



Registration
Number
928555

BOOTS THE CHEMISTS LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2006

TUESDAY



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Registration
No: 928555

BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 2006

Directors:

A W Gourlay
A R Gray
P Patel
S Wheway

Secretary:

Sonia Fennell

Registered Office:

Nottingham, NG2 3AA

BOOTS THE CHEMISTS LIMITED

Directors' Report

Year ended 31st March 2006

The directors present their annual report together with the audited financial statements for the year ended 31st March 2006.

Principal activities

The company is a wholly owned subsidiary of Boots Group PLC. The company's principal activities during the year were dispensing and retail chemists. 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.

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 £100.2m (2.3%) as shown in the profit and loss account on page 8, a strong performance in an increasingly difficult retail environment.

The performance of the Health business was strong, with an increase in sales and a significant growth in the dispensing business. This reflected the emphasis on 'putting the chemist back into Boots'.

We continued to strengthen our position in the UK Beauty and Toiletries market with investment in new beauty halls and improved displays, the successful relaunch of the No7 and 17 ranges, and the performance of the suncare and skincare ranges.

In the Lifestyle category sales were down on prior year. Although the nutrition business was particularly disappointing, baby performed well and we continue to increase our share of the digital photo market.

The advantage card scheme continued to grow with 2.0 million additional cardholders in the year. Investment in new stores has resulted in 24 new stores in the year.

Operating profit was down £123.8m to £140.8m. This was driven by our increased investment in 700 of our smaller stores for modernisation and refurbishment and restructuring costs incurred in respect of improvements made to the supply chain as part of the store friendly supply chain project. Phase one of the store friendly supply chain project was completed in the year, with phase two about to get underway.

The balance sheet on page 10 of the financial statements shows that the company's financial position, in respect of net assets, is behind prior year due to provisions made for the projects detailed above. Details of amounts owed to the parent company are shown in notes 11 and 12.

Boots Group 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. Key performance indicators on a divisional basis are discussed in the group's annual report, which does not form part of this report.

BOOTS THE CHEMISTS LIMITED

Directors' Report

Year ended 31st March 2006

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.

Environment

Boots Group PLC recognises the importance of its environmental responsibilities, monitors its impact on the environment and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates in accordance with group policies, which are described in the group's annual report, which do not form part of this report.

Initiatives designed to minimise the company's impact on the environment include waste recycling, waste minimisation and reducing energy consumption and carbon emissions.

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 24). 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 2006 was 19 (2005 20 days).

Staff

Details of the number of employees and related cost can be found in note 19.

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 provides for three employee representatives of the group 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.

Profit and dividends

Details of profit for the year are shown in the profit and loss account on page 8. A dividend of £180m was paid in the year (2005 £217m).

BOOTS THE CHEMISTS LIMITED

Directors' Report

Year ended 31st March 2006

Directors

The details of directors in office on 31st March 2006 are shown on page 1. There have been the following changes to the board of directors during the year and up to the date of signing the financial statements:

Appointments

A R Gray
S Wheway
P Fussey

Date

1st July 2005
22nd July 2005
26th September 2006

Resignations

C R Grimsdell
A D Emson
D A Kneale
A R Gray

Date

19th April 2005
29th April 2005
29th July 2005
18th October 2006

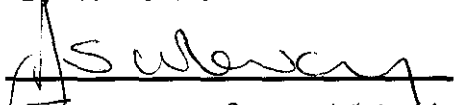
Remuneration of directors and directors' shareholding

Details of the remuneration and shareholdings of the directors are included in notes 20 and 21 on pages 24 to 25.

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 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


JONATHAN SCOTT WHEWAY
Director

11th January 2007
Date

BOOTS THE CHEMISTS LIMITED
Directors' Responsibilities Statement
Year ended 31st March 2006

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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

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.

Independent Auditors' Report

Year ended 31st March 2006

Independent Auditors' Report to the members of Boots The Chemists Limited

We have audited the financial statements of Boots The Chemists Limited for the year ended 31st March 2006, which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, 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

As described in the Statement of Directors' Responsibilities on page 5, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also 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 2006

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 2006 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

11 January 2007
Date

BOOTS THE CHEMISTS LIMITED

Profit and Loss Account

Year ended 31st March 2006

	Notes	2006 £m	Restated* 2005 £m
Turnover	2	4,515.3	4,415.1
Cost of sales		(2,930.3)	(2,851.5)
Gross profit		1,585.0	1,563.6
Operating costs	3	(1,444.2)	(1,299.0)
Operating profit		140.8	264.6
Profit on disposal of fixed assets		-	1.2
Provision re sale and leaseback assets	4	(13.6)	-
Income from shares in subsidiary undertakings		10.0	6.5
Charge for provisions against investments		(0.3)	(3.0)
Loss on disposal of investments in subsidiary undertakings		(0.4)	-
Profit on ordinary activities before interest		136.5	269.3
Net interest payable	5	(7.0)	(26.6)
Profit on ordinary activities before taxation		129.5	242.7
Tax on profit on ordinary activities	6	(46.8)	(69.3)
Profit on ordinary activities after taxation and profit for the financial year attributable to shareholders	16	82.7	173.4

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 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.

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

BOOTS THE CHEMISTS LIMITED

Other Primary Statements

Year ended 31st March 2006

Statement of Total Recognised Gains and Losses	2006 £m	Restated* 2005 £m
Profit for the financial year attributed to shareholders	82.7	173.4
Total recognised gains and losses for the year	82.7	173.4
Prior year adjustment (see note 1)	(34.5)	-
Total gains and losses recognised since last annual report	48.2	173.4

Reconciliation of Movements in Shareholder's Funds	2006 £m	Restated* 2005 £m
Profit for the financial year attributed to shareholders	82.7	173.4
Dividends	(180.0)	(217.0)
Net decrease in shareholder's funds	(97.3)	(43.6)
Opening shareholder's funds	910.3	953.9
Closing shareholder's funds	813.0	910.3

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

BOOTS THE CHEMISTS LIMITED

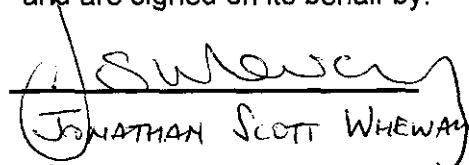
Balance Sheet

Year ended 31st March 2006

	Notes	2006 £m	Restated* 2005 £m
Fixed assets			
Intangible assets	7	9.5	10.0
Tangible assets	8	587.7	583.3
Investments	9	195.6	196.0
		792.8	789.3
Current assets			
Stocks	10	391.4	418.9
Debtors falling due within one year	11	350.1	372.3
Debtors falling due after more than one year	11	0.3	0.3
		350.4	372.6
Cash at bank and in hand		87.3	161.3
		829.1	952.8
Creditors: Amounts falling due within one year	12	(673.2)	(769.6)
		155.9	183.2
Net current assets			
		155.9	183.2
Total assets less current liabilities		948.7	972.5
Creditors: Amounts falling due after more than one year	13	(10.4)	(5.0)
Provisions for liabilities and charges	14	(125.3)	(57.2)
		813.0	910.3
Net assets			
		813.0	910.3
Capital and reserves			
Called up share capital	15,16	709.7	709.7
Other reserves	16	53.6	53.6
Profit and loss account	16	49.7	147.0
		813.0	910.3
Equity shareholder's funds			
		813.0	910.3

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

11th January 2007


JONATHAN SCOTT WHEAWAY
Director

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

1. Accounting policies

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

In these financial statements the following new standards have been adopted for the first time:

- FRS21 'Events after the balance sheet date'
- The presentation requirements of FRS25 'Financial instruments: presentation and disclosure'
- FRS28 'Corresponding amounts'

The recognition and measurement requirements of FRS17 'Retirement benefits' have also been adopted, previously the transitional disclosure of that standard have been followed.

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985. The corresponding amounts in these financial statements are restated in accordance with the new policies.

Impact of FRS21 'Events after the balance sheet date'

During the year the introduction of FRS21 by the Accounting Standards Board has affected the treatment of proposed dividends in the balance sheet. A prior year adjustment has been made as at 31st March 2005 to increase reserves by £176.5m (2004 £217.0m) made up of a decrease in debtors of £3.5m (2004 £nil) and a decrease in creditors of £180.0m (2004 £217.0m). Profit after tax has decreased by £3.5m for the year ended 31st March 2005 and has increased by £3.5m for the year ended 31st March 2006.

Impact of FRS25 'Financial instruments: presentation and disclosure'

The adoption of the presentation requirements of FRS25 means that dividends payable to equity holders are now presented in profit and loss reserves.

Impact of FRS17 'Retirement benefits'

The adoption of the recognition and measurement requirements of FRS17 has resulted in the removal of SSAP24 debtors and other pension provisions. As the company is unable to identify its share of the underlying assets and liabilities of the group scheme, under FRS17 it accounts for the scheme as if it were a defined contribution scheme.

There is a prior year adjustment of £30.8m to decrease reserves as at 31st March 2005 (2004 £31.0m) as a result of these changes, a decrease in debtors of £44.2m (2004 £44.4m) partially offset by related deferred tax liabilities of £13.4m (2004 £13.4m). Profit after tax has increased by £0.2m for the year ended 31st March 2005 and has decreased by £0.7m for the year ended 31st March 2006.

The amount charged to the Statement of Recognised Gains and Losses in respect of all of the changes above is £34.5m.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

1. Accounting policies (continued)

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards, 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 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. Monetary 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 2006

1. Accounting policies (continued)

Pensions

The company participates in the group wide 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.

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

Leases

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

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 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 THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

1. Accounting policies (continued)

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.

Dividends on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

3. Operating costs	2006 £m	2005 £m
Selling, distribution and branch costs	1,340.4	1,197.9
Administrative expenses	103.8	101.1
Operating costs	<u>1,444.2</u>	<u>1,299.0</u>
Operating profit shown on page 8 is after charging		
Operating lease rentals		
- Property rents	231.6	216.6
- Computer and plant hire	1.4	0.8
Depreciation of tangible fixed assets		
- Owned assets	95.2	79.5
- Assets held under finance leases	0.9	0.7
Amortisation of goodwill	0.7	0.6
Remuneration of auditors – Audit fees	0.2	0.2
Operating exceptionals		
- Supply chain reconfiguration ¹	36.0	-
- Store refurbishment ²	31.0	-

¹ Supply chain reconfiguration costs are those relating to the centralisation and automation programme announced on 14th March 2006

² Costs associated with the historic obligations under leases encompassed in the store investment programme announced on 14th March 2006

4. Provision re sale and leaseback assets	2006 £m	2005 £m
Provision re sale and leaseback assets	<u>13.6</u>	<u>-</u>

In July 2005 the group sold and leased back 312 stores. A provision has been made for the cost of repairs Boots The Chemists is contractually required to make to those properties as a result of the transaction.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

5. Net interest payable	2006 £m	2005 £m
Interest receivable and similar income:		
From group undertakings	10.6	1.8
Bank interest	8.0	-
Other interest	0.2	0.1
	<u>18.8</u>	<u>1.9</u>
Interest payable and similar charges:		
Bank loans and overdrafts wholly repayable within 5 years	(0.4)	(0.2)
Finance leases	(0.1)	(0.1)
To group undertakings	(25.3)	(28.2)
	<u>(25.8)</u>	<u>(28.5)</u>
Net interest payable	<u>(7.0)</u>	<u>(26.6)</u>

6. Tax on profit on ordinary activities	2006 £m	2005 £m
The tax charge on the profit for the year consists of:		
Current taxation		
UK corporation tax	61.1	66.2
Adjustment in respect of prior years	(3.9)	(1.4)
Total current tax	<u>57.2</u>	<u>64.8</u>
Deferred tax		
Origination and reversal of timing differences	(10.4)	4.5
Tax on profits on ordinary activities	<u>46.8</u>	<u>69.3</u>

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

6. Tax on profit on ordinary activities (continued)

Reconciliation of current tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30% (2005 30%). The actual tax charge for the current year is above (previous year is below) the standard rate for the reasons set out in the following reconciliation.

	2006 £m	Restated* 2005 £m
Profit on ordinary activities before tax	<u>129.5</u>	<u>242.7</u>
UK standard rate of corporation tax at 30%	38.9	72.8
Factors affecting charge for the year:		
Changes in accelerated capital allowances	4.5	(2.4)
Other timing differences	13.1	0.2
Expenses not deductible for tax purposes	6.1	4.6
Non taxable income	(0.3)	(7.9)
Dividends from subsidiary companies	(3.0)	(2.0)
Loss on disposal of fixed assets	1.8	0.9
Prior year adjustments	(3.9)	(1.4)
Total current tax charge for the year	<u>57.2</u>	<u>64.8</u>

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

7. Intangible fixed assets

	Purchased goodwill £m
Cost	
At 1st April 2005	13.2
Intra-group transfers	0.2
At 31st March 2006	<u>13.4</u>
Amortisation	
At 1st April 2005	3.2
Charge for the year	0.7
At 31st March 2006	<u>3.9</u>
Net book value at 31st March 2005	<u>10.0</u>
Net book value at 31st March 2006	<u>9.5</u>

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

8. Tangible fixed assets					
	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
Cost					
At 1st April 2005	22.9	32.6	1,112.8	23.4	1,191.7
Additions	4.2	2.9	16.8	75.6	99.5
Disposals	(0.1)	(2.0)	(16.4)	-	(18.5)
Reclassifications	-	1.9	95.2	(97.1)	-
Intra-group transfers	-	-	8.1	-	8.1
At 31st March 2006	27.0	35.4	1,216.5	1.9	1,280.8
Depreciation					
At 1st April 2005	9.3	16.2	582.9	-	608.4
Charge for the year	1.3	2.7	92.1	-	96.1
Disposals	-	(1.3)	(11.2)	-	(12.5)
Impairments	-	(0.8)	-	-	(0.8)
Reversal of impairments	-	-	0.7	-	0.7
Intra-group transfers	-	-	1.2	-	1.2
At 31st March 2006	10.6	16.8	665.7	-	693.1
Net book value at 31st March 2005	13.6	16.4	529.9	23.4	583.3
Net book value at 31st March 2006	16.4	18.6	550.8	1.9	587.7

	2006 £m	2005 £m
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Net book value of land and buildings comprises:

Short leasehold	16.4	13.6
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The cost of plant and machinery includes £4.2m (2005 £3.8m) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £1.2m (2005 £1.2m) and for which the depreciation charge for the year was £0.9m (2005 £0.7m).

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

9. Fixed asset investments	Shares in Subsidiary Undertakings £m	Loans to Subsidiary Undertakings £m	Total £m
Cost			
At 1st April 2005	210.2	0.1	210.3
Additions	0.8	-	0.8
Disposals/Repayments	(3.2)	(0.1)	(3.3)
At 31st March 2006	207.8	-	207.8
Provision			
At 1st April 2005	14.3	-	14.3
Provided in the year	0.3	-	0.3
Disposals	(2.4)	-	(2.4)
At 31st March 2006	12.2	-	12.2
Net book value at 31st March 2005	195.9	0.1	196.0
Net book value at 31st March 2006	195.6	-	195.6

	Incorporated in	Ordinary Shares Percentage owned %	Principal activities	Last financial year ended
Boots Stores Ltd	Great Britain*	100	Management	31st March 2006
Hammond and Hammond Ltd	Great Britain*	100	Inactive	31st March 2006
Seawade Ltd	Great Britain*	100	Inactive	31st March 2006
SCM Ltd	Republic of Ireland	100	Holding company	31st March 2006
Metcalfe – Proud Ltd	Great Britain*	100	Inactive	31st March 2006
Connors Holdings Ltd	Northern Ireland	100	Holding company	31st March 2006
Boots Dentalcare Ltd	Great Britain*	100	Inactive	31st March 2006
A B Arnott Ltd	Great Britain*	100	Inactive	31st March 2006
Newpast Ltd	Great Britain*	100	Inactive	31st March 2006
Boots The Chemists (Jersey) Ltd	Jersey	100	Dispensing Chemist	31st March 2006
Boots Holdings (BTC) Ltd	Great Britain*	100	Inactive	31st March 2006
Bootholdland Ltd	Great Britain*	100	Inactive	31st March 2006
Boots Retail (Ireland) Ltd	Republic of Ireland	100	Dispensing chemist	31st March 2006
Boots Health & Beauty Ltd	Great Britain*	100	Health & Beauty services	31st March 2006
Prouds Lane Pharmacy Ltd	Great Britain*	100	Inactive	31st March 2006
Canton and Riverside Centre Ltd	Great Britain*	100	Inactive	31st March 2006
John Frost Ltd	Great Britain*	100	Inactive	31st March 2006

*Registered in England and Wales

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Notes to the Financial Statements
Year ended 31st March 2006

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 2006
St Allans Properties (Two) Limited	Great Britain*	100	Inactive	31st March 2006
Dovepharm Limited	Great Britain*	100	Inactive	31st March 2006

	Incorporated In	Preference Shares Percentage Owned %	Principal Activities	Last financial year ended
Boots Investments Ltd	Jersey	100	Investments	31st March 2006

*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 19.

10. Stocks	2006 £m	2005 £m
Finished goods and goods for resale	391.4	418.9

11. Debtors	2006 £m	Restated* 2005 £m
Falling due within one year:		
Trade debtors	203.5	182.6
Amounts owed by group undertakings	80.8	136.9
Other debtors	2.5	3.3
Prepayments and accrued income	63.3	49.5
	350.1	372.3
Falling due after more than one year:		
Other debtors	0.3	0.3
Total debtors	350.4	372.6

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

BOOTS THE CHEMISTS LIMITED
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Year ended 31st March 2006

12. Creditors: Amounts falling due within one year	2006	Restated*
	£m	2005
		£m
Debenture loan	-	0.5
Trade creditors	17.1	18.7
Amounts due to group undertakings	499.1	587.4
Corporation tax	17.3	21.0
Other taxation and social security	30.1	30.7
Other creditors	19.2	17.1
Accruals and deferred income	90.3	93.1
Finance lease obligations	0.1	1.1
	673.2	769.6

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

13. Creditors: Amounts falling due after more than one year	2006	2005
	£m	£m
Accruals and deferred income	9.8	4.4
Finance lease obligations	0.6	0.6
	10.4	5.0

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

14. Provisions for liabilities and charges	Vacant property provisions	Refurbishment and reorganisation	Deferred Taxation	Total
	£m	£m	£m	£m
At 1st April 2005 as originally reported	5.4	-	65.2	70.6
Prior year adjustment (see note 1)	-	-	(13.4)	(13.4)
At 1st April 2005 as restated	5.4	-	51.8	57.2
Profit and loss account	1.9	80.1	(10.4)	71.6
Utilised	(1.5)	-	-	(1.5)
Reversed	(2.0)	-	-	(2.0)
At 31st March 2006	3.8	80.1	41.4	125.3

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

14. Provisions for liabilities and charges (continued)

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.

The refurbishment and reorganisation provision relates to store refurbishments and supply chain reorganisations. The majority of these costs are expected to be incurred in the next two financial years.

	2006 £m	Restated* 2005 £m
Analysis of deferred tax liability:		
Accelerated capital allowances	52.8	51.5
Other timing differences	(11.4)	0.3
	<u>41.4</u>	<u>51.8</u>

* Restated on adoption of FRS17, FRS21, FRS25 and FRS28 (see note 1)

Factors affecting future charges

Capital losses of £nil (2005 £8.3m) 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.

15. Called up share capital	2006 £m	2005 £m
709,750,000 Ordinary shares of £1 each:		
Authorised, allotted, called up and fully paid	<u>709.7</u>	<u>709.7</u>

16. Share capital and reserves	Called up Share Capital £m	Other reserves £m	Profit and Loss Account £m	Total £m
At 1st April 2005 as originally reported	709.7	53.6	1.3	764.6
Prior year adjustment (see note 1)	-	-	145.7	145.7
At 1st April 2005 as restated	709.7	53.6	147.0	910.3
Profit for the year	-	-	82.7	82.7
Dividends	-	-	(180.0)	(180.0)
At 31st March 2006	<u>709.7</u>	<u>53.6</u>	<u>49.7</u>	<u>813.0</u>

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

17. Dividends	2006	2005
	£m	£m

Amounts recognised as distributions to equity holders in the period:

Final dividend for year ended 31st March 2005/2004	<u>180.0</u>	<u>217.0</u>
Proposed final dividend for the year ended 31st March 2006/2005	<u>-</u>	<u>180.0</u>

The proposed final dividend is subject to approval and therefore has not been included as a liability in these financial statements.

18. Commitments

a) Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:	2006	2005
	£m	£m

Contracts placed	<u>34.2</u>	<u>16.3</u>
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b) Annual commitments under operating leases are as follows:	Land and Buildings	Other assets
	£m	£m

At 31st March 2006

Expiring:		
Within one year	2.4	-
Within two to five years	17.4	-
Over five years	182.0	-
	<u>201.8</u>	<u>-</u>

At 31st March 2005

Expiring:		
Within one year	25.7	0.5
Within two to five years	12.3	0.3
Over five years	146.4	-
	<u>184.4</u>	<u>0.8</u>

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

19. Staff numbers and cost		
	2006 Number	2005 Number
The average number of full time equivalents employed by the company during the year was:	<u>28,490</u>	<u>29,744</u>
	2006 £m	2005 £m
The aggregated payroll cost was as follows:		
Wages and salaries	543.1	502.4
Social security costs	36.1	32.0
Other pension costs	39.3	32.0
	<u>618.5</u>	<u>566.4</u>

20. Directors' remuneration		
	2006 £m	2005 £m
i) Directors' emoluments for services to the company	1.6	1.0
ii) Compensation for loss of office	1.0	-
iii) Monies received from long term bonus schemes	-	-
iv) (a) The remuneration of the highest paid director, excluding pension contributions	0.5	0.3
(b) (i) Increase in accrued pension during the year, including inflation	-	-
(ii) Accumulated total accrued pension at year end	-	0.3

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

	2006	2005
v) Number of directors who are members of defined benefit pension schemes	7	4
vi) Number of directors who had exercised options during the year (who are not directors of the ultimate holding company)	-	3

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 2006

21. Directors' shareholdings and share options

The directors who held office at the end of the financial year had the following interests in the ordinary shares of Boots Group PLC, according to the register of directors' interests:

<u>Number of Ordinary Shares during the year</u>		
	<u>Interest at start of year or date of appointment¹</u>	<u>Interest at end of year</u>
A W Gourlay	2,595	40,093
A R Gray	-*	27,856
P Patel	6,217	16,454
S Wheway	-*	53,648

¹ Comparatives restated on the basis of the consolidation of share capital

* At date of appointment

Included in the interests disclosed above are shares to which the directors have a conditional entitlement under various share schemes operated by the group. Details of such schemes are given in the annual report of Boots Group PLC.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in Boots Group PLC or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below:

<u>Number of options during the year</u>				
	<u>At start of year</u>	<u>Granted</u>	<u>Exercised</u>	<u>At end of year</u>
A W Gourlay	36,697	-	-	36,697
P Patel	34,458	-	-	34,458

As a potential beneficiary, each director is deemed to have an interest in a total of 8,003,718 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).

BOOTS THE CHEMISTS LIMITED
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22. Pensions

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

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 £39.3m (2005 £32.0m).

At 31st March 2006 the scheme had a deficit on an IAS19 basis, which is not materially different to the deficit on an FRS17 basis, of £56.2m before tax. Details of the most recent actuarial valuation, which was on 1st April 2004, and detailed disclosures at 31st March 2006 can be found in the financial statements of Boots Group PLC.

23. Contingent liability

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 2006 the contingent liability was £19,343,079 (2005 £112,034,539).

24. Ultimate holding company

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.

On 31st July 2006 Boots Group PLC merged with Alliance UniChem plc. On this date the ultimate holding company, Boots Group PLC, changed its name to Alliance Boots plc.