

Company registration number: 00027657



**The Boots Company PLC**  
**Strategic report, Directors' report and financial statements**  
for the year ended 31 August 2016

# **The Boots Company PLC**

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# The Boots Company PLC

## Strategic report

for the year ended 31 August 2016

### 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. group (the "Group").

During the prior period, the year end of the Company was changed from 31 March to 31 August. As a result, the previous financial period results are for the 17 months ended 31 August 2015 and are not directly comparable with the results for the year ended 31 August 2016.

### Business review

During the year, the Company transitioned from previously extant United Kingdom generally accepted accounting practice (UK GAAP) to FRS 101 – *Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, Walgreens Boots Alliance, Inc. which controls all of the intermediate companies, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 25 to these financial statements.

	Year ended 31 August 2016 £million	17 month period ended 31 August 2015 £million
Revenue	186	274
Operating profit	135	198
Profit for the year/period	112	185
Shareholders' equity	1,378	1,228

On 30 June 2016, the Company acquired Soap & Glory Limited for £36 million which was funded through one share at 25p and share premium.

On 1 July 2016, the Soap & Glory brand name was acquired by the Company from Soap & Glory Limited for £31 million. The remaining trade and assets in Soap & Glory Limited were hived up into the Company on 31 August 2016 for a consideration of £5 million. On the same day, some of those assets were sold to a fellow Group undertaking for a consideration of £1 million.

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

### 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.

#### Impact of regulation

##### 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 following the EU referendum on 23 June 2016.

##### Mitigation

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

#### Competition

##### Risk

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

##### Mitigation

The Company's strategy is to capitalise on the potential and strength of its leading brands and the trust in which they are held, and to build strong relationships with customers and suppliers. The Company continues to expand the scope of its operations in response to a changing marketplace.

#### 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.

# **The Boots Company PLC**

## **Strategic report (continued)**

for the year ended 31 August 2016

### **Principal risks and uncertainties (continued)**

#### ***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.

#### ***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 services in currencies other than the Company's functional currency.

##### ***Mitigation***

We have 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 we operate.

By order of the Board:



**A Thompson**  
Company Secretary

30 November 2016

# The Boots Company PLC

## Directors' report

for the year ended 31 August 2016

The Directors present their report and the audited financial statements for the year ended 31 August 2016.

### Going concern

The Company has net current assets and continues to generate profits 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.

### Financial risk

The Company is exposed to currency and credit risk. The Group's treasury function manages these risks at a Group level in accordance with Group Treasury Policy including the use of financial instruments for the purpose of managing these risks. Group risks are discussed in the Group's Annual Report, which does not form part of this report.

### Dividends

No dividend was declared and paid in the year (17 months to 31 August 2015: £256 million).

### Future developments

The Company intends to continue to hold Boots brands and intellectual property within the Group.

### Issue of share capital

During the year, the Company issued 1 ordinary share at 25p with a share premium of £36 million.

### Post balance sheet events

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

### Directors

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

R Counsell	(appointed 20 November 2015)
K Murphy	
A Thompson	(appointed 2 October 2015)
M Dench	(resigned 3 November 2015)
D Foster	(resigned 2 October 2015)

### Auditor

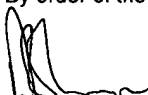
Pursuant to s487 Companies Act 2006, Deloitte LLP were deemed to be reappointed and will therefore continue in office.

### Disclosure of information to auditor

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

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

By order of the Board:



**A Thompson**  
Company Secretary

30 November 2016

Registered office:  
Nottingham  
NG2 3AA

Registered in England and Wales No. 00027657

# The Boots Company PLC

## Directors' responsibilities statement

for the year ended 31 August 2016

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

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

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

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

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

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

## **Independent auditor's report**

to the members of The Boots Company PLC

We have audited the financial statements of The Boots Company PLC for the year ended 31 August 2016 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 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion 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 and the Directors' Report.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Jane Whitlock ACA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Nottingham, UK

30 November 2016

# The Boots Company PLC

## Income statement

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

	Notes	2016 £million	2015 £million
Revenue	4	186	274
Cost of sales		(4)	(7)
Gross profit		182	267
Administrative expenses		(47)	(69)
Operating profit		135	198
Income from shares in Group undertakings	8	-	34
Investment revenue	8	1	1
Profit before taxation		136	233
Tax	9	(24)	(48)
Profit for the year/period	5	112	185

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 2016 and the 17 months ended 31 August 2015

	Notes	2016 £million	2015 £million
Profit for the year/period		112	185
Other comprehensive income for the year/period			
Movements on available-for-sale investments	19	2	1
<b>Total comprehensive income for the year/period</b>		<b>114</b>	<b>186</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 2016 and 31 August 2015

	Notes	2016 £million	2015 £million
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	11	30	-
Property, plant and equipment	12	1	1
Investments in subsidiaries	13	1,220	1,184
Other investments	14	26	23
Other receivables	15	80	-
		<b>1,357</b>	<b>1,208</b>
<b>Current assets</b>			
Trade and other receivables	15	87	48
<b>Total assets</b>		<b>1,444</b>	<b>1,256</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(65)	(27)
<b>Net current assets</b>		<b>22</b>	<b>21</b>
<b>Total assets less current liabilities</b>		<b>1,379</b>	<b>1,229</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	(1)	(1)
<b>Total liabilities</b>		<b>(66)</b>	<b>(28)</b>
<b>Net assets</b>		<b>1,378</b>	<b>1,228</b>
<b>Equity</b>			
Share capital	18	209	209
Share premium account		290	254
Capital Redemption reserve		57	57
Capital Contribution reserve		177	177
Available for sale reserve	19	4	2
Retained earnings		641	529
<b>Total Equity</b>		<b>1,378</b>	<b>1,228</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 were approved by the Board of directors and authorised for issue on 30 November 2016. They were signed on its behalf by:

*R Counsell*

R Counsell  
Director

Registered in England and Wales No. 00027657

# The Boots Company PLC

## Statement of changes in equity

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

	Share capital £million	Share premium account £million	Capital redemption reserve £million	Capital contribution reserve £million	Available for sale reserve £million	Retained Earnings £million	Total £million
At 1 April 2014 under previous UK GAAP	209	254	57	177	-	601	1,298
Adjustments on transition to FRS 101 (note 25)	-	-	-	-	1	(1)	-
<b>Restated equity as at 1 April 2014 under FRS 101</b>	<b>209</b>	<b>254</b>	<b>57</b>	<b>177</b>	<b>1</b>	<b>600</b>	<b>1,298</b>
Profit for the period	-	-	-	-	-	185	185
Other comprehensive income for the period (note 19)	-	-	-	-	1	-	1
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>185</b>	<b>186</b>
Dividends paid (note 10)	-	-	-	-	-	(256)	(256)
<b>At 31 August 2015</b>	<b>209</b>	<b>254</b>	<b>57</b>	<b>177</b>	<b>2</b>	<b>529</b>	<b>1,228</b>
Profit for the year	-	-	-	-	-	112	112
Other comprehensive income for the year (note 19)	-	-	-	-	2	-	2
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>112</b>	<b>114</b>
Issue of share capital (note 18)	-	36	-	-	-	-	36
<b>At 31 August 2016</b>	<b>209</b>	<b>290</b>	<b>57</b>	<b>177</b>	<b>4</b>	<b>641</b>	<b>1,378</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 2016 and the 17 months ended 31 August 2015

### 1. General information

The Boots Company PLC (the "Company") is an unlisted public Company limited by shares and is registered in England and Wales.

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

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

### 2. Significant accounting policies

#### Basis of accounting

During the prior period, the year end of the Company was changed from 31 March to 31 August. As a result, the comparative financial period results are for the seventeen months ended 31 August 2015 and are not directly comparable with the results for the year ended 31 August 2016.

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, 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 registered office of the parent company preparing consolidated accounts is 108 Wilmot Road, Deerfield, Illinois, 60015, United States of America. Where relevant, equivalent disclosures have been given in the group accounts of Walgreens Boots Alliance, Inc.

The Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ended 31 August 2016 the Company has undergone transition from reporting under United Kingdom generally accepted accounting practice (UK GAAP) to FRS 101 'Reduced Disclosure Framework' as issued by the FRC. The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

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

- (a) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- (b) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - a. paragraph 79(a)(iv) of IAS 1;
  - b. paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
  - c. paragraph 118(e) of IAS 38 *Intangible Assets*;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (e) the requirements of IAS 7 *Statement of Cash Flows*;
- (f) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (g) 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.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

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 17, 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 current assets and continues to generate profits. Therefore the Directors consider that the Company has adequate resources to remain in operation for the foreseeable future, and have continued to adopt the going concern basis for preparing the financial statements.

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 Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 2. Significant accounting policies (continued)

#### Changes in accounting policies and disclosures

In the current year, the Company has applied amendments to IFRSs that were issued by the International Accounting Standards Board (IASB) and endorsed for use in the European Union and are mandatorily effective for an accounting period that begins on or after 1 July 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Annual Improvements to IFRSs: 2011-2013 makes various amendments to a number of standards (IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement and IAS 40 Investment Property). The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.

#### Investments in subsidiaries

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

#### Revenue recognition

##### *Royalties*

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

##### *Dividend and interest revenue*

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

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

#### Foreign currencies

##### *Currency transactions*

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

#### Operating profit

Operating profit is stated before investment income, income from Group undertakings, finance costs 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.

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 2. Significant accounting policies (continued)

#### 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 20 years.

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

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

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.

#### Intangible assets

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

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

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

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

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.

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### *Effective interest method*

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

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

##### *Held-to-maturity investments*

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

##### *Available for sale (AFS) financial assets*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 20. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

##### *Loans and receivables*

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

##### *Impairment of financial assets*

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

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, 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.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

With the exception of AFS equity instruments, 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.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

#### 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.

#### Reserves

The capital redemption reserve relates to shares that were previously purchased and subsequently cancelled by the Company.

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

The available for sale reserve relates to unrealised gains and losses on the available for sale listed investments (note 14).

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

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### 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.

#### Key sources of estimation uncertainty

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

#### 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.

#### 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. The carrying amount of investments in subsidiaries at the balance sheet date was £1,223 million with no impairment loss recognised in 2016 or 2015.



# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 4. Revenue

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

	2016 £million	2015 £million
Continuing operations		
Royalty income	186	274
	186	274
Investment revenue (note 8)	1	35
	187	309

### 5. Profit for the year/period

Profit for the year/period has been arrived at after charging:

	2016 £million	2015 £million
Amortisation of intangibles	1	-
Impairment loss recognised on investments in subsidiaries	-	4

### 6. Auditor's remuneration

The 2016 fee for the audit of these financial statements was borne by a fellow group undertaking. The amount allocated that would have been incurred for 2016 is £8,000 (2015: £8,000). No non-audit services were provided to the Company by its auditor.

### 7. Staff numbers and costs

There were no staff employed by the Company during the year (2015: none).

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

### 8. Investment revenue

	2016 £million	2015 £million
Interest receivable	1	1
Income from shares in Group undertakings	-	34
	1	35

### 9. Tax

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

	2016 £million	2015 £million
Corporation tax:		
UK corporation tax	27	42
Adjustments in respect of prior periods	(3)	6
	24	48

Corporation tax is calculated at 20% (2015: 20.7%) of the estimated taxable profit for the year.

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

	2016 £million	2015 £million
Profit before tax	136	233
Tax at the UK corporation rate of 20% (2015: 20.7%)	27	48
Effects of:		
Expenses not deductible for tax purposes	-	1
Non-taxable dividends received	-	(7)
Adjustments in respect of prior years	(3)	6
Tax charge for the year/period	24	48

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 9. Tax (continued)

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

In October 2015, the UK Government substantively enacted future reductions in the corporation tax rate by 1% from 1 April 2017 to 19% and a further 1% from 1 April 2020 to 18%. In March 2016, the UK Government announced that the corporation tax rate would reduce by an additional 1% from 1 April 2020 to 17%. This further change to the tax rate was substantively enacted on 6 September 2016, after the balance sheet date, and therefore is not included in these financial statements.

### 10. Dividends

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

	2016 £million	2015 £million
Amounts recognised as distributions to equity holders in the year/period:		
Dividend paid in the year/period (2015: 31p per share)	-	256

### 11. Intangible assets

	Brands £million
Cost	
At 1 September 2015	-
Additions	31
At 31 August 2016	31
Amortisation	
At 1 September 2015	-
Charge for the year	1
At 31 August 2015	1
Carrying amount	
At 31 August 2015	-
At 31 August 2016	30

The Soap & Glory brand was acquired on 1 July 2016 and is being amortised on a straight-line basis over 8 years.

### 12. Property, plant and equipment

	Fixtures, fittings, tools and equipment £million
Cost and carrying amount	
At 1 September 2015 and at 31 August 2016	1

### 13. Investments in subsidiaries

	£million
Cost	
At 1 September 2015	1,193
Additions	36
At 31 August 2016	1,229
Provision for impairment	
At 1 September 2015 and at 31 August 2016	9
Carrying amount	
At 31 August 2015	1,184
At 31 August 2016	1,220

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 13. Investments in subsidiaries (continued)

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

	Share class	Percentage held by the Company directly	Percentage held by the Company or subsidiary undertakings	Country of incorporation	Main activity
AB Property Holdings Limited	Ordinary shares	100	100	Cayman Islands	Holding Company
BCM Kosmetik GmbH	Ordinary shares	100	100	Germany	Manufacturing
Boots Properties Limited	Ordinary shares	-	100	England & Wales	Holding Company and Property Holding
Boots PropCo Retail Flex Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots PropCo A Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots PropCo B Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots PropCo C Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots PropCo Beeston Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots Property Partnership	Capital Contribution	-	57.40	Scotland	Property Holding
Boots Property HoldCo Limited	Ordinary shares	100	100	England & Wales	Holding Company
Boots PropCo Limited	Ordinary shares	-	100	England & Wales	Holding Company
Boots PropCo Flex Limited	Ordinary shares	-	100	England & Wales	Holding Company
Soap & Glory Limited	Ordinary shares	-	100	England & Wales	Dormant

Details of the registered addresses for the above investments can be found in the appendix on page 21 which forms part of these financial statements.

### 14. Other investments

	2016 £million	2015 £million
<b>Available-for-sale investments carried at fair value:</b>		
Shares – listed securities	23	20
Shares – unlisted securities	3	3
<b>Total investments</b>	<b>26</b>	<b>23</b>

The shares included within available for sale investments above represent investments in listed equity securities amounting to £23 million (2015: £20 million) that present the Company with opportunity for return through dividend income. These shares are not held for trading and accordingly are classified as available-for-sale. The fair values of all equity securities are based on quoted market prices. The cost of the shares on acquisition was £17 million (2015: £17 million).

In addition, there are shares in unlisted equities included within available-for-sale investments amounting to £3 million (2015: £3million). For such investments, the carrying value has been used as an approximation of the fair value of the investment.

The available-for-sale investments relate to the Company's investment undertakings at the balance sheet date, some of which were indirectly held, are presented as follows:

	Share class	Percentage held by the Company directly	Percentage held by the Company or investment undertakings	Country of incorporation	Main activity
WBA PropCo Retail Flex LLP <sup>1</sup>	Capital Contribution	-	11.43	England & Wales	Non-trading
WBA PropCo A LLP <sup>1</sup>	Capital Contribution	-	10.33	England & Wales	Non-trading
WBA PropCo B LLP <sup>1</sup>	Capital Contribution	-	10.55	England & Wales	Non-trading
WBA PropCo C LLP <sup>1</sup>	Capital Contribution	-	10.67	England & Wales	Property Holding
WBA PropCo Beeston LLP <sup>1</sup>	Capital Contribution	-	10.86	England & Wales	Non-trading
WBA PropCo Unichem LLP <sup>1</sup>	Capital Contribution	-	10.53	England & Wales	Non-trading
WBA PropCo Unichem Flex LLP <sup>1</sup>	Capital Contribution	-	10.89	England & Wales	Property Holding
Boots 2 Property Scottish Limited Partnership	Capital Contribution	-	0.0001	Scotland	Holding Company
Boots 2 Property Partnership	Capital Contribution	-	35.80	Scotland	Property Holding
MedAvail Technologies Inc.	Ordinary shares	4.30	4.30	Canada	Pharmaceutical Technology

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 14. Other investments (continued)

<sup>1</sup> These entities have changed their legal name in the period as follows:

- WBA PropCo Retail Flex LLP formerly Alliance Boots PropCo Retail Flex LLP
- WBA PropCo A LLP formerly Alliance Boots PropCo A LLP
- WBA PropCo B LLP formerly Alliance Boots PropCo B LLP
- WBA PropCo C LLP formerly Alliance Boots PropCo C LLP
- WBA PropCo Beeston LLP formerly Alliance Boots PropCo Beeston LLP
- WBA PropCo Unichem LLP formerly Alliance Boots PropCo Unichem LLP
- WBA PropCo Unichem Flex LLP formerly Alliance Boots PropCo Unichem Flex LLP

Details of the registered addresses for the above investments can be found in the appendix on page 21 which forms part of these financial statements.

### 15. Trade and other receivables

	2016 £million	2015 £million
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings	87	48
Included in current assets	87	48
<b>Amounts falling due for more than one year:</b>		
Amounts owed by Group undertakings	80	-
Included in non-current assets	80	-
<b>Total trade and other receivables</b>	<b>167</b>	<b>48</b>

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

The non-current amounts owed by Group undertakings as at 31 August 2016 is a discounted loan note with a redemption value of £82 million due for repayment on 31 August 2018. The discounted loan note is held on the balance sheet at amortised cost.

### 16. Trade and other payables

	2016 £million	2015 £million
<b>Amounts falling due within one year:</b>		
Amounts owed to Group undertakings	49	15
Corporation tax payable	16	12
Included in current liabilities	65	27
<b>Total trade and other payables</b>	<b>65</b>	<b>27</b>

### 17. Deferred Tax

	Other temporary differences £million
At 1 April 2014	-
Charged to retained earnings	1
<b>At 31 August 2015 and 31 August 2016</b>	<b>1</b>

At the balance sheet date, the Company has unused capital tax losses of £137 million (2015: £138 million) available for offset against future profits. A deferred tax asset of £25 million (2015: £28 million) has not been recognised in respect of such losses as it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

# The Boots Company PLC

## Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### 18. Share capital

	2016 £million	2015 £million
<b>Authorised, issued and fully paid</b>		
836,022,398 ordinary shares of 25p each (2015: 836,022,397 ordinary shares of 25p each)	209	209

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

During the year, the Company issued 1 ordinary share at 25p with a share premium of £ £36 million.

### 19. Available for sale reserve

	£million
At 1 April 2014	1
Increase in fair value of available-for-sale investments	1
At 31 August 2015	2
Increase in fair value of available-for-sale investments	2
<b>At 31 August 2016</b>	<b>4</b>

### 20. Financial instruments

Categories of financial instruments:

	2016 £million	2015 £million
<b>Financial assets at fair value</b>		
Available-for-sale financial assets (note 14)	26	23

Changes in fair value recognised in a revaluation reserve in respect of financial assets classified as available for sale are presented in note 19.

*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.

### 21. Acquisition of subsidiary

On 30 June 2016, the Company acquired 100 per cent of the issued share capital of Soap & Glory Limited for £36 million which was funded through one share at 25p and share premium. Soap & Glory Limited's principal activity is the generation of licence fee income from the exploitation of intellectual property rights as well as the direct sale of Soap & Glory branded products.

On 1 July 2016, the Soap & Glory brand name was acquired by the Company from Soap & Glory Limited for £31 million.

On 31 August 2016, the remaining trade and assets in Soap & Glory Limited were hived up into the Company on 31 August 2016 for a consideration of £5 million.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed upon hive up are as follows:

	£million
<b>Financial assets</b>	<b>5</b>
Total identifiable assets	5
<b>Total consideration</b>	<b>5</b>
Satisfied by:	
Cash consideration	5

### 22. Contingent liabilities

A deed of charge exists in relation to the £23 million (2015: £20 million) listed investment disclosed in note 14. 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 Boots Company PLC

### Notes to the financial statements (continued)

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

#### 23. Related parties

During the period 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 entered into with other related parties during the year.

#### 24. Ultimate parent undertaking

At 31 August 2016, the Company's immediate parent company was Alliance Boots Holdings Limited and its ultimate parent company and controlling party was Walgreens Boots Alliance, Inc. Walgreens Boots Alliance, Inc. is also the parent undertaking of the largest and smallest group in which the Company is consolidated. The consolidated financial statements of this group are available from the Walgreens Boots Alliance website at [www.walgreensbootsalliance.com](http://www.walgreensbootsalliance.com).

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

#### 25. Transitioning to FRS 101

##### *Basis of accounting*

For all periods up to and including the 17 month period ended 31 August 2015, the Company prepared its financial statements in accordance with previously extant UK GAAP. These financial statements, for the year ended 31 August 2016 are the first the Company has prepared under Financial Reporting Standard 101 (FRS 101).

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods from 1 April 2014 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

##### *Explanation of transition to FRS 101*

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The following disclosures are required in the year of transition.

##### *Reconciliation of equity*

	Note	At 1 April 2014 £million	At 31 August 2015 £million
Equity reported under previous UK GAAP		1,298	1,226
Adjustments to equity on transition to FRS 101			
Revaluation of available-for-sale investments	[1]	-	2
<b>Equity reported under FRS 101</b>		<b>1,298</b>	<b>1,228</b>

##### *Notes to the reconciliation of equity at 1 April 2014 and at 31 August 2015*

- [1] Previously under UK GAAP, investments were held at cost less provisions for any permanent diminution in value. Under FRS 101, investments are initially recognised at cost and subsequently are usually remeasured at their fair value at the balance sheet date unless held to maturity. The Company's investments consists of listed investments which have been designated as "available-for-sale" investments and accordingly are included in the balance sheet at market value with any movements in fair value taken to equity until the investment is sold.

##### *Reconciliation of profit for the 17 month period ended 31 August 2015*

There are no adjustments to profit for the 17 month period ended 31 August 2015.

# The Boots Company PLC

## Appendix

for the year ended 31 August 2016 and the 17 months ended 31 August 2015

### Registered addresses of investments

Investment	Registered address
AB Property Holdings Limited	Avalon Trust and Corporate Services Limited, Landmark Square, 1 <sup>st</sup> floor, 64 Earth Close, PO Box 715, Grand Cayman, KY1-1107, Cayman Islands
BCM Kosmetik GmbH	Amtsgericht Offenbach, M 5HRB 2131, Germany
Boots Properties Limited	Nottingham, NG2 3AA, UK
Boots PropCo Retail Flex Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo A Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo B Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo C Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo Beeston Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots Property HoldCo Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots PropCo Flex Limited	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo Retail Flex LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo A LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo B LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo C LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo Beeston LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo Unichem LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
WBA PropCo Unichem Flex LLP	Sedley Place 4th Floor, 361 Oxford Street, London, W1C 2JL, UK
Boots Property Partnership	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots 2 Property Scottish Limited Partnership	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Boots 2 Property Partnership	Boots – North, 3rd Floor, 79 - 91 High Street, Falkirk, FK1 1ES, UK
Soap & Glory Limited	1 Thane Road West, Nottingham, NG2 3AA, UK
MedAvail Technologies Inc.	6665 Millcreek Drive, Unit 1, Mississauga ON L5N 5M4, Canada