

# Directors' remuneration report

This report has been prepared in compliance with the Directors Remuneration Report Regulations 2002 and Schedule B of the Combined Code annexed to the Listing Rules of the Financial Services Authority.

## The remuneration committee (the 'Committee')

The members of the Committee during the year were:

Sir Nigel Rudd (chairman)

J Bennink

Dr J G S Buchanan

F M Harrison (resigned 6th November 2002)

J B McGrath

H Ploix

Dr M P Read

The main responsibilities of the Committee are summarised in the corporate governance statement on page 18. The Committee appointed Towers Perrin to provide it with external advice in determining the appropriate remuneration, terms and conditions and bonus schemes for directors. Mr S G Russell, former chief executive, and Mr A P Smith, human resources director, have also advised the Committee when requested. Towers Perrin has also provided market data for executives and senior managers and consulting support in reviewing pensions and understanding current remuneration trends.

## Contracts of service

The chairman, Mr J B McGrath, has an agreement with the company dated 18th May 2001 relating to his services as chairman, which is terminable by either party without notice or compensation. Mr J B McGrath will retire as chairman and from the board on 15th September 2003. None of the non-executive directors has a service contract or contract for services. Each director is required to stand for reappointment every three years and may be required to stand for reappointment at an earlier date in order to satisfy the provisions in the company's articles of association requiring not less than one third of the board to seek reappointment at each AGM. The articles of association of the company contain provisions relating to earlier vacation of office without notice and non-executive directors are not entitled to compensation for loss of office.

All executive directors' service contracts terminate when the director in question reaches the age of 60. All serving executive directors' service contracts are terminable by the company on one year's notice and the Committee has determined that one year's notice is the appropriate period of notice to be given to an executive director. Exceptionally, in circumstances such as the appointment of a chief executive from outside the company, the Committee may consider an initial period of greater security to be appropriate and agree that the one year's notice should not be given before the first anniversary of appointment. The Committee has taken this view in respect of the appointment of Mr R Baker, who will join the company as chief executive on 15th September 2003.

Details of the contracts of executive directors who served during the year are as follows:

	Date of contract		Unexpired term	Notice period	Provision for compensation
P Bateman	25th July 2002		1 year rolling	1 year	Nil
B Clare*	7th April 1999	Terminated on 31st January 2003		1 year	Nil
H Dodd	4th June 2003		1 year rolling	1 year	Nil
K S Piggott**	25th July 2002	Terminated on 31st December 2002		1 year	Nil
S G Russell	25th July 2002	Terminated on 31st May 2003		1 year	Nil
A P Smith	10th April 2001		1 year rolling	1 year	Nil
D A R Thompson	1st July 1990	Terminated (at age 60) on 4th September 2002		1 year	Nil

\*Resigned on 31st January 2003.

\*\*Resigned from the board on 31st December 2002.

None of the above contracts contain provisions relating to compensation on termination and in the event of any service contract being terminated by the company giving less than the contractual period of notice, the requirement for the director to mitigate their loss where appropriate has been taken into account in determining any resulting compensation. In the case of Mr R Baker, however, the company has agreed provisions relating to pay in lieu of notice / liquidated damages under which if Mr R Baker's contract is terminated with less notice than his contract provides, then he will receive 85% of the salary, pension and short term bonus and other benefits he would have received had he been given the notice to which he was entitled under his contract, but without receiving any compensation for any loss of long term incentives or share options.

Following the announcement in December 2002 that the company was seeking to appoint a new chief executive to succeed Mr S G Russell, the Committee agreed terms with Mr S G Russell under which he would, subject to him remaining in office as chief executive until 31st July 2003, or until such earlier date as the company wished him to step down, receive his pay and benefits until 31st July 2003, and then, on leaving the company, receive £757,732 in compensation for loss of office, being the value of one year's salary, short term bonus and car allowance, and be credited with one year's additional service in his pension arrangements. He will also continue to participate in the Long Term Incentive Plan performance periods ending on or before 31st March 2004.

On 31st January 2003 Mr B Clare resigned from the boards of Boots Group PLC and of The Boots Company PLC, and received £528,000 as compensation for loss of office, being the equivalent of nine month's salary and the estimated value of other benefits that he would have received had he been given nine months' notice. Mr B Clare, and certain of his dependants, also agreed with the company to surrender their accrued entitlements under the unfunded unapproved Retirement Benefit Scheme, in which Mr B Clare had participated since he joined the company for, £1,200,000, being the sum agreed by actuaries as the value of those benefits. In addition the company met the cost of Mr B Clare receiving legal and financial advice and the cost of providing life cover for nine months equivalent to that to which he would have been entitled under the funded unapproved death benefit scheme in which he participated.

Details of the payments agreed with Mr B Clare upon termination of his contract are set out in the emoluments table on page 24.

It is recognised that directors may be invited to become non-executive directors of other companies and that the additional experience and knowledge that this brings will benefit the company. Accordingly, the policy is to allow executive directors to accept up to two such appointments where no conflict of interest arises, and to retain the fees received.

### Remuneration policies

In determining remuneration policies for the current, following and subsequent financial years, the Committee has followed the provisions of Section B of the Combined Code. Policy in relation to remuneration, and practice, inevitably evolves over time and the policy with regard to future years will be subject to ongoing review by the Committee.

Executive directors' salaries and non-executive directors' fees have been positioned at the market median in the light of independent assessment of market practices. The Committee intends that executive directors' salaries (assuming no change in responsibilities) will be increased annually in line with inflation, subject to total pay being benchmarked against the market every three years and that over time the proportion of executive directors' total remuneration that is dependent upon performance will become greater. The committee has also introduced a personal performance measure into the executive directors' short term bonus scheme, in addition to the business performance tests.

The terms of the current Long Term Incentive Plan (LTIP) and Executive Share Option Plan were approved by the shareholders of The Boots Company PLC in 2001, and at the time were designed to have a value equal to 59.8% of executive directors' base pay. The current short term bonus scheme is likely to increase the percentage of directors' total pay dependent upon performance, but using the binomial valuation model, the value of the Executive Share Option Plan has reduced by 10.2% of base pay. Based upon current estimates of the value of short and long term incentive plans and share option schemes, variable (performance based) remuneration is likely to form 49.8% of the chief executive's total remuneration and 43.6% of other executive directors' total remuneration in 2003/04.

Non-executive directors do not participate in any bonus or share option schemes.

Bonus schemes provide an opportunity for executive directors to receive additional rewards, if and only if, personal and business performance meets specified objectives and targets. The way that business performance is measured for bonus and share option schemes for executive directors flows from, and is consistent with, business strategy, and with the board's governing objective of maximising the value of the company for the benefit of shareholders and is described below.

The short term executive bonus scheme rewards executive directors for achieving operating efficiencies and profitable growth in the relevant year by reference to challenging but achievable forecasts derived at the beginning of the year from strategic plans, and from 2003/04, also rewards personal performance. During 2002/03, the performance criteria were profit after tax and sales growth and a combined bonus of up to 60% of base salary was payable depending upon performance against target.

The maximum short term bonus that can be earned in 2003/04 has been increased from 60% of base salary to (in the case of the chief executive) 100%, and (for all other executive directors) 75%. In 2003/04 one third of the available bonus depends on individual performance against personal targets, and two thirds depends upon business performance targets for sales, profit and return on capital. The business targets have been chosen for their relevance in driving short term performance of the business.

The long term bonus scheme can provide executive directors with a maximum potential bonus award (MPBA) worth up to 125% of base salary, and provides a direct link between the pay of executive directors and the creation of value for shareholders by rewarding directors for the company's performance in terms of total shareholder return (TSR) over a three or four-year performance period relative to a peer group of ten other leading companies which the Committee consider to be appropriate comparators by virtue of their size and markets in which they operate. TSR was chosen as the appropriate performance measure for the LTIP as it aligns the interests of the executive with the actual return received by shareholders.

For the performance cycles which commenced in 1999 and thereafter a MPBA is calculated for all executive directors by multiplying the basic annual salary at the beginning of the cycle by a factor of 125%. The MPBA is then expressed in share units using the average share price over the previous three months. At the end of the performance cycle a percentage of the MPBA is gained based on the TSR performance against a peer group of ten other leading companies. The scale applied is:

Comparative position in peer group league table	1	2	3	4	5	6	7	8	9	10	11
% of MPBA gained	100	80	64	48	36	24	Nil	Nil	Nil	Nil	Nil

The value of the award is affected by share price movement over the performance period. Performance cycles commence on 1st April. The performance cycles that commenced in 1999 and 2000 were four-year cycles. For these performance cycles, one half of the award is paid in cash after the end of each performance cycle and one half in shares. The value of the cash bonus is calculated by multiplying one half of the number of earned share units by the average share price over the last three months of the performance cycle, as derived from the Daily Official List of the London Stock Exchange. No performance cycle commenced in 2001 and the performance cycles which commenced in 2002 and thereafter are three-year cycles. For these cycles the whole of the award is payable in shares.

The peer group is reviewed before each performance cycle to maintain its relevance. For the three-year period from 1st April 2003 the relevant peer group is:

Alliance UniChem	Reckitt Benckiser
Debenhams	J Sainsbury
Great Universal Stores	Smith & Nephew
Kingfisher	Tesco
Marks & Spencer	WHSmith

Under the Executive Share Option Plan executive directors (and other employees) can be granted options to subscribe for ordinary shares in the company.

The maximum number of options that can be granted under the plan to any executive director in any financial year of the company is options having an exercise price of twice the annual basic salary of the director. Grants are not normally expected to exceed one times annual salary. Options granted to executive directors must be subject to the satisfaction of a performance condition.

The Executive Share Option Plan aligns returns to shareholders with reward to executives but only if share price growth is achieved and if a performance target is met. The value of the options is directly linked to share price movement. The condition imposed in respect of all options granted to date is average annual growth in earnings per share (EPS) over the relevant period at least equal to the increase in the index of retail prices + 3% calculated as follows: Base EPS is the EPS for the financial year preceding the performance cycle. An EPS target is calculated each year by applying the following formula:  $\text{Base EPS} \times (100 + \text{increase in RPI} + y)$  where y is 3 in year one, 6 in year two and 9 in year three and so on. Target EPS for the performance cycle is determined by taking the average of the annual EPS targets during that cycle.

If the average of the actual EPS over the performance cycle equals or is greater than the target EPS, the performance condition is met. If the performance condition is not met, performance is re-tested annually until the end of the sixth year using the same methodology. If the performance condition has still not been met at the end of the sixth year, the options lapse. The EPS performance measure in the share option scheme was chosen because it provides an absolute (as opposed to relative) financial measure of company performance and complements the TSR performance measure in the LTIP. RPI is taken from the index published in March each year, and EPS is calculated in accordance with FRS14 'Earnings Per Share'.

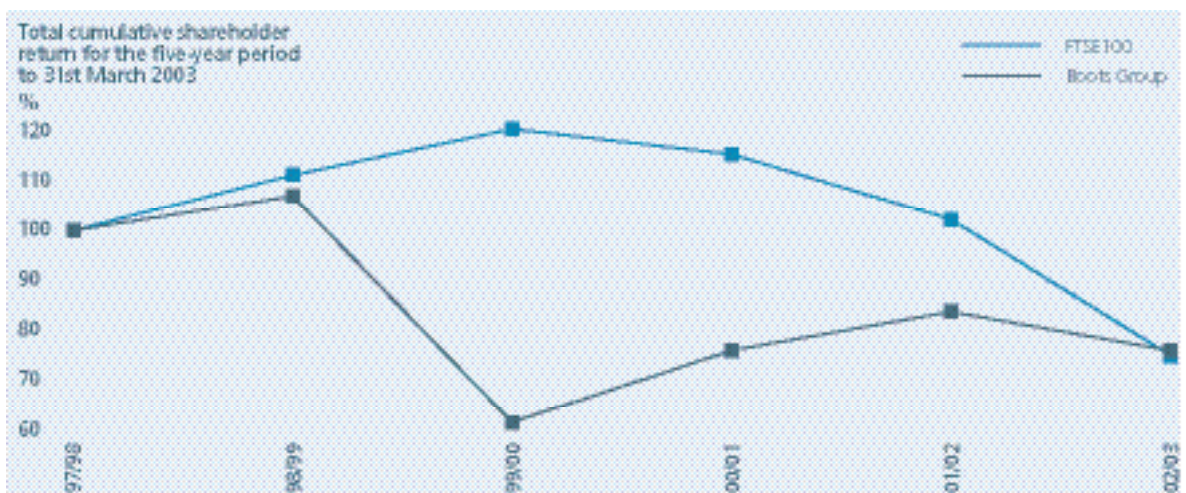
The Committee believes that share ownership provides an effective way to align the interests of shareholders and executives. For all performance periods commencing on or after 1st April 2002 the whole of an executive director's long term bonus is payable in shares of the company; the executive directors participate in a share option plan, and the Committee has adopted a policy of requiring executive directors over time to achieve a holding in the company's shares having a value equivalent to their base salary.

Share options granted under the SAYE share option scheme are not subject to performance conditions and, given the 'all employee' nature of the scheme and its revenue-approved status, it would not be appropriate to do so.

The Committee does not currently intend to propose any amendments to the executive share option or long term bonus schemes.

It is the practice of the board to maintain contact where appropriate with its major shareholders about remuneration issues.

**Performance graph** The following graph, required by the Directors' Remuneration Report Regulations 2002, shows the total shareholder return over the five-year period to 31st March 2003 for the company's shares and the FTSE100 index. The FTSE100 is considered to be an appropriate index for comparison as the company forms part of that index, investors in the company are likely to regard other FTSE100 companies as alternative investments, and investors are familiar with it.



**Auditors' report** The auditors are required to report on information contained in the following section of the report with the exception of directors' shareholdings.

**Directors' remuneration 2003/04** Analysis of emoluments and short term bonuses are shown on page 24 together with payments made to Mr B Clare on termination of employment. Details of long term bonuses are shown on pages 24 to 26, outstanding share options and gains on share options are shown on pages 26 and 27, shareholdings on page 27 and pension entitlements on page 28.

**Short term executive bonus scheme** Performance against targets during the year was such that a bonus equal to 27% of salary was earned by executive directors. The changes made to the scheme for 2003/4 have been described on page 22.

**Other benefits** Executive directors are entitled to a company car, sick pay and holidays, which overall provide a reasonably competitive package comparable with that provided by other major companies. Mr P Bateman, Mr H Dodd and Mr A P Smith participate and Mr B Clare participated in a funded unapproved death benefit scheme which provides benefits on death comparable to those contained in the company's approved pension schemes in respect of income above the revenue income 'cap'. Mr J B McGrath was provided with the use of a car, driver and fuel for use when travelling on the company's business, and when travelling between his residence and the company's premises.

**Analysis of directors' emoluments** An analysis of directors' emoluments relating to the salary and fees, short term executive bonus and other benefits (other than share options, LTIP and pensions) for the year to 31st March 2003 is shown below:

£000	Salaries and fees	Short term bonuses	Other benefits	Compensation for loss of office	Commutation of accrued unapproved pension entitlements	Other payments on termination	Total 2003	Total 2002
P Bateman (from 1st April 2002)	260	70	25	–	–	–	355	–
J Bennink (from 10th September 2001)	32	–	–	–	–	–	32	17
Dr J G S Buchanan	34	–	–	–	–	–	34	30
B Clare (resigned 31st January 2003)	313	–	64	528*	1,200**	37***	2,142	472
H Dodd (from 1st April 2002)	350	95	1	–	–	–	446	–
F M Harrison (resigned 6th November 2002)	19	–	–	–	–	–	19	30
J B McGrath (chairman)	250	–	1	–	–	–	251	255
K S Piggott (resigned 31st December 2002)****	272	73	16	–	–	–	361	465
H Ploix	32	–	–	–	–	–	32	30
Dr M P Read	32	–	–	–	–	–	32	30
Sir Nigel Rudd (deputy chairman)	55	–	–	–	–	–	55	55
S G Russell	600	162	24	–	–	–	786	764
A P Smith	275	74	20	–	–	–	369	336
D A R Thompson (retired on 4th September 2002)	207	56	81	–	–	–	344	627
J J H Watson (retired on 31st July 2001)	–	–	–	–	–	–	–	160
	2,731	530	232	528	1,200	37	5,258	3,271

\*Includes nine months' salary in lieu of notice and £67,500 in respect of short term bonus.

\*\*Mr B Clare and certain of his dependants surrendered their entitlements under the unfunded unapproved retirement benefit scheme, and received a total of £1.2m being the actuarial value of these benefits.

\*\*\*The company also met the cost of certain legal and financial advice given to Mr B Clare.

\*\*\*\*Mr K S Piggott remains an employee of the company and received, in addition to the sums stated in this table, a salary of £45,313 and short term bonus of £11,328 in respect of the period from 1st January 2003 to 31st March 2003.

The aggregate of directors' emoluments before compensation for loss of office, commutation of pension entitlements and other payments on termination was £3,493,000 (2002 £3,271,000).

#### Long term bonus scheme or LTIP

**TSR performance measure** An explanation of the TSR performance measure is shown on page 22.

#### Entitlements based on completed long term bonus periods

##### Outcome of the 1999/2003 performance cycle

At the end of the cycle for the four-year period up to 31st March 2003 the relevant peer group was identical to that shown on page 22.

For this cycle, the company achieved position 9 in the league table. Accordingly, no long term bonus was earned by executive directors in respect of periods while serving as such (2002 £nil). However Mr K S Piggott earned a bonus derived from a long term bonus scheme for Halfords in respect of service before he became an executive director. The earned bonus is shown in the table below and will be paid in June 2003. Half will be paid in cash and the remaining half will be paid as a grant of a share award. The share price used to determine the MPBA was 927p and the share price used to determine the value of the cash half was 602p which in this case was the average share price for the three months ended 30th August 2002, the date of sale of Halfords.

2002/03 Number of shares	MPBA	Earned Units	Share award	Cash £000
P Bateman	10,580	–	–	–
B Clare	28,991	–	–	–
H Dodd	11,799	–	–	–
K S Piggott	22,087	1,242	621	4
S G Russell	50,566	–	–	–
A P Smith	12,716	–	–	–
D A R Thompson	50,566	–	–	–
	187,305	1,242	621	4

In the previous year the bonus was calculated as a cash sum and was paid part in cash and part in shares. Details are as follows:

2001/02	Maximum Bonus £000	Earned Bonus £000	Paid in cash £000	Granted as share award No. of shares
P Bateman	–	–	–	–
B Clare	221	9	5	723
H Dodd	–	–	–	–
K S Piggott	208	30	15	2,461
S G Russell	405	–	–	–
A P Smith	124	–	–	–
D A R Thompson	370	–	–	–
	1,328	39	20	3,184

### Share awards in respect of prior periods

For cycles ending in 2001/02 and earlier the entitlement to exercise the half paid as a share award was deferred, and only vested in the employee after three further years' employment. For cycles ending in 2002/03 and thereafter, share entitlements may be exercised immediately after grant for a period of twelve months.

Details of the share awards which have been granted during the year in respect of the cycle which was completed at the end of the previous financial year, and deferred share awards conditionally granted for previous cycles, are shown below. Shares that vested in the year and the cumulative total of shares outstanding at 31st March, or date of retirement are also shown below:

Number of shares	Granted 2002/03	Granted* 2001/02	Granted* 2000/01	Granted* 1999/2000	Exercised 2002/03	Cumulative total
P Bateman	–	–	–	–	–	–
B Clare	723	–	7,757	4,621	(5,344)	7,757**
H Dodd	–	–	–	–	–	–
K S Piggott	2,461	–	6,437	4,570	(7,031)	6,437
S G Russell	–	–	17,858	11,200	(11,200)	17,858
A P Smith	–	–	3,041	1,382	(1,382)	3,041
D A R Thompson	–	–	18,140	12,072	(12,072)	18,140***
	3,184	–	53,233	33,845	(37,029)	53,233

\*granted on deferred basis

\*\*date of resignation

\*\*\*date of retirement (on retirement and in other circumstances approved by the Committee, share awards become exercisable immediately)

Part of Mr B Clare's and all Mr K S Piggott's and Mr A P Smith's cumulative entitlements accrued before they were appointed to the board on 1st April 1999, 1st April 2000 and 1st April 2001 respectively

The value of the award is not determined until the vesting date, which for the entitlements granted in 2000/01 is June 2003.

Shares awarded in respect of prior periods have vested and been exercised in the year as shown above and the value of these is shown in the table below:

	Date interest awarded	Share value at date of award	Share value at vesting 2003	Share value at exercise 2003	Value received 2003 £000	Value received 2002 £000
P Bateman					–	–
B Clare	1st April 1998	957p	624.5p	568p	4	
B Clare	1st April 1995	509p	684.5p	617.5p	29	19
H Dodd					–	–
K S Piggott	1st April 1998	957p	624.5p	590p	15	
K S Piggott	1st April 1995	509p	684.5p	625p	29	19
S G Russell	1st April 1995	957p	684.5p	653.5p	73	45
A P Smith	1st July 1997	703.5p	684.5p	625p	9	–
D A R Thompson	1st April 1995	957p	684.5p	625p	75	50
					234	133

Performance conditions are described on page 22. The value of the shares received is based on the middle market price on the date of exercise of the share awards, and is the value upon which liability to income tax and National Insurance is calculated.

During the year Mr M F Ruddell and Mr J J H Watson, both former directors of The Boots Company PLC, exercised share awards valued at £59,413 and £109,863 respectively. The share awards were granted under the long term bonus scheme prior to their retirement.

**Potential entitlements under incomplete long term bonus periods**

The MPBA (in shares) for cycles which commenced on 1st April 2000 and 1st April 2002 are shown below:

	MPBA At 31/03/02 2000-2004	MPBA Awarded in year 2002-2005	Total
P Bateman	32,395	51,424	<b>83,819</b>
H Dodd	42,476	69,225	<b>111,701</b>
K S Piggott	72,816	71,697	<b>144,513</b>
S G Russell	121,359	118,671	<b>240,030</b>
A P Smith	38,653	54,391	<b>93,044</b>
	307,699	365,408	<b>673,107</b>

The share price used to calculate the 2000-2004 and 2002-2005 MPBA's was 515p and 632p respectively. The outcome for these cycles and the related share awards will not be determined until June 2004 and June 2005 respectively. The share prices when the awards were first made were 537p on 1st April 2000 and 672.5p on 1st April 2002. Performance conditions are set out on page 22.

**Share Options**

**The Executive Share Option Plan** An explanation of the way the plan operates is shown on pages 22 and 23.

The exercise price of options granted under the scheme is the average of the market value of the shares in the three days preceding the grant of an option. The rules of the plan allow the exercise of options in the period between 3 and 10 years from grant, subject to prior satisfaction of any performance condition stipulated at the time of grant. Upon exercise, the benefit received by the participant is derived from the increase in the market value of the company's shares in the period between grant and exercise. Gains arising from the exercise of share options are set out below. Executive share options may be exercised following termination of employment by reason of redundancy or retirement or in such other circumstances of termination of employment as the Committee approves, before the expiry of the initial three-year period subject to satisfaction of the performance conditions over the shorter period.

Options have been granted as follows:

Number of shares	2001/02 Awarded on 12/09/01 Option price 630p Exercisable between 12/09/04 and 11/09/11	2002/03 Awarded on 18/06/02 Option price 635p Exercisable between 18/06/05 and 17/06/12	Total
P Bateman	26,428	<b>40,944</b>	<b>67,372</b>
B Clare	55,555	<b>59,055</b>	<b>114,610</b>
H Dodd	–	<b>55,118</b>	<b>55,118</b>
K S Piggott	55,555	<b>57,086</b>	<b>112,641</b>
S G Russell	91,269	<b>94,488</b>	<b>185,757</b>
A P Smith	39,682	<b>43,307</b>	<b>82,989</b>
D A R Thompson	74,603	<b>75,590</b>	<b>150,193</b>

All options are subject to the performance conditions set out on page 23.

**The Boots SAYE Share Option Scheme**

Under a savings-related scheme options may be offered to employees, including executive directors, enabling employees to subscribe for ordinary shares in the company at approximately 80% of the market price of those shares at the date of grant, subject to participation in a designated savings scheme. No options have been granted since July 1999, but certain executive directors hold options under that scheme as follows:

		At 31 March 2002	Awarded	Exercised	Lapsed	At 31 March 2003	Exercise price	Earliest date of exercise	Expiry date
B Clare	@485p	<b>3,216</b>	–	–	<b>3,216</b>	–	–	–	–
K S Piggott	@588p	<b>1,173</b>	–	–	<b>1,173</b>	–	–	–	–
K S Piggott	@808p	<b>341</b>	–	–	–	<b>341</b>	–	<b>01/09/03</b>	<b>29/02/04</b>
K S Piggott	@624p	<b>324</b>	–	–	–	<b>324</b>	–	<b>01/10/04</b>	<b>31/03/05</b>
S G Russell	@624p	<b>2,704</b>	–	–	–	<b>2,704</b>	–	<b>01/10/04</b>	<b>31/03/05</b>
A P Smith	@624p	<b>1,552</b>	–	–	<b>1,552</b>	–	–	–	–
D A R Thompson	@588p	<b>1,760</b>	–	–	<b>1,760</b>	–	–	–	–

The market price of the company's shares at 31st March 2003 was 530.5p and the range of market prices during the year was 492p to 725p.

Directors' interests in share options on 26th May 2003 remain unchanged.

**Gains on share options**

Gains on share options represent the number of shares under options which have been exercised, valued at the difference between the market price at the date of exercise and the exercise price paid.

The total gains on share options exercised during the year was £nil (2002 £3,000).

### All Employee Share Ownership Plan (AESOP)

In the period to 31st March 2001 Boots established an AESOP to enable staff, including executive directors, to become shareholders in the company. Under the free share part of the plan, the executive directors were each given the opportunity to be awarded 39 shares (42 in 2001), the same number as any employee with average contracted hours of 35 or more per week. All the eligible executive directors except for Mr D A R Thompson opted to receive this award. Mr P Bateman and Mr H Dodd were not eligible as they had not completed 12 months' service. Shares in this part of the AESOP must normally be held in trust on behalf of the employees for at least three years.

In the period to 31st March 2002 Boots implemented the partnership share element of the plan, giving employees including executive directors the opportunity to purchase shares from their pre-tax income, subject to a maximum of £125 per month, with effect from April 2002. Shares purchased under the partnership plan are included in total shareholdings in the table below.

### Directors' shareholdings

The beneficial interests of the directors in office at 31st March 2003 and their families in the share capital of the company at 31st March 2003 are shown below. The company's register of directors' interests, which is open to inspection, contains full details of directors' interests in the company's shares.

Shareholdings	Ordinary shares 2003	Ordinary shares 2002
P Bateman	173	—*
J Bennink	—	—
Dr J G S Buchanan	2,000	2,000
H Dodd	1,000	—*
J B McGrath	2,979	2,839
H Ploix	1,697	1,619
Dr M P Read	3,500	3,500
Sir Nigel Rudd	2,000	2,000
S G Russell	67,321	60,612
A P Smith	3,806	998

\*at date of appointment

Included within the ordinary shares held are 193 shares purchased by Mr A P Smith under the AESOP Share Investment Plan.

Each executive director was also deemed, as a potential beneficiary, to have an interest in the 1,423,769 (2002 1,776,677) ordinary shares of the company held by Boots ESOP Trust Ltd, on behalf of Boots Employee Trust, established to facilitate the operation of the company's executive bonus schemes and in 12,959,693 (2002 14,878,241) ordinary shares of the company held by Boots (QUEST) Trustee Limited, on behalf of Boots Qualifying Employee Share Trust, established in connection with the company's UK all-employee SAYE Share Option Scheme and in 2,465,201 (2002 1,574,156) ordinary shares of the company held by Boots Share Plan Trustees Limited, established to hold shares for employees in connection with The Boots Company All Employee Share Ownership Plan 2000 (the AESOP). No director holds any loan capital.

The personal shareholdings of directors in office at 31st March 2003 remain unchanged on 26th May 2003, other than each of Mr P Bateman, Mr H Dodd and Mr A P Smith now hold a further 21 shares purchased under the partnership share element of the AESOP, and the number of shares held by Boots (QUEST) Trustee Limited, the Boots ESOP Trust Ltd and the Boots Share Plan Trustees have reduced, thereby reducing directors' deemed interest.

### Pension entitlement

All executive directors in office at 31st March 2003 receive pension entitlements from the company's principal UK defined benefit pension scheme, referred to in note 26, and supplementary pension arrangements which provide additional benefits aimed at producing a pension of two-thirds final base salary at normal retirement age, subject to completing 20 years service. Non-executive directors are not members of any company pension arrangements. Pension entitlement is calculated only on the salary element of remuneration.

Those directors who are subject to the earnings cap are also members of an unfunded unapproved pension arrangement which provides similar benefits on basic salary in excess of the earnings cap.

Details of pensions earned by the executive directors in office at 31st March 2003 or at date of retirement are shown below:

£000	Accrued pension at 31 March 2003	Increase in pension during the year to 31st March 2003 gross of inflation	Increase in pension during the year to 31st March 2003 net of inflation	Transfer value of accrued benefits at 31st March 2002	Transfer value of accrued benefits at 31st March 2003	Increase in transfer value of benefits less directors' contributions	Transfer value of net-of-inflation increase in accrued benefits less directors' contributions
P Bateman	21	13	13	96	295	187	175
B Clare	38	3	2	1,425	584	82	18
H Dodd	9	9	9	–	98	83	83
K S Piggott	203	13	10	2,933	3,446	498	154
S G Russell	377	27	21	5,936	7,009	1,045	370
A P Smith	42	10	8	344	504	147	88
D A R Thompson	316	7	2	5,605	6,085	470	22

The total accrued pension entitlement for Mr S G Russell, the highest paid director, at 31st March 2002 was £349,000.

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. Retained benefits from previous employments are taken into account. The increase in accrued pension during the year is after deducting the increase due to inflation, at the rate of 1.7%, on the previous year's accrued pension. Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the above table.

Mr B Clare left the company on 31st January 2003 taking a deferred pension in respect of his approved benefits. A payment of £1.2m was made to him and his dependants in lieu of benefits they had accrued in the unapproved arrangement. The figures at 31st March 2003 relate to approved scheme benefits only.

The year end figures for Mr D A R Thompson are as at 4th September 2002, his date of retirement.

By order of the board

**Sir Nigel Rudd**

Chairman of the Board remuneration committee

4th June 2003