

BOOTS PENSION SCHEME

Pension Schemes Registry: Reference Number 10125195

**Report and Statement
of Financial Statements
for the year ended 31 March 2019**

BOOTS PENSION SCHEME

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BOOTS PENSION SCHEME

Trustee: BOOTS PENSIONS LIMITED	
Directors:	
R OPPENHEIM (Chairman)	
M F MULLER K BIRCH (resigned 18 June 2018) P DUNNE (appointed 1 Nov 2018) D VALLANCE (resigned 24 June 2019)	Ms A C FARRELL* J YEATES* D A R THOMPSON* R BRADLEY (appointed 24 June 2019)
Secretary J Robson	
* Member Nominated	

Actuaries	Aon Ltd 3 The Embankment Sovereign Street Leeds LS1 4BJ
“Scheme Actuary” (as defined in the Pensions Act 1995)	Mr R Mellor
Auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Banker	National Westminster Bank PLC 148-149 Victoria Centre Nottingham NG1 3QT
Investment Committee	R Oppenheim (Chairman) Mr A Clare (Global Treasury, Walgreens Boots Alliance) Mr M Muller Mr D A R Thompson
Valuation Committee	Mr R Oppenheim (Chairman) Mr M Muller Mr D A R Thompson
Ill Health Committee	Mr D Vallance (Chairman) Mr J Yeates Mr S Trafford (Pensions Operations Manager, Boots UK Ltd)
Audit Committee	Mr D A R Thompson (Chairman) Mr K Birch (resigned 18 June 2018) Mr P J Dunne (appointed 1 November 2018) Ms AC Farrell
Investment Managers (Bonds, Derivatives and Equities)	Legal & General Investment Management One Coleman Street London EC2R 5AA

Investment Managers (Property)	Schroder Investment Management Ltd 1 London Wall Place London EC2Y 5AU	
Investment Managers (Bonds)	Wellington Management International Ltd Cardinal Place 80 Victoria Street London SW1E 5JL	
Investment Managers (Emerging Market Debt)	Goldman Sachs Asset Management International River Court 120 Fleet Street London EC4A 2BE	
Investment Advisors (Agricultural Property)	Savills (UK) Ltd Olympic House Doddington Road Lincoln LN6 3SE	
Custodian Bank	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT	
Solicitors	Sacker & Partners LLP 20 Gresham Street London EC2V 7JE	
Financial Advisers	EY LLP 1 More London Place London SE1 2AF	
Advisers for Group Litigation against HMRC	Pinsent Masons LLP Solicitors 5 Old Bailey London EC4M 7BA	
Additional advisers appointed for the Pension Funding Partnership	Cushman & Wakefield 43-45 Portman Square London W1H 6LY	Goodwin Proctor (UK) LLP 10 Queen Street Place London EC4R 1BE
	Burness LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ	
Principal Sponsoring Employer	The Boots Company PLC 1 Thane Road West Nottingham NG2 3AA	

BOOTS PENSION SCHEME

Report of the Trustee for the year ended 31 March 2019

The Trustee presents its Annual Report on the affairs of the Boots Pension Scheme ("the Scheme"), in conjunction with the Financial Statements for the year ended 31 March 2019 which have been prepared in accordance with Regulations under S.41 (1) and (6) of the Pensions Act 1995. This seeks to give Scheme members comprehensive details of the Scheme from which their benefits derive, whether those benefits are prospective or are already in payment. Members are invited to address any queries concerning the Report and Financial Statements, or the benefits payable under the Rules of the Scheme, to the Scheme Secretary.

1. **Tax Status.** The Scheme is a "registered pension scheme" for tax purposes. The Trustee knows of no reason why this approval should be prejudiced or withdrawn.
2. **Trustee.** The affairs of the Scheme are overseen by a corporate trustee, Boots Pensions Limited (BPL), and all investments are held in the name, or on behalf, of BPL.

The Pensions Act 2004 requires that at least one-third of the Directors of BPL are member nominated. The Directors have agreed with the Boots Company PLC (the Employer) that:

- There will be seven Directors of BPL, three of which will be nominated by the members. This exceeds the minimum one-third required by legislation.
- When required, nominations will be sought from all categories of membership; although the legislation does not require this.
- Member Nominated Directors will be selected by a Selection Panel established by the Directors.

The four Company nominated Directors are selected by The Boots Company PLC.

K Birch resigned on 18 June 2018 and P Dunne was appointed as Director on 1 November 2018. After the year end D Valance resigned and was replaced by R Bradley.

The Directors of BPL generally meet four times per year, with additional meetings being convened as and when necessary.

3. **Investment Committee.** With effect from May 2000, an Investment Committee was established by the Trustee and operates in accordance with formal Terms of Reference. Under the Terms of Reference, the Committee is required to advise the Trustee on the Scheme's investment strategy and monitor the suitability of the investments held by the Scheme. The Committee is also charged with monitoring the performance of the external investment managers and custodian. A report from the Investment Committee on the performance of the Scheme's investments appears on pages 7 to 9 of this Report.
4. **Valuation Committee.** With effect from 1 June 2010, a Valuation Committee was established by the Trustee to progress valuation discussions with the employer between Trustee meetings. The Trustee agreed formal Terms of Reference for this Committee under which the Committee is required to advise the Trustee on valuation matters.
5. **Ill Health Committee.** With effect from 28 January 2002, an Ill Health Committee was established by the Trustee under agreed Terms of Reference. The purpose of this Committee is to consider applications for immediate early retirement pensions from members with serious health problems.
6. **Audit Committee.** With effect from 17 March 2009, an Audit Committee was established to ensure, on behalf of the Trustee, that appropriate disciplines and controls are in place. The Trustee agreed formal Terms of Reference for this Committee under which the Committee is required to advise the Trustee on the Scheme accounts, and other governance matters.
7. **Scheme Changes.** During the year under review, there were no changes to the Scheme rules.

Report of the Trustee for the year ended 31 March 2019 (continued)

8. **Scheme Membership.** The movement in membership during the year was as follows:

	Preserved Pensioners	Deferred Pensioners	Pensioners	Spouses and Dependants	Totals
Opening Balance at 01.04.2018	30,198	348	25,281	3,338	59,165
Prior year adjustment	(10)	-	(32)	(20)	(62)
New Members	-	-	-	149	149
	30,188	348	25,249	3,467	59,252
Withdrawals:					
- Transferred	(263)	(9)	-	-	(272)
- Retired	(1,144)	(68)	1,212	-	-
- Deferred	(163)	163	-	-	-
- Deceased	(37)	(5)	(593)	(180)	(815)
- Terminated	-	-	-	(21)	(21)
- Full commutations (no further liability)	(124)	(8)	(857)	(205)	(1,194)
	(1,731)	73	(238)	(406)	(2,302)
Membership at 31.03.19	28,457	421	25,011	3,061	56,950
Movement during year	(1,741)	73	(270)	(277)	(2,215)

The prior year adjustments above relate to members and pensioners who left the Scheme during the previous year but whose details were updated after 31 March 2018.

Deferred pensioners refers to members over normal pensionable age who have not taken their pension benefits.

The above figures do not include former employees entitled to 'Equivalent Pension Benefits' only.

There were 8 annuitants at 31 March 2018 and 31 March 2019.

Since 1 July 2010, there have been no active members of the Scheme and the Scheme is closed to future accrual.

9. **Transfers out of the Scheme.** Transfer values paid since 1 October 2008 have been in accordance with Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and include some allowance for discretionary benefits.

There were no bulk transfer payments made during the year.

10. **Pensions in payment – annual review.** Pensions in payment are reviewed each year on 1 April and, if applicable, increased by the lower of 5% and the increase in the Retail Prices Index over the 12 months to the previous 30 September. As the movement in the Index over the year in question was 3.3%, pensions in payment were increased by 3.3% on 1 April 2019 (3.9% in 2018). Preserved pensions due increases related to the RPI were similarly increased by 3.3% or, where such increases related to the CPI, the increase was 3.0% (subject to any overriding statutory requirements).

11. **Actuarial Valuation.** The 1 April 2016 valuation was completed in May 2017. Under the Pensions Act 2004 ("PA04") the Trustee and the Company decide the Technical Provisions, these being the target level of assets appropriate to meet the promised benefits. The Statutory Funding Objective under the PA04 is to hold sufficient and appropriate assets to meet the Technical Provisions.

Report of the Trustee for the year ended 31 March 2019 (continued)

The Trustee prepared a Statement of Funding Principles on 12 May 2017, as required by PA04, which sets out the Trustee's policy for meeting the Statutory Funding Objective.

The 2016 valuation showed a deficit of £148m. The Trustee agreed with the Company that the shortfall would be removed through a combination of additional contributions from the Company, together with expected investment returns (over and above the discount rate) payable over 7 years from the valuation date.

The additional Company contributions were agreed to be paid as set out below:

- £13.7m due on or before 31 March 2017
- £4.875m due on or before 30 April 2017
- £5.66m due on or before 21 August 2017
- £19.5m due on or before 30 April 2018

The Actuarial Certification of the Schedule of Contributions, which is reproduced on page 11, certifies that the contributions outlined above are such that the Statutory Funding Objective is expected to be met by 31 March 2023 and the contributions set out in the Schedule of Contributions are consistent with the Statement of Funding Principles dated 12 May 2017.

The Actuary's Certification included on page 11 certifies that the calculation of the Scheme's Technical Provisions is in accordance with PA04 and uses methods and assumptions set out in the Statement of Funding Principles.

12. **Pension Funding Partnerships.** Under the Recovery Plan prepared on 28 June 2011, the Principal Sponsoring Employer made a contribution of £146m on 31 March 2011 which was immediately invested into a Pension Funding Partnership (PFP).

Early payment of contributions of £29.2m and £120m from the 2010 valuation, due by August 2017 and discounted to a value of £127m, was received in March 2012 and immediately invested into a second PFP.

Actual payments due to the Scheme under the two PFP are primarily backed by UK retail property assets giving the Scheme access to those assets in the event of non-payment of the annual payments.

13. **Summary Funding Statement.** The Trustee issues a Summary Funding Statement to all members, this usually being included in the annual Trustee's Review. The next Statement will be issued later in 2020.
14. **Investment Report.** During the year under review the Trustee maintained its strategy of holding circa 85% of the Scheme in assets that broadly match the characteristics of the Scheme's liabilities, and circa 15% in a portfolio invested predominantly in return-seeking assets. A +/- 5% tolerance in allocation between the portfolios is considered appropriate.

The matching portfolio includes corporate, supranational and government bonds, swaps and other interest rate and inflation derivatives, asset backed contribution structures (the PFPs) and cash. The return-seeking portfolio includes equities and property.

As at 31 March 2019, the Scheme's assets were split as follows:

Matching Assets

14.5%	Credit screened bonds
14.3%	Active UK bonds
31.5%	Swaps & Gilts
14.2%	Global credit
4.2%	Emerging Market Debt
4.3%	PFPs & cash
<hr/>	
83.0%	

Report of the Trustee for the year ended 31 March 2019 (continued)

Return-seeking portfolio % of the Scheme's assets invested

11.2%	Equities
5.8%	Property
17.0%	

The Investment Committee is constantly reviewing the Scheme's long term strategy, in consultation with the Company.

The Investment Committee monitor the performance of the portfolios regularly against funding levels and benchmarks. Northern Trust act as custodian. The custodian's internal controls and procedures are subject to an annual review by their external auditors, as required under the ICAEW technical release, "AAF01/06".

The Scheme is invested in two pooled funds, one Global Equity, one Global Bonds, both of which have their own custodians appointed.

The Scheme is invested in accordance with the Occupational Pension Schemes (Investment) Regulations 2005.

The position on self-investment is set out in Note 14 on page 29.

At 31 March 2019, the market value of the Scheme was £7,088.3 m.

At 31 March 2019, the 10 largest individual investments held by the Scheme were:

Description	Asset	Bid value £m
TREASURY I/L 0.125% 22/03/58	Index Linked Government Bond	519.0
TREASURY I/L 0.125% 22/03/52	Index Linked Government Bond	465.1
TREASURY I/L 0.125% 22/11/65	Index Linked Government Bond	318.1
EURO BANK RECON & DEV I/L 2.746% 17/07/24	Index Linked Supranational Bond	292.1
TREASURY I/L 0.125% 22/03/44	Index Linked Government Bond	208.1
INT BANK RECON & DEV I/L 2.505% 22/07/30	Index Linked Supranational Bond	185.9
TREASURY I/L 0.125% 22/03/46	Index Linked Government Bond	136.2
IRS 6M LIBOR/ZERO COUPON 3.356% 06/11/52	Interest Rate Swap	119.3
NORDIC INV BANK I/L 2.805% 17/07/24	Index Linked Supranational Bond	113.7
TREASURY I/L 0.125% 22/11/56	Index Linked Government Bond	110.9

In addition to the above, the assets of the Scheme include a holding in the Legal and General CSAG – Active Global Corporate Bond pooled fund totalling £500.3m and Legal and General MPAD Diversified Multi Factor Equity pooled fund totalling £790.7m, both of which represent over 5% (£354.4m) of the Scheme's net assets.

The performance of the assets over 1 & 3 years, compared to the expected target return, is shown below;

	Returns 1 year (%)		Returns 3 years (% p.a.)	
	Fund	Target	Fund	Target
Growth Assets				
LGIM – Diversified Multi-Factor Equity ¹	6.8	5.7	n/a	n/a
Schroders - Property	5.5	5.5	6.4	6.9
Matching Assets				
LGIM – Private and Passive Bonds ¹	4.4	n/a	n/a	n/a
LGIM – Active UK Credit	3.8	4.4	5	5.7
LGIM – Swaps	5.3	n/a	12.3	n/a
LGIM – Global Credit ¹	3.1	4.3	n/a	n/a
Wellington – Global credit ¹	3.1	4.2	n/a	n/a
GSAM – Emerging Market Debt ¹	2.6	4.4	n/a	n/a

¹ Performance is not shown for the 3 year period because the funds were not invested over the full period

Report of the Trustee for the year ended 31 March 2019 (continued)

A copy of the Statement of Investment Principles as required by Section 35 of the Pensions Act 1995 is available on request. There have been no departures from the Statement of Investment Principles during the year.

The Trustee has delegated all day-to-day decisions about the investments that fall within each mandate, including the realisation of investments, to a range of carefully selected and monitored fund managers through written contracts. When choosing investments, the Trustee and the fund managers (to the extent delegated) are required to have regard to the criteria for investment set out in The Occupational Pension Schemes (Investment) Regulations 2005 (regulation 4). The fund managers' duties also include:

- Taking into account social, environmental or ethical considerations in the selection, retention and realisation of investments.
- Voting and corporate governance in relation to the Scheme's assets.

Additional Voluntary Contributions The Scheme holds AVCs with Equitable Life, Phoenix Life (formerly London Life), Prudential and the Legal & General Assurance Society Limited. The Investment Committee reviewed the suitability of the current investment options and agreed to transfer AVC's with Phoenix Life to Legal & General during 2018/19.

15. **Group Litigation Order (GLO) against HM Revenue & Customs (HMRC)**. In 2007 the Trustee was advised that the Scheme had a legitimate claim against HMRC for the recovery of tax withheld from dividends received in respect of overseas equities and Foreign Income Dividends prior to 1997.

The Trustee therefore instigated a claim against HMRC in the High Court, through a Group Litigation Order (GLO) with over 100 other major pension schemes, to recover withheld tax. The GLO is a formal cost sharing mechanism administered by a court order to simplify administration and avoid multiple claims on the same issue. A test case has been nominated from the GLO members (the BT Pension Scheme). It is expected that the points at issue will be referred to the European Court of Justice for resolution.

The Trustee is being advised by Pinsent Masons LLP in respect of this claim which, if successful, will lead to the repayment to the Scheme of several million pounds.

16. **Regulatory Matters**. Details relating to the Scheme have been registered with the Pensions Regulator.

The Pensions Regulator is based at:
Napier House
Trafalgar Place
Brighton
BN1 4DW

The Pension Tracing Service can be contacted at:

Tyneview Park
Whitley Road
Newcastle upon Tyne
NE98 1BA.

The address of TPAS, The Pensions Advisory Service, whose address is also that of the Pensions Ombudsman, is TPAS – The Pensions Advisory Service can be contacted at:

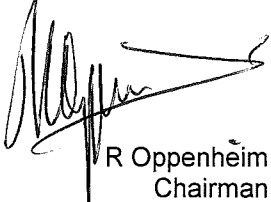
11 Belgrave Road
London
SW1V 1RB.

TPAS is available at any time to assist members and beneficiaries of pension schemes in connection with any pensions query they may have; or difficulty which they have failed to resolve with the trustees or administrators of the scheme.

The Pensions Ombudsman, in turn, may investigate and determine any complaint or dispute of fact or law in relation to an occupational pension scheme.

Report of the Trustee for the year ended 31 March 2019 (continued)

To the extent that members of the Scheme already have access to a formal disputes procedure, it is hoped that an approach to TPAS or the Ombudsman would need to be made only as a last resort. Members are invited to address any enquiries or concerns to the Scheme Secretary at 1 Thane Road West, Nottingham, NG2 3AA or by emailing Group.pensions@boots.co.uk


R Oppenheim
Chairman
Boots Pensions Limited

Date: 2/10/19

ACTUARIAL CERTIFICATION OF THE SCHEDULE OF CONTRIBUTIONS

Name of Scheme: Boots Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective could have been expected on 1 April 2016 to be met by the end of the period specified in the recovery plan dated 12 May 2017.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 12 May 2017.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were wound up.

Signature:



Date:

12 May 2017

Name:

Robert Mellor

Qualification:

Fellow of the Institute and Faculty
of Actuaries

Address :

3 The Embankment
Sovereign Street
Leeds
West Yorkshire
LS1 4BJ

Name of Employer: Aon Ltd

Boots Pension Scheme - Report on Actuarial Liabilities (forming part of the Trustee's Report)

Under Section 222 of the Pensions Act 2004, every pension scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to in the Scheme. This is assessed using the assumptions agreed between the Trustee and the Company and set out in the Statement of Funding Principles dated 12 May 2017, which is available to Scheme members on request.

The most recent full actuarial valuation of the Scheme was carried out as at 1 April 2016. This showed that on that date:

The value of the Technical Provisions was: £6,460 million

The value of the assets was: £6,312 million

The most recent actuarial reports of the Scheme, which are required in years where a full actuarial valuation is not carried out, were carried out as at 1 April 2017 and 1 April 2018. These showed that on these dates:

	1 April 2017	1 April 2018
Value of Technical Provisions (£M)	7,414	7,338
Market value of assets (£M)	7,149	6,981

The method and significant actuarial assumptions used to determine the technical provisions are as follows (all assumptions adopted are set out in the Appendix to the Statement of Funding Principles):

Method

The actuarial method used in the calculation of the technical provisions is the Current Unit Method.

Significant financial assumptions

Discount interest rate: Term dependent rates set by reference to the fixed interest gilt yield curve (as derived from Bank of England data) at the valuation date plus an addition of 0.9% per annum.

Future Retail Prices Index inflation: Term dependent rates derived from the Bank of England fixed interest and index-linked gilt yield curves at the valuation date.

Future Consumer Prices Index inflation: Term dependent rates derived from the assumption for future retail price inflation less an adjustment equal to 0.75% per annum.

Deferred pension increases: Derived from underlying RPI inflation assumption allowing for the maximum of 5% per annum and the minimum of 0% per annum.

Pensions are subject to a minimum of the statutory requirements with future rates of increases for benefits in excess of GMPs in line with the CPI inflation assumption.

Pensions in payment increases: For pensions in excess of GMPs, derived from the underlying RPI inflation assumption allowing for the maximum of 5% per annum and the minimum of 0% per annum.

For post 88 GMPs, derived from the underlying CPI inflation assumption allowing for the maximum of 3% per annum and the minimum of 0% per annum.

Significant demographic assumptions

Post-retirement mortality: Standard tables S2PMA and S2PFA, with scaling factors as set out in the table below:

Category	Sex	Base table	Equivalent single scaling factor
Deferreds	Males	S2PMA	102%
	Females	S2PFA	98%
Non-dependant pensioners	Males	S2PMA	96%
	Females	S2PFA	101%
Dependant pensioners	Males	S2PMA	121%
	Females	S2PFA	97%

An allowance for future improvements in mortality in line with the CMI_2015 Core Projections and a long term annual rate of improvement in mortality rates of 1.5% per annum.

Cash commutation: Each member is assumed to take 76% of the permitted maximum lump sum on retirement based on commutation factors in force at 1 April 2016, uplifted by 10%.

BOOTS PENSION SCHEME

Statement of Trustee's responsibilities for the financial statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

(i) show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis.

They are also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Scheme, or have no realistic alternative but to do so;
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustee has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE BOOTS PENSION SCHEME

Opinion

We have audited the financial statements of the Boots Pension Scheme (the Scheme) for the year ended 31 March 2019 which comprise the fund account, the statement of net assets and the related notes, including the accounting policies.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2019 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Trustee and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Scheme's future prospects and performance. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Scheme's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a scheme and this is particularly the case in relation to Brexit.

Going concern

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Trustee's conclusions, we considered the inherent risks to the plan, including the impact of Brexit, and analysed how those risks might affect the plan's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Scheme will continue in operation

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities and the summary of contributions), and the actuarial certification of the Schedule of Contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 14, the Scheme Trustee is also responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme'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 they either intend to wind up the Scheme, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEE OF THE
BOOTS PENSION SCHEME**

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it 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 Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.



Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snow Hill
Snow Hill Queensway

10 October

2019

Birmingham
B4 6GH

BOOTS PENSION SCHEME

FINANCIAL STATEMENTS

FUND ACCOUNT FOR THE YEAR ENDED 31 March 2019

	Note	2019 £m	2018 £m
CONTRIBUTIONS AND BENEFITS			
Employer Contributions	4	19.5	10.5
Benefits payable	5	(196.4)	(177.5)
Payments to and on account of leavers	6	(73.8)	(102.1)
Administrative expenses	3	(2.4)	(2.2)
Net withdrawals from dealings with members		(253.1)	(271.3)
RETURNS ON INVESTMENTS			
Investment income	10	112.2	111.5
Change in market value of investments	7	236.8	(5.9)
Investment management expenses	11	(6.1)	(4.0)
Taxation		(0.2)	-
Net returns on investments		342.7	101.6
Net increase/(decrease) in the Scheme during the year		89.6	(169.7)
Net assets of the Scheme at the beginning of the year		6,998.7	7,168.4
Net assets of the Scheme at the end of the year		7,088.3	6,998.7

The notes on pages 20 to 30 form part of these financial statements.

BOOTS PENSION SCHEME

STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)

AT 31 March 2019

	Note	2019 £m	2018 £m
Investment Assets	7		
Bonds		4,784.8	4,582.4
Pooled Investment Vehicles		1,876.4	1,646.4
Derivatives		559.9	1,035.4
Pension Funding Partnerships		286.0	277.0
Property		0.5	1.0
AVC investments		16.0	17.4
Cash and Deposits		18.2	39.2
Reverse repurchase Agreements		35.2	-
Other Investment Assets		49.9	31.8
		7,626.9	7,630.6
Investment Liabilities	7		
Derivatives		(253.9)	(634.1)
Repurchase Agreements		(197.1)	-
Other Investment Liabilities		(101.0)	(10.1)
Total Investments		7,074.9	6,986.4
Current Assets	12	18.9	18.9
Current Liabilities	13	(5.5)	(6.6)
Net assets of the Scheme at the end of the year		7,088.3	6,998.7

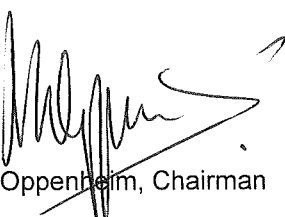
The notes on pages 20 to 30 form part of these financial statements.

The financial statements summarise the transactions and net assets of the Scheme. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the Scheme, which does take account of such liabilities, is dealt with in the Report on Actuarial Liabilities on page 12 and these Financial Statements should be read in conjunction therewith.

These financial statements were approved by the Trustee on

2/10/19

Signed on behalf of the Trustee


R Oppenheim, Chairman

BOOTS PENSION SCHEME

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS) FOR THE YEAR ENDED 31 March 2019

1. Basis of Preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland, and the guidance set out in the Statement of Recommended Practice (Revised November 2014).

2. Accounting Policies

a) The financial statements have been prepared on an accruals basis.

b) Investments are included at fair value, determined as follows:-

- i) Bonds (Government – Supranational and Corporate) : Included at clean bid prices. Accrued interest is shown as interest due from securities
- ii) Swaps : Included at market value at the year-end as notified by the custodian.
- iii) Futures : Included at market values determined using market quoted prices. Assets are included at quoted bid prices, liabilities at offer prices.
- iv) Forward Foreign Exchange Contracts : Valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract at that date.
- v) Pooled investment vehicles : Included at bid prices as notified by the investment manager.
- vi) Properties : A valuation of agricultural property is carried out by Savills, Agricultural Surveyors.
: Investments in pooled funds are included at bid prices as notified by the investment manager.
- vii) Pension Funding Partnership : The Scheme's interest in the Pension Funding Partnerships (PFPs) is stated at the Trustee's estimate, having taken advice, of the present value of expected future cash flows arising from the PFPs. The discount rate used to determine present value is based on market gilt rates at the reporting date adjusted for credit and liquidity risks.
- viii) Additional Voluntary Contributions : The value of unit-linked fund is based on bid price at 31 March 2019.

The value of with-profits funds includes bonuses, part of which represents a final bonus which cannot be guaranteed and can be varied up or down in the future.
- ix) Annuity Policies : Legacy annuity policies are held in the name of the Trustee. The Trustee has discussed these annuity policies with their advisers and have concluded that they are immaterial to the Scheme assets and therefore included at a nil value in the Financial Statements. Annuities are issued by Canada Life, Friends Provident, L&G, Phoenix Life and ReAssure.

- x) Repurchase agreements are accounted for as follows : Repurchase agreements (repo) – the Scheme continues to recognise and value the securities that are delivered out as collateral, and includes them in the financial statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a payable amount.

Reverse repurchase agreements (reverse repo) – the Scheme does not recognise the securities as collateral in its financial statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the financial statements

c) Investment Income

- i) Interest is accrued on a daily basis
 - ii) Investment income is reported net of attributable tax credits but gross of withholding taxes which are accrued in line with the associated investment income.
 - iii) Investment income arising from the underlying investments of the pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within 'Change in Market Value'.
 - iv) Amounts received from the Pension Funding Partnerships are treated as proceeds arising from capital redemptions in the partnership.
 - v) Receipts from annuity policies held by the Trustees to fund benefits payable to Scheme members are included within investment income on an accruals basis.
- d) The functional and presentational currency of the Scheme is Sterling. Balances denominated in foreign currencies are translated into Sterling at the rate ruling at the year-end date. Asset and liability balances are translated at the bid and offer rates respectively. Transactions denominated in foreign currencies are translated at the rate ruling at the date of the transaction. Differences arising on investment balance translation are accounted for in the change in market value of investments during the year.
- e) Deficit funding contributions are accounted for in the period they are due under the Schedule of Contributions.
- f) Benefits payable represent all valid benefit claims in respect of the Scheme year and are accounted for in the period they fall due for payment.
- g) Individual transfers out are accounted for when paid, when the member liability is discharged.
- h) Investment Management Expenses are accounted for on an accruals basis. Fees are paid quarterly, calculated on the value of the funds under management.
- i) Administrative expenses are accounted for on an accruals basis.

3. Administrative Expenses

Administrative expenses are met from the assets of the Scheme. The Scheme Actuary has allowed for this when assessing the employer contributions required to be paid to the Scheme.

	2019	2018
	£m	£m
In house administration costs	(0.9)	(0.7)
Professional fees	(1.2)	(1.2)
Other costs	(0.3)	(0.3)
	<u>(2.4)</u>	<u>(2.2)</u>

The PPF levy is met directly by the Company.

4. Employer Contributions

The Scheme closed to future accrual on 30 June 2010. Therefore, no Employer's normal contributions have been made in the year.

	2019	2018
	£m	£m
Employer – deficit contributions	<u>19.5</u>	<u>10.5</u>

There are no on-going contributions due to the Scheme under the Scheme's Recovery Plan.

5. Benefits Payable

	2019	2018
	£m	£m
Pensions to retired members and spouses/dependants	(166.9)	(150.1)
Lump sums on retirement	(26.5)	(24.7)
Purchase of AVC annuities	(2.0)	(2.1)
Death benefits	(1.0)	(0.6)
	<u>(196.4)</u>	<u>(177.5)</u>

6. Payment to and on account of leavers

	2019	2018
	£m	£m
Individual transfers out	(71.5)	(101.6)
Pensions (Transfer Sharing)	(2.3)	(0.5)
	<u>(73.8)</u>	<u>(102.1)</u>

7. Investments

	Market Value at 31.03.18	Purchases & Derivatives Payments	Sales & Derivatives Receipts	Change in Market Value	Market Value at 31.03.19
	£m	£m	£m	£m	£m
Bonds	4,582.4	2,520.9	(2,489.5)	171.0	4,784.8
Pooled Investment Vehicles	1,646.4	1,291.3	(1,140.8)	79.5	1,876.4
Derivatives	401.3	422.8	(473.4)	(44.7)	306.0
Pension Funding Partnership	277.0	-	(22.1)	31.1	286
Property	1.0	-	(0.5)	-	0.5
AVC investments	17.4	-	(2.0)	0.6	16.0
	6,925.5	4,235	(4,128.3)	237.5	7,269.7
Cash	39.2			3.1	18.2
Repurchase / Reverse Repurchase Agreements	-			-	(161.9)
Other Investment balances	21.7			(3.8)	(51.1)
Net investment assets	6,986.4			236.8	7,074.9

The Scheme has outstanding commitments of £55.8m in relation to UK Corporate Bonds at 31 March 2019 (£66.2m for 31 March 2018)

7. Investments (continued)

The holdings of pooled investment vehicles are analysed below:

	2019	2018
	£m	£m
Liquidity Fund	199.5	53.9
Property	385.9	370.2
Equity	790.7	739.7
Bonds	500.3	482.6
	<u>1,876.4</u>	<u>1,646.4</u>

Included within the above purchases and sales figures are transaction costs of £0.0m (2018: £0.0m). Costs are also borne by the Scheme in relation to transactions in the investment portfolios. However, such costs are taken into account in calculating the bid/offer spread of these investments and are not therefore separately identifiable. There were no transaction costs borne in relation to the Pension Funding Partnership (2018: £nil).

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

In addition to the investment portfolio disclosed above, the Scheme holds annuities purchased with Additional Voluntary Contributions which are held in the name of the Scheme. Annuity income is disclosed within Investment Income in Note 10.

Futures Contracts

Type of Future	Expiry	Exposure (Notional Amount) £m	Asset / (Liability) Value at Year End £m
10 Yr T-Notes	Jun 19	(135.3)	-
Cbt 5Y T-Note	Jun 19	19.1	-
Cbt UI T-Bonds	Jun 19	24.8	0.1
Cbt Ult Tnote	Jun 19	(13.3)	-
Euro Buxl Bnd	Jun 19	1.0	(1.8)
Eurx E-Schatz	Jun 19	2.0	(0.3)
Eurx Eur-Bobl	Jun 19	10.4	1.0
Eurx Eur-Bund	Jun 19	(0.7)	(2.1)
Lif Long Gilt	Jun 19	(125.1)	(0.1)
U.S. T-Bonds	Jun 19	(2.3)	-
Us 2Yr T-Note	Jun 19	84.7	0.1
Euro Dollars	Jun 19	(27.3)	-
Euro Dollars	Dec 19	(9.9)	-
Total			(3.1)

The liability value at 31 March 2018 was £(2.9)m.

The Scheme's objective is to decrease risk in the portfolio by entering into futures positions to match assets that are already held in the portfolio without disturbing the underlying assets.

Included within cash balances are £7.9m in respect of initial and variation margins arising on open futures contracts at the year end (2018: £7.9m).

Forward Foreign Exchange (FX)

The Scheme had open FX contracts at the year-end as follows:

Contract	Settlement Date	Currency Bought	Currency Sold	Asset / (Liability) Value At Year End £m
Forward OTC	Apr 19	€0.6m	\$0.7m	-
Forward OTC	Apr 19	€0.7m	\$0.7m	-
Forward OTC	Apr 19	€13.9m	\$15.8m	(0.1)
Forward OTC	Apr 19	\$209.6m	€184.4m	1.9
Forward OTC	Apr 19	€1.0m	\$1.1m	-
Forward OTC	Apr 19	£10.2m	€11.5m	0.3
Forward OTC	Apr 19	£23.6m	\$30.5m	0.2
Forward OTC	Apr 19	\$2.8m	£2.1m	-
Forward OTC	Apr 19	£479.6m	\$632.1m	(5.3)
Forward OTC	Apr 19	\$4.3m	£3.3m	-
Forward OTC	Apr 19	£299.2m	\$386.1m	3.0
Forward OTC	Apr 19	\$3.0m	£2.3m	-
Forward OTC	Apr 19	\$18.7m	€16.4m	0.2
Forward OTC	Apr 19	£9.2m	\$12.0m	-
Forward OTC	Apr 19	\$3.7m	€3.3m	-
Total				0.2

The financial statements include a net asset of £0.2m in respect of the FX contracts (2018: £11.4m)

Swaps

The Scheme had the following swap contracts outstanding at the year-end:

	Nominal	0 – 5 yrs	5 –10 yrs	10 – 15 yrs	15 yrs plus	Total Swap Value £m
	£m	£m	£m	£m	£m	£m
Credit Default Swaps	12.5	-	0.1	-	-	0.1
Inflation Linked Swaps	1,423.2	20.0	44.8	152.1	688.9	905.8
Interest Rate Swaps	2,409.5	1.6	20.5	83.4	854.0	959.5
Investment Assets	3,845.2	21.6	65.4	235.5	1,542.9	1,865.4
Credit Default Swaps	(597.0)	(0.1)	-	(3.9)	-	(4.0)
Inflation Linked Swaps	(1,183.2)	(24.8)	(50.3)	(156.0)	(710.6)	(941.7)
Interest Rate Swaps	(2,558.5)	(75.4)	(64.1)	(62.1)	(409.4)	(611.0)
Investment Liabilities	(4,338.7)	(100.3)	(114.4)	(222.0)	(1,120.0)	(1,556.7)

At 31 March 2018 the Scheme had Investment Assets of £1,024.0m and Investment Liabilities of £(631.2)m.

At the year end, the Scheme had cash collateral at counterparties at £4.5m in respect of OTC swaps.

Insurance policies – annuities

The legacy annuity policies relate to benefits due for eight individuals. The Trustee no longer purchases annuities to meet Scheme liabilities. Annuities are issued by Canada Life, Friends Provident, Legal & General, Phoenix Life and TW&T ReAssure and are valued by the Scheme Actuary. No collateral is held in relation to these assets. These policies remain assets of the Trustee but, as the value is immaterial, the Trustee has decided that these policies need not be included in the Statement of Net Assets.

Special Purpose Vehicle - PFPs

The Special Purpose Vehicle (SPV) is the Scheme's interest in two Scottish Limited Partnerships which own an interest in groups of freehold property currently occupied by the Sponsoring Employer. Its fair value

represents the present value of amounts due to the Scheme over a multi-year period. Collateral, in the form of the freehold property currently in use by the Sponsoring Employer is available to the Trustees in the event the amounts due to the Scheme are not received. This collateral is valued at no more than 85% of the value of the SPV assets at 1 April 2019.

Repurchase Agreement

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £197.1m (2018: £0) and reverse repurchase agreements of £35.2m (2018: £0)

At the year end £215.4m (2018: £0) of bonds reported in the financial statements are held by the counterparties under the repurchase agreement and £35.2m (2018:£0) of cash under the reverse repurchase agreements.

8. Investment Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level 3: inputs which are unobservable (i.e. for which the market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement.

The Scheme's investment assets and liabilities have been fair valued by Northern Trust using the above hierarchy levels as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2019				
Bonds	-	4,027.1	757.7	4,784.8
Pooled investment vehicles	199.5	1,666.8	10.1	1,876.4
Derivatives	(3.1)	(25.7)	334.8	306.0
Pension Funding Partnership	-	-	286.0	286.0
Property	-	-	0.5	0.5
AVC investments	-	-	16.0	16.0
Cash	18.2	-	-	18.2
Repurchase / Reverse Repurchase Agreements	-	(161.9)	-	(161.9)
Other investment balances	(4.3)	(51.0)	4.2	(51.1)
	210.3	5,455.3	1,409.3	7,074.9

In the previous accounting period the Scheme relied on its Investment managers and Advisors to determine fair values using the above hierarchy levels. This has led to a reclassification of the hierarchy levels. This has been considered in detail by the Trustees and they are comfortable that use of Northern Trust's valuation policy is acceptable and will be sustainable and consistent going forward.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
At 31 March 2018				
Bonds	2,389.4	2,027.9	165.1	4,582.4
Pooled investment vehicles	53.9	1,592.5	-	1,646.4
Derivatives	(2.9)	404.2	-	401.3
Pension Funding Partnership	-	-	277.0	277.0
Property	-	1.0	-	1.0
AVC investments	-	-	17.4	17.4
Cash	39.2	-	-	39.2
Other investment balances	21.7	-	-	21.7
	2,501.3	4,025.6	459.5	6,986.4

9. Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks because of the investments it makes to implement its investment strategy described in the Trustee's Report. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolios.

Further information on the Trustee's approach to risk management and the Scheme's exposures to credit and market risks are set out below. This does not include annuity insurance policies or AVC investments as these are not considered significant in relation to the overall investments of the Scheme.

(i) Credit risk

The Scheme is subject to credit risk as the Scheme invests in bonds, derivatives, has cash balances and Pooled Investment Vehicles. The Scheme also invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Analysis of direct credit risk

The credit risk disclosure for year ending 31st March 2019 were categorised by the Scheme's Custodian bank.

31 March 2019

	Investment grade £m	Non- investment grade £m	Unrated £m	Total £m
Bonds	4,360.1	152.5	272.2	4,784.8
Pooled Investment Vehicles	17.1	-	1,859.3	1,876.4
Derivatives	-	-	306.0	306.0
Pension Funding Partnership	-	-	286.0	286.0
Cash	-	-	18.2	18.2
Repurchase / Reverse Repurchase Agreements	-	-	(161.9)	(161.9)
	4,377.2	152.5	2579.8	7,109.5

For comparison purposes, the credit risk disclosures for year ending 31 March 2018 were provided by the Scheme's Investment Managers.

31 March 2018

	Investment grade £m	Non- investment grade £m	Unrated £m	Total £m
Bonds	4,259.2	147.7	175.5	4,582.4
Pooled Investment Vehicles	4.3	-	1,642.1	1,646.4
Pension Funding Partnership	-	-	277.0	277.0
Derivatives	393.3	-	8.0	401.3
Cash	39.2	-	-	39.2
	4,696.0	147.7	2,102.6	6,946.3

The Scheme's policy is to hold a diverse portfolio of high quality sterling and US Dollar denominated bonds and interest rate and inflation swaps with the broad objective of achieving a yield in line with that of a typical AA rated bond index. The Trustee manages the associated credit risk by requesting the investment manager to diversify the portfolio to minimise the impact of default by any one issuer.

Credit risk arising on derivatives depends on whether the derivative is exchange traded or over the counter (OTC). OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 7). Cash is held within financial institutions which are at least investment grade credit rated.

The Scheme's holdings in pooled investment vehicles are unrated. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

A summary of pooled investment vehicles by type of arrangement is as follows:

	2019 £m	2018 £m
Unit Linked Insurance Contracts	1,291.0	1,222.3
Authorised Unit Trusts	387.8	419.8
Open Ended Investment Companies	197.6	4.3
	1,876.4	1,646.4

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles. This risk is mitigated by only investing in pooled funds which invest in at least investment grade credit rated securities.

(ii) Currency risk

The Scheme is subject to currency risk because some of the Scheme's investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustee limits overseas currency exposure through a currency hedging policy.

The Scheme's total net unhedged exposure by major currency at the year-end was as follows:

	2019	2018
	£m	£m
US Dollar	417.2	389.5
Other	-	-

(iii) Interest rate risk

The Scheme is subject to interest rate risk on the bond portfolio comprising bonds and interest rate swaps held either as segregated investments or through pooled vehicles and cash. At the year end the bond portfolio comprised:

	2019	2018
	£m	£m
Direct		
Bonds	4,784.5	4,582.4
Derivatives	306.0	401.3
Repurchase / Reverse Repurchase Agreements	(161.9)	-
Indirect		
Pooled investment vehicles	500.3	482.6

(iv) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes equities held in pooled vehicles and investment properties. The Trustee manages this exposure to other price risk by constructing a diverse portfolio of investments across various markets. At the year end, the Scheme's exposure to investments subject to other price risk was:

	2019	2018
	£m	£m
Indirect		
Pooled Property	410.3	370.2
Pooled Equity	790.7	739.7
Special Purpose Vehicle (PFPs)	286.0	277.0

Additional Voluntary Contributions

The Trustee holds assets invested separately from the main fund with the Equitable Life Assurance Society, Phoenix Life Limited (formerly London Life Limited), Legal & General Assurance Society Limited and Prudential Plc which secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement receive an annual statement confirming the amounts held in their account and the movements in the year. The accounts are a mixture of 'with profit' and 'unit-linked' structures, across the different providers. The aggregate amounts of AVC investments are as follows:

	2019	2018
	£m	£m
Equitable Life Assurance Society	0.5	0.5
Phoenix Life Limited	2.7	2.4
Legal & General Assurance Society Limited	12.8	14.5
	<u>16.0</u>	<u>17.4</u>
10. <u>Investment Income</u>		
	2019	2018
	£m	£m
Bonds	87.6	97.0
Pooled Investment Vehicles	13.4	13.5
Interest on Cash and Deposits	10.8	0.2
Income from Annuity policies	0.4	0.8
	<u>112.2</u>	<u>111.5</u>
11. <u>Investment Management related Expenses</u>		
	2019	2018
	£m	£m
Investment management and administration	(6.1)	(4.0)
	<u>(6.1)</u>	<u>(4.0)</u>
12. <u>Current Assets</u>		
	2019	2018
	£m	£m
Cash in Current Account	18.6	16.6
Other Current Assets	0.3	2.3
	<u>18.9</u>	<u>18.9</u>
13. <u>Current Liabilities</u>		
	2019	2018
	£m	£m
PAYE due	(2.1)	(2.0)
Accrued investment management fees	(1.8)	(3.4)
Accrued administration expenses due to The Boots Company PLC	(1.2)	(0.8)
Accrued professional fees	(0.4)	(0.4)
	<u>(5.5)</u>	<u>(6.6)</u>

14. Self-Investment

There was no self-investment during the year (2018: Nil).

15. Related Party Transactions

Two of the Directors who served during the year were in receipt of a pension from the Scheme. The Chairman and Member Nominated Directors receive an honorarium, all Directors are able to claim sundry travel expenses associated with carrying out their responsibilities to the Scheme.

Employer contributions are dealt with in Note 4.

The recharge of certain costs by The Boots Company PLC is dealt with in Note 3.

Amounts due to the principal employer, The Boots Company PLC at the year-end are dealt with in Note 13.

Current assets include £91,886 due from the Boots Supplementary Pension Plan in relation to pensioner payroll. (2018 - £420)

Independent Auditor's Statement about Contributions to the Trustee of the Boots Pension Scheme

Statement about Contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the Boots Pension Scheme for the Scheme year ended 31 March 2019 which is set out on page 32.

In our opinion contributions for the Scheme year ended 31 March 2019 as reported in the summary of contributions and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the Scheme actuary on 12 May 2017.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 31, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee for our work, for this statement, or for the opinions we have formed.



Julie Radcliffe
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snow Hill
Snow Hill Queensway

Birmingham
B4 6GH

10 October

2019

Statement of Trustee's Responsibilities in respect of Contributions

The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received and for procuring that contributions are made to the Scheme in accordance with the schedule.

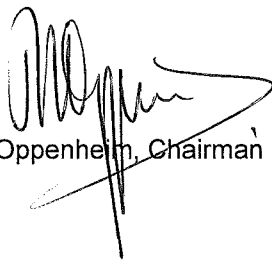
Trustee's Summary of Contributions payable under the schedule in respect of the Scheme year ended 31 March 2019

This Summary of Contributions has been prepared by, or on behalf of, and is the responsibility of the Trustee. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the actuary on 12 May 2017 in respect of the Scheme year ended 31 March 2019. The Scheme auditor reports on contributions payable under the schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Scheme year	£m
Employer Deficit Contribution	19.5
Total contributions payable to the Scheme as reported in the Financial Statements and as reported on by the Scheme Auditor	19.5

Signed on behalf of the Trustee on

21/10/19



R Oppenheim, Chairman