of the remuneration and shareholdings in the group undertakings of the directors are included in notes 15 and 16 on pages 15 to 17.

By order of the board



S Fennell

Secretary

29.1.3

Date

## **BOOTS BEAUTY INTERNATIONAL LIMITED**

### **Directors' Responsibilities Statement**

Year ended 31st March 2002

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 company and to prevent and detect fraud and other irregularities.

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Independent Auditor's Report**

Year ended 31st March 2002

**Independent Auditor's Report to the members of Boots Beauty International Limited.**

We have audited the financial statements on pages 5 to 18.

**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 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. 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*  

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**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
Birmingham

*29/1/03*  

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Date

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Profit and Loss Account**

Year ended 31st March 2002

	Notes	Year ended 2002 £000	Period ended 2001 £000
<b>Turnover</b>		<b>5,062</b>	601
Cost of sales		(3,031)	(593)
<b>Gross profit</b>		<b>2,031</b>	8
Operating costs	2	(5,139)	(2,452)
<b>Loss on ordinary activities before interest</b>		<b>(3,108)</b>	(2,444)
Net interest payable	3	(276)	(17)
<b>Loss on ordinary activities before taxation</b>		<b>(3,384)</b>	(2,461)
Tax on loss on ordinary activities	4	774	684
<b>Retained loss for the year</b>	12	<b>(2,610)</b>	(1,777)

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 loss for the financial year as stated above.

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

**BOOTS BEAUTY INTERNATIONAL LIMITED**  
**Reconciliation of Movements in Shareholders' Funds**  
Year ended 31st March 2002

	Notes	Year ended 2002 £000	Period ended 2001 £000
<b>Loss for the financial year attributable to shareholders</b>	12	<b>(2,610)</b>	<b>(1,777)</b>
Net decrease in shareholders' funds		<b>(2,610)</b>	<b>(1,777)</b>
Opening shareholders' deficit		<b>(1,777)</b>	-
<b>Closing shareholders' deficit</b>		<b>(4,387)</b>	<b>(1,777)</b>

# BOOTS BEAUTY INTERNATIONAL LIMITED

## Balance Sheet

At 31st March 2002

	Notes	2002 £000	2001 £000
<b>Fixed assets</b>			
Tangible assets	5	608	269
<b>Current assets</b>			
Stocks	6	1,865	105
Debtors: falling due within one year	7	966	480
Debtors: falling due after more than one year	7	3,771	3,206
Cash at bank and in hand		1,110	-
		<u>7,712</u>	<u>3,791</u>
Creditors: Amounts falling due within one year	8	(9,170)	(5,779)
<b>Net current liabilities</b>		<u>(1,458)</u>	<u>(1,988)</u>
<b>Total assets less current liabilities</b>		<b>(850)</b>	<b>(1,719)</b>
Creditors: Amounts falling due after more than one year	9	(3,507)	(48)
Provision for liabilities and charges	10	(30)	(10)
<b>Net liabilities</b>		<u>(4,387)</u>	<u>(1,777)</u>
<b>Capital and reserves</b>			
Called up share capital	11	-	-
Profit and loss account	12	(4,387)	(1,777)
<b>Equity shareholders' deficit</b>		<u>(4,387)</u>	<u>(1,777)</u>

The financial statements were approved by the Board of Directors on 28<sup>th</sup> January 2003  
and are signed on its behalf by: Alan Heath

Alan Heath

Director



# **BOOTS BEAUTY INTERNATIONAL LIMITED**

## **Notes to the Financial Statements**

Year ended 31st March 2002

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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.

#### **Cash flow**

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.

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

During the year, three new Financial Reporting Standards (FRSs) became effective for this year's financial statements: FRS 17 'Retirement Benefits', FRS18 'Accounting Policies' and FRS19 'Deferred Tax'. The transitional disclosures required by FRS 17 are contained within the financial statements of The Boots Company PLC. The adoption of FRS 18 has had no effect on the results for the year nor is any restatement of prior year comparatives required. For the effects of FRS 19 and deferred tax policy see below.

#### **Fixed assets and depreciation**

Depreciation of tangible fixed assets is provided to write-off the cost or valuation, less residual value by equal instalments over their expected economic usefulness.

Depreciation of long leasehold properties with physical lives of more than 50 years are depreciated to their estimated residual values over their economic useful lives of not more than 50 years. Other tangible fixed assets are written off by equal instalments over their expected useful lives as follows:

Computer equipment	3 to 8 years
Motor cars	4 to 5 years
Fixtures and plant	5 to 20 years
Short leasehold properties	Remaining period of lease when less than 50 years

Any impairment in the value of fixed assets is recognised immediately.

#### **Stock**

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods and costs related to distribution.

#### **Turnover**

Turnover comprises amounts receivable for goods and services (excluding value added tax and other sales taxes).

# **BOOTS BEAUTY INTERNATIONAL LIMITED**

## **Notes to the Financial Statements**

Year ended 31st March 2002

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### **1. Accounting policies (continued)**

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#### **Deferred tax**

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 FRS 19, the effects of which have been adopted in this year's financial statements. There was no effect on the comparative figures.

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

#### **Pensions**

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company.

Since 1st October 2000, new employees have been offered membership of Boots Stakeholder Pension Plan, a defined contribution pension arrangement. After five years' membership of this plan, employees have the opportunity to join Boots Pension Scheme.

#### **Leases**

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

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 are 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 BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

<b>2. Operating costs</b>	<b>Year ended 2002 £000</b>	<b>Period ended 2001 £000</b>
Selling, distribution and store costs	<b>1,367</b>	272
Administrative expenses	<b>3,772</b>	2,180
<b>Operating costs</b>	<b>5,139</b>	<b>2,452</b>
<b>Loss before interest on page 5 is after charging:</b>		
Operating lease rentals	<b>9</b>	17
Research & development costs	<b>19</b>	-
Depreciation of tangible fixed assets	<b>131</b>	17
<b>3. Net interest payable</b>	<b>Year ended 2002 £000</b>	<b>Period ended 2001 £000</b>
<b>Interest receivable:</b>		
Other interest	<b>15</b>	4
<b>Interest payable and similar charges:</b>		
Other interest	<b>(191)</b>	(21)
Intra-group interest	<b>(100)</b>	-
<b>Net interest payable</b>	<b>(276)</b>	<b>(17)</b>

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

<b>4. Tax on loss on ordinary activities</b>	<b>Year ended</b>	<b>Period ended</b>
	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>

**The tax credit on the loss for the year consists of:**

**Current taxation**

UK corporation tax	<b>805</b>	694
Adjustment in respect of prior years	<b>(5)</b>	-
	<b>800</b>	694
Overseas taxation	<b>(6)</b>	-
<b>Total current tax</b>	<b>794</b>	694

**Deferred tax**

Origination and reversal of timing differences	<b>(20)</b>	(10)
<b>Tax on losses on ordinary activities</b>	<b>774</b>	684

**Reconciliation of current tax credit**

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current and previous year is below the standard rate for the reasons set out in the following reconciliation.

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Loss on ordinary activities before tax	<b>(3,383)</b>	(2,461)
UK standard rate of corporation tax at 30%	<b>(1,015)</b>	(738)
Factors affecting charge for the year:		
Disallowable expenses	<b>239</b>	51
Capital allowances for the period in excess of depreciation	<b>(6)</b>	3
Changes in pension fund prepayment	<b>(16)</b>	(10)
Other timing differences	<b>(1)</b>	-
Prior year adjustments	<b>5</b>	-
<b>Total current tax credit for the year</b>	<b>(794)</b>	(694)

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

<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 2001	105	208	313
Additions	15	465	480
Reclassifications and transfers	(68)	70	2
<b>At 31st March 2002</b>	<b>52</b>	<b>743</b>	<b>795</b>
<b>Depreciation</b>			
At 1st April 2001	27	17	44
Charge for the year	14	117	131
Reclassifications and transfers	(17)	29	12
<b>At 31st March 2002</b>	<b>24</b>	<b>163</b>	<b>187</b>
Net book value at 1st April 2001	78	191	269
<b>Net book value at 31st March 2002</b>	<b>28</b>	<b>580</b>	<b>608</b>

The cost of plant and machinery includes £51,654 (2001: £104,796) in respect of assets held under finance lease on which the accumulated depreciation at the end of the year was £23,586 (2001: £26,466) and for which the depreciation charge for the year was £13,579 (2001: £9,707).

<b>6. Stocks</b>	<b>2002 £000</b>	<b>2001 £000</b>
Finished goods and goods for resale	<b>1,865</b>	<b>105</b>

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

<b>7. Debtors</b>	<b>2002 £000</b>	<b>2001 £000</b>
<b>Falling due within one year:</b>		
Trade debtors	729	147
Amounts owed by group undertakings	127	290
Prepayments and accrued income	21	-
Other debtors	89	43
	<u>966</u>	<u>480</u>
<b>Falling due after more than one year:</b>		
Amounts owed by group undertakings	3,771	3,206
	<u>3,771</u>	<u>3,206</u>
<b>Total debtors</b>	<u><b>4,737</b></u>	<u><b>3,686</b></u>

<b>8. Creditors: Amounts falling due within one year</b>	<b>2002 £000</b>	<b>2001 £000</b>
Bank loans and overdraft	1,994	2,384
Amounts due to group undertakings	5,929	2,908
Trade creditors	970	183
Corporation tax	6	-
Other taxation and social security	25	17
Other creditors	164	259
Accruals	62	-
Finance Leases	20	28
	<u>9,170</u>	<u>5,779</u>

<b>9. Creditors: Amounts falling due after more than one year</b>	<b>2002 £000</b>	<b>2001 £000</b>
Amounts due to group undertakings	3,500	-
Finance Leases	7	48
	<u>3,507</u>	<u>48</u>

On the amounts due to group undertakings, interest is payable at a rate of LIBOR plus 1% and the amount is repayable within the next five years.

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

<b>10. Provisions for liabilities and charges</b>	<b>Deferred Taxation £000</b>
At 1st April 2001	10
Profit and loss account	20
<b>At 31st March 2002</b>	<b>30</b>

	<b>2002 £000</b>	<b>2001 £000</b>
<b>Analysis of deferred tax liability:</b>		
Pension prepayment	26	10
Accelerated capital allowances	3	-
Other timing differences	1	-
	<b>30</b>	<b>10</b>

<b>11. Called up share capital</b>	<b>2002 £</b>	<b>2001 £</b>
<b>Authorised:</b>		
1,000,000 ordinary shares of £1 each	<b>1,000,000</b>	<b>1,000,000</b>
<b>Allotted, called up and fully paid:</b>		
2 ordinary shares of £1 each	<b>2</b>	<b>2</b>

<b>12. Reserves</b>	<b>Profit and loss account £000</b>
At 1st April 2001	(1,777)
Retained loss for the year	(2,610)
<b>As 31st March 2002</b>	<b>(4,387)</b>

**BOOTS BEAUTY INTERNATIONAL LIMITED**

**Notes to the Financial Statements**

Year ended 31st March 2002

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**13. Staff numbers and cost**

	2002	2001
The average number of heads employed by the company during the year was:	<u>19</u>	<u>16</u>

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	£000	£000
The aggregated payroll cost was as follows:		
Wages and salaries	979	1,005
Social security costs	108	107
Other pension costs	22	12
	<u>1,109</u>	<u>1,124</u>

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**14. 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 transaction 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.

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**15. Directors' remuneration**

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No director has received any remuneration for his services to the company during the year (2001: Nil)



# BOOTS BEAUTY INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2002

### 16. 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 2002 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 in those group financial statements.

		Ordinary shares under executive and SAYE options						
Ordinary shares 2002	Ordinary Shares 2001	Ordinary shares under options 2002	Average option price 2002	Exercised During the year	Exercise Price	Lapsed During the year	Granted During the year	Ordinary Shares under Options 2001
A J Heaton	-	9,534	615p	-	-	-	8,141	1,393*
M J Oliver	16,638	39,362	514p	-	-	-	12,301	27,061
S R Page	2,161	8,045	596p	-	-	289	7,549	785*

\* At the date of appointment

The market price of the ultimate holding company's shares at 31st March 2002 was 672.5p. The range of market prices during the year was 565p to 694.5p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2002 represents the weighted average price for options outstanding at 31st March 2002.

Under a savings related scheme options may be granted to qualifying employees to subscribe for ordinary shares at approximately 80% of market price.

In previous years certain directors were granted options to subscribe for ordinary shares in The Boots Company PLC under an executive share options scheme. Such options are exercisable up to February 2005 at option prices ranging from 437p to 531p.

The directors were granted options to subscribe for ordinary shares in The Boots Company PLC under an executive share options scheme. These options become exercisable 3 years after grant if the performance target is met. Such options are exercisable up to 10 years from grant at option prices of 630p and 594p.

# BOOTS BEAUTY INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2002

### 16. Directors' shareholdings and share options (continued)

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. 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 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 for all schemes up to and including that which commenced in 1997. For schemes which commenced thereafter, the individual becomes entitled to receive those shares immediately after grant.

	Ordinary shares conditional awards under the Long Term Bonus Scheme				
	31st March 2002	Exercised during the year	Lapsed during The year	Granted during the year	31st March 2001
A J Heaton	2,393	-	-	-	2,393*
M J Oliver	7,938	2,508	-	-	10,446
S R Page	2,578	-	-	-	2,578*

\* At the date of appointment

The table on page 16 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 three years from the date the award is made.

	Conditional entitlement award under the All Employee Share Ownership Plan 2000		
	31st March 2002	Awarded during the year	31st March 2001
A J Heaton	42	-	42*
M J Oliver	42	-	42
S R Page	42	-	42*

\* At the date of appointment

As a potential beneficiary, each director is deemed to have an interest in a total of 18,229,074 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 BEAUTY INTERNATIONAL LIMITED

## Notes to the Financial Statements

Year ended 31st March 2002

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### 17. Contingent liabilities

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At 31st March 2002 the company had no contingent liabilities (2001: nil).

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### 18. Commitments

2002  
£000

2001  
£000

Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:

Contracts placed

77

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### 19. Pensions

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The company participates in a funded group wide pension scheme providing benefits based on a final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using projected unit method.

Since 1st October 2000, new employees have been offered membership of Boots Stakeholder Pension Plan, a defined contribution pension arrangement. After five years' membership of this plan, employees have the opportunity to join Boots Pension Scheme.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme. At 31st March 2002 the scheme had a surplus on an FRS 17 basis of £166m before tax.

Details of the most recent actuarial valuation and FRS 17 disclosures at 1st April 2001 can be found in the financial statements of The Boots Company PLC.