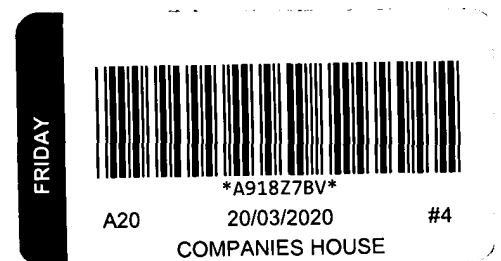


Company registration number: 02517178



**WBA Holdings 1 Limited**  
**Annual report and financial statements**  
for the year ended 31 August 2019

## **Contents**

<b>Strategic report</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Directors' responsibilities statement</b>	<b>3</b>
<b>Independent auditor's report</b>	<b>4</b>
<b>Income statement</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Statement of changes in equity</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

# WBA Holdings 1 Limited

## Strategic report

for the year ended 31 August 2019

### 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:

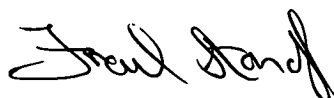
	2019	2018
	£million	£million
Operating result	—	—
Profit for the year	1.0	115.5
Total equity	150.1	149.1

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. 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  
28 November 2019

# WBA Holdings 1 Limited

## Directors' report

for the year ended 31 August 2019

The Directors present their report and the audited financial statements for the year ended 31 August 2019.

### Going concern

The Company has net current assets of £14.9 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 the going concern basis can be found in the note 2 in the financial statements.

### Financial instruments

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

### Dividends

The Directors do not recommend the payment of a dividend (2018: £120.0 million).

### 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

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:

A Clare  
M Muller  
F Standish

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.

Approved by the Board and signed on its behalf by:



**F Standish**  
Company Secretary  
28 November 2019

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 2019

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 2019 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;
- 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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

28 November 2019

## WBA Holdings 1 Limited

### Income statement

for the year ended 31 August 2019

		2019	2018
	Notes	£million	£million
Operating cost		—	—
Operating result		—	—
Income from shares in Group undertakings		—	115.0
Investment revenue	6	1.2	0.6
Profit before taxation		1.2	115.6
Tax	7	(0.2)	(0.1)
<b>Profit for the year</b>		<b>1.0</b>	<b>115.5</b>

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 2019

	Notes	2019 £million	2018 £million
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	9	94.0	94.0
Other investments	10	41.2	41.2
		135.2	135.2
<b>Current assets</b>			
Trade and other receivables	11	15.1	14.0
		15.1	14.0
<b>Total assets</b>		150.3	149.2
<b>Liabilities</b>			
<b>Current liabilities</b>			
Current tax liabilities	12	(0.2)	(0.1)
		(0.2)	(0.1)
<b>Net current assets</b>		14.9	13.9
<b>Net assets</b>		150.1	149.1
<b>Equity</b>			
Share capital	13	36.2	36.2
Retained earnings	14	113.9	112.9
<b>Total Equity</b>		150.1	149.1

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 were approved by the Board of directors and authorised for issue on 28 November 2019. They were signed on its behalf by:



**M Muller**  
Director

## WBA Holdings 1 Limited

### Statement of changes in equity for the year ended 31 August 2019

	Share Capital £million	Retained Earnings £million	Total £million
At 1 September 2017	36.2	117.4	153.6
Profit for the year	—	115.5	115.5
Dividends paid	—	(120.0)	(120.0)
<b>At 31 August 2018</b>	<b>36.2</b>	<b>112.9</b>	<b>149.1</b>
Profit for the year	—	1.0	1.0
<b>At 31 August 2019</b>	<b>36.2</b>	<b>113.9</b>	<b>150.1</b>

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 2019

### 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. Significant accounting policies

#### Basis of accounting

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

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

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.

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 of £14.9 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.

#### Changes in accounting policies and disclosures

In the current year, the Company has applied the following 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 January 2018. Their adoption has not had a material impact on the disclosures or on the amounts reported in these financial statements.

- IFRS 9 *Financial Instruments*: The Company has adopted IFRS 9 *Financial Instruments* (revised in July 2014) and the related consequential amendments to other IFRS Standards for the first time in the current year. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement*.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

# WBA Holdings 1 Limited

## Notes to the financial statements (continued)

for the year ended 31 August 2019

### 2. Significant accounting policies (continued)

#### Changes in accounting policies and disclosures (continued)

Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 September 2018. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on the asset had not increased significantly since its initial recognition.
- Changes to hedge accounting policies have been applied prospectively.
- All hedging relationships designated under IAS 39 at 31 August 2018 met the criteria for hedge accounting under IFRS 9 at 1 September 2018 and are therefore regarded as continuing hedging relationships.

The adoption of IFRS 9 has had no impact on the Company results.

#### Investments in subsidiaries

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

#### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable net of sales-related taxes.

#### 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 before income from shares in Group undertakings, investment revenue and finance costs.

#### 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.

##### 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 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.

# WBA Holdings 1 Limited

## Notes to the financial statements (continued)

for the year ended 31 August 2019

### 2. Significant accounting policies (continued)

#### 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.

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

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

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

#### Measurement of ECLs

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

#### 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.

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.

# WBA Holdings 1 Limited

## Notes to the financial statements (continued)

for the year ended 31 August 2019

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

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.

### 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.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment of investments in subsidiaries

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 with no impairment loss recognised in 2019 (2018: £nil).

## WBA Holdings 1 Limited

### Notes to the financial statements (continued)

for the year ended 31 August 2019

#### 4. Auditor's remuneration

The 2019 fee for the audit of these financial statements was borne by a fellow Group undertaking. The amount allocated that would have been incurred for 2019 is £4,000 (2018: £4,000).

No non-audit services were provided to the Company by its auditor.

#### 5. Staff numbers and costs

There were no employees during the current or preceding year. No emoluments are payable to the Directors for their services to the Company in the current or preceding financial year.

#### 6. Investment revenue

	2019 £million	2018 £million
Interest receivable from Group undertakings	1.2	0.6
	1.2	0.6

#### 7. Tax

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

	2019 £million	2018 £million
Corporation tax:		
UK corporation tax	(0.2)	(0.1)
	(0.2)	(0.1)

Corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated taxable profit for the year.

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

	2019 £million	2018 £million
Profit, before tax	1.2	115.6
Tax at the UK corporation rate of 19.0% (2018: 19.0%)	(0.2)	(22.0)
Effects of:		
Non-taxable dividends received	—	21.9
Tax charge for the year	(0.2)	(0.1)

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

A future reduction in the corporation tax rate to 17% from 1 April 2020 was enacted by Finance Act 2016 in September 2016. The impact (as applicable) of the future reduction to 17% continues to be reflected in the financial statements.

#### 8. Dividends

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

	2019 £million	2018 £million
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year equivalent to £nil per share, (2018: £0.33 per share)	—	120.0
	—	120.0

## WBA Holdings 1 Limited

### Notes to the financial statements (continued) for the year ended 31 August 2019

#### 9. Investments in subsidiaries

	£million
<b>Cost</b>	
At 1 September 2018 and 31 August 2019	200.0
<b>Provision for impairment</b>	
At 1 September 2018 and 31 August 2019	(106.0)
<b>Carrying amount</b>	
At 1 September 2018 and 31 August 2019	94.0

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

	Share class	Percentage held by the Company or subsidiary undertakings	Registered office
<b>Directly Owned</b>			
WBA Group Limited	Ordinary, Preference	100.0	Sedley Place, 4th Floor, 361 Oxford Street, London, W1C 2JL
<b>Indirectly Owned</b>			
Alliance BMP Limited	Ordinary	100.0	2, The Heights, Brooklands, Weybridge, Surrey, KT13 0NY
Alliance Santé - Distribuição Farmacêutica de Eulália Baeta Pereira 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
WBA Holdings 2	Ordinary	100.0	Sedley Place, 4th Floor, 361 Oxford Street, London, W1C 2JL

#### 10. Other investments

	Non-Current assets	
	2019	2018
	£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 £41,200,000 (2018: £41,200,000) deposited with a fellow Group undertaking that have commercial effective interest rates and maturity in February 2022.

#### 11. Trade and other receivables

	2019	2018
	£million	£million
Amounts falling due within one year:		
Amounts owed by group undertakings	15.1	14.0
	15.1	14.0

Amounts owed by Group undertakings include a deposit of £14.6 million (2018: £2.2 million) with a fellow Group undertaking that is interest bearing at SONIA and has a maturity date of 28 February 2022 and a discounted loan note instrument issued to a fellow Group undertaking £nil (2018: \$11.6 million fair value). The discounted loan note was repaid in full on 31 August 2019 at its face value of \$12.0 million.



## WBA Holdings 1 Limited

### Notes to the financial statements (continued) for the year ended 31 August 2019

#### 12. Current tax liabilities

	2019 £million	2018 £million
Amounts falling due within one year:		
Corporation tax payable	0.2	0.1
	0.2	0.1

#### 13. Share capital

	2019 £	2018 £
<b>Authorised</b>		
432,926,300 ordinary shares of 10p each (2018: 432,926,300 shares)	43,292,630	43,292,630
<b>Issued and fully paid</b>		
361,739,721 ordinary shares of 10p each (2018: 361,739,721 shares)	36,173,972	36,173,972

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

#### 14. Retained earnings

	£million
At 1 September 2017	117.4
Dividends paid	(120.0)
Profit for the year	115.5
<b>At 31 August 2018</b>	<b>112.9</b>
Profit for the year	1.0
<b>At 31 August 2019</b>	<b>113.9</b>

#### 15. Ultimate parent undertaking

At 31 August 2019, 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 Wilmet Road, Deerfield, Illinois, 60015.