

News Release



27 October 2005

INTERIM RESULTS TO 30th SEPTEMBER 2005 Focus on Health & Beauty Delivering Results

- **Group sales up 0.8% to £2,594 million**
 - Boots The Chemists sales growth 1.1%, like for like sales -1.3%
 - Underlying like for like sales broadly flat year on year, before the effect of regulatory price changes in dispensing
 - Boots Retail International sales up 13.3% with new openings planned for the Middle East

- **Lower trading profits reflecting the cost of 'Building a Better Boots' and weak consumer spending**
 - Group trading profit before tax down £17m, 9.6%, to £163 million reflecting a £45m increase in operating expenses as a result of planned investment in Boots The Chemists
 - In addition, £151m profit on the successful sale and leaseback of 312 stores
 - Dividend held at 9.1p per share

- **"The Health and Beauty Expert"**
 - Volume growth in dispensing 5.1%
 - Beauty sales up 7.3%

- **Gross margin and costs in line with planning assumptions**
 - Gross margin down 30bps in first half due to annualisation of price reductions last year
 - Operating costs 6% higher in first half from planned investment programme
 - Efficiencies secured to offset underlying inflation in operating costs

- **Successful proposed sale of BHI to deliver £1.43 billion to shareholders via special dividend**
 - £1.93bn proposed sale of Boots Healthcare International to Reckitt Benckiser
 - £400 million to be retained to strengthen balance sheet and for future investment

- **Proposed merger with Alliance UniChem announced**
 - Opportunity to accelerate our plans and create an international pharmacy led healthcare group
 - Combined network of 2,600 stores better placed to meet customer needs particularly in the provision of healthcare
 - Greater opportunity for international growth
 - Greater efficiencies and cost savings by streamlining systems, processes and functions of both businesses

Richard Baker, Chief Executive, commented:

"The last six months has been a period of further significant progress for Boots, as despite a weak consumer environment, we have continued to invest in our infrastructure, our operations and our customer offer. This has led to lower profits as we continue to bear the cost of building a better Boots.

"Our sales performance in the half was encouraging. We have grown sales by 1 per cent and delivered broadly flat underlying sales year on year, before the effect of regulatory price changes. Crucially, the investment and energy that has been put into our core health and beauty businesses is delivering results as we strengthen our position as the UK's health and beauty expert. We have also delivered our plans for controlling costs, managing our margin and improving our use of working capital.

"In the past month, we have accelerated the pace of change in the business with the announcement of two significant transactions: the agreed sale of Boots Healthcare International to Reckitt Benckiser and the proposed merger with Alliance UniChem.

"Our proposed merger with Alliance UniChem will build on our existing strategies and create an international pharmacy led healthcare group. It will enable Boots to put the Chemist even more firmly at the heart of its strategy and provide exciting opportunities to take the trusted Boots brand and products into new markets."

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Summary of Revenue and Trading Profit before financing costs

For the six months to 30th September 2005

| | Revenue | | | Trading profit | |
|--|----------------|-------------|--------------------|----------------|--------------|
| | Total £m | Growth % | % like for like | Total £m | Growth % |
| Boots The Chemists | 2,196.0 | 1.1 | -1.3 | 164.2 | -18.6 |
| Boots Opticians | 82.9 | -10.5 | -10.9 | (5.0) | -762.4 |
| Boots Retail International ¹ | 28.2 | 13.3 | 12.3 | (1.5) | 61.0 |
| Group and Other | 32.7 | 13.5 | | (24.3) | 23.7 |
| Inter-segmental | (1.1) | | | | |
| Continuing operations | 2,338.7 | 0.9 | | 133.4 | -20.0 |
| Boots Healthcare International ¹ – Discontinued Operation | 265.1 | 8.5 | 8.6 | 46.6 | 28.1 |
| Other discontinued operations and inter-segmental sales | (9.9) | | | (0.2) | -96.8 |
| Discontinuing operations | 255.2 | | | 46.4 | |
| Total | 2,593.9 | | | 179.8 | |
| Net financing costs | | | | (16.5) | 2.4 |
| Group trading profit before taxation | | | | 163.3 | -9.6 |
| Profit from continuing operations before taxation² | | | | 258.9 | 70.5 |

¹ Like for like growth in Boots Healthcare International and Boots Retail International represents sales at comparable exchange rates.

² Profit from continuing operations includes profit on sale and leaseback (£151m) but excludes profits from Boots Healthcare International and other discontinued businesses (£51m).

Boots The Chemists (BTC)

| | |
|---------------------|---------|
| Sales (£m) | 2,196.0 |
| Total | 1.1% |
| Like for like | -1.3% |
| Trading Profit (£m) | 164.2 |
| Operating Margin | 7.5% |

Sales

Sales grew 1.1% in total, down 1.3% like for like with a 2.4% contribution from new space. Underlying like for like sales, excluding the effect of regulatory price changes, were broadly flat year on year.

The weaker consumer environment was evidenced by same store footfall for the period which was down 2.9% on last year. Transaction numbers suffered less than footfall, down 1.8% on a like for like basis. Average transaction value in the half year increased 3.1% reflecting the increasing proportion of higher spending Advantage Card holders amongst customers in the half. This reinforces the importance of the Advantage Card as a driver of transactions, given the higher propensity of these loyal customers to purchase.

Sales and Growth Rates by Category

| | Actual | Total |
|-----------------------|--------|-------|
| | £m | % |
| Health | 936 | 0.6 |
| Beauty and Toiletries | 923 | 3.3 |
| Lifestyle | 337 | -2.8 |
| Total | 2,196 | 1.1 |

Health

Sales in Health were up 0.6% to £936m.

Dispensing volume growth of 5.1% continued the strong performance seen in recent quarters. Reported sales growth was 0.3% reflecting significant price deflation as a result of two factors: firstly, the Pharmaceutical Price Regulation Scheme (PPRS) reduced the price of branded medicines by 7%. This reduced dispensing sales growth by 4.7%. The impact on profit was small. Secondly, dispensing sales growth was further reduced by 1.2% as a result of price reductions to generic medicines which annualised in September this year.

H1 also saw the first impact of the new pharmacy contract which moves some funding from the reimbursement of generic medicines to fees and services. The impact of this change was neutral in the half and in line with expectations for the year.

Within the over the counter business, sales were up 1% with the good growth in vitamins and supplements offset by weaker hayfever sales.

Beauty and Toiletries

Sales in Beauty and Toiletries were up 3.3% to £923m.

Within Beauty, investment in own brands, new beauty halls and new displays helped grow sales by 7.3% within which Premium cosmetics sales were up 9% and N°7 up 12%.

Growth in Toiletries was 2.9% in the half with particularly good growth in Suncare, up 16% with Soltan now established as the biggest brand in the market. Skincare and Dental also performed strongly.

Overall growth in the Beauty and Toiletries category was depressed by beauty related electrical products such as hair straighteners and shavers, sales of which have been particularly affected by the consumer slowdown, down 5.9%.

In total, sales growth has been in line with the broad health and beauty market.

Lifestyle

Lifestyle products had a difficult first half with sales of £337m, down 2.8% on last year.

Within the businesses making up this category, Baby continued to show good growth, up 5.3%, benefiting from the additional space and ranges added last year.

The launch of exclusive Atkins diet products helped the Food business to a strong performance last year. The combination of lower sales of Atkins ranges this year together with the terrorist disruption to the key London market in Q2 left sales in Food down 3.9% year on year.

Photo market share continued to increase and there was good growth in digital products and services although the overall market remains in decline and sales were down 10.2%.

Trading Profit

Gross margin percentage was down 30bps in the first half due to the annualisation of price reductions introduced under the Lower Prices You'll Love campaign in the first half last year. The performance in the half was as planned.

Operating costs were 6% higher in the first half due to the ongoing investment programme. Good progress on the efficiency programmes again contributed savings sufficient to offset underlying inflation. The increase in costs is thus entirely accounted for by the increases resulting from the planned investment programme to build a better Boots.

Outlook

As we stated in the trading statement on the 29th September, like for like sales in the first half are below the rate planned for the full year and the market is expected to remain similarly tough through the rest of the year.

Good progress has been made in the year on gross margin, operating costs and new store openings. Gross margin is expected to be broadly stable for the year and costs to increase by 6% as modernisation of the business continues and new space is added. These are in line with the planning assumptions outlined at the beginning of the year.

Boots Opticians

| | |
|---------------------|--------|
| Sales (£m) | 82.9 |
| Total | -10.5% |
| Like for like | -10.9% |
| Trading Profit (£m) | (5.0) |
| Operating Margin | -6.0% |

The first half saw some major changes in Boots Opticians as the programme to merge the business with BTC gained pace. A key part of the process is to restructure the management of the stores. The process will reduce the cost base and drive efficiency but inevitably causes a level of disruption that affects sales in the short term. This disruption, together with a downturn in the market as consumers have delayed the purchase of glasses, led to sales down 10.5% in the half.

The restructuring process is making good progress and disruption is expected to ease. However the market is expected to remain tough in H2 with the additional impact of price deflation following the deregulation of contact lenses.

Building a Better Boots

The first half of the year has seen continued focus in the five key business drivers that will move Boots The Chemists to the next phase of the plan to build a better Boots.

Healthcare First – The Healthcare business encompasses not only dispensing but also consumer healthcare – everything from over-the-counter medicines to the growing market for positive personal healthcare such as vitamins and minerals as well as alternative remedies. Healthcare is the one category that is present in every store regardless of size and location. It is also one of the fastest growing retail markets and contributes 40% of sales and 50% of profits in the Boots business.

The healthcare market in the UK grows at around 5% per year driven by three main factors. The demographic trend of greater life expectancy means people are old for longer and need more medication. Also the constant flow of innovation in pharmaceuticals has brought and will continue to bring big advances in treatments. Finally, it is clear that health spending is a priority area for Government and that within that it wants the NHS to work in partnership with the pharmacy industry. There is a clear desire for pharmacists to play a greater role in the provision of community healthcare.

Over the last two years there has been much investment in the Healthcare business to grow the pharmacy business. New pharmacies have been opened, 31 contracts have been granted so far this year of which 20 are already trading. There is a pharmacy offer available on the internet, in store facilities have been improved so that customers are served better and faster with more expert advice available. The Prescription Delivery Service has continued to grow as part of the drive to improve service and the care home business continues to win new accounts.

There has also been a drive to make the best use of the health expertise in store with a new pharmacy operating model. Already in operation in 365 stores this speeds up the dispensing process and frees up more time to spend with customers. This is a new initiative but early indications are encouraging with an up tick in volume growth and lower operating costs in the pharmacy.

The new contractual framework for pharmacy, launched in April, aims to give patients faster and easier access to primary healthcare by increasing the services offered in pharmacies. Funding has shifted away from medicine reimbursement to fees for services. The opportunity for Boots The Chemists is that now pharmacists can provide medicine use reviews for those with long term conditions, offer advice to improve public health on issues such as obesity and dispose of unwanted medicines. The first half has already seen a successful tender for the provision of Chlamydia testing in the London area.

There is significant change in this market but it also offers significant opportunities. The trusted Boots brand and network of pharmacies means Boots is well placed to capitalise on the changes.

Only at Boots – Own label and exclusive products are a key driver of differentiation and margin. Boots has a level of expertise in product development that rivals cannot replicate. Products like N^o7, 17 and Soltan are great assets.

Each of these brands have traded successfully in the year following relaunch. N^o7 has reinforced its position as Britain's leading cosmetics brand and enjoyed sales growth of 12% in the first half. Since relaunching in August, 17 sales have grown 13% while Soltan grew by 16% in the half and regained its market leadership in sun care.

Own brands are also supplemented by Boots' ability to use its scale and unique position in the market to secure exclusive deals with other brands. The first half has seen Elle McPherson's Body range and new indulgent bathing products from Ted Baker appear in store.

Only at Boots also encompasses the strong and growing beauty market. Even in a difficult consumer market total beauty sales continued to grow in the first half. Like healthcare, beauty plays to Boots strengths of being a trusted brand in a market with a high level of personal service and has continued to be an area for investment. In the first six months 28 new premium accounts were opened in 20 stores, 10 new beauty halls were built and 40 stores received new fragrance display cabinets. In some stores this has been through converting space previously used for dentistry.

Boots for Value – Boots was significantly disadvantaged by both real price differences with some of its competitors but also by a customer perception that it was too expensive. This has changed with the Lower Prices You'll Love campaign and Boots is committed to offering value for money with prices continually monitored to ensure they are fair.

In the first six months 720 prices were reduced by an average of 11% taking £21m off prices.

Part of the Boots value offer is to ensure that Boots has a full range of price points, ranging from Basics to top-end health and beauty products. The value of Boots is firmly tied to the Advantage Card, the biggest and most generous scheme on the High Street. The effectiveness of the card has been bolstered by the launch of the baby club which has contributed to the addition of 1.1m new card holders in the half. As part of the drive to offer greater value to parents a further 200 targeted price reductions have been launched across the baby category.

Right Stores, Right Place – work has continued to improve Boots property portfolio. There have been seven new Edge of Town stores opened in the first half while at the same time work has been undertaken to review the space in some of the larger stores. This work is a long-term process and where property solutions present themselves, Boots will take them. This has been aimed at making stores more efficient and driving up the sales and profits per square foot. For example, In Brent Cross, the second floor was returned to the Landlord. This removed over £300,000 from annual property costs and now two years on the store takes more sales from one floor than previously taken from two.

There is also work to do to bring some of the smaller stores up to the required standard. Many of these stores have not been invested in for some time. These smaller stores and community pharmacies are the heart of the business and need investment to give the service that customers expect. This investment will take place over time and form part of the ongoing programme to build a better Boots.

Expert Customer Care – Boots people are the key to everything Boots does.

At the start of the process to build a better Boots one of the key issues raised by Boots people in stores was the lack of investment in uniforms. That has been addressed and a new uniform has been rolled out to all stores. A change in uniform can achieve a big impression on customers and so far feedback from customers and employees is positive.

Pharmacists and healthcare specialists are at the heart of providing great professional care and advice. Currently, 2,000 pharmacists are undertaking training to carry out Medicine Usage Reviews and 154 healthcare professionals have been trained as Accuracy Checking Technicians with 250 more in training to help free up more pharmacist time for customer care. Over 300 general assistants have been retrained to provide more specialist healthcare advice. There has also been continued recruitment of pharmacists and over the last year Boots has retained three quarters of those who joined, a significant improvement on previous years reflecting the commitment to clinical excellence.

The first half saw new advertising based on the expertise in Boots and building on the trust that it creates with customers.

All these key areas are underpinned by a **continued determination to be more efficient**. There has been an on-going programme of IT changes, supply chain reforms, head office efficiencies and a better buying programme over the past six months which have delivered around half of the productivity savings target of £70m for the full year.

In the last six months further efficiencies in stores have been driven through the work on the supply chain which is now largely complete. Stock holdings are lower and the stock that is in store is more readily accessible so it can be put on shelves quickly and easily. Stock availability has remained good throughout the period.

Almost all stores now have new tills. These are a vital tool in a manager's day-to-day operations as they provide sales updates divided by category and measured against targets at the touch of a button.

There has been a continued push for better buying through Far East sourcing, e-auctions and better negotiation with suppliers.

Boots Healthcare International

| | |
|---------------------|-------|
| Sales (£m) | 265.1 |
| Total | 8.5% |
| Comparable | 8.6% |
| Trading Profit (£m) | 46.6 |
| Operating Margin | 17.6% |

Sales were up 8.6% at comparable rates and up 8.5% in sterling. Operating profit at £46.6m grew 19.8% at comparable rates.

Sales of all major brands performed well with Nurofen up 8.3%, Strepsils up 15.1% and Clearasil up 11.3% at comparable rates.

BHI Sale

The proposed sale of BHI to Reckitt Benckiser for £1.93bn and the return of over £1.4bn to shareholders by way of a special dividend of around 200p per share was announced earlier in the month.

The special dividend is, in Boots judgement, the most appropriate way to return money to shareholders. The sale is expected to complete in early 2006 and the dividend will be paid as soon as practical after completion.

The special dividend will be accompanied by a share consolidation, which will reduce the number of shares by approximately the same percentage as the special dividend bears to the company's pre dividend market capitalisation. The consolidation ratio will be set out in the circular expected to be sent out early next month and is intended to maintain the comparability of share price, earnings per share and dividend per share.

The price achieved for BHI and the size of the cash return will, once the cash return is complete, enhance earnings per share since the percentage of shares consolidated is greater than the proportion of group earnings being lost.

Approximately £400m will be retained to strengthen the balance sheet and provide flexibility for future investment and to make a special contribution to strengthen further the pension fund.

Boots Retail International

| | |
|-------------------|-------|
| Sales (£m) | 28.2 |
| Total | 13.3% |
| Comparable | 12.3% |
| Trading Loss (£m) | (1.5) |
| Operating Margin | -5.3% |

Boots Retail International had a very good first half with sales up 13.3%.

The trials with Target and CVS in the United States are progressing well and have been extended to over 150 stores and a deal has recently been concluded with M.H. Alshaya to open Boots stores in the Middle East.

Dividend

The interim dividend is 9.1p per share, the same as last year.

The interim dividend will be paid on 20th January, with the ex dividend date on 2nd November.

Sale and leaseback

A £298m sale and leaseback deal on 312 stores was completed in the half. The stores were mainly freehold High Street Shops in small towns and represented around a third of Boots freehold portfolio by value and two thirds by the number of properties.

The book value of the properties was £128m.

The transaction generated a profit of £151m with no tax payable

Cashflow and financing

Group cash flow has been well controlled in the first half. The increase in working capital in the six months to 30th September was £29m compared with £280m in the corresponding period last year. While debtors benefited from the early receipt of £85m for dispensing services, received on the last day of September rather than in October in the previous year, this represents a significant underlying improvement. The guidance for flat working capital year on year remains unchanged.

BTC stock cover has been reduced by two weeks since September 2004. At that time an additional one week's stock cover had been added to provide a buffer against potential disruption during the implementation of the supply chain changes and this extra week's cover was taken out in the second half of last year. The further reduction of one week has been delivered in two ways; around half from the later buying of Christmas products, and around half from lower stock in the back shop of stores. This represents good progress towards the goal of reducing stock cover by two weeks over the next two years.

Capital expenditure was £100m compared with £140m in the corresponding period last year. This spend is in line with guidance of £190m for the full year. The expenditure has been directed towards new stores, IT, particularly to support the healthcare business, and in new beauty halls and the relaunch of own brand cosmetics.

Asset disposals, including sale and leaseback receipts, added £296m bringing the net cash inflow after investing activities to £380m for the half year.

During the first quarter, £50m was returned to shareholders to complete the first £350m tranche of the share buy back programme. Given current market conditions and the proposed merger with Alliance UniChem, there is no intention to buy back further shares in the current year.

At 30th September 2005 net balance sheet debt stood at £500m, a reduction of £143m from the year end. Following the sale of BHI and payment of the special dividend, the 2005/06 year end balance sheet is expected to show no net debt. In assessing the Group's financial position, it is important to take into account the operational gearing from the Group's operating leases, primarily for property. Following the sale and leaseback transaction, annual operating lease payments will be around £200m with a capitalised value of approximately £1.5bn. The Group intends to operate with a strong investment grade credit rating.

Following the sale and leaseback, The Group's freehold property portfolio comprises around 100 stores, warehouses and the head office which have an aggregate book value of £400m and a market value of around £650m.

Proposed Merger with Alliance UniChem

On October 3rd 2005 Boots Group announced a proposed merger with Alliance UniChem PLC.

The merger will create Europe's leading pharmacy led healthcare group with combined sales of over £13 billion. The merger of equals builds on the existing strategies of Alliance UniChem and Boots, combining their complementary skills and businesses.

It will create Europe's leading retail pharmacy business comprising 2,600 retail outlets with a wholesale and distribution network serving over 88,000 outlets.

It will enhance international growth opportunities in new markets building on a pipeline of existing acquisition opportunities in new geographical markets for expansion of both retail pharmacy and wholesale and distribution activities.

The merger will also deliver annual pre-tax cost savings of at least £100 million by the fourth full year following completion of the merger by streamlining the combined Group's purchasing, logistics and wholesale network as well as rationalising corporate costs. There is also expected to be incremental revenue benefits from the increased availability of leading brands, own label products and the Boots Advantage Card across the larger network. In addition the Group will benefit from the application of retail pharmacy and wholesale skills across the broader Group.

The proposed merger will have to gain regulatory approval and that process has started.

**BOOTS GROUP PLC
INTERIM RESULTS**

**CONDENSED GROUP INCOME STATEMENT
FOR THE HALF YEAR ENDED 30th SEPTEMBER 2005**

| | | 6 months to 30.9.05 | 6 months to 30.9.04 ¹ | 12 months to 31.3.05 ¹ |
|---|-------|-------------------------------|-------------------------------------|--------------------------------------|
| | Notes | £m | £m | £m |
| Continuing operations | | | | |
| Revenue | 3 | 2,338.7 | 2,317.0 | 4,935.5 |
| Cost of sales | | (1,312.4) | (1,291.3) | (2,809.2) |
| Gross profit | | 1,026.3 | 1,025.7 | 2,126.3 |
| Operating costs | | (892.9) | (859.0) | (1,717.8) |
| Other operating income | | 151.6 | 1.3 | (4.3) |
| Other operating expenses | | (9.9) | - | (2.3) |
| Group operating profit before financing costs | 4 | 275.1 | 168.0 | 401.9 |
| Financial income | 5 | 89.1 | 79.9 | 153.3 |
| Financial expenses | 5 | (105.3) | (96.1) | (194.2) |
| Net financing costs | 4,5 | (16.2) | (16.2) | (40.9) |
| Profit before taxation | | 258.9 | 151.8 | 361.0 |
| Income tax expense ⁴ | 6 | (24.2) | (48.1) | (105.4) |
| Profit after taxation from continuing operations | | 234.7 | 103.7 | 255.6 |
| Profit/(loss) from discontinued operations^{2,4} | 4, 9 | 37.4 | (20.1) | 11.8 |
| Profit for the period | | 272.1 | 83.6 | 267.4 |
| Attributable to: | | | | |
| Equity holders of the parent | | 273.2 | 83.9 | 266.9 |
| Minority interest ³ | | (1.1) | (0.3) | 0.5 |
| | | 272.1 | 83.6 | 267.4 |
| Earnings per ordinary share | | | | |
| Basic – Total | 8 | 38.2p | 11.2p | 36.1p |
| Diluted – Total | 8 | 38.2p | 11.2p | 36.0p |
| Basic – Continuing | 8 | 32.8p | 13.8p | 34.6p |
| Diluted – Continuing | 8 | 32.8p | 13.8p | 34.5p |

¹ Restated for transfer of Boots Healthcare International into discontinued operations.

² Discontinued operations includes : BHI, LASIK, Dentistry, Chiroprody, Laser Hair Removal and Handbag.

³ Minority interests all relate to discontinued operations.

⁴ An overseas tax charge of £8.0m has been made across all operations (6 months to 30th September 2004 £9.0m, 12 months to 31st March 2005 £23.1m)

**BOOTS GROUP PLC
INTERIM RESULTS**

**GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 30th SEPTEMBER 2005**

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 £m | 12 months to 31.3.05 £m |
|--|-------------------------------------|------------------------------|-------------------------------|
| Foreign exchange translation differences | 7.1 | 0.8 | 1.4 |
| Actuarial losses on defined benefit pension schemes ¹ | (38.5) | 5.7 | 11.4 |
| Effective portion of changes in fair value of cash flow hedges | (0.3) | 0.2 | 0.3 |
| Net (expense)/income recognised directly in equity | (31.7) | 6.7 | 13.1 |
| Profit for the period | 272.1 | 83.6 | 267.4 |
| Total recognised income and expense for the period | 240.4 | 90.3 | 280.5 |
| Attributable to: | | | |
| Equity holders of the parent | 241.5 | 90.6 | 280.0 |
| Minority interest | (1.1) | (0.3) | 0.5 |
| Total recognised income and expense for the period | 240.4 | 90.3 | 280.5 |

¹ Actuarial losses on defined benefit pension schemes include tax of £16.5m (30.9.04 £2.4m, 31.3.05 £4.8m).

BOOTS GROUP PLC
INTERIM RESULTS

GROUP BALANCE SHEET
30th SEPTEMBER 2005

| | Notes | At 30.9.05 £m | At 30.9.04 £m | At 31.3.05 £m |
|--|-------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Goodwill | | 0.4 | 2.0 | 0.4 |
| Other intangible assets | | 162.5 | 410.5 | 441.8 |
| Property, plant & equipment | | 1,282.6 | 1,420.6 | 1,452.6 |
| Other receivables | | 56.7 | 56.2 | 58.4 |
| Deferred tax assets | | 52.8 | 57.6 | 65.4 |
| | | 1,555.0 | 1,946.9 | 2,018.6 |
| Current assets | | | | |
| Inventories | | 765.8 | 907.0 | 713.6 |
| Trade and other receivables | | 495.1 | 592.8 | 572.2 |
| Current tax asset | | 0.8 | 3.1 | 11.5 |
| Listed investments | | 0.3 | 0.2 | 0.2 |
| Cash and cash equivalents | | 214.3 | 94.0 | 128.7 |
| Non-current assets held for sale | | 1.9 | 1.9 | 0.7 |
| Disposal group assets held for sale | 9 | 674.0 | 1.4 | - |
| | | 2,152.2 | 1,600.4 | 1,426.9 |
| Total assets | | 3,707.2 | 3,547.3 | 3,445.5 |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Short term borrowings and overdrafts | | (151.2) | (479.4) | (183.8) |
| Current tax liability | | (57.9) | (84.7) | (95.1) |
| Trade and other payables | | (638.9) | (723.0) | (658.9) |
| Provisions | | (22.6) | (6.8) | (12.2) |
| Disposal group liabilities held for sale | 9 | (319.4) | (28.5) | - |
| | | (1,190.0) | (1,322.4) | (950.0) |
| Non-current liabilities | | | | |
| Borrowings | | (579.2) | (362.6) | (587.1) |
| Other payables | | (7.2) | (35.2) | (49.4) |
| Deferred tax liabilities | | (113.1) | (124.7) | (136.6) |
| Non current tax liability | | (0.8) | - | (0.6) |
| Retirement benefit obligations | 10 | (136.9) | (74.2) | (87.6) |
| Provisions | | (12.3) | (13.4) | (12.3) |
| | | (849.5) | (610.1) | (873.6) |
| Total liabilities | | (2,039.5) | (1,932.5) | (1,823.6) |
| Net assets | | 1,667.7 | 1,614.8 | 1,621.9 |
| EQUITY | | | | |
| Called up share capital | | 180.6 | 187.2 | 182.6 |
| Share premium account | | 2.2 | 2.3 | 2.3 |
| Capital redemption reserve | | 28.6 | 22.0 | 26.5 |
| Hedging reserve | | (0.3) | (0.1) | - |
| Fair value reserve | | 0.2 | 0.1 | 0.1 |
| Translation reserve | | 8.5 | 0.8 | 1.4 |
| Merger reserve | | 310.8 | 310.8 | 310.8 |
| Retained profit | | 1,137.1 | 1,090.9 | 1,097.1 |
| Equity shareholders' funds | | 1,667.7 | 1,614.0 | 1,620.8 |
| Equity minority interests | | - | 0.8 | 1.1 |
| | | 1,667.7 | 1,614.8 | 1,621.9 |

**BOOTS GROUP PLC
INTERIM RESULTS**

**GROUP CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30th SEPTEMBER 2005**

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 £m | 12 months to 31.3.05 £m |
|--|-------------------------------------|------------------------------|-------------------------------|
| Cash flows from operating activities | | | |
| Profit for the period | 272.1 | 83.6 | 267.4 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairments | 92.1 | 78.6 | 164.5 |
| Profit on disposal of property, plant & equipment | (149.0) | (1.3) | (0.7) |
| Interest expense | 16.6 | 16.0 | 41.2 |
| Income tax expense | 38.3 | 60.8 | 136.9 |
| Other cash flows from operating activities | 3.0 | 3.8 | (1.0) |
| Operating profit before changes in working capital and provisions | 273.1 | 241.5 | 608.3 |
| Increase in working capital | (29.1) | (279.6) | (121.9) |
| Increase in provisions and employee benefits | 6.5 | 3.5 | 2.6 |
| Cash generated from operations | 250.5 | (34.6) | 489.0 |
| Income taxes paid | (66.5) | (59.6) | (128.8) |
| Loss on sale of discontinued business (net of tax) | - | 36.1 | 39.9 |
| Net cash from operating activities | 184.0 | (58.1) | 400.1 |
| Cash flows from investing activities | | | |
| Acquisition of subsidiary | - | (4.6) | (9.0) |
| Acquisition of property, plant & equipment | (99.6) | (140.1) | (303.4) |
| Proceeds from sale of property, plant & equipment | 295.7 | (0.2) | 20.5 |
| Net cash used in investing activities | 196.1 | (144.9) | (291.9) |
| Net cash flows after investing activities | 380.1 | (203.0) | 108.2 |
| Cash flows from financing activities | | | |
| Repurchase of own shares | (49.9) | (181.0) | (303.3) |
| Dividends paid | (149.5) | (158.2) | (225.1) |
| Interest received | 11.8 | 12.2 | 14.5 |
| Interest paid | (30.1) | (23.1) | (36.5) |
| Other cash flows from financing activities | (21.0) | (14.8) | 284.8 |
| Net cash used in financing activities | (238.7) | (364.9) | (265.6) |
| Net increase/(decrease) in cash and cash equivalents | 141.4 | (567.9) | (157.4) |
| Cash and cash equivalents at beginning of period | 79.7 | 236.6 | 236.6 |
| Effect of exchange rate fluctuations on cash held | (1.7) | (1.3) | 0.5 |
| Cash and cash equivalents at end of period | 219.4 | (332.6) | 79.7 |

Notes

1. Basis of preparation

The attached interim financial statements are the first interim financial statements following the adoption of International Financial Reporting Standards (IFRS).

On 14th July 2005, the Group published an analysis of the impact of adopting IFRS from 1st April 2004. This News Release is available from the company's web site at www.boots-plc.com. This included income statement, balance sheet and opening balance sheet reconciliations, as well as details of the accounting policies applied in restating its financial statements for the year ended 31 March 2005 and period ended 30th September 2004. In addition to the published reconciliations from 14th July 2005 announcement, cash flow statements, statements of recognised income and expense and statements of changes in equity for the year ended 31st March 2005 and period ended 30th September 2004 are also available from the company's web site.

On 26th October 2005 an updated version of these reconciliations was published on the same web site. Other than the reclassification of Boots Healthcare International as a discontinued operation no changes have occurred since the 14th July announcement except for minor amendments that have arisen as interpretation of the new standards becomes clearer.

These financial statements have been prepared in accordance with accounting policies the Group expects to follow at the year-end. EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the company, for the year ending 31st March 2006, be prepared in accordance with IFRS adopted for use in the EU ("adopted IFRS"). This interim financial information has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that either are endorsed by the EU and effective (or available for early adoption) at 31st March 2006 or are expected to be endorsed and effective (or available for early adoption) at 31st March 2006, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these IFRSs, the directors have made assumptions about the accounting policies expected to be applied, when the first annual IFRS financial statements are prepared for the year ending 31st March 2006.

In particular, the directors have assumed that the amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures, will be endorsed by the EU in sufficient time that it will be available for use in the annual IFRS financial statements for the year ending 31st March 2006.

In addition, the adopted IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ending 31st March 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 31st March 2006.

Section 240 Statement

The comparative figures for the financial year ended 31st March 2005 are not the company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

As allowed by IFRS 1 'First-time adoption of IFRS', the Group has elected not to apply IFRS 3 retrospectively to business combinations that occurred before 1st April 2004. The impact of this exemption on Boots is as follows:

- All business combinations before 1st April 2004 will not be restated.
- £22.0m of goodwill has been reclassified as other intangible assets and will continue to be amortised over 20 years.
- The remaining goodwill of £2.0m has been frozen at 1st April 2004 and the amortisation for 2005 has been reversed.

Under IAS 16 Property, Plant and Equipment (PPE) an entity must adopt either a cost or revaluation model for valuing its PPE. Boots has chosen to take the first time adoption exemption available under IFRS 1 to use a previous revaluation for an item of PPE as its deemed cost at the transition date. The deemed cost at 1st April 2004 is £2,433.3m, which includes revaluations (from 1993 and before) of £253.9m.

IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to classify some translation differences as a separate component of equity and on disposal of a foreign entity to transfer the cumulative translation differences for that foreign operation to the income statement as part of the gain or loss on disposal. Boots has taken the exemption available in IFRS 1 that deems all cumulative translation differences for all foreign operations to be zero at 1st April 2004.

The option not to apply IAS 32 and IAS 39 for 2004/05 available under IFRS 1 has not been taken. These standards have been applied in full from 1st April 2004.

The interim financial statements for the six months ended 30th September 2005 were approved by the Board on 26th October 2005.

2. Group statement of changes in equity

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 £m | 12 months to 31.3.05 £m |
|---|-------------------------------------|------------------------------|-------------------------------|
| Total recognised income and expense for the period | 240.4 | 90.3 | 280.5 |
| Dividends | (149.5) | (158.8) | (225.1) |
| Dividends to minority interest | - | - | (0.6) |
| Net share capital issued (net of expenses) | - | 2.2 | 2.0 |
| Repurchase of shares | (49.9) | (178.4) | (300.0) |
| Exercise of options and charge for share scheme awards | 4.7 | 5.5 | 5.8 |
| Disposal of own shares | 0.1 | 2.4 | 7.7 |
| Net increase/(decrease) in total equity | 45.8 | (236.8) | (229.7) |
| Opening total equity | 1,621.9 | 1,851.6 | 1,851.6 |
| Closing total equity | 1,667.7 | 1,614.8 | 1,621.9 |

3. Revenue by business segment

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 ¹ £m | 12 months to 31.3.05 ¹ £m |
|--|------------------------------|---|--|
| Boots The Chemists (BTC) | 2,196.0 | 2,171.1 | 4,651.1 |
| Boots Opticians (BOL) | 82.9 | 92.7 | 180.3 |
| | 2,278.9 | 2,263.8 | 4,831.4 |
| Boots Retail International (BRI) ⁴ | 27.0 | 24.3 | 46.4 |
| Group and Other ⁵ | 32.8 | 28.9 | 57.7 |
| Revenue from continuing operations | 2,338.7 | 2,317.0 | 4,935.5 |
| Revenue from discontinued operations ^{2,3} | 255.2 | 257.4 | 535.2 |
| | 2,593.9 | 2,574.4 | 5,470.7 |

¹ Restated for transfer of Boots Healthcare International into discontinued operations, and for transfer of Wellbeing Services from Boots Opticians into Group and Other

² Discontinued operations include : BHI, LASIK, Dentistry, Chiropody, Laser Hair Removal and Handbag.

³ Revenue from discontinued businesses includes Boots Healthcare International, the elements of third party manufacturing that are to be disposed of with BHI, those relating to closed services businesses and excludes inter-segmental sales of £15.1m (6 months to 30th September 2004 £15.2m, 12 months to 31st March 2005 £1.9m)

⁴ Boots Retail International excludes inter-segmental sales of £1.2m (6 months to 30th September 2004 £0.6m, 12 months to 31st March 2005 £1.9m).

⁵ Group and Other consists of the third party manufacturing sales which are to be retained following the disposal of BHI.

4. Profit for the period

6 months to 30th September 2005

| | BTC | BOL | BRI | Group & Other | Continuing operations | Discontinued Operations | | | Total |
|---------------------------------------|-------|-------|-------|---------------|-----------------------|-------------------------|----------|--------|--------|
| | | | | | | BHI | Services | Total | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Trading profit | 164.2 | (5.0) | (1.5) | (24.3) | 133.4 | 46.6 | (0.2) | 46.4 | 179.8 |
| Depreciation on disposal group assets | - | - | - | - | - | 3.4 | - | 3.4 | 3.4 |
| Profit on sale and leaseback | - | - | - | 150.7 | 150.7 ¹ | - | - | - | 150.7 |
| Loss on sale of PPE | - | - | - | (1.6) | (1.6) ¹ | (0.1) | - | (0.1) | (1.7) |
| Profit/(loss) on BHI re-organisation | - | - | - | (7.4) | (7.4) ¹ | 7.4 | - | 7.4 | - |
| Costs relating to disposal of BHI | - | - | - | - | - | (5.3) | - | (5.3) | (5.3) |
| Operating profit | 164.2 | (5.0) | (1.5) | 117.4 | 275.1 | 52.0 | (0.2) | 51.8 | 326.9 |
| Net financing costs | | | | | (16.2) | | | (0.3) | (16.5) |
| Income tax expense | | | | | (24.2) | | | (14.1) | (38.3) |
| Profit for the period | | | | | 234.7 | | | 37.4 | 272.1 |

¹ The taxation impact of the non Trading profit items is £10.0m credit

6 months to 30th September 2004

| | BTC | BOL | BRI | Group & Other | Continuing operations | Discontinued Operations | | | Total |
|------------------------------|-------|-----|-------|---------------|-----------------------|-------------------------|----------|--------|--------|
| | | | | | | BHI | Services | Total | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Trading profit | 201.8 | 0.8 | (3.9) | (32.0) | 166.7 | 36.3 | (6.2) | 30.1 | 196.8 |
| Profit/(loss) on sale of PPE | - | - | - | 1.3 | 1.3 ² | - | - | - | 1.3 |
| Operating profit | 201.8 | 0.8 | (3.9) | (30.7) | 168.0 | 36.3 | (6.2) | 30.1 | 198.1 |
| Net financing (costs)/income | | | | | (16.2) | | | 0.1 | (16.1) |
| Share of joint venture | | | | | - | | | (1.5) | (1.5) |
| Loss on sale of business | | | | | - | | | (45.1) | (45.1) |
| Income tax expense | | | | | (48.1) | | | (3.7) | (51.8) |
| Profit for the period | | | | | 103.7 | | | (20.1) | 83.6 |

² The taxation impact of the non Trading profit items is £nil

12 months to 31st March 2005

| | BTC | BOL | BRI | Group & Other | Continuing operations | Discontinued Operations | | | Total |
|------------------------------|-------|-----|-------|---------------|-----------------------|-------------------------|----------|--------|---------|
| | | | | | | BHI | Services | Total | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Trading profit | 459.0 | 2.4 | (8.1) | (44.8) | 408.5 | 84.7 | (6.5) | 78.2 | 486.7 |
| Profit/(loss) on sale of PPE | - | - | - | (6.6) | (6.6) ³ | - | - | - | (6.6) |
| Profit on sale of brand | - | - | - | - | - | 7.3 | - | 7.3 | 7.3 |
| Operating profit | 459.0 | 2.4 | (8.1) | (51.4) | 401.9 | 92.0 | (6.5) | 85.5 | 487.4 |
| Net financing costs | | | | | (40.9) | | | (0.3) | (41.2) |
| Share of joint venture | | | | | - | | | (2.0) | (2.0) |
| Loss on sale of business | | | | | - | | | (56.7) | (56.7) |
| Income tax expense | | | | | (105.4) | | | (14.7) | (120.1) |
| Profit for the period | | | | | 255.6 | | | 11.8 | 267.4 |

³ The taxation impact of the non Trading profit items is £2.1m charge

5. Financial income and expenses

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 £m | 12 months to 31.3.05 £m |
|--|------------------------------|------------------------------|-------------------------------|
| Interest receivable and similar income | 7.4 | 8.9 | 11.3 |
| Expected return on pension scheme assets | 81.7 | 71.0 | 142.0 |
| Financial income | 89.1 | 79.9 | 153.3 |
| Interest payable and similar charges | (22.0) | (16.6) | (35.2) |
| Interest on pension scheme liabilities | (83.3) | (79.5) | (159.0) |
| Financial expenses | (105.3) | (96.1) | (194.2) |
| Net financing costs | (16.2) | (16.2) | (40.9) |
| Analysed as: | | | |
| Net interest payable | (14.6) | (7.7) | (23.9) |
| Net other financing costs | (1.6) | (8.5) | (17.0) |
| Net financing costs | (16.2) | (16.2) | (40.9) |

6. Taxation

Taxation on the continuing operations has been provided at an estimated effective rate of 9.4% (6 months to 30th September 2004 31.7%, 12 months to 31st March 2005 29.2%). The taxation rate is low as a result of a release of deferred taxation provisions relating to revalued property which are no longer required following the sale and leaseback of 312 shops in July 2005, and as a result of the profit arising on the sale and leaseback transaction being tax free due to the offset of capital losses.

7. Dividends

Dividends paid during the period were £149.5m (2004 158.2m)

After the balance sheet date, the directors have declared an interim dividend of 9.1p per share (2004 9.1p per share). The dividends have not been provided for, and there are no income tax consequences.

The dividend, which amounts to £64.9m (2004 £67.1m), will be paid on 20th January 2006 to shareholders on the register on 4th November 2005. The shares will be quoted ex dividend on 2nd November 2005. 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 29th December 2005 if they are to apply to this interim dividend.

8. Earnings per share

| | 6 months to 30.9.05 | 6 months to 30.9.04 ¹ | 12 months to 31.3.05 ² |
|--|------------------------|-------------------------------------|--------------------------------------|
| Basic earnings per share – total | 38.2p | 11.2p | 36.1p |
| Diluted earnings per share – total | 38.2p | 11.2p | 36.0p |
| Basic earnings per share – discontinued | 5.4p | (2.6p) | 1.5p |
| Diluted earnings per share – discontinued | 5.4p | (2.6p) | 1.5p |
| Basic earnings per share – continuing trading profit | 11.6p | 13.7p | 35.7p |
| Diluted earnings per share – continuing trading profit | 11.6p | 13.7p | 35.7p |

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

| | 6 months to 30.9.05 £m | 6 months to 30.9.04 £m | 12 months to 31.3.05 £m |
|--|------------------------------|------------------------------|-------------------------------|
|--|------------------------------|------------------------------|-------------------------------|

Earnings

| | | | |
|--|--------------|--------|-------|
| Earnings for adjusted basic and diluted earnings per share calculation – total | 273.2 | 83.9 | 266.9 |
| Earnings for adjusted basic and diluted earnings per share calculation – continuing | 234.7 | 103.7 | 255.6 |
| Earnings for adjusted basic and diluted earnings per share calculation – discontinued | 38.5 | (19.8) | 11.3 |
| Earnings for adjusted basic and diluted earnings per share calculation – continuing trading profit | 83.0 | 102.4 | 264.3 |

| | 6 months to 30.9.05 m | 6 months to 30.9.04 m | 12 months to 31.3.05 m |
|--|-----------------------------|-----------------------------|------------------------------|
|--|-----------------------------|-----------------------------|------------------------------|

Number of shares

| | | | |
|--|--------------|-------|-------|
| Weighted average number of shares used in basic earnings per share calculation | 714.4 | 747.8 | 739.8 |
| Dilutive effect of options | 1.1 | 1.4 | 1.1 |
| Weighted average number of shares used in diluted earnings per share calculation | 715.5 | 749.2 | 740.9 |

The weighted average number of shares used in the 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.

9. Non current assets held for sale and discontinued operations

Boots Healthcare International is presented as held for sale following the announcement of the decision to sell the consumer healthcare business which was made on 7th April 2005. The decision is part of the continuing focus on Boots The Chemists. On 7th October an agreement to sell the BHI business to Reckitt Benckiser for £1.926bn was announced. Approximately £1.4bn of the proceeds will be returned to shareholders by way of a special dividend, equating to approximately £2 per share. This will be accompanied by a share consolidation. Completion of the sale is expected by 31st March 2006.

During the period to 30th September 2005, Boots Healthcare International generated sales of £265.1m (including £15.1m of inter-segmental sales) and a trading profit before financial income and expenses of £46.6m. The profit of Boots Healthcare International is included in discontinued operations within the group consolidated income statement. A number of items were not charged or credited to trading profit in the period. These included a credit for the add-back of the normal BHI depreciation charge which is the required treatment under IFRS5 (£3.4m); a credit arising from intra-group legal entity restructuring prior to the disposal of BHI (£7.4m) and a charge for costs which have arisen only as a result of the impending disposal (£5.3m).

During the prior periods Boots Healthcare International, Dentistry, LASIK, Chiropody, Laser Hair Removal and Handbag are classified as discontinued operations within the Group Income Statement.

At 30th September 2005, the disposal group comprised assets of £674.0m, less liabilities of £319.4m. No gain or loss arose on the measurement to fair value less cost to sell. At 30th September 2004 the disposal group comprised assets and liabilities relating to the Services businesses which were sold during the second half of 2004/05.

10. Pensions

The principal UK pension scheme is Boots Pension Scheme. The independent scheme actuary carried out the latest full valuation of the scheme as at 1st April 2004.

The group also operates defined benefit plans for a number of overseas schemes. Although no formal valuation has been performed in respect of the main Boots Pension Scheme at 30th September 2005, the independent scheme actuary has estimated the pension deficit at this date. Accordingly the overall deficit for all defined benefit schemes has increased to £136.9m (31st March 2005 - £87.6m)

11. Half year report

A summary of the half year report will be published in the Daily Telegraph on 28th October 2005. Copies of the summary or of this half year report will be available at 'www.boots-plc.com' or from The Secretary, Boots Group PLC, Nottingham NG2 3AA.

12. Other information

There will be a live audiocast of the presentation to analysts at 09.00 hours BST on Thursday 27th October 2005. The slide presentation will be available from 10.30 hours BST on the same day. Both can be accessed from the Investor Information page at 'www.boots-plc.com'.

Independent review report to Boots Group PLC

Introduction

We have been engaged by the company to review the financial information set out on pages 12 to 22 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 to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. 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. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information on page 16, the next annual financial statements of the group will be prepared in accordance with IFRSs adopted for use in the European Union.

The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements. There is however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in note 1, the directors have anticipated that certain standards, which have yet to be formally adopted for use in the EU, will be so adopted in time to be applicable to the next annual financial statements.

Review work performed

We conducted our review in accordance with 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 2005.

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

27th October 2005