

Company registration number: 00027657



**The Boots Company PLC**  
**Annual report and financial statements**  
for the year ended 31 August 2021

# **The Boots Company PLC**

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# The Boots Company PLC

## Strategic Report

for the year ended 31 August 2021

### Principal activities

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

### Business review and key performance indicators (KPI)

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

	2021	2021	2020	2020
	£million	% Change	£million	% Change
Revenue	151	(12.8)%	173	(16.7)%
Operating profit	52	(33.3)%	78	(31.0)%
Profit for the year	37	(39.3)%	61	(52.0)%
Investments in subsidiaries	384	(1.8)%	391	— %
Shareholders' equity	753	5.3 %	715	9.4 %

The Company generates royalty revenue from fellow Group undertakings for the use of the Boots brands and intellectual property that the Company holds. Revenue has reduced by 12.8% (2020: decrease of 16.7%) to £151 million (2020: £173 million) due to a reduction in trading levels from the fellow Group undertakings whose sales were impacted by COVID-19. This has also had a direct impact on operating profit which has reduced 33.3% year on year.

The Company's investee AB Property Holdings Limited is the holding company for Boots Properties Limited ("the indirect investee"), a company which holds both investment properties and other investments.

The £7 million decline in the value of the Company's investments in subsidiaries from £391 million to £384 million and the decline in profit for the year from £61 million to £37 million was the result of the fall in the value of the net assets of the investee following the impairment in the value of the investee's subsidiary undertaking. This was driven by both the transfer of certain properties at a loss to a fellow group entity alongside the impairment of certain properties within the indirect investee's investment property portfolio.

Shareholder's equity has increased by 5.3% (2020: increased by 9.4%) to £753 million (2020: £715 million) as a result of the £37 million profit and £1 million other comprehensive income generated for the year.

During the year, the Company took advantage of a short term loan facility offered by the Bank of England to support businesses through COVID-19 pandemic and borrowed £300 million. This loan was repaid in May 2021.

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

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

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

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

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

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

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

When making any decisions, during the year ended 31 August 2021, the Directors considered, both individually and together, the matters set out in Section 172(1)(a-f) and have acted in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members, as a whole. When making decisions, the Directors take into account the viewpoints of the Company's stakeholders, including employees, suppliers, customers and others as further detailed below.

# The Boots Company PLC

## Strategic Report (continued)

for the year ended 31 August 2021

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

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

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

#### Employees

The Company does not have any direct employees and as such, any duties completed on behalf of the Company are undertaken by employees of the wider WBA Group. The Company therefore adheres to all WBA Group governance policies.

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

Employees are kept informed of the Company's performance and strategy through regular executive briefings and 'town hall' meetings. Employee engagement is encouraged via 'Q&A' forums before and during these events to provide employees with the opportunity to submit questions and/or feedback to the leadership teams, with responses being provided either during or following the event. Employee surveys are frequently used following such events to allow employees to provide feedback. To continue to engage with colleagues and ensuring their health, safety and wellbeing during the ongoing COVID-19 pandemic, such events have been held remotely.

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

#### Customers

The Company's customers who purchase the rights to the use of the Boots brands and intellectual property are fellow Group undertakings, and therefore management are able to consult freely with the customers to understand their views and opinions. The Customers' interests are considered in key decisions such as changes to the store portfolio or other strategic decisions involving the brands and intellectual property.

#### Suppliers

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

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

#### Communities

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

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

The outbreak of COVID-19 in the prior financial year has continued to impact both the Company and various stakeholders associated with the Company. The Directors of the wider Group have engaged with multiple stakeholders, both formally and informally, using processes and methods discussed above to consider their views and interests, while making decisions that would promote the long-term success of the Company for all its members. Some of these decisions include:

- a. implementing contingency plans to maintain continuity of operations and ensuring provision of service to customers throughout the wider Group of companies;
- b. continued implementation of measures to keep all employees of the wider Group healthy and safe, including the installation of protective equipment and other safeguarding measures across all premises; and
- c. ensuring adequate funding is available to support continuity of business through these adverse conditions.

# The Boots Company PLC

## Strategic Report (continued)

for the year ended 31 August 2021

### **Principal risks and uncertainties**

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

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

#### **COVID-19**

##### *Risk*

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

##### *Mitigation*

The Company is focussed on addressing the impact of COVID-19 and the Directors continue to monitor and respond to the impact of COVID-19 on the business. All available actions have been taken to protect, services, performance and resources in collaboration with the government and business partners.

#### **Macroeconomic and political environment**

##### *Risk*

The Company could be affected adversely by the impact of the current macroeconomic and political environment on key suppliers and customer groups.

##### *Mitigation*

The Company has a rigorous process for identifying and monitoring all business critical suppliers and developing appropriate contingency plans for suppliers that are considered to be vulnerable to the business and to the business of key customers. The Company also has a rigorous planning process to assess the impact of macroeconomic and political developments on its customers. Through such a diligent approach the Company believes it is well placed to deal with any outcome, making appropriate acknowledgment of the current uncertainty.

#### **Competition**

##### *Risk*

Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company. The Company has a wide variety of indirect competitors competing with the brands and products sold by its own customers, including other pharmacies, supermarkets and department stores.

##### *Mitigation*

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

#### **Health, safety and environmental risks**

##### *Risk*

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

##### *Mitigation*

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

#### **Increased costs**

##### *Risk*

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

##### *Mitigation*

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

#### **Change management**

##### *Risk*

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

##### *Mitigation*

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

#### **Currency exchange**

##### *Risk*

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

##### *Mitigation*

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

# The Boots Company PLC

## Strategic Report (continued)

for the year ended 31 August 2021

### Principal risks and uncertainties (continued)

#### Sustainability

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

#### Future developments

The Directors do not foresee a change in the principal activity of the Company and expect the general level of activity to remain consistent with 2021 in the forthcoming year. However, there exists a level of uncertainty from trading conditions through the ongoing COVID-19 pandemic within the UK.

Approved by the Board and signed on its behalf by:



**M Snape**  
Director

29 July 2022

# The Boots Company PLC

## Directors' Report

for the year ended 31 August 2021

The Directors present their report and the audited financial statements for the year ended 31 August 2021.

### Going concern

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the business activities and principal risks and uncertainties as set out within the Strategic report and including the impact of COVID-19. The Directors are aware that there will always be an element of uncertainty around making a going concern assessment.

The Company has net current assets of £265 million (2020: £209 million) and continuing cash generation. In addition, the Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £271 million (2020: £213 million) of pooled cash which is available to the Company on demand.

Certain Walgreens Boots Alliance ('WBA') entities within the UK are reliant on Boots UK Limited. Boots UK Limited has confirmed that financial support will continue in order to allow fellow subsidiaries to meet their liabilities as they become due and carry on business without curtailment of operations for 12 months from date of signing the financial statements.

Boots UK Limited is cash-generative with £60 million of cash and cash equivalents as at 31 August 2021 (2020: £62 million). In addition, Boots UK Limited partakes in a cash pooling arrangement with a fellow Group undertaking to which Boots UK Limited had £684 million (2020: £623 million) of pooled cash which is available on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility to the Company. The Directors have determined that Boots UK Limited have appropriation levels of cash and access to the cash pooling facility to provide support as required by the Company.

Having considered all factors noted above, the Directors have determined that the Company has access to adequate resources to continue operating for a period of at least 12 months from the date these financial statements are signed, and none of the above factors give rise to any material uncertainty around the going concern status of the Company. The Directors, therefore, continue to adopt the going concern basis of account in preparing the financial statements.

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

### Financial instruments

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

### Liquidity and funding risk

The Company is essentially funded by a combination of its cash from operations, retained profits and the cash pooling facility with a fellow Group undertaking. The Company closely monitors liquidity through a robust cash flow process. Cash flow forecasting is performed, at least, quarterly and forecasts are monitored on a rolling basis to ensure that the Company meets its liquidity requirements and ensures it has adequate sources of funding to meet its operational needs. Furthermore, Management remain focused on rigorous control of capital expenditure and operating costs.

### Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to retail customers. Cash and cash equivalents are held in regulated financial institutions with good credit ratings. Sales to retail customers are settled in cash or using major credit cards, which largely mitigates the risk from customers.

### Interest rate risk

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

### Foreign currency exchange rate risk

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

### Dividends

No dividend was declared and paid in the year (2020: £nil). Subsequent to the balance sheet date, in December 2021, the Directors declared and paid a final dividend of 11.4 pence per share amounting to £94.9 million (2020: £nil).

### Future developments

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

### Post balance sheet events

Following the outbreak during the previous financial year, COVID-19 has continued throughout the year and after the balance sheet date, including the identification of the new Omicron strain. Whilst restrictions have eased and the government's immunisation programme has been deemed successful, there remains some uncertainty relating to COVID-19 which may impact on the future performance of the business and that of its investee.

On 24 February 2022, conflict broke out between Russia and Ukraine. Whilst this conflict is ongoing, there has been no direct impact on the business. Management continue to monitor the situation.

Subsequent to the balance sheet date, the Directors declared and paid a dividend of 11.4 pence per share amounting to £94.9 million. None of these events should change the financial performance, position and going concern conclusions reported within these financial statements.

# The Boots Company PLC

## Directors' Report (continued)

for the year ended 31 August 2021

### Existence of branches outside the UK

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

### Directors

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

A Murphy  
M Snape  
A Thompson

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

### Engagement with employees and employment of disabled persons

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

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

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

### Statement on business relationships

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

### Energy and Carbon reporting

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

The related carbon footprint, measured in CO<sub>2</sub>e 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) CO<sub>2</sub>e factors. Conversion factors are updated annually to reflect the factors published by DEFRA that are in effect as of 31 August of the reporting year.

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

	2021	2020
Energy consumption used to calculate emissions (kWh)	34,788	120,000
<b>Scope 1 emissions in metric tonnes CO<sub>2</sub>e:</b>		
Standard Tariff	8	28
Total gross emission in metric tonnes CO <sub>2</sub> e	8	28
Sales (£million)	151	177
Intensity ratio Tonnes CO <sub>2</sub> e per £1 million sales	0.05	0.16

For the financial year ending 31 August 2021, 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.

### Auditor

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



# The Boots Company PLC

## Directors' Report (continued)

for the year ended 31 August 2021

### 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 s418 of the Companies Act of 2006.

Approved by the Board and signed on its behalf by:



**M Snape**  
Director

29 July 2022

Registered office:  
1 Thane Road West  
Nottingham  
NG2 3AA

Registered in England and Wales No. 00027657

# **The Boots Company PLC**

## **Directors' Responsibilities Statement**

for the year ended 31 August 2021

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

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

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

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

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

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

# Independent auditor's report

to the members of The Boots Company PLC

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of The Boots Company PLC (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 August 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

### Basis for opinion

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

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

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

### Responsibilities of directors

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## Independent auditor's report (continued)

to the members of The Boots Company PLC

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC.

### Report on other legal and regulatory requirements

#### Opinions on other matters prescribed by the Companies Act 2006

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

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

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

#### Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

#### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Jane Whitlock ACA (Senior statutory auditor)**

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

29 July 2022

# The Boots Company PLC

## Income statement

for the year ended 31 August 2021

		2021	2020
	Notes	£million	£million
Revenue	5	151	173
Cost of sales		—	—
Gross profit		151	173
Administrative expenses		(99)	(95)
Operating profit		52	78
Finance income	9	2	1
Other losses	10	(7)	—
Profit before taxation		47	79
Tax	11	(10)	(18)
Profit for the year	6	37	61

Revenue and operating profit are all derived from continuing operations.

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

# The Boots Company PLC

## Statement of comprehensive income

for the year ended 31 August 2021

	Notes	2021 £million	2020 £million
Result for the year		37	61
Other comprehensive income for the year:			
Items that will not be reclassified subsequently to Income Statement:			
Fair value gain on investments in equity instruments designated as at FVTOCI	23	1	—
		1	—
<b>Total comprehensive income for the year</b>		<b>38</b>	<b>61</b>

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

# The Boots Company PLC

## Balance sheet

as at 31 August 2021

	Notes	2021 £million	2020 £million
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	13	76	90
Property, plant and equipment	14	2	1
Investments in subsidiaries	15	384	391
Other investments	16	27	25
		<b>489</b>	<b>507</b>
<b>Current assets</b>			
Current tax assets		2	—
Trade and other receivables	17	292	225
		<b>294</b>	<b>225</b>
<b>Total assets</b>		<b>783</b>	<b>732</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current tax liabilities		—	(2)
Trade and other payables	18	(29)	(14)
		<b>(29)</b>	<b>(16)</b>
<b>Net current assets</b>		<b>265</b>	<b>209</b>
<b>Total assets less current liabilities</b>		<b>754</b>	<b>716</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	19	(1)	(1)
		<b>(1)</b>	<b>(1)</b>
<b>Net assets</b>		<b>753</b>	<b>715</b>
<b>Equity</b>			
Share capital	20	209	209
Share premium account	21	128	128
Capital contribution account	22	248	248
Investment revaluation reserve	23	3	2
Retained earnings	24	165	128
<b>Total Equity</b>		<b>753</b>	<b>715</b>

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

The financial statements of The Boots Company PLC (registered number: 00027657) were approved by the Board of Directors and authorised for issue on 29 July 2022. They were signed on its behalf by:



Director  
M Snape

29 July 2022

# The Boots Company PLC

## Statement of changes in equity

for the year ended 31 August 2021

	Share capital £million	Share premium account £million	Capital contribution £million	Investment revaluation reserve £million	Retained earnings £million	Total £million
Balance at 1 September 2019	209	128	248	2	67	654
Profit for the year	—	—	—	—	61	61
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	61	61
Dividends paid (note 12)	—	—	—	—	—	—
At 31 August 2020	209	128	248	2	128	715
Result for the year	—	—	—	—	37	37
Other comprehensive income for the year	—	—	—	1	—	1
Total comprehensive income for the year	—	—	—	1	37	38
<b>At 31 August 2021</b>	<b>209</b>	<b>128</b>	<b>248</b>	<b>3</b>	<b>165</b>	<b>753</b>

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



# The Boots Company PLC

## Notes to the financial statements

for the year ended 31 August 2021

### 1. General information

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

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

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

### 2. Adoption of new and revised standards

#### Impact of initial application of 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards	The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.
Amendments to IAS 1 and IAS 8 Definition of material	The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.
Impact of the initial application of COVID-19 - Related Rent Concessions Amendment to IFRS 16	In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

### 3. Significant accounting policies

#### Basis of accounting

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

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

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) – measured at fair value.

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

- the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - paragraph 118(e) of IAS 38 *Intangible Assets*;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*; *Statement of cash flows, statement of financial position for the earliest comparative period, capital management disclosures*.

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Basis of accounting (continued)

- e. the requirements of IAS 7 *Statement of Cash Flows*;
- f. The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- g. the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- h. the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and,
- i. the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.

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

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

The principal accounting policies adopted are set out below.

#### Going concern

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

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered the business activities and principal risks and uncertainties as set out within the Strategic report and including the impact of COVID-19. The Directors are aware that there will always be an element of uncertainty around making a going concern assessment.

The Company has net current assets of £265 million (2020: £209 million) and continuing cash generation. In addition, the Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £271 million (2020: £213 million) of pooled cash which is available to the Company on demand.

Certain Walgreens Boots Alliance ('WBA') entities within the UK are reliant on Boots UK Limited. Boots UK Limited has confirmed that financial support will continue in order to allow fellow subsidiaries to meet their liabilities as they become due and carry on business without curtailment of operations for 12 months from date of signing the financial statements.

Boots UK Limited is cash-generative with £60 million of cash and cash equivalents as at 31 August 2021 (2020: £62 million). In addition, Boots UK Limited partakes in a cash pooling arrangement with a fellow Group undertaking to which Boots UK Limited had £684 million (2020: £623 million) of pooled cash which is available on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility to the Company. The Directors have determined that Boots UK Limited have appropriation levels of cash and access to the cash pooling facility to provide support as required by the Company.

Having considered all factors noted above, the Directors have determined that the Company has access to adequate resources to continue operating for a period of at least 12 months from the date these financial statements are signed, and none of the above factors give rise to any material uncertainty around the going concern status of the Company. The Directors, therefore, continue to adopt the going concern basis of account in preparing the financial statements.

#### Investments in subsidiaries

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

#### Impairment of investments in subsidiaries

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

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

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Revenue recognition

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.

#### Royalties

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

#### Dividend and interest revenue

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

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

#### Foreign currencies

##### Currency transactions

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

#### Operating profit

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

#### Taxation

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

##### Current tax

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

##### Deferred tax

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

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

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

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

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

##### Current tax and deferred tax for the period

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

#### Property, plant and equipment

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

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

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Intangible assets

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

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

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

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

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

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

#### Impairment of property, plant and equipment and intangible assets

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

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

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

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

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

#### Financial instruments

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

#### Financial assets

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

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

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

#### Effective interest method

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

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Amortised cost*

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

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

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

##### *Fair Value OCI - debt investments*

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

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

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

##### *Fair value through OCI - equity investment*

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

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

##### *Fair value through profit or loss*

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

##### *Impairment of financial assets*

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

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

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

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

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

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

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

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

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

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

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

##### *Measurement of ECLs*

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Credit-impaired financial assets*

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

##### *Write-offs*

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

##### *Derecognition of financial assets*

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

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

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

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

##### *Financial liabilities and equity*

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

##### *Equity instruments*

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

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

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

##### *Financial liabilities*

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

##### *Financial liabilities at FVPL*

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

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

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

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

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 3. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Financial liabilities measured subsequently at amortised cost*

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

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

##### *Derecognition of financial liabilities*

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

#### Provisions

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

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

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

#### Reserves

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

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

### 4. Critical accounting judgements and key sources of estimation uncertainty

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

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

#### *Critical judgements in applying the Company's accounting policies*

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

##### *Fair Value at inception of the Fareva manufacturing and supply agreement*

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

#### *Key sources of estimation uncertainty*

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

##### *Fair value measurements and valuation processes*

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The carrying amount of investments in equity instruments designated as at FVTOCI is £27 million (2020: £25 million).

##### *Impairment of investments in Group Undertakings*

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require the entity to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values. In assessing whether the direct investments are impaired, the Company has also assessed the fair value of its indirect investee, Boots Properties Limited which holds investment properties. The carrying amount of investments in subsidiaries at the balance sheet date was £384 million (2020: £391 million) with an impairment loss of £7 million recognised in 2021 (2020: £nil). See note 15.

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

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

#### Key sources of estimation uncertainty (continued)

##### Impairment of other intangibles - Fareva manufacturing and supply agreement

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

- the discount rate used in the present value calculation is 7.7%
- manufacturing cost benefits double from FY21 (year 4 of the agreement) and continues to the end of the agreement

As at 31 August 2021, the asset had a book value of £52 million (2020: £61 million) with headroom of £5 million. Therefore no impairment was recorded.

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

Assumption	Impact to headroom
Increase discount rate by 1.0% to 8.7%	£2 million decrease
Year 5 only grows in line with inflation	£11 million decrease

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

### 5. Revenue

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

	2021 £million	2020 £million
<b>Continuing operations</b>		
Royalty Income	151	173

Of the royalty income, £136 million (2020: £155 million) is generated within the United Kingdom. The remaining £17 million (2020: £18 million) is generated from overseas entities, namely Republic of Ireland, Thailand and Norway.

### 6. Profit for the year

Profit for the year has been arrived at after charging:

	2021 £million	2020 £million
Depreciation of property, plant and equipment (note 14)	—	1
Amortisation of intangibles (note 13)	13	14
Impairment of investment in subsidiaries (note 15)	7	—
Reorganisation costs	1	1

### 7. Auditor's remuneration

The 2021 fee for the audit of these financial statements was borne by a fellow group undertaking. The amount allocated that would have been incurred for 2021 is £8,000 (2020: £8,000). No non-audit services were provided to the Company by its auditor (2020: £nil).

### 8. Staff numbers and costs

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

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

### 9. Income from shares in Group undertakings and Finance income

	2021 £million	2020 £million
Interest receivable from Group undertakings	2	1
Total interest receivable	2	1
	2	1



# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 10. Other losses

	2021 £million	2020 £million
Other losses	7	—
	7	—

An impairment loss of £7 million has arisen as a result of a decline in the value of the net assets of the company's investee AB Property Holdings Limited. Further details can be found at note 15.

### 11. Tax

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

	2021 £million	2020 £million
Corporation tax:		
UK corporation tax	11	18
Adjustments in respect of prior periods	(1)	—
	10	18

Corporation tax is calculated at 19.0% (2020: 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:

	2021 £million	2020 £million
Profit before tax	47	79
Tax at the UK corporation rate of 19% (2020: 19%)	9	15
Effects of:		
Expenses not deductible for tax purposes	1	3
Impairment of investment in subsidiary	1	—
Adjustments in respect of prior years	(1)	—
Tax charge for the year	10	18

#### Factors that may affect future current and total tax charges

On 24 May 2021 the UK Finance Act 2021 was substantively enacted increasing the UK tax rate from 19% to 25% effective 1 April 2023. The impact of the tax rate, primarily revaluation of deferred tax liabilities, has been reflected in these financial statements.

### 12. Dividends

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

	2021 £million	2020 £million
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Dividend paid in the year (2020: no dividend)	—	—

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 13. Intangible assets

	Brands £million	Other intangibles £million	Software £million	Total £million
<b>Cost</b>				
As at 1 September 2020 and at 31 August 2021	47	85	1	133
<b>Amortisation</b>				
At 1 September 2020	18	24	1	43
Charge for the year	5	9	—	14
<b>At 31 August 2021</b>	<b>23</b>	<b>33</b>	<b>1</b>	<b>57</b>
<b>Carrying amount</b>				
At 31 August 2020	29	61	—	90
<b>At 31 August 2021</b>	<b>24</b>	<b>52</b>	<b>—</b>	<b>76</b>

As at 31 August 2021, the brands relate to "Soap & Glory" for £31 million, and "Sleek" for £16 million at cost. Both brands are definite lived intangibles and are amortised over 8 years and 12 years respectively.

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

Software is amortised over 3 to 8 years.

### 14. Property, plant and equipment

	Fixtures, fittings, tools and equipment £million	Assets in the course of construction £million	Total £million
<b>Cost</b>			
At 1 September 2020 and at 31 August 2021	4	—	4
Addition	—	1	1
<b>At 31 August 2021</b>	<b>4</b>	<b>1</b>	<b>5</b>
<b>Accumulated depreciation</b>			
At 1 September 2020	3	—	3
Charge for the year	—	—	—
<b>At 31 August 2021</b>	<b>3</b>	<b>—</b>	<b>3</b>
<b>Carrying amount</b>			
At 31 August 2020	1	—	1
<b>At 31 August 2021</b>	<b>1</b>	<b>1</b>	<b>2</b>

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 15. Investments in subsidiaries

	£million
<b>Cost</b>	
As at 1 September 2020 and at 31 August 2021	1,259
<b>Provision for impairment</b>	
At 1 September 2020	868
Impairment Charge	7
As at 1 September 2020 and at 31 August 2021	875
<b>Carrying amount</b>	
At 31 August 2020	391
At 31 August 2021	384

The Company's investee AB Property Holdings Limited is the holding company for Boots Properties Limited ("the indirect investee"), a company which holds investment properties.

The £7 million impairment charge was derived as a result of a decline in the net assets of the direct investee. This was driven by a reduction in the value of the direct investee's subsidiary undertaking following the transfer of investment properties at a loss and an impairment taken against the remaining property portfolio of the indirect investee.

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

	Principal activities	Share class	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Registered office
AB Property Holdings Limited	Holding company	Ordinary shares	100	100	Cayman Islands	Sanne Trustees (Cayman) Limited, 3rd Floor, Citrus Grove, 106 Goring Avenue, PO Box 492, George Town, Grand Cayman, KY1-1106, Cayman Islands
Boots 2 Property Partnership	Property Holding	Capital Contribution	—	35.80	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots 2 Property Scottish Limited Partnership	Holding Company	Capital Contribution	—	0.0001	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots Properties Limited	Holding company and property holding	Ordinary shares	—	100	England & Wales	Nottingham, NG2 3AA, UK
Boots PropCo B Limited	Holding company	Ordinary shares	—	100	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo C Limited	Holding company	Ordinary shares	—	100	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots Property Partnership	Property holding	Capital contribution	—	57.40	Scotland	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Sleek International Limited	Dormant	Ordinary shares	100	100	England & Wales	1 Thane Road West, Nottingham, NG2 3AA, UK
Soap & Glory Limited	Dormant	Ordinary shares	100	100	England & Wales	1 Thane Road West, Nottingham, NG2 3AA, UK
WBA PropCo C LLP	Property Holding	Capital Contribution	—	10.67	England & Wales	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 16. Other investments

	2021 £million
<b>Investments in equity instruments designated at FVTOCI:</b>	
At 1 September 2020	25
Additions during the year	1
Fair value movement on equity investments	1
<b>At 31 August 2021</b>	<b>27</b>

Other investments relate to investments in equity instruments designated at FVTOCI. They represent investments in listed equity securities amounting to £27 million (2020: £25 million) that present the Company with opportunity for return through dividend income. These shares are not held for trading and accordingly the Directors of the Company have elected to designate these as equity instruments designated at FVTOCI. The fair values of all equity securities are based on quoted market prices. The cost of the listed equity securities on acquisition was £17 million (2020: £17 million). There is a Deed of Charge over these listed investments as noted in note 26.

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

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

### 17. Trade and other receivables

	2021 £million	2020 £million
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	282	221
Other receivables	6	1
Prepayments	4	3
Included in current assets	292	225
<b>Total trade and other receivables</b>	<b>292</b>	<b>225</b>

Amounts owed by Group undertakings include £271 million cash balance (2020: £213 million) which is held in a cash pooling arrangement with a fellow Group undertaking. This balance is unsecured, repayable on demand, and attracts interest which is calculated at the Sterling Overnight Index Average, which is computed as a weighted average of all overnight unsecured lending transactions undertaken in the London interbank market as published by the British Bankers' Association. The remaining balance of £11 million (2020: £8 million) is unsecured, non-interest bearing and repayable on demand.

### 18. Trade and other payables

	2021 £million	2020 £million
<b>Amounts falling due within one year:</b>		
Amounts owed to Group undertakings	16	6
Accruals	13	8
Included in current liabilities	29	14
<b>Total trade and other payables</b>	<b>29</b>	<b>14</b>

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

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 19. Deferred tax

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

	Other temporary differences £million
At 1 September 2019	(1)
Charge to other comprehensive income	—
At 31 August 2020	(1)
Charge to other comprehensive income	—
At At 31 August 2021	(1)

At the balance sheet date, the Company has unused capital tax losses of £133 million (2020: £133 million) available for offset against future profits. A deferred tax asset of £33 million (2020: £25 million at a rate of 19%, rather than this year's rate) has not been recognised in respect of such losses as it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

### 20. Share capital

	2021 £million	2020 £million
<b>Authorised</b>		
1,200,000,000 ordinary shares of 25p each (2020: 1,200,000,000 ordinary shares)	300	300
<b>Issued and fully paid</b>		
836,022,399 ordinary shares of 25p each (2020: 836,022,399 ordinary shares)	209	209

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

### 21. Share premium account

	£million
At 1 September 2019, 31 August 2020 and at 31 August 2021	128

### 22. Capital contribution account

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

	Capital contribution reserve £million
At 1 September 2019, 31 August 2020 and at 31 August 2021	248

### 23. Investment revaluation reserve

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

	Investments revaluation reserve £million
At 1 September 2019	2
Fair value gain arising on equity instruments designated as FVTOCI	—
Tax on fair value gain arising on equity instruments designated as FVTOCI	—
At 31 August 2020	2
Fair value gain arising on equity instruments designated as FVTOCI	1
At At 31 August 2021	3

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2021

### 24. Retained earnings

	Retained earnings £million
At 1 September 2019	67
Profit for the year	61
At 31 August 2020	128
Profit for the year	37
At 31 August 2021	165

### 25. Financial instruments

Categories of financial instruments held at fair value:

	2021 £million	2020 £million
<b>Financial assets at fair value</b>		
Equity instruments designated at FVTOCI (note 16)	27	25

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

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

The fair values of financial assets are determined as follows:

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

### 26. Contingent liabilities

A Deed of Charge exists in relation to the £27 million (2020: £25 million) listed investments disclosed in note 16. The listed investments act as security for the performance of various obligations relating to the provision of pension benefits to members of the unfunded pension scheme held in a fellow Group undertaking. The Directors do not find it practicable to estimate the financial effect, the timing of any outflow or possibility of reimbursement and therefore have not disclosed such information.

The Company and other Group Companies have an arrangement with its bank under which its current account balances are netted on a daily basis with those of the other participating Group companies for the purposes of charging or crediting interest. Under this arrangement, each participating company agrees that it is jointly and severally liable to the bank, with each participating company, for the aggregate overdraft balances on the current accounts of all participating companies. Each of the participating company's liability is limited to the amount of any positive cash balance it has in its current accounts with the bank on the day netting takes place. At 31 August 2021. The Company was contingently liable under this arrangement for a total amount of £nil (2020: £nil).

### 27. Events after the balance sheet date

Following the outbreak during the previous financial year, COVID-19 has continued throughout the year and after the balance sheet date, including the identification of the new Omicron strain. Whilst restrictions have eased and the government's immunisation programme has been deemed successful, there remains some uncertainty relating to COVID-19 which may impact on the future performance of the business and that of its investee.

On 24 February 2022, conflict broke out between Russia and Ukraine. Whilst this conflict is ongoing, there has been no direct impact on the business. Management continue to monitor the situation.

Subsequent to the balance sheet date, the Directors declared and paid a dividend of 11.4 pence per share amounting to £94.9 million. None of these events should change the financial performance, position and going concern conclusions reported within these financial statements.

### 28. Related parties

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

### 29. Ultimate parent undertaking

At 31 August 2021, the Company's immediate parent company was Alliance Boots Holdings Limited, a company incorporated in the United Kingdom, and its ultimate parent company and controlling party was Walgreens Boots Alliance, Inc. Walgreens Boots Alliance, Inc. is also the parent undertaking of the largest and smallest group in which the Company is consolidated. The consolidated financial statements of this group are available from the Walgreens Boots Alliance website at [www.walgreensbootsalliance.com](http://www.walgreensbootsalliance.com).

Walgreens Boots Alliance, Inc. is incorporated in the United States of America, its principal office address is 108 Wilmot Road, Deerfield, Illinois, 60015, United States, and registered office address is Corporation Service Company, 251 Little Falls Drive, Wilmington, New Castle County, DE, 19808-1674, United States.