

REGISTERED NUMBER: 00807043

SUPERDRUG STORES PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 27 DECEMBER 2014

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Superdrug Stores plc

Annual Report and Financial Statements for the 52 weeks ended 27 December 2014

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Superdrug Stores plc

Strategic report

The directors present their Strategic report on the Company (registered number: 00807043) for the 52 weeks ended 27 December 2014.

PRINCIPAL ACTIVITY

The Company trades as a beauty and health retailer in the United Kingdom.

RESULTS AND BUSINESS REVIEW

Turnover for the period was £1,060m (2013: £1,010m). The directors are pleased with the retail revenue growth during an increasingly competitive and promotional led trading environment. The key focus areas of health and beauty were crucial to the revenue growth but the more promotion led area of toiletries also experienced growth. Health grew by 12.2% as the Company combined an increased range of product sales with services and advice both in store and online, especially in the healthy living sub category. Beauty grew by +4.6% with wider distribution and improved own brand product range of B. Cosmetics and skincare range, improved ranges in cosmetics and accessories and fragrance growing through strong promotional offers.

Costs were kept under strict control throughout the year and this resulted in an operating profit of £38.2m (2013: £25.8m). Profit after tax for the period was £26.6m (2013: £24.5m).

At 27 December 2014, the shareholder's funds totalled £152.5m (2013: £136.5m)

BUSINESS ENVIRONMENT

The UK health and beauty market in 2014 was worth £13.6bn.

Personal recession has continued for most of 2014 as prices rose faster than earnings, although there are small signs the economy is recovering. The beauty and health market has remained resilient during the last 5 years driven by product innovation and the customer's desire to feel and look good. However, the personal care value market has remained static due to supermarket pricing strategies.

2014 saw the introduction of Black Friday in the UK changing the sales pattern from the important Christmas period. Multichannel activities continue to grow and become more important to customers.

STRATEGY

Superdrug continued its vision to provide the customer with everyday accessible beauty and health, offering products people want in a refreshed environment at great prices.

Superdrug refreshed over 200 stores in 2014, bringing the number of refreshed stores to over 700. Superdrug launched two new store formats in 2014 – Beauty studio in Cardiff and Wellbeing in Banbury to offer the customer a more differentiated retail experience. These concepts and elements from them will continue to be rolled out in 2015.

Superdrug's own brand products are an important part of the Company's heritage and are still relevant to today's customer by offering differentiation from competitors and excellent value. In 2014, Superdrug introduced several exclusive ranges and took advantage of the YouTube phenomenon of vloggers to offer more differentiated products and services. Superdrug will continue to develop, diversify and update its own brand product range and work in partnership with suppliers to bring more exclusive brands to its customer through the store network or online.

Superdrug Stores plc

Strategic report (continued)

STRATEGY (continued)

Multichannel is becoming increasingly important in the UK retail market and health and beauty has a relatively low participation. Superdrug recognises the opportunity this can bring to ensure customers are provided with products any time, any place they require. In 2014, Superdrug launched a new web platform and invested in the logistics infrastructure to support future growth. The Company will continue to accelerate its rapidly evolving beauty and health multichannel offering by extending products, delivery options and in-store accessibility to make it easier for customers to access products and advice.

In 2014, the Company's focus on healthcare drove Superdrug to being the fastest growing healthcare retailer in the UK. Superdrug will continue to focus on compelling health store propositions, maximise pharmacy and NHS service income and extend the reach of online health.

The business is aware that with continued upward pressure on retailer costs, it needs to maintain its tight cost control and requires further operational efficiency programs to be delivered alongside innovation to ensure we can maintain our value message for customers.

The directors expect the overall trading environment to remain challenging with a relatively slow retail recovery in the UK.

The directors remain cautious but confident about the Company's prospects and ability to pursue profitable growth. By understanding our customers, making shopping exciting and offering them a different shopping experience and products in store and online with the best offers, value and customer service, the business will be in a strong position to give customers a reason to buy and the business to grow.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of the Company's intermediate parent company, A.S. Watson (Health & Beauty UK) Limited, manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Superdrug Stores plc business. The principal risks and uncertainties of A.S. Watson (Health & Beauty UK) Limited, which include those of the Company, are discussed in the paragraph of the same name in the Directors' report of the group's annual report which does not form part of this report.

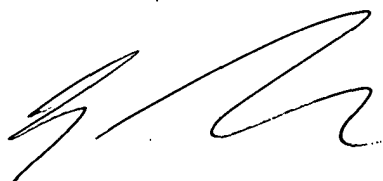
Superdrug Stores plc Strategic report (continued)

KEY PERFORMANCE INDICATORS ("KPIs")

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

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
• Turnover	1,058,047	1,010,212
• Gross margin (%)	39.9%	40.1%
• Operating profit before interest and tax	38,187	25,834
• Profit on ordinary activities before taxation	38,044	28,982
• Net debt at year end	538	57,398
• Total shareholder's funds	152,507	136,507

On behalf of the Board



G G Smith
Director

3rd June 2015

Superdrug Stores plc

Directors' report

The directors present their annual report together with the audited financial statements of the Company (registered number: 00807043) for the 52 weeks ended 27 December 2014.

DIVIDEND

No dividend was declared or paid during the period (2013: £nil).

DIRECTORS

The directors who held office during the period and up to the date of signing these financial statements, unless where stated, were:

D K M Lai	
A J Heaton	
J C Y Wat	Resigned 20 May 2014
G G Smith	
P W Macnab	Appointed 20 May 2014

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.

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.

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.

Superdrug Stores plc

Directors' report for the 52 weeks ended 27 December 2014 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

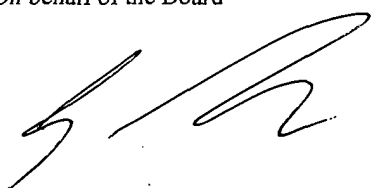
DISCLOSURE OF INFORMATION TO AUDITORS

Each director, as at the date of this report has confirmed that in so far as they are aware there is no relevant audit information (this is information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all 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.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the annual general meeting.

On behalf of the Board



G G Smith
Director
3rd June 2015

Superdrug Stores plc

Independent auditors' report to the member of Superdrug Stores plc

Report on Financial Statements

Our opinion

In our opinion, Superdrug Stores plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 27 December 2014 and of its profit for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Superdrug Stores plc's financial statements comprise:

- the balance sheet as at 27 December 2014;
- the profit and loss account and statement of total recognised gains and losses for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Superdrug Stores plc

Independent auditors' report to the member of Superdrug Stores plc

(continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Rosemary Shapland

Rosemary Shapland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
4 June 2015

Superdrug Stores plc

Profit and loss account for the 52 weeks ended 27 December 2014

		52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
	Note	£'000	£'000
Turnover	1(b)	1,058,047	1,010,212
Cost of sales		(635,844)	(604,682)
Gross profit		<u>422,203</u>	<u>405,530</u>
Selling and distribution costs		(345,761)	(344,536)
Administrative expenses		(62,397)	(55,977)
Other operating income		24,142	20,817
Operating profit	2	<u>38,187</u>	<u>25,834</u>
Income from shares in group undertakings		-	4,193
Interest receivable and similar income	5	3,065	173
Interest payable and similar charges	6	(4,692)	(2,649)
Other finance income	19	1,484	1,431
Profit on ordinary activities before taxation		<u>38,044</u>	<u>28,982</u>
Tax on profit on ordinary activities	7	(11,472)	(4,445)
Profit for the period	17	<u><u>26,572</u></u>	<u><u>24,537</u></u>

All of the above results relate to continuing operations.

A note on historical cost profit has not been included as part of these financial statements as the profit disclosed in the profit and loss account is prepared on an unmodified historical cost basis.

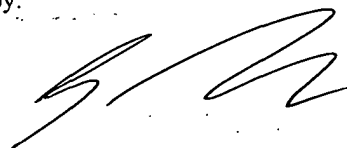
Superdrug Stores plc**Statement of total recognised gains and losses for the 52 weeks ended 27 December 2014**

	Note	52 weeks ended 27 December 2014	52 weeks ended 28 December 2013
		£'000	£'000
Profit for the financial period		26,572	24,537
Actuarial losses recognised in pension scheme	19	(13,569)	(10,565)
Movement on deferred tax relating to pension liability	14	2,714	993
Goodwill reinstated on disposal of pharmacy licences		283	-
Total recognised gains relating to the period		16,000	14,965

Superdrug Stores plc
Balance sheet as at 27 December 2014

		27 December 2014 £'000	28 December 2013 £'000
	Note		
FIXED ASSETS			
Intangible fixed assets	8	13,994	14,272
Tangible fixed assets	10	96,208	91,651
		<u>110,202</u>	<u>105,923</u>
CURRENT ASSETS			
Stock	11	161,158	153,656
Debtors	12	173,988	181,985
Cash at bank and in hand		81,599	57,739
		<u>416,745</u>	<u>393,380</u>
CREDITORS			
Amounts falling due within one year	13	<u>(342,164)</u>	<u>(338,320)</u>
NET CURRENT ASSETS		<u>74,581</u>	<u>55,060</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>184,783</u>	<u>160,983</u>
Provisions for liabilities	15	<u>(4,412)</u>	<u>(3,314)</u>
NET ASSETS BEFORE PROVISION		<u>180,371</u>	<u>157,669</u>
Net pension liability	19	<u>(27,864)</u>	<u>(21,162)</u>
NET ASSETS		<u><u>152,507</u></u>	<u><u>136,507</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	22,000	22,000
Share premium account	17	103,400	103,400
Profit and loss account	17	27,107	11,107
TOTAL SHAREHOLDER'S FUNDS	18	<u><u>152,507</u></u>	<u><u>136,507</u></u>

The financial statements on pages 8 to 25 were approved by the Board of Directors and signed on its behalf by:



G.G. Smith
 Director

3rd June 2015

Registered number: 00807043

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014

1 ACCOUNTING POLICIES

a) Basis of preparation

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the UK. The principal accounting policies which are consistently applied are set out below.

The Company is exempt from the following:-

- publication of a cash flow statement under FRS 1, 'Cash Flow Statements' (revised 1996);
- publication of consolidated financial statements under Section 400 of the Companies Act; and
- requirement to disclose related party transactions with A.S. Watson (Health & Beauty UK) Limited owned group undertakings, under FRS 8, 'Related Party Disclosures'.

These exemptions have been claimed as the Company is a wholly owned subsidiary undertaking of A.S. Watson (Health & Beauty UK) Limited, a company registered in England and Wales, which publishes consolidated financial statements that are publicly available.

b) Turnover

Turnover represents retail sales to customers and is measured at the fair value of the consideration received or receivable and is recognised on the day that the sale is made based on the store till receipts and automatic uploads of retail information. Turnover through the Company's internet site is recognised once an order has been fulfilled and despatched. Turnover represents amounts receivable for goods sold in the normal course of business, net of returns, and is stated net of value added tax. The Company regularly operates a variety of sales promotions that give rise to goods being sold at a discount to standard retail price. Turnover reflects retail sales net of all related discounts. Retail sales are usually in cash or by credit or debit card. It is the Company's policy to sell its products to the customer with a right of return. Based on accumulated experience no provision is made for such returns at the time of sale.

c) Loyalty schemes

In respect of loyalty schemes, principally the Superdrug Beautycard, as points are issued to customers, the retail value of those points expected to be redeemed is deferred. When the points are used by customers they are recorded as revenue. Liabilities are recorded to estimate the proportion of the points issued which will be redeemed by the customers.

d) Goodwill

Purchased goodwill arising on the purchase of pharmacy licences is calculated as the excess of the fair value of consideration given over the fair value of the identifiable assets acquired, and is capitalised as an intangible asset.

Following an investigation by the UK government of the regulatory environment governing pharmacies in 2005, the Directors reviewed the carrying value of the purchased goodwill on the pharmacy licences held by the Company and concluded that a policy of amortising these licences was no longer appropriate. Accordingly, amortisation of the pharmacy licences ceased with effect from 1 January 2005. Impairment reviews are carried out on an annual basis to ensure that the carrying value of each individual pharmacy licence is still appropriate.

Where a business or pharmacy licence is sold, or where goodwill has been impaired, the net book value of goodwill or the amount of impaired goodwill, as applicable, is charged through the profit and loss account in the year of disposal or impairment. The Company has taken advantage of the transitional rules of FRS 10 "Goodwill and Intangible Assets" to leave purchased goodwill acquired prior to 30 January 1999 eliminated against reserves. This goodwill will be charged to the profit and loss account on the subsequent disposal of the related business.

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

e) Impairment of intangible and tangible fixed assets

Intangible and tangible fixed assets are subject to review for impairment in accordance with FRS11 "Impairment of Fixed Assets and Goodwill". Any impairment is recognised in the profit and loss account in the period in which it occurs.

f) Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost, less 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 tangible fixed assets less their estimated residual values, over the following expected useful economic lives of the assets concerned:

Leasehold land and buildings	shorter of 6 2/3 year or length of lease
Fixtures, fittings and equipment	5 to 10 years
Assets in the course of construction	not depreciated

Useful economic lives are reassessed periodically.

g) Valuation of investment in subsidiaries

Investments in subsidiary undertakings are stated at the book value of the net assets of each subsidiary undertaking with the movement being dealt with through the revaluation reserve. Investments are revalued annually.

h) Stock

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

i) Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred. Where an incentive to sign the lease has been taken, this is spread on a straight line basis over the lease term.

j) Pension costs

The Company operates a hybrid pension scheme with defined benefit and contribution sections for employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

The defined benefit section, closed to new members since 2002, was closed to future accrual on 28 February 2010, from which date final salary linkage was also severed. Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension scheme deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

The defined contribution section is open to all new and existing employees to join. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The pension cost charge disclosed in note 18 represents contributions payable by the Company to the scheme.

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

k) Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. All gains and losses are taken to the profit and loss account.

l) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

m) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

2 OPERATING PROFIT	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Operating profit is stated after (crediting)/charging:		
Rental income	(6,718)	(7,458)
Operating leases - land and buildings	98,559	101,257
Operating leases – plant and machinery	1,533	1,549
Loss on disposal of intangible fixed assets	278	322
Loss/(profit) on disposal of tangible fixed assets	1,084	(82)
Movement in goodwill provision (note 8)	-	43
Increase/(decrease) in idle property provision (note 15)	1,098	(73)
Depreciation (note 10)	19,791	21,358
Services provided by the company's auditor		
Fees payable for the audit	123	125

3 EMPLOYEES

The average monthly number of persons employed by the Company (including directors) during the period was:	2014	2013
	Number	Number
Selling	5,088	5,283
Distribution	501	527
Administration	514	542
	6,103	6,352
Their aggregate remuneration comprised:	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Wages and salaries	144,502	143,220
Social security costs	8,989	9,036
Other pension costs	4,962	1,765
	158,453	154,021

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

4 DIRECTORS' EMOLUMENTS	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Aggregate emoluments	<u>1,620</u>	<u>1,677</u>

Pension contributions of £50,577 (2013: £74,026) were paid to defined contribution pension schemes on behalf of 2 directors (2013: 2).

Included in the above emoluments, £434,032 (2013: £230,250) was accrued in respect of a long term incentive plan.

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Highest paid Director:		
Remuneration	1,016	999
Pension contributions	26	46
	<u>1,042</u>	<u>1,045</u>

Included in the director's emoluments, £252,341 (2013: £146,162) was accrued in respect of a long term incentive plan.

5 INTEREST RECEIVABLE AND SIMILAR INCOME	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Bank deposits	129	172
Group undertakings	2,936	1
	<u>3,065</u>	<u>173</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Bank overdrafts	12	10
Group undertakings	1,744	2,635
Other	2,936	4
	<u>4,692</u>	<u>2,649</u>

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
a) Analysis of charge in the year		
Current tax:		
Tax charge on profit on ordinary activities at 21.5% (2013: 23.25%)	9,395	6,491
Adjustment in respect of prior period	1,384	489
Total current tax charge	10,779	6,980
Deferred tax:		
Origination and reversal of timing differences	663	(2,092)
Impact of change in tax rate	30	(443)
Total deferred tax charge /(credit) (note 14)	693	(2,535)
Tax on profit on ordinary activities	11,472	4,445

Included within the deferred tax charge for the year is £1,032,000 (2013: £606,000) in relation to timing differences in the Company's pension scheme which is reflected in the movement on the pension scheme liability as detailed in note 19.

b) Factors affecting tax charge for the period

The current tax charge for the period is higher (2013: higher) than the effective rate of corporation tax in the UK at 21.5% (2013: 23.25%). The differences are explained below:

Profit on ordinary activities before taxation	38,044	28,982
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%)	8,179	6,738
Effects of:		
Expenses not deductible	1,345	394
Depreciation in excess of capital allowances	791	1,326
Capitalised repairs	(492)	(532)
Pension cost charge less pension cost relief	(428)	(1,435)
Adjustment in respect of prior period	1,384	489
Total current tax charge	10,779	6,980

c) Factors affecting future tax charges

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013. These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015.

Deferred taxes at the balance sheet date have been measured using these enacted tax rates based on when the deferred taxes are expected to unwind and reflected in these financial statements.

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

8 INTANGIBLE FIXED ASSETS

	Purchased goodwill £'000
Cost	
At 28 December 2013	19,854
Disposals	(354)
At 27 December 2014	<u>19,500</u>
Accumulated amortisation and impairment	
At 28 December 2013	5,582
Disposals	(76)
At 27 December 2014	<u>5,506</u>
Net book value	
At 27 December 2014	<u>13,994</u>
At 28 December 2013	<u>14,272</u>

Purchased goodwill arose on the purchase of pharmacy licences.

Impairment reviews are carried out on an annual basis to ensure that the carrying value of each individual pharmacy licence is still appropriate. In performing these reviews, management prepared forecasts for future trading in which assumptions over sales growth, gross margins and costs were applied. Management consider these assumptions to be reasonable based on current performance of the Company. As at 27 December 2014, no change to the impairment provision against the carrying value of pharmacy licences was required (2013: increased £43,000).

9 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings are carried at £nil value, having been written down to reflect the underlying value. The subsidiary undertakings are all 100% owned and incorporated in England and Wales.

<u>Name</u>	<u>Class</u>	<u>Nature of business</u>
Superdrug Pension Trustee Limited	Ordinary	Dormant
Tip Top Drugstores Limited	Ordinary	Dormant

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

10 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Assets in the course of construction £'000	Total £'000
COST				
At 28 December 2013	12,521	418,477	4,900	435,898
Additions	-	18,536	7,394	25,930
Reclassification	-	4,900	(4,900)	-
Intra group transfers	-	(5,028)	-	(5,028)
Disposals	(87)	(4,004)	-	(4,091)
At 27 December 2014	12,434	432,881	7,394	452,709
ACCUMULATED DEPRECIATION				
At 28 December 2013	11,069	333,178	-	344,247
Charge for year	560	19,231	-	19,791
Intra group transfers	-	(3,713)	-	(3,713)
Disposals	(35)	(3,734)	-	(3,769)
Movement in impairment provision	(55)	-	-	(55)
At 27 December 2014	11,539	344,962	-	356,501
NET BOOK VALUE				
At 27 December 2014	895	87,919	7,394	96,208
At 28 December 2013	1,452	85,299	4,900	91,651

Enil net book value (2013: £0.4m) of tangible fixed assets are held under operating leases to third parties.

Land and buildings are further analysed as follows:

	Long leasehold £'000	Short leasehold £'000	Total at 27 December 2014 £'000	Total at 28 December 2013 £'000
At cost	1,397	11,037	12,434	12,521
Accumulated depreciation	(573)	(11,021)	(11,594)	(11,116)
Net book value before provision	824	16	840	1,405
Impairment provision	55	-	55	47
Net book value				
At 27 December 2014	879	16	895	
At 28 December 2013	953	499		1,452

11 STOCK

	27 December 2014 £'000	28 December 2013 £'000
Finished goods and good for resale	161,158	153,656

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

12 DEBTORS	27 December 2014 £'000	28 December 2013 £'000
Trade debtors	61,236	58,543
Amounts owed by group undertakings	65,208	72,678
Other debtors	4,322	6,342
Prepayments and accrued income	39,143	40,682
Deferred tax asset (note 14)	4,079	3,740
	<u>173,988</u>	<u>181,985</u>

Amounts owed by group undertakings are interest free and repayable on demand.

13 CREDITORS: amounts falling due within one year	27 December 2014 £'000	28 December 2013 £'000
Trade creditors	54,632	43,087
Amounts owed to group undertakings	153,722	199,187
Corporation tax	24,844	9,355
Other creditors	19,032	17,343
Other taxation and social security	22,757	20,399
Accruals and deferred income	67,177	48,949
	<u>342,164</u>	<u>338,320</u>

Amounts owed to group undertakings include the following loans repayable on demand.

		27 December 2014 £'000	28 December 2013 £'000
Group undertaking	Interest rate		
A.S. Watson (Health & Beauty UK) Limited	2.19%	82,137	102,137
Merchant Retail Group Limited	BoE base rate +0.5%	-	13,000
		<u>82,137</u>	<u>115,137</u>

The Company has a bank overdraft facility which is provided by National Westminster Bank plc and which is unsecured and repayable on demand. Interest is payable at National Westminster Bank plc base rate plus 1.25%. The Company's banking arrangements are subject to a netting facility whereby credit balances may be offset against the indebtedness of its immediate parent company and fellow subsidiary undertakings.

All other amounts owed to group undertakings are interest free and repayable on demand.

The Company has an additional credit agreement with A.S. Watson (Health & Beauty UK) Limited, the parent company, under which a loan credit facility of up to £85,000,000 has been made available, with interest charged at 6 months Libor + 4.5625%. The loan credit facility matures on 30 June 2017.

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Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

14 DEFERRED TAX ASSET	27 December 2014 £'000	28 December 2013 £'000
Depreciation in excess of capital allowances	1,698	1,185
Short term timing differences	2,381	2,555
Deferred tax asset (note 12)	4,079	3,740
Deferred tax asset on pension deficit (note 19)	6,971	5,289
Deferred tax asset at end of period including deferred tax on pension deficit	11,050	9,029

The deferred tax assets have been recognised to the extent that the directors believe they will be recovered in the foreseeable future.

Deferred tax is recognised at the standard UK corporation tax of 20% (2013: 20%).

	27 December 2014 £'000	28 December 2013 £'000
Balance at 28 December 2013	3,740	599
Deferred tax credited to the profit and loss account	339	3,141
Balance at 27 December 2014	4,079	3,740
Deferred tax asset relating to pension deficit		
Balance at 28 December 2013	5,289	4,902
Deferred tax charged to the profit and loss account	(1,032)	(606)
Deferred tax credited to the statement of total recognised gains and losses	2,714	993
Balance at 27 December 2014	6,971	5,289

The deferred tax asset of £6,971,000 (2013: £5,289,000) has been deducted in arriving at the net pension deficit on the balance sheet.

15 PROVISIONS FOR LIABILITIES	27 December 2014 £'000	28 December 2013 £'000
Idle property provision	4,412	3,314
	4,412	3,314
Idle property provision		
Balance at 28 December 2013		3,314
Charge to the profit and loss account		1,098
Balance at 27 December 2014		4,412

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Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

16 CALLED UP SHARE CAPITAL

	Allotted and Fully Paid	
	2014 £'000	2013 £'000
Ordinary shares of 10 p each	22,000	22,000
Number of shares ('000 shares)	220,000	220,000

17 RESERVES

	Share premium account £'000	Profit and loss account £'000
At 28 December 2013	103,400	11,107
Profit for the financial year	-	26,572
Actuarial loss on pension scheme	-	(13,569)
Movement on deferred tax relating to pension scheme	-	2,714
Goodwill reinstated on disposal of pharmacy licences	-	283
At 27 December 2014	103,400	27,107

Cumulative goodwill of £21,151,202 (2013: £21,434,368) arising on pharmacy business acquisitions made prior to 30 January 1999 has been eliminated against the profit and loss reserve account.

18 RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDER'S FUNDS

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Profit for the period	26,572	24,537
Actuarial loss on pension scheme (note 19)	(13,569)	(10,565)
Movement on deferred tax relating to pension scheme	2,714	993
Goodwill reinstated on disposal of pharmacy licences	283	-
Net movement in shareholder's funds	16,000	14,965
Opening shareholder's funds	136,507	121,542
Closing shareholder's funds	152,507	136,507

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

19 PENSIONS

The Company implemented a Group Personal Pension Plan, effective from 1 October 2012, for all eligible employees to join. Company contributions payable in respect of the Group Personal Pension Plan for the year totalled £3,427,166 (2013: £3,183,434).

Until October 2012, the Company operated a hybrid pension scheme, the A.S. Watson (Health & Beauty UK) Pension Plan, with defined contribution and benefit sections, the latter closed to new entrants. The scheme commenced on 1 April 2002, when assets and liabilities were transferred to the defined benefit section from another scheme. On 20 November 2013, the scheme actuary, David Lindsay, a Fellow of the Institute and Faculty of Actuaries, of Aon Hewitt Limited, certified the actuarial valuation as at 31 March 2012 of the defined benefit section of the scheme. The financial assumptions adopted for the valuation were:

Financial assumptions:

Pre-retirement discount rate	5.70%
Post-retirement discount rate	4.10%
Retail price index	3.60%
Consumer price index	2.60%
Pension increases (on benefits in excess of GMPs)	3.20%
Pension increases (on post-88 GMPs)	2.00%
Deferred pension increases (for benefits accrued pre 6 April 2009)	2.60%
Deferred pension increases (for benefits accrued post 5 April 2009)	2.50%
Life expectancy for a 60 year old male pensioner	86.6 years
Life expectancy for a 60 year old female pensioner	89.2 years

The assets in the defined benefit section of the scheme totalled £133.5m and on the above assumptions adopted using the projected unit method, these represented approximately 75% overall of the benefits that had accrued to members. This allowed for the cessation of accrual of future defined benefits for all active members on 28 February 2010, from which date final salary linkage was also severed and all active members were offered membership of the defined contribution section. The Company, as the sponsoring employer, made additional cash contributions totalling £4m in 2012 (£1m before the 31 March 2012 valuation date and £3m subsequent to the valuation date). The Company made further cash contributions totalling £4m in 2013, with further contributions of £3.7m per annum payable from 1 January 2014 to 30 September 2016 towards the defined benefit section shortfall being corrected by 30 September 2016.

Until 30 September 2012, all new employees were given the opportunity to join the defined contribution section of the scheme. The Company made a contribution, the level of which depended on the seniority of the employee. No further Company contributions have been payable in respect of the defined contribution section after this date.

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Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

19 PENSIONS (continued)

Actuarial valuations of the defined benefit section using the projected unit basis were carried out for accounts disclosure purposes under FRS17 "Retirement Benefits" for the Company in December 2011 to 2014 by KPMG LLP. The major assumptions used by the actuaries were:

	27 December 2014	28 December 2013	29 December 2012	31 December 2011
Financial assumptions:				
Discount rate	3.80%	4.45%	4.60%	4.90%
Retail price index	3.10%	3.40%	2.95%	3.10%
Salary increases	n/a	n/a	n/a	n/a
Pension increases	3.00%	3.25%	2.85%	3.00%

The assets in the scheme and the expected rates of return were:

	27 December 2014	28 December 2013	29 December 2012	31 December 2011
	Expected rate of return	Expected rate of return	Expected rate of return	Expected rate of return
	Value £'000	Value £'000	Value £'000	Value £'000
Equity	7.60% 27,997	7.90% 79,990	8.45% 66,260	8.60% 57,393
Property	6.60% -	6.90% 12,160	7.45% 9,592	7.60% 8,767
Bonds (including gilts)	3.80% 1,450	4.45% 15,795	4.10% 15,971	4.20% 15,043
Cash	0.50% 1,468	0.50% 5,408	0.50% 3,642	0.50% 2,200
LDI Derivatives	3.80% 91,500	-	-	-
Other	7.60% 11,090	6.90% 10,554	7.45% 10,142	7.60% 9,566
Total	133,505	123,907	105,607	92,969

The following amounts were measured in accordance with the requirements of FRS17:

Balance Sheet	27 December 2014 £'000	28 December 2013 £'000	29 December 2012 £'000
Total market value of assets	133,505	123,907	105,607
Actuarial liabilities	(168,340)	(150,358)	(126,922)
Deficit in the scheme	(34,835)	(26,451)	(21,315)
Related deferred tax asset	6,971	5,289	4,902
Net balance sheet liability at the end of the period	(27,864)	(21,162)	(16,413)

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Components of pension cost for the period:		
Expected return on assets	8,079	7,203
Interest cost	(6,595)	(5,772)
Net return	1,484	1,431
Amounts recognised in STRGL:		
Actual return less expected return on scheme assets	1,108	10,023
Changes in actuarial assumptions	(14,677)	(20,588)
Actuarial loss in STRGL	(13,569)	(10,565)

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

19 PENSIONS (continued)

	52 weeks ended 27 December 2014 £'000	52 weeks ended 28 December 2013 £'000
Changes in the present value of the defined benefit obligation:		
Present value of obligations at start of period	150,358	126,922
Interest cost	6,595	5,772
Actuarial loss on obligation	14,677	20,588
Actual benefits paid	(2,586)	(2,867)
Net transfer out	(704)	(57)
Present value of obligations at end of period	<u>168,340</u>	<u>150,358</u>
Changes in the fair value of the assets:		
Fair value of the plan assets at the start of period	123,906	105,607
Expected return on plan assets	8,079	7,203
Actuarial gain on plan assets	1,108	10,023
Actual company contributions	3,700	4,000
Actual benefits paid	(2,584)	(2,869)
Net transfer out	(704)	(57)
Fair value of plan assets at end of period	<u>133,505</u>	<u>123,907</u>

History of experience gains and losses for the last five years:

	27 December 2014 Total £'000	28 December 2013 Total £'000	29 December 2012 Total £'000	31 December 2011 Total £'000	25 December 2010 Total £'000
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Difference between the expected and actual return on scheme assets

Amount	1,108	10,023	4,279	(11,893)	5,273
Percentage of scheme assets	8.30%	8.09%	4.05%	12.79%	5.50%
(Losses)/gains	(13,569)	(10,565)	(14,166)	(16,737)	14,968
Percentage of the present value of scheme liabilities	8.06%	7.03%	11.16%	15.83%	15.31%

Superdrug Stores plc

Notes to the financial statements for the 52 weeks ended 27 December 2014 (continued)

20 COMMITMENTS

The Company has the following annual commitments as at 27 December 2014:

a) A duty deferment guarantee in favour of HM Customs & Excise to the value of £2.0 million (2013: £2.0 million)

b) Capital commitments:	27 December	28 December
	2014	2013
	£'000	£'000

Contracted but not provided

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c) Lease commitments:

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

	Land and Buildings		Plant and Machinery	
	27 December	28 December	27 December	28 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Within one year	6,753	6,669	646	631
Within two to five years	39,944	51,424	501	275
Over five years	44,049	44,945	-	-
	90,746	103,038	1,147	906

The financial commitments for operating lease amounts payable as a percentage of turnover have been based on the minimum payment that is required under the terms of the relevant lease. As a result the amounts charged to the profit and loss account may be different to the financial commitment at the period end date.

21 CONTINGENT LIABILITIES

The Company has issued guarantees in respect of property lease rentals for a fellow group undertaking, Kruidvat Real Estate (UK) Limited, to the annual value of £7,632,500 (2013: £7,632,500).

22 ULTIMATE PARENT UNDERTAKING

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

Up to 2 June 2015, the ultimate parent undertaking and controlling party was Hutchison Whampoa Limited, a company incorporated in Hong Kong, which was the largest group into which the results of the Company were consolidated. The financial statements of Hutchison Whampoa Limited can be obtained from 22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong.

Upon completion of the Merger and Spin-off proposal as mentioned in the joint announcement made by Hutchison Whampoa Limited and Cheung Kong (Holdings) Limited on 9 January 2015, the Company's ultimate parent undertaking and controlling party has changed from Hutchison Whampoa Limited to CK Hutchison Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited and incorporated in the Cayman Islands, effective from 3 June 2015.