

Savers Health and Beauty Limited
Annual Report and Financial Statements
For the 52 Weeks ended 29 December 2018

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Savers Health and Beauty Limited
Annual Report and Financial Statements
For the 52 Weeks ended 29 December 2018

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Savers Health and Beauty Limited

Strategic Report

For the 52 Weeks ended 29 December 2018

The directors present their Strategic Report for the 52 weeks ended 29 December 2018.

General Information

The Company is a private company, limited by shares and is incorporated, registered 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, with its principal place of business in 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 strong performance of recent financial periods. Revenue for the period was £507.2 million (2017: £460.3 million), an increase of 10.2%. This was driven by sales from like for like stores and the opening of an additional 33 new stores.

Costs were well controlled during the period which resulted in an operating profit of £51.2 million, an increase of 10.1% over the previous period's £46.5 million. The cash balance increased by £7.8million, from £23.4 million to £31.2 million, as a result of improved trading performance. The inventory balance increased by £1.8 million reflecting the increase in number of stores, and therefore total sales, to ensure that we have a similar stock weeks cover. The strong trading performance has resulted in total shareholder's funds as at 29 December 2018 increasing to £79.0 million from its position of £64.5 million at the previous period end. Due to opening of 33 new store PPE increased by £4.8m, from £21.8 million to £26.6 million.

Business Environment

The UK Health & Beauty market remained challenging in 2018. The discount market continues to see growth in the UK with discount retailers continuing to open significant numbers of new stores, and also a consolidation of brands.

The UK retail industry is undergoing a profound structural change and in 2018 this continued to put to provide a tough environment for retailers. The speed of technological change, coupled with the growth of value retailing alongside a depressed consumer sentiment has negatively impacted high street demand. In addition, ongoing rises in the labour cost base, as a result of Government initiatives including the National Living Wage increase, minimum pension contributions and the Apprenticeship levy, plus inflationary cost rises across property and utilities, has meant retail businesses have had to review their operating models to sustain performance. The ongoing uncertainty posed by the result of the UK's European Union Referendum has also impacted the market impacting both consumer demand and the cost base.

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 continues to open new stores across the UK and in 2018 a further 33 new stores were opened, increasing the Company's presence into more geographical markets. The Company closed 3 stores during the period, resulting in a trading estate at the end of the period of 441 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 of 10.1%, in line with the previous period.

The Company is proud to be included in 'The Sunday Times Best 25 Big Companies to Work For' in 2018, which was the third year in a row that it has been recognised in the Best Big companies review.

Savers Health and Beauty Limited
Strategic Report (continued)
For the 52 Weeks ended 29 December 2018

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, 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 effects 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. The Company has undertaken a comprehensive review of the requirements of the new General Data Protection Regulations, and has put in place additional processes and controls to mitigate this risk.
- **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 continues to run programmes to improve staff retention.
- **Brexit:** 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. Uncertainty continues to exist surrounding the exact nature of Brexit and when it might occur. Management have plans in place to ensure continuity of trade once final decisions have been agreed, and to enable cost pressures to be minimised.

Key Performance Indicators ("KPIs")

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

	At 29 December 2018	At 30 December 2017
Revenue	£507.2m	£460.3m
Operating profit	£51.2m	£46.5m
Operating margin	10.1%	10.1%

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

Financial Risk Management

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

Savers Health and Beauty Limited
Strategic Report (continued)
For the 52 Weeks ended 29 December 2018

Financial Risk Management (continued)

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

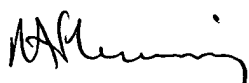
The Company's direct foreign exchange exposure is minimal, with most purchases contracted and paid for in sterling. The Company has a greater exposure to indirect foreign exchange currency risk which it manages through ongoing planning and review with key suppliers.

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 challenging. The uncertainty of the final Brexit negotiations and how this will impact the UK, coupled with inflationary pressures on household budgets, is likely to see consumer sentiment remain subdued. The Company is planning strategies to mitigate the impact of this and to maintain its strong price perception on the High Street and grow in the value retailer market. The strong trading performance in 2018 coupled with a clear future strategy, and cash flows that can support investment, leaves the Company well positioned to grow successfully in 2019 and beyond.

On behalf of the board



R A Fleming
Director

11 June 2019

Savers Health and Beauty Limited
Directors' Report
For the 52 Weeks ended 29 December 2018

The directors present their report and the audited Financial Statements of the Company for the 52 weeks ended 29 December 2018.

Future Developments

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

Dividends

On 6 June 2018 a dividend of £17.86 per share totalling £25.0 million (2017: £nil) was paid.

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 up 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. The qualifying third party indemnity provision was in force during the financial year and also at the date of approval of the financial statements.

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 52 Weeks ended 29 December 2018

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the directors to prepare Financial Statements for each financial 52 week period. Under that law the directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 the Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

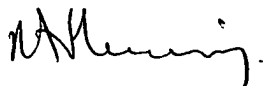
Disclosure of Information to Auditors

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

11 June 2019

Savers Health and Beauty Limited

Independent Auditors' Report to the member of Savers Health and Beauty Limited For the 52 Weeks ended 29 December 2018

Report on the audit of the financial statements

Opinion

In our opinion, Savers Health and Beauty Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2018 and of its profit and cash flows for the 52-week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 29 December 2018; the Statement of Comprehensive Income, the Statement of Changes in Equity, and the Cash Flow Statement for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

Savers Health and Beauty Limited
Independent Auditors' Report to the member of Savers Health and Beauty Limited
(continued)
For the 52 Weeks ended 29 December 2018

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Savers Health and Beauty Limited

Independent Auditors' Report to the member of Savers Health and Beauty Limited (continued)

For the 52 Weeks ended 29 December 2018

Responsibilities for the financial statements and the audit (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members 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.

Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

11/6/2019

Savers Health and Beauty Limited
Statement of Comprehensive Income
For the 52 Weeks ended 29 December 2018

		52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
	Note		
Revenue		507,226	460,343
Cost of sales		(444,195)	(403,567)
Gross Profit		63,031	56,776
Administrative expenses		(12,741)	(11,105)
Other operating income		933	858
Operating profit	3	51,223	46,529
Finance income	6	-	18
Finance costs	6	(2,268)	(2,269)
Profit before taxation		48,955	44,278
Income tax expense	7	(9,490)	(8,690)
Profit for the financial period		39,465	35,588
Other comprehensive income		-	-
Total comprehensive income for the financial period		39,465	35,588

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

The notes on pages 14 to 26 form part of these financial statements.

Savers Health and Beauty Limited
Balance Sheet
As at 29 December 2018

Registered Number: 02202838

		At 29 December 2018 £'000	At 30 December 2017 £'000
	Note		
Fixed assets			
Intangible assets	8	75,072	75,063
Property, plant and equipment	9	26,611	21,852
Investment property	10	2,124	2,166
Investments	11	7	7
		103,814	99,088
Current assets			
Inventories	13	70,816	68,970
Trade and other receivables	14	43,786	40,529
Cash and cash equivalents		31,173	23,384
Total current assets		145,775	132,883
Creditors – amounts falling due within one year			
Trade and other payables	15	(103,964)	(100,527)
Net current assets		41,811	32,356
Total assets less current liabilities		145,625	131,444
Creditors – amounts falling due after more than one year			
Borrowings	16	(65,000)	(65,000)
Provisions for liabilities	17	(1,615)	(1,899)
Net assets		79,010	64,545
Equity			
Called up share capital	19	1,400	1,400
Share premium account		3	3
Retained earnings		77,607	63,142
Total shareholder's funds		79,010	64,545

The notes on pages 14 to 26 form part of these financial statements.

These financial statements on pages 10 to 26 were authorised for issue by the board of directors on
11 June 2019 and signed on its behalf by:



R A Fleming
Director

Savers Health and Beauty Limited
Statement of Changes in Equity
For the 52 weeks ended 29 December 2018

	Called up share capital	Share premium account	Retained earnings	Total Shareholder's funds
	£'000	£'000	£'000	£'000
At 1 January 2017	1,400	3	27,554	28,957
Profit for the financial period	-	-	35,588	35,588
At 30 December 2017	1,400	3	63,142	64,545
Profit for the financial period	-	-	39,465	39,465
Transactions with shareholders				
Dividends	-	-	(25,000)	(25,000)
At 29 December 2018	1,400	3	77,607	79,010

The notes on pages 14 to 26 form part of these financial statements.

Savers Health and Beauty Limited
Cash Flow Statement
For the 52 weeks ended 29 December 2018

		52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
	Notes		
Cash flow from operating activities			
Company operating profit		51,223	46,529
Adjustments for:			
Depreciation and amortisation	8,9	4,279	3,723
Loss on disposal of tangible assets	9	203	267
Operating cash flow before movement in working capital		55,705	50,519
Increase in inventory	13	(1,846)	(10,330)
Increase in trade and other receivables	14	(3,257)	(902)
Increase/(decrease) in trade and other payables	15	4,107	(13,892)
Operational cash flow after movement in working capital		54,709	25,395
Interest paid		(2,269)	(4,680)
Taxation paid		(11,537)	(10,620)
Net cash inflow from operating activities		40,903	10,095
Cash flow from investing activities			
Purchase of property, plant and equipment		(8,087)	(6,747)
Purchase of intangible fixed assets	8	(27)	(50)
Interest received		-	18
Net cash outflow used in investing activities		(8,114)	(6,779)
Cash flow from financing activities			
Dividends paid	18	(25,000)	-
Net cash outflow used in financing activities		(25,000)	-
Net increase in cash and cash equivalents		7,789	3,316
Cash and cash equivalents at beginning of period		23,384	20,068
Cash and cash equivalents at end of period		31,173	23,384

The notes on pages 14 to 26 form part of these financial statements

Savers Health and Beauty Limited

Notes to the Financial Statements

For the 52 Weeks ended 29 December 2018

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
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information); and
 - 134-136 (capital management disclosures);
- 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;
- Paragraph 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets'; and
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).

IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' were adopted by the Company during the financial period and the adoption did not have significant impact on the Company's financial statements for the period.

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 52 Weeks ended 29 December 2018

1. Summary of Significant Accounting Policies (continued)

Consolidation

The Company is a wholly owned subsidiary of A.S. Watson (Health & Beauty UK) Limited, its immediate parent company. The smallest group into which the results of the Company are consolidated is A.S. Watson Holdings Limited, a company incorporated in the Cayman Islands with its principal place of business in Hong Kong. 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.

Cost of Sales

Cost of sales consists of expenses incurred in bringing products to a saleable position and condition. Such costs principally include purchasing of products from suppliers, packaging and distribution costs, direct staff costs and store costs.

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 accruals 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 52 Weeks ended 29 December 2018

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, and any impairment that is identified is recognised in the income statement.

The non-amortisation of intangible assets diverges from paragraph 22 of Schedule 1 to "The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008" (S1 2008/410), which requires intangible assets to be written off over their useful economic life. As such, the non-amortisation of Brands is a departure, for the purposes of giving a true and fair view, from the requirements of paragraph 22 of Schedule 1 to the Regulations. It is not possible to quantify the effect of the departure because the Brand is deemed to have an indefinite useful life.

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:

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 annually.

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 are reviewed for possible reversal at each reporting date.

Inventories

Inventories are 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.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

1. Summary of Significant Accounting Policies (continued)

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.

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 at 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.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

1. Summary of Significant Accounting Policies (continued)

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.

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.

Significant estimates and assumptions

a) 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.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

2. Critical accounting estimates and judgments (continued)

Significant estimates and assumptions (continued)

b) 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.

c) Provisions

Provisions are made for dilapidations and store exit 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.

Significant judgement

In order to assess whether it is appropriate for the Company to be reported as a going concern, the directors apply judgement, having undertaken appropriate enquires and having considered the business activities and the Company's principal risks and uncertainties as set out on page 3.

3. Operating profit

Operating profit is stated after charging/(crediting):

	52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
Operating lease charges	18,022	17,846
Rental income	(342)	(342)
Loss on disposal of property, plant and equipment	203	267
Depreciation and amortisation	4,279	3,723
Audit fees payable to the Company's auditors	116	102

4. Employees

The total aggregate remuneration comprises:

	52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
Wages and salaries	70,290	61,793
Social security costs	2,830	2,414
Other pension costs	630	398
Total staff costs	73,750	64,605

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

4. Employees (continued)

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

	52 weeks ended 29 December 2018 No.	52 weeks ended 30 December 2017 No.
By activity:		
Selling	4,446	4,149
Administration	68	66
	4,514	4,215

5. Directors

In 2018 and 2017 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

	52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
Other	-	18
Total finance income	-	18
Interest payable on loans from group undertakings	(2,268)	(2,269)
Total finance cost	(2,268)	(2,269)
Net finance cost	(2,268)	(2,251)

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

7. Income tax expense

Tax expense included in the income statement	52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
UK corporation tax on profits for the period	9,189	8,221
Adjustment in respect of prior periods	218	254
Total current tax	9,407	8,475
Origination and reversal of timing differences	83	215
Total deferred tax	83	215
Tax charge	9,490	8,690

The effective rate of 19.3% (2017: 19.6%) is higher than (2017: higher than) the standard rate of corporation tax in the United Kingdom of 19.0% for the period between 31 December 2017 and 29 December 2018. The differences are:

	52 weeks ended 29 December 2018 £'000	52 weeks ended 30 December 2017 £'000
Profit before taxation	48,955	44,278
Income tax at standard UK corporation tax rate of 19.0% between 31 December 2017 and 29 December 2018 (2017: 19.25%)	9,301	8,524
Effects of:		
Income not taxable	(29)	(88)
Adjustment to tax charge in respect of prior periods	218	254
Tax charge	9,490	8,690

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxed 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 52 Weeks ended 29 December 2018

8. Intangible assets

	Brands £'000	Computer software £'000	Total £'000
Cost			
At 31 December 2017	75,000	1,096	76,096
Additions	-	27	27
At 29 December 2018	75,000	1,123	76,123
Accumulated amortisation			
At 31 December 2017	-	1,033	1,033
Charge for the period	-	18	18
At 29 December 2018	-	1,051	1,051
Net book value			
At 29 December 2018	75,000	72	75,072
At 30 December 2017	75,000	63	75,063

In the period no impairment charge was made (2017: £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 31 December 2017	120	48,100	48,220
Additions	-	9,181	9,181
Disposals	-	(11,965)	(11,965)
At 29 December 2018	120	45,316	45,436
Accumulated depreciation			
At 31 December 2017	118	26,250	26,368
Charge for the period	1	4,218	4,219
Eliminated on disposals	-	(11,762)	(11,762)
At 29 December 2018	119	18,706	18,825
Net book value			
At 29 December 2018	1	26,610	26,611
At 30 December 2017	2	21,850	21,852

In the period a review of fully depreciated assets was undertaken. This resulted in a reduction of £11,330,000 (2017: £4,710,000) of cost and accumulated depreciation, recorded within disposals.

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

10. Investment property

	At 29 December 2018 £'000	At 30 December 2017 £'000
Cost	2,995	2,995
Accumulated depreciation		
At the beginning of the financial period	829	791
Charge for the period	42	38
At the end of the financial period	871	829
Net book Value	2,124	2,166

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 2018 was £333,000 (2017: £331,000) 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 £4,450,000 (2017: £4,225,000). The fair value estimate for 2018 is based upon an independent external valuation, performed by Knight Frank LLP in June 2018.

11. Investments

	At 29 December 2018 £'000	At 30 December 2017 £'000
Net book value	7	7

The Company had an investment in Crosby's Limited, which commenced liquidation on 24 August 2017 and dissolved on 6 June 2018.

12. Deferred tax

	Accelerated capital allowances £'000	Temporary differences £'000	Total £'000
At 1 January 2017	(33)	61	28
Charge to the income statement	(41)	(174)	(215)
At 30 December 2017	(74)	(113)	(187)
(Charge)/credit to the income statement	(86)	3	(83)
At 29 December 2018	(160)	(110)	(270)

Savers Health and Beauty Limited
Notes to the Financial Statements (continued)
For the 52 Weeks ended 29 December 2018

13. Inventories

	At 29 December 2018 £'000	At 30 December 2017 £'000
Finished goods and goods for resale	70,816	68,970

The value of inventories recognised as an expense and charged to cost of sales for the 52 weeks ended 29 December 2018 was £355,893,000 (2017: £324,482,000).

Inventories are stated after provisions for impairment of £2,903,000 (2017: £3,083,000).

14. Trade and other receivables

	At 29 December 2018 £'000	At 30 December 2017 £'000
Trade receivables	10,277	6,506
Amounts owed by group undertakings	-	7
Prepayments	2,928	3,827
Accrued income	30,581	30,189
	43,786	40,529

Trade receivables are stated after provisions for impairment of £70,643 (2017: £260,961).

15. Trade and other payables

	At 29 December 2018 £'000	At 30 December 2017 £'000
Trade creditors	18,849	22,148
Amounts owed to group undertakings	48,052	42,986
Corporation tax	9,247	11,378
Other taxation and social security	735	610
Accruals	17,710	14,816
Other creditors	9,371	8,589
	103,964	100,527

The Company has a bank overdraft facility of a variable size between £15,000,000 and £35,000,000, 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 (2017: £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 52 Weeks ended 29 December 2018

16. Borrowings

	At 29 December 2018 £'000	At 30 December 2017 £'000
Amounts owed to group undertakings	65,000	65,000

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.

At the period end, the amount borrowed on this credit facility was £65,000,000. No repayments were made during the period ended 29 December 2018 (2017: £nil).

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 (2017: £nil) on this facility.

17. Provisions for liabilities

	Deferred tax Liability £'000	Other Provisions £'000	Total Provisions £'000
Provisions			
At 30 December 2017	187	1,712	1,899
Charged to the income statement	83	24	107
Utilised in the period	-	(391)	(391)
At 29 December 2018	270	1,345	1,615

Provisions comprise estimates for dilapidations, and store exit costs.

18. Dividends paid

	At 29 December 2018	At 30 December 2017
£17.86 per ordinary share of £1 each (2017: £nil)	25,000	-

19. Called up share capital

	At 29 December 2018	At 30 December 2017
Allotted and fully paid ordinary shares of £1 each (£'000)	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 52 Weeks ended 29 December 2018

20. Capital and other commitments

At 29 December 2018 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 29 December 2018 £'000	At 30 December 2017 £'000
Aggregate future minimum lease payments:		
Buildings		
Under one year	12,835	16,382
Between one to five years	35,600	37,997
More than five years	16,867	14,608
	65,302	68,987
Plant and machinery		
Under one year	127	192
Between one to five years	140	197
	267	389

b) Capital commitments

The Company has no capital commitments (2017: £nil).

21. Controlling parties

The Company's immediate parent undertaking is A.S. Watson (Health & Beauty UK) Limited, a company registered in England. The smallest group into which the results of the Company are consolidated is A.S. Watson Holdings Limited, a company incorporated in the Cayman Islands with its principal place of business in Hong Kong. The registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The financial statements of A.S. Watson Holdings Limited are not publicly available.

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 48th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.