News Release

6th November 2003

HALF YEAR RESULTS TO 30TH SEPTEMBER 2003

Highlights for the half year

- Sales from continuing operations rose by 4.9%
  - Boots The Chemists sales up 3.6% like for like
  - Boots Healthcare International sales up 7.3% (at comparable exchange rates)
- Operating profit from continuing operations increased by 8.1% to £266.4m
- Profit before tax up by 10.7% to £280.5m
- Earnings per share before exceptionals up 4.1% to 23.0 pence
- Interim dividend up 4.8% to 8.8 pence
- Share buybacks will continue following the completion of the programme to return the proceeds of the Halfords sale
- New information on expected performance for the year can be found under Boots The Chemists Outlook section

Sir Nigel Rudd, chairman, said:

"In the past, Boots has performed steadily. But this is a business that, for all sorts of reasons and distractions, has failed to punch its brand and franchise weight.

The new executive team has been given a clear agenda by me and the board: modernise the business, make it more efficient and focus more effectively on the customer."

Summary of Business Performance

	Turnover			Profit	
	Total £m	**% growth**	**% like for like**	**£m**	**% growth**
Boots The Chemists	2,069.5	3.8	3.6	269.2	4.9
Boots Opticians & Dentalcare	123.4	-5.3	-3.9	(5.5)	
Boots Healthcare International (a)	241.9	11.0	7.3	35.6	1.1
Boots Retail International (a)	21.3	16.7	21.3	(4.0)	
Group and Other	57.7	54.7		(28.9)	
Inter-segmental	(14.5)	2.0			
Continuing operations	2,499.3	4.9		266.4	8.1
Group turnover/operating profit (b)	2,499.3	-4.5		266.4	-1.0
Interest				(0.5)	-
Group profit before tax and exceptionals				265.9	-4.9
Group profit before tax (after exceptionals)				280.5	10.7
Group profit before tax and exceptionals from continuing operations				265.9	3.4

Note (a) Like for like growth in Boots Healthcare International and Boots Retail International represents sales at comparable exchange rates.

(b) Includes share of joint ventures

Boots The Chemists

Boots The Chemists has delivered solid performance for the half year. The 2.9% like for like growth in quarter two came against a strong performance of 5.7% in the same period last year. Performance has benefited from concentration on the front and back shop activities including increased investment in stores and people, product development and on-shelf availability now consistently over 98%.

10 new stores in retail parks were opened and are performing ahead of our expectations. 156 store refits were completed with sales uplifts slightly ahead of those reported at the full year.

Sales

	Q1		Q2		Half Year		
	Total %	LFL %	Total %	LFL %	Actual £m	Total %	LFL %
Health	6.3	6.5	5.0	4.8	901.0	5.6	5.6
Beauty & Toiletries	5.3	5.2	2.4	2.3	847.7	3.8	3.5
Other	-1.2	-2.0	-0.8	-0.8	320.8	-1.0	-1.5
Total	4.7	4.6	3.0	2.9	2,069.5	3.8	3.6

Health

Dispensary sales were up 6.6% driven by increased dispensing of higher value medicines, investment in new galley and carousel dispensaries and growth in the prescription collection services. Market share has declined slightly but at a lower rate than in previous years. Accelerating investment in this important area of the business is aimed at turning this around.

The Government has recently announced proposals to reduce the prices at which they reimburse a limited range of generic medicines. This is likely to have an adverse effect on dispensing margin in the second half.

Sales of over the counter healthcare, up 3.1%, benefited from growth in allergy products, which were up over 9% and analgesics, up 4.7%. Sales of diet products were down as a result of changing diet patterns. Vitamin sales were 6.5% lower reflecting adverse media coverage, but despite this, market share improved in the second quarter.

Beauty & Toiletries

Beauty & Toiletries sales growth at 3.8% was lower than the recent trend but largely as expected. Cosmetics and fragrance sales were up 5.3% against strong performance last year of 11%. Growth was driven by new product development and promotions in premium cosmetics, fragrance, self-selection cosmetics and No7.

Growth in toiletries was 0.9%. The closure of the Sainsbury trial stores reduced sales by 1.0% and there were fewer volume promotions due to the phased roll out of 'Lower Prices You'll Love'. This programme is improving customer perceptions of Boots' price competitiveness. Sales benefited from 'Sunshop', the expanded summer range offering, which was up 18%.

Overall, market share was maintained.

Other

Sales in our Other category continue to disappoint overall. Photo sales declined by 7.2%. In traditional photo processing, we continued to gain share in a rapidly declining market. In response to the shift to digital photography we have invested in over 400 in-store digital processing labs and an expanded range in the offer of digital cameras. Both initiatives have resulted in an increase in market share in the digital photo market.

Solid growth in Baby of 3.8%, benefited from growth in the key sectors of nappies, wipes and milks helped by Advantage Card promotions. Sales were also increased by the new mini-mode clothing range. Market share was flat.

Food sales grew by 1.8% helped by the launch of 'Meal Deal Extra' and by improved performance in London.

Operating profit

Boots The Chemists operating profit was £269.2m, up 4.9% on the prior year. Gross margins were maintained. Operating costs were in line with our expectations.

Current Trading

We are aiming to build a strong platform for Christmas. This year we have added 10% more space for seasonal merchandise, the products are in store earlier and we have 5,500 lines in our 'Mix 'n' Match' 3 for 2 gift promotion, over twice the number of a year ago. We have also brought forward the next phase of the 'Lower Prices You'll Love' campaign to give our customers even better value in the run up to Christmas. As part of a 'budget amnesty' Head Office functions have identified savings of £3m which will be re-invested in stores during the Christmas period.

We have launched an instant Advantage Card and have seen strong demand.

To reduce queuing time we have upgraded 2,600 tills in 130 stores in advance of the Christmas trading period. This brings the number of new tills to nearly 4,500 in over 350 stores including all of our larger stores.

Outlook

Boots The Chemists' gross margin in the second half will be reduced by two factors. Firstly the Department of Health's proposed revision to the reimbursement levels for certain generic medicines, and secondly extending price reductions to more products as part of our 'Lower Prices You'll Love' campaign. The increase in operating costs in the second half will be slightly higher as a result of additional investment in stores.

Boots Opticians and Dentalcare

Sales in Boots Opticians at £100.4m were down 7.8% reflecting the highly competitive market in opticians and eyecare. LASIK continues to feel the effect of adverse publicity on perceived health risks in laser eye surgery earlier in the year.

Sales in Dentalcare and Other Services were up 7.0% at £23.0m. The Dentalcare operation has benefited from a new variable pay model, with both sales and productivity up.

The Hearingcare business has been sold as a going concern.

Operating losses in the services business were £5.5m but have been reduced by a total of £10.6m in the half year. Towards the end of the year, Boots The Chemists took operational responsibility for the services business to create a greater focus on the full customer offer and deliver greater efficiencies.

Boots Healthcare International

Boots Healthcare International continues to show good progress in line with its growth strategy. Sales for the first half were up 11.0% representing a 7.3% growth at comparable exchange rates.

Nurofen continued to grow strongly, up 18.3% to £69.0m, boosted by new product launches such as Mobile, Migraine and Recovery and by expansion in Australia. Clearasil sales of £44.1m were up 6.5%, with strong growth in the UK arising from the Total Control range. Flat performance in the US was due to inventory reductions in the trade offsetting rising consumer sales. Strepsils and dermo-cosmetics sales grew year on year by 6.9% and 4.9% respectively.

Brand investment in the first half was £72.7m, which represents 30% of sales, a 3 percentage point increase on last year. This is largely accounted for by continued investment in the Clearasil brand.

Operating profit was up 1.1% at £35.6m.

Boots Retail International

Boots Retail International increased sales by 16.7% to £21.3m helped by strong growth in Thailand stores and in our Hong Kong implants. The business reduced losses by 48.1% to £4.0m. The restructuring of the European and Taiwanese businesses is now complete.   We have continued to roll out new implants in Hong Kong and Taiwan, opening 32 in total. Two small, low cost trials of the implant model are planned for the US.

Group and Other

Sales in Group and Other were up 54.7% at £57.7m due to the inclusion of proceeds of the sale of a development property. Operating costs increased by 35.7% to £28.9m due to the costs of senior management and head office changes.

Operating expenses

Group operating expenses for continuing operations grew by 4.5%. The cost reduction programme continues on track with £12m worth of ongoing savings secured in the first half. These savings benefit cost of goods by £4m and operating expenses by £8m. One off costs of £13m have been incurred in the half year to secure further benefits in future periods. 170 people have left the business in the period with a further 290 set to leave in the second half following decisions that were announced in the first half of the year.

Financing

Free cash flow for the period was £28.3m down from £126.8m in the prior year before the proceeds of the Halfords disposal. This reflected the inflow from discontinued operations last year, higher investment in fixed assets and higher working capital growth. Working capital growth was 14% higher than the previous half year owing to higher and earlier stocking in Boots The Chemists to support Christmas trading. The balance sheet remains strong with closing net debt of £372.9m and shareholders' funds of £1,967.7m.

The interim dividend is increased by 4.8% to 8.8 pence per share.

The buyback programme to return the proceeds of the sale of Halfords has nearly been completed with only £23m outstanding. 24.5 million shares were purchased in the six months at a cost of £160.0m. In total, in the last six years, £1.2bn has been returned to shareholders by share buybacks and special dividends.   The current intention is to continue to purchase shares in the market but at a lower rate than in the first half.

\- Ends -

Notes to editors:

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BOOTS GROUP PLC
INTERIM RESULTS

GROUP PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	Notes	**6 months to 30.9.03 £m**	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Turnover:				
Turnover from continuing operations		**2,499.3**	2,382.4	5,092.4
Discontinued operation		**-**	234.9	234.9
Turnover: group and share of joint ventures	1	**2,499.3**	2,617.3	5,327.3
Less: share of joint ventures' turnover		**(0.6)**	(1.2)	(2.1)
Group turnover		**2,498.7**	2,616.1	5,325.2
Operating profit				
Operating profit from continuing operations		**266.9**	258.6	534.8
Discontinued operation		**-**	22.5	22.5
Group operating profit		**266.9**	281.1	557.3
Share of operating loss of joint ventures		**(0.5)**	(12.1)	(13.2)
Total operating profit including joint ventures	2	**266.4**	269.0	544.1
Profit on disposal of fixed assets	3	**14.6**	1.7	5.1
Provision for loss on closure of operations	3	**-**	-	(34.5)
Loss on disposal of business	3,10	**-**	(128.6)	(123.2)
Profit on ordinary activities before interest	2	**281.0**	142.1	391.5
Net interest and similar items*	4,12	**(0.5)**	111.2	103.4
Profit on ordinary activities before taxation		**280.5**	253.3	494.9
Tax on profit on ordinary activities	5	**(83.8)**	(116.8)	(192.7)
Profit on ordinary activities after taxation		**196.7**	136.5	302.2
Equity minority interests		**(0.3)**	(0.4)	(0.5)
Profit attributable to shareholders		**196.4**	136.1	301.7
Dividends	6	**(67.9)**	(70.0)	(230.7)
Profit retained		**128.5**	66.1	71.0
Basic earnings per share before exceptional items	7	**23.0p**	22.1p	45.2p
Basic earnings per share	7	**24.9p**	15.9p	36.0p
Diluted earnings per share before exceptional items	7	**23.0p**	22.1p	45.1p
Diluted earnings per share	7	**24.8p**	15.8p	35.9p
Dividends per share	6	**8.8p**	8.4p	28.6p

* Net interest includes an exceptional credit of £nil (6 months to 30th September 2002 £100.6m, 12 months to 31st March 2003 £92.1m) - see notes 4 and 12 for details.

BOOTS GROUP PLC
INTERIM RESULTS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Profit attributable to shareholders	**196.4**	136.1	301.7
Revaluation of investment properties	**-**	17.1	17.1
Currency translation differences on foreign currency net investments	**(0.3)**	(5.3)	7.5
Total recognised gains and losses relating to the period	**196.1**	147.9	326.3

NOTE ON HISTORICAL COST PROFITS AND LOSSES FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Reported profit on ordinary activities before taxation	**280.5**	253.3	494.9
Realisation of property revaluation surpluses/(deficits)	**10.3**	(1.9)	10.2
Depreciation adjustment	**0.6**	0.3	1.0
Historical cost profit on ordinary activities before taxation	**291.4**	251.7	506.1
Historical cost profit retained	**139.4**	64.5	82.2

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Total recognised gains and losses relating to the period	**196.1**	147.9	326.3
Dividends	**(67.9)**	(70.0)	(230.7)
New share capital issued (net of expenses)	**0.1**	0.1	(0.3)
Repurchase of shares	**(160.0)**	(253.7)	(462.8)
Goodwill released on disposal of business	**-**	349.3	349.3
Net (decrease)/increase in shareholders' funds	**(31.7)**	173.6	(18.2)
Opening shareholders' funds	**1,999.4**	2,017.6	2,017.6
Closing shareholders' funds	**1,967.7**	2,191.2	1,999.4

BOOTS GROUP PLC
INTERIM RESULTS

GROUP BALANCE SHEET
30TH SEPTEMBER 2003

	Notes	**At 30.9.03 £m**	At 30.9.02 £m	At 31.3.03 £m
Fixed assets				
Intangible assets	8	**297.0**	290.3	301.3
Tangible assets		**1,519.7**	1,613.3	1,516.5
Investments		**77.6**	102.9	84.7
		1,894.3	2,006.5	1,902.5
Current assets				
Stocks		**788.9**	708.7	638.6
Debtors		**724.2**	628.4	650.6
Investments and deposits		**158.4**	522.3	293.1
Cash at bank and in hand		**33.2**	35.0	203.4
		1,704.7	1,894.4	1,785.7
Creditors: amounts falling due within one year		**(1,071.4)**	(1,101.7)	(1,112.7)
Net current assets		**633.3**	792.7	673.0
Total assets less current liabilities		**2,527.6**	2,799.2	2,575.5
Creditors: amounts falling due after more than one year		**(380.3)**	(440.1)	(401.8)
Provisions for liabilities and charges		**(178.8)**	(167.1)	(173.8)
Net assets		**1,968.5**	2,192.0	1,999.9
Capital and reserves				
Called up share capital		**197.4**	212.8	203.5
Share premium account		**0.1**	254.0	-
Revaluation reserve		**249.4**	273.1	260.3
Capital redemption reserve		**11.7**	53.0	5.6
Merger reserve		**310.8**	-	310.8
Profit and loss account		**1,198.3**	1,398.3	1,219.2
Equity shareholders' funds		**1,967.7**	2,191.2	1,999.4
Equity minority interests		**0.8**	0.7	0.5
Non-equity minority interests		**-**	0.1	-
		1,968.5	2,192.0	1,999.9

BOOTS GROUP PLC
INTERIM RESULTS

GROUP CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	Notes	**6 months to 30.9.03 £m**	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Cash inflow from operating activities	9	**181.7**	238.4	582.3
Returns on investment and servicing of finance		**(20.5)**	73.2	75.0
Taxation		**(87.1)**	(69.4)	(196.7)
Purchase of fixed assets		**(88.3)**	(69.9)	(145.8)
Disposal of fixed assets		**21.3**	29.0	118.6
Disposal of own shares		**2.3**	2.2	3.1
Acquisition of businesses		**(1.6)**	(3.5)	(9.5)
Disposal of businesses	10	**-**	371.2	367.6
Equity dividends paid		**(160.9)**	(168.5)	(238.3)
Cash (outflow)/inflow before use of liquid resources and financing		**(153.1)**	402.7	556.3
Management of liquid resources		**134.7**	(214.5)	15.8
Financing *		**(177.9)**	(283.4)	(511.8)
(Decrease)/increase in cash in the period		**(196.3)**	(95.2)	60.3

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

* Financing includes repurchase of shares of £(167.3)m (6 months to 30th September 2002 £(264.0)m, 12 months to 31st March 2003 £(465.5)m).

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
FOR THE HALF YEAR ENDED 30TH SEPTEMBER 2003

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
(Decrease)/increase in cash in the period	**(196.3)**	(95.2)	60.3
Cash (inflow)/outflow from change in liquid resources	**(134.7)**	214.5	(15.8)
Decrease in borrowings and lease financing	**10.7**	19.5	46.0
Movement in net debt resulting from cash flows	**(320.3)**	138.8	90.5
Finance lease additions	**(2.1)**	(2.9)	(1.8)
Increase in value of investment in 10.125% bond	**-**	5.8	5.8
Currency and other non-cash adjustments	**1.0**	(5.1)	0.3
Movement in net debt during the period	**(321.4)**	136.6	94.8
Opening net debt	**(51.5)**	(146.3)	(146.3)
Closing net debt	**(372.9)**	(9.7)	(51.5)

NOTES ON RESULTS

1. Turnover by business segment

	Notes	**6 months to 30.9.03 £m**	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Health		**901.0**	852.9	1,716.4
Beauty and Toiletries		**847.7**	816.6	1,891.9
Other		**320.8**	323.8	676.1
Boots The Chemists		**2,069.5**	1,993.3	4,284.4
Boots Opticians and Dentalcare		**123.4**	130.4	262.5
		2,192.9	2,123.7	4,546.9
Boots Healthcare International	a	**228.3**	204.3	430.1
Boots Retail International	b	**20.4**	17.1	35.6
Group and Other	c	**57.7**	37.3	79.8
Continuing operations		**2,499.3**	2,382.4	5,092.4
Discontinued operation	d	**-**	234.9	234.9
Turnover: group and share of joint ventures		**2,499.3**	2,617.3	5,327.3

a) Boots Healthcare International also made inter-segmental sales of £13.6m (6 months to 30th September 2002 £13.7m, 12 months to 31st March 2003 £30.3m).

b) Boots Retail International also made inter-segmental sales of £0.9m (6 months to 30th September 2002 £1.1m, 12 months to 31st March 2003 £1.4m).

c) Group and Other consists of the third party manufacturing and development properties sales.

d) Halfords has been treated as a discontinued operation.

2. Profit on ordinary activities before interest

	Notes	**6 months to 30.9.03 £m**	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Boots The Chemists		**269.2**	256.4	568.6
Boots Opticians and Dentalcare		**(5.5)**	(16.1)	(28.6)
		263.7	240.3	540.0
Boots Healthcare International		**35.6**	35.2	70.1
Boots Retail International		**(4.0)**	(7.7)	(22.3)
Group and Other	a	**(28.9)**	(21.3)	(66.2)
Continuing operations		**266.4**	246.5	521.6
Discontinued operation	b	**-**	22.5	22.5
Total operating profit including joint ventures		**266.4**	269.0	544.1
Profit on disposal of fixed assets		**14.6**	1.7	5.1
Provision for loss on closure of operations		**-**	-	(34.5)
Loss on disposal of business		**-**	(128.6)	(123.2)
Profit on ordinary activities before interest		**281.0**	142.1	391.5

a) Group and Other consists of head office and other costs not allocated to business segments.
b) Halfords has been treated as a discontinued operation.

3. Exceptional items

	Notes	**6 months to 30.9.03 £m**	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Profit on disposal of fixed assets - continuing		**14.6**	1.7	5.1
Loss on disposal or closure of operations				
Provision for loss on closure of operations - continuing		**-**	-	(34.5)
Loss on disposal of business - discontinued	10	**-**	(128.6)	(123.2)
Total exceptional items before interest and taxation		**14.6**	(126.9)	(152.6)
Interest	4, 12	**-**	100.6	92.1
Total exceptional items before taxation		**14.6**	(26.3)	(60.5)
Attributable tax charge		**-**	(27.2)	(16.5)
		14.6	(53.5)	(77.0)

In the 12 months to 31st March 2003 the provision for loss on closure of operations relates to the withdrawal from certain wellbeing services. As shown in note 4 an exceptional interest credit arose in the comparative periods. In the period to 30th September 2002 the credit of £100.6m (12 months to 31st March 2003 £92.1m) attracted a tax charge of £30.2m (12 months to 31st March 2003 £27.6m).

4. Net interest and similar items

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Interest payable and similar charges	**(9.1)**	(1.7)	(10.7)
Interest receivable and similar income	**8.8**	6.7	16.6
Increase in value of investment in 10.125% bond 2017	**-**	5.8	5.8
Share of joint ventures	**(0.2)**	(0.2)	(0.4)
	(0.5)	10.6	11.3
Exceptional interest – closure of interest rate swaps (see note 12)	-	100.6	92.1
	(0.5)	111.2	103.4

Interest payable and similar charges includes interest payable on the 10.125% bond 2017 of £nil (6 months to 30th September 2002 £5.8m, 12 months to 31st March 2003 £5.8m) and eurobond of £8.2m (6 months to 30th September 2002 £8.3m, 12 months to 31st March 2003 £16.5m).

The 10.125% bond was redeemed on 25th June 2002. Following redemption there is no further impact on the profit and loss account.

5. Taxation

Taxation has been provided at an estimated effective rate excluding exceptional profits and losses on the sale of fixed assets and businesses of 31.5% (6 months to 30th September 2002 31.5%, 12 months to 31st March 2003 31.5%).

6. Dividends

The directors have declared an interim dividend of 8.8p per share (2002 8.4p per share). The dividend, which amounts to approximately £68.4m (2002 £70.6m), will be paid on 6th February 2004 to shareholders on the register on 21st November 2003. The shares will be quoted ex dividend on 19th November 2003. Most shareholders (excluding those in Canada and the USA) will have the opportunity to reinvest their cash dividend in existing shares bought on the London Stock Exchange through a dividend reinvestment plan. All applications to join that plan or amend existing instructions under it must be received by the company's registrars by 17.00 hours GMT on 16th January 2004 if they are to apply to this interim dividend.

7. Earnings per share

	6 months to 30.9.03	6 months to 30.9.02	12 months to 31.3.03
Basic earnings per share before exceptional items	**23.0p**	22.1p	45.2 p
Effect of exceptional items	**1.9p**	(6.2)p	(9.2)p
Basic earnings per share	**24.9p**	15.9p	36.0p
Diluted earnings per share before exceptional items	**23.0p**	22.1p	45.1 p
Effect of exceptional items	**1.8p**	(6.3)p	(9.2)p
Diluted earnings per share	**24.8p**	15.8p	35.9p

The calculation of basic and diluted earnings per share is based on:

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Earnings			
Earnings for adjusted basic and diluted earnings per share calculation	**181.8**	189.6	378.7
Exceptional items (see note 3)	**14.6**	(53.5)	(77.0)
Earnings for basic and diluted earnings per share calculation	**196.4**	136.1	301.7

	6 months to 30.9.03 million	6 months to 30.9.02 million	12 months to 31.3.03 million
Number of shares			
Weighted average number of shares used in basic earnings per share calculation	**789.8**	856.8	838.1
Dilutive effect of options	**1.4**	1.9	1.6
Weighted average number of shares used in diluted earnings per share calculation	**791.2**	858.7	839.7

The weighted average number of shares used in basic earnings per share calculation excludes shares held by The Boots ESOP Trust, the QUEST and unappropriated shares held by Boots Share Plan Trustees.

The dilutive effect relates to options under an employee savings related scheme and executive option schemes.

Basic and diluted earnings per share before exceptional items are disclosed to reflect the underlying performance of the group.

8. Intangible fixed assets

	At 30.9.03 £m	At 30.9.02 £m	At 31.3.03 £m
Goodwill	**24.6**	25.7	24.7
Group patents, trademarks and other product rights acquired	**272.4**	264.6	276.6
	297.0	290.3	301.3

9. Notes to the Group Cash Flow Statement

	6 months to 30.9.03 £m	6 months to 30.9.02 £m	12 months to 31.3.03 £m
Reconciliation of operating profit to operating cash flows			
Group operating profit	**266.9**	281.1	557.3
Depreciation, amortisation and impairments of fixed assets	**69.8**	85.5	162.8
Loss on the disposal of tangible fixed assets	**2.3**	2.6	5.5
Increase in working capital	**(149.0)**	(131.2)	(132.8)
Other non-cash movements	**0.6**	4.9	(2.4)
Net cash inflow before exceptional items	**190.6**	242.9	590.4
Exceptional operating cash flows	**(8.9)**	(4.5)	(8.1)
Cash inflow from operating activities	**181.7**	238.4	582.3

10. Acquisition and disposal of businesses

There were no significant acquisitions or disposals of businesses in the 6 months to 30th September 2003.

On 7th November 2002 the group acquired the remaining 40% stake of Digital Wellbeing Limited (DWL) from Granada for £1. In addition, Boots placed DWL in funds to settle £5.1m of Granada's loan funding of the company.

The principal disposal in the comparative periods was the sale of Halfords Limited to CVC Capital Partners on 30th August 2002 for a consideration of £396.0m. The loss on disposal was £123.2m, including goodwill of £349.3m previously written off to reserves.

Boots is returning to shareholders the net proceeds of the sale through a share buyback programme that commenced in the second half of the 2003 financial year and which is almost complete.

11. Pensions

The group accounts for pensions under SSAP24. A formal valuation of the Boots Pension Scheme is undertaken every three years with the next valuation due at 1st April 2004. The value of the Boots Pension Scheme for the purposes of FRS17, the UK pensions standard, is reassessed annually based on the previous full valuation updated for known impacts. Under FRS17 the value of liabilities at 31st March 2003 was £2.5bn and the market value of assets was £2.7bn, giving a pension scheme surplus of £0.2bn, before tax.

12. Interest rate swaps

During the comparative periods the group reviewed its interest rate management policy and concluded that certain interest rate swaps were no longer an effective hedge to liabilities. This resulted in the closure of £1,315m of interest rate swaps in the 6 months to 30th September 2002. The group also reviewed its accounting policies for hedging instruments during the year to 31st March 2003. As a result the surplus of £100.6m generated by the closure was reported in the profit and loss account as exceptional. A further £200m of interest rate swaps were closed out following 31st March 2003. A provision for the costs of closure was made in the year. This along with the surplus noted above and other related items left a net credit of £92.1m for the closure of interest related swaps in the year to 31st March 2003 and this is highlighted in the interest note as an exceptional item (see note 4).

13. Basis of preparation – full year comparatives

The figures for the 12 months ended 31st March 2003 do not constitute the company's statutory accounts for that period but have been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors have reported on those accounts and that report was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

The accounts for the six months ended 30th September 2003 comply with relevant accounting standards and have been prepared on a consistent basis using accounting policies set out in the 2003 Annual Report.

14. Half year report

The half year report will be posted to shareholders by 12th November 2003 and copies will be available on request from The Secretary, Boots Group PLC, Nottingham NG2 3AA from that date.

15. Other information

The presentation to analysts will be broadcast live at 09.00 hours GMT on Thursday, 6th November 2003. The slide presentation will be available from 10.00 hours GMT on the same day. Both can be accessed from the Investor Information page at 'www.boots-plc.com'.

Independent review report by KPMG Audit Plc to Boots Group PLC

Introduction

We have been engaged by the company to review the financial information set out on pages 7 to 16 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th September 2003.

KPMG Audit Plc
Chartered Accountants
2 Cornwall Street
Birmingham
B3 2DL

6th November 2003