

Company registration number: 00027657



The Boots Company PLC
Annual report and financial statements
for the year ended 31 August 2020

The Boots Company PLC

Contents

Strategic report	1
Directors' report	5
Directors' responsibilities statement	8
Independent auditor's report	9
Income statement	11
Statement of comprehensive income	12
Balance sheet	13
Statement of changes in equity	14
Notes to the financial statements	15

The Boots Company PLC

Strategic Report

for the year ended 31 August 2020

Principal activities

The Boots Company PLC's ("the Company") principal activity during the year was the holding of Boots brands and intellectual property within the Walgreens Boots Alliance, Inc. consolidated group (the "Group").

Business review

The key performance indicators for the Company are provided in the table below. There are no non-financial key performance indicators for the Company.

	2020	2020	2019	2019
	£million	% Change	£million	% Change
Revenue	173	(16.7)%	208	7.2 %
Operating profit	78	(31.0)%	113	4.6 %
Profit for the year	61	(52.0)%	127	74.0 %
Shareholders' equity	715	9.4 %	654	(7.4)%

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19 was reported. The World Health Organisation declared COVID-19 a "Public Health Emergency of International Concern" on 30 January 2020 and a global pandemic on 11 March 2020. COVID-19 has severely impacted, and is expected to continue to impact the UK. Further details are shown in the principal risks and uncertainties below.

The Company holds an indirect investment in Boots Properties Limited, a company which holds investment properties. The investee's property portfolio was valued on 31 August 2020 by the Royal Institution of Chartered Surveyors ("RICS") qualified external surveyors Savills on the basis of open market value in accordance with the Appraisal and Valuation standards published by RICS. However, COVID-19 is affecting market activity in many sectors, and consistent with RICS recommendations, all the valuations as at 31 August 2020 have had the inclusion of a 'material uncertainty' clause. This clause serves as a precaution and is intended to highlight that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case and therefore are a greater potential range of values and therefore a higher degree of caution should be attached to the valuations than would normally be the case. As at 31 August 2020, the investee's investment properties had a book value of £115 million and fair value of £203 million. Additional discounted cash flows were performed and sensitised for the purpose of impairment resulting in no impairment in the Company's investment values.

The Company generates royalty revenue from fellow Group undertakings for the use of the Boots brands and intellectual property that the Company holds. Revenue has reduced by 16.7% (2019: increase of 7.2%) to £173 million (2019: £208 million) due to a reduction in trading levels from the fellow Group undertakings due to COVID-19. This has had a direct impact to operating profit and the profit for the year.

Shareholder's equity has increased by 9.4% (2019: decreased by 7.4%) to £715 million (2019: £654 million) due to the profit in the year of £61 million.

The Directors and their duties under Section 172 of the Companies Act

The Company has a board of Directors comprised of three directors as stated within the Directors' report.

The Directors believe that a commitment to strong corporate governance standards is an essential element of enhancing long-term shareholder value in a sustainable manner. Being a part of the Walgreens Boots Alliance, Inc. Group, the Company adheres to the Corporate Governance Guidelines (the "guidelines") that have been adopted by Walgreens Boots Alliance, Inc. to assist the Board in the exercise of its responsibilities on behalf of the Company and its shareholders. The guidelines are intended to provide guidance as a component of the flexible framework within which the Directors oversee and direct affairs of the Company. The Board also complies with the Code of Conduct and Business Ethics, issued by the Group which are applicable to all employees, officers and Directors of the Company. A copy of the Corporate Governance Guidelines can be found at <https://investor.walgreensbootsalliance.com/corporate-governance.cfm>.

In addition, the Company adheres to the robust framework of delegated authorities and internal policies adopted by the Group, which support the Group's corporate governance arrangements across the organisation.

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would most likely promote the long-term success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

As a part of their induction, the Directors of the Company are briefed on their duties including those under Section 172(1) and they can access professional advice on these either from the Company Secretary or, if they judge necessary, from independent advisors for effective discharge of their duties.

When making any decisions, during the year ended 31 August 2020, the Directors considered, both individually and together, the matters set out in Section 172(1)(a-f) and have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole. When making decisions, the Directors take into account the viewpoints of the Company's stakeholders, including employees, suppliers, customers and others as further detailed below.

The Directors welcome feedback and will continue to review how the company and its executive committee can improve engagement with both employees and other stakeholders.

Below are some of the ways in which the Directors have engaged with various stakeholders and fulfilled their duty under this section.

The Boots Company PLC

Strategic Report (continued)

for the year ended 31 August 2020

The Directors and their duties under Section 172 of the Companies Act (continued)

Employees

The Directors pursue a policy to promote diversity and inclusion among employees. The Company, either directly or through its affiliate companies, has various formal and informal processes to actively engage with its employees. These include employee performance reviews/appraisals, communications through email, intranet, bulletin boards and 'town hall' meetings. The Directors use these processes and engagements to understand employees' views and take these into account while making decisions. By way of example, employee engagement surveys are undertaken covering the majority of the workforce, with results reported to the Board. Survey results are cascaded throughout the organisation, actions are identified through collaboration with the wider employee teams and resulting actions are communicated to colleagues.

Employees are kept informed of the Company's performance and strategy through regular executive briefings and 'town hall' meetings. Employee engagement is encouraged via 'Q&A' forums before and during these events to provide employees with the opportunity to submit questions and/or feedback to the leadership teams, with responses being provided either during or following the event. Employee surveys are frequently used following such events to allow employees to provide feedback. In addition, to continue to engage with colleagues and ensuring their health, safety and wellbeing during the COVID-19 pandemic, the 2021 Financial Year Annual Strategy meeting was held virtually over a two-day period to enable colleagues to participate remotely.

The Company monitors employee-related matters including engagement activities, survey results, staff retention rates, diversity, whistleblowing activity, learning and development activity, pay and reward including gender pay gap along with other initiatives. Throughout the year, key messages are cascaded to all colleagues throughout the organisation.

Customers

The Directors strongly believe in treating customers fairly and providing them with safe and quality products. The Company and its affiliate companies within the Group have adopted multiple ways to engage with customers, including face-to-face and social media interactions, surveys and personalised customer communications via the Company's Advantage Card rewards programme. The Group uses these processes to understand the views of its customers, to consider the impact of their decisions on customers' interests and as a means to better respond to the needs of its customers.

The interests of customers are considered in key decisions such as changes to the store portfolio, selection of product lines and brands, environmental, sustainability and ethical considerations, supplier selection and monitoring, and the development of the online platform.

By way of example, following changes in customer requirements as a result of COVID-19, the Company and its affiliate companies has responded quickly by investing in, and doubling the capacity of Boots.com over the lockdown period which enabled more online shopping and additional home delivery availability for customers. Additional actions included increasing the capacity of the free online repeat prescription deliveries, and the introduction of new online pharmacy and beauty services such as virtual consultations.

Suppliers

The Directors aim to ensure that the Company operates fairly, transparently and with integrity with its suppliers. The Company and its associates engage with its suppliers through multiple channels, both formally and informally. These engagements provide the Directors and the wider teams with a broad and diverse understanding of the suppliers and their priorities which enables the Company to consider the interests of its suppliers whilst making decisions.

The Company engages with and monitors key suppliers around ethical, environmental and sustainability matters with any changes to such requirements being communicated back to suppliers. The Board seeks to maintain strong supplier partnering relationships with key suppliers whilst considering the need to obtain value for money and the desired levels of service for customers.

Communities

Boots has a unique place in the heart of the communities it serves across the UK. For 170 years, the Company has used its pharmacy-led expertise and support to help improve the health and wellbeing of local communities. The Company continues to demonstrate an ongoing commitment to operating as a socially responsible business and recognises the active role it can play in helping to build happier and healthier communities.

The Directors value an open dialogue with the communities in which the business operates. This allows the Directors to understand how these communities view the business and the emerging needs of these communities. It also enables the Directors to take into account the impact of their decisions on these communities. The Company, either directly or through its associated companies, engages with the wider community through multiple means which could include social media, charity events and engagement with various associations, amongst others.

The outbreak of COVID-19 during the financial year has had an adverse impact not only on the Company but also on various stakeholders associated with the Company. The Directors have engaged with multiple stakeholders, both formally and informally, using processes and methods discussed above to consider their views and interests, while making decisions that would promote the long-term success of the Company for all its members. Some of these decisions include:

- a. implementing contingency plans to maintain continuity of operations and ensuring provision of service to customers;
- b. introducing measures to keep all employees healthy and safe, including the transition of office-based colleagues to a remote working environment and installing protective equipment at work places;
- c. expanding home delivery of medications, extending hours of operations to serve local communities and reserving certain hours of operations for customers with increased vulnerability;
- d. supporting our suppliers to ensure adequate availability of critical products throughout the supply chain and additional deliveries to pharmacies/hospitals; and
- e. ensuring adequate funding is available to support continuity of business through these adverse conditions.

The Boots Company PLC

Strategic Report (continued)

for the year ended 31 August 2020

Principal risks and uncertainties

The Company's Directors monitor the overall risk profile of the Company. In addition, the Directors are responsible for determining clear policies as to what the Company considers to be acceptable levels of risk. These policies seek to enable people throughout the Company to use their expertise to identify risks that could undermine performance and to devise ways of bringing them to within acceptable levels. Where the Directors identify risks that are not acceptable, they develop action plans to mitigate them with clear allocation of responsibilities and timescales for completion and ensure that progress towards implementing these plans is monitored and reported upon.

The risks below impact the Company either directly or indirectly through the Group companies from which it receives royalty income.

COVID-19

Risk

The COVID-19 pandemic has created significant public health concerns as well as significant volatility, uncertainty and economic disruption throughout the regions in which the Company operates. These factors may continue to have an adverse impact on the future operations and the financial position of the Company.

Mitigation

The Company is focussed on addressing the impact of COVID-19 and has made significant investments in time and resources to promote the safety of all employees, including those of the wider Group. The Directors continue to monitor and respond to the impact of COVID-19 on the business and all available actions have been taken to protect, services, performance and resources in collaboration with the government and business partners.

Macroeconomic and political environment

Risk

The Company could be affected adversely by the impact of the current macroeconomic and political environment on key suppliers and customer groups. This is heightened due to Brexit.

Mitigation

The Company has a rigorous process for identifying and monitoring all business critical suppliers and developing appropriate contingency plans for suppliers that are considered to be vulnerable. The Company also has a rigorous planning process to assess the impact of macroeconomic and political developments on key customer groups.

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and the EU negotiated a new trading relationship for goods and services. However the full implications of this new trading relationship are not yet fully understood at a detailed level. The Company's Brexit project team has put in place detailed plans to mitigate risks that could materialise. While many of the principal risks and uncertainties noted in this Strategic Report could be impacted by Brexit, the mitigation plan is focused on continuity of supply, pricing, technology, treasury and colleagues.

Through such a diligent approach the Company believes it is well placed to deal with any outcome, making appropriate acknowledgment of the current uncertainty.

Competition

Risk

Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company. The Company has a wide variety of competitors, including other pharmacies, supermarkets and department stores.

Mitigation

The Company's strategy is to capitalise on the potential and strength of its leading brands and the trust in which they are held, and to build strong relationships with customers and suppliers, and to enhance our buying and promotional activities.

Health, safety and environmental risks

Risk

The Company could suffer reputational damage caused by a major health and safety or environmental incident.

Mitigation

The Company applies standards throughout the Group which are closely monitored and regularly audited. Health, safety and environmental incidents are logged and analysed in order to learn the necessary lessons. Any major incident is promptly reported to and investigated by the executive management.

Increased costs

Risk

Operating costs may be subject to increases outside the control of the Company.

Mitigation

The Company uses procurement professionals and sophisticated procurement techniques to purchase goods and services on a national and international basis.

Change management

Risk

The Company could be affected adversely by the failure to achieve the anticipated commercial, operational and financial benefits from the various change programmes in the course of implementation throughout the Company.

Mitigation

The Company has in place robust governance processes to control all key change programmes, including regular programme board and steering group meetings at which progress to achieve the required benefits is monitored rigorously.

The Boots Company PLC

Strategic Report (continued)

for the year ended 31 August 2020

Principal risks and uncertainties (continued)

Currency exchange

Risk

The Company has transaction currency exposures relating to the import and export of goods in currencies other than the Company's functional currency.

Mitigation

The Company has rigorous policies and procedures in place to manage and report transaction exposures. Translation exposures are partially mitigated by ensuring that borrowings are denominated in the major currencies in which the Company operates and having forward exchange contracts in place.

Sustainability

The Company is part of a Group that is proud to be part of a force of good, leveraging many decades of experience and its international scale, to care for people and the planet through numerous social responsibility and sustainability initiatives that have an impact on the health and wellbeing of millions of people. For further details, please refer to the Group's Corporate Social Responsibility report published on the Group website <https://www.walgreensbootsalliance.com>.

Future developments

The Directors do not foresee a change in the principal activity of the Company and expect the general level of activity to remain consistent with 2020 in the forthcoming year. However, there exists a level of uncertainty from trading conditions through the ongoing COVID-19 pandemic within the UK.

Approved by the Board and signed on its behalf by:



M Snape
Director

29 March 2021

The Boots Company PLC

Directors' Report

for the year ended 31 August 2020

The Directors present their report and the audited financial statements for the year ended 31 August 2020.

Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the business activities and principal risks and uncertainties as set out within the Strategic report and including the impact of COVID-19.

COVID-19 was declared a global pandemic on 11 March 2020 and continues after the balance sheet date. The Directors continue to monitor and respond to the impact of COVID-19 on the business and all available actions have been taken to protect performance.

Consistent with RICS recommendations, all property valuations in the the Company's indirect investee as at 31 August 2020 have seen the inclusion of a 'material uncertainty' clause which highlights that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case resulting in a greater range of values and therefore a higher degree of caution should be attached to the valuations for the current period.

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and the EU negotiated a new trading relationship for goods and services. However the full implications of this new trading relationship are not yet fully understood at a detailed level. The Company has robust contingency plans in place and continues to closely monitor the impact of the new trading relationship. Given the nature of the business, with the majority of transactions originating within the Group, neither the COVID-19 pandemic nor the impact of Brexit are considered to be a risk to the going concern of the Company.

As part of the UK government's initiatives to help businesses through the COVID-19 pandemic, on 20 October 2020, the Company received £300 million in the form of a Euro Commercial Paper ("ECP") from the Bank of England which is an unsecured, short-term debt instrument that is denominated in a currency differing from the domestic currency of the market where it is issued. The ECP works to be an attractive short-term financing tool for companies. The maturity date of the ECP is 14 May 2021 and has an effective interest rate of 0.424485%. On the same day, the Company issued a short term loan to a Group undertaking for the same amount and same underlying terms. Walgreens Boots Alliance, Inc. acts as a guarantor to the ECP whose latest financial position and cash flow forecasts have been assessed and noted that in the event of a default, the guarantor is able to fulfil the repayment when it falls due.

The Company has net current assets as at 31 August 2020 and continuing cash generation. In addition, the Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £213 million (2019: £137 million) of pooled-cash which is available to the Company on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility.

Base on the above factors, the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 3 to the financial statements.

Financial instruments

The Company is exposed to currency, credit, liquidity and interest rate risk. The Group's treasury function manages these risks at a Group level in accordance with the Group Treasury Policy including the use of financial instruments for the purpose of managing these risks. Group risks are discussed in the Group's Annual Report and those applicable to the Company are outlined below and in note 3 to the financial statements.

Interest rate risk

The Company is exposed to interest rate volatility with regard to existing debt instruments with Group undertakings.

Foreign currency exchange rate risk

The Company is exposed to fluctuations in foreign currency exchange rates, primarily with respect to the US dollar and Euro, which may affect its fluctuations in cash flows related to foreign currency denominated transactions. The Company enters into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows. These transactions are almost exclusively less than 12 months in maturity. In addition, the Company enters into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany activities (primarily associated with intercompany financing transactions).

Dividends

No dividend was declared and paid in the year (2019: £180 million). The Directors do not propose to pay a dividend after the balance sheet date.

In the previous period, the Company paid a dividend of £180 million where there were adequate distributable profits prior to distribution. However the Company did not meet the requirements under the Companies Act 2006 Section 838 by delivering a copy of the Interim Accounts prior to the dividend distribution, to the registrar. This has subsequently been resolved with a copy of the unaudited Interim Accounts as at 31 July 2019 being submitted to the registrar.

Future developments

The Company intends to continue to hold Boots brands and intellectual property within the Group. Details of future developments can be found in the Strategic report and forms part of this report by cross-reference.

Post balance sheet events

The COVID-19 pandemic was declared by the World Health Organisation as a global pandemic on 11 March 2020 which has continued after the balance sheet date. This outbreak had a significant impact on all aspects of business including the Company's operational and financial performance for the current financial year. There are still numerous uncertainties relating to COVID-19 which may continue to impact the future performance of the business. Subsequently, further local and national lockdowns have been introduced to parts of the UK which will impact the future operations of the business further. However this should not change the financial performance, financial position and going concern conclusions reported within these financial statements.

The Boots Company PLC

Directors' Report (continued)

for the year ended 31 August 2020

Post balance sheet events (continued)

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and the EU negotiated a new trading relationship for goods and services. However the full implications of this new trading relationship are not yet fully understood at a detailed level. In addition, the Company has robust contingency plans in place and continues to closely monitor the situation.

On 3 September 2020, the Company announced an organisational restructure. As such a provision of £3 million was recognised after the balance sheet date which is fully recharged to a fellow Group undertaking. This provision represents employee costs relating to restructuring activity.

As part of the UK government's initiatives to help businesses through the COVID-19 pandemic, on 20 October 2020, the Company received £300 million in the form of a Euro Commercial Paper ("ECP") from the Bank of England which is an unsecured, short-term debt instrument that is denominated in a currency differing from the domestic currency of the market where it is issued. The ECP works to be an attractive short-term financing tool for companies. The maturity date of the ECP is 14 May 2021 and has an effective interest rate of 0.424485%. On the same day, the Company issued a short term loan to a Group undertaking for the same amount and same underlying terms.

Existence of branches outside the UK

The Company has no branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK.

Directors

The following served as Directors during the year and to the date of this report:

A Murphy
M Snape (appointed 31 March 2020)
A Thompson
E Harris (resigned 31 March 2020)

Walgreens Boots Alliance, Inc. provided qualifying third-party indemnity provisions to certain Directors of associated companies during the financial year and at the date of this report.

Engagement with employees and employment of disabled persons

All staff and Directors were employed and paid on behalf of the Company by a fellow Group undertaking.

Diversity and inclusion are key aspects of the Company's strong value system and culture. The Company never makes any employment-related decisions based upon a person's race, colour, gender, age, religion, disability, sexual orientation, national origin, former military status, marital status or any other basis protected by law.

The Company, either directly or through its associated companies, aims to ensure that all employees are informed about, and engaged with, their part of the business, augmented by a deeper understanding of its future direction. Some of the approaches used to fulfil these would include performance reviews/appraisals, communications through email, intranet, bulletin boards and town hall meetings with senior management. These engagements also allow the Company to take into account the views of the employees in its decision making process.

Statement on business relationships

The Boots Company PLC aims to operate fairly, transparently and with integrity in the marketplace. The Company along with its associate companies, engages with its customers, suppliers and other key stakeholders through multiple channels. These may include face to face interactions, social media interactions, conferences, corporate/business websites and surveys. This provides a broad and diverse understanding of the evolving priorities of various stakeholders and helps the Directors to consider these views in their decision making. Please also refer to s172 statement within the Strategic report.

Energy and Carbon reporting

The Boots Company PLC is committed to the protection of the environment and the reduction of its carbon footprint. As per changes introduced by the 2018 Regulations of the Companies Act 2006, the Directors of the Company are required to report on the energy and carbon information relating to the Company.

The related carbon footprint, measured in CO₂e tonnes, is calculated from the usage data submitted for energy usage from gas and electricity, outbound product delivery, and business travel activity. Conversion factors are applied on the basis of business location. UK-based data is converted using the UK Department for Environment, Food & Rural Affairs (DEFRA) CO₂e factors. Conversion factors are updated annually to reflect the factors published by DEFRA that are in effect as of 31 August of the reporting year.

The Company's fiscal year greenhouse gas emissions and energy use data were as follows:

	2020
Energy consumption used to calculate emissions (kWh)	120,000
Scope 1 emissions in metric tonnes CO₂e:	
Standard Tariff	28
Total gross emission in metric tonnes CO ₂ e	28
sales (£million)	173
Intensity ratio Tonnes CO₂e per £1 million sales	0.16

For the financial year ending 31 August 2020, multiple measures have been taken by the Company to reduce its energy consumption and carbon footprint. These include introducing replacing inefficient lighting with LED (light emitting diode) technology and improving the heating, ventilation and air conditioning systems.

The Boots Company PLC

Directors' Report (continued)

for the year ended 31 August 2020

Auditor

A resolution to reappoint Deloitte LLP as auditor will be put to members at Annual General Meeting.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act of 2006.

Approved by the Board and signed on its behalf by:



M Snape
Director

29 March 2021

Registered office:
Nottingham
NG2 3AA

Registered in England and Wales No. 00027657

The Boots Company PLC

Directors' Responsibilities Statement

for the year ended 31 August 2020

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of The Boots Company PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of The Boots Company PLC:

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – material uncertainty related to the valuation of the investment property portfolio held in other equity investments

We draw attention to note 4 and 15, which describes the effects of the uncertainties created by the coronavirus (COVID-19) pandemic on the valuation of the investment property portfolio held in other equity investments. As noted by the company's external valuer, the pandemic has caused extensive disruptions to businesses and economic activities and the uncertainties created have increased the estimation uncertainty over the fair value of the investment property portfolio held in other equity investments at the balance sheet date. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report (continued)

to the members of The Boots Company PLC

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jane Whitlock ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Nottingham, UK

29 March 2021

The Boots Company PLC

Income statement

for the year ended 31 August 2020

	Notes	2020 £million	2019 £million
Revenue	5	173	208
Cost of sales		—	—
Gross profit		173	208
Administrative expenses		(95)	(95)
Operating profit		78	113
Income from shares in Group undertakings	9	—	62
Finance income	9	1	2
Other losses	10	—	(31)
Profit before taxation		79	146
Tax	11	(18)	(19)
Profit for the year	6	61	127

Revenue and operating profit are all derived from continuing operations.

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The Boots Company PLC

Statement of comprehensive income

for the year ended 31 August 2020

		2020	2019
	Notes	£million	£million
Profit for the year		61	127
Other comprehensive income for the year:			
Fair value gain on investments in equity instruments designated as at FVTOCI	23	—	2
Tax on fair value gain arising on equity instruments designated as at FVTOCI	23	—	(1)
		—	1
Total comprehensive income for the year		61	128

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The Boots Company PLC

Balance sheet

as at 31 August 2020

	Notes	2020 £million	2019 £million
Assets			
Non-current assets			
Intangible assets	13	90	104
Property, plant and equipment	14	1	2
Investments in subsidiaries	15	391	391
Other investments	16	25	25
		507	522
Current assets			
Trade and other receivables	17	225	160
		225	160
Total assets		732	682
Liabilities			
Current liabilities			
Current tax liabilities		(2)	(13)
Trade and other payables	18	(14)	(14)
		(16)	(27)
Net current assets		209	133
Total assets less current liabilities		716	655
Non-current liabilities			
Deferred tax liabilities	19	(1)	(1)
		(1)	(1)
Net assets		715	654
Equity			
Share capital	20	209	209
Share premium account	21	128	128
Capital contribution account	22	248	248
Investment revaluation reserve	23	2	2
Retained earnings	24	128	67
Total Equity		715	654

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The financial statements of The Boots Company PLC (registered number: 00027657) were approved by the Board of Directors and authorised for issue on 29 March 2021. They were signed on its behalf by:



Director
M Snape

29 March 2021

The Boots Company PLC

Statement of changes in equity

for the year ended 31 August 2020

	Share capital £million	Share premium account £million	Capital contribution £million	Investment revaluation reserve £million	Retained earnings £million	Total £million
Balance at 1 September 2018	209	128	248	1	120	706
Profit for the year	—	—	—	—	127	127
Other comprehensive income for the year	—	—	—	1	—	1
Total comprehensive income for the year	—	—	—	1	127	128
Dividends paid (note 12)	—	—	—	—	(180)	(180)
At 31 August 2019	209	128	248	2	67	654
Profit for the year	—	—	—	—	61	61
Total comprehensive income for the year	—	—	—	—	61	61
At 31 August 2020	209	128	248	2	128	715

The accompanying notes to the financial statements are an integral part of the Company's financial statements.

The Boots Company PLC

Notes to the financial statements

for the year ended 31 August 2020

1. General information

The Boots Company PLC (the "Company") is a public Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of the registered office is given on page 7.

The nature of the Company's operations and its principal activities are set out in the Strategic report on page 1.

2. Adoption of new and revised standards

Impact of initial application of IFRS 16

In the current year, the Company has applied IFRS 16 *Leases* (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 September 2019.

The application of IFRS 16 *Leases* accounting requirements has had no impact to the results and financial positions of the Company for the current and/or prior years.

Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards, none of these amendment has had a material impact on the disclosures or the financial statement.
IFRIC 23 Uncertainty over Income Tax Treatments	The Company has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

3. Significant accounting policies

Basis of accounting

These financial statements are presented in pounds sterling because that is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

These financial statements are individual accounts. The Company is exempt from the preparation of consolidated financial statements under s401 of the Companies Act, because it is included in the group accounts of Walgreens Boots Alliance, Inc. The group accounts of Walgreens Boots Alliance, Inc. are available from the Walgreens Boots Alliance website at www.walgreensbootsalliance.com. The principal office of the parent company preparing consolidated accounts is 108 Wilmot Road, Deerfield, Illinois, 60015, United States of America.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a. the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- b. the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Basis of accounting (continued)

- c. the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- d. the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*; *Statement of cash flows*, *statement of financial position for the earliest comparative period*, *capital management disclosures*.
- e. the requirements of IAS 7 *Statement of Cash Flows*;
- f. The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- g. the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- h. the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and,
- i. the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

Where relevant, equivalent disclosures have been given in the group accounts of Walgreens Boots Alliance, Inc.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis.

The principal accounting policies adopted are set out below.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in its Strategic report.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the business activities and principal risks and uncertainties as set out within the Strategic report and including the impact of COVID-19.

COVID-19 was declared a global pandemic on 11 March 2020 and continues after the balance sheet date. The Directors continue to monitor and respond to the impact of COVID-19 on the business and all available actions have been taken to protect performance.

Consistent with RICS recommendations, all property valuations in the the Company's indirect investee as at 31 August 2020 have seen the inclusion of a 'material uncertainty' clause which highlights that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case resulting in a greater range of values and therefore a higher degree of caution should be attached to the valuations for the current period.

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and the EU negotiated a new trading relationship for goods and services. However the full implications of this new trading relationship are not yet fully understood at a detailed level. The Company has robust contingency plans in place and continues to closely monitor the impact of the new trading relationship. Given the nature of the business, with the majority of transactions originating within the Group, neither the COVID-19 pandemic nor the impact of Brexit are considered to be a risk to the going concern of the Company.

As part of the UK government's initiatives to help businesses through the COVID-19 pandemic, on 20 October 2020, the Company received £300 million in the form of a Euro Commercial Paper ("ECP") from the Bank of England which is an unsecured, short-term debt instrument that is denominated in a currency differing from the domestic currency of the market where it is issued. The ECP works to be an attractive short-term financing tool for companies. The maturity date of the ECP is 14 May 2021 and has an effective interest rate of 0.424485%. On the same day, the Company issued a short term loan to a Group undertaking for the same amount and same underlying terms. Walgreens Boots Alliance, Inc. acts as a guarantor to the ECP whose latest financial position and cash flow forecasts have been assessed and noted that in the event of a default, the guarantor is able to fulfil the repayment when it falls due.

The Company has net current assets as at 31 August 2020 and continuing cash generation. In addition, the Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £213 million (2019: £137 million) of pooled-cash which is available to the Company on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility.

Base on the above factors, the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Impairment of investments in subsidiaries

At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Revenue recognition

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

Currency transactions

Transactions denominated in currencies other than an entity's functional currency are translated into an entity's functional currency at the exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in currencies other than an entity's functional currency at the year-end are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities that are measured at historical cost and are denominated in currencies other than an entity's functional currency are translated using the exchange rates at the date of the transaction. Non-monetary items that are measured at fair value and are denominated in currencies other than an entity's functional currency are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses are recognised in the income statement.

Operating profit

Operating profit is stated after charging restructuring costs but before income from shares in Group undertakings, finance income, other losses and tax.

Taxation

The tax expense represents the sum of the current tax and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

All property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, in equal instalments over their expected useful economic lives which are:

- Fixtures, fittings, tools and equipment - 3 to 20 years.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The useful economic lives of intangible assets with finite lives are as follows:

- Brands - up to 20 years;
- Other intangibles - 10 years; and
- Software - 3 to 8 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'amortised cost', 'fair value through other comprehensive income - debt investment' (FVTOCI - debt investment), 'fair value through other comprehensive income - equity investment' (FVTOCI - equity investment) and 'fair value through profit and loss' (FVPL). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Investments in joint ventures, associates and subsidiaries are carried at cost less impairment. Investments in joint ventures, associates and subsidiaries are accounted for in accordance with IFRS 9.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments.

Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair Value OCI - debt investments

A debt investment is measured at FVTOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Fair value through OCI - equity investment

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery or part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Fair value through profit or loss

All financial assets which are not classified as amortised cost or fair value through OCI as described above are measured at fair value through profit or loss. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Impairment of financial assets

The Company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVTOCI and contract assets (as defined in IFRS 15).

The Company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or BBB-.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the profit and loss reserve.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

All financial liabilities, including borrowings, are measured subsequently at amortised cost using the effective interest method or at FVPL.

Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) held for trading or (ii) it is designated as at FVPL. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains' and/or 'other losses' line in profit or loss.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVPL are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Reserves

The capital contribution reserve relates to capital contributions made by a fellow Group undertaking.

The investment revaluation reserve relates to unrealised gains and losses on investments in equity instruments designated as FVTOCI (note 16, 23).

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair Value at inception of the Fareva manufacturing and supply agreement

On 31 October 2017, the Group entered into a 10-year global agreement for the manufacture and supply of own beauty brands and private label products with Fareva S.A. under the Company's name. In return, Fareva S.A. took full ownership of the Group's contract manufacturing business, which included BCM Kosmetik GmbH, an entity fully owned by the Company. The Directors consider that the fair value of the agreement is equivalent to the net assets of the contract manufacturing business. This is presented as an intangible asset within the financial statements and amortised over the term of the agreement.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value measurements and valuation processes

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amount of investments in equity instruments designated as at FVTOCI is £25 million (2019: £25 million).

Impairment of investments in Group Undertakings

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. In assessing whether the direct investments are impaired, the Company has also assessed the fair value of its indirect investee, Boots Properties Limited which holds investment properties. The carrying amount of investments in subsidiaries at the balance sheet date was £391 million (2019: £391 million) with no impairment loss recognised in 2020 (2019: £31 million). See note 15.

Material valuation uncertainty for the investment property portfolio that is held by the indirect investee

The Company holds an indirect investment in Boots Properties Limited which holds investment properties. Consistent with RICS recommendations, all property valuations in the indirect investee as at 31 August 2020 have seen the inclusion of a 'material uncertainty' clause which highlights that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case resulting in a greater range of values and therefore a higher degree of caution should be attached to the valuations for the current period.

Impairment of other intangibles - Fareva manufacturing and supply agreement

Determining whether the Company's other intangible (the Fareva manufacturing and supply agreement) has been impaired requires estimations of their present value. The present value calculations require the Company to estimate the future cash flows expected to arise from cash-generating units and suitable discount rates in order to calculate present values. Key assumptions used in the present value calculation include:

- the discount rate used in the present value calculation in 7.5%
- manufacturing cost benefits double from FY21 (year 4 of the agreement) and continues to the end of the agreement

As at 31 August 2020, the asset had a book value of £61 million (2019: £69 million) with headroom of £26 million. Therefore no impairment was recorded.

Sensitivities performed over the assumptions with the impact as shown below:

Assumption	Impact to headroom
Increase discount rate by 1.0% to 8.5%	£3 million decrease
Manufacturing cost benefits do not double from years 4-10 of the agreement by volume related increases are assumed delivered	£2 million decrease

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The sensitivities shown are just one possible outcome and should not be taken as an indication of the likelihood of a change occurring in the future.

5. Revenue

An analysis of the Company's revenue is as follows:

	2020	2019
	£million	£million
Continuing operations		
Royalty Income	173	208

Of the royalty income, £155 million (2019: £187 million) is generated within the United Kingdom. The remaining £18 million (2019: £21 million) is generated from overseas entities, namely Republic of Ireland, Thailand and Norway.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

6. Profit for the year

Profit for the year has been arrived at after charging:

	2020 £million	2019 £million
Depreciation of property, plant and equipment (note 14)	1	2
Amortisation of intangibles (note 13)	14	14
Impairment loss recognised on investments in subsidiaries (note 10)	—	31
Reorganisation costs (note 19)	1	—

7. Auditor's remuneration

The 2020 fee for the audit of these financial statements was borne by a fellow group undertaking. The amount allocated that would have been incurred for 2020 is £8,000 (2019: £8,000). No non-audit services were provided to the Company by its auditor (2019: £nil).

8. Staff numbers and costs

All staff and Directors were employed and paid on behalf of the Company by a fellow Group undertaking.

No emoluments are payable to the Directors for their services to the Company in the current or preceding financial periods.

9. Income from shares in Group undertakings and Finance income

	2020 £million	2019 £million
Interest receivable from Group undertakings	1	2
Total interest receivable	1	2
Income from shares in Group undertakings	—	62
	1	64

10. Other losses

	2020 £million	2019 £million
Other losses	—	31
	—	31

In prior year, the other loss was the impairment of investment in subsidiaries relating to Sleek International Limited.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

11. Tax

An analysis of the tax charge for the year is presented as follows:

	2020 £million	2019 £million
Corporation tax:		
UK corporation tax	18	24
Adjustments in respect of prior periods	—	(5)
	18	19

Corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated taxable profit for the year.

The tax charge for the year can be reconciled to the profit in the income statement as follows:

	2020 £million	2019 £million
Profit before tax	79	146
Tax at the UK corporation rate of 19% (2019: 19%)	15	28
Effects of:		
Expenses not deductible for tax purposes	3	2
Non-taxable dividends received	—	(12)
Impairment of investment in subsidiary	—	6
Adjustments in respect of prior years	—	(5)
Tax charge for the year	18	19

In addition to the amount charged to profit or loss, the following amounts relating to tax have been recognised in other comprehensive income:

	2020 £million	2019 £million
Deferred tax:		
Items that are or may be reclassified subsequently to the income statement:		
Tax on fair value movement on other investments	—	(1)
Total income tax recognised in other comprehensive income	—	(1)

Factors that may affect future current and total tax charges

The UK Budget Announcement on 3 March 2021 stated that the corporation tax rate would increase to 25% from 1 April 2023. This change has not been substantively enacted to date and therefore these financial statements reflect the existing rate of 19%, which itself was substantively enacted on 17 March 2020.

12. Dividends

The Company's paid and proposed dividends are presented as follows:

	2020 £million	2019 £million
Amounts recognised as distributions to equity holders in the year:		
Dividend paid in the year (2019: 21.5 pence per share)	—	180

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

13. Intangible assets

	Brands £million	Other intangibles £million	Software £million	Total £million
Cost				
As at 1 September 2019 and at 31 August 2020	47	85	1	133
Amortisation				
At 1 September 2019	13	16	—	29
Charge for the year	5	8	1	14
At 31 August 2020	18	24	1	43
Carrying amount				
At 31 August 2019	34	69	1	104
At 31 August 2020	29	61	—	90

As at 31 August 2020, the brands relate to "Soap & Glory" for £31 million, and "Sleek" for £16 million at cost. Both brands are definite lived intangibles and are amortised over 8 years and 12 years respectively.

In addition, on 31 October 2017, the Group entered into a 10-year global agreement for the manufacture and supply of own beauty brands and private label products with Fareva S.A. under the Company's name. In return, Fareva S.A. took full ownership of the Group's contract manufacturing business, which included BCM Kosmetik GmbH, an entity fully owned by the Company. Upon inception, the Directors consider that the fair value of the agreement is equivalent to the net assets of the contract manufacturing business. This other intangible asset is then amortised over 10 years and assessed for impairment on an annual basis.

Software is amortised over 3 to 8 years.

14. Property, plant and equipment

	Fixtures, fittings, tools and equipment £million
Cost	
At 1 September 2019 and at 31 August 2020	4
Accumulated depreciation	
At 1 September 2019	2
Charge for the year	1
At 31 August 2020	3
Carrying amount	
At 31 August 2019	2
At 31 August 2020	1

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

15. Investments in subsidiaries

	£million
Cost	
As at 1 September 2019 and at 31 August 2020	1,259
Provision for impairment	
As at 1 September 2019 and at 31 August 2020	868
Carrying amount	
As at 31 August 2019 and at 31 August 2020	391

The Company holds an indirect investment in Boots Properties Limited ("investee") which holds investment properties. The investee's property portfolio was valued as at 31 August 2020 by qualified valuers, Savills, being members of the Royal Institute of Chartered Surveyors ("RICS"), on the basis of open market value in accordance with the Appraisal and Valuation standards published by the RICS. The valuation was arrived at by reference to market evidence of transaction prices for similar properties on a guaranteed rental income basis.

The outbreak of the novel coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Consistent with RICS recommendations, all valuations as at 31 August 2020 are therefore reported by our surveyors on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. The 'material uncertainty' clause serves as a precaution and is intended to highlight that, due to the current extraordinary circumstances, less certainty can be attached to the reported valuation than would otherwise be the case resulting in a greater range of values, and therefore a higher degree of caution should be attached to the valuations for the current period.

The Company has not recognised an impairment in the investment based on the assessment of the fair value of the properties in the indirect investee in the current year, however the material uncertainty clause provides uncertainty surrounding the assessment.

The Company's subsidiary undertakings at the balance sheet date, all of which were directly held, are presented as follows:

	Principal activities	Share class	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Registered office
AB Property Holdings Limited	Holding company	Ordinary shares	100	100	Cayman Islands	Avalon Trust and Corporate Services Limited, Landmark Square, 1 st floor, 64 Earth Close, PO Box 715, Grand Cayman, KY1-1107, Cayman Islands
Boots 2 Property Partnership	Property Holding	Capital Contribution	—	35.80	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots 2 Property Scottish Limited Partnership	Holding Company	Capital Contribution	—	0.0001	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots Properties Limited	Holding company and property holding	Ordinary shares	—	100	England & Wales	Nottingham, NG2 3AA, UK
Boots PropCo B Limited	Holding company	Ordinary shares	—	100	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo C Limited	Holding company	Ordinary shares	—	100	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots Property Partnership	Property holding	Capital contribution	—	57.40	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Sleek International Limited	Dormant	Ordinary shares	100	100	England & Wales	1 Thane Road West, Nottingham, NG2 3AA, UK
Soap & Glory Limited	Dormant	Ordinary shares	100	100	England & Wales	1 Thane Road West, Nottingham, NG2 3AA, UK
WBA PropCo C LLP	Property Holding	Capital Contribution	—	10.67	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

16. Other investments

	2020 £million
Investments in equity instruments designated at FVTOCI:	
At 1 September 2019	25
Fair value movement on equity investments	—
At 31 August 2020	25

Other investments relate to investments in equity instruments designated at FVTOCI. They represent investments in listed equity securities amounting to £25 million (2019: £25 million) that present the Company with opportunity for return through dividend income. These shares are not held for trading and accordingly the Directors of the Company have elected to designate these as equity instruments designated at FVTOCI. The fair values of all equity securities are based on quoted market prices. The cost of the listed equity securities on acquisition was £17 million (2019: £17 million). There is a Deed of Charge over these listed investments as noted in note 27.

In addition, the Company has shares in investments in equity instruments at the balance sheet date are presented as follows:

	Principal activity	Share class	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Registered office
MedAvail Technologies Inc.	Pharmaceutical Technology	Ordinary shares	7.39	7.39	Canada	6665 Millcreek Drive, Unit 1, Mississauga ON L5N 5M4, Canada

17. Trade and other receivables

	2020 £million	2019 £million
Amounts falling due within one year:		
Amounts owed by group undertakings	221	156
Other receivables	1	1
Prepayments	3	3
Included in current assets	225	160
Total trade and other receivables	225	160

The current amounts owed by Group undertakings are unsecured, non-interest bearing and repayable on demand.

18. Trade and other payables

	2020 £million	2019 £million
Amounts falling due within one year:		
Trade payables	—	—
Amounts owed to Group undertakings	6	4
Accruals	8	10
Included in current liabilities	14	14
Total trade and other payables	14	14

Amounts owed to Group undertakings are unsecured, non-interest bearing and repayable on demand.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

19. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior periods.

	Other temporary differences £million
At 1 September 2018	—
Charge to other comprehensive income	(1)
At 31 August 2019	(1)
Charge to profit or loss	—
At At 31 August 2020	(1)

At the balance sheet date, the Company has unused capital tax losses of £133 million (2019: £133 million) available for offset against future profits. A deferred tax asset of £25 million (2019: £23 million) has not been recognised in respect of such losses as it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

20. Share capital

	2020 £million	2019 £million
Authorised		
1,200,000,000 ordinary shares of 25p each (2019: 1,200,000,000 ordinary shares)	300	300
Issued and fully paid		
836,022,399 ordinary shares of 25p each (2019: 836,022,399 ordinary shares)	209	209

The Company has one class of ordinary shares which carry no right to fixed income.

21. Share premium account

	£million
At 1 September 2018, 31 August 2019 and at 31 August 2020	128

22. Capital contribution account

The capital contribution reserve relates to capital contributions made by a fellow Group undertaking.

	Capital contribution reserve £million
At 1 September 2018, 31 August 2019 and at 31 August 2020	248

23. Investment revaluation reserve

The investment revaluation reserve relates to unrealised gains and losses on other investments designated as at FVTOCI.

	Investments revaluation reserve £million
At 1 September 2018	1
Fair value gain arising on equity instruments designated as FVTOCI	2
Tax on fair value gain arising on equity instruments designated as FVTOCI	(1)
At 31 August 2019	2
Fair value gain arising on equity instruments designated as FVTOCI	—
At 31 August 2020	2

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

24. Retained earnings

	Retained earnings £million
At 1 September 2018	120
Dividends paid	(180)
Profit for the year	127
At 31 August 2019	67
Profit for the year	61
At 31 August 2020	128

25. Financial instruments

Categories of financial instruments held at fair value:

	2020 £million	2019 £million
Financial assets at fair value		
Equity instruments designated at FVTOCI (note 16)	25	25

Changes in fair value recognised in a revaluation reserve in respect of financial assets classified as investment in equity instruments designated at FVTOCI are presented in note 23.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- For unlisted securities, the carrying value has been used as an approximation of the fair value of the investment.

26. Contingent liabilities

A Deed of Charge exists in relation to the £25 million (2019: £25 million) listed investments disclosed in note 16. The listed investments act as security for the performance of various obligations relating to the provision of pension benefits to members of the unfunded pension scheme held in a fellow Group undertaking. The Directors do not find it practicable to estimate the financial effect, the timing of any outflow or possibility of reimbursement and therefore have not disclosed such information.

The Company and other Group Companies have an arrangement with its bank under which its current account balances are netted on a daily basis with those of the other participating Group companies for the purposes of charging or crediting interest. Under this arrangement, each participating company agrees that it is jointly and severally liable to the bank, with each participating company, for the aggregate overdraft balances on the current accounts of all participating companies. Each of the participating company's liability is limited to the amount of any positive cash balance it has in its current accounts with the bank on the day netting takes place. At 31 August 2020. The Company was contingently liable under this arrangement for a total amount of £nil (2019: £nil).

27. Events after the balance sheet date

The COVID-19 pandemic was declared by the World Health Organisation as a global pandemic on 11 March 2020 which has continued after the balance sheet date. This outbreak had a significant impact on all aspects of business including the Company's operational and financial performance for the current financial year. There are still numerous uncertainties relating to COVID-19 which may continue to impact the future performance of the business. Subsequently, further local and national lockdowns have been introduced to parts of the UK which will impact the future operations of the business further. However this should not change the financial performance, financial position and going concern conclusions reported within these financial statements.

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and the EU negotiated a new trading relationship for goods and services. However the full implications of this new trading relationship are not yet fully understood at a detailed level. In addition, the Company has robust contingency plans in place and continues to closely monitor the situation.

On 3 September 2020, the Company announced an organisational restructure. As such a provision of £3 million was recognised after the balance sheet date which is fully recharged to a fellow Group undertaking. This provision represents employee costs relating to restructuring activity.

As part of the UK government's initiatives to help businesses through the COVID-19 pandemic, on 20 October 2020, the Company received £300 million in the form of a Euro Commercial Paper ("ECP") from the Bank of England which is an unsecured, short-term debt instrument that is denominated in a currency differing from the domestic currency of the market where it is issued. The ECP works to be an attractive short-term financing tool for companies. The maturity date of the ECP is 14 May 2021 and has an effective interest rate of 0.424485%. On the same day, the Company issued a short term loan to a Group undertaking for the same amount and same underlying terms.

The Boots Company PLC

Notes to the financial statements (continued)

for the year ended 31 August 2020

28. Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries. There were no transactions with other related parties during the year.

29. Ultimate parent undertaking

At 31 August 2020, the Company's immediate parent company was Alliance Boots Holdings Limited and its ultimate parent company and controlling party was Walgreens Boots Alliance, Inc. Walgreens Boots Alliance, Inc. is also the parent undertaking of the largest and smallest group in which the Company is consolidated. The consolidated financial statements of this group are available from the Walgreens Boots Alliance website at www.walgreensbootsalliance.com.

Walgreens Boots Alliance, Inc. is incorporated in the United States of America, and its principal office address is 108 Wilmot Road, Deerfield, Illinois, 60015.