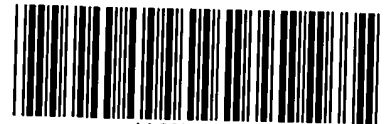


Savers Health and Beauty Limited
Annual Report and Financial Statements
For the 53 Weeks ended 31 December 2016

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Savers Health and Beauty Limited
Annual Report and Financial Statements
For the 53 Weeks ended 31 December 2016

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Savers Health and Beauty Limited

Strategic Report

For the 53 Weeks ended 31 December 2016

The directors present their strategic report for the 53 weeks ended 31 December 2016.

General Information

The Company is a private company, limited by shares and is incorporated and domiciled in England, in the United Kingdom. The registered number of the Company is 02202838. The address of its registered office is Hutchison House, 5 Hester Road, Battersea, London, SW11 4AN. The Company is an indirect wholly-owned subsidiary of A.S. Watson Holdings Limited, a company incorporated in the Cayman Islands, and its principal place of business is Hong Kong.

Principal Activity

The principal activity of the Company is a health, home and beauty retailer in the United Kingdom.

Results and Business Review

The Company has had a successful period, building further upon the recovery of recent financial periods. Revenue for the period was £417 million (2015: £362 million), an increase of 15.0%. This was driven by sales from like for like stores, which increased by 6.9%, and the opening of an additional 45 new stores. Total revenue growth is also bolstered by the inclusion of a 53rd week in the Company's financial period in 2016, which is required to maintain alignment of the Company's period end and accounting reference date. This will revert back to a standard financial period of 52 weeks in 2017.

Costs were well controlled during the period which resulted in an operating profit of £38.7 million, an increase of 28% over the previous period's £30.3 million. The strong trading performance has resulted in total shareholder's funds as at 31 December 2016 increasing to £29.0 million from its position of £4,000 at the previous period end.

Business Environment

The UK Health & Beauty market in 2016 remained very competitive. The discount market saw some consolidation, with the acquisition of 99p Stores by Poundland at the end of 2015, and the entry of Steinhoff International, through its acquisition of Poundland and the launch of its 'Guess How Much?' format. Discount retailers continue to open significant numbers of new stores and competition has increased as a consequence.

The UK economy provided a supportive consumer environment for retail as low inflation and interest rates served to increase customers' disposable income, especially during the first half of the period. However, retail businesses had to deal with the impact of the new National Living Wage and the uncertainty posed by the result of the UK's European Union Referendum, both of which place pressure on retailers' operating models.

Strategy

The Company continues to focus on providing competitively priced high quality brand name products across the health, home and beauty categories. Focussing on these product areas provides the Company with significant range authority to accompany its everyday low price position. This is supported by an ongoing investment programme into its store estate to provide a clean and contemporary shopping environment for its customers.

The Company converted a further 12 stores from Superdrug Stores plc (a fellow group company) to the Company's fascia. These conversions have delivered significant sales and profit increases as the product offer becomes more appropriately tailored for the customer. In addition a further 33 new stores were opened, increasing the Company's presence into more geographical markets. The Company closed 5 stores during the period, resulting in a trading estate at the end of the period of 383 stores.

A lean cost base is also an important focus of the Company, especially with the increase in costs arising from government legislation. Tight control in this area helped deliver an operating margin increase of 0.9 percentage points from the previous period.

Savers Health and Beauty Limited
Strategic Report (continued)
For the 53 Weeks ended 31 December 2016

Principal Risks and Uncertainties

The management of the Company and the execution of the Company's strategy are subject to a number of risks. These are reviewed formally by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects. The key business risks are as follows:

- **Competition:** The Company operates in a highly competitive market particularly concerning price and product availability and quality. This results in downward pressures on volumes and margins. In order to mitigate this risk, market research is carried out, prices are monitored on a regular basis, pricing is adjusted accordingly and the Company carries out planned promotional activities.
- **Costs:** Management focus on rising costs of fuel, rent, rates and wages and seek all possible means to ensure that the effect of price rises are minimised.
- **Data and IT security:** The Company relies upon its IT infrastructure to deliver its operations and through which it handles significant volumes of data. The security, resilience and control of these key assets are of significant importance to and focus of management. Steps have been taken during the period to review, and enhance where appropriate, controls and risk management in this area.
- **Employees:** The Company's performance depends largely on its staff. The loss of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Company's results. To mitigate these issues, the Company has implemented programmes to improve staff retention.
- **The impact of the UK's decision to exit the European Union** has created uncertainty regarding future consumer sentiment and demand, and has created upwards pressure on costs arising from the devaluation of sterling. In the longer term, uncertainty will also exist surrounding the access to the single market, taxation regimes and the free movement of labour. Management are reviewing their plans to enable cost pressures to be minimised whilst awaiting future government direction on the economy and Brexit negotiations.

Key Performance Indicators

The directors monitor progress of the Company's performance by reference to the following KPIs:

	At 31 December 2016	At 26 December 2015
Revenue	£416.7m	£362.3m
Like for like sales growth	6.9%	8.1%
Operating profit	£38.7m	£30.3m
Operating margin	9.3%	8.4%

The directors are confident that the Company is well-positioned to meet its short-term aspirations and that its longer term prospects are considerable.

Savers Health and Beauty Limited
Strategic Report (continued)
For the 53 Weeks ended 31 December 2016

Financial Risk Management

The Company is funded by operationally generated cash flow, by group loans and external short term bank overdraft facilities if required. The Company sets financial risk management policies in accordance with A.S. Watson Group's policies and procedures. Treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates and to minimise the Company's financial risk.

a) Credit risk

Short-term surplus bank funds are placed with high quality financial institutions. As the Company's retail sales are usually in cash or by credit or debit card, credit risk is to a great extent short-term and limited to the recovery of supplier income.

b) Liquidity risk

The Company's liquidity risk is mitigated by internal funding primarily from the immediate holding company, A.S. Watson (Health & Beauty UK) Limited, in order to meet the Company's funding requirements.

c) Foreign exchange risk

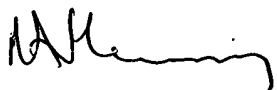
The Company's direct foreign exchange exposure is minimal, with most purchases contracted and paid for in sterling. The Company has a greater exposure to indirect foreign exchange currency risk which it manages through ongoing planning and review with key suppliers.

The Company's financial instruments consist of cash, bank overdrafts, intercompany balances and loans with group companies, trade receivables and trade payables. The carrying value of these are all recorded at amortised cost. Their contractual maturities are less than one year, with the exception of the group borrowings in note 16.

Future Outlook and Prospects

The directors expect the UK retail environment to remain competitive. The impact of the UK's decision to exit the European Union is already seeing suppliers increasing cost prices and inflation can be expected to increase during 2017. This has the potential to subdue consumer sentiment and the Company is planning strategies to mitigate the impact of this inflation and to maintain its strong price perception on the High Street. The robust trading performance in 2016 coupled with a clear future strategy and cash flows that can support investment leaves the Company well positioned to grow successfully in 2017 and beyond.

On behalf of the board



R A Fleming
Director
28 June 2017

Savers Health and Beauty Limited
Directors' Report
For the 53 Weeks ended 31 December 2016

The directors present their report and the audited Financial Statements of the Company for the 53 weeks ended 31 December 2016.

Future Developments

The directors' opinion on the future outlook and prospects of the Company has been included in the Strategic Report.

Dividends

The directors do not recommend the payment of a dividend on the ordinary shares (2015: nil).

Directors

The directors have access to the advice and services of the company secretary and board members are able to take independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities as directors.

The directors possess an appropriate balance of skills and experience for the requirements of the business. The board and its committees operate within a framework of scheduled meetings, with additional ad hoc meetings being held, as required.

The directors of the Company during the period and to the date of approving this report were:

D K M Lai
A J Heaton
P W Macnab
R A Fleming

As permitted by s234(2) of the Companies Act 2006, the Company maintains directors' and officers' liability insurance which provides insurance cover against liabilities which directors and other officers of the Company may incur personally as a consequence of claims made against them alleging breach of duty or other unlawful acts or omissions in their capacity as directors and officers.

Employee Involvement

The board regards employee involvement and effective communication as being essential to foster good employee relations, to achieve improved performance and productivity, to enhance the quality of working life, and to gain commitment to the Company's business objectives.

Consultation with employees has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. There are regular newsletters, regional meetings, management meetings and a conference to ensure that there is a regular flow and exchange of information and ideas about the business.

Employment of Disabled Persons

It is the Company's policy to give full consideration to the possibility of employing disabled persons wherever suitable opportunities exist. Employees who have become disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions. It is the policy of the Company that the training, career development and promotion of disabled persons should be identical to that of other employees.

Financial Risk Management

The directors' opinion on financial risk management has been included in the Strategic Report.

Savers Health and Beauty Limited
Directors' Report (continued)
For the 53 Weeks ended 31 December 2016

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the 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 period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- notify the Company's shareholder in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

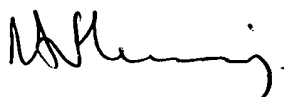
Disclosure of Information to Auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the relevant steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board



R A Fleming
Director
28 June 2017

Savers Health and Beauty Limited
Independent Auditors' Report to the member of Savers Health and Beauty Limited
For the 53 Weeks ended 31 December 2016

Report on the financial statements

Our opinion

In our opinion, Savers Health and Beauty Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the 53-week period (the "period") 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Savers Health and Beauty Limited
Independent Auditors' Report to the member of Savers Health and Beauty Limited
(continued)
For the 53 Weeks ended 31 December 2016

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
28 June 2017

Savers Health and Beauty Limited
Statement of Comprehensive Income
For the 53 Weeks ended 31 December 2016

		53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
	Note		
Income Statement			
Revenue		416,708	362,314
Cost of sales		(367,911)	(324,359)
Gross Profit		48,797	37,955
Administrative expenses		(10,584)	(8,168)
Other operating income		443	524
Operating profit	3	38,656	30,311
Finance income	6	-	227
Finance costs	6	(2,337)	(1,432)
Profit before taxation		36,319	29,106
Income tax expense	7	(7,366)	(6,324)
Profit for the period		28,953	22,782
Other Comprehensive Income			
Other comprehensive income		-	-
Total comprehensive income for the period		28,953	22,782

Revenue and operating profit arise from the Company's continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

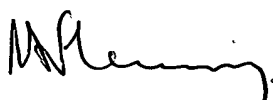
Savers Health and Beauty Limited
Balance Sheet
As at 31 December 2016

Registered Number: 02202838

		At 31 December 2016 £'000	At 26 December 2015 £'000
	Note		
Fixed assets			
Intangible assets	8	75,027	75,031
Property, plant and equipment	9	18,644	15,878
Investment properties	10	2,204	2,245
Investments	11	7	7
		95,882	93,161
Current assets			
Inventory	13	58,640	37,740
Trade and other receivables	14	39,655	33,574
Cash and cash equivalents		20,068	23,279
Total current assets		118,363	94,593
Creditors – amounts falling due within one year			
Trade and other payables	15	(117,559)	(110,269)
Net current assets/(liabilities)		804	(15,676)
Total assets less current liabilities		96,686	77,485
Creditors – amounts falling due after more than one year			
Borrowings	16	(65,000)	(75,000)
Provisions for liabilities	17	(2,729)	(2,481)
Net assets		28,957	4
Equity			
Called up share capital	18	1,400	1,400
Share premium account		3	3
Retained earnings/(losses)		27,554	(1,399)
Total shareholder's funds		28,957	4

The notes on pages 12 to 23 form part of these financial statements.

These financial statements on pages 9 to 23 were authorised for issue by the board of directors on 28 June 2017 and signed on its behalf by:



R A Fleming
Director

Savers Health and Beauty Limited
Statement of Changes in Equity
For the 53 weeks ended 31 December 2016

	Called up share capital £'000	Share premium account £'000	Retained (losses) /earnings £'000	Total £'000
At 27 December 2014	1,400	3	(24,181)	(22,778)
Profit for the period	-	-	22,782	22,782
At 26 December 2015	1,400	3	(1,399)	4
Profit for the period	-	-	28,953	28,953
At 31 December 2016	1,400	3	27,554	28,957

The notes on pages 12 to 23 form part of these financial statements.

Savers Health and Beauty Limited
Notes to the Financial Statements
For the 53 Weeks ended 31 December 2016

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Preparation

The financial statements of Savers Health and Beauty Limited have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006, as applicable for companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - Paragraph 79(a) (iv) of IAS 1
 - Paragraph 73(e) of IAS 16 Property, plant and equipment
 - Paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows)
 - 16 (statement of compliance with all IFRS)
 - 38A (requirement for minimum of two primary statements, including cash flow statements)
 - 38B-D (additional comparative information)
 - 111 (cash flow statement information)
 - 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors';
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group; and
- Paragraph 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets'.

Going Concern

The Company meets its day-to-day working capital requirements through its cash reserves and borrowings. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and borrowings. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. Further information on the Company's borrowings is given in note 16.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

Amendments to Published Standards

The following standards and revisions will be effective for future years and are not yet adopted:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'

The Company has considered the impact of IFRS 9 and IFRS 15 and has concluded that they will not have a significant impact on the Company's financial statements. The Company is assessing the impact of IFRS 16, which will have a material effect on the Company's financial statements.

Consolidation

The Company is a wholly owned subsidiary of A.S. Watson (Health & Beauty UK) Limited, its immediate parent company. It is included in the consolidated financial statements of A.S. Watson (Health & Beauty UK) Limited which are publically available. The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Subsidiaries

Subsidiaries are entities in which the Company has the power to govern the financial and operating policies so as to obtain economic benefits from their activities.

Revenue

Revenue represents retail sales to customers in the United Kingdom and is measured at the fair value of the consideration received or receivable and is recognised on the day that the sale is made.

Revenue is shown net of returns and colleague discounts, and is stated net of value added tax.

In the opinion of the directors there is only one class of business.

Supplier Income

Supplier incentives, promotional funding, volume related rebates and discounts, collectively known as 'supplier income', are deducted from cost of sales and are recognised in accordance with supplier agreements on an accrual basis as they are earned for each relevant supplier contract. Amounts due relating to supplier income are recognised within trade receivables, except in cases where the Company currently has a legally enforceable right to set-off and intends to offset amounts due from suppliers, in which case only the new amount receivable or payable is recognised. Accrued supplier income is recognised within accrued income when earned and not invoiced at the balance sheet date.

Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Intangible Assets

a) Computer software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of between five to seven years. Costs relating to development of computer software for internal use are capitalised once the recognition criteria of IAS 38 'Intangible Assets' are met. Other development expenditures that do not meet these criteria are expensed as incurred. When the software is available for its intended use, these costs are amortised on a straight-line basis over their useful economic lives of between five to seven years. All amortisation is included within administrative expenses within the income statement.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

Intangible Assets (continued)

b) Brands

Brands and trademarks are recognised at fair value at the acquisition date. They are not amortised as they are deemed to have an indefinite useful life. The assets are tested for impairment annually and are carried at cost less any provision for impairment.

Property, Plant and Equipment

Tangible assets are stated at historic cost, net of accumulated depreciation. The cost of fixed assets is their historic purchase price, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of the tangible fixed assets less their estimated residual values, using the straight-line method, over the following expected useful economic lives of the assets concerned:

Freehold land	not depreciated
Freehold buildings	50 years
Leasehold land and buildings	shorter of 6 $\frac{3}{4}$ years or length of lease
Fixtures, fittings and equipment	5 to 10 years

The useful economic lives of assets are reviewed periodically.

Investment Property

Investment property assets are carried at historic cost less accumulated depreciation and any recognised impairment in value.

Depreciation is calculated using the straight line method as to write off the cost of the investment property less their estimated residual values, over 60 years.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment. All other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventory

Inventory is valued at the lower of cost and net realisable value, at weighted average cost and consists of finished goods purchased for resale. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. Provisions are made as appropriate for shrinkage and slow moving items.

Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is the amount of income tax payable in respect of taxable profit for the period or prior periods. Tax is calculated on the rate relevant to the financial period.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a discount rate that reflects the risks specific to the liability.

Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The benefits of lease incentives are taken to the income statement on a straight line basis over the period of the lease. Contributions received from landlords as an incentive to enter into a lease are treated as deferred income within payables and released over the period of the lease.

Leases of property, plant and equipment where the Company retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the asset and the present value of the minimum lease payments, at the inception of the lease. The resulting lease obligation, net of finance charges, is included in payables. The finance cost is charged to the income statement. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

1. Summary of Significant Accounting Policies (continued)

Employee Benefits

The Company operates a defined contribution scheme for its employees. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2. Critical accounting estimates and judgments

The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events.

The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Impairment

Financial assets, such as receivables, and non-financial assets, such as brands, and property, plant and equipment, are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

Provisions

Provisions are made for dilapidations, store exit and other employment costs. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of provisions are set out in note 17.

3. Operating profit

Operating profit is stated after charging/(crediting):

	53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
Operating lease charges	16,056	16,072
Rental income	(296)	(311)
Loss on disposal of property, plant and equipment	82	158
Depreciation and amortisation	3,275	2,988
Audit fees payable to the Company's auditors	99	95

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

4. Employees

The total aggregate remuneration comprises:

	53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
Wages and salaries	54,457	44,321
Social security costs	1,955	1,623
Other pension costs	359	335
Total staff costs	56,771	46,279

The average monthly number of persons employed by the Company during the period was:

	53 weeks ended 31 December 2016 No.	52 weeks ended 26 December 2015 No.
By activity:		
Selling	3,801	3,457
Administration	63	52
	3,864	3,509

5. Directors

In 2016 and 2015 no emoluments were paid or payable by the Company to the directors, who are remunerated for their services by other group companies. It is not possible to make an accurate apportionment of their emoluments in respect of each of the companies of which they are directors.

6. Finance income and costs

	53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
Bank interest	-	2
Other	-	225
Total finance income	-	227
Interest payable on loans from group undertakings	(2,337)	(1,208)
Other	-	(224)
Total finance cost	(2,337)	(1,432)
Net finance cost	(2,337)	(1,205)

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

7. Income tax

Tax expense included in profit or loss	53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
UK corporation tax on profits for the period	7,304	6,088
Adjustment in respect of prior periods	(118)	169
Total current tax	7,186	6,257
Origination and reversal of timing differences	205	65
Impact of change in UK tax rate	(25)	2
Total deferred tax	180	67
Tax charge	7,366	6,324

The effective rate of 20.3% (2015: 21.7%) is higher than (2015: higher than) the standard rate of corporation tax in the United Kingdom. The differences are:

	53 weeks ended 31 December 2016 £'000	52 weeks ended 26 December 2015 £'000
Profit before taxation	36,319	29,106
Income tax at UK corporation tax rate of 20% (2015: 20.25%)	7,264	5,894
Effects of:		
Income not subject to tax	-	(62)
Expenses not deductible for tax	245	321
Adjustment to tax charge in respect of prior periods	(118)	169
Re-measurement of deferred tax due to change in UK tax rate	(25)	2
Tax charge	7,366	6,324

The tax rate for the current year is lower than the prior year due to changes in the UK Corporation tax rate which decreased from 21% to 20% from 1 April 2015.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

8. Intangible assets

	Brands £'000	Computer software £'000	Total £'000
Cost			
At 27 December 2015	75,000	1,042	76,042
Additions	-	4	4
At 31 December 2016	75,000	1,046	76,046
Accumulated amortisation			
At 27 December 2015	-	1,011	1,011
Charge for the period	-	8	8
At 31 December 2016	-	1,019	1,019
Net book value			
At 31 December 2016	75,000	27	75,027
At 26 December 2015	75,000	31	75,031

In the period no impairment charge was made (2015: nil).

Intangible assets amortisation is recorded in administrative expenses in the income statement.

9. Property, plant and equipment

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 27 December 2015	128	58,206	58,334
Additions	-	6,074	6,074
Disposals	(8)	(17,327)	(17,335)
At 31 December 2016	120	46,953	47,073
Accumulated depreciation			
At 27 December 2015	124	42,332	42,456
Charge for the period	1	3,225	3,226
Eliminated on disposals	(8)	(17,245)	(17,253)
At 31 December 2016	117	28,312	28,429
Net book value			
At 31 December 2016	3	18,641	18,644
At 26 December 2015	4	15,874	15,878

In the period a review of fully depreciated assets was undertaken. This resulted in a reduction of £16,785,000 of cost and accumulated depreciation, recorded within disposals.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

10. Investment properties

	At 31 December 2016 £'000	At 26 December 2015 £'000
Cost	2,995	2,995
Accumulated depreciation		
At 27 December 2015	750	709
Charge for the year	41	41
	791	750
Net Book Value	2,204	2,245

The investment property is let to a commercial user on an operating lease which expires in 2022. Property rental income earned by the Company in 2016 was £317,000 (2015: £332,000) which is net of all direct costs associated with the leasing of the property except depreciation. The fair value of the investment property is estimated to be £4,225,000 (2015: £4,370,000). The fair value estimate for 2016 is based upon an independent external valuation, performed by Knight Frank LLP in October 2016.

11. Investments

	At 31 December 2016 £'000	At 26 December 2015 £'000
Net book value	7	7

The Company has a dormant subsidiary, Crosby's Limited, which is incorporated in the United Kingdom and wholly owned. The registered address is Hutchison House, 5 Hester Road, London, SW11 4AN. The directors believe that the carrying value of the investment is supported by its underlying assets.

12. Deferred tax (recoverable in more than one year)

	Depreciation in excess of capital allowances £'000	Timing differences £'000	Total £'000
At 27 December 2014	80	195	275
Credit/(charge) to income statement	144	(211)	(67)
At 27 December 2015	224	(16)	208
(Charge)/ credit to income statement	(257)	77	(180)
At 31 December 2016	(33)	61	28

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

13. Inventory

	At 31 December 2016 £'000	At 26 December 2015 £'000
Finished goods and goods for resale	58,640	37,740

The value of inventories recognised as an expense and charged to cost of sales for the 53 weeks ended 31 December 2016 was £297,125,000 (2015: £258,690,000).

Inventories are stated after provisions for impairment of £2,919,000 (2015: £2,189,000).

14. Trade and other receivables

	At 31 December 2016 £'000	Restated* At 26 December 2015 £'000
Trade receivables	10,131	6,552
Amounts owed by group undertakings	7	7
Prepayments and accrued income	29,489	26,807
Deferred income tax asset (note 12)	28	208
	39,655	33,574

Trade receivables are stated after provisions for impairment of £416,835 (2015: £251,332).

Amounts owed by group undertakings are repayable on demand and are non-interest bearing.

* Uninvoiced supplier income of £1,424,000 has been reclassified from trade receivable to prepayments and accrued income.

15. Trade and other payables

	At 31 December 2016 £'000	At 26 December 2015 £'000
Trade creditors	16,135	13,113
Amounts owed to group undertakings	64,336	66,273
Corporation tax	13,521	10,517
Other taxation and social security	566	423
Accruals and deferred income	15,807	13,923
Other creditors	7,194	6,020
	117,559	110,269

The Company has a bank overdraft facility which is provided by National Westminster Bank plc and which is unsecured and repayable on demand. Interest is payable at National Westminster Bank plc base rate plus 1.25%. During the period there were no drawings (2015: nil) on this facility.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

16. Borrowings

	At 31 December 2016 £'000	At 26 December 2015 £'000
Amounts owed to group undertakings	65,000	75,000

Borrowings relate to a credit agreement with A. S. Watson Group (HK) Limited. Under the agreement, A. S. Watson Group (HK) Limited has agreed to make available in total a credit facility of £75,000,000, charging interest at 3.5%, maturing on 15 June 2025.

The full value of the credit agreement was drawn down by the Company on 13 July 2015. £10,000,000 was repaid from operational cashflows in January 2016.

The Company has a £35,000,000 loan credit facility provided by A.S. Watson (Health & Beauty UK) Limited, its immediate parent company, with interest charged at 3.5%. The loan credit facility matures on 30 June 2020. During the period there were no drawings (2015: nil) on this facility.

17. Provisions

	At 31 December 2016 £'000
At 27 December 2015	2,481
Utilised in the period	(619)
Additions during the period	867
At 31 December 2016	2,729

Provisions comprise estimates for dilapidations, store exit and other employment costs.

18. Called up share capital

	At 31 December 2016 £'000	At 26 December 2015 £'000
Allotted and fully paid ordinary shares of £1 each	1,400	1,400
Number of shares ('000 shares)	1,400	1,400

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 53 Weeks ended 31 December 2016

19. Capital and other commitments

At 31 December 2016 the Company had the following commitments:

a) Lease commitments:

The following payments are due in respect of operating leases that expire in the following periods from the balance sheet date:

	At 31 December 2016 £'000	At 26 December 2015 £'000
Aggregate future minimum lease payments:		
Buildings		
Under one year	17,380	16,286
Between one to five years	31,141	29,452
More than five years	8,091	6,906
	56,612	52,644
Plant and machinery		
Under one year	100	88
Between one to five years	242	266
	342	354

b) Capital commitments

The Company has no capital commitments (2015: nil).

20. Controlling parties

The Company's immediate parent undertaking is A.S. Watson (Health & Beauty UK) Limited, a company registered in England. The consolidated financial statements of that company can be obtained from Hutchison House, 5 Hester Road, Battersea, London SW11 4AN. A.S. Watson (Health & Beauty UK) Limited represents the smallest group into which the results of the Company are consolidated.

The Company's ultimate parent undertaking and controlling party and the largest group to consolidate these financial statements is CK Hutchison Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in the Cayman Islands. The financial statements of CK Hutchison Holdings Limited can be obtained from 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.