

Registered Number 04051648

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

Annual Report and Financial Statements

For the 52 Weeks ended 26 December 2020

Revised Strategic Report



**Supplementary note to the Annual Report and Financial Statements for the 52 weeks ended 26 December 2020**

This supplementary note revises the Strategic Report contained within the Annual Report and Financial Statements of A.S. Watson (Health & Beauty UK) Limited (the "**Company**") for the 52 weeks ended 26 December 2020 that were signed by the Company on 22 June 2021 (the "**2020 Annual Accounts**") and is to be treated as forming part of the 2020 Annual Accounts.

The revision contained within this supplementary note shall take effect from 22 June 2021 and accordingly does not deal with events between the 22 June 2021 and the date of this supplementary note.

This supplementary note has been reviewed by PricewaterhouseCoopers LLP and its audit opinion has also been amended to reflect the revision contained herein.

The following addition shall hereby be made to the Strategic Report of the 2020 Annual Accounts:

**Companies Act 2006 Section 172(1) statement**

Under section 172 of the Companies Act 2006, directors of a company are required to act in a way which they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, having regard to a range of different matters as stated therein.

The duty emphasises that the board of directors must consider the wider impact of its decisions, rather than just the financial and strategic elements. The board of directors should create a culture whereby the long-term consequences of its actions and the long-term success of the Company are given due consideration. In particular, the directors must consider:

- The likely consequences of any decision in the long term;
- The interests of the employees of the Company;
- The need to foster the business relationships of the Company with suppliers, customers and others;
- The impact of the operations of the Company on the community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

In discharging the duties under section 172, the board of directors has regard to the factors set out above. In addition, the directors also have due regard to other factors which they consider relevant to any decision being made. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, the board of directors aims to ensure that its decisions are consistent and made in the best interests of the Company.

The board of directors delegates authority for day-to-day management of the Company to executives and engages management in setting, approving and overseeing execution of the business strategy and related policies. The board of directors considers and, if thought fit, approves the Company's activities by way of board meetings or written resolutions. As part of the board approval process, directors receive supporting explanatory materials, additional verbal and/or written information from executives and independent professional advice, as and when required, to ensure that they have regard to section 172 matters when making relevant decisions. For example, each year the board of directors assesses the strength of the Company's balance sheet and prospects relative to market uncertainties and makes decisions about the payment of dividends. In making its decisions the board of directors considers a range of factors. These include the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in its business; and the interests, views and expectations of its sole member as the supplier of long-term equity capital to the Company.

Signed on behalf of the board on 12 January 2022.



R A Fleming  
Director

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

## ***Report on the revised Strategic Report***

### ***Opinion***

In our opinion, based on the work undertaken in the course of the audit, the information given in the revised Strategic Report (the "**Revised Report**") for the 52 week period ended 26 December 2020 is consistent with the financial statements for that period 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 Revised Report.

We have considered the information given in the Revised Report for the 52 week period ended 26 December 2020. The Revised Report replaces the original Strategic Report signed on 22 June 2021 and consists of the supplementary note together with the original Strategic Report. The original Strategic Report did not include a section 172 statement. The directors have now prepared a section 172 statement within the Revised Report for the 52 week period ended 26 December 2020. Accordingly, the Strategic Report is considered to be the Revised Report. The financial statements of the Company for the 52 week period ended 26 December 2020 have not been revised. The Revised Report has been prepared under the Companies (Revision of Defective Accounts and Reports) Regulations 2008 and accordingly does not take account of events which have taken place after the date on which the original Strategic Report was signed.

### ***Basis for opinion***

Our opinion is directed solely towards consistency of the Revised Report with the financial statements, and consideration of potential misstatements and applicable legal requirements, based on work undertaken in the course of the audit. We have not considered events which may have occurred since the issue of our previous Independent Auditors' Report on 23 June 2021 to the date of this report.

### ***Responsibilities for the Revised Report and the audit***

#### ***Responsibilities of directors for the Revised Report***

The directors are responsible for the preparation of the Revised Report in accordance with the Companies Act 2006 as it has effect under the Companies (Revision of Defective Accounts and Reports) Regulations 2008.

#### ***Auditors' responsibilities in respect of the Revised Report***

Our responsibility arising from the Companies (Revision of Defective Accounts and Reports) Regulations 2008 is to report to you those matters required by section 496 of Companies Act 2006 in relation to the Revised Report.



David Beer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
12 January 2022

**A.S. Watson (Health & Beauty UK) Limited**  
**Annual Report and Financial Statements**  
**For the 52 Weeks ended 26 December 2020**

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**A.S. Watson (Health & Beauty UK) Limited**  
**Strategic Report**  
**For the 52 Weeks ended 26 December 2020**

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The directors present their Strategic Report for the 52 weeks ended 26 December 2020.

**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 2020 amounted to £3.0m (2019: £68.1m). This result includes dividend income of £nil (2019: £66.0m).

At 26 December 2020, shareholder's funds totalled £316.5m (2019: £313.9m).

**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.

On behalf of the board



R A Fleming  
Director

22 June 2021

**A.S. Watson (Health & Beauty UK) Limited**  
**Directors' Report**  
**For the 52 Weeks ended 26 December 2020**

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The directors present their report and the audited Financial Statements of the Company for 52 weeks ended 26 December 2020.

**Future Developments**

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

**Dividends**

No dividends were paid during the period (2019: £68.0m).

**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/alternate 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 (resigned as director on 15 June 2020)  
A Ghosh  
C C F Cheng (appointed as director on 15 June 2020)

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 52 Weeks ended 26 December 2020**

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**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 year. 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.

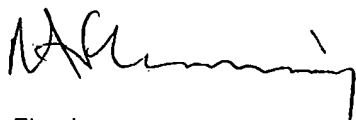
**Disclosure of Information to Auditors**

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

22 June 2021

**A.S. Watson (Health & Beauty UK) Limited**  
**Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK)**  
**Limited**  
**For the 52 Weeks ended 26 December 2020**

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**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 26 December 2020 and of its profit for the 52 week 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: Balance Sheet as at 26 December 2020; 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**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 52 Weeks ended 26 December 2020**

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**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 the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 the Directors' Report for the period ended 26 December 2020 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

**A.S. Watson (Health & Beauty UK) Limited**  
**Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK)**  
**Limited (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**Responsibilities for the financial statements and the audit (continued)**

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to reduce expenditure, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management and internal legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud and actual and potential litigation and claims
- Review of legal expenditure in the year to identify potential non-compliance with laws and regulation
- Review of key correspondence with tax regulatory authorities in relation to compliance with laws and regulations
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, or posted by members of senior management with a financial reporting oversight role

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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:

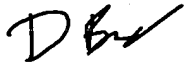
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified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

**A.S. Watson (Health & Beauty UK) Limited**  
**Independent Auditors' Report to the member of A.S. Watson (Health & Beauty UK)**  
**Limited (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**Other required reporting (continued)**

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

23 June 2021

**A.S. Watson (Health & Beauty UK) Limited**  
**Statement of Comprehensive Income**  
**For the 52 Weeks ended 26 December 2020**

		<b>52 weeks ended 26 December 2020</b>	<b>52 weeks ended 28 December 2019</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Dividend income		-	65,971
Administrative expenses		(543)	(1,635)
<b>Operating (loss)/profit</b>	<b>3</b>	<b>(543)</b>	<b>64,336</b>
Finance income	6	3,543	3,825
Finance costs	6	(41)	(26)
<b>Profit before taxation</b>		<b>2,959</b>	<b>68,135</b>
Income tax expense	7	(454)	(164)
<b>Profit for the financial period</b>		<b>2,505</b>	<b>67,971</b>
<b>Total comprehensive income for the period</b>		<b>2,505</b>	<b>67,971</b>

Revenue and operating (loss)/profit arise from the Company's continuing operations.

**A.S. Watson (Health & Beauty UK) Limited**  
**Balance Sheet**  
**As at 26 December 2020**

Registered Number: 04051648

		At 26 December 2020 £'000	At 28 December 2019 £'000
	Note		
<b>Fixed assets</b>			
Property, plant and equipment	8	395	437
Right-of-use assets	9	1,714	1,842
Investments	11	174,359	174,358
		<b>176,468</b>	<b>176,637</b>
<b>Current assets</b>			
Trade and other receivables	12	138,669	132,407
Deferred income tax assets	10	123	58
Cash and cash equivalents		3,918	7,255
		<b>142,710</b>	<b>139,720</b>
<b>Total current assets</b>		<b>142,710</b>	<b>139,720</b>
<b>Creditors – amounts falling due within one year</b>			
Trade and other payables	13	(1,019)	(593)
Lease liabilities		(112)	(110)
		<b>141,579</b>	<b>139,017</b>
<b>Net current assets</b>		<b>141,579</b>	<b>139,017</b>
<b>Total assets less current liabilities</b>		<b>318,047</b>	<b>315,654</b>
<b>Creditors – amounts falling due after more than one year</b>			
Lease liabilities		(1,596)	(1,708)
		<b>316,451</b>	<b>313,946</b>
<b>Net assets</b>		<b>316,451</b>	<b>313,946</b>
<b>Equity</b>			
Called up share capital	15	54,000	54,000
Share premium account		257,571	257,571
Retained earnings		4,880	2,375
		<b>316,451</b>	<b>313,946</b>
<b>Total shareholder's funds</b>		<b>316,451</b>	<b>313,946</b>

The notes on pages 12 to 22 form part of these financial statements.

These financial statements on pages 9 to 22 were authorised for issue by the board of directors on 22 June 2021 and signed on its behalf by:



R A Fleming  
Director

**A.S. Watson (Health & Beauty UK) Limited**  
**Statement of Changes in Equity**  
**For the 52 Weeks ended 26 December 2020**

	<b>Called up Share Capital £'000</b>	<b>Share premium account £'000</b>	<b>Retained earnings £'000</b>	<b>Total Shareholder's funds £'000</b>
<b>At 29 December 2018</b>	<b>54,000</b>	<b>257,571</b>	<b>2,375</b>	<b>313,946</b>
Profit for the financial period	-	-	67,971	67,971
<b>Transactions with shareholders</b>				
Dividends	-	-	(67,971)	(67,971)
<b>At 28 December 2019</b>	<b>54,000</b>	<b>257,571</b>	<b>2,375</b>	<b>313,946</b>
Profit for the financial period	-	-	2,505	2,505
<b>At 26 December 2020</b>	<b>54,000</b>	<b>257,571</b>	<b>4,880</b>	<b>316,451</b>

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements**  
**For the 52 Weeks ended 26 December 2020**

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**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).

**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.

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**1. Summary of Significant Accounting Policies (continued)**

**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.

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.

**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.



**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended to 26 December 2020**

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**1. Summary of Significant Accounting Policies (continued)**

**Trade Payables**

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

**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.

**Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Contracts may contain both lease and non-lease components. However, the Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**1. Summary of Significant Accounting Policies (continued)**

**Leases (continued)**

Extension and termination options are included in a number of leases across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term and measurement of the liability if the lease is reasonably certain to be extended (or not terminated).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- uses recent third party financing received by the Company as a starting point, adjusted to reflect changes in financing conditions since third party financing were received; and
- makes adjustments specific to the lease (e.g. lease term, country, currency and security).

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs

**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.

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**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 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) Determination of the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of retail stores, office and warehouse, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value or the stores is profit making, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and costs and business disruption required to replace the leased asset.

Most extension options in retail stores have been included in the lease liability because majority of them are profitable and replacing in other locations will cause business disruption.

**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 (loss)/Profit**

Operating (loss)/profit is stated after charging:

	<b>52 weeks ended 26 December 2020 £'000</b>	<b>52 weeks ended 28 December 2019 £'000</b>
Depreciation	142	181
Depreciation charge for right-of-use assets	128	116
Amounts payable to the Company's auditors: audit fees	3	3

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

**4. Employees**

The total aggregate remuneration comprises:

	<b>52 weeks ended 26 December 2020 £'000</b>	<b>52 weeks ended 28 December 2019 £'000</b>
Wages and salaries (including directors)	31	82
Social security costs	3	3
<b>Total staff costs</b>	<b>34</b>	<b>85</b>

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

	<b>52 weeks ended 26 December 2020 No.</b>	<b>52 weeks ended 28 December 2019 No.</b>
By activity:		
Administration	121	114
	<b>121</b>	<b>114</b>

The staff costs relating to 120 staff (2019: 112 staff) are recovered from other group companies.

**5. Directors**

In 2020 and 2019 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**

	<b>52 weeks ended 26 December 2020 £'000</b>	<b>52 weeks ended 28 December 2019 £'000</b>
Interest receivable from group undertakings	3,543	3,825
<b>Total finance income</b>	<b>3,543</b>	<b>3,825</b>
Interest expense on lease liabilities	(41)	(26)
<b>Total finance costs</b>	<b>(41)</b>	<b>(26)</b>
<b>Net finance income</b>	<b>3,502</b>	<b>3,799</b>

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

**7. Income tax expense**

<b>Tax expense included in the income statement</b>	<b>52 weeks ended 26 December 2020 £'000</b>	<b>52 weeks ended 28 December 2019 £'000</b>
UK corporation tax on profits for the period	546	417
Adjustment in respect of prior period	(27)	(280)
<b>Total current tax</b>	<b>519</b>	<b>137</b>
Origination and reversal of timing differences	(65)	27
<b>Total deferred tax</b>	<b>(65)</b>	<b>27</b>
<b>Tax on profit</b>	<b>454</b>	<b>164</b>

The effective tax rate of 15.3% (2019: 0.2%) is lower than (2019: lower than) the standard UK corporation tax rate of 19%. The differences are:

	<b>52 weeks ended 26 December 2020 £'000</b>	<b>52 weeks ended 28 December 2019 £'000</b>
Profit before taxation	2,959	68,135
Income tax at standard UK corporation tax rate of 19.0% (2019: 19.0%)	<b>562</b>	<b>12,946</b>
Effects of:		
Income exempt from tax	(123)	(12,787)
Adjustment in respect of prior period	15	-
Tax credit on initial adoption of IFRS16	-	5
<b>Tax on profit</b>	<b>454</b>	<b>164</b>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

**8. Property, plant and equipment**

	Land and Buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 29 December 2019	526	8,888	9,414
Additions	-	100	100
<b>At 26 December 2020</b>	<b>526</b>	<b>8,988</b>	<b>9,514</b>
<b>Accumulated depreciation</b>			
At 29 December 2019	522	8,455	8,977
Charge for the period	2	140	142
<b>At 26 December 2020</b>	<b>524</b>	<b>8,595</b>	<b>9,119</b>
<b>Net book value</b>			
<b>At 26 December 2020</b>	<b>2</b>	<b>393</b>	<b>395</b>
<b>At 28 December 2019</b>	<b>4</b>	<b>433</b>	<b>437</b>

**9. Right-of-use assets**

	Offices £'000	Total £'000
At 29 December 2019	1,842	1,842
Depreciation	(128)	(128)
<b>At 26 December 2020</b>	<b>1,714</b>	<b>1,714</b>

**10. Deferred income tax assets**

	Depreciation in excess of capital allowances £'000	Lease Accounting IFRS16 £'000	Total £'000
At 29 December 2018	90	(5)	85
Charge to income statement	(32)	5	(27)
<b>At 28 December 2019</b>	<b>58</b>	<b>-</b>	<b>58</b>
Credit to income statement	65	-	65
<b>At 26 December 2020</b>	<b>123</b>	<b>-</b>	<b>123</b>

**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

**11. Investments**

	At 26 December 2020 £'000	At 28 December 2019 £'000
At 26 December 2020 and 28 December 2019	<b>174,359</b>	<b>174,358</b>

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 Jersey and are wholly owned, are as follows:

<b>Subsidiary</b>	<b>Registered Office</b>	<b>Principal Activity</b>
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
A.S. Watson (Health & Beauty Jersey) Limited*	44 Esplanade, St Helier, Jersey, JE4 9WG	Health & beauty 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.

**12. Trade and other receivables**

	At 26 December 2020 £'000	At 28 December 2019 £'000
Amounts owed by group undertakings	138,387	132,128
Other receivables	282	279
	<b>138,669</b>	<b>132,407</b>

Amounts owed by group undertakings includes a loan to Superdrug Stores plc totalling £110,000,000 (2019: £110,000,000). The interest rate on this loan is 12-month GBP LIBOR + 2.5% per annum since 1 October 2019. The effective interest rate in 2020 is 3.2% (2019: 3.4%) 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 52 Weeks ended 26 December 2020**

**13. Trade and other payables**

	At 26 December 2020 £'000	At 28 December 2019 £'000
Corporation tax	549	175
Other taxation and social security	283	255
Accruals and deferred income	187	163
	<b>1,019</b>	<b>593</b>

**14. Dividends paid**

	52 weeks Ended 26 December 2020 £'000	52 weeks Ended 28 December 2019 £'000
2020: £nil (2019: 11.1p per ordinary share of £1 each)	-	5,971
2020: £nil (2019: 46.3p per ordinary share of £1 each)	-	25,000
2020: £nil (2019: 68.5p per ordinary share of £1 each)	-	37,000
	<b>-</b>	<b>67,971</b>

**15. Called up share capital**

	At 26 December 2020	At 28 December 2019
Allotted and fully paid ordinary shares of £1 each (£'000)	<b>54,000</b>	<b>54,000</b>
Number of shares	<b>54,000,100</b>	<b>54,000,100</b>

**16. Capital and other commitments**

The Company has no capital commitments (2019: £nil).



**A.S. Watson (Health & Beauty UK) Limited**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 26 December 2020**

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**17. 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, Ugland 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.