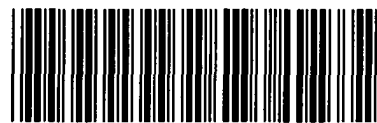


A.S. Watson (Health & Beauty UK) Limited

Annual Report and Financial Statements

For the period from 1 January 2018 to 29 December 2018

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A.S. Watson (Health & Beauty UK) Limited
Annual Report and Financial Statements
For the period from 1 January 2018 to 29 December 2018

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A.S. Watson (Health & Beauty UK) Limited
Strategic Report
For the period from 1 January 2018 to 29 December 2018

The directors present their Strategic Report for the period from 1 January to 29 December 2018.

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 04051648. 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 that of a non-trading holding company.

Results and Business Review

The profit before taxation for 2018 amounted to £55.0m (2017: £62.7m). This result includes dividend income of £53.9m (2017: £62.0m).

At 29 December 2018, shareholder's funds totalled £313.9m (2017: £313.1m).

Dividends

On 6 June 2018 a dividend of 46.3 pence per share totalling £25.0m was paid. On 9 August 2018 a dividend of 16.5 pence per share totalling £8.9m was paid. On 10 December 2018 a dividend of 37.0 pence per share totalling £20.0m was paid.

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:

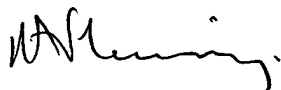
- **Competition:** The Company's trading subsidiaries, Superdrug Stores plc and Savers Health and Beauty Limited operate in a highly competitive market particularly concerning price and product availability and quality. This can result in downward pressures on volumes and margins. In order to mitigate this risk, market research is carried out, prices are monitored on a regular basis, pricing is adjusted accordingly and the subsidiaries carry out planned promotional activities.
- **Costs:** Management focus on all rising costs including 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.

A.S. Watson (Health & Beauty UK) Limited
Strategic Report (continued)
For the period from 1 January 2018 to 29 December 2018

Principal Risks and Uncertainties (continued)

- 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.

On behalf of the board



R A Fleming
Director

11 June 2019

A.S. Watson (Health & Beauty UK) Limited
Directors' Report
For the period from 1 January 2018 to 29 December 2018

The directors present their report and the audited Financial Statements of the Company for the period from 1 January 2018 to 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 46.3 pence per share totalling £25.0m was paid. On 9 August 2018 a dividend of 16.5 pence per share totalling £8.9m was paid. On 10 December 2018 a dividend of 37.0 pence per share totalling £20.0 million 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
C N R Salbaing
A J Heaton
R A Fleming
E Shih
J T Miller

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 period 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.

A.S. Watson (Health & Beauty UK) Limited
Directors' Report (continued)
For the period from 1 January 2018 to 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 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 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.


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

A.S. Watson (Health & Beauty UK) Limited

Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK) Limited

For the period from 1 January 2018 to 29 December 2018

Report on the audit of the financial statements

Opinion

In our opinion, A.S. Watson (Health & Beauty UK) 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 for the period from 1 January 2018 to 29 December 2018 (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, and the Statement of Changes in Equity 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 the above 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.

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.

A.S. Watson (Health & Beauty UK) Limited
Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK)
Limited (continued)
For the period from 1 January 2018 to 29 December 2018

Reporting on other information (continued)

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 from 1 January 2018 to 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 5, 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.

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.

A.S. Watson (Health & Beauty UK) Limited
Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK)
Limited (continued)
For the period from 1 January 2018 to 29 December 2018

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

A.S. Watson (Health & Beauty UK) Limited
Statement of Comprehensive Income
For the period from 1 January 2018 to 29 December 2018

		Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
	Note		
Income Statement			
Dividend income		53,905	61,997
Administrative expenses		(1,096)	(957)
Operating profit	3	52,809	61,040
Finance income	6	2,184	1,629
Profit before taxation		54,993	62,669
Income tax expense	7	(277)	(143)
Profit for the financial period		54,716	62,526
Total comprehensive income for the period		54,716	62,526

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

The notes on pages 12 to 21 form part of these financial statements.

A.S. Watson (Health & Beauty UK) Limited
Balance Sheet
As at 29 December 2018

Registered Number: 04051648

		At 29 December 2018 £'000	At 31 December 2017 £'000
	Note		
Fixed assets			
Property, plant and equipment	8	555	532
Investments	10	174,358	174,358
Deferred income tax assets	9	90	163
		175,003	175,053
Current assets			
Trade and other receivables	11	132,072	136,625
Cash and cash equivalents		7,623	2,274
Total current assets		139,695	138,899
Creditors – amounts falling due within one year			
Trade and other payables	12	(773)	(838)
Net assets		313,925	313,114
Equity			
Called up share capital	14	54,000	54,000
Share premium account		257,571	257,571
Retained earnings		2,354	1,543
Total shareholder's funds		313,925	313,114

The notes on pages 12 to 21 form part of these financial statements.

These financial statements on pages 9 to 21 were authorised for issue by the board of directors on
11 June 2019 and signed on its behalf by:



R A Fleming
Director

A.S. Watson (Health & Beauty UK) Limited
Statement of Changes in Equity
For the period from 1 January 2018 to 29 December 2018

	Called up Share Capital £'000	Share premium account £'000	Retained earnings £'000	Total Shareholder's funds £'000
At 1 January 2017	54,000	257,571	1,014	312,585
Profit for the financial period	-	-	62,526	62,526
Transactions with shareholders				
Dividends	-	-	(61,997)	(61,997)
At 31 December 2017	54,000	257,571	1,543	313,114
Profit for the financial period	-	-	54,716	54,716
Transactions with shareholders				
Dividends	-	-	(53,905)	(53,905)
At 29 December 2018	54,000	257,571	2,354	313,925

The notes on pages 12 to 21 form part of these financial statements.

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements
For the period from 1 January 2018 to 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 A.S. Watson (Health & Beauty UK) 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).

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

1. Summary of Significant Accounting Policies (continued)

Going Concern

The Company meets its day-to-day working capital requirements through its cash reserves and group loans. 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 group loans. 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.

Consolidation

The Company is a wholly owned subsidiary of A.S. Watson (Europe) Holdings B.V., 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.

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.

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. Leaseholds with an unexpired term of greater than 50 years are treated as long leaseholds.

Leasehold land and buildings	shorter of 6 $\frac{3}{4}$ years or length of the lease
Fixtures, fittings and equipment	5 to 10 years

The useful economic lives of assets are reviewed annually.

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.

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 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.

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.

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.

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 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 account 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.

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 re-assessed 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.

b) Impairment

Financial assets, such as receivables, and non-financial assets, such as 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.

Significant judgements

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 enquiries and having considered the business activities and the Company's principal risks and uncertainties as set out on page 2.

3. Operating Profit

Operating profit is stated after charging:

	Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
Operating lease charges	156	131
Depreciation and amortization	196	331
Amounts payable to the Company's auditors: audit fees	16	14

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

4. Employees

The total aggregate remuneration comprises:

	Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries (including directors)	77	44
Social security costs	1	1
Total staff costs	78	45

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

	Period ended 29 December 2018 No.	Year ended 31 December 2017 No.
By activity:		
Administration	2	1
	2	1

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

	Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
Interest receivable from group undertakings	2,184	1,629
Finance income	2,184	1,629

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

7. Income tax expense

Tax expense included in the income statement	Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
UK corporation tax on profits for the period	204	128
Total current tax	204	128
Origination and reversal of timing differences	73	15
Total deferred tax	73	15
Tax on profit	277	143

The effective rate of 0.5% (2017: 0.2%) is lower than (2017: lower than) the standard rate of corporation tax in the United Kingdom of 19.0% between 1 January 2018 and 29 December 2018. The differences are:

	Period ended 29 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	54,993	62,669
Income tax at standard UK corporation tax rate of 19.0% between 1 January 2018 and 29 December 2018 (2017: 19.25%)	10,449	12,064
Effects of:		
Income not subject to tax	(10,172)	(11,921)
Tax on profit	277	143

The tax rate for the current period is lower than the prior period due to changes in the UK Corporation tax rate which decreased from 20% to 19% from 1 April 2017.

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.

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

8. Property, plant and equipment

	Land and Buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 31 December 2017	527	8,605	9,132
Additions	12	207	219
At 29 December 2018	539	8,812	9,351
Accumulated depreciation			
At 31 December 2017	518	8,082	8,600
Charge for the period	3	193	196
At 29 December 2018	521	8,275	8,796
Net book value			
At 29 December 2018	18	537	555
At 31 December 2017	9	523	532

9. Deferred income tax assets

	Depreciation in excess of capital allowances £'000	Total £'000
At 1 January 2017	178	178
Charge to income statement	(15)	(15)
At 31 December 2017	163	163
Charge to income statement	(73)	(73)
At 29 December 2018	90	90

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

10. Investments

	At 29 December 2018 £'000	At 31 December 2017 £'000
At 31 December 2017	174,358	249,358
Impairment	-	(75,000)
At 29 December 2018	174,358	174,358

During the year the investments of the Company were impaired by £nil (2017: £75,000,002) due to the liquidation of Kruidvat UK Limited, which was subsequently dissolved in February 2018.

The Directors believe the carrying value of the investments is supported by the net assets or the trading results and net assets of the subsidiaries.

The subsidiaries, all of which are incorporated in the United Kingdom and are wholly owned, are as follows:

Subsidiary	Registered Office	Principal Activity
Superdrug Stores plc*	51 Sydenham Road, Croydon, CR0 2EU	Health & beauty retailer
Savers Health and Beauty Limited*	5 Hester Road, London, SW11 4AN	Health & beauty retailer
The Perfume Shop Limited	5 Hester Road, London, SW11 4AN	Perfume retailer
Superdrug Pension Trustee Limited	51 Sydenham Road, Croydon, CR0 2EU	Dormant
Kruidvat Real Estate UK Limited*	5 Hester Road, London, SW11 4AN	Property rental
A.S. Watson (P&C UK) Ltd*	5 Hester Road, London, SW11 4AN	Investment holding company
Merchant Retail Group Limited	5 Hester Road, London, SW11 4AN	Investment holding company
MRG Department Stores (JOP) Limited	5 Hester Road, London, SW11 4AN	Dormant
Chantlee Properties Limited	5 Hester Road, London, SW11 4AN	Dormant
Joplings Financial Services Limited	5 Hester Road, London, SW11 4AN	Dormant
The Perfume Shop Holdings Limited	5 Hester Road, London, SW11 4AN	Investment holding company
The Cosmetic Shop Limited	5 Hester Road, London, SW11 4AN	Dormant

*Held directly whilst all others are held indirectly through wholly owned subsidiaries.

11. Trade and other receivables

	At 29 December 2018 £'000	At 31 December 2017 £'000
Amounts owed by group undertakings	130,935	135,703
Other receivables	1,137	922
	132,072	136,625

Amounts owed by group undertakings includes a loan to Superdrug Stores plc totalling £110,000,000 (2017: £77,963,949). The interest rate on this loan is 12-month GBP LIBOR + 2.5% per annum since 1 October 2018. The effective interest rate in 2018 is 3.5% (2017: 2.19%) and the loan is repayable on demand.

All other amounts owed by group undertakings are unsecured, repayable on demand and are non-interest bearing.

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
For the period from 1 January 2018 to 29 December 2018

12. Trade and other payables

	At 29 December 2018 £'000	At 31 December 2017 £'000
Corporation tax	467	449
Other taxation and social security	257	194
Accruals and deferred income	49	195
	773	838

13. Dividends paid

	Period Ended 29 December 2018 £'000	Year Ended 31 December 2017 £'000
2018: 46.3p per ordinary share of £1 each (2017: 92.59p per ordinary share of £1 each)	25,000	50,000
2018: 16.5p per ordinary share of £1 each (2017: 22.22p per ordinary share of £1 each)	8,905	11,977
2018: 37.0p per ordinary share of £1 each	20,000	-
	53,905	61,997

14. Called up share capital

	At 29 December 2018	At 31 December 2017
Allotted and fully paid ordinary shares of £1 each (£'000)	54,000	54,000
Number of shares	54,000,100	54,000,100

A.S. Watson (Health & Beauty UK) Limited
Notes to the Financial Statements (continued)
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15. 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 31 December 2017 £'000
Aggregate future minimum lease payments:		
Buildings		
Under one year	25	-
Between one to five years	-	95
More than five years	-	-
	25	95

b) *Capital commitments*

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

16. Controlling parties

The Company's immediate parent undertaking is A.S. Watson (Europe) Holdings B.V., a company registered in the Netherlands. The financial statements of that company can be obtained from Nijborg 17, 3927 DA Renswoude, the Netherlands.

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, Umland 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.