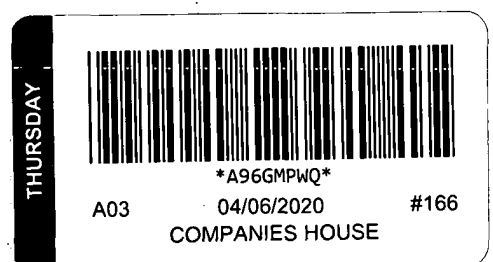


Registered number: 02758955

# **HOLLAND & BARRETT RETAIL LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2019**



# **HOLLAND & BARRETT RETAIL LIMITED**

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# **HOLLAND & BARRETT RETAIL LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	H M Leam L M Garley-Evans A D Buffin (appointed 16 October 2019) G A Watts (appointed 23 October 2019)
<b>Company secretary</b>	L M Garley-Evans
<b>Registered number</b>	02758955
<b>Registered office</b>	Samuel Ryder House Barling Way Eliot Park Nuneaton Warwickshire CV10 7RH
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

# **HOLLAND & BARRETT RETAIL LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their Strategic Report of Holland & Barrett Retail Limited (the "Company") for the year ended 30 September 2019.

### **Principal activities**

Holland & Barrett Retail Limited ("the Company") packages, markets, retails, and wholesales a broad line of nutritional supplement products, including vitamins, minerals and herbal remedies, sports powders and drinks, as well as health food products which range from chilled and frozen to fruits, nuts, snacks and other items. In addition to this, the Company also earns income from overseas franchise operations.

As at 30 September 2019, the Company operated 792 (2018: 767) health stores in the UK, 73 (2018: 97) worldwide franchise outlets and 484 (2018: 432) worldwide store in store concepts. Holland & Barrett Group Limited, a fellow group company, operates the Holland & Barrett website.

### **Business review and results**

The results of the Company show sales of £477.9m (2018: £478.6m) and a loss before taxation of £18.3m (2018: profit of £66.6m) for the year. This includes exceptional items of £29.5m (2018: £15.9m) in respect of impairment charges in the current year and acquisition costs in the previous year; excluding this, profit before taxation would have been £11.2m (2018: £82.5m). There has been a decline in sales of 0.16% in the year (2018: growth of 3.7%). Net assets for the Company at the year end are £302.7m (2018: £338.8m). In the year to 30 September 2019, the Company opened a further 25 new stores and 52 store in store concepts, helping to grow the store network. The Company has also closed 24 franchise stores.

The Statement of Comprehensive Income is set out on page 12 and the Balance Sheet on page 13. Both the activity in the year and the year end financial position of the Company are considered to be strong, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Business environment**

The health store market is highly fragmented. There are estimated to be more than 1,000 independent health stores operating in the UK. Furthermore, there is increasing competition from the national supermarket chains and other retailers, such as chemists, drugstores and internet traders. The Company has differentiated itself from its mass market competitors by developing a specialist reputation, whilst at the same time offering a wide range of high quality products at a low, value price.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Strategy**

The Company is consistently delivering on its overriding objective which is to achieve attractive and sustainable rates of growth and returns through a combination of strategic acquisition and organic growth.

The key elements to the Company's strategy for growth are:

*Our associates*

The calibre and training of our associates is paramount to the success of the Holland & Barrett model. The Company invests heavily in its Natural Health Academy, which delivers the most comprehensive and well developed product training programs within the industry. This ensures that staff are able to offer the best possible customer service.

*New products*

The Company has consistently been among the first in the industry to introduce innovative products in response to new studies, research and consumer preferences. Given the changing nature of consumer demand for new products and the continued publicity about the importance of nutritional supplements, the directors believe that the Company will continue to maintain its core customer base and attract new customers through its ability to respond rapidly to consumer demand. The wide range of products ensures that we continue to address the broad church of customers that are seeking a Healthy lifestyle.

*New stores*

The Company continues its strategy of selectively expanding the number of stores located throughout the UK. The Company operates franchises in 14 countries and is continuing to open up new territories.

*Promotions and marketing*

The Company runs regular promotional activity to give greater value to our customers. In conjunction with this, there is aggressive marketing of high quality, value-oriented products. The Company also operates a "Rewards for Life" loyalty program with over 15.2m customers signed up and over 6.0m activated users. The program enables us to better service the Customers' needs as well as deliver additional value to them by way of quarterly coupons.

*Technology*

The Company is continuing to invest in new technologies to make it a truly omni-channel business.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Principal risks and uncertainties**

The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them.

The key business risks affecting the Company are set out below:

- **Associates** - The Company's performance is highly dependent upon retaining and recruiting high calibre associates. The resignation of key individuals and the inability to recruit retail staff with the necessary experience and skills could adversely impact upon the Company's results. To mitigate these issues, the Company has implemented incentive schemes designed to retain key individuals and has created a training academy for the development of its retail staff.
- **Legislation** - The industry and the products sold by the Company are increasingly subject to regulation, much of which applies throughout the European Union. The Company devotes considerable resources to campaigning in respect of proposed legislative changes, ensuring that products are safe and consumer choices are preserved. The Company also ensures that it is at the forefront of the industry when new legislation is introduced.
- **Competition** - The Company operates in a highly competitive market, particularly in respect of price. In order to mitigate this, market prices are monitored on an on-going basis and regular promotional activity is undertaken. There is also a continual evaluation of product range and space management.
- **Brexit** - The Group which the Company is part of has operations in several countries within the European Union (EU) in addition to the UK. The Group's Brexit Committee has undertaken an estimate of the known cost issues which could be experienced by the Group should the UK leave the EU in an unstructured manner. In the medium term these costs would be largely mitigated by changing sourcing and distribution arrangements. No material cost issues are foreseen by the Group if the UK leaves the EU in a structural manner with trade agreements in place.

**Key performance indicators ("KPIs")**

Management consider a broad range of retail metrics when operating the business. The key performance measures are detailed below

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Turnover	<b>477,883</b>	478,649
Gross Profit	<b>281,928</b>	301,355
Gross profit percentage (%)	<b>59.0%</b>	63.0%
Operating (loss)/profit	<b>(21,473)</b>	63,305
New stores (owned and franchise)	<b>25</b>	35
EBITDA before exceptional items*	<b>34,944</b>	100,042
EBITDA	<b>5,451</b>	84,192

\* Adjusted for exceptional items of £29.5m (2018: £15.9m) (see note 10)

The Company also monitors the average footfall per store, average items per basket and the average transaction value on a regular basis.

**HOLLAND & BARRETT RETAIL LIMITED**

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The Strategic Report on pages 2 to 5 were approved by the Board of Directors and signed on its behalf by:



**G A Watts**  
Director

Date: 28 January 2020

## **HOLLAND & BARRETT RETAIL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their annual report and the audited financial statements of Holland & Barrett Retail Limited (the "Company") for the year ended 30 September 2019.

#### **Future developments**

The objective of the Company's management team is to continue to produce market leading performance within the brand, through expansion in the UK store estate; and the further development of international markets through franchising.

The Company will continue to strive to remain the industry leader in introducing innovative products in response to new studies, research and consumer preferences thus ensuring the wide range of products offered continue to address evolving customer demand.

#### **Financial risk management**

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The main financial risk arises from currency and interest-bearing loans.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Company's management team and directors continually monitor the position of the Company.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company maintain a mixture of variable and fixed rate borrowings and continually monitors the position.

#### **Dividend**

Dividends of £20,000,000 (2018: £Nil) equating to £19.05 (2018: £Nil) per ordinary share were paid during the year to Holland & Barrett Holdings Limited. The Company has not recommended or proposed any further dividends in 2019 (2018: £Nil).

#### **Directors**

The directors who held office during the year and up to the date of signing the financial statements, unless otherwise stated, were as follows:

S T Carson (resigned 6 January 2020)  
H M Leam  
C Keen (resigned 23 October 2019)  
L M Garley-Evans  
A D Buffin (appointed 16 October 2019)  
G A Watts (appointed 23 October 2019)

#### **Political and charitable donations**

The Company made charitable donations to UK based organisations of £223,000 (2018: £222,532). The group also has a charitable company, Healthy Hope Limited, from which donations are made. No political contributions were made during the year (2018: £Nil).



**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Employees**

The Company has developed and maintained arrangements whereby employees are consulted and provided with information about current activities and progress within the group and with training to improve the operational efficiency of the Company.

The Company supports the employment of disabled people wherever possible, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion, having regard to their particular aptitudes and abilities.

It is Company policy to provide equal opportunities without regard to race or national origin, sex or sexual orientation, religion or religious beliefs or disability status.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

**Statement of directors' responsibilities in respect of the financial statements**

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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmations**

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

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

**HOLLAND & BARRETT RETAIL LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

The Directors' Report on pages 6 to 8 were approved by the Board of Directors and signed on its behalf by:



**G A Watts**  
Director

Date: 28 January 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOLLAND & BARRETT RETAIL LIMITED

## Report on the audit of the financial statements

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### Opinion

In our opinion, Holland & Barrett Retail Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 30 September 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### Basis for opinion

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

### Independence

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

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### Conclusions relating to going concern

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

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

We have nothing to report in respect of the above matters.

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

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### 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOLLAND & BARRETT RETAIL LIMITED  
(CONTINUED)**

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

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

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 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 in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

*Auditors' responsibilities for the audit of the financial statements*

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

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

*Use of this report*

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HOLLAND & BARRETT RETAIL LIMITED  
(CONTINUED)

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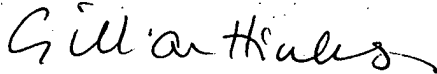
## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Gillian Hinks (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

Date: 28 January 2020

# HOLLAND & BARRETT RETAIL LIMITED

## STATEMENT OF COMPREHENSIVE INCOME AS AT 30 SEPTEMBER 2019

		2019 £000	2018 £000
Turnover	4	477,883	478,649
Cost of sales		(195,955)	(177,294)
<b>Gross profit</b>		<b>281,928</b>	<b>301,355</b>
Distribution costs		(205,137)	(200,113)
Administrative expenses, excluding exceptional items		(69,484)	(31,858)
Loss on sale of tangible assets		(547)	(474)
Other administrative exceptional items	10	(29,493)	(15,850)
Total administrative expenses		(99,524)	(48,182)
Other operating income	9	1,260	10,245
<b>Operating (loss)/profit</b>	5	<b>(21,473)</b>	<b>63,305</b>
Interest receivable and similar income	11	5,246	6,369
Interest payable and similar expenses	12	(2,092)	(3,069)
<b>(Loss)/profit before taxation</b>		<b>(18,319)</b>	<b>66,605</b>
Tax on (loss)/profit	13	2,248	(7,315)
<b>(Loss)/profit for the financial year</b>		<b>(16,071)</b>	<b>59,290</b>
<b>Total comprehensive (expense)/income for the financial year</b>		<b>(16,071)</b>	<b>59,290</b>

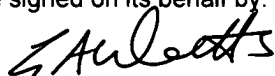
The notes on pages 15 to 36 form part of these financial statements.

**HOLLAND & BARRETT RETAIL LIMITED**  
**REGISTERED NUMBER: 02758955**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2019**

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	14	40,297	39,392
Tangible assets	15	122,513	124,683
		<u>162,810</u>	<u>161,075</u>
<b>Current assets</b>			
Stocks	17	98,377	114,050
Debtors: amounts falling due after more than one year	18	483	191
Debtors: amounts falling due within one year	18	930,091	954,921
Cash at bank and in hand		9,543	4,902
		<u>1,038,494</u>	<u>1,074,064</u>
Creditors: amounts falling due within one year	19	(827,786)	(834,530)
<b>Net current assets</b>		<u>210,708</u>	<u>239,534</u>
<b>Total assets less current liabilities</b>		<u>373,518</u>	<u>403,609</u>
Creditors: amounts falling due after more than one year	20	(64,109)	(59,181)
<b>Provisions for liabilities</b>			
Deferred tax	24	(552)	(3,906)
Other provisions	21	(6,130)	(1,724)
		<u>(6,682)</u>	<u>(5,630)</u>
<b>Net assets</b>		<u><u>302,727</u></u>	<u><u>338,798</u></u>
<b>Capital and reserves</b>			
Called up share capital	28	1,050	1,050
Profit and loss account	29	301,677	337,748
<b>Total shareholders' funds</b>		<u><u>302,727</u></u>	<u><u>338,798</u></u>

The financial statements on pages 12 to 36 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



**G A Watts**  
Director

Date: 28 January 2020

The notes on pages 15 to 36 form part of these financial statements.

**HOLLAND & BARRETT RETAIL LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	<b>Called up share capital £000</b>	<b>Profit and loss account £000</b>	<b>Total shareholders' funds £000</b>
<b>At 1 October 2017</b>	<b>1,050</b>	<b>278,458</b>	<b>279,508</b>
<b>Comprehensive income for the financial year</b>			
Profit for the financial year	-	59,290	59,290
<b>Total comprehensive income for the financial year</b>	<b>-</b>	<b>59,290</b>	<b>59,290</b>
<b>At 30 September 2018 and 1 October 2018</b>	<b>1,050</b>	<b>337,748</b>	<b>338,798</b>
<b>Comprehensive expense for the financial year</b>			
Loss for the financial year	-	(16,071)	(16,071)
<b>Total comprehensive expense for the financial year</b>	<b>-</b>	<b>(16,071)</b>	<b>(16,071)</b>
<b>Contributions by and distributions to owners</b>			
Dividends: Equity capital	-	(20,000)	(20,000)
<b>Total transactions with owners</b>	<b>-</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>At 30 September 2019</b>	<b>1,050</b>	<b>301,677</b>	<b>302,727</b>

The notes on pages 15 to 36 form part of these financial statements.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**1. General information**

Holland & Barrett Retail Limited (the "Company") is a private company limited by shares and incorporated and domiciled in the UK.

The Company's registered address is Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH.

The Company packages, markets, retails, and wholesales a broad line of nutritional supplement products, including vitamins, minerals and herbal remedies, sports powders and drinks, as well as health food products which range from chilled and frozen to fruits, nuts, snacks and other items. In addition to this, the Company also earns income from overseas franchise operations.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared on going concern basis, under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The Company's presentation and functional currency is GBP.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Holland & Barrett International Limited as at 30 September 2019 and these financial statements may be obtained from Samuel Ryder House Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH.

**2.3 Exemption from preparing consolidated financial statements**

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.4 Going concern**

Having regard to the current financial position and future plans for the business, the directors do not believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**2.5 Classification of financial instruments issued by the Company**

Ordinary share capital issued by the Company is classified as equity.

**2.6 Basic financial instruments**

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

*Financial assets*

Basic financial assets include trade and other debtors, cash and bank balances and amounts owed by group undertakings recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Financial liabilities*

Basic financial liabilities include trade and other payables and amounts owed to group undertakings recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Interest-bearing borrowings classified as basic financial instrument are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

*Investments in subsidiaries*

These are separate financial statements of the Company. Investments in subsidiaries are carried at cost less impairment.

**2.7 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the first-in-first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.8 Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 2.16 below.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings	25 years
Fixtures and fittings	3 -10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Assets in the course of construction are stated at cost and are not depreciated until they are ready for use.

**2.9 Business combinations**

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the Company.

At the acquisition date, the Company recognises goodwill at the acquisition date as:

- The fair value of the consideration (excluding contingent consideration) transferred; plus
- Estimated amount of contingent consideration (see below); plus
- The fair value of the equity instruments issued; plus
- Directly attributable transaction costs; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Company elected not to restate business combinations that took place prior to 1 October 2014. In respect of acquisitions prior to 1 October 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.10 Intangible assets**

**Goodwill**

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

**Other intangible assets**

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

*Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software costs      3 -10 years

The basis for choosing these useful lives is based on its useful economic life.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 - 20 years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.11 Impairment excluding stocks and deferred tax assets**

*Financial assets*

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

**2.12 Employee benefits**

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Statement of Comprehensive Income in the periods during which services are rendered by employees.

*Share-based payment transactions*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. Where the Company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.13 Turnover**

All turnover originates from United Kingdom operations.

*Retail sales*

The Company operates retail stores for the sale of health food products. Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes and discounts. Turnover is recognised at the point of sale or delivery of the goods.

*Other operating income - franchise income*

In certain locations the Company has franchised its brand to third parties. Royalties and fees charged for the use of the rights granted by the agreement and related services are recognised as revenue as the rights are used and the services are provided.

*Deferred income*

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed or expired.

**2.14 Commercial income**

There are two types of commercial income recognised by the Company, both of which are recorded within cost of sales:

*Volume based rebates*

Income is earned by achieving volume or spend targets set by the supplier over a specific period of time. Income is recognised through the year based on actual sale performance and the terms of the supplier agreements. Income is invoiced throughout the year in accordance with the specific supplier terms. Income is recognised as a reduction to the cost of goods sold.

*Marketing and advertising funding*

Income is earned in respect of in-store point of sale marketing and promotions. Income is invoiced throughout the year in accordance with the specific supplier terms. Income is recognised as a reduction to the cost of goods sold during the promotional period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.15 Leases**

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Finance lease*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**2.16 Interest receivable and interest payable**

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss as they accrue using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested recognised in profit or loss as they accrue using the effective interest method.

**2.17 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from these in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are nontaxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Balance Sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.18 Sale and leaseback**

When a sale and leaseback transaction results in an operating lease, and it is clear that the transition is established at fair value any profit or loss is recognised immediately. If the sale price is below fair value, any profit or loss is recognised immediately unless the loss is compensated for by the future lease payments at below market price. In that case any such loss is amortised in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is amortised over the period for which the asset is expected to be used.

**2.19 Dividend distribution**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Interim dividends are recognised in the Company's financial statements when they are paid. Other dividend distributions are recognised in the Company's financial statements in the year in which the dividends are approved in general meeting by the Company's shareholders.

**2.20 Exceptional items**

Income and expenditure which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional items. Such items are included within the appropriate consolidated income statement category but are highlight separately in the financial statements. Exceptional items are excluding from the underlying profit measures used by the Directors to monitor the underlying performance of the Group.

**2.21 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.22 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**2.23 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**3. Accounting estimates and judgements**

The key assumptions concerning the areas of uncertainty at the Balance Sheet date which have a significant risk of causing a material adjustment to carrying amounts are:

*Recoverability of amounts owed by group undertakings*

The recoverability of amounts owed by group undertakings are assessed at each Balance Sheet date based upon forecast cash flows of the businesses. Provisions are made where recoverability is not deemed probable.

*Valuation of stock*

The Company has a formal policy for making provisions for stock to ensure they are stated at the lower of cost and net realisable value.

*Tangible assets valuation*

The useful economic lives and residual values of tangible assets are estimated based on economic utilisation and physical condition of the assets and are amended when necessary, resulting in changes to the annual depreciation charge. The Company considers whether tangible assets are impaired and where an indication of impairment is identified the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction in similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model, the amount and timing of the cash flows and the discount rate used in the model require management's judgement.

*Valuation of goodwill and intangible assets*

The useful economic lives and residual values of intangible assets are estimated based on economic utilisation and potential technical obsolescence of the assets and are amended when necessary, resulting in changes to the annual amortisation charge. Annually, the Company considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

**4. Turnover**

An analysis of turnover by activity is as follows:

	2019 £000	2018 £000
Franchise and wholesale income	3,165	6,652
Retail sales	474,718	471,997
	<u>477,883</u>	<u>478,649</u>

All turnover is generated in the United Kingdom.

## HOLLAND & BARRETT RETAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 5. Operating profit

The operating profit is stated after charging:

	2019 £000	2018 £000
Impairment loss on inventories	4,474	5,257
Depreciation of tangible assets	16,221	14,605
Amortisation on intangible assets	10,703	6,282
Exceptional item (note 10)	29,493	15,850
Loss on disposal of fixed assets	547	504
Foreign exchange losses	280	1,305
Operating lease rentals	60,792	59,418
Charitable donations	100	-

#### 6. Auditors' remuneration

	2019 £000	2018 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	150	115

Amounts receivable by the Company's auditors in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of Holland & Barrett International Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>89,310</b>	73,277
Social security costs	<b>6,374</b>	5,373
Other pension costs	<b>1,476</b>	916
	<b>97,160</b>	79,566

The average monthly number of employees, including the directors, during the year, analysed by category was as follows:

	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>
Administration	<b>644</b>	576
Retail	<b>4,629</b>	4,417
Distribution	<b>353</b>	346
	<b>5,626</b>	5,339

**8. Directors' remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£000</b>	<b>£000</b>
Directors' emoluments	<b>1,527</b>	690
Company contributions to defined contribution pension schemes	<b>29</b>	29
	<b>1,556</b>	719

During the year retirement benefits were accruing to one director (2018: one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £527,000 (2018: £460,000) and Company pension contributions of £nil (2018: £nil) were made to a money purchase scheme on his behalf.

Remuneration to key management personnel are disclosed in note 30.

## HOLLAND & BARRETT RETAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 9. Other operating income

	2019 £000	2018 £000
Royalties from group undertakings	1,260	10,245

#### 10. Other administrative exceptional items

	2019 £000	2018 £000
Impairment of intangible assets (See note 14)	14,873	15,850
Exceptional executive recruitment and personnel costs	2,664	-
Provision for ongoing legal cases	4,075	-
Impairment of debtor	7,881	-
	29,493	15,850

Exceptional costs of £4,075,000 (2018: £nil) relate to legal claims and £2,664,000 relates to recruitment costs due to significant management changes within the year.

Exceptional costs of £14,873,000 (2018: £15,850,000) relate to impairment of software assets for which the value is no longer deemed recoverable.

Exceptional costs of £7,881,000 (2018: £nil) relate to impairment of amounts owed by group companies for which the value is no longer deemed recoverable.

#### 11. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	5,179	6,323
Bank interest	67	46
	5,246	6,369

# HOLLAND & BARRETT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

### 12. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable to group undertakings	426	1,358
Finance leases liabilities	1,635	1,665
Other interest payable	31	46
	<u>2,092</u>	<u>3,069</u>

### 13. Tax on (loss)/profit

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on (loss)/profits for the financial year	-	7,451
Adjustments in respect of previous periods	1,398	(1,402)
<b>Total current tax</b>	<u>1,398</u>	<u>6,049</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	685	1,363
Changes to tax rates	(72)	(97)
Adjustments in prior years	(4,259)	-
<b>Total deferred tax</b>	<u>(3,646)</u>	<u>1,266</u>
<b>Total tax</b>	<u>(2,248)</u>	<u>7,315</u>

## HOLLAND & BARRETT RETAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2019

#### 13. Tax on (loss)/profit (continued)

##### Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
(Loss)/profit before taxation	(18,319)	66,605
(Loss)/profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(3,481)	12,655
Effects of:		
Expenses not deductible for tax purposes	6,786	1,106
Adjustments in respect of prior periods	(2,861)	(962)
Deferred tax not recognised	(187)	-
Group relief	(2,433)	(5,387)
Re-measurement of deferred tax - change in UK rate	(72)	(97)
<b>Total tax (credit)/charge for the financial year</b>	<b>(2,248)</b>	<b>7,315</b>

##### Factors that may affect current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the Balance Sheet date have been measured using these enacted tax rates and reflected in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 14. Intangible assets

	Software costs £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 October 2018	70,132	668	70,800
Additions	27,379	-	27,379
Disposals	(1,373)	-	(1,373)
At 30 September 2019	96,138	668	96,806
<b>Accumulated amortisation</b>			
At 1 October 2018	30,983	425	31,408
Charge for the year	10,670	33	10,703
On disposals	(475)	-	(475)
Impairment charge	14,873	-	14,873
At 30 September 2019	56,051	458	56,509
<b>Net book value</b>			
At 30 September 2019	40,087	210	40,297
At 30 September 2018	39,149	243	39,392

*Amortisation and impairment*

The amortisation and impairment charge is recognised in the following line items in the Statement of Comprehensive Income:

	2019 £000	2018 £000
Administrative expenses	10,703	6,282
Other administrative exceptional items	14,873	15,850
	25,576	22,132

During the year, the Company has recognised an impairment charge on software assets of £14,873,000 (2018: £15,850,000) as the Company has alternated its technology strategy and the value is no longer considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

## 15. Tangible assets

	Freehold buildings £000	Fixtures and fittings £000	Total £000
<b>Cost</b>			
At 1 October 2018	46,317	151,890	198,207
Additions	-	16,874	16,874
Disposals	-	(1,391)	(1,391)
At 30 September 2019	46,317	167,373	213,690
<b>Accumulated depreciation</b>			
At 1 October 2018	4,709	68,815	73,524
Charge for the year	1,287	14,934	16,221
Disposals	-	(1,061)	(1,061)
Impairment charge	-	2,493	2,493
At 30 September 2019	5,996	85,181	91,177
<b>Net book value</b>			
At 30 September 2019	40,321	82,192	122,513
At 30 September 2018	41,608	83,075	124,683

*Leased tangible assets*

At 30 September 2019, the net carrying amount of assets under a finance lease was £39,948,000 (2018: £41,106,000). The leased asset secures property lease obligations (see note 20).

The impairment charge relates to fixed assets on loss making stores included in the onerous lease provision.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019.**

**16. Investments**

**Subsidiary undertakings**

The Company has the following directly held investments in subsidiaries:

<b>Name</b>	<b>Registered office</b>	<b>Principal activity</b>	<b>Class of shares</b>	<b>Holding</b>
Neal's Yard Wholefoods Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Dormant	Ordinary	100%
Holland & Barrett Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Dormant	Ordinary	100%
Holland & Barrett (South Africa) Pty Limited	1 Waterhouse Place, Cape Town 8001, South Africa	Dormant	Ordinary	100%
Lifecycle 2018 Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Dormant	Ordinary	100%
Beaumont Health Stores Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Dormant	Ordinary	100%

This information comprises a full listing of the Company's subsidiary undertakings at the Balance Sheet date.

**17. Stocks**

	<b>2019 £000</b>	<b>2018 £000</b>
Raw materials	<b>10,858</b>	10,835
Finished goods	<b>87,519</b>	103,215
	<b>98,377</b>	114,050

Raw material and changes in finished goods recognised as cost of sales in the year amounted to £186.5m (2018: £169.8m). The write-down of stocks to net realisable value amounted to £1.6m (2018: £0.6m); the write down is included within cost of sales.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**18. Debtors**

	2019 £000	2018 £000
<b>Due after more than one year</b>		
Deferred tax asset	483	191
	<u>483</u>	<u>191</u>
<b>Due within one year</b>		
Trade debtors	4,511	6,718
Amounts owed by group undertakings	899,754	907,643
Other debtors	3,674	8,331
Corporation tax receivable	4,399	3,695
Prepayments and accrued income	17,753	28,534
	<u>930,091</u>	<u>954,921</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts owed by Holland & Barrett B.V. of £31.9m (2018: £32.8m) and Holland & Barrett Group of £109.2m (2018: £109.2m) is charge interest at commercial rates. No interest is charged on all other balances owed from other group companies.

**19. Creditors: amounts falling due within one year**

	2019 £000	2018 £000
Trade creditors	51,380	70,391
Amounts owed to group undertakings	737,955	729,738
Other taxation and social security	9,352	8,865
Obligations under finance lease	911	863
Other creditors	1,612	926
Accruals and deferred income	26,576	23,747
	<u>827,786</u>	<u>834,530</u>

Amounts owed to group undertakings (Precision Engineered Limited) of £nil (2018: £6.5m) are unsecured and repayable on 30 September 2023. Interest is charged at a commercial rate.

All other amounts owed to group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts owed to L1R HB Finance Limited of £nil (2018: £10.1m) are charged interest at commercial rates. No interest is charged on all other amounts owed to group undertakings.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019

20. Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Obligations under finance leases	41,491	42,402
Amounts owed to group undertakings	6,500	-
Accruals and deferred income	16,118	16,779
	<b>64,109</b>	<b>59,181</b>

Amounts owed to group undertakings (Precision Engineered Limited) of £6.5m (2018: £nil) are unsecured and repayable on 30 September 2023. Interest is charged at a commercial rate.

21. Other provisions

	Onerous leases £000	Legal provision £000	Total £000
At 1 October 2018	1,724	-	1,724
Charged to profit or loss	1,607	4,000	5,607
Released for the year	(700)	-	(700)
Utilised in year	(501)	-	(501)
<b>At 30 September 2019</b>	<b>2,130</b>	<b>4,000</b>	<b>6,130</b>

The provision for onerous leases relates to loss making stores.

The legal provision relates to various legal matters arising within the financial year.

Provision for onerous leases of £639,000 and legal provision of £4,000,000 are expected to be utilised within one year of the balance sheet date.

22. Interest bearing loans and borrowings

*Terms and repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2019 £000	2018 £000
Finance lease liabilities	GBP	2 - 3 %	2042-2045	Monthly	42,402	43,265

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**23. Finance leases liabilities**

Minimum lease payments under finance lease liabilities are payable as follows:

	2019 £000	2018 £000
Within one year	2,517	2,633
Between 1-5 years	12,996	12,768
Over 5 years	50,527	53,138
Less: finance charges	(23,638)	(25,274)
	<u>42,402</u>	<u>43,265</u>

Finance leases are secured on the assets to which they relate.

**24. Deferred tax**

	2019 £000
At beginning of year	(3,715)
Charged to profit or loss	(613)
Adjustment in respect of prior years	4,259
<b>At end of year</b>	<u><u>(69)</u></u>

The deferred tax balance is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	(552)	(3,906)
Short term timing differences - trading	483	191
	<u>(69)</u>	<u>(3,715)</u>
<b>Comprising:</b>		
Asset - due after one year	483	191
Liability	(552)	(3,906)
	<u>(69)</u>	<u>(3,715)</u>

**25. Capital commitments**

The Company's contractual commitments to purchase tangible assets at the year end were £1.8m (2018: £1.1m)

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**26. Pension commitments**

**Defined contribution plans**

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £1,476,000 (2018: £916,000). Outstanding pension contributions at the Balance Sheet date were £484,000 (2018: £191,000).

**Share based payments**

There were no options outstanding as of 30 September 2019 (2018: Nil).

**27. Operating leases**

At 30 September the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
<b>Land and building</b>		
Less than one year	56,175	54,386
Between one and five years	165,870	170,855
More than five years	60,834	90,823
	<u>282,879</u>	<u>316,064</u>
	2019 £000	2018 £000
<b>Others</b>		
Not later than 1 year	772	357
Later than 1 year and not later than 5 years	1,834	300
	<u>2,606</u>	<u>657</u>

During the year £60.8m was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases (2018: £59.4m).

**NOTES TO THE FINANCIAL STATEMENTS  
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**28. Called up share capital**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Allotted, called up and fully paid</b>		
1,050,000 (2018: 1,050,000) ordinary shares of £1 (2018: £1) each	<b>1,050</b>	1,050

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**29. Reserves**

**Profit and loss account**

The profit and loss account represents the accumulated profits, losses and distributions of the Company.

**30. Related parties**

The Company has transacted in the year with related parties, being subsidiaries and other members of the wider group of Letterone Investment Holdings S.A., as all such related parties transacted with are wholly owned members of the wider group, the Company has taken advantage of FRS 102 33.11 from disclosing transactions with such fellow Group members.

**Key management personnel remuneration**

In addition to the amounts disclosed in the Directors' remuneration note, key management personnel remuneration amounts of £3,220,000 are included within Wages and salaries and £74,000 included within Other pension costs. £743,000 of the £3,220,000 included within Wages and salaries relates to payment for loss of office, the remainder is in relation to salaries of key management employees.

Compensation paid or payable to the Directors of the Company for services rendered are disclosed in note 8.

**31. Ultimate parent undertaking and controlling party**

The immediate parent undertaking is Holland & Barrett Holdings Limited, a company incorporated in England and Wales.

The Company's ultimate parent and controlling party is Letterone Investment Holdings S.A., a company incorporated in Luxembourg.

The largest and only group of publicly available financial statements in which the results of the Company are consolidated is that prepared by Holland & Barrett International Limited. Copies of Holland & Barrett International Limited's consolidated financial statements may be obtained from the registrar of Companies, Companies House, Crown Way, Cardiff.