

Company registration number: 04034358



Boots International Limited
Annual report and financial statements
for the year ended 31 August 2020

Boots International Limited

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Boots International Limited

Strategic report

for the year ended 31 August 2020

Principal activities

Boots International Limited ("the Company")'s principal activity during the period was the distribution of healthcare and consumer products to overseas customers, both external and internal to the Walgreens Boots Alliance group of companies (the "Group").

Business review

	2020		2019	
	£'000	Change	£'000	Change
Revenue	214,599	(10)%	237,626	33 %
Operating profit	16,812	(12)%	19,099	7 %
Profit for the year	12,674	(18)%	15,454	9 %
Shareholders' equity	85,591	17 %	72,917	27 %

The Company's revenue for the year has decreased by 10% (2019: increased by 33%) to £214.6 million (2019: £237.6 million) mainly due to lower sales to retailers and distributors in the USA and Rest of World following the impact of COVID-19. The Company's operating profit has also decreased by 12% in the year in line with the overall impact on revenue.

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

In December 2019, an outbreak of Coronavirus disease (COVID-19) emerged globally and became more widespread in 2020, including a major outbreak in the United Kingdom and the United States. While the Company did not incur significant disruptions from COVID-19, it is difficult to predict the impact that COVID-19 will have on the financial position and operating results due to numerous uncertainties. See Principal Risks and Uncertainties below.

Section 172(1) statement

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

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

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

When making any decisions, during the year ended 31 August 2020, the Directors considered, both individually and together, the matters set out in section 172(1)(a-f) and have acted in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members, as a whole. Below are some of the ways in which the Directors have engaged with various stakeholders and fulfilled their duty under this section.

Customers: The Directors strongly believe in treating customers fairly and providing them with safe and quality products. The Company and its affiliate companies have adopted multiple ways to engage with customers, these may include face-to-face interactions, social media interaction and surveys. The Directors use these processes to understand the views of the customers and consider the impact of their decision on customers' interest.

Suppliers: The Directors aim to ensure that the Company operates fairly, transparently and with integrity with its suppliers. The Company and its affiliate companies, engage with its suppliers through multiple channels, both formally and informally. These engagements provide the Directors with a broad and diverse understanding of supplier priorities and allows them to take into account the interest of suppliers while making decisions.

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

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

- Putting contingency plans in place to maintain continuity of operations and ensure provision of service to customers.
- Introducing measures to keep all employees healthy and safe. Transitioning office based colleagues to remote work environment and installing protective equipment at work places.
- Expanding home delivery of medications, extending hours of operations to serve local communities and reserving certain hours of operations for customers with increased vulnerability.
- Supporting suppliers to ensure adequate availability of critical products throughout the supply chain and additional deliveries to pharmacies/hospitals.
- Ensuring adequate funding for the Company to support continuity of business through these adverse conditions.

Boots International Limited

Strategic report (continued)

for the year ended 31 August 2020

Principal risks and uncertainties

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

COVID-19

Risk

The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption. These factors may have an adverse impact on the future business operations and financial position of the Company.

Mitigation

The Company is focused on addressing the impact of COVID-19 and has taken significant steps to support its employees, continue to serve its customers and maintain its services despite severe operational constraints. The situation surrounding COVID-19 remains fluid and the Company will continue to actively manage its response in collaboration with customers, government, team members and business partners.

Macroeconomic and political environment

Risk

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

Mitigation

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

In relation to Brexit, whilst a future trading relationship with the EU has been agreed, all of the implications of this are not yet fully understood at a detailed level. The Company's Brexit project team has put in place detailed plans to mitigate risks that could materialise, and are working through the details of the new trading agreements as they emerge.

Impact of regulation

Risk

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

Mitigation

The Company seeks to control this type of risk through active involvement in policy-making processes, understanding and contributing to government thinking on regulatory matters and building relationships with regulatory bodies directly and through representation in relevant professional and trade associations.

Changes and trends in consumer behaviour

Risk

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

Mitigation

The Company's commercial skills and ability to respond flexibly to changing consumer demand is highly developed. Its strategy remains to continue to enhance its market leading position in the supply of pharmacy-led health and beauty products, backed by differentiated brands and expert customer service.

Competition

Risk

Changes in market dynamics or actions of competitors or manufacturers could adversely impact the Company.

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.

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.

Boots International Limited

Strategic report (continued) for the year ended 31 August 2020

Product/services risk

Risk
The Company could be adversely impacted by the supply of defective products or provision of inadequate services. In particular, this could come from allowing the infiltration of counterfeit products into the supply chain, errors in re-labelling of products and contamination or product mishandling issues.

Mitigation
The Company has robust purchasing, well developed contractual controls in relation to suppliers and a cohesive product control framework. This includes specific controls for the identification of counterfeit product.

Major operational business failures

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

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

Increased costs

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

Mitigation
The Company uses procurement professionals and sophisticated procurement techniques to purchase goods and services on a national and international basis. The Company carefully controls operating costs.

Change management

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

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

Data protection

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

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

Future developments

The Directors do not foresee a change in the principal activity of the Company and expect the general level of activity to remain consistent with 2020 in the forthcoming year.

Approved by the Board and signed on its behalf by:

A. Thompson
Company Secretary
19 February 2021

Boots International Limited

Directors' report

for the year ended 31 August 2020

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

Going concern

The Company has net current assets and therefore the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have assessed the going concern of the entity through review of cash flow forecasts and availability of funding for a 12 month period from the date of signing of these accounts. Sensitivities have been applied to this forecast primarily focussed on the impact of a reduction in revenues. The Directors have assessed the likelihood of a reduction in revenue to the extent that the entity would no longer be considered a going concern and have concluded that this is very low. Taking into account other mitigating factors, such as ability to access funding through the Walgreens Boots Alliance Group and ability to reduce planned spending, the Directors have concluded that the Company is a going concern.

At the balance sheet date, the Company had net current assets of £87,250,000. The Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £44,947,000 (2019: £26,007,000) of pooled-cash which is available to the Company on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility. In addition, the Company has no external debt or covenants. The Company has net assets and continuing cash generation and therefore the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In December 2019, an outbreak of Coronavirus disease (COVID-19) emerged globally and became more widespread in 2020, including a major outbreak in the United Kingdom and the United States. Whilst the Company did not incur significant disruptions from COVID-19, it is difficult to predict the impact that COVID-19 will have on the financial position and operating results due to numerous uncertainties.

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 a variety of financial risks, which includes the effects of changes in market prices (interest rates and foreign exchange rates), credit risk, and liquidity risk. Being part of the larger Walgreens Boots Alliance Group, the Directors of the Company monitor these risks, in conjunction with, the Group Treasury function, and necessary action is taken either at the Company level or at a Group level to manage these risks, in line with the Group Treasury policy. Below is a summary of the various risk management policies that have been adopted by the Group and its subsidiaries.

Credit Risk

Credit risk is the risk that a counter party may default on its contractual obligations, resulting in financial loss. In the Company, credit risk arises from multiple sources including cash balances and deposits held with financial institutions, derivative financial instruments and credit exposures to customers including outstanding receivables or committed transactions. The Group has issued specific policies to mitigate credit risk which have been adopted by the Company. These require the Company to assess the creditworthiness of potential customers prior to extending their credit terms, deal only with Group approved Financial Institutions and restrict the balances held with each financial institution at an agreed limit.

Liquidity risk

The Company needs to maintain adequate liquidity to carry out its business. The Group's approach to managing liquidity in the short term is to minimize risk and maintain liquidity and in the long term is to maintain a strong balance sheet and financial flexibility. In order to meet these objectives, liquidity is monitored both at the Company level and at a Group level. Based on the review of cash generated via operations, cash flow forecast and long term cash requirements, the Company, may take on incurrence of both long term and short term debt to meet its short term and long term liquidity objectives either from approved financial institutions or from other Group subsidiaries.

Foreign currency exchange rate risk

The Company may be exposed to fluctuations in foreign currency exchange rates. These primarily arise from cash flows related to foreign denominated transactions, investment in foreign subsidiaries, translation of foreign currency earnings to functional currency and debt extended or incurred in a non-functional currency. To manage these, the Company or other Group subsidiaries, on its behalf, may enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on non-functional currency cash flows. In addition, the Company or other Group subsidiaries, on its behalf, may also enter 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).

Commodity price risk

The Company may also be exposed to the risk of fluctuations in commodity costs on raw materials, energy and logistics. To manage these, the Company, may enter into a commodity risk hedging programme after discussions with the Group Treasury department.

Dividends

The Directors do not recommend the payment of a dividend (2019: £Nil).

Future developments

The Company intends to continue operating in the distribution of healthcare and consumer products to its customers.

Post balance sheet events

An announcement was made on 3rd September 2020 which resulted in a restructuring provision of £3.1m being recognised by a fellow Group undertaking for which the cost was fully recharged to Boots International. The provision represents employee costs relating to restructuring activity.

An announcement was made on the 18th November 2020 in relation to the closure of office premises for which a sub-lease is held by Boots International.

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

Boots International Limited

Directors' report (continued)

for the year ended 31 August 2020

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and EU negotiated a new trading relationship. As the future of the trading relationship is not yet fully understood at a detailed level, the potential impact to the Company therefore remains uncertain. However, the Company has robust contingency plans in place and continues to closely monitor the situation

Directors

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

S Feeney	Appointed on 28 April 2020
W Beifus	Appointed on 31 March 2020
E Harris	Resigned on 31 March 2020
A Murphy	

The Company 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 suppliers, customers and others

The Company 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 evolving priorities of various stakeholders and helps the Company and its Directors to consider these views in their decision making.

Energy and Carbon reporting

Boots International Limited has reviewed its energy use and it is currently under 40MWh annually. Hence, the Company is not required to disclose its energy and carbon information.

Auditor

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

Disclosure of information to auditors

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

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

Approved by the Board and signed on its behalf by:



A Thompson
Company Secretary
19 February 2021

Registered office:
1 Thane Road West,
Nottingham,
Nottinghamshire
NG2 3AA

Registered in England and Wales No. 04034358

Boots International Limited

Directors' Responsibilities Statement

for the year ended 31 August 2020

The Directors are responsible for preparing the Annual report and 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.

Boots International Limited

Statement of Corporate Governance Arrangements

for the year ended 31 August 2020

Statement of Corporate Governance Arrangements

The Directors believe that a commitment to strong corporate governance standards is an essential element of enhancing long term shareholder value in a sustainable manner. Being a part of the Walgreens Boots Alliance (WBA) Group, the Company adheres to the Corporate Governance Guidelines (these "Guidelines") adopted by Walgreens Boots Alliance, Inc to assist the Board in the exercise of its responsibilities on behalf of the Company and its stockholders. The Guidelines are intended to provide guidance as a component of the flexible framework within which the Directors oversee and direct the affairs of the Company. The Board also complies with the Code of Conduct and Business Ethics, issued by WBA and these 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 WBA Group, which support the Group's corporate governance arrangements as a whole.

Boots International Limited

Independent auditor's report

to the members of Boots International Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Boots International Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Boots International Limited

Independent auditor's report

to the members of Boots International Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



David Crawford CA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Nottingham, United Kingdom

19 February 2021

Boots International Limited

Income statement

for the year ended 31 August 2020

	Notes	2020 £'000	2019 £'000
Revenue	5	214,599	237,626
Cost of sales		(134,948)	(140,791)
Gross profit		79,651	96,835
Distribution costs		(9,657)	(8,574)
Administrative expenses		(53,182)	(69,162)
Operating profit		16,812	19,099
Investment revenue	9	126	155
Finance costs	10	(50)	—
Profit before taxation		16,888	19,254
Tax	11	(4,214)	(3,800)
Profit for the year	6	12,674	15,454

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 Company has no comprehensive income and there was no comprehensive income in the prior year and has, therefore, not included a separate statement of comprehensive income.

Boots International Limited

Balance sheet

As at 31 August 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	12	3,177	5,631
Property, plant and equipment	13	1,262	1,702
Right of use assets	21	2,458	—
Deferred tax assets	14	78	52
		6,975	7,385
Current assets			
Inventories	15	47,879	49,265
Trade and other receivables	16	87,416	81,013
Cash and bank balances		381	802
		135,676	131,080
Total assets		142,651	138,465
Liabilities			
Current liabilities			
Trade and other payables	17	(47,038)	(56,743)
Lease Liabilities	21	(917)	—
Provisions	18	(470)	(990)
		(48,425)	(57,733)
Net current assets		87,251	73,347
Total assets less current liabilities		94,226	80,732
Non-current liabilities			
Trade and other payables	17	(7,134)	(7,815)
Lease Liabilities	21	(1,501)	—
Net assets		85,591	72,917
Equity			
Share capital	19	35,000	35,000
Retained earnings	20	50,591	37,917
Total Equity		85,591	72,917

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

The financial statements of Boots International Limited (registered number: 04034358) were approved by the Board of directors and authorised for issue on 19 February 2021.

They were signed on its behalf by:



Director
W Beifus

Boots International Limited

Statement of changes in equity

for the year ended 31 August 2020

	Share capital	Retained Earnings	Total
	£'000	£'000	£'000
At 1 September 2018	35,000	22,463	57,463
Profit for the year	—	15,454	15,454
At 31 August 2019	35,000	37,917	72,917
Profit for the year	—	12,674	12,674
At 31 August 2020	35,000	50,591	85,591

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

Boots International Limited

Notes to the financial statements

for the year ended 31 August 2020

1. General information

Boots International Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

The address of the registered office is given on page 5.

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

2. Adoption of new and revised standards

Impact of initial application of IFRS 16

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

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

The adoption of this new accounting standard resulted in recognition of lease liabilities of £3.3 million and recognition of right-of-use assets of £3.4 million.

See Note 21. Leases for further information.

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

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

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

3. Significant accounting policies

Basis of accounting

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

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

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

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

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, because the share based payment arrangement concerns the instruments of another group entity;

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

- (b) the requirements of paragraph 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;
- (c) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (d) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
 - (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- (f) 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*;
- (g) the requirements of IAS 7 *Statement of Cash Flows*;
- (h) The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (i) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (j) 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.
- (k) 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, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The principal accounting policies adopted are set out below.

Going concern

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

The Company has net assets and generates positive cash flows and expects this to continue in future periods. The Company's Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Directors have assessed the going concern of the entity through review of cash flow forecasts and availability of funding for a 12 month period from the date of signing of these accounts. Sensitivities have been applied to this forecast primarily focussed on the impact of a reduction in revenues. The Directors have assessed the likelihood of a reduction in revenue to the extent that the entity would no longer be considered a going concern and have concluded that this is very low. Taking into account other mitigating factors, such as ability to access funding through the Walgreens Boots Alliance Group and ability to reduce planned spending, the Directors have concluded that the Company is a going concern.

At the balance sheet date, the Company had net current assets of £87,250,000. The Company has a cash pooling arrangement with a fellow Group undertaking to which the Company holds £44,947,000 (2019: £26,007,000) of pooled-cash which is available to the Company on demand. The Directors have assessed the willingness and ability of the wider Group to continue to provide the cash pool facility. In addition, the Company has no external debt or covenants. The Company has net assets and continuing cash generation and therefore the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In December 2019, an outbreak of Coronavirus disease (COVID-19) emerged globally and became more widespread in 2020, including a major outbreak in the United Kingdom and the United States. Whilst the Company did not incur significant disruptions from COVID-19, it is difficult to predict the impact that COVID-19 will have on the financial position and operating results due to numerous uncertainties.

The Company's Directors have assessed that there are no material uncertainties surrounding the going concern of the entity, including the impact of COVID-19. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

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

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Sale of goods

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

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

Franchise fee income

Franchise 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).

Leases

The Company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in the expected payments under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

The right-of-use assets are presented separately on the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the income statement in the period in which the event or condition that triggers those payments occurs.

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

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

The Company performs impairment testing for its long-lived assets at asset group level. The asset group is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable and exceeds its fair value.

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 investment income and finance costs.

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

Current tax and deferred tax for the period

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

Cash and bank balances

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

Property, plant and equipment

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

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

- Fixtures, fittings, tools and equipment – 3 to 10 years; and
- Leasehold Improvements – 3 to 8 years.

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

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

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

Boots International Limited

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

3. Significant accounting policies (continued)

Intangible assets

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

Costs incurred for intangible assets which have not yet been completed are recognised as Assets in course of construction.

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: 'Held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

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

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

Derecognition of financial assets

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

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

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

Financial liabilities and equity

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

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.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through the income statement.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Inventories

Inventories (both raw materials and finished goods) are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in, first out method. The cost of finished goods comprises the purchase cost of goods, direct labour and those overheads related to distribution based on normal activity levels. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

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

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 11.

Assets under construction

Management judgment is required to determine whether the carrying value of asset under construction is supported by the expected 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.

Stock provision

Management judgement is required to determine the value of the stock provision in relation to excess and obsolete inventory. In assessing the value, this is per the inventory provision policy. Stock is provided for based on remaining shelf life and expected sell through to retailers, the expected sell through is based on an a view of historical data.

Key sources of estimation uncertainty

No areas of estimation uncertainty identified that would cause significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Revenue

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

	2020	2019
	£'000	£'000
Turnover by geographical location is as follows:		
Europe	71,868	68,029
USA	122,277	136,070
Rest of World	20,454	33,527
Total Revenue	214,599	237,626

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

6. Profit for the year

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

	2020	2019
	£'000	£'000
Net foreign exchange losses/(gains)	(2,001)	517
Group recharge for salary costs	64,912	58,415
Depreciation of property, plant and equipment (note 11)	409	524
Cost of inventories	126,594	131,333
Write downs of inventories recognised as an expense	8,354	9,458
Amortisation of intangibles (note 10)	1,788	2,394
Rental charges under operating leases:		
- Property	—	1,092
Depreciation of Right-of-use assets	924	—

7. Auditor's remuneration

The fee for the audit of these financial statements incurred in 2020 is £59,000 (2019: £54,000). The fee for 2019 & 2020 includes fees for three other entities within the group. The amount allocated to this entity in 2020 is £51,000.

No non-audit services were provided to the company by its auditor (2019: £nil).

8. Staff numbers and costs

The Directors have not received any remuneration for their services as a Director to the Company during the current year and preceding financial year.

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

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

9. Investment revenue

	2020	2019
	£'000	£'000
Interest receivable from bank deposits	(8)	2
Interest receivable from Group undertakings	134	153
Total interest receivable	126	155

10. Finance costs

	2020	2019
	£'000	£'000
Finance charges payable in respect of finance leases	(50)	—

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

11. Tax

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

	2020	2019
	£'000	£'000
Corporation tax:		
UK corporation tax	3,343	3,814
Double tax relief	(1,039)	(1,352)
Foreign tax	1,039	1,352
Adjustments in respect of prior periods		
- UK corporation tax	892	(13)
- Foreign tax	5	—
	4,240	3,801
Deferred tax (note 14)		
Origin and reversal of timing differences	2	(17)
Adjustment in respect of prior period	(20)	16
Effect of change of rates	(8)	—
	4,214	3,800

Corporation tax is calculated at 19.0% (2019: 19.0%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	2020	2019
	£'000	£'000
Profit before tax	16,888	19,254
Tax at the UK corporation rate of 19.0% (2019: 19.0%)	3,209	3,658
Effects of:		
Expenses not deductible for tax purposes	136	137
Non-taxable income	—	3
Remeasurement of deferred tax balances due to change in UK substantively enacted rate	(8)	—
Adjustments in respect of prior years	877	—
Tax charge for the year	4,214	3,800

Factors that may affect future current and total tax charges

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

Boots International Limited

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

12. Intangible assets

	Customer Relationships	Software	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2019	4,428	6,747	765	11,940
Additions	—	—	1,122	1,122
Transfers to other group entity	—	(2,997)	(445)	(3,442)
Reclassified from assets in the course of construction		1,262	(1,151)	111
At 31 August 2020	4,428	5,012	291	9,731
Amortisation				
At 1 September 2019	2,422	3,887	—	6,309
Charge for the year	582	1,206	—	1,788
Transfers to other group entity	4	(1,547)	—	(1,543)
At 31 August 2020	3,008	3,546	—	6,554
Carrying amount				
At 31 August 2019	2,006	2,860	765	5,631
At 31 August 2020	1,420	1,466	291	3,177

Amortisation of intangible assets is provided to write off the cost, less residual value, in equal installments over their expected useful economic lives which are:

- Customer Relationships are amortised over 4 years;
- Software is amortised over 3 to 5 years; and
- Software assets in the course of construction are not amortised, however these are tested for impairment.

The annual impairment tests support the carrying value of customer relationships and therefore there was no impairment charge in the period.

Amortisation of intangible assets is charged to distribution costs and administrative expenses in the Income statement.

13. Property, plant and equipment

	Fixtures, fittings, tools and equipment	Leasehold improvements	Assets in the course of construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2019	2,069	922	387	3,378
Additions	46	—	61	107
Transfers	7	1	(131)	(123)
Disposals	(34)	—	—	(34)
At 31 August 2020	2,088	923	317	3,328
Accumulated depreciation				
At 1 September 2019	1,172	504	—	1,676
Charge for the year	288	121	—	409
Transfers	35	(33)	—	2
Disposals	(22)	—	—	(22)
At 31 August 2020	1,473	592	—	2,065
Carrying amount				
At 31 August 2019	897	418	387	1,702
At 31 August 2020	615	331	317	1,262

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

14. 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.

	Accelerated/ (decelerated) tax depreciation	Other temporary differences	Total
	£'000	£'000	£'000
At 1 September 2018	46	5	51
Business transfer	6	(5)	1
Charge to profit or loss	—	—	—
At 31 August 2019	52	—	52
Charge to profit or loss	26	—	26
At 31 August 2020	78	—	78

The Company expects sufficient future profits in order to recognise a deferred tax asset.

15. Inventories

	2020	2019
	£'000	£'000
Raw materials	22,316	20,628
Finished goods	25,563	28,637
	47,879	49,265

16. Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amount receivable for the sale of goods	6,746	7,814
Amounts owed by group undertakings	73,554	62,103
Other receivables	7,116	9,642
Corporation tax receivable	—	1,454
Total trade and other receivables	87,416	81,013

£28,607,000 related to amounts owed by group undertakings and are unsecured, non-interest bearing and repayable on demand. The remainder bears 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.

17. Trade and other payables

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Trade payables	26,917	25,373
Amounts owed to Group undertakings	12,768	19,756
Corporation tax payable	1,117	—
Other creditors	61	44
Accruals and deferred income	6,175	11,570
Included in current liabilities	47,038	56,743
Amounts falling due for more than one year:		
Amounts owed to Group undertakings	7,134	7,815
Included in non-current liabilities	7,134	7,815
Total trade and other payables	54,172	64,558

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

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

18. Provisions

	2020	2019
	£'000	£'000
Reorganisation	470	696
Other provisions	—	294
	470	990
Current	470	990
	470	990

	Reorganisation	Other provisions	Total
	£'000	£'000	£'000
At 1 September 2019	696	294	990
Provisions created during the year	470	—	470
Provisions utilised during the year	(506)	(294)	(800)
Provisions released during the year	(190)	—	(190)
At 31 August 2020	470	—	470

The reorganisation provision relates to employee restructuring within head office operations. These costs are expected to be incurred in the following financial year.

19. Share capital

	2020	2019
	£'000	£'000
Authorised		
40,000,000 ordinary shares of £1 each (2019: 40,000,000 shares)	40,000	40,000
Issued and fully paid		
35,000,002 ordinary shares of £1 each (2019: 35,000,002 shares)	35,000	35,000

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

20. Retained earnings

	£'000
At 1 September 2018	22,463
Profit for the year	15,454
At 31 August 2019	37,917
Profit for the year	12,674
At 31 August 2020	50,591

Boots International Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

21. Leases

The Company leases, office space. The commencement date of all lease terms is the earlier of the date the Company becomes legally obligated to make rent payments or the date the Company has the right to control the property. See note 2, new accounting pronouncements for additional information.

Right-of-use assets

	2020 £'000
Cost	
Recognised on adoption of IFRS16 ¹ Leases ¹	3,381
At 31 August 2020	3,381
Depreciation	
Charge for the year	923
At 31 August 2020	923
Net book amount	
At 31 August 2020	2,458

Lease liabilities

	2020 £'000
Amount recognised in the balance sheet	
Current	917
Non-current	1,501
Total lease liabilities	2,418
Amounts recognised in the income statement	
Interest on lease liabilities	50
Total recognised in the income statement	50

The total cash flow for leases in the year is £0.95 million.

The remaining lease term for the lease is 2.6 years, and the discount rate is 1.85%.

The Company as lessee

Lease payments under operating leases recognised as an expense in 2019 before the adoption of IFRS16 were £1,092,000

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under finance leases, which fall due as follows:

	2020 Land and buildings £'000	2019 Land and buildings ¹ £'000
Less than one year	917	908
Between one and five years inclusive	1,501	2,412
More than five years	—	—
	2,418	3,320
Interest portion	53	—
Lease liabilities	2,365	—
	2,418	3,320

¹Prior to adoption of IFRS 16, Leases.

Boots International Limited

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

22. Related parties

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

Transactions entered into, and trading balances outstanding at 31 August with other related parties, are as follows:

	Sale of goods	
	2020	2019
	£'000	£'000
Related party		
Non-wholly owned subsidiary - Alliance Healthcare Portugal	462	534
Non-wholly owned subsidiary - Alliance Healthcare Italy	1,381	884

	Amounts owed by related parties	
	2020	2019
	£'000	£'000
Related party		
Non-wholly owned subsidiary - Alliance Healthcare Portugal	231	12
Non-wholly owned subsidiary - Alliance Healthcare Italy	2	105

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

23. Contingent liabilities

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

24. Events after the balance sheet date

An announcement was made on 3rd September 2020 which resulted in a restructuring provision of £3.1m being recognised by a fellow Group undertaking for which the cost was fully recharged to Boots International. The provision represents employee costs relating to restructuring activity.

An announcement was made on the 18th November 2020 in relation to the closure of office premises for which a sub-lease is held by Boots International.

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

The United Kingdom left the European Union (the "EU") on 31 January 2020, and there was a transition period until 31 December 2020 in which the United Kingdom and EU negotiated a new trading relationship. As the future of the trading relationship is not yet fully understood at a detailed level, the potential impact to the Company therefore remains uncertain. However, the Company has robust contingency plans in place and continues to closely monitor the situation.

25. Ultimate parent undertaking

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

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