

**Superdrug Stores plc**

Annual Report and Financial Statements

For the 52 Weeks ended 28 December 2024



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# **Superdrug Stores plc**

## **Strategic Report**

### **For the 52 Weeks ended 28 December 2024**

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The directors present their Strategic Report for the 52 weeks ended 28 December 2024.

#### **General Information**

The Company is a public company, limited by shares and is incorporated and domiciled in England, in the United Kingdom. The registered number of the Company is 00807043. The address of its registered office is 51 Sydenham Road, Croydon, Surrey CR0 2EU. The Company is an indirect wholly owned subsidiary of AS Watson Holdings Limited, a company incorporated in the Cayman Islands, with its principal place of business in Hong Kong.

During the financial period some of the AS Watson Group of Companies changed the name from A.S. Watson to AS Watson. This change has been reflected in these financial statements.

#### **Principal Activity**

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

#### **Results and Business Review**

The Company has had a strong financial period with sales increasing by 7.0% (2023: 11.8%). Despite UK retail footfall being subdued all year, the Company showed resilience to grow sales in its retail stores and online channels. Total sales continue to be supported by the opening of new stores as well as the ongoing refurbishment programme of existing stores. During the period the Company opened 13 new stores (2023: 14). The continued pressure on consumers' disposable income, coupled with fluctuating consumer confidence, means that Superdrug's promotion led offering, and everyday low prices on own brand products, continues to be attractive.

Profit before tax was £136.8 million (2023: £111.6 million), an increase of 22.6% that is primarily attributable to the strong sales growth. In addition, the Company's continued focus on productivity and cost efficiency coupled with the increase in sales resulted in an increase in operating margin from 8.0% to 8.8%. Net assets at 28 December 2024 were £439.8 million (2023: £378.8 million), with total assets of £1,176.7 million (2023: £1,101.8 million) and total liabilities of £736.8 million (2023: £723.0 million).

The Company continued to be in a strong cash position, which stood at £200.6 million at the period end (2023: £161.5 million). The increase in the cash position was driven by the increase in trade and enabled the Company to invest in higher stock levels to drive availability plus to repay the remaining £30.0 million intercompany loan from its parent company AS Watson (Health & Beauty UK) Limited.

#### **Business Environment**

2024 was another tough year for the retail sector and although inflation reduced throughout the year the legacy impact of higher prices, and sustained higher interest rates, contributed to squeezing consumers' disposable income. The continued "cost of living" crisis was prevalent throughout the year meaning customers shopped around as they became more price sensitive. Total high street footfall across the UK was down on 2023, as measured by the British Retail Consortium, although the health and beauty sector was one of the few market groups to see retail sales growth year on year. Government driven decisions on areas like National Minimum Wage has compounded wage inflation and continues to put pressure on operating margins for retailers, which the Company strives to offset through its cost efficiency and procurement activities.

#### **Strategy**

The Company continues to aim to be the best in everyday accessible beauty and health. 2024 saw the opening of 13 new stores as the Company continues to actively manage its store estate. There has also been ongoing investment in the refurbishment and extension of existing sites to create a more inviting and modern shopping environment. In 2024, the Stratford Westfield store reopened following an extension as the largest store in the estate, trading off 9,900 sq ft.

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**Strategy (continued)**

"Offline plus Online" (O&O) remains a central strategic pillar for the Company. The online experience has been driven by improvements to user experience on the website, the launch of a new version of the App, and by offering a range of customer-centric delivery options including a 30-minute click & collect service.

The Company's Health & Beauty card customer loyalty programme remains pivotal to the engagement with its customers. "Member Only" pricing deals have continued to play a part in the promotional offering, in conjunction with standard promotions open to all, and have helped to deliver an increase in visit frequency and loyalty.

**Principal Risks and Uncertainties**

The management of the Company and the execution of the Company's strategy are subject to a number of principal risks. These risks are reviewed formally by the board of directors of the Company (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:

Social and environmental

*Risk and Impact*

Managing the impact that the Company has on the planet and tackling climate change is critical from both a social and regulatory standpoint. Customers are increasingly recognising the need for the Company to be sustainable in the products it offers, as the global effects of climate change have become more visible in recent years. This also needs to be integrated within business decisions and strategy. Non-compliance from a social or regulatory prospective could lead to reputational damage to the Company and potential penalties.

*Controls and mitigation in place*

The Chief Executive Officer is a member of the AS Watson Group Global Sustainability Committee, which is responsible for the AS Watson Group Sustainability Roadmap. This roadmap is ambitious and aims to reduce the environmental and social impact of the material risks identified. The Company also has a dedicated Environmental, Social and Governance (ESG) team, demonstrating the Company's commitment in this area.

The Company organises its ESG strategy around the pillars of Planet, People and Product along with a local Sustainability Roadmap. The Sustainability Roadmap includes quantitative and qualitative targets up to 2030 including, but not limited to, energy reductions, emissions reduction, Own Brand packaging, sustainably sourced paper and palm oil. The Company contributes actively to AS Watson Group's commitments to Sustainable Palm Oil, The Ellen MacArthur Foundation, New Plastic Economy and the Science Based Target Initiative.

The Company is committed to being an ethical business and focussing on human rights. The Company has a Modern Slavery Task Force and publishes a modern slavery statement. The Company has partnered with a UK modern slavery NGO (non-governmental organisation) to support its activities in reducing the risk of modern slavery within the business. The Company also supports a number of NGOs for causes that are important to our customers and colleagues, through fundraising and awareness raising activities.

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**Principal Risks and Uncertainties (continued)**

Cyber security and Data privacy

*Risk and Impact*

The increasingly digitised nature of retail means that improper controls over data and systems could lead to a breach of customer, staff, or supplier data in the event of a cyber-security incident. This could lead to a significant reputational harm to the Company which could cause risks to the financial performance of the Company in addition to any fines and potential penalties.

*Controls and mitigation in place*

The Company works closely with experts within the wider AS Watson Group to leverage capability and technology to constantly monitor and improve this area. Compliance with data protection regulations and adhering to industry-specific standards is a core action to ensure the lawful and secure processing of relevant information.

Controls and procedures are in place to identify cybersecurity risks and incidents, with a 24x7 Security Operations Centre ("SOC") providing real-time threat and incident monitoring and detection. The network and systems storing sensitive data are monitored and periodically reviewed. Access is monitored and analysed by the SOC.

To foster a culture of data privacy and security and reduce the risk of internal breaches, employee training and awareness programs are essential. The Company educates staff about the significance of the risk and their responsibility in protecting their own personal data and the organisation's information and assets.

IT and business systems

*Risk and Impact*

The Company relies on its IT infrastructure to deliver its operations, drive major change programmes and allow the business to keep pace with technological developments and the opportunities they present. The security, resilience and control of these key assets are significant to and a key focus of management. Any significant issues with key IT infrastructure could lead to a detrimental impact on trade, profitability, and cash flow.

*Controls and mitigation in place*

The Company has system recovery plans in place to deal with any problems of key systems with testing taking place periodically to ensure swift action to help minimise business disruption. The efficiency and resilience of key IT assets and investment in the IT environment are a key focus of management and our investment strategy.

Network segmentation is implemented across the Company's network to ensure resilience and reduce the risk of systems failure contagion. Protection measures such as network firewalls, web application firewalls, network detection and response tools are also in use. Security incident monitoring is available and provided by the SOC run by an internal team with the assistance of vendor insight.

Penetration tests are periodically performed at least once per year. A Patch management program is also in place to apply latest patches to systems to ensure these are constantly up to date and minimising the risk of inappropriate access or systems compromise. Vulnerability scans are performed at least monthly to identify missing patches, and there is a daily dashboard showing the patching status of different platforms enabling real time management review.

The Company continues to invest in developing its IT infrastructure with a portion of the capital expenditure budget ringfenced for this area.

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**Principal Risks and Uncertainties (continued)**

People and culture

*Risk and Impact*

The Company's performance depends largely on its staff and continued service of key management. The loss of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Company's results and future growth.

*Controls and mitigation in place*

The Company continues to run programmes to improve staff retention, for example its long-established retail management training and Aspire development programme to drive internal career progression.

The Company offers apprenticeship programmes across various functions within the business and regular in person and digital training courses through an internal platform which supports the Company's ability to develop and retain talent. During the period, the Company launched a new campaign, "Rise-Up, Level-Up", to shine a light on the importance of apprenticeships for young people.

It is becoming increasingly important for modern businesses to support staff wellbeing and expand the range of employee benefits. Employees have a range of methods to communicate suggestions and proposals including the employee engagement survey and various forums within an employee portal. The Company also has a competitive rewards and benefits package for all staff and enhanced benefits when service milestones have been surpassed.

Competition

*Risk and Impact*

The Company operates in a highly competitive retail market particularly concerning price, product availability and quality. Failing to respond to changing customer needs and offering competitive prices could result in downward pressures on volumes and margins which may limit growth opportunities.

*Controls and mitigation in place*

To remain a competitive option for consumers, market research is carried out, prices are monitored on a regular basis, pricing is adjusted accordingly, and the Company carries out planned promotional activities.

The Company has also focussed on building strong relationships with both suppliers and customers – this is demonstrated by the Health & Beauty card, loyalty scheme where members are able to redeem points and take advantage of member only pricing.

The products the Company produces or has contractually manufactured under the Company's guidance are key to the Company's success by demonstrating a unique "Own Brand" offering. Additionally, the Company constantly reviews the market and customer landscape to identify shifts in behaviour and competitive developments and takes action as appropriate to continue to be an attractive option for customers.

Operating costs and efficiency

*Risk and Impact*

The Company is exposed to market movements across a significant part of its cost base. External challenges such as inflation, and rising living and employment costs, continue to have a notable impact on the UK. It is critical to ensure the Company is fit for the challenges that lie ahead by having strategies in place to mitigate these external pressures as they place considerable pressure on direct commodity costs and across the range of goods and services the Company procures to sustain its operations.

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**Principal Risks and Uncertainties (continued)**

Operating costs and efficiency (continued)

*Controls and mitigation in place*

The Company constantly focuses on its cost base and seeks to drive cost reductions through procurement activities and operational efficiencies to control the risk of price rises and for them to be kept to a minimum. The Company has a robust and regular business forecasting process to model the expected impact of any market movements on the business.

Supply chain disruption

*Risk and Impact*

The Company relies upon third party suppliers to deliver products and provide services on a timely basis to meet the demands of its customers. The risk of disruption and inflationary pressures within the supply chain could have a negative impact on the profitability and growth of the business. Furthermore, the inability to service the requirements of its customers could result in reputational damage to the Company.

*Controls and mitigation in place*

The Company works closely with key suppliers to form effective partnerships to ensure capacity and service levels are in line with both current activities and future growth plans. The Company also manages the risk of service failure by carrying sufficient buffer stock in its warehouses and stores, plus the constant engagement with alternative market operators should supply routes or service provision need to be switched.

All suppliers are required to adhere to the Company's supplier code of conduct, with new suppliers required to go through due diligence screenings supported by a third party, which mitigates the risk of unethical practices causing reputational damage.

**Key Performance Indicators ("KPIs")**

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

	<b>52 weeks ended 28 December 2024</b>	<b>52 weeks ended 30 December 2023</b>
Revenue	£1,634.5m	£1,528.0m
Operating profit	£144.2m	£121.9m
Operating margin	8.8%	8.0%

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**Financial Risk Management**

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

a) Credit risk

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

b) Liquidity risk

The Company's liquidity risk is mitigated by internal funding primarily from its fellow group company, AS Watson Group (HK) Limited, in order to meet the Company's funding requirements.

c) Foreign exchange risk

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

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

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

Under section 172 (a) to (f) of the Companies Act 2006, directors of a company are required to act in a way 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 should also create a culture whereby the long-term consequences of its actions and the long-term success of the Company are given due consideration.

*(i) The likely consequences of any decision in the long term*

It is essential that the Board makes decisions which are best for the Company in the long term. These decisions are focussed on long-term success, not short-term gains, which will stand the Company in good stead for the future. This has been a major focus for a number of years, particularly in light of the continued pressure on the high street as a result of the struggling retail market.

The Company works closely with its shareholder and stakeholders to review, update and agree its five-year strategy each year. Consideration is given to the changing retail landscape and investments that may be needed to support future growth as well as financial projections. The strategy is formally signed off by the Board each year, which then forms the basis for the operating plans to deliver against the agreed targets.

The Investment Committee of the Company, chaired by the Chief Executive and supported by the Finance Director, holds regular meetings to ensure all significant spend decisions have a comprehensive review before decisions are taken and contracts are signed. This also ensures, to the extent possible, that commitments with sufficient flexibility or otherwise only minimum commitments will be entered into by the Company, so as to allow the Company to remain agile in an ever-changing environment at a time where the nature of the high street is changing rapidly across various town centres.

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**Companies Act 2006 Section 172 (1) Statement (continued)**

*(ii) The interest of the employees of the Company*

The relationship with the employees of the Company is paramount. The Company actively engages with its employees to ensure that their opinions and ideas are always considered, and that employees are kept up to date and informed. The Company holds an annual conference for Store Managers and Assistant Store Managers to provide an update on the current performance and future plans of the Company. Regular conferences are also held for Head Office employees, and equivalent 'all hands' meetings also take place at its Distribution Centres.

All employees have access to a social networking platform, which is used for Company communication, as well as sharing less formal messages with each other on store events, like charity fundraising. Access to this collaborative network helps to drive employee engagement. Throughout the year employees receive regular communication and updates from the Chief Executive and other members of the Executive team so that they are kept up to date and informed of business action, and of the impact of the situation on business performance.

The Company has a diversity and inclusion strategy, "Everyone Matters", which remains a key priority across the business. The Company also has an employee engagement survey which allows the business to gain feedback to improve the things that matter most to employees, launching new policies, toolkits, and benefits to enhance its wellbeing and inclusion offering.

Employee wellbeing is very important to the Company and it strives to create a positive environment that empowers and takes care of employees' overall wellbeing. Benefits are offered across financial, social, physical and mental wellbeing. Mental health training and free period products are available for all employees. The Company was awarded a Bronze award during the year for being an inclusive employer as part of Stonewall's diversity champions program. The Company also offers enhanced various employee benefits such as a pregnancy loss scheme, paternity leave and shared parental/adoption leave.

The Company is also a strong supporter of its defined benefit pension scheme, taking seriously its responsibilities to ensure the retirement obligations are funded and secured appropriately for its employees. The Finance Director and the People Director meet with the Trustees of the scheme on a quarterly basis to this end.

*(iii) The need to foster the business relationships of the Company with suppliers, customers and others*

In all instances the Company aims to create and maintain open and transparent business relationships, which are paramount to ensuring high quality products can be obtained on terms that can meet customer demand. The directors are also mindful of the need to maintain, and enhance, good supplier relationships in the strategy they deliver for the Company.

The Company participates in regular independent surveys across its key suppliers, seeking feedback on matters such as clarity of strategy, business practices and payment performance. The Chief Commercial Officer, Trading Director and Healthcare Director also hold regular "top to top" meetings with major suppliers to ensure that open communication channels and positive business relationships are maintained.

The Company acknowledges the importance of its customers to the continued and long-term success of the business, and places great emphasis on customer experience whilst shopping. Through the Company's loyalty scheme, store level surveys are undertaken on a weekly basis with customers to gain real-time feedback with a view to improving customer service.

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**Companies Act 2006 Section 172 (1) Statement (continued)**

*(iv) The impact of the operations of the Company on the community and the environment*

The Company has a dedicated ESG team to drive its wider sustainability strategy which is headed by the Property Director and the People Director under the banner of "Doing Good Feels Super", which provides central oversight to all the ESG activities of the Company. Additionally, the Chief Executive represents the Company on the global AS Watson Group CSR Committee ensuring that the Company benefits from group-wide expertise and resources in this important area.

The Company has 3 strategic pillars for ESG which are Planet, People and Product along with a local Sustainability Roadmap. The Sustainability Roadmap includes qualitative targets up to 2030 including, but not limited to, energy and greenhouse gas emissions reductions. The Company is committed to being an ethical business and focussing on human rights. The Company has a Modern Slavery Task Force and publishes a modern slavery statement. The Company also partners with a UK modern slavery NGO (non-governmental organisation) to support in reducing the risk of modern slavery within the business.

During the year the Company received an 'Outstanding Achievement Award' for its partnership with Pennies. Pennies provide a digital charity box service at the till, working with retailers to give customers the option to donate 'electronic change' to charities. Through implementing Pennies across our store estate the Company raised over £0.5m for Marie Curie which was enough to fund over 21,000 hours of nursing care.

*(v) The desirability of the Company maintaining a reputation for high standards of business conduct*

The Company expects the highest standard of business conduct from its employees. They receive regular regulatory and compliance updates, and the Company also has in place policies, procedures and processes in respect of modern slavery, anti-bribery and corruption, as well as tax strategy.

All employees sign up to the AS Watson Code of Conduct upon joining the Company, which sets out the minimum standards for all employees of the AS Watson Group of companies. The Code aims to promote honest and ethical conduct and encourage trust, fair dealing and integrity in all interactions with customers, suppliers, colleagues and stakeholders.

The Company was the winner of the RoSPA Health and Safety Award for the Wholesale & Retail Sector for 2024. The internationally renowned award recognises organisations for their unwavering commitment to protecting lives and setting the benchmark for prestige and inspiring sector-wide admiration.

*(vi) The need to act fairly as between members of the Company*

The Company works closely with its shareholder; agreeing the strategic direction, reviewing financial performance and major investment decisions, and maintaining an open communication on matters of importance. Such approach drives benefits for both the Company and its shareholder.

**Corporate Governance**

The Company is part of the AS Watson Group of companies ("ASW Group"), and ultimately part of CK Hutchison Holdings Limited ("CKHH", and together with its subsidiaries, the "CKHH Group"), a company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited.

The Company adopts and applies high standards of corporate governance best suited to the needs and interests of the CKHH Group as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of the shareholder and other stakeholders and enhancing shareholder value.

For period ended 28 December 2024, under The Companies (Miscellaneous Reporting) Regulations 2018 the Company has continued to follow the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") which are available on the Financial Reporting Council website as an appropriate framework when making a disclosure about its corporate governance arrangements. The Company's reporting against the Wates Principles is set out below.

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**Corporate Governance (continued)**

*Principle 1: Purpose and Leadership*

The Company's principal objective is to be the best for everyday and accessible beauty and health, both on the High Street and Online. This business purpose is clearly cascaded and communicated throughout the Company as it focusses on delivering this objective consistently for its customers. This in turn ensures financial returns for its shareholder, stability and progression for its employees and continued investment in the business and the communities which it serves.

Whilst the Board is responsible for the overall direction and management of the Company, the effective day-to-day management of the Company is overseen by the Company's executive management team (the "Exec"), supported by delegated authorities to certain senior officers and employees which are generally based on financial thresholds. The Board regularly reviews these authorities to ensure they are appropriate and relevant.

The Exec and members of the Board meet regularly to discuss and review strategies, performance, business plans, budgets and risk profiles of the Company. Whilst the Board is charged with the task of promoting the long-term success of the Company and making decisions in the best interests of the Company, the Exec is accountable for the conduct and performance of the Company within the agreed strategies. The Board together with the Exec instil and uphold the Company's objectives and strategies through the day-to-day operations and management of the Company.

*Principle 2: Board Composition*

The Board is comprised of five directors which provides for representation of both the Exec and also the Company's shareholder. The Exec is represented by the Chief Executive and the Finance Director, with the Company's shareholder represented by the Chairman of AS Watson Group, the Group CEO of AS Watson Group and AS Watson Group Chief Financial Officer. The Board considers its current size and composition constitutes an effective board appropriate to meet the strategic needs and challenges of the Company and ensure effective decision-making.

The Exec comprises of twelve senior executives, led by the Chief Executive. Collectively the Exec possesses extensive retail leadership experience, gained across several different organisations and countries. It includes executives with specialist professional qualifications, including in relation to the Company's pharmacy operations.

Diversity and inclusion is a key part of the Company's culture. The Company is committed to developing a more diverse workforce, including at the most senior levels. It recognises the benefits of a Board and Exec that possesses a balance of skill sets, experience, expertise and diversity of perspectives appropriate for the strategies of the Company. The Company believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board and the Exec in achieving sustainable business operation and enhancing shareholder value.

*Principle 3: Directors' Responsibilities*

The Board and each director have a clear understanding of their accountability and responsibilities. The Board is committed to achieving and maintaining the high standards of corporate governance structure, policies and practices of the ASW Group, taking into account the business and regulatory frameworks within which the Company operates. Business plans and budgets are prepared annually by management of the Company and are subject to review and approval by the Board and the executive management team of ASW Group as part of the ASW Group's five-year corporate planning cycle. Management of the Company is also responsible for preparing monthly management reports on the financial results and key operating statistics of the Company. Bi-monthly meetings are held with the executive management team of ASW Group to review these reports, business performance against budgets, forecasts, significant business risks sensitivities and strategies of the Company.

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**Corporate Governance (continued)**

The Board as a whole is responsible for promoting the long-term success of the Company and making decisions in the best interests of the Company in line with the agreed business plans and strategies. Throughout the year, the management of the Company provides to the directors updates and other information with respect to the performance, business activities and development of the Company. The Company also has in place a formal structure of the Board approved delegated authorities to ensure that there are appropriate controls surrounding decisions and commitments that may bind the Company.

The Board considers that all of these robust corporate governance and internal control frameworks and company leadership, working together, promote effective stewardship to deliver long-term value for the Company and its shareholder as a whole.

*Principle 4: Opportunity and Risk*

The Company is committed to the long-term sustainability of its business by regularly reviewing its business model and practices to identify opportunities for improving its performance and creating value for stakeholders. The Exec meets regularly to discuss and consider these opportunities and conducts an annual strategic review and quarterly forecasting exercise to embed decisions and allocate resources accordingly.

The Board seeks to instil risk awareness across the Company's business operation and has put in place policies and procedures which provide a framework for the identification, reporting and management of risks. The Company adopts an Enterprise Risk Management framework to manage its risk exposure and appetite. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Company, be they of strategic, financial, operational or regulatory nature. There is ongoing dialogue amongst the Exec about current and emerging risks, their plausible impact and mitigation measures. On a half-yearly basis, the Company is required to formally identify and assess the control framework that supports the management of business risk.

*Principle 5: Remuneration*

The remuneration of the directors and senior executives of the Company is determined with reference to their expertise and experience in the industry, the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies and prevailing market conditions. Remuneration arrangements are also subject to oversight and approval from the Company's shareholder. Employees also participate in bonus arrangements which are determined in accordance with the performance of the Company and the individual's performance. The Board considers that the remuneration structure of the Company aligns with the Company's objectives, values and strategies to support long-term sustainable success.

The Gender Pay Gap is reviewed by the Exec, and an action plan is formulated for improvements across the whole organisation. The Exec is committed to developing a more diverse senior leadership team across the Company and has introduced balanced shortlists for all senior management and director appointments covering gender and ethnicity to bolster its leadership team and future progression potential.

*Principle 6: Stakeholder Relationships and Engagement*

The Board actively promotes engagement and communications with stakeholders, including employees, shareholder, customers, business partners, suppliers, its Pension Scheme, regulators, government, community groups and media partners. The Company actively encourages employees to express their views and has established various channels including a social platform 'The Hub' allowing two-way communication between colleagues at all levels of the organisation. The Hub is used regularly by employees to engage with the culture, share views, ask questions and learn about the business. The Company also regularly collects views from other stakeholders through a variety of channels, such as independently sourced feedback and assessment reports by the Company's key suppliers on its performance across a range of measures such as business relationships, supply chain management and payment processes.

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**Corporate Governance (continued)**

The Company is committed to achieving and maintaining high standards of openness, probity and accountability. There are established whistle-blowing policy and mechanisms which allow the employees of the Company and those who deal with the Company to report any suspected impropriety, misconduct or malpractice concerning the Company with confidence.

The Company has adopted a proactive approach to its social, economic and environmental responsibilities as outlined in its section 172 disclosures.

**Non-financial and sustainability information statement**

The Company's climate-related disclosures have been prepared in accordance with the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 section 414CB of the Companies Act 2006.

*Governance*

The Company's Board is responsible for overseeing management's response to climate-related impacts. Accountability for, and oversight of, climate-related impacts sits with the Executive leadership team ("the Exec"). In its role the Exec ensures there is an effective system of internal controls within the Company for the assessment and management of key risks. The Exec retains overall responsibility for climate governance and actions undertaken, which are integrated into its ESG strategy. The Exec ensures action plans are embedded into the business strategy and future financial planning to mitigate climate-related risks and capitalise on climate-related opportunities.

The Company also works closely with the AS Watson Group on climate related matters, in particular the Group's Chief Sustainability Officer. The Group provides strategic oversight of climate-related risks and ensures alignment of direction, resources and targeting of climate-related activities. These include the establishment of Science Based Targets and sustainability roadmap targets.

The Company's ESG strategy is overseen by the Head of ESG who chairs the "Doing Good Feels Super" steering group, which meets quarterly. The Steering Group consists of a mixture of directors and senior management who are responsible for delivering on different aspects of the Company's sustainability strategy, organised around the pillars of Planet, People and Product.

During the year the Company continued to work closely with expert external advisers to further enhance its understanding of the potential impact of climate change on the business and to inform its future strategy and risk management approach.

*Strategy and Risk Management*

Climate change presents a wide range of risks and opportunities that the business will need to continually monitor and consider. As part of building resilience into the business strategy, the Company conducted a Climate Scenario Analysis ("CSA") to determine potential impacts of climate related risks and opportunities. For the first iteration of the CSA, the Company started with a larger population of risks and opportunities that were relevant to its business and industry. In the prior year, cross-functional workshops were held to discuss the impact of each risk and opportunity, to narrow this initial list down further to produce a shortlist. This shortlist consisted of two physical risks, five transitional risks and two opportunities. In the current year, the risks and opportunities were reviewed, and validated, with the same cross-functional internal stakeholders.

# Superdrug Stores plc

## Strategic Report (continued)

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#### Non-financial and sustainability information statement (continued)

##### Physical risks

Flooding and temperature rises were identified as the most common threat across the Company's estate which could disrupt operations across the network. In addition, changing weather conditions could also influence a change in shopping behaviour.

##### Transitional risks

Transition risks are the most likely to impact the Company. This is driven by increasing costs as the government may impose additional regulation and tariffs to meet climate targets. The effect of regulatory and reporting changes, as well as shifting consumer preferences were assessed using qualitative reviews, analysis of trends and identification of key drivers.

##### Opportunities

Opportunities were also identified in relation to a transition to a low-carbon economy. These have the potential to increase revenue through driving demand due to consumer perception of the Company's approach to sustainability.

##### Scenario selection

The Company used global climate scenarios defined by the Network for Greening the Financial Systems ("NGFS") and selected two climate scenarios from the NGFS for the analysis. The scenarios were selected as they were intended to represent the outer limits of possible outcomes, although the most likely outcome is somewhere between the two. Each scenario presents a distinct possible future in which the Company may be operating.

##### **Net zero 2050**

An ambitious scenario that limits global warming to 1.5°C through stringent climate policies and innovation, reaching net zero CO<sub>2</sub> emissions around 2050. This scenario assumes that ambitious climate policies are introduced immediately. Carbon removal is used to accelerate decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO<sub>2</sub> emissions reach zero around 2050, giving at least a 50% chance of limiting global warming to below 1.5°C by the end of the century. Physical risks are relatively low, but transition risks are high.

##### **Current policies**

This scenario assumes that only currently implemented policies are preserved, leading to high physical risks. This represents a business-as-usual scenario with minimal meaningful action taken on reducing emissions. Emissions grow until 2050 leading to about 3.5°C of warming and severe physical risks. This includes irreversible changes, such as higher sea level rise, and potentially the crossing of devastating climate 'tipping points' such as widespread methane release through the melting of permafrost landscape, or the permanent shutdown of the Atlantic Gulf Stream.

##### Impact quantification

The Company carried out different workshops internally to gain an understanding of the operational implications of each of the identified risks, and opportunities, and how these may vary across the two different scenarios. These workshops were carried out with input from internal and external experts within different areas of the business. The Company was able to identify a wide variety of potential impacts on its business model resulting from climate change. When analysing each risk qualitative and, wherever possible, quantitative assessments were made. The impact on operating profit was assessed across short (less than 5 years), medium (5-10 years) and long (more than 10 years) timescales.

The ultimate outcome of the CSA was an impact assessment to understand the Company's resilience to relevant climate-related risks and opportunities. The CSA and the scenarios used will undergo a full refresh every three years to ensure they remain relevant and appropriate for the business, with the list of risk and opportunities being reviewed annually, to ensure they are still aligned to core business operations.

For the purposes of the assessment of climate-related risks, opportunities and disclosures, the Company has used a similar materiality as that for the financial statements.

**Superdrug Stores plc**  
**Strategic Report (continued)**  
**For the 52 Weeks ended 28 December 2024**

**Non-financial and sustainability information statement (continued)**

**Physical risks**

Risk	Description	Timescale	Financial Impact	Strategic response
Extreme weather events (floods) impacting distribution centres	Impact of extreme weather events causing flooding at the Company's distribution centres	10+ years	Low	Continually monitor flood risk at distribution centres for long-term impact. Review business interruption plans and ensure insurance coverage remains in place.
Changing weather conditions leading to increased energy costs and reduced footfall	Expected increase in temperatures at each store results in an increased cooling demand, utilising more energy.  In addition, increased temperatures resulting in reduced footfall on the high street, with customers switching to online purchases.	10+ years	Medium	Continually monitor events at individual stores. The store estate is wholly leased, predominantly on short leases, providing flexibility on location if specific situations are impacted.  Continue to drive the online channel to provide customers with the opportunity to move away from stores if required.

**Transitional risks**

Risk	Description	Timescale	Financial Impact	Strategic response
Volatility of energy costs	Assuming the Company meets its energy reduction targets by 2030, this risk reflects the increase in cost as a result of the volatility of energy prices	< 5 years	Low	Continue to work towards the energy reduction targets by 2030, as well as identifying other energy saving opportunities.  Energy costs represent a smaller proportion of the overall cost base, and therefore volatility would present a smaller risk.
Shifting consumer preferences due to a failure to act on climate change	This risk is identified as a concern that climate conscious consumers would shift demand away from the Company if it was deemed not to be meeting its decarbonisation targets or seen to be behind competitors' journey on climate change.	5-10 years	Medium	Staying up to date on market trends to do with environmental performance and communicating the Company's ESG journey, targets and commitments to its customers.  The Company has experienced buying teams across all its categories who monitor changing customer preferences on an ongoing basis.
Increase in costs due to carbon prices and taxes on GHG emissions	Increase costs incurred by the Company as government policies to reduce climate change come into force. This will include costs passed on to the Company as a result of increases in costs of raw materials in the products it sells, as well as any taxes applied to the Company itself.	10+ years	Medium	Continue to focus on reducing emissions across the value chain and meeting the Company's science-based target by 2030.  Work with suppliers to mitigate ongoing costs related to product design and development.

**Superdrug Stores plc**  
**Strategic Report (continued)**  
**For the 52 Weeks ended 28 December 2024**

**Non-financial and sustainability information statement (continued)**

**Transitional risks (continued)**

<b>Risk</b>	<b>Description</b>	<b>Timescale</b>	<b>Financial Impact</b>	<b>Strategic response</b>
Change in packaging regulations resulting in increased costs	Increase costs incurred by the Company as a result of government policy in changing packaging regulations.	< 5 years	Low	The Company continually reviews its product mix, and supplier base, and therefore has a degree of flexibility if faced with changing regulations on packaging. The Company will continue to work with suppliers to ensure any cost increases are mitigated where possible.  For the Company's Own Brand products, its design team will continue to look to mitigate packaging costs.
Increased regulations on product composition and procurement standards	Increase costs incurred by the Company as a result of government policy with increased regulation on product composition and procurement standards.	< 5 years	Low	The Company continually reviews its product mix and supplier base and has a degree of flexibility if faced with changing regulations on product composition. The Company will continue to work with suppliers to ensure any cost increases are mitigated where possible.  For the Company's Own Brand products, its quality and technical team will continue to monitor changing government policy and regulation and anticipating product formulation changes where possible.

**Opportunities**

<b>Risk</b>	<b>Description</b>	<b>Timescale</b>	<b>Financial Impact</b>	<b>Strategic response</b>
Shifting consumer preferences due to successfully meeting climate targets	An opportunity may exist if the Company is deemed to be ahead of its competitors at successfully meeting climate targets and the climate conscious consumer could shift shopping preferences.	5-10 years	Medium	Staying up to date on market trends to do with environmental performance and increasing communication about its ESG journey, targets and commitments to customers.  The Company has experienced buying teams across all categories who monitor changing customer preferences on an ongoing basis.
Increase in sales of 'more sustainable' products	A similar opportunity may exist as the Company sells more sustainable products, for example lower non-sustainable packaging	10+ years	Low	Staying up to date with market trends and utilising some of the Own Brand products to try and help drive a differentiation with 'more sustainable' products.

**Superdrug Stores plc**  
**Strategic Report (continued)**  
**For the 52 Weeks ended 28 December 2024**

**Non-financial and sustainability information statement (continued)**

*Metrics and Targets*

Having assessed the impact on key risks and opportunities, the Company is committed to a number of sustainability goals including driving down its Greenhouse Gas (“GHG”) emissions and general energy consumption, as well as driving sustainable packaging in Own Brand products. This will help to mitigate the impact of volatility of energy costs, any possible taxes on GHG emissions as well as shifting consumer sentiment on failure to act on climate change.

The Company continues to identify ways to support delivery of these targets, for example installing more energy efficient LED lighting in new stores and refurbishments, trialling voltage optimisation units and Building Management systems as well as continued research and development to support Own Brand product development. In addition, there continues to be improvements in understanding emissions associated across the Company’s value chain.

The AS Watson Group has had its science-based targets validated by the Science Based Targets initiative (“SBTi”) as in line with a 1.5°C trajectory. As part of the AS Watson Group, the Company will be contributing to the achievement of these targets. For the 2025 financial period the Company has included GHG reduction targets in executive remuneration plans, to drive further focus onto this area. These targets, and the progress being made against them, are shown in the table below.

<b>Climate-related topic</b>	<b>Target</b>	<b>2024 position</b>
Scope 1 Emissions*	50.4% reduction in absolute scope 1 vs 2018 by 2030	22.3% reduction in scope 1 emissions vs 2018
Scope 2 Emissions*	50.4% reduction in absolute scope 2 vs 2018 by 2030	98.4% reduction in scope 2 emissions vs 2018

Further information on the Company’s GHG emissions can be found on page 19.

In summary, having assessed the risks, the Company believes that the short to medium term climate-related risks are not material for the business, although it recognises the need to keep abreast of future climate change legislation as well as consumer preferences. The risks related to climate change are an integral part of the Company’s enterprise risk management process, which the Company uses to continually assess impact in order to drive the appropriate business decisions.

**Future Outlook and Prospects**

The directors expect that the UK retail environment will remain challenging and strongly competitive in 2025. Consumer sentiment remains subdued and with the household savings ratio the highest for a number of years retailers are having to work hard to capture customers spend. At the same time upwards pressure on operating costs as a result of legislative changes, especially the increase in national insurance contributions, continue to put a strain on operating margins.

However, the Company’s strategy is designed to counter these headwinds. The continued growth in sales and market share which the Company has delivered over the past few years demonstrates the ongoing relevance of its customer offer across its broad beauty and healthcare product offering, both in-store and online. The Company is cash generative and with a strong balance sheet has a range of attractive investment opportunities open to it to further consolidate its market position and to drive further growth and operating efficiencies. The directors are confident that the strong trading performance in 2024 will continue into 2025 and beyond.

On behalf of the Board



R A Fleming  
 Director

25 June 2025

# **Superdrug Stores plc**

## **Directors' Report**

### **For the 52 Weeks ended 28 December 2024**

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The directors present their report and the audited Financial Statements of the Company for the 52 weeks ended 28 December 2024.

#### **Future Developments**

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

#### **Dividends**

During the period dividends of £45.0million were paid (2023: £45.0million). No further dividends have been proposed.

#### **Post Balance Sheet Events**

On 8 May 2025, following a consultation period, it was announced that the Company's distribution centre in Pontefract would close on expiry of the lease at the end of 2025. Management is confident that the operations from this distribution centre can be absorbed into the existing operational network.

On 20 May 2025 a loan extension was agreed to extend the existing credit agreement with AS Watson Group (HK) Limited from 15 June 2025 to 15 June 2030.

#### **Directors**

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

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

The directors of the Company who were in office during the period and up to the date of signing the financial statements were:

D K M Lai  
M M L Ngai (appointed on 26 August 2024)  
S J Blakemore  
P W Macnab  
R A Fleming

#### **Third Party Indemnity**

As permitted by section 234 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.

#### **Information included in the Strategic Report**

Details regarding corporate governance, stakeholder and employee engagement and interests, and the directors' opinion on financial risk management have been included in the Strategic Report.

#### **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.

**Superdrug Stores plc**  
**Directors' Report (continued)**  
**For the 52 Weeks ended 28 December 2024**

**Streamlined Energy and Carbon Reporting (SECR) disclosure**

The Company's environmental reporting accords with SECR requirements, with the reporting period being for the calendar year 2024. The Company's SECR disclosure presents the carbon footprint, together with appropriate intensity metric and total use of electricity, gas and transport fuels.

Methodology

The Company has employed the service of a specialist external advisor to quantify the Greenhouse Gas ("GHG") emissions associated with the Company's operations.

The report follows the GHG Reporting Protocol – Corporate Standard as the accepted methodology to meet the mandatory SECR requirements. The UK government's greenhouse gas conversion factors have been applied to calculate the carbon emissions to the following reporting standards:

- Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (WBCSD & WRI, 2004)
- Greenhouse Gas Protocol – Scope 2 guidance, amendment to the GHG Protocol Corporate Standard (WNCSD & WRI, 2015). Application of location-based and market-based emission factors for electricity supplies
- Greenhouse Gas Protocol – Corporate Value Chain (scope 3) Accounting and Reporting Standard (WBCSD & WRI, 2011)
- Where data was missing, values were estimated using an extrapolation of available data

An operational control approach has been used in order to define the Company's organisational boundary. This is the basis for determining Scope 1 and Scope 2 emissions for which the Company is responsible. The Company has also provided disclosure regarding certain scope 3 emissions as these areas are fundamental to the operations of the Company.

The Company has set a benchmark of the 2019 year for comparisons against future emissions, as this represents the best baseline year prior to Covid-19 impacting operations and emissions.

Energy efficiency action

In the 2024 reporting period, the Company has continued its LED upgrade programme across a further 31 stores, which is estimated to deliver an annual energy reduction of 430,000 kWh. Additionally, energy efficient heating, ventilation and air-conditioning systems were upgraded in a further 30 stores. Voltage Optimisation Units were trialled in six stores and a mini BMS was trailed in one store.

<i>GHG emissions and energy use report</i>		<i>Baseline</i>		
	Units	Year ended 31 December 2024	Year ended 31 December 2023	Year ended 31 December 2019
Energy consumption used to calculate emissions	kWh	71,439,402	74,207,500	84,400,418
Emissions from gas & transport (Scope 1)	tCO <sub>2</sub> e	4,872	4,913	5,571
Emissions from purchased electricity (Scope 2)	tCO <sub>2</sub> e	10,155	10,724	14,893
Emissions from 3 <sup>rd</sup> party logistics & business travel in cars (Scope 3)	tCO <sub>2</sub> e	871	769	1,176
<b>Total gross emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>15,898</b>	<b>16,406</b>	<b>21,640</b>
<i>Total gross emissions per £'m of revenue</i>		<i>9.7</i>	<i>10.7</i>	<i>16.6</i>
Carbon offsets procured via Green Electricity Tariff	tCO <sub>2</sub> e	(9,949)	(10,367)	(14,221)
<b>Total net emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>5,949</b>	<b>6,039</b>	<b>7,419</b>
<i>Total net emissions per £'m of revenue</i>		<i>3.7</i>	<i>4.0</i>	<i>5.7</i>
<i>Total net emissions per '000 square foot</i>		<i>2.0</i>	<i>2.1</i>	<i>2.5</i>

**Superdrug Stores plc**  
**Directors' Report (continued)**  
**For the 52 Weeks ended 28 December 2024**

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for 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 also 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.

**Independent Auditors**

The independent 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



R A Fleming  
Director

25 June 2025

**Superdrug Stores plc**  
**Independent Auditors' Report to the member of Superdrug Stores plc**  
**For the 52 Weeks ended 28 December 2024**

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**Report on the audit of the financial statements**

**Opinion**

In our opinion, Superdrug Stores plc's financial statements:

- give a true and fair view of the state of the company's affairs as at 28 December 2024 and of its profit and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 28 December 2024; the Statement of Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

**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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 3 - Operating Profit, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

**Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- agreeing the underlying cash flow projections to board-approved forecasts, assessing how these forecasts are compiled and assessing the accuracy of management's forecasts;
- evaluating the key assumptions used by management within these forecasts including revenue growth;
- considering the liquidity and available financial resources;
- assessing whether the stress testing performed by management appropriately considered the risks facing the business; and
- reviewing the adequacy of management's disclosures on going concern and consistency with our knowledge obtained through the audit.

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.

**Superdrug Stores plc**  
**Independent Auditors' Report to the member of Superdrug Stores plc (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**Conclusions relating to going concern (continued)**

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on 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 Directors' Report for the period ended 28 December 2024 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.

**Superdrug Stores plc**  
**Independent Auditors' Report to the member of Superdrug Stores plc (continued)**  
**For the 52 Weeks ended 28 December 2024**

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

*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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation (including VAT, payroll taxes and income tax) and the Companies Act 2006. 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 increase revenue, 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 regulations;
- 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, in particular in relation to impairment of right of use assets and property, plant and equipment, including the disclosure of such matters in the financial statements;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Performing inquiries of management and reviewing board minutes throughout the financial year and post year end to identify any unusual items such as suspicious activity, non-compliance, breaches of laws or potential litigation.

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

**Superdrug Stores plc**  
**Independent Auditors' Report to the member of Superdrug Stores plc (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**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.

We have no exceptions to report arising from this responsibility.



Craig Skelton (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

25 June 2025

**Superdrug Stores plc**  
**Statement of Comprehensive Income**  
**For the 52 Weeks ended 28 December 2024**

		52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
	Note		
Revenue		1,634,452	1,527,989
Cost of Sales		(1,398,009)	(1,326,752)
<b>Gross Profit</b>		<b>236,443</b>	<b>201,237</b>
Administrative expenses		(99,526)	(86,675)
Other operating income	3	7,280	7,318
<b>Operating profit</b>	<b>3</b>	<b>144,197</b>	<b>121,880</b>
Finance income	6	8,366	7,900
Finance costs	6	(15,737)	(18,142)
<b>Profit before taxation</b>		<b>136,826</b>	<b>111,638</b>
Income tax expense	7	(33,325)	(28,426)
<b>Profit for the financial period</b>		<b>103,501</b>	<b>83,212</b>
<b>Other Comprehensive Income/(expense)</b>			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Total re-measurement gains/(losses) recognised in pension scheme	17	3,418	(15,473)
Movement on deferred tax relating to pension scheme	7	(855)	3,869
<b>Total other comprehensive income/(expense)</b>		<b>2,563</b>	<b>(11,604)</b>
<b>Total comprehensive income for the period</b>		<b>106,064</b>	<b>71,608</b>

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

**Superdrug Stores plc**  
**Balance Sheet**  
**As at 28 December 2024**

Registered Number: 00807043

		At 28 December 2024 £'000	At 30 December 2023 £'000
	Note		
<b>Fixed assets</b>			
Intangible assets	8	140,776	139,913
Property, plant and equipment	9	102,991	96,753
Right-of-use assets	10	286,487	278,535
		<b>530,254</b>	<b>515,201</b>
<b>Current assets</b>			
Inventories	13	302,367	270,607
Trade and other receivables	14	117,321	135,365
Retirement benefit surplus	17	26,135	19,065
Cash and cash equivalents		200,602	161,538
<b>Total current assets</b>		<b>646,425</b>	<b>586,575</b>
<b>Creditors – amounts falling due within one year</b>			
Trade and other payables	15	(314,478)	(318,073)
Borrowings	16	(85,000)	-
Lease liabilities	10	(75,338)	(132,062)
		<b>(474,816)</b>	<b>(450,135)</b>
<b>Net current assets</b>		<b>171,609</b>	<b>136,440</b>
<b>Total assets less current liabilities</b>		<b>701,863</b>	<b>651,641</b>
<b>Creditors – amounts falling due after more than one year</b>			
Borrowings	16	-	(85,000)
Lease liabilities	10	(241,514)	(179,226)
		<b>(241,514)</b>	<b>(264,226)</b>
Provisions for liabilities	18	(20,511)	(8,641)
<b>Net assets</b>		<b>439,838</b>	<b>378,774</b>
<b>Equity</b>			
Called up share capital	20	22,000	22,000
Share premium account		103,400	103,400
Retained earnings		314,438	253,374
<b>Total shareholder's funds</b>		<b>439,838</b>	<b>378,774</b>

The notes on pages 28 to 48 form part of these financial statements.

These financial statements on pages 24 to 48 were authorised for issue by the Board on 25 June 2025 and signed on its behalf by:



R A Fleming  
 Director

**Superdrug Stores plc**  
**Statement of Changes in Equity**  
**For the 52 Weeks ended 28 December 2024**

	Called up Share Capital £'000	Share premium account £'000	Retained Earnings £'000	Total Shareholder's funds £'000
<b>At 1 January 2023</b>	<b>22,000</b>	<b>103,400</b>	<b>226,766</b>	<b>352,166</b>
Profit for the financial period	-	-	83,212	83,212
<b>Other Comprehensive Income/(expense) for the period</b>				
Total re-measurement loss on pension scheme (note 17)	-	-	(15,473)	(15,473)
Movement on deferred tax relating to pension scheme (note 11)	-	-	3,869	3,869
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>-</b>	<b>71,608</b>	<b>71,608</b>
<b>Transactions with shareholder recognised directly in equity</b>				
Dividend Paid (note 19)	-	-	(45,000)	(45,000)
<b>Total Transactions with shareholder recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(45,000)</b>	<b>(45,000)</b>
<b>At 30 December 2023</b>	<b>22,000</b>	<b>103,400</b>	<b>253,374</b>	<b>378,774</b>
Profit for the financial period	-	-	103,501	103,501
<b>Other Comprehensive Income/(expense) for the period</b>				
Total re-measurement gain on pension scheme (note 17)	-	-	3,418	3,418
Movement on deferred tax relating to pension scheme (note 11)	-	-	(855)	(855)
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>-</b>	<b>106,064</b>	<b>106,064</b>
<b>Transactions with shareholder recognised directly in equity</b>				
Dividend Paid (note 19)	-	-	(45,000)	(45,000)
<b>Total Transactions with shareholder recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>(45,000)</b>	<b>(45,000)</b>
<b>At 28 December 2024</b>	<b>22,000</b>	<b>103,400</b>	<b>314,438</b>	<b>439,838</b>

**Superdrug Stores plc**  
**Cash Flow Statement**  
**For the 52 Weeks ended 28 December 2024**

	Note	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
<b>Cash flow from operating activities</b>			
Company operating profit		144,197	121,880
Adjustments for:			
Depreciation and amortisation	3	100,493	104,618
Impairment charge/(reversal)	3	558	(3,740)
Loss on disposal of intangible assets	3	15	162
Loss on disposal of tangible assets	3	588	1,094
Gain on early termination of leases		(80)	(92)
Defined benefit pension contributions	17	(3,475)	(10,000)
Defined benefit pension expenses	17	778	-
<b>Operating cash flow before movement in working capital</b>		<b>243,074</b>	<b>213,922</b>
Increase in inventory	13	(31,760)	(16,403)
Decrease in trade and other receivables	14	18,044	13,933
Decrease in trade and other payables		(5,534)	(47,582)
<b>Operational cash flow after movement in working capital</b>		<b>223,824</b>	<b>163,870</b>
Interest paid		(17,496)	(16,453)
Taxation paid		(25,092)	(6,930)
<b>Net cash inflow from operating activities</b>		<b>181,236</b>	<b>140,487</b>
<b>Cash flow from investing activities</b>			
Purchase of property, plant and equipment		(26,629)	(30,364)
Purchase of intangible fixed assets	8	(2,899)	(2,219)
Interest received		7,411	6,552
<b>Net cash outflow from investing activities</b>		<b>(22,117)</b>	<b>(26,031)</b>
<b>Cash flow from financing activities</b>			
Lease payments	10	(75,055)	(81,689)
Dividends paid	19	(45,000)	(45,000)
<b>Net cash outflow from financing activities</b>		<b>(120,055)</b>	<b>(126,689)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>39,064</b>	<b>(12,233)</b>
Cash and cash equivalents at beginning of period		161,538	173,771
<b>Cash and cash equivalents at end of period</b>		<b>200,602</b>	<b>161,538</b>

# Superdrug Stores plc

## Notes to the Financial Statements

### For the 52 Weeks ended 28 December 2024

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#### 1. Material Accounting Policy Information

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 Superdrug Stores plc 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. There are no amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 28 December 2024, or future periods, that have a material impact on the Company's financial statements.

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

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

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - Paragraph 79(a) (iv) of IAS 1
  - Paragraph 73(e) of IAS 16 Property, plant and equipment
  - Paragraph 130(i) of IAS 38 Intangible assets
- 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).
- FRS 101 para 8 (iZA) not to disclose the requirements of IAS 12 paras 88c and 88d.

The Company has adopted amendment to IAS 12 international tax reform – Pillar Two for the first time in these financial statements. There are no material impacts on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Going Concern**

The Company meets its day-to-day working capital requirements through its cash reserves and group loans. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current cash reserves and group loans for a period of at least 12 months from the date of signing these financial statements.

Forecasts have been produced to reflect severe but plausible scenarios. These scenarios consider the impact of reduction in sales as well as increases in operating costs. This still results in a sufficient cash position before taking into consideration additional cost saving actions including reducing investment capital spend and other discretionary costs. The Company has sufficient cash reserves to enable it to meet its obligations and to repay group borrowings as they fall due for a period of at least 12 months from the date of signing these financial statements.

The Company has no external debt and has access to group borrowings via a credit agreement with AS Watson Group (HK) Limited. Under the agreement, AS Watson Group (HK) Limited has agreed to make available a credit facility of £125,000,000, charging interest at 5.05%, maturing on 15 June 2030. The Company has a pooled bank overdraft facility of £20,000,000, which is provided by National Westminster Bank plc and which is unsecured and repayable on demand. Further information on the Company's borrowings is given in notes 15 and 16.

Having assessed the principal risks, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

**Consolidation**

The Company is a wholly owned subsidiary of AS Watson (Health & Beauty UK) Limited, its immediate parent company. The smallest group into which the results of the Company are consolidated is AS Watson Holdings Limited, a company incorporated in the Cayman Islands with its principal place of business in Hong Kong. The Company's ultimate parent undertaking and controlling party and the largest group to consolidate these financial statements is CK Hutchison Holdings Limited. The Company is exempt by virtue of compliance of all conditions in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

**Investments in Subsidiaries**

Investments in subsidiaries are held at cost less accumulated impairment losses.

**Revenue**

Revenue represents retail sales to customers and commission income from retail goods and services provided by third parties in the United Kingdom. It is measured at the fair value of the consideration received or receivable and is recognised on the day that the store sale is made. Revenue through internet sites is recognised once an order has been despatched.

Revenue is shown net of returns, loyalty card points, colleague discounts and sales made on an agency basis, and is stated net of value added tax. Commission income, arising from goods and services provided by third parties, is recognised in revenue based on the terms of the contract.

In respect of loyalty schemes, as points are issued to customers the retail value of those points 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 are expected to be redeemed by the customers.

In the opinion of the directors there is only one class of business which is that of a health and beauty retailer.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Cost of Sales**

Cost of sales consists of expenses incurred in bringing products to a saleable position and condition. Such costs principally include purchasing of products from suppliers, packaging and distribution costs, direct staff costs and store costs, including depreciation of store and warehouse right-of-use assets and property, plant and equipment.

**Supplier Income**

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

**Other Operating Income**

Other operating income relates to rental income receivable, data sales income and logistics backhaul income. The income is recognised on an accruals basis.

**Foreign Currency**

Foreign currency transactions including purchases 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 statement of comprehensive income.

**Intangible Assets**

*a) Pharmacy licences*

An intangible asset arising on the purchase of a pharmacy licence is recognised at cost and is capitalised as an intangible asset. The licences are not amortised, as they are deemed to have an indefinite useful economic life. Impairment reviews are carried out on an annual basis to ensure that the carrying value of each individual licence is still appropriate.

*b) Computer software*

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

*c) Brands*

Brands and trademarks are recognised at fair value at the acquisition date. They are not amortised as they are deemed to have an indefinite useful life. The assets are tested for impairment on an annual basis and are carried at cost less any provision for impairment, and any impairment that is identified is recognised in the statement of comprehensive income.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Intangible Assets (continued)**

*c) Brands (continued)*

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

**Property, Plant and Equipment**

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

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

Leasehold improvements	shorter of 6 ½ 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 statement of comprehensive income 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.

**Inventory**

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

**Trade and Other Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the statement of comprehensive income. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, credit card receipts and bank overdrafts.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Trade Payables**

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

**Borrowings**

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

**Current and Deferred Income Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and current tax liabilities and where the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**Employee Benefits**

The Company operates both a defined benefit pension scheme and a defined contribution pension scheme for its employees. A defined benefit scheme is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. A defined contribution scheme is a pension plan under which the Company pays fixed contributions into a separate entity.

The Company's defined benefit pension scheme is closed with employees making no further contributions. The pension scheme surplus recognised in the balance sheet represents the difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is actuarially calculated on an annual basis using the projected unit credit method. Plan assets are recorded at fair value.

The statement of comprehensive income charge consists of a financing charge, which is the net of interest cost on pension scheme liabilities and interest income on plan assets and defined benefit pension scheme expenses. The financing charge is determined by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. The cost is included in the statement of comprehensive income.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Employee Benefits (continued)**

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.

**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.

**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; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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).

A lease re-measurement includes a change in scope of the lease, or the consideration of a lease, that was not part of the original terms and conditions of use. A lease re-measurement includes adding or terminating the right to use or extending or shortening the contractual lease term.

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.
- 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.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**1. Material Accounting Policy Information (continued)**

**Leases (continued)**

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; and
- any initial direct costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

**Financial assets**

Financial assets are classified as financial assets at amortised cost, fair value through other comprehensive income, and fair value through statement of comprehensive income as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value. Purchases and sales of financial assets are recognised on the date the Company commits to purchase or sell the item.

The Company's financial assets include trade and other receivables, cash and cash equivalents and amounts owed by group undertakings. These are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment.

**Financial liabilities**

Financial liabilities are classified as financial liabilities at amortised cost, fair value through other comprehensive income, and fair value through statement of comprehensive income as appropriate. The Company determines the classification of its financial liability at initial recognition. All financial liabilities are recognised initially at fair value.

The Company's financial liabilities include trade and other payables, accrued expenses and amounts owed to group undertakings. These are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**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.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**2. Critical Accounting Estimates and Judgments (continued)**

**Significant estimates and assumptions**

**a) Impairment**

Financial assets and non-financial assets, right-of-use assets and property, plant and equipment are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to dispose.

Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance. Trade receivables are impaired on expected credit loss basis.

The Company tests whether assets have suffered any impairment on an annual basis. The level of profitability of the cash generating unit (CGU) represents the trigger for impairment assessment. For the reporting periods the recoverable amount of the CGUs, being individual stores or pharmacies that have indicated signs of impairment, is determined based on value-in-use calculations.

The value in use is calculated using the cash flow performance from the current period adjusted for the next five years based on the Board approved five-year plan. Sales forecasts are based on sales growth of 2.1% per annum. The assumptions include estimated gross margin based on market segment and location. Operating costs are based on the current structure of the business, adjusting for inflationary increases but not reflecting any future cost-saving measures.

The resulting cash flows are discounted using a pre-tax discount rate of 9.1% (2023: 9.1%) and compared to the carrying value of property, plant, and equipment and right-of-use assets.

In the current year, an impairment charge of £0.4m (2023: reversal of £6.3m) has been recognised in property plant and equipment and right-of-use assets in respect of the Company's retail stores. An impairment charge of £0.1m (2023: £2.6m) has been recognised in intangible assets.

The following sensitivities have been applied to the calculation of impairments on assets at store level:

- Sales reduction of 5.0% for 2025 to 2029
- Sales increase of 5.0% for 2025 to 2029
- Pre-tax discount rate 1.0% higher

These assumptions have no material impact on impairment calculation.

**b) Retirement benefit surplus**

The Company operates a defined benefit scheme for its employees. The present value of the scheme's liabilities recognised at the balance sheet date and the net financing charge recognised in the statement of comprehensive income are dependent on interest rates of high-quality corporate bonds. Other key assumptions within this calculation are based on market conditions or estimates of future events, including mortality rates, as set out in note 17. Any changes to assumptions used will impact the carrying value of the retirement benefit obligation. As detailed in note 17, the retirement benefit surplus is most sensitive to changes in the discount rate and inflation.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**3. Operating Profit**

Operating profit is stated after charging/(crediting):

		<b>52 weeks ended 28 December 2024 £'000</b>	<b>52 weeks ended 30 December 2023 £'000</b>
	Note		
Variable lease payments not included in lease liabilities		1,272	855
Expenses relating to short-term leases		3,584	1,118
Loss on disposal of intangible assets	8	15	162
Loss on disposal of property, plant and equipment	9	588	1,094
Impairment of pharmacy licences	8	141	2,600
Impairment charge/(reversal) of property, plant and equipment	9	417	(1,865)
Reversal of impairment of right-of-use asset	10	-	(4,475)
Amortisation of intangible assets	8	1,880	1,465
Depreciation of property, plant and equipment	9	25,870	25,222
Right-of-use asset depreciation	10	72,743	77,931
Amounts payable to the Company's auditors:			
- audit fees		382	357
- audit related assurance services		21	13
- non-audit related assurance services		12	18
Other operating income:			
- Rental income		(1,788)	(2,077)
- Other income		(5,492)	(5,241)

**4. Employees**

The total aggregate remuneration comprises:

	<b>52 weeks ended 28 December 2024 £'000</b>	<b>52 weeks ended 30 December 2023 £'000</b>
Wages and salaries (including directors)	295,611	262,032
Social security costs	21,297	17,899
Other pension costs	7,036	6,289
<b>Total staff costs</b>	<b>323,944</b>	<b>286,220</b>

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

	<b>52 weeks ended 28 December 2024 No.</b>	<b>52 weeks ended 30 December 2023 No.</b>
By activity:		
Selling	13,689	13,111
Administration	790	734
	<b>14,479</b>	<b>13,845</b>

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**5. Directors**

The directors' emoluments were as follows:

	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
Remuneration	3,164	2,748
Long term incentive plan	349	167
	<b>3,513</b>	<b>2,915</b>

The Company has no share-based schemes and all remuneration is settled in cash.

There are no post-employment benefits accruing under the Company's defined benefit scheme.

The remaining three directors (2023: two) are remunerated by other group entities which do not recharge the Company. These directors do not receive any remuneration for their services to the Company.

The highest paid director's emoluments were as follows:

	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
Remuneration	2,380	2,018
Long term incentive plan	257	124
	<b>2,637</b>	<b>2,142</b>

**6. Finance income and costs**

	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
Bank interest	7,392	6,552
Other Interest income	19	-
Pension financing income	955	1,348
<b>Total finance income</b>	<b>8,366</b>	<b>7,900</b>
Interest payable on loans from group undertakings	(4,659)	(9,881)
Interest expense on lease liabilities	(11,078)	(8,221)
Other Interest expense	-	(40)
<b>Total finance costs</b>	<b>(15,737)</b>	<b>(18,142)</b>
<b>Net finance costs</b>	<b>(7,371)</b>	<b>(10,242)</b>

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**7. Income tax expense**

Tax expense included in the statement of comprehensive income	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
UK corporation tax on profits for the period	31,304	25,759
Adjustment in respect of prior periods	(6,926)	(1,330)
<b>Total current tax charge</b>	<b>24,378</b>	<b>24,429</b>
Origination and reversal of timing differences	8,947	3,997
<b>Total deferred tax</b>	<b>8,947</b>	<b>3,997</b>
<b>Income tax expense</b>	<b>33,325</b>	<b>28,426</b>

**Tax charge/(credit) included in Other Comprehensive  
Income/(expense)**

	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
Deferred tax:		
Origination and reversal of temporary differences	855	(3,869)
<b>Total tax charge/(credit) included in Other Comprehensive Income/(expense)</b>	<b>855</b>	<b>(3,869)</b>

The effective rate of 24.4% (2023: 25.5%) is lower than (2023: higher than) the standard UK corporation tax rate of 25% (2023: 23.5%). The differences are:

	52 weeks ended 28 December 2024 £'000	52 weeks ended 30 December 2023 £'000
Profit before taxation	136,826	111,638
Profit before taxation at standard UK corporation tax rate of 25.0% (2023: 23.5%)	34,207	26,235
Effects of:		
Non-deductible expenses	6,044	3,521
Adjustment in respect of prior periods	(6,926)	(1,330)
<b>Income tax expense</b>	<b>33,325</b>	<b>28,426</b>

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**8. Intangible assets**

	<b>Brands £'000</b>	<b>Pharmacy licences £'000</b>	<b>Computer software £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 31 December 2023	125,000	18,969	9,210	153,179
Additions	-	-	2,899	2,899
Disposals	-	(7)	(2,124)	(2,131)
<b>At 28 December 2024</b>	<b>125,000</b>	<b>18,962</b>	<b>9,985</b>	<b>153,947</b>
<b>Accumulated amortisation and impairment</b>				
At 31 December 2023	-	8,963	4,303	13,266
Amortisation	-	-	1,880	1,880
Disposals	-	-	(2,116)	(2,116)
Impairment charge	-	141	-	141
<b>At 28 December 2024</b>	<b>-</b>	<b>9,104</b>	<b>4,067</b>	<b>13,171</b>
<b>Net book value</b>				
<b>At 28 December 2024</b>	<b>125,000</b>	<b>9,858</b>	<b>5,918</b>	<b>140,776</b>
At 30 December 2023	125,000	10,006	4,907	139,913

Intangible assets amortisation of £610,000 (2023: £472,000) is recorded in cost of sales and £1,270,000 (2023: £993,000) is recorded in administrative expenses in the statement of comprehensive income.

During the period an impairment charge of £141,000 (2023: £2,600,000) was recognised in cost of sales in the statement of comprehensive income.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**9. Property, plant and equipment**

	<b>Leasehold improvements £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 December 2023	75,664	131,809	207,473
Additions	12,495	20,618	33,113
Disposals	(12,263)	(23,373)	(35,636)
<b>At 28 December 2024</b>	<b>75,896</b>	<b>129,054</b>	<b>204,950</b>
<b>Accumulated depreciation and impairment</b>			
At 31 December 2023	49,260	61,460	110,720
Charge for the period	9,933	15,937	25,870
Eliminated on disposals	(12,236)	(22,812)	(35,048)
Impairment charge	236	181	417
<b>At 28 December 2024</b>	<b>47,193</b>	<b>54,766</b>	<b>101,959</b>
<b>Net book value</b>			
<b>At 28 December 2024</b>	<b>28,703</b>	<b>74,288</b>	<b>102,991</b>
At 30 December 2023	26,404	70,349	96,753

Depreciation of £23,410,000 (2023: £22,658,000) is recorded in cost of sales and £2,460,000 (2023: £2,564,000) is recorded in administrative expenses in the statement of comprehensive income.

During the period an impairment charge of £417,000 (2023: £1,865,000 reversal) was recognised in cost of sales in the statement of comprehensive income.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**10. Right-of-use assets**

	Retail Stores £'000	Warehouses £'000	Offices £'000	Other £'000	Total £'000
<b>At 1 January 2023</b>	<b>242,884</b>	<b>29,669</b>	<b>9,519</b>	<b>8,384</b>	<b>290,456</b>
Additions	58,903	-	-	1,280	60,183
Re-measurements	(13,862)	15,182	(5)	37	1,352
Depreciation	(69,853)	(4,169)	(1,086)	(2,823)	(77,931)
Impairment reversal	4,475	-	-	-	4,475
<b>At 30 December 2023</b>	<b>222,547</b>	<b>40,682</b>	<b>8,428</b>	<b>6,878</b>	<b>278,535</b>
Additions	80,487	-	-	2,275	82,762
Re-measurements	12,171	(12,566)	(1,578)	(94)	(2,067)
Depreciation	(64,757)	(4,297)	(1,030)	(2,659)	(72,743)
<b>At 28 December 2024</b>	<b>250,448</b>	<b>23,819</b>	<b>5,820</b>	<b>6,400</b>	<b>286,487</b>

Depreciation of £71,106,000 (2023: £76,308,000) is recorded in cost of sales and £1,637,000 (2023: £1,623,000) is recorded in administrative expenses in the statement of comprehensive income.

During the period an impairment reversal of £nil (2023: £4,475,000) was recognised in cost of sales in the statement of comprehensive income.

Re-measurements include a change in scope of the lease, or the consideration of a lease, that was not part of the original terms and conditions of use, including terminating the right-of-use, or extending or shortening the contractual lease term.

**Lease liabilities**

	At 28 December 2024 £'000	At 30 December 2023 £'000
Current	75,338	132,062
Non-current	241,514	179,226
	<b>316,852</b>	<b>311,288</b>

The current and future undiscounted cashflows for the lease liabilities are:

	At 28 December 2024 £'000	At 30 December 2023 £'000
Within 1 year	84,426	147,773
Between 1 and 2 years	71,167	60,459
Between 2 and 5 years	129,621	88,318
More than 5 years	76,087	52,095
	<b>361,301</b>	<b>348,645</b>

The total cash outflow for the period was £86,133,000 being £75,055,000 of principal and £11,078,000 of interest. (2023: £89,910,000 being £81,689,000 of principal and £8,221,000 of interest).

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**11. Deferred tax liability**

	Depreciation in excess of capital allowances £'000	Lease accounting IFRS 16 £'000	Other temporary differences £'000	Retirement benefit obligation £'000	Total £'000
<b>At 1 January 2023</b>	<b>4,007</b>	<b>6,132</b>	<b>(4,268)</b>	<b>(5,919)</b>	<b>(48)</b>
Charge to statement of comprehensive income	(183)	(809)	(289)	(2,716)	(3,997)
Credit to other comprehensive income/(expense)	-	-	-	3,869	3,869
<b>At 30 December 2023</b>	<b>3,824</b>	<b>5,323</b>	<b>(4,557)</b>	<b>(4,766)</b>	<b>(176)</b>
Charge to statement of comprehensive income	(6,597)	(864)	(575)	(911)	(8,947)
Charge to other comprehensive income/(expense)	-	-	-	(855)	(855)
<b>At 28 December 2024</b>	<b>(2,773)</b>	<b>4,459</b>	<b>(5,132)</b>	<b>(6,532)</b>	<b>(9,978)</b>

**12. Investments**

The net book value of investments at 28 December 2024 was nil (2023: nil).

The subsidiary, which is incorporated in the United Kingdom and is wholly owned, is as follows:

Subsidiary	Registered address	Status
Superdrug Pension Trustee Limited	51 Sydenham Road, Croydon, Surrey, CR0 2EU	Dormant

**13. Inventories**

	At 28 December 2024 £'000	At 30 December 2023 £'000
Finished goods and goods for resale	<b>302,367</b>	<b>270,607</b>

The amount of inventories recognised as an expense and charged to cost of sales for the 52 weeks ended 28 December 2024 was £1,102,322,000 (2023: £1,044,514,000). Inventories are stated after provisions for impairment of £14,212,000 (2023: £12,562,000). There is no material difference between carrying amount and net realisable value of the inventory.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**14. Trade and other receivables**

	<b>At 28 December 2024 £'000</b>	<b>At 30 December 2023 £'000</b>
Trade receivables	49,097	47,137
Amounts owed by group undertakings	27,973	33,007
Other receivables	13,589	26,347
Prepayments	26,662	28,874
	<b>117,321</b>	<b>135,365</b>

Trade receivables are stated after provisions for impairment of £697,000 (2023: £1,922,000). Amounts owed by group undertakings are unsecured, repayable on demand and are non-interest bearing.

**15. Trade and other payables**

	<b>At 28 December 2024 £'000</b>	<b>At 30 December 2023 £'000</b>
Trade creditors	99,263	91,931
Amounts owed to group undertakings	27,468	54,356
Corporation tax	37,397	38,110
Other taxation and social security	28,534	23,021
Accruals	86,748	78,205
Deferred income	6,618	6,335
Other creditors	28,450	25,939
Deferred tax liability	-	176
	<b>314,478</b>	<b>318,073</b>

Amounts owed to group undertakings includes an unsecured loan from AS Watson (Health & Beauty UK) Limited totalling £nil (2023: £30,000,000). During the period an amount of £30,000,000 (2023: £80,000,000) was settled. The interest rate on this loan is SONIA + 1.83% per annum from 1 January 2024 (2023: SONIA +1.83%). The effective interest rate for the financial period is 5.6% (2023: 6.2%).

The Company has a pooled bank overdraft facility of £20,000,000, which is provided by National Westminster Bank plc, and which is unsecured and repayable on demand. Interest is payable at National Westminster Bank plc base rate plus 1.25%. During the period there were no drawings (2023: nil) on this facility.

The Company has recognised the following liabilities related to contracts with customers for gift card and loyalty points. These are included within other creditors.

	<b>At 28 December 2024 £'000</b>	<b>At 30 December 2023 £'000</b>
Contract liabilities	<b>13,298</b>	<b>13,101</b>

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**16. Borrowings**

	At 28 December 2024		At 30 December 2023	
	Current £'000	Non-current £'000	Current £'000	Non-current £'000
Amounts owed to group undertakings	<b>85,000</b>	-	-	<b>85,000</b>

Borrowings relate to a credit agreement with AS Watson Group (HK) Limited. Under the agreement, AS Watson Group (HK) Limited has agreed to make available a credit facility of £125,000,000, charging interest at 3.5% per annum, maturing on 15 June 2025.

On 20 May 2025, the credit agreement with AS Watson Group (HK) Limited was extended to 15 June 2030, charging interest at 5.05% per annum.

At the period end, the amount borrowed on this credit facility was £85,000,000 (2023: £85,000,000). No repayments were made during the financial period ended 28 December 2024 (2023: nil).

**17. Retirement benefit surplus**

The retirement benefit obligation relates to a defined benefit scheme, the AS Watson (Health & Beauty UK) Pension Plan (the "Scheme"). The Scheme is governed by a Trustee board, and the assets of the Scheme are held separately from the Company's assets. The Scheme is closed, with employees making no further contributions, and members accruing no further defined benefits.

The Scheme was subject to a triennial actuarial valuation as at 31 March 2024, carried out by Barnett Waddingham on the projected unit basis. The plan was in a surplus position as at 31 March 2024 and as a result there is no requirement for the Trustee to agree a recovery plan. The Company will continue to pay quarterly contributions to fund the scheme expenses. The next valuation effective date is 31 March 2027.

The Scheme Trustee board have considered the impact of the Virgin Media vs NTL Pension Trustees II Limited and have concluded that there is no impact on the Scheme.

The retirement benefit obligation at the year-end has been calculated by Isio Services Limited, as actuarial advisers to the Company, using the projected unit credit method.

The amounts recognised in the balance sheet are as follows:

	At 28 December 2024 £'000	At 30 December 2023 £'000
Present value of funded obligation	(147,181)	(164,278)
Fair value of plan assets	173,316	183,343
Retirement benefit surplus	26,135	19,065
Deferred tax liability (note 11)	(6,532)	(4,766)
<b>Net retirement benefit surplus</b>	<b>19,603</b>	<b>14,299</b>

The retirement benefit surplus and the associated deferred tax liability are shown within different line items on the balance sheet.

Amounts recognised in the statement of comprehensive income are the pension financing income of £955,000 (2023: income of £1,348,000), and the pension scheme expenses of £481,000 (2023: £486,000) included within administrative expenses.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**17. Retirement benefit surplus (continued)**

**a) Other comprehensive expense**

Re-measurement of the retirement benefit surplus has been recognised as follows:

	<b>52 weeks ended 28 December 2024 £'000</b>	<b>52 weeks ended 30 December 2023 £'000</b>
Return on plan assets, excluding amounts in interest	(15,206)	(4,308)
Actuarial gains/(losses) arising from changes in:		
Demographic assumptions	6,706	1,886
Financial assumptions	13,761	(2,578)
Liability experience	(1,843)	(10,473)
<b>Total actuarial gains/(losses)</b>	<b>18,624</b>	<b>(11,165)</b>
<b>Total re-measurement gains/(losses)</b>	<b>3,418</b>	<b>(15,473)</b>

**b) Valuations**

The movements in the retirement benefit surplus are as follows:

	<b>52 weeks ended 28 December 2024 £'000</b>	<b>52 weeks ended 30 December 2023 £'000</b>
Changes in the present value of retirement benefit obligation:		
At start of financial period	164,278	151,490
Past scheme costs	297	-
Interest cost on the defined benefit obligation	7,495	7,068
Actuarial (gain)/loss	(18,624)	11,165
Net transfer out liability	(406)	(266)
Benefits paid	(5,859)	(5,179)
<b>At end of financial period</b>	<b>147,181</b>	<b>164,278</b>
Changes in the fair value of plan assets:		
At start of financial period	183,343	175,166
Investment return on plan assets	(15,206)	(4,308)
Interest income on plan assets	8,450	8,416
Contributions by Company	3,475	10,000
Pension scheme expenses	(481)	(486)
Net transfer out liability	(406)	(266)
Benefits paid	(5,859)	(5,179)
<b>At end of financial period</b>	<b>173,316</b>	<b>183,343</b>

The Company's expected contributions (including expenses) to the defined benefit section for the next financial period ending 27 December 2025 are £700,000 (2023: £3,450,000).

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**17. Retirement benefit surplus (continued)**

**b) Valuations (continued)**

The major categories of plan assets are as follows:

	<b>At 28 December 2024 £'000</b>	<b>At 30 December 2023 £'000</b>
Gilts	51,904	67,683
Corporate bonds	35,553	32,908
Debt securities	30,037	26,413
Cash	39,286	42,179
Equities	16,536	14,160
	<b>173,316</b>	<b>183,343</b>

**c) The principal actuarial assumptions used at the balance sheet date are as follows:**

	<b>At 28 December 2024</b>	<b>At 30 December 2023</b>
Discount rate	5.35%	4.65%
Retail price index	3.15%	3.05%
Pension increases	2.95%	2.85%
Life expectancy at balance sheet date for a pensioner at normal retirement age (now 65 years):		
Male pensioner	20.3	20.3
Female pensioner	23.6	23.6
Life expectancy at balance sheet date for a future pensioner at normal retirement age:		
Male pensioner	21.3	21.5
Female pensioner	24.8	25.1

The discount rate is based on the yield of AA-rated sterling corporate bonds appropriate to the term of the Scheme's liabilities. The base mortality assumptions are based on the S3PXA\_M tables, with future improvements based on the CMI 2023 projections with a smoothing factor of 7.0 and a long-term rate of improvement of 1.00% per annum.

The weighted average duration of the defined benefit obligation at the end of the period is 15 years (2023: 17 years).

**d) Sensitivities:**

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur, with changes in more than one assumption more likely as these may be correlated.

An increase of 0.25% in the discount rate would decrease the retirement benefit obligation by £4.6 million. A decrease of 0.25% in the discount rate would increase the retirement benefit obligation by £4.8 million.

An increase of 0.25% in the inflation rate would increase the retirement benefit obligation by £4.2 million. A decrease of 0.25% in the inflation rate would decrease the retirement benefit obligation by £3.3 million.

The sensitivities are based on management's best estimate of a reasonably anticipated change. The sensitivities are calculated using the same methodology used to calculate the retirement benefit obligation, by considering the change in the retirement benefit obligation for a given change in assumption. The net retirement benefit obligation is the difference between the retirement benefit obligation and the fair value of plan assets. There has been no change in the calculation methodology since the prior period.

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

**17. Retirement benefit surplus (continued)**

**e) Other disclosures**

The Scheme exposes the Company to actuarial risks such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Company is not exposed to any unusual entity specific or Scheme specific risks. The Trustee's investment strategy mitigates some of these risks. Market (investment) risk is addressed by diversification across asset classes and investment managers. The Trustee keeps investment performance under review and the Company is consulted before changes are made to the investment policy.

**18. Provisions for liabilities**

	<b>Deferred Tax Liability £'000</b>	<b>Other Provisions £'000</b>	<b>Total Provisions £'000</b>
<b>At 1 January 2023</b>	-	<b>6,791</b>	<b>6,791</b>
Charged to statement of comprehensive income	-	3,163	3,163
Utilised in the period	-	(1,313)	(1,313)
<b>At 30 December 2023</b>	-	<b>8,641</b>	<b>8,641</b>
Transfer from creditors falling due within 1 year	176	-	176
Charged to statement of comprehensive income	8,947	2,326	11,273
Charged to other comprehensive expense	855	-	855
Utilised in the period	-	(434)	(434)
<b>At 28 December 2024</b>	<b>9,978</b>	<b>10,533</b>	<b>20,511</b>

Other provisions comprise estimates for store closure costs, including dilapidations, and store exit costs.

**19. Dividends paid**

	<b>52 weeks ended 28 December 2024 £'000</b>	<b>52 weeks ended 30 December 2023 £'000</b>
20.5p per ordinary share of 10p each (2023: 20.5p per ordinary share of 10p each)	<b>45,000</b>	<b>45,000</b>

**20. Called up share capital**

	<b>At 28 December 2024</b>	<b>At 30 December 2023</b>
Allotted and fully paid ordinary shares of 10p each (£'000)	<b>22,000</b>	<b>22,000</b>
Number of shares ('000 shares)	<b>220,000</b>	<b>220,000</b>

**Superdrug Stores plc**  
**Notes to the Financial Statements (continued)**  
**For the 52 Weeks ended 28 December 2024**

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**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 an annual value of £219,000 (2023: £643,000).

The Company, from time to time, is party to legal proceedings, including tax matters, and claims which arise in the ordinary course of business. The directors do not anticipate that the outcome of these proceedings, actions and claims, either individually or aggregate, will have a material impact on the financial position of the Company.

**22. Capital and other commitments**

The Company has no capital commitments (2023: nil).

**23. Controlling parties**

The Company's immediate parent undertaking is AS Watson (Health & Beauty UK) Limited, a company registered in England. The smallest group into which the results of the Company are consolidated is AS 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The financial statements of AS 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 registered office of CK Hutchison Holdings Limited is PO Box 309, Uglund House, Grand Cayman, KY1-1104, 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.