



Registration  
Number  
3467418

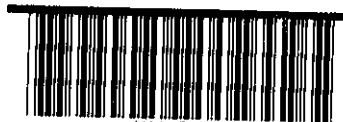
**BOOTS INSURANCE SERVICES LIMITED**

**DIRECTORS' REPORT**

**and**

**FINANCIAL STATEMENTS**

**YEAR ENDED 31ST MARCH 2004**



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COMPANIES HOUSE

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0651  
27/01/05

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

**BOOTS INSURANCE SERVICES LIMITED**

**Board of Directors**

Year ended 31st March 2004

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**Director**  
C R Grimsdell

**Secretary**  
S Fennell

**Registered Office**  
1 Thane Road West  
Nottingham, NG2 3AA

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

## **BOOTS INSURANCE SERVICES LIMITED**

### **Directors' Report**

Year ended 31st March 2004

The directors present their annual report together with the audited financial statements for the year ended 31st March 2004.

#### **Principal activities**

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

#### **Review of the business**

The company continues to trade in Health and Travel Insurance.

#### **Results, retentions and dividends**

The results and retentions for the year are shown in the profit and loss account on page 6.

#### **Staff**

The company continues to involve staff in the decision-making process and communicates regularly with staff during the year. Their involvement in the company's performance is encouraged through employee bonus and share schemes. The involvement extends to the board of Boots Pensions Ltd; on which there are three group employee representatives as well as a retired employee.

The company's aim for all members of staff and applicants for employment is to fit the *qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin.* The company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

#### **Directors**

The details of the directors in office on 31st March 2004 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

##### Date

N A Usher

25th July 2003

C R Grimsdell

25th July 2003

C McLean

7th September 2004

##### Resignations

##### Date

J S Sinclair

7th November 2003

N A Usher

11th March 2004

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

**BOOTS INSURANCE SERVICES LIMITED**


**Directors' Report**

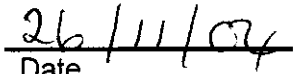
Year ended 31st March 2004

**Remuneration of directors and director's shareholding**

Details of the remuneration and shareholdings of the directors are included in notes 11 and 12 on pages 14 to 16.

By order of the board

  
\_\_\_\_\_  
S Fennell  
**Secretary**

  
\_\_\_\_\_  
Date

## **BOOTS INSURANCE SERVICES LIMITED**

### **Directors' responsibilities statement**

Year ended 31st March 2004

Company law requires the 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 for that year. In preparing those financial statements, the 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 a 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 INSURANCE SERVICES LIMITED**

## **Independent Auditors' Report**

Year ended 31st March 2004

### **Independent Auditors' Report to the members of Boots Insurance Services Limited**

We have audited the financial statements on pages 6 to 17.

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 auditors' 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 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 director is responsible for preparing the directors' report and, as described on page 4, the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our 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 1985. 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 director 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 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

26 November 2004  
Date

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

Year ended 31st March 2004

	Notes	2004 £000	* Restated 2003 £000
<b>Turnover</b>	1	<b>3,290</b>	3,803
Operating costs	2	<b>(1,120)</b>	(1,490)
<b>Operating profit being profit on ordinary activities before taxation</b>		<b>2,170</b>	2,313
Tax on profit on ordinary activities	3	<b>(657)</b>	(780)
<b>Profit on ordinary activities after taxation being retained profit for the financial year</b>	9	<b>1,513</b>	1,533

The result for the year is wholly attributable to the continuing operations of the company.

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

**BOOTS INSURANCE SERVICES LIMITED**

**Other Primary Statements**

Year ended 31st March 2004

<b>Statement of total recognised gains and losses</b>	<b>2004</b>	<b>* Restated</b>
	<b>£000</b>	<b>2003</b>
		<b>£000</b>
<b>Profit for the financial year attributed to shareholders and total recognised gains and losses</b>	<b>1,513</b>	<b>1,533</b>
Prior year adjustment	<b>(319)</b>	
<b>Total gains and losses recognised since last financial statements (note 1)</b>	<b>1,194</b>	
<b>Reconciliation of movements in shareholder's funds</b>	<b>2004</b>	<b>* Restated</b>
	<b>£000</b>	<b>2003</b>
		<b>£000</b>
<b>Total recognised gains and losses for the year</b>	<b>1,513</b>	<b>1,533</b>
<b>Net increase in shareholder's funds</b>	<b>1,513</b>	<b>1,533</b>
Opening shareholder's deficit (originally a deficit of £260,000 before deducting prior year adjustment of £319,000)	<b>(579)</b>	<b>(2,112)</b>
<b>Closing shareholder's funds/(deficit)</b>	<b>934</b>	<b>(579)</b>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).



# BOOTS INSURANCE SERVICES LIMITED

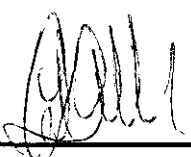
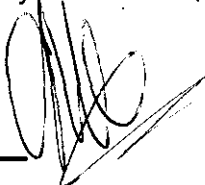
## Balance Sheet

At 31st March 2004

	Notes	2004 £000	*Restated 2003 £000
<b>Fixed assets</b>			
Tangible assets	4	<u>61</u>	<u>66</u>
<b>Current assets</b>			
Debtors falling due within one year	5	<u>672</u>	<u>429</u>
Debtors falling due after more than one year	5	<u>745</u>	<u>2,078</u>
		1,417	2,507
Cash at bank and in hand		<u>708</u>	<u>609</u>
		2,125	3,116
Creditors: Amounts falling due within one year	6	<u>(1,252)</u>	<u>(790)</u>
<b>Net current assets</b>		<u>873</u>	<u>2,326</u>
<b>Total assets less current liabilities</b>		<b>934</b>	<b>2,392</b>
Creditors: Amounts falling due after more than one year	7	-	(2,971)
<b>Net assets/(liabilities)</b>		<u><b>934</b></u>	<u><b>(579)</b></u>
<b>Capital and reserves</b>			
Called up share capital	8,9	-	-
Profit and loss account	9	<b>934</b>	<b>(579)</b>
<b>Equity shareholder's funds/(deficit)</b>		<u><b>934</b></u>	<u><b>(579)</b></u>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

The financial statements were approved by the Board of Directors on 26 NOV 2004  
and are signed on its behalf by: CR GRIMSDALL + CC MCGRAW

  
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**Director**

# **BOOTS INSURANCE SERVICES LIMITED**

## **Notes to the Financial Statements**

Year ended 31st March 2004

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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.

#### **Basis of preparation**

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

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company 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.

During the year, new requirements on revenue recognition, in the form of an Application Note to FRS 5 'Reporting the Substance of Transactions', were issued and became effective for this year's Reports and Accounts. The effects of this Application Note are shown in Note 16.

#### **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 as follows:

- Plant, equipment, fixtures and fittings - depreciated over 3 to 20 years according to the estimated life of the asset.

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

#### **Turnover**

Turnover comprises commission on sales of insurance policies. Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration.

#### **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.

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

### 1. Accounting policies (continued)

#### Leases

The rental costs of properties and other assets acquired under operating leases are charged directly to the profit and loss account on a straight line basis over the life of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

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.*

#### 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 FRS 19.

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.

2. Operating costs	2004 £000	2003 £000
Selling, distribution and store costs	495	773
Administrative expenses	625	717
<b>Operating costs</b>	<b>1,120</b>	<b>1,490</b>

#### Operating profit shown on page 6 is after charging:

Operating lease rentals:

- Property rents	37	35
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Depreciation of tangible fixed assets

- Owned assets	12	13
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- Assets held under finance leases	2	1
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Auditors' remuneration - Audit fees	-	2
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# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

3. Tax on profit on ordinary activities	2004 £000	*Restated 2003 £000
<b>The charge on the profit for the year consists of:</b>		
<b>Current taxation</b>		
UK corporation tax	509	765
Adjustment in respect of prior years	22	(1)
<b>Total current tax</b>	<u>531</u>	<u>764</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	126	16
<b>Tax on profit on ordinary activities</b>	<u>657</u>	<u>780</u>

### Reconciliation of current tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2003: 30%). The actual tax charge for the current year is below (2003 - exceeds) the standard rate for the reasons set out in the following reconciliation.

	2004 £000	*Restated 2003 £000
Profit on ordinary activities before tax	<u>2,170</u>	<u>2,313</u>
UK corporation tax at standard rate of 30.0%	651	694
Factors affecting charge for the year:		
Changes in accelerated capital allowances	(11)	(16)
Disallowable expenses	7	1
Adjustments in respect of prior years	22	(1)
FRS 5 Advantage card provision	(138)	86
<b>Total current tax charge for the year</b>	<u>531</u>	<u>764</u>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

<b>4. 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 2003	-	114	114
Transfers	13	-	13
<b>At 31st March 2004</b>	<b>13</b>	<b>114</b>	<b>127</b>
<b>Depreciation</b>			
At 1st April 2003	-	48	48
Depreciation for period	3	11	14
Transfers	4	-	4
<b>At 31st March 2004</b>	<b>7</b>	<b>59</b>	<b>66</b>
Net book value at 31st March 2003	-	66	66
<b>Net book value at 31st March 2004</b>	<b>6</b>	<b>55</b>	<b>61</b>

The cost of plant and machinery includes £12,832 (2003: £nil) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £6,858 (2003: £nil) and the depreciation charge in the year was £2,433 (2003: £1,136).

<b>5. Debtors</b>	<b>2004 £000</b>	<b>*Restated 2003 £000</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	<b>672</b>	<b>429</b>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by group undertakings	<b>686</b>	<b>1,893</b>
Deferred tax (see below)	<b>59</b>	<b>185</b>
	<b>745</b>	<b>2,078</b>
<b>Total debtors</b>	<b>1,417</b>	<b>2,507</b>
<b>Analysis of deferred tax asset:</b>		
Capital allowances ahead of depreciation	<b>30</b>	<b>49</b>
Other timing differences	<b>29</b>	<b>136</b>
	<b>59</b>	<b>185</b>

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

	Deferred taxation £000
At 1st April 2003	49
Prior year adjustment	136
At 1st April 2003 as restated	185
Profit and loss account	(126)
<b>At 31st March 2004</b>	<b>59</b>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

6. Creditors: Amounts falling due within one year	2004 £000	2003 £000
Amounts due to group undertakings	659	-
Corporation tax	254	383
Other taxation and social security	15	20
Accruals and deferred income	318	387
Obligations under finance leases	6	-
	<u>1,252</u>	<u>790</u>

7. Creditors: Amounts falling due after more than one year	2004 £000	*Restated 2003 £000
Amounts due to group undertakings	<u>-</u>	<u>2,971</u>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

8. Called up share capital	2004 £	2003 £
<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>

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

<b>9. 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 2003	-	(260)	(260)
Prior year adjustment	-	(319)	(319)
At 1st April 2003 as restated	-	(579)	(579)
Profit retained	-	1,513	1,513
<b>At 31st March 2004</b>	<b>-</b>	<b>934</b>	<b>934</b>

\*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

<b>10. Staff numbers and costs</b>	<b>2004</b>	<b>2003</b>
The average number of full time equivalents employed by the company during the period was as follows:	<b>10</b>	<b>13</b>
The aggregated payroll cost was as follows:	<b>2004 £000</b>	<b>2003 £000</b>
Wages and salaries	<b>258</b>	<b>306</b>
Social security costs	<b>23</b>	<b>27</b>
Other pension costs	<b>15</b>	<b>18</b>
	<b>296</b>	<b>351</b>

## 11. Directors' remuneration

The directors received no remuneration for their services to the company during the year (2003: £Nil).

# BOOTS INSURANCE SERVICES LIMITED

## Notes to the Financial Statements

Year ended 31st March 2004

### 12. Director's shareholdings and share options

The beneficial interests of the director, who is not a director of the ultimate holding company, and his family in the share capital of the ultimate holding company at 31st March 2004 are shown below. The director holds no 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 2004	Ordinary shares 2003	Ordinary shares under options 2004	Average option price 2004	Exercised during the year	Exercise price	Market price at date of exercise	Granted during the year	Ordinary shares under options 2003
C R Grimsdell	166	1,666*	22,079	£6.122	-	-	-	22,079*

\* At the date of appointment

The market price of the ultimate holding company's shares at 31st March 2004 was 619.5p. The range of market prices during the year was 524.5p to 752.5p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2004 represents the weighted average price for options outstanding at 31st March 2004.

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

Under the executive share option plan, certain directors were granted options to subscribe for ordinary shares in Boots Group PLC. These options become exercisable 3 years after grant if the performance target is met. If the target is not met, the performance period is extended but if the target is still not met by the end of the sixth year of the performance period, the options lapse. Once the performance target is met, such options are exercisable up to 10 years from grant at option prices of 594p and 635p.

The table below shows the number of shares in Boots Group PLC (the ultimate holding company) that have been conditionally awarded to the director under the All Employee Share Ownership Plan. The employee will normally become unconditionally entitled to these shares after remaining employed for three years from the date the award is made.

Free Shares awards under the All Employee Share Ownership Plan		
31st March 2004	Awarded during the year	31st March 2003
C R Grimsdell	121**	-
		121*

\* At the date of appointment

\*\* 42 shares for C R Grimsdell became unconditional on 20<sup>th</sup> March 2004



## **BOOTS INSURANCE SERVICES LIMITED**

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

Year ended 31st March 2004

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#### **12. Director's shareholdings and share options (continued)**

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As a potential beneficiary, each director is deemed to have an interest in a total of 15,701,287 ordinary shares of Boots Group PLC 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 All Employee Share Ownership Plan).

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#### **13. Pensions**

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The company participates in a funded group wide pension scheme providing benefits based on 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 the 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 2004 the scheme had a surplus on an FRS 17 basis of £58m before tax.

Details of the most recent actuarial valuation and FRS 17 disclosures at 31st March 2004 can be found in the financial statements of Boots Group PLC.

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#### **14. Contingent liability**

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The company has given its bankers the right to set-off credit balances on its current accounts against amounts owed to the bank on current accounts by its parent and fellow UK subsidiaries. At 31st March 2004 the contingent liability was £708,000 (2003: £609,000).

## **BOOTS INSURANCE SERVICES LIMITED**

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

Year ended 31st March 2004

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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 Boots Investments Limited and its ultimate holding company (which is also the ultimate controlling party) is Boots Group 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 Boots Group 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.

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#### **16. Prior year adjustment**

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##### **Impact of FRS 5 Changes**

During the year, the Accounting Standards Board issued additional guidance to FRS 5 in the form of Application Note G: Revenue Recognition.

The overall impact on the P&L is to reduce turnover by £400,000 (2003 £457,000) and operating profit by £209,000 (2003 £286,000). There is a prior year adjustment of £319,000 to reserves at 31 March 2003 as a result of these changes, an increase of £455,000 to creditors partly offset by the related deferred tax assets of £136,000 shown within debtors (see notes 5 and 9). Net assets at 31st March 2004 have been reduced by £528,000 as a result of these changes. Comparatives have been restated.

##### **Elements Leading to Adjustment**

###### **1. Advantage Card**

In the past when points were issued the company has provided for the cost of goods which are expected to be purchased by customers using those points. This has previously been charged to cost of sales. Application Note G requires the provision to be for the full retail value of the points and for this to be charged to turnover.