



Registration
Number
463261

BOOTS DENTALCARE LIMITED
DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2004



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Registration
No: 463261

BOOTS DENTALCARE LIMITED

Board of Directors

Year ended 31st March 2004

Directors

A H Brook
C Potts

Secretary

S Fennell

Registered Office

1 Thane Road West
Nottingham, NG2 3AA

BOOTS DENTALCARE LIMITED

Directors' Report

Year ended 31st March 2004

The directors present their annual report together with the audited financial statements for the year ended 31st March 2004.

Principal activities

The company's principal activity is provision of dental treatments.

Review of the business

During the year, the Company continued to trade in the provision of dental treatments. On 14th October 2004, Optical Express acquired the business. Optical Express will operate this business from 31st December 2004. This has resulted in a £22.5m write down of fixed assets during 2004/5.

Results, dividends and retentions

Details of the loss and retentions are shown in the profit and loss account on page 6.

Payment of suppliers

The group is a signatory of the Better Payment Practice Code and Boots Dentalcare Limited 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 2004 was 2 days (2003: Nil days).

Staff

The company continues to involve staff in the decision-making process and communicates regularly with staff during the year. Their involvement in the company's performance is encouraged through employee bonus and share schemes. The involvement extends to the board of Boots Pensions Ltd; on which there are three group employee representatives as well as a retired employee.

The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity, regardless of sex, religion or ethnic origin. The company does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Directors

The details of directors in office on 31st March 2004 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:

Resignations
N A Usher

Date
11th March 2004

Registration
No: 463261

BOOTS DENTALCARE LIMITED

Directors' Report


Year ended 31st March 2004

Remuneration of directors and directors' shareholdings

Details of remuneration and shareholdings of the directors are included in notes 15 and 16 on pages 17 to 19.

By order of the board

~~S Fennell~~
Secretary


C. Pettis
Director

25 January 2005
Date

BOOTS DENTALCARE LIMITED
Directors' responsibilities statement
Year ended 31st March 2004

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss for that year. In preparing those financial statements, directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

BOOTS DENTALCARE LIMITED

Independent Auditors' Report

Year ended 31st March 2004

Independent Auditors' Report to the members of Boots Dentalcare Limited.

We have audited the financial statements on pages 6 to 20.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.


Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st March 2004 and of its loss 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

28 January 2005
Date

BOOTS DENTALCARE LIMITED

Profit and Loss Account

Year ended 31st March 2004

	Notes	2004 £000	*Restated 2003 £000
Turnover	1	22,174	20,139
Cost of sales		(22,264)	(26,071)
Gross loss		(90)	(5,932)
Operating costs	2	(15,803)	(17,515)
Operating loss		(15,893)	(23,447)
Loss on disposal of fixed assets		-	(373)
Loss on ordinary activities before interest		(15,893)	(23,820)
Net interest payable	3	(13)	(12)
Loss on ordinary activities before taxation		(15,906)	(23,832)
Tax on loss on ordinary activities	4	4,320	6,636
Loss on ordinary activities after taxation being loss for the financial year	12	(11,586)	(17,196)

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

The results for both periods are wholly attributable to the continuing operations of the company.

BOOTS DENTLCARE LIMITED
Other Primary Statements
For the year ended 31st March 2004

Statement of total recognised gains and losses	2004 £000	* Restated 2003 £000
Loss for the financial year attributed to shareholders and total recognised gains and losses	(11,586)	(17,196)
Prior year adjustment	(130)	
Total gains and losses recognised since last financial statements (note 1)	(11,716)	
Reconciliation of movements in shareholder's funds	2004 £000	* Restated 2003 £000
Total recognised gains and losses for the year	(11,586)	(17,196)
Net increase in shareholder's deficit	(11,586)	(17,196)
Opening shareholder's deficit (originally £45,075,000 before deducting prior year adjustment of £130,000)	(45,205)	(28,009)
Closing shareholder's deficit	(56,791)	(45,205)

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

BOOTS DENTALCARE LIMITED

Balance Sheet

At 31st March 2004

	Notes	2004 £000	* Restated 2003 £000
Fixed assets			
Tangible assets	5	23,823	25,451
Current assets			
Stocks	6	1	1
Debtors falling due within one year	7	350	902
Debtors falling due after more than one year	7	4,752	13,431
		5,102	14,333
		<u>5,103</u>	<u>14,334</u>
Creditors: Amounts falling due within one year	8	(1,440)	(1,299)
Net current assets		<u>3,663</u>	<u>13,035</u>
Total assets less current liabilities		27,486	38,486
Creditors: Amounts falling due after more than one year	9	(82,144)	(82,443)
Provisions for liabilities and charges	10	(2,133)	(1,248)
Net liabilities		<u>(56,791)</u>	<u>(45,205)</u>
Capital and reserves			
Called up share capital	11	1	1
Share premium account	12	41	41
Profit and loss account	12	(56,833)	(45,247)
Equity shareholder's deficit		<u>(56,791)</u>	<u>(45,205)</u>

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

The financial statements were approved by the Board of Directors on 25 January 2005
and are signed on its behalf by: C Potts


Director

BOOTS DENTLCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

1. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

During the year, new requirements on revenue recognition, in the form of an Application Note to FRS 5 'Reporting the Substance of Transactions', were issued and became effective for this year's financial statements. The effects of this Application Note are shown in Note 20.

The directors believe it is appropriate to prepare the financial statements on the going concern basis because it is the Group's intention to support the company for the foreseeable future.

Fixed assets and depreciation

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

- Freehold land and assets in the course of construction – not depreciated.
- Long leasehold buildings, including shops with physical lives of more than 50 years - depreciated to their estimated residual values over their economic useful lives of not more than 50 years.
- Short leasehold properties - remaining period of lease when less than 50 years.
- Plant, equipment, fixtures and fittings and motor vehicles - depreciated over 3 to 20 years according to the estimated life of the asset.

No depreciation is provided on freehold property. In the opinion of the directors, these 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 fixed assets is recognised immediately.

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 DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

1. Accounting policies (continued)

Turnover

Turnover comprises amounts receivable for goods and services (excluding value added tax and other sales taxes). Consideration received from customers is only recorded as turnover when the company has completed full performance in respect of that consideration. Turnover is all within the UK.

Pensions

The company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company.

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

Leases

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

Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account to produce, or approximate to, a constant periodic rate of charge on the remaining balance of the outstanding obligations.

Deferred taxation

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, by the balance sheet date. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date. This is in accordance with FRS 19.

No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets where any liability is expected to be deferred indefinitely.

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

2. Operating costs	2004	2003
	£000	£000
Selling, distribution and store costs	5,253	3,486
Administrative expenses	10,550	14,029
Operating costs	15,803	17,515

Operating loss shown on page 6 is after charging/(crediting):

Operating lease rentals		
- Property rents	225	251
- Computer and plant hire	4	11
Depreciation of tangible fixed assets		
- Owned assets	2,247	2,726
- Assets held under finance leases	56	78
Remuneration of auditors' - audit fees	-	2
Profit on disposal of fixed assets	-	(25)

3. Net interest payable	2004	2003
	£000	£000
Interest receivable:		
Bank interest	-	7
Interest payable:		
Finance lease interest	(13)	(19)
Net interest payable	(13)	(12)

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

4. Tax on loss on ordinary activities	2004	* Restated 2003
	£000	£000

The credit on the loss for the year consists of:

Current taxation

UK corporation tax	(4,937)	(7,077)
Adjustment in respect of prior years	(268)	125
Total current tax	(5,205)	(6,952)

Deferred taxation

Origination and reversal of timing differences	885	316
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Tax on loss on ordinary activities	(4,320)	(6,636)
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Reconciliation of current tax credit

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax credit for the current year is above (2003 – below) the standard rate for the reasons set out in the following reconciliation.

	2004	* Restated 2003
	£000	£000
Loss on ordinary activities before tax	(15,906)	(23,832)
UK corporation tax at standard rate of 30.0%	(4,772)	(7,150)
Factors affecting credit for the year:		
Changes in accelerated capital allowances	(315)	(434)
Disallowable expenses	292	426
Exceptional item	-	46
Other timing differences	(142)	35
Adjustments in respect of prior years	(268)	125
Total current tax credit for the year	(5,205)	(6,952)

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

5. Tangible fixed assets					
	Land and Buildings £000	Plant and machinery £000	Fixtures, fittings, tools and equipment £000	Payments on Account and Assets in Course of Construction £000	Total £000
Cost or valuation					
At 1st April 2003	6	569	29,503	-	30,078
Additions	-	11	314	500	825
Disposals	-	(191)	-	-	(191)
Group transfers	-	(137)	(24)	-	(161)
At 31st March 2004	6	252	29,793	500	30,551
Depreciation					
At 1st April 2003	6	107	4,514	-	4,627
Depreciation for year	-	67	2,236	-	2,303
Disposals	-	(61)	(12)	-	(73)
Group transfers	-	(39)	(90)	-	(129)
At 31st March 2004	6	74	6,648	-	6,728
Net book value at 31st March 2003	-	462	24,989	-	25,451
Net book value at 31st March 2004	-	178	23,145	500	23,823

The cost of plant and machinery includes £128,000 (2003 £444,000) in respect of assets held under finance leases on which accumulated depreciation at the end of the year was £50,000 (2003: £95,000). The depreciation charge on assets held under finance leases for the year was £56,000 (2003 £78,000).

6. Stocks		
	2004 £000	2003 £000
Finished goods and goods for resale	<u>1</u>	<u>1</u>

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

7. Debtors	2004	2003
	£000	£000
Falling due within one year:		
Trade debtors	-	626
Amounts owed by group undertakings	285	-
Other debtors	65	245
Prepayments and accrued income	-	31
	<u>350</u>	<u>902</u>
Falling due after more than one year:		
Amounts owed by group undertakings	4,752	13,431
Total debtors	<u>5,102</u>	<u>14,333</u>

8. Creditors falling due within one year	2004	2003
	£000	£000
Trade creditors	92	-
Amounts owed to group undertakings	16	-
Other taxation and social security	26	287
Other creditors	261	183
Accruals and deferred income	1,015	730
Obligations under finance leases	30	99
	<u>1,440</u>	<u>1,299</u>

9. Creditors falling due after more than one year	2004	* Restated 2003
	£000	£000
Amounts due to group undertakings	82,100	82,205
Obligations under finance leases:		
- Within one to two years	44	106
- Within two to five years	-	132
	<u>82,144</u>	<u>82,443</u>

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

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

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

10. Provisions for liabilities and charges	Deferred taxation £000
At 1st April 2003	1,303
Prior year adjustment	(55)
At 1st April 2003 as restated	1,248
Profit and loss account	885
At 31st March 2004	2,133

	2004 £000	* Restated 2003 £000
Analysis of deferred tax liability:		
Accelerated capital allowances	2,123	1,303
Other timing differences	10	(55)
	2,133	1,248

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

11. Called up share capital	2004 £	2003 £
Authorised:		
3,000 ordinary shares of £1 each	3,000	3,000
Issued:		
520 ordinary shares of £1 each	520	520

12. Reserves	Share premium account £000	Profit and Loss Account £000	Total £000
At 1st April 2003	41	(45,117)	(45,076)
Prior year adjustment	-	(130)	(130)
At 1st April 2003 as restated	41	(45,247)	(45,206)
Loss retained	-	(11,586)	(11,586)
At 31st March 2004	41	(56,833)	(56,792)

*Restated on adoption of FRS 5 application note G: Revenue Recognition (note 1).

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

13. Commitments

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

	2004 £000	2003 £000
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Contracts placed	-	-
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b) Annual commitments under operating leases at 31st March 2004 are as follows:

	Land and Buildings £000	Other £000
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Expiring:		
Within one year	-	11
Over five years	163	-
	163	11

Annual commitments under operating leases at 31st March 2003 were as follows:

	Land and Buildings £000	Other £000
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Expiring:		
Within one year	-	9
Over one year and less than five years	66	-
Over five years	98	-
	164	9

14. Staff numbers and costs

	2004 Number	2003 Number
The average number of full time equivalents employed by the company during the period was as follows:	565	769

	2004 £000	2003 £000
The aggregate payroll cost was as follows:		
Wages and salaries	20,219	22,576
Social security costs	1,194	1,883
Other pension costs	261	401
	21,674	24,860

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

15. Directors' remuneration	2004 £000	2003 £000
i) Directors' emoluments for services to the company	171	209
ii) Monies received from long term bonus schemes	17	-
iii) (a) The remuneration of the highest paid director, excluding pension contributions	205	164
(b) (i) Increase in accrued pension during the year, including inflation	2	-
(ii) Accumulated total accrued pension at year end	8	-

The highest paid director did not receive or exercise any share options during the year.

	2004	2003
iv) Number of directors who are members of defined benefit pension schemes	1	1
v) Number of directors who have exercised options during the year (who are not directors of the ultimate holding company)	-	-

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

16. 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 2004 are shown below. No director holds any loan capital in the ultimate holding company. The share interests of the directors of the ultimate holding company are included within those group financial statements.

		Ordinary shares under executive and SAYE options						
Ordinary shares 2004	Ordinary Shares 2003	Ordinary Shares under Options 2004	Average Option Price 2004	Exercised during the year	Exercise price	Market price at date of exercise	Granted during the year	Ordinary Shares under options 2003
C Potts	203*	-	21,988	£5.91	-	-	10,877	11,111

* Included within the Ordinary shares held are shares purchased under the Share Investment Plan by the following:
C Potts 203 shares

The market price of the ultimate holding company's shares at 31st March 2004 was 619.5p. The range of market prices during the year was 524.5p to 752.5p. Prices shown for options exercised during the year represent the weighted average of prices. The average option price for 2004 represents the weighted average price for options outstanding at 31st March 2004.

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

Under the executive share option plan, certain directors were granted options to subscribe for ordinary shares in Boots Group PLC. These options become exercisable 3 years after grant if the performance target is met. If the target is not met, the performance period is extended but if the target is still not met by the end of the sixth year of the performance period, the options lapse. Once the performance target is met, such options are exercisable up to 10 years from grant at option prices of between 576p and 606p.

BOOTS DENTALCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

16. Directors' shareholdings and share options (continued)

The table below shows the number of shares in Boots Group PLC (the ultimate holding company) that have been conditionally awarded to certain directors under the All Employee Share Ownership Plan. The employee will normally become unconditionally entitled to these shares after remaining employed for three years from the date the award is made.

Free Shares			
awards under the All Employee Share Ownership Plan			
	31st March 2004	Awarded during the year	31st March 2003
C Potts	79	40	39

As a potential beneficiary, each director is deemed to have an interest in a total of 15,701,287 ordinary shares of Boots Group PLC held by the following employee trusts, namely, Boots ESOP Trust Limited (established to facilitate the operation of the company's executive bonus schemes), Boots (QUEST) Trustee Limited (established in connection with the company's UK all-employee SAYE Share Option Scheme) and Boots Share Plan Trustee Limited (established in connection with the All Employee Share Ownership Plan).

17. Pensions

The company participates in a funded group wide pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using projected unit method. Since 1st October 2000, new employees have been offered membership of Boots Stakeholder Pension Plan, a defined contribution pension arrangement. After five years' membership of this plan, employees have the opportunity to join Boots Pension Scheme.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement Benefits' the scheme will be accounted for by the company when the accounting standard is fully adopted by the company as if the scheme was a defined contribution scheme. At 31st March 2004 the scheme had a surplus on an FRS 17 basis of £58m before tax.

Details of the most recent actuarial valuation and FRS 17 disclosures at 31st March 2004 can be found in the financial statements of Boots Group PLC.

BOOTS DENTLCARE LIMITED
Notes to the Financial Statements
Year ended 31st March 2004

18. Contingent liability

The company has no contingent liabilities at either balance sheet date.

19. Ultimate Holding Company

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

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

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

20. Prior year adjustment

Impact of FRS 5 Changes

During the year, the Accounting Standards Board issued additional guidance to FRS 5 in the form of Application Note G: Revenue Recognition.

The overall impact on the P&L is to reduce turnover by £200,000 (2003 £183,000) and operating profit by £130,000 (2003 £115,000). There is a prior year adjustment of £130,000 to reserves at 31st March 2003 as a result of these changes and an increase of £185,000 to creditors partly offset by the related deferred tax assets of £55,000 shown within provisions for liabilities and charges (see notes 10 and 12). Net assets at 31st March 2004 have been reduced by £260,000 as a result of these changes. Comparatives have been restated.

Elements Leading to Adjustment

Advantage Card

In the past when points were issued the company has charged the cost of points to cost of sales. Application Note G requires the full retail value of the points issued to be deferred from turnover.