



Registration  
Number  
928555

BOOTS THE CHEMISTS LIMITED  
DIRECTORS' REPORT  
and  
FINANCIAL STATEMENTS  
YEAR ENDED 31ST MARCH 2005



A38 \*A7P4Q6JP\* 0607  
COMPANIES HOUSE 29/06/05

A21 \*A06LR0NWR\* 0124  
COMPANIES HOUSE 28/05/05

**Registration**

**No: 928555**

**BOOTS THE CHEMISTS LIMITED**

**Board of Directors**

Year ended 31st March 2005

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**Directors:**

A D Emson  
D A Kneale  
A Gourlay  
C R Grimsdell  
P Patel

**Secretary:**

Sonia Fennell

**Registered Office:**

1 Thane Road West  
Nottingham, NG2 3AA

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# BOOTS THE CHEMISTS LIMITED

## Directors' Report

Year ended 31st March 2005

The directors present their annual report together with the audited financial statements for the year ended 31st March 2005.

### Principal activities

The company's principal activities during the year were dispensing and retail chemists.

### Strategy

Boots The Chemists' (BTC) customer appeal is founded on the trust and heritage of the Boots brand, broad choice of own brand and proprietary products, innovative new product development and expert service and advice. BTC focuses on the health and beauty markets and is confident of growing with them. We will maintain our leadership position through innovation, continued development of our store portfolio and clear value positioning supported by tight control of operating costs.

### Trading

BTC sales grew by £145m, a strong performance in an increasingly difficult retail environment.

Continued focus on the core healthcare business has again delivered good results with the dispensing and OTC businesses growing well.

The re-launch of No7 was the highlight of the year for the beauty businesses, whilst the Lower Prices You'll Love campaign drove higher volumes in Toiletries.

In the Lifestyle category, the baby and food businesses showed good growth, but the photo business is still adapting to the new digital market.

The advantage card scheme continued to grow with 1.5 million additional card holders in the year. Investment in new stores has resulted in 33 new stores in the year.

### Outlook

We will continue to drive growth through investment in stores, people, pricing and new product development. To partially offset this spending we have major programmes to improve operating efficiency.

### Profit, dividends and retentions

Details of profit, dividends and retentions are shown in the profit and loss account on page 7.

# BOOTS THE CHEMISTS LIMITED

## Directors' Report

Year ended 31st March 2005

### Payment to suppliers

The group is a signatory of the Better Payment Practice Code and BTC complies with the terms of this code, a copy of which can be obtained from Boots Group PLC (see note 23). 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 day's purchases outstanding at 31st March 2005 was 20 days.

### 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, which has provision for 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 directors in office on 31st March 2005 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:

<u>Appointments</u>	<u>Date</u>
P Patel	19 July 2004
M Oliver	30 July 2004

<u>Resignations</u>	<u>Date</u>
M Oliver	13 September 2004
C R Grimsdell	19 April 2005
A D Emson	29 April 2005

### Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 19 and 20 on pages 21 to 24.

**BOOTS THE CHEMISTS LIMITED**

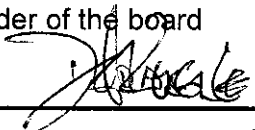
**Directors' Report**

Year ended 31st March 2005

**Auditors**

Resolutions to re-appoint KPMG Audit Plc as auditors of the company will be proposed at the annual general meeting.

By order of the board

  
\_\_\_\_\_  
Director

16 May 2005  
Date

**BOOTS THE CHEMISTS LIMITED**  
**Directors' responsibilities statement**

Year ended 31st March 2005

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 group and to prevent and detect fraud and other irregularities.

## Independent Auditor's Report

Year ended 31st March 2005

### Independent Auditor's Report to the members of Boots The Chemists Limited.

We have audited the financial statements on pages 7 to 25.

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 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 are responsible for preparing the directors' report and, as described on page 5, 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.

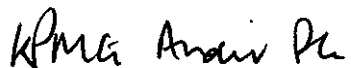
### Basis of audit opinion

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 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 company's state of affairs as at 31st March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Birmingham

16 May 2005  
Date

**BOOTS THE CHEMISTS LIMITED****Profit and Loss Account**

Year ended 31st March 2005

	Notes	2005 £m	2004 £m
<b>Turnover</b>	2	<b>4,415.1</b>	4,270.1
Cost of sales		<b>(2,877.5)</b>	(2,798.5)
<b>Gross profit</b>		<b>1,537.6</b>	1,471.6
Operating costs	3	<b>(1,299.2)</b>	(1,174.9)
<b>Operating profit</b>		<b>238.4</b>	296.7
Profit/(loss) on disposal of fixed assets		<b>1.2</b>	(7.4)
Income from shares in subsidiary undertakings		<b>36.0</b>	31.6
(Charge)/ release for provisions against investments		<b>(3.0)</b>	8.9
<b>Profit on ordinary activities before interest</b>		<b>272.6</b>	329.8
Net interest payable	4	<b>(26.6)</b>	(0.1)
<b>Profit on ordinary activities before taxation</b>		<b>246.0</b>	329.7
Tax on profit on ordinary activities	5	<b>(69.3)</b>	(87.6)
<b>Profit on ordinary activities after taxation and profit for the financial year attributable to shareholders</b>		<b>176.7</b>	242.1
Dividends	6	<b>(180.0)</b>	(217.0)
<b>Retained (loss)/profit for the financial year</b>		<b>(3.3)</b>	25.1

The result for the year is wholly attributable to the continuing operations of the company. In addition, Boots The Chemists acquired a number of pharmacy businesses during the year. The impact of these acquisitions on the company's operating profit is not material.



**BOOTS THE CHEMISTS LIMITED****Other Primary Statements**

Year Ended 31st March 2005

<b>Statement of total recognised gains and losses</b>		
	2005 £m	2004 £m
<b>Profit for the financial year attributed to shareholders and total recognised gains and losses</b>	<b>176.7</b>	<b>242.1</b>
Profit on disposal of business	-	53.6
<b>Total gains and losses recognised since last annual report</b>	<b>176.7</b>	<b>295.7</b>

<b>Reconciliation of movements in shareholders funds</b>		
	2005 £m	2004 £m
<b>Total recognised gains and losses for the year</b>	<b>176.7</b>	<b>295.7</b>
Dividends	(180.0)	(217.0)
<b>Net (decrease)/increase in shareholders' funds</b>	<b>(3.3)</b>	<b>78.7</b>
Opening shareholders' funds	767.9	689.2
<b>Closing shareholders' funds</b>	<b>764.6</b>	<b>767.9</b>

**BOOTS THE CHEMISTS LIMITED**

**Balance Sheet**

Year Ended 31st March 2005

	Notes	2005 £m	2004 £m
<b>Fixed assets</b>			
Intangible assets	7	10.0	9.3
Tangible assets	8	583.3	516.2
Investments	9	196.0	302.0
		<u>789.3</u>	<u>827.5</u>
<b>Current assets</b>			
Stocks	10	418.9	412.3
Debtors falling due within one year	11	375.4	260.5
Debtors falling due after more than one year	11	44.9	272.9
		420.3	533.4
Cash at bank and in hand		161.3	39.4
		<u>1,000.5</u>	<u>985.1</u>
Creditors: Amounts falling due within one year	12	(949.6)	(629.3)
		<u>50.9</u>	<u>355.8</u>
<b>Net current assets</b>			
		840.2	1,183.3
<b>Total assets less current liabilities</b>			
Creditors: Amounts falling due after more than one year	13	(5.0)	(347.6)
Provisions for liabilities and charges	14	(70.6)	(67.8)
		<u>764.6</u>	<u>767.9</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Called up share capital	15,16	709.7	709.7
Other reserves	16	53.6	53.6
Profit and loss account	16	1.3	4.6
		<u>764.6</u>	<u>767.9</u>
<b>Equity shareholders' funds</b>			

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

16<sup>th</sup> May 2005



Director

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

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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 UK 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 Boots Group PLC, the company's ultimate parent undertaking, includes the company's cash flows in its own published consolidated financial statements.

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare group financial statements and deliver them to the Registrar of Companies. The financial statements therefore present information about the company as an individual undertaking and not about its group. The company is included within the consolidated financial statements of Boots Group PLC, the company's ultimate parent undertaking.

**Foreign currencies**

Overseas investments are stated at the rate of exchange in force at the date the investment was made. Assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Profits and losses arising from changes in exchange rates in the normal course of trading are taken to the profit and loss account.

**Fixed assets and depreciation**

Depreciation of tangible fixed assets is provided to write-off the cost less residual value, by equal instalments over their expected economic useful lives as follows:

- Freehold land and assets in the course of construction – not depreciated.
- Freehold and long leasehold buildings, including stores with physical lives of more than 50 years - depreciated to their estimated residual values over their economic useful lives of not more than 50 years.
- Short leasehold properties - remaining period of lease when less than 50 years.
- Plant, equipment, fixtures and fittings and motor vehicles - 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.

**Investments**

Investments are stated at cost less provisions for any impairment in the carrying value of the investment.

**Stock**

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

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

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**1. Accounting policies** (continued)

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**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 the 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.

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.

**Goodwill and intangible assets**

Goodwill on acquisitions, comprises the excess of the cost of investment over the fair value of the net assets acquired. Fair values are attributed to the identifiable assets and liabilities that existed at the date of acquisition, reflecting their condition at that date.

Goodwill arising on acquisitions prior to 1st April 1998 has been set off against reserves. For subsequent acquisitions goodwill is recognised within fixed assets in the year in which it arises and amortised on a straight line basis over its useful economic life of 20 years. The carrying value of goodwill is reviewed annually and any impairment in value charged to the profit and loss account.

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

**2. Turnover**

Turnover comprises retail sales to external customers (excluding value added tax). Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration. All turnover is sourced and is destined for the United Kingdom.

<b>3. Operating costs</b>	2005 £m	2004 £m
Selling, distribution and branch costs	1,198.1	1,046.9
Administrative expenses	101.1	128.0
<b>Operating costs</b>	<b>1,299.2</b>	<b>1,174.9</b>
<b>Operating profit shown on page 7 is after charging</b>		
Operating lease rentals		
- Property rents	216.6	209.1
- Computer and plant hire	0.8	1.5
Depreciation of tangible fixed assets		
- Owned assets	79.5	68.5
- Assets held under finance leases	0.7	1.1
Amortisation of goodwill	0.6	0.6
Remuneration of auditors – Audit fees	0.2	0.2
<b>4. Net interest payable</b>		
	2005 £m	2004 £m
<b>Interest receivable and similar income:</b>		
From group undertaking	1.8	3.6
Other interest	0.1	0.2
	<b>1.9</b>	<b>3.8</b>
<b>Interest payable and similar charges:</b>		
Bank loans and overdrafts wholly repayable within 5 years	(0.2)	(0.2)
Finance leases	(0.1)	(0.2)
To group undertaking	(28.2)	(3.5)
	<b>(28.5)</b>	<b>(3.9)</b>
	<b>(26.6)</b>	<b>(0.1)</b>

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

<b>5. Tax on profit on ordinary activities</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
<b>The tax charge on the profit for the year consists of:</b>		
<b>Current taxation</b>		
UK corporation tax	66.2	82.2
Adjustment in respect of prior years	(1.4)	-
<b>Total current tax</b>	<b>64.8</b>	<b>82.2</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	4.5	5.4
<b>Tax on profits on ordinary activities</b>	<b>69.3</b>	<b>87.6</b>

**Reconciliation of current tax charge**

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2004:30%). 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>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
Profit on ordinary activities before tax	246.0	329.8
UK standard rate of corporation tax at 30%	73.8	99.0
Factors affecting charge for the year:		
Changes in accelerated capital allowances	(2.4)	0.2
Other timing differences	0.2	(9.1)
Disallowable expenses and non taxable income	4.6	4.2
Dividends from subsidiary companies	(10.9)	(9.6)
Provision against investments in and current accounts with subsidiary undertakings	-	(2.7)
Exceptional items	0.9	0.2
Prior year adjustments	(1.4)	-
<b>Total current tax charge for the year</b>	<b>64.8</b>	<b>82.2</b>

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

<b>6. Dividends</b>	2005 £m	2004 £m
Final proposed	<u>180.0</u>	<u>217.0</u>

<b>7. Intangible fixed assets</b>	Purchased goodwill £m
<b>Cost</b>	
At 1st April 2004	11.9
Acquisitions	1.3
<b>At 31st March 2005</b>	<u><b>13.2</b></u>
<b>Amortisation</b>	
At 1st April 2004	2.6
Charge for the year	0.6
<b>At 31st March 2005</b>	<u><b>3.2</b></u>
Net book value at 31st March 2004	9.3
<b>Net book value at 31st March 2005</b>	<u><b>10.0</b></u>

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

<b>8. Tangible fixed assets</b>	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
<b>Cost</b>					
At 1st April 2004	19.5	61.7	939.1	33.2	1,053.5
Additions	3.6	2.1	11.6	94.6	111.9
Disposals	-	(1.7)	(12.7)	-	(14.4)
Reclassifications	(0.2)	(29.5)	134.1	(104.4)	-
Intra-group transfers			40.7	-	40.7
<b>At 31st March 2005</b>	<b>22.9</b>	<b>32.6</b>	<b>1112.8</b>	<b>23.4</b>	<b>1191.7</b>
<b>Depreciation</b>					
At 1st April 2004	8.3	40.1	488.9	-	537.3
Charge for the year	1.0	2.4	76.8	-	80.2
Disposals	-	(0.8)	(8.4)	-	(9.2)
Reclassifications	-	(25.5)	25.5	-	-
Intra-group transfers	-	-	0.1	-	0.1
<b>At 31st March 2005</b>	<b>9.3</b>	<b>16.2</b>	<b>582.9</b>	<b>-</b>	<b>608.4</b>
Net book value at 31st March 2004	11.2	21.6	450.2	33.2	516.2
<b>Net book value at 31st March 2005</b>	<b>13.6</b>	<b>16.4</b>	<b>529.9</b>	<b>23.4</b>	<b>583.3</b>

	2005 £m	2004 £m
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**Net book value of land and buildings comprises:**

Short leasehold	<u>13.6</u>	<u>11.2</u>
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The cost of plant and machinery includes £3.8m (2004: £4.2m) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £1.2m (2004: £1.4m) and for which the depreciation charge for the year was £0.7m (2004: £1.1m).



**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

<b>9. Fixed asset investments</b>	Shares in Subsidiary Undertakings £m	Loans to Subsidiary Undertakings £m	Total £m
<b>Cost</b>			
At 1st April 2004	206.0	107.3	313.3
Additions	4.2	0.1	4.3
Disposals/Repayments	-	(107.3)	(107.3)
<b>At 31st March 2005</b>	<b>210.2</b>	<b>0.1</b>	<b>210.3</b>
<b>Provision</b>			
At 1st April 2004	11.3	-	11.3
Provided in the year	3.0	-	3.0
<b>At 31st March 2005</b>	<b>14.3</b>	<b>-</b>	<b>14.3</b>
Net book value at 31st March 2004	194.7	107.3	302.0
<b>Net book value at 31st March 2005</b>	<b>195.9</b>	<b>0.1</b>	<b>196.0</b>

	Incorporated in	Ordinary Shares Percentage owned %	Principal activities	Last financial year ended
Boots Stores Ltd	Great Britain*	100	Management	31st March 2005
Hammond and Hammond Ltd	Great Britain*	100	Inactive	31st March 2005
Seawade Ltd	Great Britain*	100	Inactive	31st March 2005
SCM Ltd	Republic of Ireland	100	Holding company	31st March 2005
Metcalfe – Proud Ltd	Great Britain*	100	Inactive	31st March 2005
Connors Holdings Ltd	Northern Ireland	100	Holding company	31st March 2005
Boots Dentalcare Ltd	Great Britain*	100	Dentistry	31st March 2005
A B Arnott Ltd	Great Britain*	100	Inactive	31st March 2005
Newpast Ltd	Great Britain*	100	Inactive	31st March 2005
Boots The Chemists (Jersey) Ltd	Jersey	100	Dispensing Chemist	31st March 2005
Boots SC (Five) Ltd	Great Britain*	100	Inactive	31st March 2005
Boots Card Handling Ltd	Great Britain*	100	Card handling services to customers of Boots	31st March 2005
Bootholdland Ltd	Great Britain*	100	Health Centre Pharmacy	6th March 2004
Boots Retail (Ireland) Ltd	Republic of Ireland	100	Dispensing chemist	31st March 2005
Boots Health & Beauty Ltd	Great Britain*	100	Health & Beauty services	31st March 2005
Prouds Lane Pharmacy Ltd	Great Britain*	100	Inactive	31st March 2005
Canton and Riverside Centre Ltd	Great Britain*	100	Inactive	31st March 2005
John Frost Ltd	Great Britain*	100	Dispensing Chemist	31st March 2005
Portland Ceramics Ltd	Great Britain*	100	Dentistry	31st March 2005

\*Registered in England and Wales

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

**9. Fixed asset investments** (continued)

	Incorporated in	Ordinary Shares Percentage Owned %	Principal activities	Last financial year ended
St Allans Properties (One) Limited	Great Britain*	100	Inactive	31st March 2005
St Allans Properties (Two) Limited	Great Britain*	100	Inactive	31st March 2005
Dovepharm Limited	Great Britain*	100	Healthcare	31st March 2005

	Incorporated In	Preference Shares Percentage Owned %	Principal Activities	Last financial year ended
Boots Investments Ltd	Jersey	100	Investments	31st March 2005

\*Registered in England and Wales

In the opinion of the directors the value of the company's investment in subsidiary undertakings is not less than the amount shown on page 16.

<b>10. Stocks</b>	2005 £m	2004 £m
Finished goods and goods for resale	<b>418.9</b>	412.3

<b>11. Debtors</b>	2005 £m	2004 £m
<b>Falling due within one year:</b>		
Trade debtors	<b>182.6</b>	176.4
Amounts owed by group undertakings	<b>140.0</b>	36.1
Other debtors	<b>3.3</b>	4.0
Prepayments and accrued income	<b>49.5</b>	44.0
	<b>375.4</b>	260.5

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

<b>11. Debtors (continued)</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
<b>Falling due after more than one year:</b>		
Amounts owed by group undertakings	-	227.9
Other debtors	<b>44.9</b>	45.0
	<u><b>44.9</b></u>	<u>272.9</u>
<b>Total debtors</b>	<u><b>420.3</b></u>	<u>533.4</u>

<b>12. Creditors: Amounts falling due within one year</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
Bank overdraft	-	114.7
Debenture loan	<b>0.5</b>	-
Trade creditors	<b>18.7</b>	35.1
Amounts due to group undertakings	<b>587.4</b>	87.4
Corporation tax	<b>21.0</b>	34.7
Other taxation and social security	<b>30.7</b>	30.0
Other creditors	<b>17.1</b>	28.6
Accruals and deferred income	<b>93.1</b>	80.8
Finance lease obligations	<b>1.1</b>	1.0
Proposed dividend	<b>180.0</b>	217.0
	<u><b>949.6</b></u>	<u>629.3</u>

<b>13. Creditors: Amounts falling due after more than one year</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>
Debenture loans	-	0.5
Amounts due to group undertakings	-	341.4
Accruals and deferred income	<b>4.4</b>	3.9
Finance lease obligations	<b>0.6</b>	1.8
	<u><b>5.0</b></u>	<u>347.6</u>

The obligations under finance leases are all due to mature within 2-5 years.

**BOOTS THE CHEMISTS LIMITED**  
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<b>14. Provisions for liabilities and charges</b>	Vacant property provisions £m	Deferred Taxation £m	Total £m
At 1st April 2004	7.1	60.7	67.8
Profit and loss account	-	4.5	4.5
Utilised	(1.1)	-	(1.1)
Reversed	(0.6)	-	(0.6)
<b>At 31st March 2005</b>	<b>5.4</b>	<b>65.2</b>	<b>70.6</b>

The vacant property provision represents recognition of the net costs arising from vacant properties and sub-let properties, the exact timing of utilisation of this provision will vary according to the individual properties concerned.

	2005 £m	2004 £m
<b>Analysis of deferred tax liability:</b>		
Accelerated capital allowances	51.5	46.7
Pension prepayment	13.4	13.4
Other timing differences	0.3	0.6
	<b>65.2</b>	<b>60.7</b>

**Factors affecting future charges**

Capital losses of £8.3m (2004: £8.9m) are available for offset against certain future chargeable gains arising in this company or across the group. These have not been recognised in the accounts.

<b>15. Called up share capital</b>	2005 £m	2004 £m
<b>709,750,000 Ordinary shares of £1 each:</b>		
Authorised, allotted, called up and fully paid	<b>709.7</b>	<b>709.7</b>

**BOOTS THE CHEMISTS LIMITED**  
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<b>16. Share capital and reserves</b>	Called up Share Capital £m	Other reserves £m	Profit and Loss Account £m	Total £m
At 1st April 2004	709.7	53.6	4.6	767.9
Movements in the year	-	-	(3.3)	(3.3)
<b>At 31st March 2005</b>	<b>709.7</b>	<b>53.6</b>	<b>1.3</b>	<b>764.6</b>

<b>17. Commitments</b>			
a) Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:		2005 £m	2004 £m
Contracts placed		<b>16.3</b>	<b>24.2</b>
b) Annual commitments under operating leases are as follows:		Land and Buildings £m	Other assets £m
At 31 <sup>st</sup> March 2005			
Expiring:			
Within one year		25.7	0.5
Within two to five years		12.3	0.3
Over five years		146.4	-
		<b>184.4</b>	<b>0.8</b>
At 31st March 2004			
Expiring:			
Within one year		49.6	-
Within two to five years		12.0	0.8
Over five years		123.9	-
		<b>185.5</b>	<b>0.8</b>

**BOOTS THE CHEMISTS LIMITED**  
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<b>18. Staff numbers and cost</b>	<b>2005 Number</b>	<b>2004 Number</b>
The average number of full time equivalents employed by the company during the year was:	<u>29,744</u>	<u>30,235</u>
	<b>2005 £m</b>	<b>2004 £m</b>
The aggregated payroll cost was as follows:		
Wages and salaries	502.4	487.3
Social security costs	32.0	28.1
Other pension costs	32.0	15.4
	<u>566.4</u>	<u>530.8</u>

<b>19. Directors' remuneration</b>	<b>2005 £m</b>	<b>2004 £m</b>
i) Directors' emoluments for services to the company	1.0	1.1
ii) Compensation for loss of office	-	0.4
iii) Monies received from long term bonus schemes	-	0.1
iv) (a) The remuneration of the highest paid director, excluding pension contributions	0.3	0.4
(b) (i) Increase in accrued pension during the year, including inflation	-	-
(ii) Accumulated total accrued pension at year end	0.3	0.1

The highest paid director received but did not exercise share options during the year.

	<b>2005</b>	<b>2004</b>
v) Number of directors who are members of defined benefit pension schemes	4	4
vi) Number of directors who had exercised options during the year (who are not directors of the ultimate holding company)	3	-

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**20. 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 2005 are shown below. No director holds any loan capital in the ultimate holding company. The share interests of the directors of the ultimate holding company are included within those group financial statements.

**Ordinary shares under executive and SAYE options**

	Ordinary shares 2005	Ordinary shares 2004	Ordinary shares under options 2005	Average option price 2005	Exercised during the year	Exercise price	Market Price at Date of Exercise	Granted during the year	Lapsed during the year	Ordinary shares under options 2004
A D Emson	7,913	6,087	46,104	629p	1,405	624p	653p	12,480	-	35,029
A Gourlay	3,703	2,522	36,697	623p	-	-	-	12,364	-	24,333
C R Grimsdell	2,003	166	29,769	622p	1,081	624p	664p	8,771	-	22,079
D A Kneale	4,454	855	104,908	629p	-	-	-	38,253	-	66,655
P Patel	9,090	6,176*	34,458	630p	2,704	624p	669p	-	-	37,162*

\* At date of appointment

The market price of the ultimate holding company's shares at 31st March 2005 was 623.5p. The range of market prices during the year was 596.5p to 700.5p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2005 represents the weighted average price for options outstanding at 31st March 2005.

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 between 594p and 667p. Note that the 2004 option grant has only one re-test after year 5.

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

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**20. Directors' shareholdings and share options (continued)**

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The table below shows the number of shares in Boots Group PLC (the ultimate holding company) over which certain directors have been granted conditional rights under the Long Term Bonus scheme. 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 will be paid in cash and half is paid as a share award.

**Ordinary shares conditional awards**

	31st March 2005	Exercised during the year	Lapsed during the year	Granted during the year	31st March 2004
<b>Long Term Bonus scheme</b>					
A D Emson	-	(3,076)	-	3,076	-
C R Grimsdell	-	(1,283)	-	1,283	-
A Gourlay	-	(1,983)	-	1,983	-
D A Kneale	-	(3,787)	-	3,787	-

The table below shows the number of shares in Boots Group PLC (the ultimate holding company) that have been conditionally awarded to certain directors 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. Note that the 2001 grant is now no longer conditional.

**Free Shares  
awards under the All Employee Share Ownership Plan 2000**

	31 <sup>st</sup> March 2005	Awarded during the year	31 <sup>st</sup> March 2004
A D Emson	217	46	171**
A Gourlay	157	36	121**
C R Grimsdell	157	36	121**
D A Kneale	76	36	40
P Patel	157	-	157*

\* At date of appointment

\*\* 42 shares for A Gourlay and C R Grimsdell and 59 Shares for A D Emson became unconditional on 20<sup>th</sup> March 2004.



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**20. Directors' 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 13,031,653 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 All Employee Share Ownership Plan).

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**21. 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 2005 the scheme had a deficit on an FRS 17 basis of £83m before tax.

Pension fund contributions during the year came to £32m.

Details of the most recent actuarial valuation, which was held at 1st April 2004, and FRS 17 disclosures at 31st March 2005 can be found in the financial statements of Boots Group PLC.

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**22. 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 by its parent and fellow UK subsidiaries. At 31st March 2005 the contingent liability was £112,034,539 (2004: Nil).

**BOOTS THE CHEMISTS LIMITED**  
**Notes to the Financial Statements**  
Year ended 31st March 2005

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**23. 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 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.

As a wholly owned subsidiary of Boots Group 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.