Company Registration No. 03668430 (England and Wales)

THE REFINERY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

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THE REFINERY LIMITED

COMPANY INFORMATION

Directors	Mr I Innes Mr J E Marsh Mr L Waines
Secretary	Mr Frank Standish
Company number	03668430
Registered office	4th Floor Sedley Place 361 Oxford Street London W1C 2JL
Auditor	Deloitte LLP 3 Rivergate Temple Quay Bristol BS1 6GD

THE REFINERY LIMITED

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THE REFINERY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2016

The directors present the strategic report and audited financial statements for the year ended 31 August 2016.

Principal activities
The principal activity of the company is that of the provision of hairdressing and men's grooming treatment services and the sale of related products.

During the prior period, the year end of the Company was changed from 31 December to 31 August. As a result, the previous financial period results are for the 8 months ended 31 August 2015 and are not directly comparable with the results for the year ended 31 August 2016.

Review of the business
The Company is within the Walgreens Boots Alliance, Inc. group ("group")

During the year, the Company transitioned from previously extant United Kingdom generally accepted accounting practice (UK GAAP) to FRS 101 – *Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard. The Company's ultimate parent undertaking, Walgreens Boots Alliance, Inc. which controls all of the intermediate companies, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS 101 are included in note 20 to these financial statements.

Fair review of the business
The Company's principal activity during the year was that of the provision of hairdressing and men's grooming treatment services and the sale of related products.

Future Outlook
The Company will continue to provide hairdressing and men's grooming treatment services and the sale of related products throughout 2017.

Going Concern
The financial statements have been prepared on a going concern basis and, in the opinion of the directors, there are no material uncertainties surrounding the going concern of the entity.

The directors have prepared detailed forecasts for the performance and position of the Company for at least 12 months from the date of approval of the financial statements. In doing so, the directors have considered the impact of future sales initiatives as well as any financial support available to the Company for that period.

Principal risks and uncertainties
The principal risk in 2017 centres on the fact that both refinery locations are relocating. In order to mitigate this risk, the move is within a few streets, and all customers have been informed of the move for a significant period of time.

Key performance indicators	**Unit**	**2016**	**2015**
Pre tax profit	£,000s	286	184
Net assets	£,000s	729	488

On behalf of the board

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Mr I Innes
Director
30/11/2016

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2016

The directors present their annual report and financial statements for the year ended 31 August 2016.

Results and dividends
The results for the year are set out on page 7.

No ordinary dividends were paid (2015: NIL). The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr I Innes	
Mr J E Marsh	
Mr L Waines	
Mrs M V F Zingraff	(Resigned 7 March 2016)
Mrs L Davey	(Resigned 17 December 2015)
Mrs G Howard	(Resigned 7 January 2016)
Ms M Suarez Padreny	(Appointed 29 February 2016 and resigned 31 August 2016)

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.

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

Future developments
The Company intends to continue operating in the provision of hairdressing and men's grooming treatment services and the sale of related products.

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

Statement of directors' responsibilities

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

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

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

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

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all 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 2016.

On behalf of the board

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Mr I Innes
Director
30/11/2016

John Marsh
Mr J E Marsh
Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE REFINERY LIMITED

We have audited the financial statements of The Refinery Limited for the year ended 31 August 2016 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter 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 light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Sonya Butters ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP .....

Chartered Accountants and Statutory Auditor
Bristol

30 November 2016

THE REFINERY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2016

	Notes	Year ended 31 August 2016 £	8 Months ended 31 August 2015 £
Revenue	3	2,313,400	1,530,214
Cost of sales		(1,372,326)	(937,767)
Gross profit		941,074	592,447
Administrative expenses		(762,998)	(508,974)
Other operating income		108,000	101,197
Operating profit	4	286,076	184,670
Interest payable and similar charges	6	-	(225)
Profit before taxation		286,076	184,445
Tax on profit	7	(45,016)	(49,304)
Profit for the financial year	16	241,060	135,141

The income statement has been prepared on the basis that all operations are continuing operations.

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

The Company has no comprehensive income and has, therefore, not included a statement of comprehensive income.

THE REFINERY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2016

	Notes	2016 £	2015 £
Non current assets			
Intangible assets	8	9,184	6,566
Property, plant and equipment	9	601,722	241,366
		610,906	247,932
Current assets			
Inventories	10	83,529	132,729
Deferred tax asset	13	47,570	60,882
Other receivables	11	342,429	331,918
Cash at bank and in hand		135,098	285,445
		608,626	810,974
Current liabilities			
Trade creditors and other payables	12	364,477	452,645
Taxation and social security		126,126	98,392
		490,603	551,037
Net current assets		118,023	259,937
Total assets less current liabilities		728,929	507,869
Non current liabilities			
Trade and other payables	12	-	20,000
Net assets		728,929	487,869

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 AUGUST 2016

Equity			
Called up share capital	14	1,788,100	1,788,100
Share premium account	15	283,482	283,482
Retained deficit	16	(1,342,653)	(1,583,713)
Total equity		728,929	487,869

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

The financial statements were approved by the Board of directors and authorised for issue on 30/11/16
Signed on its behalf by:

Mr I Innes
Director

Mr J E Marsh
Director

Company Registration No. 03668430

THE REFINERY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2016

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance at 1 January 2015	1,788,100	283,482	(1,718,854)	352,728
Profit and total comprehensive income for the period	-	-	135,141	135,141
Balance at 31 August 2015	1,788,100	283,482	(1,583,713)	487,869
Profit and total comprehensive income for the period	-	-	241,060	241,060
Balance at 31 August 2016	1,788,100	283,482	(1,342,653)	728,929

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

1 Accounting policies

Company information

The Refinery Limited is a company limited by shares incorporated in England and Wales. The registered office is 4th Floor, Sedley Place, 361 Oxford Street, London, W1C 2JL.

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

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company meets the definition of a qualifying entity under Financial Reporting Standard ("FRS") 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ended 31 August 2016 the Company has undergone transition from reporting under United Kingdom generally accepted accounting practice (UK GAAP) to FRS 101 'Reduced Disclosure Framework' as issued by the FRC. The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016. This transition is not considered to have had a material effect on the financial statements.

The financial statements have been prepared on the historical cost basis . The principal accounting policies adopted are set out below.

1 Accounting policies **(Continued)**

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

These financial statements are individual accounts. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Walgreens Boots Alliance, Inc. The group accounts of Walgreens Boots Alliance, Inc. are available from the Walgreens Boots Alliance website at www.walgreensbootsalliance.com. The registered office of the parent company preparing consolidated accounts is 108 Wilmot Road, Deerfield, Illinois, 60015, United States of America. Where relevant, equivalent disclosures have been given in the group accounts of Walgreens Boots Alliance, Inc.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

1.4 Intangible assets other than goodwill

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Development costs	over 5 years
Patents and trademarks	over 20 years

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Short leasehold	over the term of the lease
Plant and equipment	33% on cost and 15% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1 Accounting policies **(Continued)**

1.6 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1 Accounting policies **(Continued)**

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised 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 to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation

The tax expense represents the sum of the tax currently payable 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 reporting end date.

1 **Accounting policies** **(Continued)**

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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Research and development

Expenditure on research and development is charged to the income statement in the year in which it is incurred with the exception of expenditure on the development of certain major new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised and amortised over a period not longer than five years.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Revenue recognition

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in FRS 101. Management determined that recognising revenue as goods are despatched meets the criteria for recognition.

Operating lease commitments

The Company has entered into commercial property leases and as a lessee it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the Statement of Financial Position.

Taxation

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

Key sources of estimation uncertainty

Impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

3 Revenue

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

	2016	2015
	£	£
Sales of goods	531,000	327,000
Rendering of services	1,782,400	1,203,214
	2,313,400	1,530,214

Geographical market

	2016	2015
	£	£
United Kingdom	2,313,400	1,530,214

4 Operating profit

	2016	2015
	£	£
Operating profit for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	11,150	8,000
Depreciation of property, plant and equipment	164,779	84,055
Amortisation of intangible assets	1,666	305
Cost of inventories recognised as an expense	434,056	365,138

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Management	1	1
Admin & support	11	10
Barbers & therapists	14	18
	26	29

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	661,182	727,998

All directors were employed and paid on behalf of the Company by a fellow Group undertaking in both years.

6 Finance costs

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	-	225

7 Taxation

	Continuing operations 2016 £	2015 £
Current tax		
Adjustments in respect of prior periods	(23,367)	546
Other tax reliefs	55,071	45,583
	31,704	46,129

(Continued)

7 Taxation

Deferred tax		
Origination and reversal of temporary differences	13,312	6,459
Adjustment in respect of prior periods	-	(3,284)
	13,312	3,175
Total tax charge	45,016	49,304

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

	2016 £	2015 £
Profit before taxation	286,076	184,445
Expected tax charge based on a corporation tax rate of 20.00%	57,215	37,627
Expenses not deductible in determining taxable profit	27,496	14,415
Income not taxable	(21,600)	-
Under/(over) provided in prior years	-	(2,738)
Rate difference on deferred tax provision	5,285	-
Under/(over) provided in prior period	(23,380)	-
Tax charge for the period	45,016	49,304

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

8 Intangible fixed assets

	Patents £
Cost	
At 31 August 2015	9,055
Additions - purchased	4,283
At 31 August 2016	13,338
Amortisation and impairment	
At 31 August 2015	2,489
Charge for the year	1,666
At 31 August 2016	4,154
Carrying amount	
At 31 August 2016	9,184
At 31 August 2015	6,566

9 Property, plant and equipment

	Short leasehold £	Plant and equipment £	Total £
Cost			
At 31 August 2015	1,233,526	649,238	1,882,764
Additions	503,707	21,428	525,135
At 31 August 2016	1,737,233	670,666	2,407,899
Accumulated depreciation and impairment			
At 31 August 2015	1,033,841	607,557	1,641,398
Charge for the year	141,473	23,306	164,779
At 31 August 2016	1,175,314	630,863	1,806,177
Carrying amount			
At 31 August 2016	561,919	39,803	601,722
At 31 August 2015	199,685	41,681	241,366

10 Inventories

	2016	2015
	£	£
Finished goods	83,529	132,729

11 Trade and other receivables

	2016	2015
	£	£
Other receivables	176,260	233,719
Amounts due from fellow group undertakings	112,636	98,199
Prepayments	53,533	-
	342,429	331,918

12 Trade and other payables

	Current		Non-current	
	2016	2015	2016	2015
	£	£	£	£
Trade payables	120,700	151,348	-	-
Amounts due to fellow group undertakings	-	37,322	-	-
Other payables	243,777	263,975	-	20,000
	364,477	452,645	-	20,000

13 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £
Deferred tax liability at 01 January 2015	-
Deferred tax asset at 01 January 2015	(64,057)
Deferred tax movements in prior year	
Credit to profit or loss	3,175
Deferred tax liability at 1 September 2015	-
Deferred tax asset at 1 September 2015	(60,882)
Deferred tax movements in current year	
Credit to profit or loss	13,312
Deferred tax liability at 31 August 2016	-
Deferred tax asset at 31 August 2016	(47,570)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £	2015 £
Deferred tax assets	(47,570)	(60,882)

14 Share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
1,788,000 Ordinary A shares of £1 each	1,788,000	1,788,000
100 Ordinary B shares of £1 each	100	100
	1,788,100	1,788,100

First payable to holders of Ordinary A shares at a fixed cumulative rate of 7.25% of the share capital, payable in arrears on 31 March, when there are sufficient reserves.

Then to the holders of Ordinary A shares and Ordinary B shares or both as deemed necessary to distribute profits.

15 Share premium account

	£
At 1 January 2015	283,482
At 31 August 2015 & at 31 August 2016	283,482

16 Retained earnings

	£
At 1 September 2014	(1,718,854)
Profit for the period	135,141
At 31 August 2015	(1,583,713)
Profit for the period	241,060
At 31 August 2016	(1,342,653)

17 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £	2015 £
Within one year	193,580	193,580
Between two and five years	422,500	422,500
In over five years	256,420	450,000
	872,500	1,066,080

18 Related party transactions

No guarantees have been given or received.

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

19 Controlling party

At 31 August 2016, the Company's immediate parent company was Aromatherapy Investments 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.

20 Transitioning to FRS 101

Basis of accounting

For all periods up to and including the 8 month period ended 31 August 2015, the Company prepared its financial statements in accordance with previously extant UK GAAP. These financial statements, for the year ended 31 August 2016 are the first the Company has prepared under Financial Reporting Standard 101 (FRS 101).

The Company meets the definition of a qualifying entity under FRS 101 issued by the Financial Reporting Council. Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods from 1 January 2015 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

Explanation of transition to FRS 101

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

There are no adjustments to equity at 1 January 2015.

There are no adjustments to profit for the 8 month period ended 31 August 2015.