Company registration number: 06779221

Boots Opticians Professional Services Limited
Annual report and financial statements
for the year ended 31 August 2020

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Contents

Principal activities
Boots Opticians Professional Services Limited's (the "Company") principal activity was optical retailing.

Business review
The Company is an optical retailer focussed on caring for customers' eye health and helping feel and look good in their eyewear. The Company operated a total of 550 stores as at 31 August 2020 (2019: 606) of which 385 (2019: 441) were owned stores and 165 (2019:165) were franchised.
The Company's stores are established and conveniently located, and its optometrists well positioned to play a significant role in the provision of eyewear and eye-health services to the communities that we serve.

The Company's revenue and operating profit were heavily impacted by the COVID-19 pandemic. The Company's operations were restricted between the end of March and the end of June, during this time we could only operate on an urgent and essential eye-care need basis. All routine eyecare was suspended based on government and National Health Service (NHS) guidance, until nationwide restrictions were lifted when we could provide routine eye-care in line with a priority based model. The Company used a remote triage and hub store model to service the customer base for urgent and essential eye-care needs during the restrictions. All customers were directed to call our central customer contact centre where queries were dealt with or directed to their nearest hub. A customer could then speak to our customer service colleagues and/ or an Optometrist regarding their individual need. Resolution of customer concerns was completed remotely where possible, in line with NHS guidance which sought to limit close contact where possible. For example supplying a new pair of adult glasses direct to the customers home to replace a damaged frame or providing clinical advice and guidance over the telephone. If the matter could not be resolved remotely the customer was offered the option to attend an appointment at one of our hub stores or their local store if they preferred. The majority of franchised practices offered face to face services following triaging the clinical need.

The Company has taken advantage of the Government's support packages made available to businesses throughout this time.

On 9 July 2020, the Company announced plans to reduce the size of the support office team and the closure of 48 stores which were either loss making, marginally profitable or in 'dual location' towns.

This business restructuring project and closure of stores will help mitigate the impact of COVID-19 and transform the business to maintain the long-term sustainability of the Company.

Key performance indicators	2020		2019	
	£'000	**Change**	**£'000**	**Change**
Revenue	**291,186**	**(26.0)%**	393,687	1.3%
Operating (loss)/profit	**(39,504)**	**(382.9)%**	13,964	(15.1)%
(Loss)/profit for the year	**(36,209)**	**(408.3)%**	11,745	(9.3)%
Shareholders' equity	**112,277**	**(28.1)%**	156,250	3.8%

Revenue experienced a (26.0)% reduction in the year primarily as a result of the impact of COVID-19. The NHS in each of the home nations placed restrictions on the industry with only urgent and essential eye-care allowed. Our routine eye test recall program was paused during this period. Once restrictions were lifted, needs based routine eye care was permitted as long as this was conducted in line with the Standard Operating Procedure & Guidelines 'Primary care Optical settings in the context of coronavirus (COVID-19)' issued by the NHS. This includes guidance on the use of Personal Protective Equipment, cleaning requirements and flows of customers and colleagues and resulted in fewer customers being seen in a day compared to the prior year as well as limiting footfall to ensure social distancing guidelines were maintained.

The Company experienced an operating loss in the year as Revenue was not sufficient to cover a relatively fixed cost base during the lock down period. The operating loss was partially mitigated by the support packages the Government made available. In the year to 31 August 2020 income recognised in respect of the Coronavirus Job Retention Scheme was £22,687,000 (2019: £nil); income recognised in relation to the Coronavirus Retail, Hospitality & Leisure Grant was £375,000 (2019: £nil); and the 100% retail discount on Business Rates relief resulted in lower costs of £2,250,000 (2019: £nil).

The result for the year was also impacted by a number of one-off costs and impairments. The cost associated with the support office restructure and the cost of closing 48 stores recognised in the period was £18,427,000 (2019: £nil) which included property, plant & equipment asset impairment of £5,368,000 (2019: £nil) and right of use asset impairment of £11,364,000 (2019 £nil) as the assets in the closed stores were written down to £nil net book value. Further details can be found in Note 17 Provisions. Current trading conditions indicate that further impairments exist and as part of the annual impairment exercise, £2,305,000 was recognised as an impairment of property, plant & equipment (2019: £1,489,000) and £3,360,000 against right of use assets (2019: £nil). An impairment charge of £3,426,000 (2019: £nil) has been recognised during the year relating to the impairment of the interface within a core function of the Company's practice operating system which has been written down to £nil net book value as the Company has decoupled the units of this interface to enable improved system performance and flexibility of electronic appointment booking.

Shareholders' equity reduced in the year as a result of the COVID-19 pandemic.

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. 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 and these are set to continue to have an impact on the future performance of the business. Further details of Going Concern can be found in note 3 to the financial statements. Subsequently, local and national lockdowns have been introduced to parts of the UK which will impact the future operations of the business further. The second national lockdown was in place from 5 November to 2 December 2020. During this period, routine eye care was allowed, and no additional restrictions were placed on the business.

The Company announced a review into its store operating model on 21 October 2020. This review is looking at ways of working in our stores and seeking to make our clinics more efficient. Some colleagues may be made redundant once the consultation process has been completed.

Section 172(1) statement
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:

a. *the likely consequences of any decision in the long term;*
b. *the interests of the company's employees;*
c. *the need to foster the company's business relationships with suppliers, customers and others;*
d. *the impact of the company's operations on the community and the environment;*
e. *the desirability of the company maintaining a reputation for high standards of business conduct; and*
f. *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. Below are some of the ways in which the directors have engaged with various stakeholders and fulfilled their duty under this section.

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 may include employee performance reviews/appraisals, communications through email, intranet, bulletin boards and town hall meetings. The company supports employee volunteering, with opportunities to sit on optical committees to actively be a part of the industry enabling interaction with regulators. The directors use these processes and engagements to understand employee's views and take these into account while making decisions. All decisions made are based on data led findings e.g. business cases, which have sections for stakeholders to ensure that they are considered. There is also a delegated authority matrix for decision making.

Customers
The directors strongly believe in treating customers fairly and providing them with safe and quality products. The Company and its affiliate companies have adopted multiple ways to engage with customers, these may include face-to-face interactions, social media interaction and surveys. The directors use these processes to understand the views of the customers and consider the impact of their decision on customer's interest. Patient safety is of paramount importance to the company, clinical governance processes and changes to clinical guidance are adhered to, to ensure we provide safe and high-quality eye-health services.

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 with a broad and diverse understanding of supplier priorities and allows them to take into account the interest of suppliers while making decisions.

Communities
The directors value an open dialogue with the communities' in which the business operates. This allows the directors to understand the 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, among others.

The outbreak of COVID-19 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 take into account 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 included:

a. put contingency plans in place to maintain continuity of operations and ensure provision of service to our customers, including remote triaging of patients.
b. introduce measures to keep all employees healthy and safe. Transition office-based colleagues to remote work environment and install protective equipment at work places.
c. commencement of home delivery options for customers, extend hours of operations to serve local communities and reserve certain hours of operations for customers with increased vulnerability.
d. ensure adequate funding is available to support continuity of business through these adverse conditions.

Principle 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.

Principle risks and uncertainties (continued)

COVID-19

Risk

The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. This might adversely affect the future business operations and may materially impact results of operations, cash flows and financial position of the Company.

The extent to which COVID-19 impacts the business will depend on numerous evolving factors and future developments that the Company is not able to predict or control, including but not limited to:

- the severity and duration of the pandemic, including whether there are additional "waves" or other additional periods of increases or spikes in the number of COVID-19 cases in areas in which the Company operates;
- the duration, degree and effectiveness of governmental, business or other actions in response to the pandemic, including but not limited to quarantine, working from home, social distancing and face mask measures; restrictions on or changes to operations up to and including complete or partial closure of the stores, facilities and distribution centres; economic measures; stimulus payments and other fiscal policy changes; or additional measures that may not yet be effected;
- the timing and availability of, and prevalence of access to and utilisation of, effective medical treatments and vaccines for COVID-19;
- changes in the timing and extent of restrictions impacting businesses and customers as a result of COVID-19, which may vary materially over time and among the different regions and markets served;
- evolving macroeconomic factors, including general economic uncertainty, unemployment rates, and recessionary pressures;
- the impact of the pandemic on economic activity and the pace and extent of recovery when the pandemic subsides, which may vary materially over time and among the different regions and markets served;
- the extent and duration of the effect on consumer confidence, economic well-being, spending, customer demand, buying patterns and shopping behaviours, including spend on discretionary categories, which often include higher margin products, and increased utilisation of online sales channels, both during and after the pandemic;
- the health of and the impact on team members and the Company's ability to meet staffing needs in our stores, corporate offices and other critical functions, including if team members are quarantined as a result of exposure;
- the impacts - financial, operational and otherwise - on distribution channels and supply chain, including manufacturers and suppliers of products sold and logistics and transportation providers, including the ability of these third parties to pay amounts owed timely or in full or to remain in business;
- consequences on business performance and strategic initiatives stemming from the substantial investment of time and other resources to the pandemic response;
- the incremental costs of doing business during and/or after the pandemic;
- any impairment in value of the Company's tangible or intangible assets which could be recorded as a result of a weaker economic conditions;
- the potential effects on the Company's internal controls including those over financial reporting as a result of changes in working environments such as working from home and similar orders that are applicable to team members and business partners, among others;
- changes to, and modifications of, business practices and internal policies and procedures, including in response to regulatory changes as a result of COVID-19;
- increased cyber security risks, including as a result of colleagues, and employees of the Company's business partners, vendors, suppliers and other third parties with which it does business, working remotely;
- the impact of litigation or claims from customers, employees, suppliers, regulators or other third parties relating to COVID-19 or the Company's actions in response thereto;
- the potential reputational harm to the Company's brand if the Company fails to appropriately respond, or is perceived to have inadequately responded, to risks relating to COVID-19;
- the rapidly changing and fluid circumstances caused by the pandemic and the Company's ability to respond quickly or appropriately to those circumstances; and
- the long-term impacts of the pandemic on the global economy, trade relations, consumer behaviour, our industry and business operations.

Mitigation

The Company is focussed on addressing the impact of COVID-19 and has made significant investments in time and resources to continue to serve its customers despite severe operational constraints. The Company has incurred and continues to incur additional costs related to efforts to protect the health and well-being and meet the needs of customers and colleagues, including provision of additional cleaning materials within stores and other Company premises, Personal Protective Equipment for our store colleagues and focusing on home delivery. The Company expects to continue to incur additional costs as it continues to respond to this pandemic.

Furthermore, management remains focused on mitigating COVID-19, which has required, and will continue to require, a substantial investment of time and resources across the enterprise and could delay other value-added services. The Company has modified how it operates during the pandemic. Routine eye care is on a needs-basis. This requires triaging customers over the telephone in advance of their appointment. Additional cleaning is required both in between eye test appointments of machines and equipment and consultation rooms and of display frames once handled by a colleague or customer. Customer flows have been restricted or modified in each store along with restrictions on the number of individuals on the shop floor at any one time to ensure social distancing measures can be adhered to. There can be no assurance that such measures will be sufficient to mitigate the risks posed by the pandemic, and implementation of such measures have adversely affected, and may continue to negatively affect, the customer experience, sales, and results from operations.

Principle risks and uncertainties (continued)
COVID-19 (continued)
Mitigation (continued)
The impact of COVID-19 may also exacerbate other risks discussed herein, including but not limited to those related to consumer behaviour and expectations, competition, brand reputation, implementation of strategic initiatives, cybersecurity threats, technology systems disruption, supply chain disruptions, labour availability, litigation and legal proceedings, and regulatory requirements and proceedings, any of which could have a material adverse effect on business. This situation is changing rapidly, and additional impacts may arise that management are not aware of currently.

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 and cash, but also the safety of employees. The Company has also taken advantage of the government schemes available to businesses such as the Coronavirus Job Retention Scheme, Retail, Hospitality & Leisure grants and business rates relief.

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 robust processes in place that consider the impact of changes in the macro economic and political environment on its business. These impacts are captured as part of the short term and long-term budgeting and forecasting processes enabling mitigation plans to be formed. 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.

In relation to Brexit, the United Kingdom left the European Union on January 31, 2020. There is now a transition period until December 31, 2020 in which the United Kingdom and European Union are to negotiate a new trading relationship for goods and services. It remains unclear what the future trading relationship with the EU will look like. The Company's Brexit project team has put in place detailed plans to mitigate risks that could materialise, while the outcome remains uncertain. While many of the principle 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 our colleagues.

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 active involvement in policy-making processes, understanding and contributing to government thinking on regulatory matters and building relationships with regulatory bodies directly and 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 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 position in the market, backed by its expert customer service.

Competition
Risk
Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company. The Company faces competition from direct competitors and alternative supply sources.

Mitigation
The Company's strategy is to capitalise on the potential and strength of its brand and the trust in which it is held, and to build strong relationships with customers and suppliers.

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.

Principle risks and uncertainties (continued)
Product/services risk
Risk
The Company is exposed to risks relating to the professional services it provides. The Company could be adversely impacted by the supply of defective products or provision of inadequate services.

Mitigation
The Company has a rigorous governance framework in place, well developed contractual contracts in relation to its suppliers and conducts regular compliance reviews to ensure that individual practices follow approved processes.

Major operational business failures
Risk
The Company could be adversely impacted by a major failure of its distribution centres and logistics infrastructure, IT systems or operational systems of key third party suppliers.

Mitigation
The Company operates rigorously audited control frameworks, regularly updates and tests 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 sophisticated procurement techniques to purchase goods and services on a national and international basis. The Company carefully controls operating costs such as payroll and has a 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.

Pension contributions
Risk
The Company could be required to increase payments to its defined contribution pension arrangement as a result of the UK Government increasing the mandated employer contributions under the Workplace Pensions (automatic enrolment) duties.

Mitigation
The Company monitors the development of Government policy in relation to pension duties through the internal UK Pensions Governance Committee to assess any potential impact on future employment costs.

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 ensure that all processing done by ourselves complies with data protection legislation inclusive of the recent General Data Protection Regulation.

Future developments
The directors do not foresee a change in the principle activity of the Company and expect the general level of activity to increase in the forthcoming year. The general level of activity is expected to increase as the Company continues to recover from the impact of COVID-19.

Approved by the Board and signed on its behalf by:

A Thompson
Company Secretary
17 December 2020

Registered office:
1 Thane Road West
Nottingham
NG2 3AA

Registered in England and Wales No. 06779221

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 the impact of COVID-19.

At the balance sheet date, the Company had net assets of £112 million with net current liabilities of £18 million. The Company had £3 million of cash and cash equivalents along with £39 million held in a group pooling arrangement and although did not generate positive cash flows in the current year expects to generate positive cash flows next year and in future periods. The directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility. The group pooling arrangements mean any funds held on the Company's behalf are available to the Company on the same day if requested by 10:30am. No further notice is required and therefore this on demand funding is available to support the Going Concern basis. The Company has no external debt or covenants.

The directors are aware that there will always be an element of economic uncertainty around making a going concern assessment.

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 and cash, but also the safety of our employees. The company has taken advantage of the government schemes available to businesses such as the Coronavirus Job Retention Scheme and grants from the NHS, retail and leisure grants and rates holidays. Since the first lockdown the Company has seen demand for its services as customers are seeking to get back to some normality. Eye test volumes are higher than anticipated and recovery, so far, is stronger that the Directors had expected. A higher proportion of customers with a vision correction need are coming into practice compared to the prior year. Sales for the first two months of the year to 31 August 2021 are 1.7% ahead of the year to 31 August 2020.

Considering the significant uncertainties faced, the directors have undertaken a comprehensive assessment to consider the going concern of the Company. In making their assessment the directors have considered:
- The Company's financial position as at the date of this report
- The unavoidable future cost basis of the business
- The expected future performance of the business

The strategic planning process reviewed by the Directors cover the next three financial years. The forecasts have been produced on the following basis:

- Base plan - gradual sales recovery post-COVID-19, reflecting managements' estimate for recovery across its customer base along with estimates regarding restrictions or required standards of operating placed upon the industry by regulators or the NHS. Management estimate that recovery to pre-COVID-19 levels of volume will not be experienced until towards the end of the next financial year. Key assumptions include:
    - Volume to grow as the Company recovers from the impact of COVID-19 however the Directors have assumed volume will not reach pre-COVID volume levels until the end of the three year plan period as recessionary impacts have been assumed. Sales from closed stores have been assumed to transfer to another store within the portfolio with the transfer rate percentage varying with distance.
    - Margin improvement as a result of a supplier contract tender which has been approved and comes into effect from 1 September 2021.
    - Savings in selling, distribution & store costs and administrative expenses from the store closure program, support office restructure and store colleague model review.

- Downside scenario- the UK is currently experiencing a second wave of COVID-19 although all eye care services the Company offers are able to be performed. A further third national lockdown has been considered including NHS restrictions similar to the first lockdown and the 'Base plan' adjusted to reflect this and the current second wave of COVID-19. This downside scenario indicated the Company could continue to meet its obligations and therefore remains a going concern without the need for any additional Government support if that third national lockdown was similar in length to the first lockdown.

Within each forecast, management have reflected financial commitments and existing overhead costs. No government support has been included within these calculations. The base plan and the potential downside scenario forecasts indicate that the company will remain able to meet its current cost base for a period beyond the 12 months after the approval of these Financial Statements.

Following considerations of these forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 12 months after the approval of the financial statements. Therefore, the Directors continue to adopt the going concern basis of account in preparing 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 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. However, the following are relevant for the Company:

Currency risk
Sales and purchases of the Company are transacted in the functional currency, Pounds Sterling. However, on occasion a purchase is required in a foreign currency, often US Dollar. The Company reviews foreign currency supplier purchases on a regular basis and will take advantage of the Group Treasury options available if material purchases were required.

Credit risk
The Company offers credit terms to its Franchise Partners which allow payment of debt after delivery of the goods or service. When considering new franchise partners appropriate credit checks and business plan reviews are performed. Debt levels are managed on an ongoing basis through the strong on-going franchise relationship and if risk can be mitigated through invoking various terms of the Franchise Partner Agreement.

Liquidity risk
The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Company expects to meet its financial obligations through operating cash flows. The Company reviews its liquidity on a weekly, monthly and annual basis.

Directors' report (continued)
for the year ended 31 August 2020

Financial instruments (continued)

Interest rate risk
The company receives interest on its cash balance-based rates prevailing in the market.

Dividends
A dividend of £7,834,468 (2019: £5,985,000) was declared and paid in the year. The directors do not recommend the payment of a further dividend (2019: £nil).

Future developments
The Company intends to continue operating in optical retail. Details of future developments can be found in the Strategic Report beginning on page 1 and form part of this report by cross-reference.

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. 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 and these are set to continue to have an impact on the future performance of the business. Further details of Going Concern can be found in note 3 to the financial statements. Subsequently, local and national lockdowns have been introduced to parts of the UK which will impact the future operations of the business further. The current second national lockdown is in place from 5 November to 2 December 2020. During this period, routine eye care is allowed and no additional restrictions have been placed on the business.

The Company announced a review into its store operating model on 21 October 2020. This review is looking at ways of working in our stores and seeking to make our clinics more efficient. Some colleagues may be made redundant once the consultation process has been completed.

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

J Arrow	
J Duffy	(appointed 05/08/2020)
J Jones	(appointed 05/08/2020)
K Snowball	(appointed 22/04/2020)
M Snape	(resigned 31/07/2020)
M Harris	(resigned 31/07/2020)
K Black	(resigned 22/04/2020)

Appointments/resignations post year end:

K Black	(re-appointed 18/10/2020)
C Slade	(resigned 18/10/2020)

Directors' indemnities
The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force at the date of approving the Directors' report.

Statement of corporate governance arrangements

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. The Company does not report against any formal corporate governance code, as the Company is part of a US listed Group and is governed by the WBA Group's Corporate Governance Guidelines. 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 throughout the organisation.

Board composition
The Company has a board of Directors comprised of five directors as stated above. The Board is supported by certain focused sub-groups covering specific matters, including the Brexit Steering Group; the Crisis Management Team; the UK Governance committee; the Capital Committee; and other Colleague Forums which have been established to directly advise and engage with the Company and the Board as required. All groups are led by members of the Senior Leadership Team who keep the wider Executive Committee (a subsection of which comprises the Company's Directors) informed of all relevant matters.

Directors' responsibilities
The Company's Directors are appointed to their roles on the basis of their experience, capability and their ability to lead the business in its effective and strategic decision-making. 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, the Directors consider, both individually and together, the matters set out in Section 172(1)(a-f), as listed in the Strategic' report, 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.

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.

Directors' conduct
The WBA Group has adopted a Code of Conduct and Business Ethics applicable to all employees, officers and Directors of the wider Group, including the Company that incorporates policies and guidelines designed to deter wrongdoing and to promote honest and ethical conduct and compliance with applicable laws and regulations. The Group has also adopted a Code of Ethics for the CEO and Financial Executives.

Charters of all committees of the Group's Board of Directors, as well as the Group's Corporate Governance Guidelines and Code of Ethics for the CEO and Financial Executives and Code of Conduct and Business Ethics, are available on the Group Company's website at https://investor.walgreensbootsalliance.com.

Regular training is provided on key areas of risk, compliance and governance including anti-bribery and corruption, data protection, health and safety and diversity which helps to ensure that decisions across the Company are underpinned with the consideration of compliance and good governance.

A Whistleblower Helpline is available to all employees to provide a confidential and anonymous route for any concerns around Company or Director behaviour or compliance to be reported, investigated and addressed accordingly.

Engagement with shareholders
The Company's immediate shareholder is Boots Optical Investment Holdings Limited. This immediate parent runs a full shareholder board meeting process and meets at least quarterly with its shareholders. Mr S James (a Director of Boots Optical Investment Holdings Limited) reports directly to Ms O Barra who is the Co-Chief Operating Officer for the Group's ultimate parent company, Walgreens Boots Alliance, Inc., and as such, there is regular communication between the Company's Directors and the ultimate parent Company.

Statement on business relationships
Boots Opticians Professional Services Limited 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.

Engagement with employees and employment of disabled people
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.

Details of how the directors have had regard to employee interests can be found in the section 172(1) statement on page 2.

Engagement with suppliers, customers and others
Boots Opticians Professional Services Limited aims to operate fairly, transparently and with integrity in the marketplace. The Company along with its associate companies, engages with its customers, supplier 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 evolving priorities of various stakeholders and helps the directors to consider these views in their decision making.

Details of how the directors have had regard to engagement with suppliers, customers and others can be found in the section 172(1) statement on page 2.

Energy and Carbon reporting
Boots Opticians Professional Services Limited 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.

Energy and Carbon reporting (continued)

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

	2020 kWh
Energy consumption used to calculate emissions (kWh)	**4,630,077**
Scope 1 emissions in metric tonnes CO2e:	
Gas consumption	**19**
Scope 2 emissions in metric tonnes CO2e:	
Purchased electricity	**1,055**
Scope 3 emissions in metric tonnes CO2e:	
Business travel in employee owned vehicles	**7**
Total gross emission in metric tonnes CO2e	**1,081**
£1 million sales	**291**
Intensity ratio Tonnes CO2e per £1 million sales	**3.7**

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.

Research and development costs
All research and development costs are expensed out in the year in which those are incurred.

Political donations
The Company and its subsidiaries made no political donations during the current and preceding year.

Auditor
Pursuant to s478 of the Companies Act 2006, Deloitte LLP were deemed to be reappointed and will therefore continue in office.

Disclosure of information to auditor
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 Section 418 of the Companies Act of 2006.

Approved by the Board and signed on its behalf by:

A Thompson
Company Secretary
17 December 2020

Registered office:
1 Thane Road West
Nottingham
NG2 3AA
Registered in England and Wales No. 06779221

Boots Opticians Professional Services Limited

Director's Responsibilities Statement

for the year ended 31 August 2020

The directors are responsible for preparing the annual 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 non-statutory 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 non-statutory financial statements; and
- prepare non-statutory 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 Boots Opticians Professional Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Boots Opticians Professional Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 and of its loss 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 25.

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 FRCs 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 Boots Opticians Professional Services Limited

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)
17 December 2020

For and on behalf of Deloitte LLP
Statutory Auditor
Nottingham, UK

Boots Opticians Professional Services Limited

Income statement
for the year ended 31 August 2020

	Notes	2020 £'000	2019 £'000
Revenue	5	**291,186**	393,687
Cost of sales		**(112,309)**	(126,895)
Gross profit		**178,877**	266,792
Other operating income		**23,062**	-
Selling, distribution & store costs		**(221,277)**	(236,722)
Administrative expenses		**(20,166)**	(16,106)
Operating (loss)/profit		**(39,504)**	13,964
Finance income	9	**259**	317
Finance expense	22	**(4,371)**	-
(Loss)/profit before taxation		**(43,616)**	14,281
Tax	10	**7,407**	(2,536)
(Loss)/profit for the year	6	**(36,209)**	11,745

The Company has no other comprehensive income or losses in either year and has, therefore, not included a separate statement of comprehensive income. (2019: nil)

Revenue and operating (loss)/profit are all derived from continuing operations.

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

Boots Opticians Professional Services Limited

Balance sheet

As at 31 August 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	12	**61,030**	66,208
Property, plant and equipment	13	**49,268**	65,350
Right-of-use assets		**132,624**	-
Deferred tax asset	18	**6,667**	-
		249,589	131,558
Current assets			
Inventories	14	**10,750**	14,661
Trade and other receivables	15	**54,492**	88,147
Cash and bank balances		**2,661**	3,373
		67,903	106,181
Total assets		**317,492**	237,739
Liabilities			
Current liabilities			
Current tax liabilities	10	**(189)**	(3,642)
Trade and other payables	16	**(51,452)**	(74,536)
Lease liabilities – current		**(24,919)**	-
Provisions	17	**(9,737)**	(2,813)
		(86,297)	(80,991)
Net current (liabilities)/assets		**(18,394)**	25,190
Total assets less current liabilities		**231,195**	156,748
Non-current liabilities			
Lease liabilities - non-current		**(118,919)**	-
Deferred tax liabilities	18	**-**	(498)
		(118,919)	(498)
Net Assets		**112,276**	156,250
Equity			
Called up share capital	20	**725**	725
Share premium account	20	**70,038**	70,038
Retained earnings	21	**41,513**	85,487
Total Equity		**112,276**	156,250

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

The financial statements of Boots Opticians Professional Services Limited (registration number: 06779221) were approved by the Board of directors and authorised for issue on 17 December 2020. They were signed on its behalf by:

Director
J Jones

Boots Opticians Professional Services Limited

Statement of changes in equity
for the year ended 31 August 2020

	Called up share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
Balance at 1 September 2018 - as previously reported	725	70,038	79,727	**150,490**
Profit for the year	-	-	11,745	**11,745**
Dividends paid	-	-	(5,985)	**(5,985)**
At 31 August 2019 Previously Reported	725	70,038	85,487	**156,250**
Effect of initial application of IFRS 16	-	-	69	**69**
Balance at 1 September 2019 – As restated	725	70,038	85,556	**156,319**
Loss for the year	-	-	(36,209)	**(36,209)**
Dividends paid	-	-	(7,834)	**(7,834)**
At 31 August 2020	725	70,038	41,513	**112,276**

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

1. General information

Boots Opticians Professional Services Limited (the "Company") is a private company limited by shares, 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 6.

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 January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17, Leases. IFRS 16 increases the transparency and comparability of organisations by requiring the capitalisation of substantially all leases on the balance sheet and disclosures of key information about leasing arrangements. Under this new guidance, at the lease commencement date, a lessee recognises a right-of-use asset and lease liability, which is initially measured at the present value of the future lease payments. For income statement purposes, a single model was retained for lessees, requiring all leases to be classified finance leases. Under the finance lease model, interest on the lease liability is recognised separately from amortisation of the right-of-use asset.

The Company adopted this new accounting standard on September 1, 2019 using the modified retrospective approach and applied the new standard to all leases through a cumulative-effect adjustment to beginning retained earnings. As a result, comparative financial information has not been restated and continues to be reported under the accounting standards in effect for those periods. The company also elected the practical expedient to not reassess whether a contract contains a lease on the adoption date.

The adoption of this new accounting standard resulted in recognition of lease liabilities of £143,839,000 and recognition of right-of-use assets of £132,624,000. This is net of liabilities for facility closing, deferred rent, lease incentives and prepaid rent as of August 31, 2019.

The adoption resulted in an increase to retained earnings of £69,000.

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 amendments have 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 currency of the primary economic environment in which the Company operates.

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, except for the revaluation of certain properties, financial instruments and investment property that are measured at revalued amounts or fair values 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 paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations;*

(b) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

(c) the requirements of paragraphs 91-99 of IFRS *13 Fair Value Measurement;*

(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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

(h) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;

(i) 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 party to the transaction is wholly owned by such a member; and

(j) 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 are 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, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

3. Significant accounting policies (continued)

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 the impact of COVID-19.

At the balance sheet date, the Company had net assets of £112 million with net current liabilities of £18 million, driven by the implementation of IFRS16 Leases. The Company had £3 million of cash and cash equivalents along with £39 million held in a group pooling arrangement and although did not generate positive cash flows in the current year expects to generate positive cash flows next year and in future periods. The directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility. The group pooling arrangements mean any funds held on the Company's behalf are available to the Company on the same day if requested by 10:30am. No further notice is required and therefore this is funding available to support the Going Concern basis. The Company has no external debt or covenants.

The directors are aware that there will always be an element of economic uncertainty around making a going concern assessment.

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 and cash, but also the safety of our employees. The company has taken advantage of the government schemes available to businesses such as the Coronavirus Job Retention Scheme and grants from the NHS, retail and leisure grants and rates holidays. Since the first lockdown the Company has seen demand for its services as customers are seeking to get back to some normality. Eye test volumes are higher than anticipated and recovery, so far, is stronger that the Directors had expected. A higher proportion of customers with a vision correction need are coming into practice compared to the prior year. Sales for the first two months of the year to 31 August 2021 are 1.7% ahead of the year to 31 August 2020.

Considering the significant uncertainties faced, the directors have undertaken a comprehensive assessment to consider the going concern of the Company. In making their assessment the directors have considered:

- The Company's financial position as at the date of this report
- The unavoidable future cost basis of the business
- The expected future performance of the business

The strategic planning process reviewed by the Directors cover the next three financial years. The forecasts have been produced on the following basis:

- Base plan - gradual sales recovery post-COVID-19, reflecting managements' estimate for recovery across its customer base along with estimates regarding restrictions or required standards of operating placed upon the industry by regulators or the NHS. Management estimate that recovery to pre-COVID-19 levels of volume will not be experienced until towards the end of the next financial year. Key assumptions include:
    - Volume to grow as the Company recovers from the impact of COVID-19 however the Directors have assumed volume will not reach pre-COVID volume levels until the end of the three year plan period as recessionary impacts have been assumed. Sales from closed stores have been assumed to transfer to another store within the portfolio with the transfer rate percentage varying with distance.
    - Margin improvement as a result of a supplier contract tender which has been approved and comes into effect from 1 September 2021.
    - Savings in selling, distribution & store costs and administrative expenses from the store closure program, support office restructure and store colleague model review which will have all been completed in the first quarter of the year to 31 August 2021.

- Downside scenario- the UK is currently experiencing a second wave of COVID-19 although all eye care services the Company offers are able to be performed. A further third national lockdown has been considered including NHS restrictions similar to the first lockdown and the 'Base plan' adjusted to reflect this and the current second wave of COVID-19. This downside scenario indicated the Company could continue to meet its obligations and therefore remains a going concern without the need for any additional Government support if that third national lockdown was similar in length to the first lockdown.

Within each forecast, management have reflected financial commitments and existing overhead costs. No government support has been included within these calculations. The base plan and the potential downside scenario forecasts indicate that the company will remain able to meet its current cost base for a period beyond the 12 months after the approval of these Financial Statements.

Following considerations of these forecasts, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until at least 12 months after the approval of the financial statements. Therefore, the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to the customer, net of discounts, VAT and other sales-related taxes. Revenue estimations are reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the control is transferred to the customer. In respect of loyalty schemes, the cost is charged to revenue as points are issued to customers.

Rendering of services

Revenue from a contractual obligation to provide a customer with services is recognised to the extent that a right to consideration has been obtained through performance to date.

Franchise goods & services

The income from franchise partners for goods and services is recognised as revenue when the goods are provided or the service performed. The Company acts as a principal and therefore records revenue on a gross basis due to the balance of control and risk.

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.

3. Significant accounting policies (continued)

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.

Retirement and death benefit costs
Payments to defined contribution retirement benefit schemes, and any insurance premiums relating to the provision of a lump sum death benefit (i.e. life assurance), are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

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 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, less residual value, in equal instalments over their expected useful economic lives which are:

Land and buildings
- Freehold land and assets in the course of construction - not depreciated;
- Freehold and long leasehold buildings - depreciated to their estimated residual values over their useful economic lives of not more than 50 years;
- Plant and machinery - 3 to 10 years; and
- 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.

3. Significant accounting policies (continued)

Leases

The Company as a lessee

The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognised at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. The Company utilizes its incremental borrowing rate to discount the lease payments. The incremental borrowing rate is based on the Company's estimated rate of interest for a collateralized borrowing over a similar term as the lease term. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheets.

The Company accounts for lease components and non-lease components as a single lease component. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. The Company has real estate leases which require additional payments based on sales volume, as well as reimbursement for real estate taxes, common area maintenance and insurance, which are expensed as incurred as variable lease costs and hence are not included in the lease payments used to calculate lease liability. Other real estate leases contain one fixed lease payment that includes real estate taxes, common area maintenance and insurance. These fixed payments are considered part of the lease payment and included in the right-of-use assets and lease liabilities.

Initial terms for leased premises are typically 5 to 10 years and may include renewal options rent escalation clauses or cancellation clauses. Typically, the lease term of real estate leases that include renewal options that are reasonably certain of being exercised. Options to extend are considered reasonably certain of being exercised based on evaluation of multiple factors including if there is significant investments within the leased property which have useful lives greater than the non-cancellable lease term, performance of the underlying store and the Company's economic and strategic initiatives.

The Company does not separately account for the land portion of the leases involving land and building.

Finance leases are recognised within property, plant and equipment and as a finance lease liability within accrued expenses and other liabilities and other non-current liabilities.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Lease incentives, intangibles arising from acquisition of leases as a part of business combination, accrued rent, and prepaid rent are considered part of measurement right-of-use asset.

The Company performs impairment testing for its long-lived assets at asset group level. Retail store is considered as the asset group, which includes plant, property and equipment, and finance right-of-use assets in the store. The asset group is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable and exceeds its fair value.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The Company as a lessor
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs of negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognised on a straight-line basis over the lease term.

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.

Amortisation periods and methods are reviewed annually and adjusted if appropriate. Amortisation of intangible assets is provided to write off the cost, less residual value, in equal instalments over their expected useful economic lives as follows:

- Customer relationships – 10 years
- Software – 3 to 8 years

3. Significant accounting policies (continued)

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.

Inventories

Inventories consist of goods held for resale and are stated at the lower of cost and net realisable value. Cost is valued at rolling weighted average prices and is adjusted for such factors as obsolescence and damage. The cost of finished goods comprises the purchase cost of goods, direct labour and those overheads related to distribution based on normal activity levels. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Government funding and advances

Government grants related to assets, including non-monetary grants at fair value, shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Income related to the Coronavirus Job Retention Scheme is recognised in the income statement in the period to which the underlying furloughed staff costs relate to. Income from other government grants or funding is recognised in the income statement on a performance basis once the criteria for eligibility have been confirmed and presented on the face of the income statement as other operating income.

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.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

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.

All financial assets are classified as 'loans and receivables' due to the nature and purpose of the financial assets and as determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables whose contractual terms give rise on specified dates to cashflows that are solely payments of principal and interest on the principal amount outstanding and 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.

Notes to the financial statements (continued)
for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

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.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses for trade receivables, loans and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, such as an increase in the number of delayed payments in the portfolio past the average credit period, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

(iv) Write-off policy
The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

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 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.

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

Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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.

Notes to the financial statements (continued)
for the year ended 31 August 2020

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.

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.

Leases
Management exercises judgement in determining the value of the right-of-use asset and lease liability on its lease contracts. The Company determines if an arrangement contains a lease at the inception of a contract. Right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease during the lease term. Right-of-use assets and lease liabilities are recognised at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. The incremental borrowing rate is based on the Company's estimated rate of interest for a collateralized borrowing over a similar term as the lease term. The operating lease right-of-use assets also include lease payments made before commencement, lease incentives and are recorded net of impairment. Operating leases are expensed on a straight-line basis over the lease term.

The lease term of real estate leases includes renewal options that are reasonably certain of being exercised. Options to extend are considered reasonably certain of being exercised based on evaluation if there is significant investments within the leased property which have useful lives greater than the non-cancellable lease term, performance of the underlying store and the Company's economic and strategic initiatives.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that 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.

Impairment in the value of the licence fee
Determining whether the value of the licence to use the Boots brand has been impaired requires the Company to estimate its future cash flows and a suitable discount rate in order to calculate present values. The carrying value of the licence fee at the balance sheet date was £47,000,000 with no impairment loss recognised in 2020 or 2019.

Impairment of property, plant & equipment and right of use assets
Determining whether the Company's property, plant and equipment and right of use assets have 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 (stores) and suitable discount rates in order to calculate present values. Key assumptions used in the present value calculation include:

- that the stores will be operating over the accounting lease term;
- the discount rate used in the present value calculation is 9.75%;
- future cash flows used for the individual stores have been forecasted in line with the strategic plan which covers the next three financial years as discussed in the Directors' report. The Directors believe the Company will return to pre-COVID trading levels in the second year of the strategic plan. Growth rates thereafter are in line with inflation at 1.9%.

A total impairment loss of £5,666,000 was recognised in 2020 (2019: £1,489,000) from the annual impairment review which comprises of property plant and equipment £2,306,000 and right-of-use asset £3,360,000.

Sensitivities were performed over the assumptions with the impacts as follows:

Assumption	Impact to total impairment £
Use maximum of remaining life of store assets or lease term	£nil
Use minimum of remaining life of store assets or lease term	£nil
Increase discount rate by 1.0% to 10.75%	£597,000 increase
The Company returns to pre-COVID trading a year later than forecast	£807,000 increase
Growth rates after the strategic plan period is 0%	£481,000 increase

Notes to the financial statements (continued)
for the year ended 31 August 2020

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

	2020	2019
	£'000	£'000
Continuing operations		
Sales of goods	**83,562**	110,581
Rendering of services	**207,624**	283,106
	291,186	393,687

All revenue is generated in the United Kingdom, Jersey, Guernsey and Isle of Man.

6. (Loss)/profit for the year
(Loss)/profit for the year has been arrived at after charging/(crediting):

	2020	2019
	£'000	£'000
Depreciation of property, plant and equipment (note 13)	**11,483**	14,837
Amortisation of intangible assets (note 12)	**2,888**	2,200
Depreciation of right of use assets (note 22)	**23,950**	-
Impairment of property, plant and equipment (note 13)	**7,673**	1,489
Impairment of intangible assets (note 12)	**3,426**	-
Impairment of right of use asset (note 22)	**14,724**	-
Loss on disposal of property, plant and equipment	**100**	12
Profit on disposal of right-of-use asset	**(389)**	-
Write downs of inventories recognised as an expense	**3,882**	1,100
Inventory recognised as an expense	**112,309**	126,895
Staff costs (note 8)	**130,537**	136,016
Other operating income[1]	**(23,062)**	-
Business rates relief	**(2,250)**	-
Property rental income	**(5,167)**	(5,417)
Rental charges under operating leases (under IAS17):		
- Property	-	16,110
- Hire of plant and machinery	**82**	152

[1] Other operating income comprises of government funding relating to £22,687,000 (2019: £nil) income received under the Government Job Retention Scheme and £375,000 (2019: £nil) income received under the Retail, Hospitality & Leisure grants scheme

7. 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.

	2020	2019
	£'000	£'000
Audit of the financial statements	**50**	32
Total audit fees	**50**	32
Other assurance services	-	-
Total non-audit fees	-	-

Notes to the financial statements (continued)
for the year ended 31 August 2020

8. Staff numbers and costs

The average monthly number of full-time equivalent persons employed by the Company during the year/period, analysed by function, was:

	2020 Number of employees	2019 Number of employees
Sales and marketing	4,254	4,570
Administration	162	178
	4,416	4,748

Costs incurred in respect of these employees were:

	2020 £'000	2019 £'000
Wages and salaries	117,191	121,242
Social security costs	8,061	9,673
Pension costs	5,285	5,101
	130,537	136,016

Directors' remuneration

	2020 £'000	2019 £'000
Aggregate remuneration	644	758
Company contributions to defined contribution schemes	36	15
Compensation for loss of office	42	-
	722	773

	2020 Number	2019 Number
The number of directors who:		
Are members of a defined contribution scheme	7	2

	2020 £'000	2019 £'000
Remuneration of the highest paid director:		
Aggregate remuneration	304	236
Company contributions to defined contribution schemes	13	-
	317	236

9. Finance Income

	2020 £'000	2019 £'000
Interest receivable from Group undertakings	259	317

Notes to the financial statements (continued)
for the year ended 31 August 2020

10. Tax

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

	2020 £'000	2019 £'000
Corporation tax:		
UK corporation tax	-	3,905
Adjustments in respect of prior periods	(242)	(400)
	(242)	3,505
Deferred tax (note 18):		
Origination and reversal of timing differences	(7,444)	(802)
Adjustments in respect of prior periods	197	(167)
Adjustments in respect of changes to the tax rate	82	-
	(7,165)	(969)
	(7,407)	2,536

Corporation tax is calculated at 19% (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 £'000	2019 £'000
(Loss) / profit before tax	(43,616)	14,281
Tax at the UK corporation rate of 19% (2019: 19.0%)	(8,287)	2,713
Effects of:		
Non-taxable expenses/(income)	843	295
Re-measurement of deferred tax balances due to change in UK substantively enacted rate	82	95
Adjustments in respect of prior years	(45)	(567)
Tax (credit) / charge for the year	(7,407)	2,536

Factors that may affect future current and total tax charges

The UK Budget Announcement on 11 March 2020 stated that the corporation tax rate reduction to 17% from 1 April 2020 will no longer take place and that the current rate of 19% will remain in force. The change from 17% to 19% was substantively enacted on 17 March 2020 and has therefore been reflected in these financial statements.

11. Dividends

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

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders in the year:		
Dividend for the year - (equivalent to 1,081p, 2019: 825p per share)	7,834	5,985

Notes to the financial statements (continued)
for the year ended 31 August 2020

12. Intangible assets

	Goodwill £'000	Licence £'000	Customer relationships £'000	Software £'000	Total £'000
Cost					
At 1 September 2019	1,802	47,000	142	31,955	**80,899**
Additions	-	-	576	560	**1,136**
Disposals	-	-	-	(1)	**(1)**
At 31 August 2020	**1,802**	**47,000**	**718**	**32,514**	**82,034**
Amortisation					
At 1 September 2019	-	-	33	14,658	**14,691**
Charge for the period	-	-	71	2,817	**2,888**
Impairment	-	-	-	3,426	**3,426**
Disposals	-	-	-	(1)	**(1)**
At 31 August 2020	-	-	**104**	**20,900**	**21,004**
Net book value					
At 31 August 2020	**1,802**	**47,000**	**614**	**11,614**	**61,030**
At 31 August 2019	1,802	47,000	109	17,297	66,208

Goodwill has arisen on the transfer of the trade and net assets of Halpin Optometric Services Limited and the buy-back of trade and assets from Franchisees. Goodwill is tested for impairment at each balance sheet date. The annual impairment tests support the carrying value of goodwill and therefore there was no impairment charge in the period.

The value of the licence included above is for the right of the Company to use the Boots brand name and has been assessed by the Directors to have an indefinite economic life. The annual impairment tests support the carrying value of the licence and therefore there was no impairment charge in the period.

Customer relationships is the value assigned to the customer database following the buy-back of trade and assets from Franchisees. It is amortised on a straight-line basis over a period of 10 years.

An impairment charge of £3,426,000 (2019: £nil) in relation to software has been recognised during the year and is included within selling, distribution & store costs. This relates to the impairment of the interface within a core function of the Company's practice operating system which has been written down to £nil net book value as the Company has decoupled the units of this interface to enable improved system performance and flexibility of electronic appointment booking.

Notes to the financial statements (continued)
for the year ended 31 August 2020

13. Property, plant and equipment

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 September 2019	14,323	1,679	131,166	**147,168**
Additions	435	-	3,142	**3,577**
Disposals	(245)	(910)	(2,127)	**(3,282)**
At 31 August 2020	**14,513**	**769**	**132,181**	**147,463**
Depreciation				
At 1 September 2019	7,243	895	73,680	**81,818**
Charge for the period	1,271	117	10,095	**11,483**
Impairment	-	-	7,673	**7,673**
Disposals	(118)	(591)	(2,070)	**(2,779)**
At 31 August 2020	**8,396**	**421**	**89,378**	**98,195**
Net book value				
At 31 August 2020	**6,117**	**348**	**42,803**	**49,268**
At 31 August 2019	7,080	784	57,486	65,350

An impairment charge of £5,368,000 has been recognised during the year and is included within selling, distribution & store costs in the income statement. It has arisen as a result of the closure of 48 stores and was recognised when the store closures were announced. The tangible fixed assets of the impacted stores have been written down to their recoverable amount which has been assessed to be nil.

An additional impairment charge of £2,305,000 (2019: £1,489,000) has been recognised as part of the annual impairment review. The recoverable amount of individual stores has been calculated using a value in use calculation. The value in use calculation requires management to estimate a number of factors, including projected future operating results, economic projections, anticipated future cash flows and discount rates. Management estimate the discount rate using the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the cash-generating unit.

Anticipated future cash flows are based on the Company's three-year internal forecasts, the results of which are reviewed by the Board. Estimates of selling prices and direct costs are based on past experience and expectations of future changes in the market. The pre-tax discount rate of 9.75% (2019: 10.75%) used to calculate the value in use is derived from the Company's post-tax weighted average cost of capital, as adjusted for the specific risks relating to the cash-generating unit. The forecast is extrapolated beyond four years based on an estimated long-term average growth rate of 1.9% (2019: 2.0%).

14. Inventories

	2020 £'000	2019 £'000
Finished goods	**10,750**	14,661

There is no difference between the estimated replacement cost and the carrying value of inventories.

15. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**9,493**	14,630
Amounts receivable from Group undertakings	**40,665**	63,719
Other receivables	**2,481**	4,954
Prepayments and accrued income	**1,853**	4,844
Total trade and other receivables	**54,492**	88,147

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

16. Trade and other payables

	2020	2019
	£'000	£'000
Trade payables	**23,879**	46,207
Amounts payable to Group undertakings	**-**	3,867
Other payables including taxes and social security	**2,921**	4,411
Accruals and deferred income	**24,652**	20,051
Total trade and other payables	**51,452**	74,536

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

17. Provisions

	Vacant property	**Re-organisation**	**Other**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 September 2019	1,895	-	918	**2,813**
Adoption of IFRS16	(904)	-	-	**(904)**
Charged in the period	-	9,776	-	**9,776**
Provisions utilised during the period	-	(1,148)	(800)	**(1,948)**
At 31 August 2020	**991**	**8,628**	**118**	**9,737**

The reorganisation provision relates to reorganisations of store portfolio, operating models, employee structures and central support office reorganisations. The remaining costs are expected to be incurred in the next 12 months. Vacant property provision at 31 August 2020 relates to dilapidations associated with vacant properties and are expected to be incurred in the next 12 months.

18. 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.

The movement in the net deferred tax (asset)/liability for the year is presented as follows:

	Accelerated tax depreciation	**Other timing differences**	**Tax Losses**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
At 1 September 2019	618	(120)	-	**498**
Income statement credit	(1,669)	(49)	(5,447)	**(7,165)**
At 31 August 2020	**(1,051)**	**(169)**	**(5,447)**	**(6,667)**

19. Retirement and death benefit schemes

The Company operates a group personal pension plan, the Alliance Healthcare and Boots Retirement Savings Plan (AHBRSP) which is a defined contribution arrangement provided externally by Legal & General (Portfolio Management Services) Ltd. Contributions are fully invested from the point the employee joins the AHBRSP. The Company also has a separate Group Life Assurance Scheme for eligible employees.

The total cost charged to the income statement of £5,285,000 (2019: £5,101,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. Contributions of £890,923 (2019: £833,000) due in respect of the current reporting period had not been paid over to the schemes and are included in other payables.

20. Share capital & share premium

	2020	2019
	£'000	£'000
Authorised		
100,000,000 ordinary shares of £1 each	**100,000**	100,000
Allotted, called up and fully paid		
725,005 ordinary shares of £1 each	**725**	725

The Company has one class of ordinary shares which carry no right to fixed income. Share premium account is £70,038,000 (2019: £70,038,000).

Notes to the financial statements (continued)
for the year ended 31 August 2020

21. Retained earnings

	£'000
At 1 September 2018	79,727
Dividends paid	(5,985)
Profit for the year	11,745
At 31 August 2019	**85,487**
IFRS16 transition adjustment	69
Dividends paid	(7,834)
Loss for the year	(36,209)
At 31 August 2020	**41,513**

22. Leases
The Company leases certain retail stores, warehouses, distribution centres, office space, land and equipment. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. See note 2, new accounting pronouncements for additional information.

Right-of-use assets

	2020 £'000
Cost	
Recognised on adoption of IFRS 16 'Leases'	155,052
Additions	23,646
Disposals	(7,400)
At 31 August 2020	**171,298**
Depreciation	
Charge for the year	23,950
Impairment	14,724
At 31 August 2020	**38,674**
Net book amount	
At 31 August 2020	**132,624**

An impairment charge of £11,364,000 (2019: £nil) has been recognised following the decision to close 48 stores. An additional impairment charge of £3,360,000 (2019: £nil) has been recognised as part of the annual impairment review. See note 13 for further details.

Lease liabilities

	2020 £'000
Amount recognised in the balance sheet	
Current	24,919
Non-current	118,919
Total lease liabilities	**143,838**
Amounts recognised in the income statement	
Interest on lease liabilities	4,371
Total recognised in the income statement	**4,371**

In the year the expense relating to variable lease payments is £54,161 (2019: £53,750), which are not included in the measurement of lease liability. These relate to lease contracts whereby the lease payment is based upon a percentage of revenue.

The total cash flow for leases in the year is £22,620,000

The weighted average remaining lease term in years is 8.05 years, and the weighted average discount rate is 3.46%.

Notes to the financial statements (continued)

for the year ended 31 August 2020

22. Leases (continued)

The Company as lessee

Lease payments under operating leases recognised as an expense in 2019 before the adoption of IFRS 16 were £16,262,000.

The Company as lessor

Property rental income earned during the year was £5,167,000 (2019: £5,417,000). All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

23. 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. Transactions entered into, and trading balances outstanding at 31 August with other related parties, are as follows: European Vision Limited owns 42% of the ordinary shares in Boots Optical Investment Holdings Limited, the immediate parent of the Company. Purchases from European Vision Limited were £1,124,000 (2019: £1,373,000). There was £161,000 (2019: £nil) due to European Vision Limited at the balance sheet date.

WBA Financial Services Limited (WBAFSL) is controlled by Walgreens Boots Alliance, Inc., the ultimate parent of the Company. The Company transacts with the treasury function of WBAFSL. Interest received from WBAFSL during the year was £259,000 (2019: £317,000). There was £39,329,000 (£63,729,000) due from WBAFSL at the balance sheet date representing cash held in the group cash pooling arrangement.

24. Ultimate parent undertaking

At 31 August 2020, the Company's immediate parent company was Boots Optical Investment 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 and registered address is 108 Wilmot Road, Deerfield, Illinois, 60015.

25. 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. 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 and these are set to continue to have an impact on the future performance of the business. Further details of Going Concern can be found in note 3 to the financial statements. Subsequently, local and national lockdowns have been introduced to parts of the UK which will impact the future operations of the business further. The second national lockdown was in place from 5 November to 2 December. During this period, routine eye care was allowed and no additional restrictions were placed on the business.

The Company announced a review into its store operating model on 19 October 2020. This review is looking at ways of working in our stores and seeking to make our clinics more efficient. Some colleagues may be made redundant once the consultation process has been completed.

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there is now a transition period until 31 December 2020 in which the United Kingdom and EU are to negotiate a new trading relationship. Whilst the future of the trading relationship remains unclear, the Company has robust contingency plans in place and continues to closely monitor the situation. There is no impact on these financial statements as a result of Brexit.