

Company registration number: 02517178



WBA Holdings 1 Limited
Annual report and financial statements
for the year ended 31 August 2020

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WBA Holdings 1 Limited

Strategic report

for the year ended 31 August 2020

Principal activities

WBA Holdings 1 Limited (the "Company") is an investment holding company within the Walgreens Boots Alliance, Inc. consolidated group ("Group").

Business review

The key performance indicators for the Company are provided in the table below:

	2020	2019
	£million	£million
Operating result	—	—
Profit for the year	0.9	1.0
Shareholders' equity	151.0	150.1

On 23 July 2020, the Company performed a capital reduction to reduce share capital by £36.1 million in order to increase distributable reserves.

Post balance sheet events

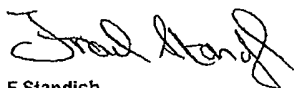
On 19 November 2020, the Company received a dividend of £27.5 million from WBA Group Limited. On the same day, following the receipt of cash, the Company declared and paid a dividend of £83.9 million.

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. 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.

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. There are no additional business risks for the Company necessary for an understanding of the development, performance or position of the business.

Approved by the Board and signed on its behalf by:



F Standish
Company Secretary
17 December 2020

WBA Holdings 1 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 of £15.8 million and therefore the Directors have assessed that there is no material uncertainty surrounding the going concern of the entity. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of 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.

Interest rate risk

The Company may face interest rate volatility, with regard to existing variable-rate debt instruments and future incurrences of fixed or variable-rate debt, which exposure primarily relates to movements in various interest rates, such as LIBOR and commercial paper rates. In order to mitigate the risk of adverse interest rate movements, the Company or other Group subsidiaries, may, either individually or collectively, enter into interest rate swaps or forward-starting interest rate swaps to hedge these exposures.

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).

Dividends

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

Future developments

The Company intends to continue operating as a holding company within the Walgreens Boots Alliance, Inc consolidated group ("Group").

Post balance sheet events

On 19 November 2020, the Company received a dividend of £27.5 million from WBA Group Limited. On the same day, following the receipt of cash, the Company declared and paid a dividend of £83.9 million.

Directors

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

A Clare

F Standish

C Jennings

(appointed on 13 July 2020)

M Muller

(resigned on 13 July 2020)

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Auditor

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

Disclosure of information to auditors

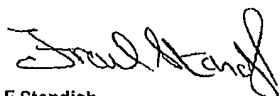
The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make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

WBA Holdings 1 Limited

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

Approved by the Board and signed on its behalf by:



F Standish
Company Secretary
17 December 2020

Registered office:
Sedley Place
4th Floor
361 Oxford Street
London
W1C 2JL

Registered in England and Wales No. 02517178

WBA Holdings 1 Limited

Directors' responsibilities statement

for the year ended 31 August 2020

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

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

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

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

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

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

Independent auditor's report

to the members of WBA Holdings 1 Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of WBA Holdings 1 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 15.

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.

Independent auditor's report (continued)

to the members of WBA Holdings 1 Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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



S Butters FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Reading, United Kingdom

17 December 2020

WBA Holdings 1 Limited

Income statement

for the year ended 31 August 2020

	Notes	2020 £million	2019 £million
Operating costs		—	—
Operating result		—	—
Finance Income	7	1.1	1.2
Profit before taxation		1.1	1.2
Tax	8	(0.2)	(0.2)
Profit for the year		0.9	1.0

The operating result is 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 other items of comprehensive income and has, therefore, not included a statement of comprehensive income.

WBA Holdings 1 Limited

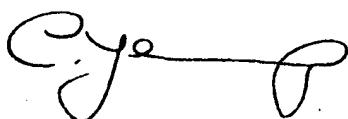
Balance sheet

As at 31 August 2020

	Notes	2020 £million	2019 £million
Assets			
Non-current assets			
Investments in subsidiaries	9	94.0	94.0
Other investments	10	41.2	41.2
		135.2	135.2
Current assets			
Trade and other receivables	11	15.8	15.1
		15.8	15.1
Total assets		151.0	150.3
Liabilities			
Current liabilities			
Current tax liabilities	12	—	(0.2)
		—	(0.2)
Net current assets		15.8	14.9
Total assets less current liabilities		151.0	150.1
Net assets		151.0	150.1
Equity			
Share capital	13	0.1	36.2
Retained earnings	14	150.9	113.9
Total Equity		151.0	150.1

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

The financial statements of WBA Holdings 1 Limited (registered number: 02517178) were approved by the Board of directors and authorised for issue on 17 December 2020. They were signed on its behalf by:



C Jennings
Director

WBA Holdings 1 Limited

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

	Share Capital £million	Retained Earnings £million	Total £million
At 1 September 2018	36.2	112.9	149.1
Profit for the year	—	1.0	1.0
At 31 August 2019	36.2	113.9	150.1
Share capital reduction	(36.1)	36.1	—
Profit for the year	—	0.9	0.9
At 31 August 2020	0.1	150.9	151.0

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

WBA Holdings 1 Limited

Notes to the financial statements

for the year ended 31 August 2020

1. General information

WBA Holdings 1 Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act and is registered in England and Wales.

The address of the registered office is given on page 2.

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

2. Adoption of new and revised standards

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

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

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The Company has adopted the amendments to IFRS 9 for the first time in the current year. The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.
Annual Improvements to IFRS Standards 2015–2017 Cycle IAS 12 Income Taxes and IAS 23 Borrowing Costs	The Company has adopted the amendments included in the Annual Improvements to IFRS Standards 2015–2017 Cycle for the first time in the current year. The Annual Improvements include amendments to four Standards, none of these amendments 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 Company's functional currency and the currency of the primary economic environment in which the Company operates.

These financial statements are individual accounts. The Company is exempt from the preparation of consolidated financial statements under s401 of the Companies Act, because it is included in the group accounts of Walgreens Boots Alliance, Inc. The group accounts of Walgreens Boots Alliance, Inc. are available from the Walgreens Boots Alliance website at www.walgreensbootsalliance.com. The principal office of the parent company preparing consolidated accounts is 108 Wilmut 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 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:
 - (i) paragraph 79(a)(iv) of IAS 1;
- (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 paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- (g) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- (h) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Basis of accounting (continued)

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 current assets of £15.8 million and 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.

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. This outbreak had a significant impact on all aspects of the business including the Company's operational and financial performance for the year. There are still numerous uncertainties relating to COVID-19 and these might continue to have an impact on the future performance of the Company.

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.

Investments in subsidiaries

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

Impairment of investments

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

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

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

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

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 result

Operating result is stated after charging restructuring costs but before investment income and finance costs.

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Taxation

The tax charge 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.

Current tax for the year

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.

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 except for trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient and which are measured at the transaction price determined under IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

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

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.

Impairment of financial assets

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

Write-offs

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

Derecognition of financial assets

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

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

3. Significant accounting policies (continued)

Financial instruments (continued)

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

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

Financial liabilities and equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVPL

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

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

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

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

Financial liabilities measured subsequently at amortised cost

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

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

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

During the year, there were no critical accounting judgements.

Key sources of estimation uncertainty

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

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

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

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 £94.0 million (2019: £94.0 million) with no impairment loss recognised in 2020 or 2019.

5. Auditor's remuneration

The 2020 fee for the audit of these financial statements was borne by a fellow Group undertaking. The amount allocated that would have been incurred for 2020 is £4,000 (2019: £4,000).

No non-audit services were provided to the Company by its auditor in the current or preceding year.

6. Staff numbers and costs

There were no employees during the current period. No emoluments are payable to the Directors for their services to the Company in the current financial period. Directors emoluments are paid by a fellow Group undertaking.

7. Finance Income

	2020	2019
	£million	£million
Interest receivable from Group undertakings	1.1	1.2
	1.1	1.2

8. Tax

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

	2020	2019
	£million	£million
Corporation tax:		
UK corporation tax	(0.2)	(0.2)
	(0.2)	(0.2)

Corporation tax is calculated at 19.00% (2019: 19.00%) of the estimated taxable profit for the year.

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

	2020	2019
	£million	£million
Profit before tax	1.1	1.2
Tax at the UK corporation rate of 19.00% (2019: 19.00%)	(0.2)	(0.2)
Tax charge for the year	(0.2)	(0.2)

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.

9. Investments in subsidiaries

	£million
Cost	
At 1 September 2019 and 31 August 2020	200.0
Provision for impairment	
At 1 September 2019 and 31 August 2020	(106.0)
Carrying amount	
At 31 August 2019 and 31 August 2020	94.0

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

9. Investments in subsidiaries (continued)

The Company's subsidiary undertakings at the balance sheet were:

	Share class	Percentage held by the Company or subsidiary undertaking	Registered office
Directly Owned			
WBA Group Limited	Ordinary, Preference	100.0	Sedley Place, 4th Floor, 361 Oxford Street, London, W1C 2JL
Indirectly Owned			
Alliance BMP Limited	Ordinary	100.0	2, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY
Alliance Santé - Distribuição Farmacêutica de Eulália Baeta Perelra e Ramalho Fernandes, S.A.	Ordinary	100.0	Rua 3, Lote E Matinha, Lisboa, 1900-823, Portugal
Alliance UniChem Investments 4 Limited	Ordinary	100.0	Sedley Place, 4th Floor, 361 Oxford Street, London, W1C 2JL
Alloga S.à r.l.	Ordinary	100.0	2, rue Edward Steichen, Luxembourg, L-2540, Luxembourg

The percentage represents the shares held directly by the subsidiary undertakings, on behalf of the company. This is in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, 4:14(2).

10. Other investments

	Non-Current assets	
	2020	2019
	£million	£million
Loans receivable carried at amortised cost:		
Loans to Group undertakings	41.2	41.2
	41.2	41.2

Loans to Group undertakings comprises £41.2 million (2019: £41.2 million) deposited with a fellow Group undertaking that have commercial effective interest rates and maturity in February 2022.

11. Trade and other receivables

	2020	2019
	£million	£million
Amounts falling due within one year:		
Amounts owed by Group undertakings	15.8	15.1
	15.8	15.1

Amounts owed by Group undertakings include a deposit of £15.8 million (2019: £14.6 million) with a fellow Group undertaking that is interest bearing at SONIA and has a maturity date of 28 February 2022, and accrued interest receivable at the balance sheet date of £nil (2019: £0.5 million) in relation to the £41.2 million loan described in note 10.

12. Current tax liabilities

	2020	2019
	£million	£million
Amounts falling due within one year:		
Corporation tax payable	—	0.2
	—	0.2

13. Share capital

	2020	2019
	£	£
Authorised		
432,926,300 ordinary shares of 10p each (2019: 432,926,300 shares)	43,292,630	43,292,630
Issued and fully paid		
1,000,000 ordinary shares of 10p each (2019: 361,739,721 shares)	100,000	36,173,972

WBA Holdings 1 Limited

Notes to the financial statements (continued)

for the year ended 31 August 2020

13. Share capital (continued)

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

On 23 July 2020, the Company performed a capital reduction to reduce share capital by £36.1 million in order to increase distributable reserves.

14. Retained earnings

	£million
At 1 September 2018	112.9
Profit for the year	1.0
At 31 August 2019	113.9
Share capital reduction	36.1
Profit for the year	0.9
At 31 August 2020	150.9

15. 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.