

Registration  
Number  
4077870

**BOOTS COM DIRECT LIMITED**  
**DIRECTORS' REPORT**  
**and**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31ST MARCH 2007**

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COMPANIES HOUSE

**Registration**  
**No: 4077870**

**BOOTS.COM DIRECT LIMITED**

**Directors' Report**

Year ended 31st March 2007

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**Directors**

P Fussey  
T Stacey

**Secretary**

D Foster (appointed 5th April 2007)  
S Fennell (resigned 5th April 2007)

**Registered Office**

1Thane 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 2007

**Principal activities**

The company is a wholly owned subsidiary of Alliance Boots plc. The company operates an e-commerce website under the name of boots.com. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities next year.

**Review of the business**

The web shop carries over 18,000 health and beauty products. It also carries features, information and advice covering health, looking good and mother and baby issues. Revenue generated during the year amounted to £29.4m and comprised product sales, online advertising, microsite hosting and other broadcast revenue.

On-line shopping continued its rapid growth in the year and resulted in an increase in revenue of 18.7% year on year as shown in the profit and loss account on page 6.

Sales benefited from an improved on-line customer experience and order fulfilment. The search functionality on the site helped shoppers to find products more easily and drove improved visitor conversion. The strongest areas of sales growth were in healthcare, fragrance, skincare and toys. Sales in the final quarter of the year showed significant growth of 30%.

Alliance Boots plc manages its operations on a divisional basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary for an understanding of the development, performance or position of the business. The performance of the Boots The Chemists division of Alliance Boots plc, which includes the company, is discussed in the group's annual report, which does not form part of this report.

**Registration**  
**No' 4077870**

**BOOTS.COM DIRECT LIMITED**

**Directors' Report**

Year ended 31st March 2007

**Staff**

Details of the number of employees and related costs can be found in note 12

**Profit and dividends**

Details of the profit for the year are shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend for the year (2006. £Nil)

**Directors**

The details of directors in office on 31st March 2007 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

Resignations

A R Gray  
B P Linnington

Date

18th October 2006  
7th December 2006

Appointments

P Fussey  
T Stacey

31st July 2006  
7th December 2006

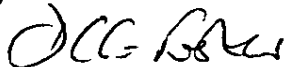
**Remuneration of directors**

Details of the remuneration of the directors are included in note 13 on page 16

**Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board



D Foster  
**Secretary**

20<sup>th</sup> June 2007  
Date

## **BOOTS.COM DIRECT LIMITED**

### **Directors' Responsibilities Statement**

Year ended 31st March 2007

#### **Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent Auditors' Report**

Year ended 31st March 2007

### **Independent Auditors' Report to the members of Boots.com Direct Limited**

We have audited the financial statements of Boots.com Direct Limited for the year ended 31st March 2007, which comprise the Profit and Loss Account, the Reconciliation of Movements in Shareholder's Funds, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

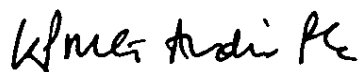
## Independent Auditors' Report

Year ended 31st March 2007

### Opinion

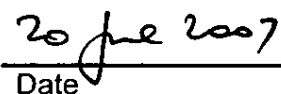
In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



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KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Birmingham



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Date

**BOOTS.COM DIRECT LIMITED****Profit and Loss Account**

Year ended 31st March 2007

	Notes	2007 £000	2006 £000
<b>Turnover</b>	1	<b>29,397</b>	24,771
Cost of sales		(22,912)	(15,982)
<b>Gross profit</b>		<b>6,485</b>	8,789
Operating costs	2	(5,042)	(3,420)
<b>Operating profit</b>		<b>1,443</b>	5,369
Net interest receivable/(payable)	3	15	(2)
<b>Profit on ordinary activities before taxation</b>		<b>1,458</b>	5,367
Tax credit/(charge) on ordinary activities	4	3,208	(508)
<b>Profit for the financial year being profit attributable to shareholders</b>	10	<b>4,666</b>	4,859

The results for the year 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 current year and prior 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

**BOOTS.COM DIRECT LIMITED**

**Reconciliation of Movements in Shareholder's Funds**

Year ended 31st March 2007

	Notes	2007 £000	2006 £000
<b>Profit for the financial year</b>	10	<b>4,666</b>	<b>4,859</b>
Net decrease in shareholder's deficit		<u>4,666</u>	<u>4,859</u>
Opening shareholder's deficit		(1,085)	(5,944)
<b>Closing shareholder's funds/(deficit)</b>		<u><b>3,581</b></u>	<u><b>(1,085)</b></u>



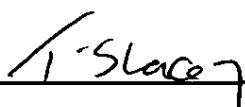
**BOOTS.COM DIRECT LIMITED****Balance Sheet**

Year ended 31st March 2007

	Notes	2007 £000	2006 £000
<b>Fixed assets</b>			
Tangible assets	5	207	360
<b>Current assets</b>			
Stock	6	3,930	2,603
Debtors falling due within one year	7	3,587	9,258
Debtors falling due after more than one year	7	4,908	1,532
		8,495	10,790
Cash at bank and in hand		114	610
		12,539	14,003
Creditors Amounts falling due within one year	8	(9,165)	(15,448)
<b>Net current assets/(liabilities)</b>		3,374	(1,445)
<b>Total assets less current liabilities</b>		3,581	(1,085)
<b>Net assets/(liabilities)</b>		3,581	(1,085)
<b>Capital and reserves</b>			
Called up share capital	9	47,023	47,023
Profit and loss account	10	(43,442)	(48,108)
<b>Shareholder's funds/(deficit)</b>		3,581	(1,085)

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

20<sup>th</sup> June 2007

  
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Tim STACEY  
Director

## **BOOTS.COM DIRECT LIMITED**

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

Year ended 31st March 2007

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#### **1. Accounting policies**

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The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below

##### **Basis of preparation**

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice, and under the historical cost accounting rules.

Under FRS1 the company is exempt from the requirement to prepare a cash flow statement on the grounds Alliance Boots plc, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated financial statements

The directors believe it is appropriate to prepare the financial statements on the going concern basis because it is the Group's intention to support the company for the foreseeable future

##### **Tangible fixed assets and depreciation**

Tangible fixed assets include expenditure on website development costs. The amount capitalised includes external expenditure on development and installation of the website and associated infrastructure. Website design costs are capitalised to the extent that they are expected to create an enduring asset.

Costs relating to the planning of the development of the website are written off to the profit and loss account as incurred.

Tangible fixed assets are written off by equal instalments over their expected useful economic lives to their estimated residual values as follows:

Plant and Machinery	3-20 years
Fixtures and fittings (including Website build costs and computer equipment)	3 years

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

##### **Turnover**

Turnover comprises of UK revenues earned net of value added tax.

To date revenue has been derived from three transaction streams: e-commerce product sales, hosting of microsites and advertising revenue generated from the web site. E-commerce product sales are recognised at the point of despatch to the customer.

Advertising revenue is received dependant upon the number of website page impressions. The amount of revenue recognised is determined after making allowances for the number of page impressions obtained and the time period in which the advertisements are published.

## **BOOTS.COM DIRECT LIMITED**

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

Year ended 31st March 2007

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

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##### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods.

##### **Pensions**

The company participates in the Boots Pension Scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Additionally, Boots also operates two Stakeholder Pension Plans, which are defined contribution pension arrangements.

##### **Leases and hire purchase contracts**

The rental costs of 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 and hire purchase contracts 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 the leases and hire purchase contracts are shown as creditors. The finance charge element of the payments is charged to the profit and loss account to produce, or approximate to, a constant periodic rate of charge on the remaining balance of outstanding obligations.

##### **Deferred taxation**

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 FRS19.

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.

**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

<b>2. Operating costs</b>	<b>2007 £000</b>	<b>2006 £000</b>
Selling and distribution costs	5,092	5,706
Administration expenses	(50)	27
Other operating income	-	(2,313)
	<u>5,042</u>	<u>3,420</u>
<b>Operating profit shown on page 6 is after charging:</b>		
Depreciation of owned tangible fixed assets	165	278
Depreciation of assets held under finance leases	10	12
The audit fee was borne by a fellow group undertaking		
<b>3. Net interest receivable/(payable)</b>	<b>2007 £000</b>	<b>2006 £000</b>
<b>Interest receivable and similar income</b>		
From group undertakings	8	-
Bank interest	7	-
	<u>15</u>	<u>-</u>
<b>Interest payable and similar charges</b>		
Other interest	-	(2)
	<u>-</u>	<u>(2)</u>
Net interest receivable/(payable)	<u>15</u>	<u>(2)</u>

**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

4. Tax on profit on ordinary activities	2007 £000	2006 £000
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The tax (credit)/charge on the profit for the year consists of:

**Current taxation**

Adjustment in respect of prior years

**Total current tax**1683616836**Deferred tax**

Origination and reversal of timing differences

(3,376)472**Tax on profit on ordinary activities**(3,208)508**Reconciliation of current tax charge**

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2006 30%) The actual tax charge for the current and prior year is below the standard rate for the reasons set out in the following reconciliation

	2007 £000	2006 £000
Profit on ordinary activities before taxation	<u>1,458</u>	<u>5,367</u>
UK standard rate of corporation tax at 30% (2006 30%)	<u>437</u>	<u>1,610</u>
Factors affecting charge for the year		
Differences between capital allowances and depreciation	15	(424)
Other timing differences	201	35
Relief for trading losses brought forward	(1,632)	(1,221)
Prior year adjustments	168	36
Group tax adjustments	979	-
Total current tax charge for the year	<u>168</u>	<u>36</u>

**Factors that may affect future current and total tax charge**

On 21st March 2007 in its annual Budget statement, the British Government made certain announcements regarding corporation tax that will impact the company if and when passed into law. These announcements included a proposed reduction in the standard rate of UK corporation tax to 28% from 1st April 2008.

**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

**4. Tax on profit on ordinary activities (continued)**

Under FRS 19, deferred taxation is provided in the balance sheet at the tax rate that is expected to be enacted or substantively enacted at the time it will reverse. Any timing differences which reverse before 1st April 2008 will be taxed or relieved at 30%, any timing differences that reverse after that date will reverse at 28%. Because of the inherent uncertainty as to when deferred tax will reverse it is not possible to quantify the full financial impact of this proposed change

**5. Tangible fixed assets**

	Plant & Machinery £000	Fixtures, Fittings and Equipment £000	Total £000
<b>Cost or valuation</b>			
At 1st April 2006	37	23,906	23,943
Additions	-	15	15
Disposals	-	(42)	(42)
Intra-group transfers and reclassifications	-	23	23
<b>At 31st March 2007</b>	<b>37</b>	<b>23,902</b>	<b>23,939</b>
<b>Depreciation</b>			
At 1st April 2006	9	23,574	23,583
Charge for the period	4	171	175
Disposals	-	(28)	(28)
Intra-group transfers and reclassifications	-	2	2
<b>At 31st March 2007</b>	<b>13</b>	<b>23,719</b>	<b>23,732</b>
Net book value at 31st March 2006	28	332	360
<b>Net book value at 31st March 2007</b>	<b>24</b>	<b>183</b>	<b>207</b>

The cost of fixtures, fittings and equipment includes £50,888 (2006 £54,289) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £10,206 (2006 £25,884) and for which the depreciation charge for the year was £9,601 (2006 £12,205)

**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

<b>6. Stock</b>	<b>2007 £000</b>	<b>2006 £000</b>
Finished goods and goods for resale	<u>3,930</u>	<u>2,603</u>
<b>7. Debtors</b>	<b>2007 £000</b>	<b>2006 £000</b>
<b>Falling due within one year:</b>		
Trade debtors	934	1,338
Amounts owed by group undertakings	2,653	7,309
Corporation tax debtor	-	611
	<u>3,587</u>	<u>9,258</u>
<b>Falling due after more than one year:</b>		
Deferred tax debtor (see below)	<u>4,908</u>	<u>1,532</u>
<b>Total debtors</b>	<u>8,495</u>	<u>10,790</u>
<b>Deferred tax debtor</b>		<b>£000</b>
At 1st April 2006		1,532
Profit and loss account (see note 4)		<u>3,376</u>
<b>At 31st March 2007</b>		<u><b>4,908</b></u>
<b>Analysis of deferred tax debtor</b>	<b>2007 £000</b>	<b>2006 £000</b>
Accelerated capital allowances	1,960	1,454
Other timing differences	200	78
Tax losses	2,748	-
	<u>4,908</u>	<u>1,532</u>

The company has only recognised a deferred tax asset on losses which are likely to be utilised in the next five years. Unprovided deferred tax on losses is £Nil (2006 £4,622,000)

**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

<b>8. Creditors. Amounts falling due within one year</b>	<b>2007 £000</b>	<b>2006 £000</b>
Trade creditors	1,622	270
Amounts due to group undertakings	6,641	14,646
Other taxation and social security	172	179
Accruals and deferred income	730	343
Finance lease obligations	-	10
	<u>9,165</u>	<u>15,448</u>

<b>9. Called up share capital</b>	<b>2007 £</b>	<b>2006 £</b>
Authorised 50,000,000 ordinary shares of £1 each	<u>50,000,000</u>	<u>50,000,000</u>
Allotted, called up and fully paid 47,022,830 ordinary shares of £1 each	<u>47,022,830</u>	<u>47,022,830</u>

<b>10. Reserves</b>	<b>Profit and loss account £000</b>
At 1st April 2006	(48,108)
Profit for the year	4,666
<b>At 31st March 2007</b>	<u><b>(43,442)</b></u>

**11. Contingent liabilities**

The company has given its bankers the right to set off credit balances on its current accounts against amounts owed by its parent and fellow UK subsidiaries. At 31st March 2007 the contingent liability was £Nil (2006 £609,622)



**BOOTS.COM DIRECT LIMITED****Notes to the Financial Statements**

Year ended 31st March 2007

<b>12. Staff numbers and costs</b>	<b>2007 Number</b>	<b>2006 Number</b>
The average full time equivalent number of persons employed by the company during the year was as follows.	<b>32</b>	<b>30</b>
The employees provide a central function in the support of the company's principal activities		
	<b>2007 £000</b>	<b>2006 £000</b>
The aggregate payroll cost was as follows		
Wages and salaries	<b>816</b>	<b>810</b>
Social security costs	<b>77</b>	<b>72</b>
Other pension costs	<b>98</b>	<b>89</b>
	<b>991</b>	<b>971</b>
<b>13. Directors' remuneration</b>	<b>2007 £000</b>	<b>2006 £000</b>
i) Directors' emoluments for services to the company	<b>156</b>	<b>257</b>
ii) Compensation for loss of office	-	<b>561</b>
iii) Monies received from long term bonus schemes	-	-
iv) (a) The remuneration of the highest paid director, excluding pension contributions	<b>102</b>	<b>140</b>
(b) (i) Increase/ (decrease) in accrued pension during the year, including inflation	<b>3</b>	<b>(14)</b>
(ii) Accumulated total accrued pension at year end	<b>28</b>	<b>33</b>
v) Number of directors who are members of defined benefit pension schemes	<b>2</b>	<b>2</b>
vi) Number of directors who had exercised options during the period (who are not directors of the ultimate holding company)	-	-

## **BOOTS.COM DIRECT LIMITED**

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

Year ended 31st March 2007

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#### **14. Pensions**

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The company participates in a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Additionally, Boots also operates two Stakeholder Pension Plans, which are defined contribution pension arrangements.

As the company is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Contributions payable to the pension fund during the year were £98,000 (2006 £87,000).

At 31st March 2007 the scheme had a surplus on an IAS19 basis, which is not materially different to the surplus on an FRS17 basis, of £20m before tax. Details of the most recent actuarial valuation, which was on 1st April 2004, and detailed disclosures at 31st March 2007 can be found in the financial statements of Alliance Boots plc.

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#### **15. Ultimate holding company**

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The company's immediate holding company (which is also the immediate controlling party) is The Boots Company PLC and its ultimate holding company (which is also the ultimate controlling party) is to Alliance Boots 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 Alliance Boots plc.

Copies of the group financial statements may be obtained from Sedley Place, 4th Floor, 361 Oxford Street, London, W1C 2JL, UK.

As a wholly owned subsidiary of Alliance Boots plc, 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.

On 31st July 2006 Boots Group PLC acquired 100% of the ordinary shares of Alliance UniChem Plc ("Alliance UniChem") by means of a scheme of arrangement between Alliance UniChem and its shareholders. The scheme of arrangement was achieved by cancelling Alliance UniChem shares and issuing new shares in Boots Group PLC to existing Alliance UniChem shareholders under a fixed share ratio of 1 332 Boots Group shares for each Alliance UniChem share. On completion of the transaction Boots Group PLC was renamed Alliance Boots plc.