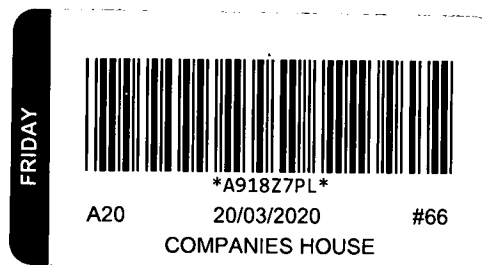


Company registration number: 03070395

---

---



**Liz Earle Beauty Co. Limited**  
**Annual report and financial statements**  
For the year ended 31 August 2019

## **Contents**

<b>Strategic report</b>	<b>1</b>
<b>Directors' report</b>	<b>3</b>
<b>Directors' responsibilities statement</b>	<b>4</b>
<b>Independent auditor's report</b>	<b>5</b>
<b>Income statement</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Statement of changes in equity</b>	<b>9</b>
<b>Notes to the financial statements</b>	<b>10</b>

# Liz Earle Beauty Co. Limited

## Strategic report

For the year ended 31 August 2019

The Directors present their strategic report for the company for the year ending 31<sup>st</sup> August 2019.

The principal activity of the Company continues to be the sale of cosmetic products and treatments, with principal product categories including Skincare, Colour, Haircare and Fragrance.

### Business review

	2019	2018
	£	£
Revenue	55,925,593	57,793,802
Operating profit	7,830,423	6,850,395
Profit for the year	6,420,754	5,552,819
Shareholders' equity	29,660,214	33,239,460

The retail environment was extremely challenging throughout the year, and this resulted in a reduction in revenue. Revenue for 2019 was £55,925,593 (2018: £57,793,802). Operating profit for 2019 was £7,830,423 (2018: £6,850,395).

### 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.

#### 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.

##### Mitigation

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

#### Impact of regulation

##### Risk

The Company operates in regulated markets and could be adversely affected by changes to existing regulation, new regulation and/or failure to comply with regulation.

##### Mitigation

The Company seeks to control this type of risk through understanding government and regulatory body thinking on regulatory matters and building relationships with regulatory bodies through representation in relevant professional and trade associations.

#### Changes and trends in consumer behaviour

##### Risk

The Company could be adversely affected by changes in consumer spending levels, shopping habits, seasonality and preferences, including attitudes to its retail and product brands.

##### Mitigation

The Company's commercial skills and ability to respond flexibly to changing consumer demand is highly developed. Its strategy remains to continue to enhance its strong position in beauty retailing in the UK, by differentiating our brand and providing expert customer service.

#### Product/services risk

##### Risk

The Company could be adversely impacted by the supply of defective products or provision of inadequate services. In particular this could come from errors in labelling of products and contamination or product mishandling issues.

##### Mitigation

The Company has robust purchasing processes and well developed contractual controls in relation to suppliers and a cohesive product control framework. This includes specific controls for testing product quality.

# Liz Earle Beauty Co. Limited

## Strategic report (continued)

For the year ended 31 August 2019

### *Major operational business failures*

#### *Risk*

The Company could be adversely impacted by a major failure of its distribution centres, IT systems or operational systems, or those of key third party suppliers.

#### *Mitigation*

The Company operates rigorously audited control frameworks, regularly updates business continuity plans and continually seeks to improve control of core business processes, both through self-assessment and through specific programmes relating to the delivery of key strategic projects.

### *Increased costs*

#### *Risk*

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

#### *Mitigation*

The Company uses procurement professionals and procurement techniques to purchase goods and services on a national and international basis. The Company carefully controls operating costs such as payroll, and benefits from Group expertise in other areas such as a group property management function to manage lease negotiations in the UK.

### *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.

### *Data protection*

#### *Risk*

The Company processes a significant volume of confidential, personal and business data and could be adversely affected if any of this data is accidentally or maliciously lost.

#### *Mitigation*

The Company applies rigorous information security policies and procedures such as strong perimeter controls, access controls and data encryption. The Company is committed to the Payment Card Industry Data Security Standards and ensures that all its data processing complies with data protection legislation inclusive of the current General Data Protection Regulation.

Approved by the board and signed on its behalf



A Thompson  
Company Secretary

06 December 2019

# Liz Earle Beauty Co. Limited

## Directors' report

For the year ended 31 August 2019

The directors present their report and the audited financial statements for the year ended 31 August 2019.

### Going concern

The Company has net current assets and continuing cash generation and therefore 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 2 in the financial statements.

### Financial risk management objectives and policies

The Company is exposed to currency and credit rate risk. The Group's treasury function manages these risks at a group level in accordance with 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, which does not form part of this report.

---

The key business risks affecting the Company and the actions taken to mitigate those risks are detailed in the Strategic report.

### Dividends

The directors declared and paid a dividend of £10,000,000 in 2019 (2018: £nil).

### Future developments

The Company intends to continue operating in the sale of cosmetic products and treatments.

### Post balance sheet events

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements.

### Directors

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

R F Counsell – Resigned 19 August 2019

E Harris – Appointed 19 August 2019

M Smeed – Resigned 26 September 2018

A L Murphy

D Waller – Appointed 26 September 2018

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### Employee consultation

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the Company magazine.

### Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an 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 2006.

Approved by the Board and signed on its behalf by:



A Thompson  
Company Secretary

06 December 2019

Registered office:  
The Green House  
Nicholson Road  
Ryde  
Isle of Wight, PO33 1BD

Registered in England and Wales No. 03070395

# **Liz Earle Beauty Co. Limited**

## **Directors' responsibilities statement**

For the period ended 31 August 2019

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 judgments 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 Liz Earle Beauty Co. Limited

## *Report on the audit of the financial statements*

### **Opinion**

In our opinion the financial statements of Liz Earle Beauty Co. Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 August 2019 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 balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

---

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.

### **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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# **Independent auditor's report to the members of Liz Earle Beauty Co. Limited (continued)**

## ***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.



Claire Siviter, FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Southampton, United Kingdom  
9 December 2019



# Liz Earle Beauty Co. Limited

## Balance sheet

As at 31 August 2019

	Notes	2019 £	2018 £
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	1,985,734	2,343,784
Property, plant and equipment	12	8,411,281	8,474,023
Deferred tax assets	13	438,398	448,709
		10,835,413	11,266,516
<b>Current assets</b>			
Inventories	14	8,134,276	8,905,049
Trade and other receivables	15	19,099,887	21,800,661
Cash and bank balances		559,197	3,556,123
		27,793,360	34,261,833
<b>Total assets</b>		38,628,773	45,528,349
<b>Current liabilities</b>			
Trade and other payables	16	(7,221,212)	(11,133,612)
Current tax liabilities		(1,014,019)	(642,433)
Provisions	17	(327,065)	(137,879)
		(8,562,296)	(11,913,924)
<b>Net current assets</b>		19,231,064	22,347,909
<b>Total assets less current liabilities</b>		30,066,477	33,614,425
<b>Non-current liabilities</b>			
Deferred income	16	(118,371)	(35,073)
Long term provisions	17	(287,892)	(339,892)
		(406,263)	(374,965)
<b>Net assets</b>		29,660,214	33,239,460
<b>Equity</b>			
Share capital	19	104,570	104,570
Share premium account	20	1,930,185	1,930,185
Retained earnings	21	27,625,459	31,204,705
<b>Total Equity</b>		29,660,214	33,239,460

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

The financial statements of Liz Earle Beauty Co. Limited (registered number 03070395) were approved by the Board of directors and authorised for issue on 06 December 2019. They were signed on its behalf by:



Director  
D Waller

# Liz Earle Beauty Co. Limited

## Income statement

For the year ended 31 August 2019

		2019	2018
	Notes	£	£
Revenue	4	55,925,593	57,793,802
Cost of sales		(18,649,642)	(19,103,284)
Gross profit		37,275,951	38,690,518
Distribution costs		(350,159)	(261,263)
Administrative expenses		(29,095,369)	(31,578,860)
Operating profit		7,830,423	6,850,395
Investment revenue	8	154,229	79,096
Finance Costs	9	-	(42)
Profit before taxation		7,984,652	6,929,449
Tax	10	(1,563,898)	(1,376,630)
<b>Profit for the year</b>	<b>5</b>	<b>6,420,754</b>	<b>5,552,819</b>

Revenue and operating profit are all derived from continuing operations.

The Company has no recognised gains or losses other than the profit for the current year and preceding period, and accordingly no Statement of Comprehensive Income is presented.

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

## Liz Earle Beauty Co. Limited

### Statement of changes in equity

For the year ended 31 August 2019

	Called-up share capital £	Share premium account £	Profit and loss account £	Total £
At 1 September 2017	104,570	1,930,185	25,651,886	27,686,641
Profit for the year	-	-	5,552,819	5,552,819
At 31 August 2018	104,570	1,930,185	31,204,705	33,239,460
Profit for the year	-	-	6,420,754	6,420,754
Dividends paid	-	-	(10,000,000)	(10,000,000)
At 31 August 2019	104,570	1,930,185	27,625,459	29,660,214

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

# Liz Earle Beauty Co. Limited

## Notes to the financial statements

For the year ended 31 August 2019

### 1. General information

Liz Earle Beauty Co. Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom under the Companies Act and is registered in England and Wales.

The address of the registered office is given on page 3.

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

### 2. Significant accounting policies

#### Basis of accounting

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

These financial statements are individual accounts. The Group accounts of Walgreens Boots Alliance, Inc. are available from the Walgreens Boots Alliance website at [www.walgreensbootsalliance.com](http://www.walgreensbootsalliance.com). The registered office of the parent company preparing consolidated accounts is 108 Wilmot Road, Deerfield, Illinois, 60015, United States of America.

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. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Where relevant, equivalent disclosures have been given in the Group accounts of Walgreens Boots Alliance, Inc.

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*;
- (c) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
- (d) 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*;
- (e) 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*;
- (f) the requirements of IAS 7 *Statement of Cash Flows*;
- (g) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (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.
- (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*.

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 Company has net current assets and generates positive cash flows and expects this to continue in future periods. The Company's 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 for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Changes in accounting policies and disclosures

In the current year, the Company has applied the following amendments to IFRSs that were issued by the International Accounting Standards Board (IASB) and endorsed for use in the European Union and are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The Company has adopted IFRS 9 *Financial Instruments* (revised in July 2014) and the related consequential amendments to other IFRS Standards for the first time in the current year. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 September 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

**Notes to the financial statements (continued)**

For the year ended 31 August 2019

**2. Significant accounting policies (continued)**

**Changes in accounting policies and disclosures (continued)**

The Company has adopted IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) for the first time in the current year. IFRS 15 introduced a 5-step approach to revenue recognition, with more prescriptive guidance added to deal with specific scenarios.

The Company's accounting policies for its revenue streams are disclosed in detail in note 2 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of IFRS 15 has not had a material impact on the financial position and/or financial performance of the Company.

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*:** The Company has adopted the amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* for the first time in the current year. The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

- **Annual Improvements to IFRSs 2012-2014 Cycle:** The Company has adopted the amendments to IFRSs included in the *Annual Improvements to IFRSs 2012 - 2014 Cycle* for the first time in the current year.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

These conditions are considered satisfied when goods are physically delivered to the customer.

**Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**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. Exchange gains and losses are recognised in the income statement.

**Notes to the financial statements (continued)**

For the year ended 31 August 2019

**Changes in accounting policies and disclosures (continued)**

**2. Significant accounting policies (continued)**

**Retirement benefit costs**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**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 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 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.

**Cash and bank balances**

Cash and bank balances comprises cash in hand and short-term deposits with maturities of three months or less from the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**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 in equal instalments over their expected useful economic lives which are:

- Freehold buildings – 45 years;
- Leasehold land and buildings – Life of lease;
- Plant and machinery – 3 to 7 years; and
- Motor Vehicles – 4 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.

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.

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.

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

**Notes to the financial statements (continued)**

For the year ended 31 August 2019

**2. Significant accounting policies (continued)**

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.

**Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using standard cost. Provision is made for obsolete, slow moving or defective items where appropriate.

**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.

**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. The Company's financial assets include 'loans and receivables'.

**Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**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.

**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.

**Financial liabilities**

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

**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.

**Notes to the financial statements (continued)**

For the year ended 31 August 2019

**3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 2, 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.

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 the financial statements.

*Inventory provision*

Inventory is held at the lower of cost and net realisable value, which requires management to apply judgement in their assessment of the carrying value of inventory and application of provisions.

*Key source of estimation uncertainty – impairment of intangible assets*

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

**4. Revenue**

The revenue and profit before taxation are attributable to the one principal activity of the Company.

An analysis of the Company's revenue by geographical market is set out below.

	2019	2018
	£	£
<b>Revenue</b>		
United Kingdom	54,764,115	56,388,669
Rest of world	1,161,478	1,405,133
	<b>55,925,593</b>	<b>57,793,802</b>

All revenue generated relates to the sale of goods. Revenue derived from external customers that individually exceeded 10 percent of the total revenue amounts to £13,392,717.

**5. Profit for the year**

Profit for the year has been arrived at after charging/(crediting):

	2019	2018
	£	£
Depreciation of property plant, and equipment	1,186,841	1,267,138
Amortisation of intangible assets	511,558	584,828
Rental charges under operating leases	605,000	600,000
Net loss on forex transactions	1,867	1,238
Loss on disposal of property, plant and equipment	(152,642)	(111,070)
Write downs of inventories recognised as an expense	501,463	291,642

**6. Auditor's remuneration**

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Company.

	2019	2018
	£	£
Audit of the financial statements	46,920	46,000

No non-audit services were provided to the Company by its auditor.



# Liz Earle Beauty Co. Limited

## Notes to the financial statements (continued)

For the year ended 31 August 2019

### 7. Staff numbers and costs

The average monthly number of persons employed by the Company during the period, analysed by function, was:

	2019 Average Number	2018 Average number
Sales and Distribution	606	776
Administration	281	172
	<b>887</b>	<b>948</b>

Costs incurred in respect of these employees were:

	2019	2018
	£	£
Wages and salaries	13,012,693	14,813,499
Social security costs	1,234,356	1,363,941
Pension costs	446,280	462,095
	<b>14,693,329</b>	<b>16,639,535</b>

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

### 8. Investment revenue

	2019	2018
	£	£
Other finance income	154,229	79,096

### 9. Finance costs

	2019	2018
	£	£
Other finance costs	-	42

# Liz Earle Beauty Co. Limited

## Notes to the financial statements (continued)

For the year ended 31 August 2019

### 10. Tax

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

	2019	2018
	£	£
Corporation tax:		
UK corporation tax	1,541,594	1,489,137
Adjustment in respect of prior periods	11,992	94,300
	1,553,587	1,583,437
Deferred tax (note 13):		
Origination and reversal of timing differences	18,122	(35,603)
Adjustments in respect of prior periods	(7,810)	(171,204)
	10,311	(206,807)
	1,563,898	1,376,630

Corporation tax is calculated at 19.00% (2018: 19.00%) 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:

	2019	2018
	£	£
Profit before tax	7,984,652	6,929,449
Tax at the UK corporation rate of 19.00% (2018: 19.00%)	1,517,084	1,316,595
Effects of:		
Prior period adjustments	4,182	(76,905)
Expenses not deductible for tax purposes	44,764	132,751
Re-measurement of deferred tax balances due to change in UK substantively enacted rate	(2,132)	4,189
Tax charge for the year	1,563,898	1,376,630

A future reduction in the corporation tax rate to 17% from 1 April 2020 was enacted by Finance Act 2016 in September 2016. The impact (as applicable) of the future reduction to 17% continues to be reflected in the financial statements.

### 11. Intangible assets

	Trademarks £	Software £	Total £
<b>Cost</b>			
At 1 September 2018	1,540,184	2,681,605	4,221,789
Additions	-	153,508	153,508
Disposals	-	(2,075)	(2,075)
<b>At 31 August 2019</b>	<b>1,540,184</b>	<b>2,833,038</b>	<b>4,373,222</b>
<b>Amortisation</b>			
At 1 September 2018	1,539,437	338,568	1,878,005
Charge for the year	747	510,811	511,558
Disposals	-	(2,075)	(2,075)
<b>At 31 August 2019</b>	<b>1,540,184</b>	<b>847,304</b>	<b>2,387,488</b>
<b>Carrying amount</b>			
At 31 August 2018	747	2,343,037	2,343,784
<b>At 31 August 2019</b>	<b>-</b>	<b>1,985,734</b>	<b>1,985,734</b>

The material intangible asset balance relates to a Digital Platform, which went live in May 2018 and is considered material to the Company. The carrying amount as at 31 August 2019 was £1,813,204. The remaining amortisation is for 45 months, which is in line with our parent company policy.

# Liz Earle Beauty Co. Limited

## Notes to the financial statements (continued)

For the year ended 31 August 2019

### 12. Tangible fixed assets

	Freehold £	Leasehold £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 September 2018	7,062,814	1,833,730	5,742,353	163,323	14,802,220
Additions	-	13,108	1,263,633	-	1,276,741
Disposals	-	(13,703)	(726,971)	-	(740,674)
<b>At 31 August 2019</b>	<b>7,062,814</b>	<b>1,833,135</b>	<b>6,279,015</b>	<b>163,323</b>	<b>15,338,287</b>
<b>Accumulated depreciation</b>					
At 1 September 2018	1,168,807	1,331,756	3,717,686	109,948	6,328,197
Charge for the year	140,290	175,055	843,558	27,938	1,186,841
Disposals	-	(13,703)	(574,329)	-	(588,032)
<b>At 31 August 2019</b>	<b>1,309,097</b>	<b>1,493,108</b>	<b>3,986,915</b>	<b>137,886</b>	<b>6,927,006</b>
<b>Carrying amount</b>					
At 31 August 2018	5,894,007	501,974	2,024,667	53,375	8,474,023
<b>At 31 August 2019</b>	<b>5,753,717</b>	<b>340,027</b>	<b>2,292,100</b>	<b>25,437</b>	<b>8,411,281</b>

### 13. Deferred Tax

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

	Decelerated tax depreciation £	Other temporary differences £	Total £
At 1 September 2018	(398,140)	(50,569)	(448,709)
Charge to profit or loss	(25,836)	36,147	10,311
<b>At 31 August 2019</b>	<b>(423,976)</b>	<b>(14,422)</b>	<b>(438,398)</b>

### 14. Inventories

	2019	2018
	£	£
Finished goods and goods for resale	8,134,276	8,905,049

The cost of inventory recognised as an expense in the year was £16,884,894

### 15. Trade and other receivables

	2019	2018
	£	£
Amounts falling due within one year:		
Amounts receivable for the sale of goods	234,721	1,616,576
Amounts owed by Group undertakings	17,385,566	18,584,580
Other receivables	1,051,947	1,056,471
Prepayments and accrued income	427,653	543,034
	<b>19,099,887</b>	<b>21,800,661</b>

Amounts owed from Group undertakings are interest free and due 30 days from invoice date.

**Notes to the financial statements (continued)**

For the year ended 31 August 2019

**16. Trade and other payables**

	2019 £	2018 £
Amounts falling due within one year:		
Trade payables	3,498,818	4,032,942
Amounts owed to Group undertakings	296,549	3,105,231
Taxes and social security	754,148	263,654
Accruals and deferred income	2,593,919	3,612,979
Other creditors	77,778	118,806
<b>Included in current liabilities</b>	<b>7,221,212</b>	<b>11,133,612</b>
Amounts falling due after more than one year:		
Accruals and deferred income	118,371	35,073
	<b>118,371</b>	<b>35,073</b>
<b>Included in non-current liabilities</b>		
<b>Total trade and other payables</b>	<b>7,339,582</b>	<b>11,168,685</b>

Amounts owed to Group undertakings are interest free and due 30 days from invoice date.

**17. Provisions**

	2019 £	2018 £
Dilapidations	287,892	399,892
Other provisions	327,065	77,879
	<b>614,957</b>	<b>477,771</b>
<b>Current</b>	<b>327,065</b>	<b>137,879</b>
<b>Non-current</b>	<b>287,892</b>	<b>339,892</b>
	<b>614,957</b>	<b>477,771</b>

	Dilapidations £	Other provisions £	Total £
At 1 September 2018	399,892	77,879	477,771
Provision utilised during year	-	(1,310)	(1,310)
Provisions released during year	(117,000)	(69,961)	(186,961)
Provisions created during the year	5,000	320,457	325,457
<b>At 31 August 2019</b>	<b>287,892</b>	<b>327,065</b>	<b>614,957</b>

The provision for dilapidations relates to potential dilapidations costs payable at exit from leased premises, accrued straight line over the life of the lease or to an agreed lease exit date, whichever is sooner. The total in Other Provisions £327,065 includes £260,557 that is stock related.

# Liz Earle Beauty Co. Limited

## Notes to the financial statements (continued)

For the year ended 31 August 2019

### 18. Financial commitments

Capital commitments are as follows:

	2019	2018
	£	£
Contracted for but not provided for	19,727	7,549

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £	Other £	Land and buildings £	Other £
Within one year	605,000	2,677	600,000	3,291
Between one and five years	364,918	-	885,896	-
After five years	-	-	-	-
	<b>969,918</b>	<b>2,677</b>	<b>1,485,896</b>	<b>3,291</b>

### 19. Share capital

	2019	2018
	£	£
Authorised		
Unlimited	-	-

	2019	2018
	£	£
Allotted, called-up and fully paid		
"A" – 1,150 and Ordinary – 103,420		
shares of £1 each	104,570	104,570

### 20. Share premium account

	£
At 1 September 2018 and at 31 August 2019	1,930,185

### 21. Retained earnings

	£
At 1 September 2017	25,651,886
Profit for the year	5,552,819
At 31 August 2018	31,204,705
Dividend paid	(10,000,000)
Profit for the year	6,420,754
At 31 August 2019	<b>27,625,459</b>

The dividend for the year ended 31<sup>st</sup> August 2019 of £10,000,000 being £95.6297 pence per share.

### 22. Retirement benefit schemes

#### Defined contribution schemes

The Company operates a defined contribution retirement benefit scheme for all qualifying employees which is provided externally by Scottish Widows. The total expense is charged to the profit and loss in the period ended 31 August 2019 and was for £446,280 (2018: £527,835). The total amount outstanding as relates to the defined contributions for year ended 31 August 2019 is £84,832 (2018: £76,461)

### 23. Related parties

As a wholly owned subsidiary and qualifying entity the Company has taken advantage of the exemption in FRS 101 "Related party disclosures" from disclosing transactions with other wholly owned members of the group.

## **Liz Earle Beauty Co. Limited**

### **Notes to the financial statements (continued)**

For the year ended 31 August 2019

#### **24. Ultimate parent undertaking**

At 31 August 2019, 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](http://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.