



THE BOOTS COMPANY

Registration
Number
928555

BOOTS THE CHEMISTS LTD
DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 1999



BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 1999

Directors:

S G Russell (Chairman and Managing Director)

C A Baldwin

M W Bryant

A D Emson

P G Matthews

D A Stead

Secretary:

Sonia Fennell

Registered Office:

Nottingham, NG2 3AA

Registration
No: 928555

BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 1999

The directors present their annual report together with the audited financial statements for the year ended 31st March 1999.

Principal activities

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

Review of the business

Boots The Chemists (BTC) continued to increase sales despite the unsettled retail climate. As a result, turnover rose 5.7 per cent to £3,774.0 million. Profit on ordinary activities before interest £316.8m, an increase of 7.5 per cent.

Strategy

BTC has four strategic goals. It is differentiating its customer offer by focusing on health and beauty, with the ambition to become the leading expert in products and services that enhance customer wellbeing. It continues to expand its store portfolio in a variety of formats, and to explore emerging shopping channels, to reach customers in the most profitable way. It is creating new areas of profitable growth, launching new products and activities that enhance value creation and increase its focus on health and beauty. It has increased the pace in its process of fundamental change to become a more efficient and effective organisation.

Expertise in wellbeing

Growth in BTC's core product sales reflected its success in building customer perceptions of Boots as the expert on skincare, haircare, body care, vitamins and supplements.

To trial and develop further initiatives it is using five stores of differing sizes. At Bluewater in Kent, specially trained consultants provide advice on haircare, skincare and cosmetics. There is also a chiropody practice, nailcare service, oral hygiene area and a range of other innovations including an automated film processing drop-off point for Advantage Card holders.

Pilot programmes are under way to extend the Boots brand into healthcare services. BTC is trialling a limited number of Medicentre GP surgeries in Boots stores. The first two have opened in Kingston and Birmingham. Two more open this year. BTC has begun testing Boots brand chiropody. Over the next two years it plans to invest some £1 million in six chiropody practices in large stores.

BTC continues to build on its strength in pharmacy by improving customer service and increasing the accessibility of its pharmacists as a source of expert advice. A carousel containing the 700 most commonly prescribed medicines has proved to be one of the year's most successful innovations, enabling pharmacies to dispense 80 per cent of prescriptions within two minutes. Previously this took up to 20 minutes.

If resale price maintenance (RPM) on some OTC and pharmacy products is removed there will be an impact as a result of price competition. The issue is currently before the Restrictive Practices Court and a decision is not expected until early 2001. RPM does not apply to own brand products and as these are such a significant proportion of BTC sales the overall potential impact on profits is limited.

BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 1999

Review of the business (continued)

Store development and new channels

Investment in new stores peaked at just under £200 million, more than double last year, increasing total store space by some 5 per cent, including 12 edge of town stores and other major developments at Trafford Park, Birmingham and Bluewater.

In April 1998 it acquired the Connors pharmacy chain for £17 million, gaining 25 stores in Northern Ireland and five in the Republic of Ireland, as well as four in England and Wales.

Experiments with direct delivery channels continue. Launched in March 1998, the Mother and Baby at Home mail order catalogue has been sent to 500,000 mothers and mothers-to-be identified largely from Advantage Card data. The catalogue enables BTC to sell products such as prams and pushchairs that are no longer cost-effective to sell in stores and provides experience that will be applied in further home shopping initiatives.

By the year end there were more than ten million Advantage Cards in issue, making it the largest smartcard loyalty scheme in the world. The additional sales generated by the card fully cover the costs of operation and 40 per cent of counter sales are now linked to the card. As well as using the card for conventional loyalty card promotions such as 'double points' weekends, BTC is using its smartcard capabilities to understand customer responses and behaviour better. This enables product displays to be grouped in ways that are more enticing to customers with specific offers targeted on identified customer groups.

New products and activities

The Photo area has had tremendous success since the decision in January 1998 to make Boots Europe's first national one-hour Advanced Photo System (APS) film processor. BTC now has some 500 in-store minilabs and a 39 per cent share of the APS processing market. Camera sales grew by 45 per cent, boosted by strong growth in APS models, which now account for over half of all BTC camera sales.

In January BTC began opening specialist skincare units in larger stores, where a trained adviser is available to help customers with skin problems and recommend appropriate products.

BTC marked the 60th anniversary of the market-leading Soltan sun care products with a reformulated and repackaged range offering best-ever performance.

Another high-profile launch was the Ruby & Millie cosmetics and skincare range.

Effective organisation

During the year BTC adopted a more customer-oriented field operations structure. It is now organised by region rather than store size.

Outlook

BTC continues to occupy an unchallenged position of trust as a provider of health products and advice, as well as enjoying an excellent reputation as a beauty retailer. By continuing to pursue the four strategy goals, the business will build on these strengths to create even stronger differential advantage in health and beauty.

BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 1999

Review of the business (continued)

Profit, dividends and retentions

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

Payment to suppliers

The Boots Company PLC is a signatory of the Confederation of British Industry's Prompt Payment Code and BTC complies with the terms of this code. The company agrees appropriate terms and conditions for its transactions with suppliers (by means ranging from standard written terms to individually negotiated contracts) and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them.

The number of days purchases outstanding at 31st March 1999 was 27 days (1998: 25 days).

Fixed assets

The company's leasehold properties were valued by directors, in conjunction with the group's own professionally qualified staff, at 31st March 1993. The valuation, which was an open market value basis for existing use, was incorporated in the financial statements of that year. The directors are of the opinion that the market value of the company's properties at 31st March 1999 was not materially different from that given in the financial statements.

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 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.

BOOTS THE CHEMISTS LIMITED

Board of Directors

Year ended 31st March 1999

Directors

The details of directors servicing as at 31st March 1999 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

A D Emson

10th April 1998

Resignations

Date

P L M Davies

5th May 1998

P Joyce

4th February 1999

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 23.

Year 2000

During the year we have made good progress against our plans for achieving Year 2000 compliance. We adopted a combination of modifying existing systems where they continue to meet our requirements and replacing others where there was an opportunity to enhance business process. We have now developed and tested compliant software for our key business processes and the large majority of systems are already in operation.

Contingency planning has been an area for consideration within our business and will be monitored on an ongoing basis. We have a high degree of confidence that our key suppliers have, or will achieve, compliance and pose no risk of disruption. We will continue to liaise, however, with our supplier base throughout the calendar year to confirm any appropriate contingency actions.

It is not possible to estimate, with a reasonable degree of accuracy, the incremental costs attributable to Year 2000 systems compliance for individual subsidiaries. However the costs for the group as a whole have been disclosed in the group financial statements of The Boots Company PLC.

Overall, we believe that we have taken the appropriate steps to ensure that the business operations continue throughout the Millennium change with minimal disruption. It is not possible to guarantee that no unforeseen problems will arise and we will continue to invest management attention to monitor our supplier preparedness and refine and rehearse contingency plans.

By order of the board



A W Stride

Assistant Secretary

20 SEP 1999

Date

BOOTS THE CHEMISTS LIMITED

Year ended 31st March 1999

Directors' responsibilities statement

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the profit or loss for the financial year and of the state of affairs of the company at the end of that period. The directors are of the opinion that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis. The directors have a responsibility to ensure that the company has suitable internal controls for maintaining adequate 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 responsibilities for taking such steps that are reasonably open to them for safeguarding the assets of the company, and for preventing and detecting fraud and other irregularities.

Auditors' report

Report of the Auditors to the members of Boots The Chemists Limited.

We have audited the financial statements on pages 7 to 24.

Respective responsibilities of directors and auditors

As described above, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

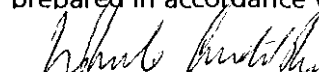
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st March 1999 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



Date

BOOTS THE CHEMISTS LIMITED

Profit and Loss Account

Year ended 31st March 1999

	Notes	1999 £m	1998 £m
Turnover	2	3,774.0	3,569.7
Cost of sales		(2,456.1)	(2,374.7)
Gross profit		1,317.9	1,195.0
Operating costs	3	(1,002.7)	(885.1)
Operating profit		315.2	309.9
Provision against investments		5.4	(15.2)
Provision against current accounts		(2.7)	-
Income from shares in subsidiary undertakings		0.1	0.1
Profit on ordinary activities before interest		318.0	294.8
Net interest	4	3.5	17.1
Profit on ordinary activities before taxation		321.5	311.9
Tax on profit on ordinary activities	5	(92.5)	(101.0)
Profit on ordinary activities after taxation and profit for the financial year		229.0	210.9
Dividends	6	-	(712.0)
Profit/(Loss) retained		229.0	(501.1)

The results for both periods are 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 have been no recognised gains or losses other than the profit for the financial year as stated above.

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

BOOTS THE CHEMISTS LIMITED
Reconciliation of Movements in Shareholders' Funds
Year ended 31st March 1999

	1999	1998
	£m	£m
Total recognised gains and losses for the year	229.0	210.9
Dividends	-	(712.0)
New share capital issued (net of expenses)	-	700.0
Goodwill purchased	-	(9.9)
Net increase in shareholders' funds	229.0	189.0
Opening shareholders' funds	710.2	521.2
Closing shareholders' funds	939.2	710.2

BOOTS THE CHEMISTS LIMITED

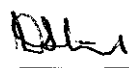
Balance Sheet

31st March 1999

	Notes	1999 £m	1998 £m
Fixed assets			
Intangible assets	7	5.3	-
Tangible assets	8	524.3	387.1
Investments	9	234.1	199.6
		<u>763.7</u>	<u>586.7</u>
Current assets			
Stocks	10	333.0	292.5
Debtors falling due within one year	11	165.5	147.6
Debtors falling due after more than one year	11	30.7	755.4
Cash at bank and in hand		62.4	1,069.1
		<u>591.6</u>	<u>2,264.6</u>
Creditors: Amounts falling due within one year	12	<u>(347.0)</u>	<u>(2,106.1)</u>
Net current assets		<u>244.6</u>	<u>158.5</u>
Total assets less current liabilities		<u>1,008.3</u>	<u>745.2</u>
Creditors: Amounts falling due after more than one year	13	<u>(69.1)</u>	<u>(35.0)</u>
Net assets		<u>939.2</u>	<u>710.2</u>
Capital and reserves			
Called up share capital	15,16	709.7	709.7
Profit and loss account	16	229.5	0.5
Equity shareholders' funds		<u>939.2</u>	<u>710.2</u>

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

28 SEP 1999



Director
D.A. STEAD

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

1 Accounting policies

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

Cash flow

A cash flow statement has not been presented in the financial statements of the company as permitted by paragraph 5a of the revised Financial Reporting Standard 1.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in Schedule 4 of the Companies Act 1985, being prepared under the historical cost convention adjusted by revaluations of certain properties.

Foreign currencies

Overseas investment 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

No depreciation is provided on shop long leaseholds with more than fifty years to run, nor on assets in the course of construction. In the opinion of the directors, shop properties are maintained to such a high standard by a programme of repair and refurbishment that the estimated residual values of these properties, based on the prices prevailing at the time of acquisition or subsequent revaluation, are sufficiently high to make any depreciation charge unnecessary. Any impairment in the value of such properties is charged to the profit and loss account. Other tangible fixed assets are written off by equal instalments over their expected useful lives as follows:

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

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 1999

1 Accounting policies (continued)

Pension funding

The holding company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three-year intervals and include a review of contributions.

The cost of providing pensions is spread over the employees' working lives with the company. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

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 tax

A deferred tax provision is made only where the effects of timing differences between profits as stated in the financial statements and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent it is expected to be recovered.

Goodwill

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, generally not exceeding 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 1999

2 Turnover

Turnover comprises retail sales to external customers (excluding value added tax and other sales taxes).

3 Operating costs

	1999 £m	1998 £m
Selling, distribution and branch costs	888.2	783.8
Administrative expenses	114.5	101.3
Operating costs	1,002.7	885.1

Operating profit shown on page 7 is after charging

Operating lease rentals		
- Property rents	155.7	142.3
- Computer and plant hire	1.9	2.0
Depreciation of tangible fixed assets	58.9	47.6
Remuneration of auditors - Audit fees	0.1	0.1
Loss on liquidation of subsidiary undertaking	-	1.1
Integration costs	2.2	-

4 Net interest

	1999 £m	1998 £m
Interest receivable:		
Bank interest	-	17.4
From group company	5.2	4.7
Other interest	0.2	0.1
	5.4	22.2
Interest payable and similar charges:		
Bank loans and overdrafts wholly repayable within 5 years	(0.3)	(0.1)
Finance leases	(0.2)	(0.2)
Other interest	(1.4)	(4.8)
	(1.9)	(5.1)
	3.5	17.1

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

5 Tax on profit on ordinary activities	1999	1998
	£m	£m
The charge on the profit for the year consists of:		
UK corporation tax	93.5	100.8
Adjustment in respect of prior years	(0.1)	(0.1)
Deferred tax - other timing differences	(0.9)	0.3
	<u>92.5</u>	<u>101.0</u>
Unprovided deferred taxation in respect of the year		
Accelerated capital allowances	8.2	1.0
Other timing differences	-	(0.2)
	<u>8.2</u>	<u>0.8</u>
6 Dividends	1999	1998
	£m	£m
Final paid	-	712.0
	<u>-</u>	<u>712.0</u>
7 Intangible assets - purchased goodwill	1999	
	£m	
Cost		
At 1st April 1998	-	
Purchase of pharmacies	5.4	
At 31st March 1999	<u>5.4</u>	
Amortisation		
At 1st April 1998	-	
Charge for the year	0.1	
At 31st March 1999	<u>0.1</u>	
Net book value at 31st March 1998	<u>-</u>	
Net book value at 31st March 1999	<u>5.3</u>	

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

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 or valuation					
At 1st April 1998	14.4	20.0	716.4	21.9	772.7
Additions	2.7	31.6	144.6	22.7	201.6
Disposals	-	(1.8)	(29.1)	-	(30.9)
Reclassifications and transfers	-	1.6	11.4	(13.2)	(0.2)
At 31st March 1999	17.1	51.4	843.3	31.4	943.2
Gross book value of depreciable assets	17.1	51.4	843.3	31.4	943.2
Depreciation					
At 1st April 1998	3.7	10.4	371.5	-	385.6
Charge for the period	0.7	5.5	52.7	-	58.9
Disposals	-	(1.3)	(23.9)	-	(25.2)
Transfers	-	0.8	(1.2)	-	(0.4)
At 31st March 1999	4.4	15.4	399.1	-	418.9
Net book value at 1st April 1998	10.7	9.6	344.9	21.9	387.1
Net book value at 31st March 1999	12.7	36.0	444.2	31.4	524.3

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

8 Tangible fixed assets (continued)	1999	1998
	£m	£m
Net book value of land and buildings comprises:		
Long leasehold (more than 50 years unexpired)	0.1	0.1
Short leasehold	12.6	10.6
	12.7	10.7

The cost of tangible fixed assets includes £ 6,313,097 (1998 £5,719,907) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £2,075,340 (1998 £1,490,037) and for which the depreciation charge for the year was £1,188,049 (1998 £988,723).

9 Fixed asset investments	Shares in subsidiary undertakings	Shares in fellow subsidiary undertakings	Loans to fellow subsidiary undertakings	Total
	£m	£m	£m	£m
Cost				
At 1st April 1998	14.4	100.0	103.2	217.6
Additions	19.5	-	5.4	24.9
Currency adjustments	-	-	4.1	4.1
At 31st March 1999	33.9	100.0	112.7	246.6
Provision				
At 1st April 1998	12.5	-	5.5	18.0
Movement			(5.5)	(5.5)
At 31st March 1999	12.5	-	-	12.5
Net book value at 1st April 1998	1.9	100.0	97.7	199.6
Net book value at 31st March 1999	21.4	100.0	112.7	234.1

BOOTS THE CHEMISTS
Notes to the Financial Statements
Year ended 31st March 1999

9	Fixed asset investments (continued)	Ordinary shares		Principal activities	Last financial year ended
		Incorporated in	percentage owned %		
	Boots Stores Ltd	Great Britain*	100	Management	31st March 1999
	Stearn Bros Ltd	Great Britain*	100	Inactive	31st March 1999
	Hammond and Hammond Ltd	Great Britain*	100	Inactive	31st March 1999
	Albionflag Ltd	Great Britain*	100	Inactive	31st March 1999
	Seawade Ltd	Great Britain*	100	Inactive	31st March 1999
	N G Hayter Ltd	Great Britain*	100	Inactive	31st March 1999
	SCM Ltd	Republic of Ireland	100	Holding company	31st March 1999
	Metcalfe - Proud Ltd	Great Britain*	100	Dispensing chemist	31st March 1999
	Connors Holdings Ltd	Northern Ireland	100	Holding company	31st March 1999
	Boots Dentalcare Ltd	Great Britain*	100	Dentistry	31st March 1999
	A B Arnott Ltd	Great Britain*	100	Inactive	31st March 1999
	Newpast Ltd	Great Britain*	100	Inactive	31st March 1999
	Boots The Chemists (Jersey) Ltd	Jersey	100	Dispensing chemist	31st March 1999
	Boots The Chemists (Services) Ltd	Great Britain*	100	Inactive	31st March 1999
	The Boots Company (Services) Ltd	Great Britain*	100	Inactive	31st March 1999
	Boots Health & Beauty Ltd	Great Britain*	100	Inactive	31st March 1999

*Registered in England and Wales

On 7th April 1998, Boots The Chemists acquired Connors Holdings Ltd, a privately owned retail pharmacy chain for a consideration of £17m. Upon acquisition a fair value adjustment of £0.9m was made to the group tangible fixed assets. The goodwill arising in the accounts of the ultimate holding company was £15.1m

Boots Dentalcare Ltd, A B Arnott Ltd and Newpast Ltd were acquired during the year. The total consideration paid was £2m and the goodwill arising in the accounts of the ultimate holding company was £1.6m

	Incorporated in	Preference shares percentage owned %	Principal activities	Last financial year ended
Boots Investments Ltd	Jersey	100	Investments	31st March 1999

In the opinion of the directors the value of the company's investment in subsidiary and fellow subsidiary undertakings is not less than the amount shown on page 15.

Group financial statements have not been prepared as permitted by section 228 (2) of the Companies Act 1985.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

10 Stocks	1999 £m	1998 £m
Finished goods and goods for resale	333.0	292.5
11 Debtors	1999 £m	1998 £m
Falling due within one year:		
Trade debtors	127.9	118.8
Amounts owed by group undertakings	7.7	1.0
Other debtors	3.7	1.7
Prepayments and accrued income	26.2	26.1
	165.5	147.6
Falling due after more than one year:		
Amounts owed by group undertakings	28.0	753.1
Deferred taxation asset (see note 14)	2.2	1.8
Other debtors	0.5	0.5
	30.7	755.4
	196.2	903.0

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

12 Creditors: Amounts falling due within one year	1999 £m	1998 £m
Debenture loans	20.2	3.3
Bank overdraft	0.2	103.2
Trade creditors	17.9	10.1
Amounts due to group undertakings	99.5	1,844.6
Corporation tax	93.7	41.3
Advance corporation tax	-	0.1
Taxation and social security	39.4	33.0
Other creditors	53.0	49.9
Accruals and deferred income	21.6	19.5
Finance lease creditor	1.5	1.1
	347.0	2,106.1

13 Creditors: Amounts falling due after more than one year	1999 £m	1998 £m
Debenture loans	8.0	7.8
Amounts due to group undertakings	45.6	16.0
Accruals and deferred income	13.3	8.9
Finance leases	2.2	2.3
	69.1	35.0

The amounts owed to group undertakings are not interest bearing and no specific repayment terms exist.

Obligations under finance leases	1999 £m	1998 £m
Within one year	1.5	1.1
Within one to two years	1.3	1.3
Within two to five years	0.9	1.0
	3.7	3.4

Year ended 31st March 1999

Accelerated capital allowances	45.4	37.2
Other timing differences	-	-
	<u>45.4</u>	<u>37.2</u>

There is a potential deferred tax asset of £1.9m (1998: £2.8m) in respect of capital losses in the company (stated net of rolled-over gains).

Authorised	709.7	709.7
Allotted, called up and fully paid	709.7	709.7

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

16 Share capital and reserves	Called up share capital	Profit and loss account £m	Total £m
At 1st April 1998	709.7	0.5	710.2
Profit retained	-	229.0	229.0
At 31st March 1999	709.7	229.5	939.2

17 Commitments			
a) Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:	1999 £m		1998 £m
Contracts placed	72.8		105.8
b) Annual commitments under operating leases at 31st March 1999 are as follows:	Land and buildings £m		Other assets £m
Expiring:			
Within one year	1.3		0.6
Over one year and less than five years	10.3		0.5
Over five years	139.3		-
	150.9		1.1

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

18 Staff numbers and costs

	1999	1998
The average number of persons employed by the company during the year was:	56,614	52,499
	1999 £m	1998 £m
The aggregated payroll cost was as follows:		
Wages and salaries	445.6	413.0
Social security costs	28.1	25.5
Other pension costs	2.3	2.2
	476.0	440.7

19 Directors' remuneration

	1999 £m	1998 £m
i) Directors' emoluments for services to the company	0.8	0.8
ii) Monies received from long term bonus schemes	0.2	0.2
iii) (a) The remuneration of the highest paid director, excluding pension contributions	0.2	0.2
(b) (i) Increase in accrued pension during the year, including inflation	-	-
(ii) Accumulated total accrued pension at year end	-	-

The highest paid director has not received and exercised any share options during the year.

	1999	1998
iv) Number of directors who are members of defined benefit pension schemes	6	7
v) Number of directors who have 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 1999

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 1999 are shown below. No director holds any loan capital in the ultimate holding company.

	Ordinary shares under executive and SAYE options								
	Ordinary shares 1999	Ordinary shares 1998	Ordinary shares under options 1999	Average option price 1999	Exercised during the year	Exercise price	Market price at date of exercise	Granted during the year	Ordinary shares under options 1998
C A Baldwin	88	88	-	-	-	-	-	-	-
M W Bryant	23,474	24,124	12,524	500p	-	-	-	-	12,524
A D Emson	4,882	3,009 *	5,151	518p	2,858	350p	964p	1,280	6,729 *
P G Matthews	3,793	3,769	33,556	505p	-	-	-	-	33,556
D A Stead	400	400	9,992	420p	-	-	-	-	9,992

*At the date of appointment

The market price of the ultimate holding company's shares at 31st March 1999 was 895p. The range of market prices during the year was 836p to 1070p. No options lapsed during the year. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 1999 represents the weighted average price for options outstanding at 31st March 1999.

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

In previous years certain directors were granted options to subscribe for ordinary shares in The Boots Company PLC under an executive share options scheme. Such options are exercisable up to November 2004 at option prices ranging from 437p to 531p.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

20 Directors' shareholdings (continued)

The table below shows the number of shares in The Boots Company PLC (the ultimate holding company) over which certain directors have been granted conditional rights under the Restricted Share Co-investment scheme and the Long Term Bonus scheme operated by The Boots Company PLC. Under the Co-investment scheme, none of the shares are receivable until three years after the grant of these rights and the number then receivable will depend on the total shareholder return (ie share price movement plus gross dividends) of The Boots Company PLC compared with that of ten other leading companies over a specified period. Under the Long Term Bonus scheme, at the end of a four year performance cycle, half the bonus earned is paid in cash and half is converted into an equivalent number of shares. The individual will normally become entitled to receive those shares only after remaining employed for a further three years.

	Ordinary shares conditional awards				31st March 1998
	31st March 1999	Exercised during the year	Lapsed during the year	Granted during the year	
Co-investment scheme					
A D Emson	3,892	-	-	-	3,892 *
Long Term Bonus scheme					
M W Bryant	8,024	-	-	3,663	4,361
P G Matthews	7,332	-	-	3,084	4,248
D A Stead	1,128	-	-	1,128	-

*At date of appointment

As a beneficiary of The Boots ESOP Trust, each participant in the scheme is deemed technically to be interested in 1,641,829 ordinary shares held by Morgan Grenfell Nominees (Jersey) Limited on behalf of the Trust.

As a potential beneficiary of The Boots Qualifying Employee Share Trust, each director is deemed to have an interest in 16,862,912 ordinary shares held by Boots (Quest) Trustee Limited on behalf of the Trust.

BOOTS THE CHEMISTS LIMITED
Notes to the Financial Statements
Year ended 31st March 1999

21 Pensions

The majority of the employees of the company are members of Boots Pension Scheme. This is a defined benefit scheme, the cost for which is determined by Bacon & Woodrow, consulting actuaries.

Details of the most recent actuarial valuation as at 1st April 1995 can be found in the financial statements of The Boots Company PLC.

22 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 1999 the contingent liability was £ 56.0m (1998: £1,063.5m).

23 Ultimate Holding Company

The company's immediate and ultimate holding company (which is also the ultimate controlling party) is The Boots Company PLC, a company incorporated in Great Britain and registered in England and Wales. The results of the company are included in the group financial statements of The Boots Company PLC.

Copies of the group financial statements may be obtained from 1 Thane Road West, Nottingham NG2 3AA.

The company is exempt from disclosing transactions with other group undertakings and investees of the group qualifying as related parties as permitted by paragraph 3 of the Financial Reporting Standard 8.