

Registration number: 02758955

# Holland & Barrett Retail Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2020



# **Holland & Barrett Retail Limited**

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## **Holland & Barrett Retail Limited**

### **Company Information**

<b>Directors</b>	RI Bell
	M Smith
	S Willett
<b>Company secretary</b>	M Smith
<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 2020**

The directors present their strategic report for the year ended 30 September 2020.

#### **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.

At 30 September 2020, the Company operated 766 (2019: 792) health stores in the UK, 65 (2019: 73) worldwide franchise outlets and 515 (2019: 484) 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 £413.6m (2019: £477.9m) and a profit before taxation of £5.7m (2019: loss before taxation £18.3m) for the year. This includes exceptional items of £9.1m (2019: £29.5m) in respect of executive restructure and COVID-19 costs in the current year and impairment charges in the previous year; excluding this, profit before taxation would have been £14.8m (2019: £11.2m). There has been a decline in sales of 12.6% in the year (2019: 0.2%). In the year to 30 September 2020, the company closed 21 stores. There has been a reduction in sales in the financial year mainly driven by the impact of government measures in relation to the COVID-19 pandemic. This caused a significant reduction in footfall on the high street. Through careful management of promotional activity, margin and costs, profit before exceptional items and tax show an increase compared to prior year.

The directors do not recommend the payment of a dividend for the year ended 30 September 2020.

The Statement of Comprehensive Income and Balance Sheet is set out on page 19 onwards. Both the activity in the year and the year end financial position of the Company are considered to be strong given the impact of COVID-19, and the directors do not expect sales to decline in 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.

#### **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 Colleagues***

The calibre and training of our colleagues 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.

## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### ***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.

#### ***Store estate***

The Company continues its strategy of continually evaluating the number and location of stores throughout the UK and other 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 12.5m customers signed up and over 5.3m activated users. The program enables us to better service the Customers' needs as well as deliver additional value by way of quarterly coupons.

#### ***Technology***

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

As a result, the directors remain confident that the current level of performance will be maintained or improved in the future.

#### **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. Key business risks affecting the Group are set out below:

- **Colleagues**

The Company's performance is highly dependent upon retaining and recruiting high calibre colleagues. The resignation of key individuals and the inability to recruit retail staff with the necessary experience and skills could adversely impact upon the Group's results. To mitigate these issues, the Group has implemented incentive schemes designed to retain key individuals and created a training academy for the development of retail staff. The Group is committed to maintaining high standards of health and safety for both colleagues and customers.

- **Legislation**

The industry and the products sold by the Company are increasingly subject to regulation, much of which applies throughout the UK and European Union (see Brexit commentary below). 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.

## Holland & Barrett Retail Limited

### Strategic Report for the Year Ended 30 September 2020 (continued)

- Brexit

The Company manages this risk as part of its overall Group strategy to Brexit. The Group 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 due to the UK leaving the EU. The on-going impact on distribution as a result of the Free Trade agreement between the UK and the EU announced after the Balance Sheet date will continue to be monitored by management.

- COVID-19

COVID-19 is not expected to have a significant impact on the entity. To date, no subsidiaries within the Group have called on any financial support. Where additional support is required, a centralised approach will be taken by the treasury function in the UK. Holland & Barrett Retail Limited has seen a decrease in sales due to a shift of customer shopping habits from the high street to online. The Group continues to monitor the situation, management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond.

#### Key performance indicators ("KPIs")

The company's key financial and other performance indicators during the year were as follows:

	2020	2019
Turnover (£'000)	413,639	477,883
Gross Profit (£'000)	256,162	281,928
Gross profit percentage (%)	62	59
Operating profit/(loss) (£'000)	2,245	(21,473)
New stores (numbers)	-	25
Closed stores (numbers)	21	4
EBITDA before exceptional items * (£'000)	42,325	34,944
EBITDA (£'000)	33,205	5,451

\* Adjusted for exceptional items of £9.1m (2019: £29.5m) (see note 8).

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

#### Corporate governance

The Directors comply with the requirements of Section 172 Companies Act 2006 and the Wates Principles of Corporate Governance. How these requirements have impacted the Board's decision making throughout the financial year 2020 are detailed below. Note the below sections are with reference to the entire Holland & Barrett Group of which the top holding entity is L1R HB Holdings Limited ("Governance Group"). Holland & Barrett Retail Limited is the main UK trading entity. There is consistent management control across the Group and management applies the same governance principles to each entity within the Governance Group, of which the Company is one. Therefore, the below references to the principles applied across the Governance Group have also been applied to the Company by its Directors.

## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### **Section 172(1) statement**

##### **a. The likely consequences of any decision in the long term**

The LIR Holdings Limited Board annually approves the five-year plan (2021-2025) and monitors its implementation throughout the year using detailed reports on operating and financial performance. This includes monitoring progress against key strategic programmes (both short-term and long-term) as well as considering the allocation of capital to support the rolling five year-business plan. The key strategic decisions by the Board and its impact upon the current year have been discussed within the Business Review of the Strategic Report on page 2.

This financial year the focus of the board is on the delivery and execution of high standard retail disciplines to ensure our customer proposition is well matched with customer needs. This is twinned with an efficiency programme to optimise business performance given the scale of channel shift established in the financial year ended 30 September 2020. This will ensure H&B has a place in the market for future generations (Wates principle 1).

In approving the strategy, the Directors considered external factors such as competitor behaviour, as well as the evolving economic, political and market conditions.

##### **b. The interests of the company's employees**

The Directors understand the importance of the Group's employees to the long-term success of the business.

The Group led by its Directors communicates to its employees through presentations, internal group-wide emails, newsletters, social media channels and posts on the intranet (known as the Hub). Local road shows are done throughout the year which provide a briefing on the Company's performance, gives an update on any initiatives that are being introduced and allows individuals to raise questions and concerns about purpose and strategy. These are focused around retail staff and done in several locations to ensure coverage of the estate. The key focus of this year's road shows was around new product lines, the benefits that come with these and how to ensure the customer gets the most out of them (Wates Principle 6).

Holland & Barrett is committed to the development of its staff, allowing staff to complete qualifications to improve product knowledge. On successful completion of the training programme delivered through our state-of-the-art e-learning platform, colleagues attain a nationally recognised QCF qualification. Our commitment to training is paramount to ensure we safeguard our industry and support our colleagues in delivering excellent customer care above that of other health retailers.

In addition to the formal training, the group has also introduced online compliance and training modules in softer skills to ensure the continual development of staff.

Also, within the year the results of the first employee engagement survey known as the "Voice" has been fed back to employees. This survey allows the Group to actively gauge the impact of its principal decisions such as store investment and training programmes on employee engagement. Small working groups have been put in place to work on the outcomes and actively engage with each department on follow ups. In addition to the above, discretionary payments are made to employees linked to the Company's performance.

## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### **c. The need to foster the company's business relationships with suppliers, customers and others**

The Board regularly reviews how the Group maintains positive relationships with all of its stakeholders, including suppliers, customers and others.

As seen in Wates principle 2 there is great variety on the Group board, this ensures a balanced approach to stakeholder management with significant industry knowledge to leverage with regard to decision making.

The Directors understand the importance of the Group's supply chain in delivering the long-term plans of the Group. One of the ways we can ensure effective relationships with our supply chain is to pay them on time to agreed terms. To aid with this and improve on supplier communications we have launched the supplier portal in the year (see Wates principle 6).

When it comes to their health and wellness, we want our customers to see Holland & Barrett as their most trusted partner. Our aim is to be recognised as an authority in providing health and wellness advice and information. We are using new partnerships, new formats, and new channels to spread the benefits of ethical well-being to our customers and provide them with personalised information for their individual health and well-being journeys. We want every engagement that our customers have with Holland & Barrett to feel as natural and as enjoyable as possible, whatever channel they use to interact with us. To that end, we are working on making our digital and physical stores places of discovery and inspiration.

The Directors actively seek information on the interaction with stakeholders to ensure that they have sufficient information to reach appropriate conclusions about the risks faced by the Group and how these are reflected within the long-term plans.

#### **d. The impact of the company's operations on the community and the environment**

We are proud to partner with Plastic Oceans. In July 2019 we began working with Plastic Oceans UK. This was in conjunction with our zero-waste beauty launch and international wet wipe ban.

As a leading retailer of wellness products, we have an important role to play in looking after the future of our planet, our animals, our resources, and our oceans. Our Corporate Social Responsibility goals are closely aligned to the UN's sustainable development goals. They have been a guiding force in the way we've run our business for many years and for how we will continue to operate in the future.

In 2010, we were the first retailer to ban plastic bags (well before the government introduced the 5p levy). In 2019, we introduced biodegradable paper bags for all stores across the UK and Ireland. Although our paper bags do not provide a detrimental effect to the planet, they do use our precious natural resources and additional energy in the recycling process, that's why we charge a nominal fee of 5p or 7c per bag sold. We hope in doing this, it'll encourage customers to reduce their waste and think twice about single-use materials.

We have also taken a stance on single use items, with the banning of wet wipes in 2019 along with sending xero waste to land fill. Our manufacturing and distribution centre in Burton processes most of the waste from our UK business. We are proud to claim that we have been Zero to Landfill since November 2018, with the help of our partnership with Willshees who certify and deal with all our waste once it has been segregated.

We are working hard to reduce the impact our packaging has on the environment. We are working to eliminate the use of single use plastics in line with the UK Government's objectives. We aim to replace all our plastic Beauty packaging with glass, aluminium, and Forest Stewardship Council (FSC) approved cardboard. Our Sports and Vitamins, Supplements and Minerals packaging will also change to clear PET. These materials are easily recycled by all local authorities in the UK.



## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### **e. The desirability of the company maintaining a reputation for high standards of business conduct**

The Directors take the reputation of the Group seriously which is not limited to only operational and financial performance. For example, diversity and inclusion is a key part of Holland & Barrett's culture. The Board is committed to developing a more diverse workforce, including at the most senior levels.

The Group has a zero-tolerance approach to Modern Slavery, and we are committed to the prevention, deterrence and detection of Modern slavery within our business and within our supply chain. It is our policy to conduct all business activities with honesty, integrity and at the highest possible ethical standards. We are fully committed to implementing and enforcing effective systems and controls within our business and within our supply chain to continually challenge our ability to combat Modern Slavery. Holland & Barrett has built a framework of measures to assess and monitor our supplier's conduct in respect to Modern Slavery. The Group has taken steps to include specific prohibitions against the use of Modern Slavery in our contracting process.

#### **f. The need to act fairly as between members of the company**

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and to protect the company's brand, reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers and the local communities in which we work.

Holland & Barrett is proud to be a trusted, ethical brand supplying our customers with products and advice in over 18 countries worldwide. We constantly innovate to meet our customers' needs, whether it is banning microbeads from our products six years before the UK ban was introduced or investing in digital transformation to provide a world-class shopping experience.

Continued investment in our business, from our digital platform to our product range, has enabled us to continue to deliver consistent financial growth and long-term value for our investors.

### ***Wates Principles***

#### ***Principle 1- Purpose and leadership***

The focus of the board is to build on the performance of the financial year ended 30 September 2020; the business has implemented a cross-functional propositional improvement and systematic operating model capability program to ensure the business is best able to deliver the future strategy with a growing digital presence, and build on the current momentum of Healthy Living.

The Group is well advanced in developing action plans and engaging with our workforce. The next steps will be to provide the necessary training to be able to deliver these targets, as well as engaging with our wider stakeholders. In all internal communications all aspects of the business are considered. Whether this be distribution, warehouse or retail, a combination of all parts is given thought to establish end goals.

All board members have agreed to a terms of reference document which was enacted from the beginning of the financial year. This document contains best practises and guidelines which each board member will act within, for example on ensuring succession planning, delivery of strategic objectives and allocation of capital.

## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### ***Principle 2- Board composition***

The Board comprises an executive team of eight, with varied skillset, experience and knowledge. There is a separate Chairman and Chief Executive to ensure that the balance of responsibilities, accountabilities and decision making across the Group are effectively maintained, as well as a Chief Financial Officer, Independent Non-Executive directors and independent advisors. This size and composition is appropriate to our business. Independent advisors and Non-Executive Directors bring experience in health care, strategic development and professional services in addition to perspectives and knowledge of challenges from sectors that the group does not operate in.

In addition to the non-executive members, other board members have experience in numerous retail businesses across many territories, manufacturing, technology and a wealth of other industries. The board is also made up of a split between both Holland & Barrett International Limited directors (management) and L1R HB Holdings Limited directors (owners), this ensures a fair approach on decision making.

Diversity and inclusion is a key part of Holland & Barrett's culture. The Board is committed to developing a more diverse workforce, including at the most senior levels. The Nomination and Remuneration committee has been given a focus of this for the coming financial year. Review of the board is ongoing. As part of the terms of reference agreed to by all board members, there is an agreement to ensure the board is assessed for appropriateness. This is mainly managed by the parent entity.

#### ***Principle 3- Director responsibilities***

There are a number of regular meetings held throughout the year which involve different board members. These include bi-monthly meetings for the Executive Board, Audit Committee, monthly investment committee and quarterly nomination and remuneration committee.

The Board receives regular and timely information (at least monthly) on all key aspects of the business including health and safety, risks and opportunities, the financial performance of the business, strategy, operational matters, market conditions and sustainability, all supported by Key Performance Indicators (KPIs).

The Board has developed within the year following substantial personnel changes. In the financial year ending 2020 areas of emphasis for the board have been around ensuring the longevity of the Group despite the COVID-19 impact. This has been managed and reviewed by identifying and adapting strategic priorities.

#### ***Principle 4- Opportunity and risk***

The Board seeks out opportunity whilst mitigating risk. The company's key operational risks and how we mitigate them is outlined in the Strategic Report (and are denoted as 'Principal Risks' below). The Board also considers all major projects (as defined by their value and risk profile) and approves them before any bids are finalised. The Group takes a management-led risk assessment approach which reports into the Audit committee. An Internal Audit function has been established who will partner with KPMG to provide the board with full accountability, aiding with the identification, remediation and mitigation of risk. An internal audit plan for the next financial year has been presented to the board.

The strategic board is responsible for future opportunities. This is supported by the new ventures and strategy management teams. Along with H&B focus, our parent's L1R, support and partner with future opportunities offering their expertise to identify and succeed in managing next steps for the business.

## **Holland & Barrett Retail Limited**

### **Strategic Report for the Year Ended 30 September 2020 (continued)**

#### ***Principle 5- Remuneration***

The Nomination and Remuneration Committee's primary objective is to set remuneration at a level that will enhance the company's resources by securing and retaining quality senior management who can deliver the Group's strategic ambitions in a manner consistent with both its purpose and the interests of its shareholders. The committee is chaired by a non-executive director, and meets quarterly to discuss, plan and agree remuneration strategy across the business. This includes pay, bonuses, long-term incentive plan and other benefits.

The Gender Pay Gap report is reviewed by the chair of the Nomination and Remuneration committee, and an action plan is formulated for improvements. Management acknowledge there is a gap in female senior leadership across the Group, and hence are actively seeking more female senior managers, specifically around Digital and Technology.

The Nomination & Remuneration Committee considers all reputational risks of all matters relating to remuneration. The committee consists of a non-executive director and an LIR director so is independent of H&B Group management.

#### ***Principle 6- Stakeholder relationships and engagement***

The Board is clear that good governance and effective communication are essential on a day-to-day basis to deliver our purpose and to protect the company's brand, reputation and relationships with all our stakeholder community including shareholders, customers, employees, suppliers and the local communities in which we work.

The Group communicates to its employees through presentations, internal group-wide emails, newsletters, social media channels and posts on the intranet (known as the Hub). As referenced above, local road-shows are done throughout the year which provide a briefing on the Company's performance, gives an update on any initiatives that are being introduced and allows individuals to raise questions and concerns.

Quarterly briefings are given to the store-support centre staff from the senior management and executive teams. This provides employees with an update on financial information, new product lines, business strategy updates and any other new projects. In the financial year 2020, there has been a focus on re-aligning the short-term strategy to a digital focus, new product development and adapting to COVID-19 challenges.

In addition to formal communication processes as above, there are employee helplines and whistle-blowing lines independently managed to support honest and open conversations between employee and employer. The Group has also introduced a share-point network in the financial year 2020 which has improved communications to colleagues containing both policy and other useful updates. This is an ongoing project with the hope more departments will make use and share information on the share-point site going forward.

Also, within the year the results of the first employee engagement survey known as the "Voice" has been fed back to employees. The process is run by an external company (Culture IQ) to maintain independence and anonymity. Small working groups have been put in place to work on the outcomes and actively engage with each department on follow ups.

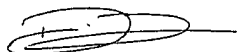
In regard to supplier relationships, the Group has re-launched the supplier portal within the financial year, along with issuing a new supplier manual and code of conduct. The board decided, that although not mandatory, the Grocer's code of conduct would be followed to allow for best practises to exist. Suppliers are currently going through the onboarding process with positive feedback. The supplier portal will also help with the monitoring of supplier compliance.

The Group also actively participates and prioritises relationships with trade associations such as the Health Food Manufacturing Association to allow for best practices across the industry to influence the H&B group.

**Holland & Barrett Retail Limited**

**Strategic Report for the Year Ended 30 September 2020 (continued)**

Approved by the Board on 11 January 2021 and signed on its behalf by:



.....  
RI Bell  
Director

## **Holland & Barrett Retail Limited**

### **Directors' Report for the Year Ended 30 September 2020**

The directors present their report and the financial statements for the year ended 30 September 2020.

#### **Future developments**

The objective of the Company's management team is to continue to produce market leading performance within the brand, through the UK store estate; development of the H&B brand online (reported in Holland & Barrett Group Limited's financial statements) and the further development of international markets through franchising.

COVID-19 is not expected to have a significant impact on the entity. To date, no subsidiaries within the wider Group (including Holland and Barrett Retail Limited) have called on any financial support. This is further not expected to be the case. The Board continues to monitor the situation, management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond.

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 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.

#### **Directors of the company**

The directors who held office during the year up to the date of signing the financial statements were as follows:

RI Bell (appointed 1 July 2020)

AD Buffin (appointed 16 October 2019 and ceased 2 October 2020)

ST Carson (ceased 6 January 2020)

LM Garley-Evans - Company secretary and director (ceased 31 December 2020)

C Keen (ceased 23 October 2019)

HM Leam (ceased 14 February 2020)

GA Watts (appointed 23 October 2019 and ceased 1 July 2020)

The following directors were appointed after the year end:

M Smith - Company secretary and director (appointed 1 January 2021)

S Willett (appointed 1 January 2021)

## **Holland & Barrett Retail Limited**

### **Directors' Report for the Year Ended 30 September 2020 (continued)**

#### **Corporate governance and Wates Principles**

The corporate governance statement which includes s172, application of the Wates principles and employee and other stakeholder governance agreements; has been included within the Strategic Report (page 4 onwards) due to its strategic importance.

#### **Employee involvement**

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. In addition to the above, discretionary payments are made to employees linked to the Company's performance.

## **Holland & Barrett Retail Limited**

### **Directors' Report for the Year Ended 30 September 2020 (continued)**

#### **Going concern**

The Company and the wider Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due within the financial year ending 30 September 2021. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Management has produced forecasts that have been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Company and wider Group is forecast to generate profits and cash in the year ending 30 September 2021 and beyond and that the Company and wider Group has sufficient cash reserves to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

COVID-19 has not had and is not expected to have a significant impact on the going concern assumption of Holland and Barrett Retail Limited. The vast majority of Holland and Barrett stores remained open during the lockdown due to "Essential Retailer" status. In addition to the above, the Company has received a letter of support from L1R HB Finance Limited, a parent of the wider group.

As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

#### **Important non adjusting events after the financial period**

From the 1 October 2020 the trade and assets of Holland and Barrett Group Limited is to be transferred to Holland and Barrett Retail Limited. This will mean that for the next financial year, ending 30 September 2021, Holland and Barrett Retail Limited will include the trade of UK online sales.

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

Large unquoted companies, such as Holland and Barrett International Limited, are obliged to report their UK energy use and associated greenhouse gas emissions relating to gas, electricity and transport fuels. The Group's disclosure is for the UK Group; Holland and Barrett International Limited and covers all UK Group companies of which Holland and Barrett Retail Limited is a subsidiary. The Group's SECR disclosure presents our carbon footprint across Scopes 1, 2 and 3, together with appropriate intensity metric and our total energy use of electricity, gas and transport fuels.

#### **Energy Efficiency Action**

Within the financial year, Holland & Barrett International Limited has continued with its ongoing LED lighting retrofit programme across both its retail and manufacturing estate nationally. In terms of transport, fleet vehicle providers have been changed to access more efficient models, whilst driver training has delivered fuel efficiencies. The development of a fleet utilisation programme to reduce HGV mileage has also commenced. Looking forward, Holland & Barrett are currently developing a carbon reduction KPI as an integral part of its new CSR Framework.

## Holland & Barrett Retail Limited

### Directors' Report for the Year Ended 30 September 2020 (continued)

#### GHG emissions and energy use data for financial year ending 30 September 2020

Energy consumption used to calculate emissions (kWhs)	40,337,958
Emissions from combustion of gas tCO <sub>2</sub> e (Scope 1)	64
Emissions from combustion of fuel for transport purposes tCO <sub>2</sub> e (Scope 1)	2,576
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO <sub>2</sub> e (Scope 3)	-
Emissions from purchased electricity tCO <sub>2</sub> e (Scope 2, location-based)	6,781
Total gross CO <sub>2</sub> e based on above (tCO <sub>2</sub> e)	9,421
Intensity ratio: tCO <sub>2</sub> e gross figure based on mandatory fields above/£m 2019-20 Group Revenue (Holland and Barrett International Limited)	13

#### Methodology

Greenhouse gas emissions calculated through application of the UK Department for Business, Energy & Industrial Strategy GHG Conversion Factors: Condensed Set (July 2020) using the following reporting standards:

- The Greenhouse Gas Protocol - Corporate Accounting and Reporting Standard (WBCSD & WRI, 2004)
- The Greenhouse Gas Protocol - Scope 2 guidance, amendment to the GHG Protocol Corporate Standard (WBCSD & WRI, 2015)
- The Greenhouse Gas Protocol - Corporate Value Chain (Scope 3) Accounting and Reporting Standard (WBCSD & WRI, 2011)

#### Disclosure of information to the auditors

Each director has taken 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. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### Reappointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

The financial statements on pages 19 to 45 were approved by the Board on 11 January 2021 and signed on its behalf by:



RI Bell  
Director



## **Holland & Barrett Retail Limited**

### **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 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.

# ***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 2020 and of its profit 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 2020; 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**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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## **Responsibilities for the financial statements and the audit**

### ***Responsibilities of the directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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**

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**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*

Gillian Hinks (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
12 January 2021

## Holland & Barrett Retail Limited

### Statement of Comprehensive Income for the Year Ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	413,639	477,883
Cost of sales		<u>(157,477)</u>	<u>(195,955)</u>
Gross profit		256,162	281,928
Distribution costs		<u>(183,956)</u>	<u>(205,137)</u>
Administrative expenses		(69,237)	(69,484)
Other administrative exceptional items	8	(9,120)	(29,493)
Loss on sale of assets		<u>(643)</u>	<u>(547)</u>
Total administrative expenses		<u>(79,000)</u>	<u>(99,524)</u>
Other operating income	9	<u>9,039</u>	<u>1,260</u>
Operating profit/(loss)	4	<u>2,245</u>	<u>(21,473)</u>
Interest receivable and similar income	10	5,443	5,246
Interest payable and similar expenses	11	<u>(1,939)</u>	<u>(2,092)</u>
		<u>3,504</u>	<u>3,154</u>
Profit/(loss) before tax		5,749	(18,319)
Tax on profit/(loss)	12	<u>(1,010)</u>	<u>2,248</u>
Profit/(loss) for the financial year / Total comprehensive income/(expense)		<u>4,739</u>	<u>(16,071)</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 22 to 45 form an integral part of these financial statements.

**Holland & Barrett Retail Limited**  
**(Registration number: 02758955)**  
**Balance Sheet as at 30 September 2020**

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Intangible assets	13	53,424	40,297
Tangible assets	14	116,668	122,513
		<u>170,092</u>	<u>162,810</u>
<b>Current assets</b>			
Stocks	16	109,574	98,377
Debtors	17	234,688	930,091
Cash at bank and in hand	18	42,630	9,543
Deferred tax assets	12	1,380	483
		<u>388,272</u>	<u>1,038,494</u>
<b>Creditors: Amounts falling due within one year</b>	19	<u>(179,437)</u>	<u>(827,786)</u>
<b>Net current assets</b>		<u>208,835</u>	<u>210,708</u>
<b>Total assets less current liabilities</b>		<u>378,927</u>	<u>373,518</u>
<b>Creditors: Amounts falling due after more than one year</b>	19	<u>(62,657)</u>	<u>(64,109)</u>
<b>Provisions for liabilities</b>			
Other Provisions	20	(3,351)	(6,130)
Deferred tax liabilities	20	(5,453)	(552)
		<u>(8,804)</u>	<u>(6,682)</u>
<b>Net assets</b>		<u>307,466</u>	<u>302,727</u>
<b>Capital and reserves</b>			
Called up share capital	25	1,050	1,050
Profit and loss account	26	306,416	301,677
<b>Total equity</b>		<u>307,466</u>	<u>302,727</u>

The financial statements on pages 19 to 45 were approved and authorised by the Board on 11 January 2021 and signed on its behalf by:



RI Bell  
Director

## Holland & Barrett Retail Limited

### Statement of Changes in Equity for the Year Ended 30 September 2020

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2018	1,050	337,748	338,798
Loss for the year	<u>-</u>	<u>(16,071)</u>	<u>(16,071)</u>
Total comprehensive expense	-	(16,071)	(16,071)
Dividends	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
At 30 September 2019	<u>1,050</u>	<u>301,677</u>	<u>302,727</u>
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2019	1,050	301,677	302,727
Profit for the year	<u>-</u>	<u>4,739</u>	<u>4,739</u>
Total comprehensive income	-	4,739	4,739
At 30 September 2020	<u>1,050</u>	<u>306,416</u>	<u>307,466</u>

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020**

#### **1 General information**

The company is a private company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

Samuel Ryder House  
Barling Way  
Eliot Park  
Nuneaton  
Warwickshire  
CV10 7RH  
UK

These financial statements were authorised for issue by the Board on 11 January 2021.

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

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 years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

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.

##### **Summary of 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 requirement 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

##### **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 the UK is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.



## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Going concern**

The Company and the wider Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due within the financial year ending 30 September 2021. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Management has produced forecasts that have been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Company and wider Group is forecast to generate profits and cash in the year ending 30 September 2021 and beyond and that the Company and wider Group has sufficient cash reserves to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

COVID-19 has not had and is not expected to have a significant impact on the going concern assumption of Holland and Barrett Retail Limited. The vast majority of Holland and Barrett stores remained open during the lockdown due to "Essential Retailer" status. In addition to the above, the Company has received a letter of support from LIR HB Finance Limited, a parent of the wider group.

As such, the directors are satisfied that the company has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing these financial statements.

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

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

##### **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 the 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 instruments 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.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 2 Accounting policies (continued)

##### Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when, the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

##### *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 as 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 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 reward points is recognised when the points are redeemed or expired.

##### 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.

##### 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 highlighted 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.

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Finance income and costs policy**

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.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

##### **Tangible assets**

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent 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 the 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.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 2 Accounting policies (continued)

##### Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows. Leased assets are depreciated over the shorter of the lease term and their useful lives:

Asset class	Depreciation method and rate
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 benefit.

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

##### Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life, which shall not exceed ten years if a reliable estimate of the useful life cannot be made.

##### Intangible assets

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

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.

##### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software costs	3-10 years
Goodwill	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.

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

##### **Trade debtors**

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

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.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### **Trade creditors**

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Comprehensive Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Provisions**

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

##### **Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Statement of Comprehensive Income and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

##### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

##### **Defined contribution pension obligation**

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **2 Accounting policies (continued)**

##### **Impairment excluding stocks and deferred tax asset**

###### **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.

##### **Sales and leaseback**

Where a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the seller-lessee recognises any profit or loss immediately. Where the sale price is below fair value, the seller-lessee shall recognise any profit or loss immediately unless the loss is compensated for by future lease payments at below market price. In that case the seller-lessee shall defer and amortise such loss in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the seller-lessee shall defer the excess over fair value and amortise it over the period for which the asset is expected to be used.

##### **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:

###### *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. This estimate is based on the current stock accounting policy. If the stock valuation was to decrease by 1% this would lead to an adjustment of £1.1m. Management believe that the current stock valuation is accurate and no further provisions are required.

#### **3 Turnover**

The analysis of the company's revenue for the year from continuing operations is as follows:

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 3 Turnover (continued)

	2020 £ 000	2019 £ 000
Franchise and wholesale income	4,491	3,165
Retail sales	<u>409,148</u>	<u>474,718</u>
	<u>413,639</u>	<u>477,883</u>

All revenue is generated in the United Kingdom, with the exception of Franchise and Wholesale amounts which is generated from various overseas countries.



## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 4 Operating profit/(loss)

Arrived at after charging

	2020 £ 000	2019 £ 000
Depreciation expense	16,028	16,221
Amortisation expense	14,932	10,703
Write-down of stocks to net realisable value	6,711	7,934
Foreign exchange losses	4,602	280
Operating lease expense - property	57,769	59,338
Operating lease expense - plant and machinery	2,286	1,454
Exceptional administrative expenses	9,120	29,493
Loss on disposal of property, plant and equipment	<u>643</u>	<u>547</u>

#### 5 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of the financial statements	<u>162</u>	<u>150</u>

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 consolidation basis in the consolidated financial statements of Holland & Barrett International Limited.

#### 6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	99,743	89,310
Social security costs	8,056	6,374
Other pension costs	<u>1,512</u>	<u>1,476</u>
	<u>109,311</u>	<u>97,160</u>

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 6 Staff costs (continued)

Included in staff costs above is £1.9m relating to temporary labour (2019: £2.3m). £11.4m of staff costs are also capitalised due to staff working on capitalised projects, these costs are not included in this note (2019: £8.3m).

The monthly average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Administration and support	598	644
Sales	4,054	4,629
Distribution	381	353
	<u>5,033</u>	<u>5,626</u>

#### 7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	2,350	1,527
Contributions paid to money purchase schemes	15	29
Compensation for loss of office	1,134	-
	<u>3,499</u>	<u>1,556</u>

During the year retirement benefits were accruing to two directors (2019: one) in respect of defined contribution pension schemes.

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	<u>1,156</u>	<u>527</u>

Remuneration of key management personnel are disclosed in note 27.

#### 8 Other administrative exceptional items

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 8 Other administrative exceptional items (continued)

	2020 £ 000	2019 £ 000
Impairment of intangible assets	-	14,873
Exceptional executive recruitment and personnel costs	3,200	2,664
Exceptional legal and professional fees	3,835	-
COVID-19 exceptional items	3,122	-
Provision for ongoing legal cases	(2,395)	4,075
Impairment of debtor	-	7,881
Store closure costs	1,358	-
	<u>9,120</u>	<u>29,493</u>

Exceptional costs of (£2.4m) (2019: £4.1m) relate to legal claims and £3.2m (2019: £2.7m) relates to recruitment and settlement costs due to significant management changes within the year.

Exceptional costs of nil (2019: £14.9m) relate to impairment of software assets for which the value is no longer deemed recoverable.

Exceptional costs of nil (2019: £7.9m) relate to impairment of amounts owed by group companies for which the value is no longer deemed recoverable.

Exceptional legal and professional costs of £3.8m (2019: £Nil) relate to legal fees for discontinued operations around the group, strategy costs and other consultancy fees.

Exceptional costs of £3.1m (2019: £Nil) relate to one-off COVID-19 costs incurred in the year relating to PPE, health and safety and additional personnel costs.

Exceptional costs of £1.4m (2019: £Nil) relate to store closure costs as part of the reassessment of the store portfolio.

#### 9 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £ 000	2019 £ 000
Miscellaneous other operating income	<u>9,039</u>	<u>1,260</u>

Miscellaneous other operating income relates to royalties from group undertakings.

#### 10 Interest receivable and similar income

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 10 Interest receivable and similar income (continued)

	2020 £ 000	2019 £ 000
Interest income on bank deposits	62	67
Dividend income	235	-
Other finance income	<u>5,146</u>	<u>5,179</u>
	<u>5,443</u>	<u>5,246</u>

Other finance income relates to interest receivable from group companies.

Dividend income has been received from subsidiary Neal's Yard Wholefoods Limited during the year.

#### 11 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Interest on obligations under finance leases and hire purchase contracts	1,777	1,635
Other finance costs	-	31
Interest payable on loans from group undertakings	<u>162</u>	<u>426</u>
	<u>1,939</u>	<u>2,092</u>

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 12 Taxation on profit/(loss)

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax adjustment to prior periods	(2,995)	1,398
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	(130)	685
Arising from changes in tax rates and laws	477	(72)
Adjustments to prior periods	3,658	(4,259)
Total deferred taxation	4,005	(3,646)
Tax expense/(credit) in the income statement	1,010	(2,248)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit/(loss) before tax	5,749	(18,319)
Corporation tax at standard rate	1,092	(3,481)
Increase/(decrease) from effect of different UK tax rates on some earnings	478	(72)
Effect of expense not deductible in determining taxable profit (tax loss)	(17)	6,786
Deferred tax credit from unrecognised temporary difference from a prior period	-	(187)
Adjustments to prior periods	663	(2,861)
Tax decrease arising from group relief	(1,161)	(2,433)
Tax decrease from effect of dividends from UK companies	(45)	-
Total tax charge/(credit)	1,010	(2,248)

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 12 Taxation on profit/(loss) (continued)

##### Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
<b>2020</b>		
Accelerated capital allowances	-	(5,453)
Short term timing differences- trading	1,380	-
	<u>1,380</u>	<u>(5,453)</u>
<b>2019</b>		
Accelerated capital allowances	-	(552)
Short term timing differences- trading	483	-
	<u>483</u>	<u>(552)</u>

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The main rate now remains at 19% from 1 April 2020, rather than the previously enacted reduction to 17%. Deferred taxes have been measured on the enacted rates at the Balance Sheet date and reflected in these financial statements.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 13 Intangible assets

	Goodwill £ 000	Software costs £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2019	668	96,138	96,806
Additions	-	28,060	28,060
Disposals	-	(3)	(3)
At 30 September 2020	<u>668</u>	<u>124,195</u>	<u>124,863</u>
<b>Accumulated Amortisation</b>			
At 1 October 2019	458	56,051	56,509
Amortisation charge	33	14,899	14,932
Amortisation eliminated on disposals	-	(2)	(2)
At 30 September 2020	<u>491</u>	<u>70,948</u>	<u>71,439</u>
<b>Carrying amount</b>			
At 30 September 2020	<u>177</u>	<u>53,247</u>	<u>53,424</u>
At 30 September 2019	<u>210</u>	<u>40,087</u>	<u>40,297</u>

The amortisation and impairment charge was recognised in the following line items in the Statement of Comprehensive income:

	2020 £ 000	2019 £ 000
Administration expenses	14,932	10,703
Other administrative exceptional items	-	14,873
	<u>14,932</u>	<u>25,576</u>

#### Impairment

##### Software costs

The amount of impairment loss included in profit or loss is nil (2019 - £14.9m). The impairment loss is included in Other administrative exceptional items. The impairment charge is a result of the Company altering its technology strategy and the value is no longer considered recoverable.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 14 Tangible assets

	Freehold buildings £ 000	Fixtures and fittings £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2019	46,317	167,373	213,690
Additions	-	11,065	11,065
Disposals	-	(1,948)	(1,948)
At 30 September 2020	<u>46,317</u>	<u>176,490</u>	<u>222,807</u>
<b>Accumulated Depreciation</b>			
At 1 October 2019	5,996	85,181	91,177
Charge for the year	1,536	14,492	16,028
Eliminated on disposal	-	(1,305)	(1,305)
Impairment	-	239	239
At 30 September 2020	<u>7,532</u>	<u>98,607</u>	<u>106,139</u>
<b>Carrying amount</b>			
At 30 September 2020	<u>38,785</u>	<u>77,883</u>	<u>116,668</u>
At 30 September 2019	<u>40,321</u>	<u>82,192</u>	<u>122,513</u>

The net carrying amount of assets under a finance lease was £38.3m (£39.9m). The leased asset secures property lease obligations (see note 21).

#### Impairment

##### Furniture, fittings and equipment

The impairment charge relates to fixed assets on loss making stores included in the onerous lease provision. The amount of impairment loss included in profit or loss is £0.2m (2019 - £2.5m). The impairment loss is included in Administrative Expenses.

#### 15 Investments in subsidiaries, joint ventures and associates

##### Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:



## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 15 Investments in subsidiaries, joint ventures and associates (continued)

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2020	2019
Subsidiary undertakings				
Holland & Barrett Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Ordinary	100%	100%
Neal’s Yard Wholefoods Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Ordinary	100%	100%
Holland & Barrett (South Africa) Pty Limited	1 Waterhouse Place, Cape Town 8001, South Africa	Ordinary	100%	100%
Lifecycle 2018 Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Ordinary	100%	100%

#### Subsidiary undertakings

##### *Holland & Barrett Limited*

The principal activity of Holland & Barrett Limited is Dormant.

##### *Neal's Yard Wholefoods Limited*

The principal activity of Neal's Yard Wholefoods Limited is Dormant.

##### *Holland & Barrett (South Africa) Pty Limited*

The principal activity of Holland & Barrett (South Africa) Pty Limited is Intermediate holding company.

##### *Lifecycle 2018 Limited*

The principal activity of Lifecycle 2018 Limited is Dormant.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 16 Stocks

	2020 £ 000	2019 £ 000
Raw materials and consumables	13,621	10,858
Finished goods and goods for resale	95,953	87,519
	<u>109,574</u>	<u>98,377</u>

The cost of stocks recognised as an expense in the year amounted to £150.0m (2019 - £186.5m).

As at 30 September 2020, there is a stock provision of £0.7m (2019: £0.7m).

#### Impairment of stocks

The amount of impairment loss included in profit or loss is £3.5m (2019 - £1.6m). The impairment loss is included in Cost of Sales.

#### 17 Debtors

		2020 £ 000	2019 £ 000
<b>Due within one year</b>	<b>Note</b>		
Trade debtors		7,606	4,511
Amounts owed by group undertakings	27	206,884	899,754
Prepayments		10,740	17,753
Accrued income		4,950	3,674
Income tax asset		4,508	4,399
		<u>234,688</u>	<u>930,091</u>
		<b>2020</b>	<b>2019</b>
		<b>£ 000</b>	<b>£ 000</b>
<b>Due after more than one year</b>	<b>Note</b>		
Deferred tax assets	12	<u>1,380</u>	<u>483</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at commercial rates payable per annum on balances owed from group companies.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 18 Cash at bank and in hand

	2020 £ 000	2019 £ 000
Cash on hand	42,630	9,543

#### 19 Creditors

	Note	2020 £ 000	2019 £ 000
<b>Amounts falling due within one year</b>			
Finance lease liabilities	21	826	911
Trade creditors		66,976	51,380
Amounts owed to group undertakings	27	56,770	737,955
Taxation and social security		17,073	9,352
Other creditors		1,684	1,612
Accruals and deferred income		36,108	26,576
		<u>179,437</u>	<u>827,786</u>
<b>Amounts falling due after more than one year</b>			
Accruals and deferred income		15,458	16,118
Finance lease liabilities		40,699	41,491
Amounts owed to group undertakings		6,500	6,500
		<u>62,657</u>	<u>64,109</u>

Amounts due to related parties are unsecured, have no fixed date of repayment and are repayable on demand. No interest is charged on amounts due to related parties.

The amount owed to group undertakings (Precision Engineered Limited) of £6.5m (2019: £Nil) is unsecured and repayable on 30 September 2023. Interest is charged at a commercial rate.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 20 Provisions for liabilities

	Legal proceedings £ 000	Onerous leases £ 000	Deferred tax £ 000	Total £ 000
At 1 October 2019	4,000	2,130	552	6,682
Additional provisions	-	1,471	4,901	6,372
Provisions used	(105)	(713)	-	(818)
Unused provision reversed	(2,395)	(1,037)	-	(3,432)
At 30 September 2020	<u>1,500</u>	<u>1,851</u>	<u>5,453</u>	<u>8,804</u>

The provision for onerous leases relates to loss making stores.

The legal provision relates to ongoing legal matters with HMRC.

Provisions for onerous leases of £0.6m (2019: £0.6m) and legal provision of £1.5m (2019: £4.0m) are expected to be utilised within the one year of the balance sheet date. Management have used their best judgements in determining level of provision required for matters that are uncertain as at balance sheet date.

Deferred tax liability relates to accelerated capital allowances.

#### 21 Loans and borrowings

	2020 £ 000	2019 £ 000
<b>Current loans and borrowings</b>		
Finance lease liabilities	<u>826</u>	<u>911</u>

	2020 £ 000	2019 £ 000
<b>Non-current loans and borrowings</b>		
Finance lease liabilities	40,699	41,491
Other borrowings	<u>6,500</u>	<u>6,500</u>
	<u>47,199</u>	<u>47,991</u>

Other borrowings relates to amounts owed to group undertakings (Precision Engineered Limited) of £6.5m (2019: £6.5m) are unsecured and repayable on 30 September 2023. Interest is charged at a commercial rate.

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 21 Loans and borrowings (continued)

##### *Terms and repayment schedule*

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2020 £ 000	2019 £ 000
Finance lease liabilities	GBP	2-3%	2042-2045	Monthly	41,525	42,402

##### *Minimum lease payments under finance lease liabilities are as follow:*

	2020 £ 000	2019 £ 000
Within one year	2,649	2,517
Between 1-5 years	13,529	12,996
Over 5 years	52,117	50,527
Less: finance charges	(26,770)	(23,638)
	41,525	42,402

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

#### 22 Commitments

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £3.0m (2019 - £1.8m).

#### 23 Pension and other schemes

##### **Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1.5m (2019 - £1.5m).

Contributions totalling £0.6m (2019 - £0.5m) were payable to the scheme at the end of the year and are included in creditors.

#### 24 Obligations under leases and hire purchase contracts

##### **Operating leases**

The total of future minimum lease payments is as follows:

## Holland & Barrett Retail Limited

### Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)

#### 24 Obligations under leases and hire purchase contracts (continued)

	2020 £ 000	2019 £ 000
Not later than one year	56,771	56,947
Later than one year and not later than five years	149,697	167,704
Later than five years	<u>38,717</u>	<u>60,834</u>
	<u>245,185</u>	<u>285,485</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £60.1m (2019 - £60.8m).

Within the total balance, £243.2m (2019: £282.9m) relates to land and buildings and £2.0m (2019: £2.6m) relates to other items.

#### 25 Share capital

##### Allotted, called up and fully paid shares

	2020		2019	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	<u>1,050</u>	<u>1,050</u>	<u>1,050</u>	<u>1,050</u>

##### Rights, preferences and restrictions

Ordinary Shares have the following rights, preferences and restrictions:

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.

#### 26 Reserves

##### Profit and loss account

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

#### 27 Related party transactions

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.

## **Holland & Barrett Retail Limited**

### **Notes to the Financial Statements for the Year Ended 30 September 2020 (continued)**

#### **27 Related party transactions (continued)**

##### **Summary of transactions with key management**

In addition to the amounts disclosed in the Directors' remuneration note, key management personnel remuneration amounts of £5.6m (2019: £3.2m) are included within Wages and salaries and £0.06m (2019: £0.07m) included within Other pension costs. £1.0m (2019: £0.7m) of the amount within Wages and salaries relates to payment for loss of office, the remainder is in relation to salaries of key management employees.

##### **Other related party transactions**

Healthy Hope Limited was incorporated by Holland and Barrett Retail Limited as a charitable vehicle for the Group. Healthy Hope is a limited company by guarantee and controlled by its directors. During the year, donations of £Nil (2019: £0.1m) were made from the Group to Healthy Hope.

#### **28 Parent and ultimate parent undertaking**

The company's immediate parent is Holland & Barrett Holdings Limited, incorporated in United Kingdom.

The ultimate parent is Letterone Investment Holdings S.A., incorporated in Luxembourg.

The parent of the largest group in which these financial statements are consolidated is L1R HB Holdings Limited, incorporated in Jersey.

The address of L1R HB Holdings Limited is:

22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX

The parent of the smallest group in which these financial statements are consolidated is Holland & Barrett International Limited, incorporated in United Kingdom.

The address of Holland & Barrett International Limited is:

Samuel Ryder House Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH

#### **29 Non adjusting events after the financial period**

From the 1 October 2020 the trade and assets of Holland and Barrett Group Limited is to be transferred to Holland and Barrett Retail Limited. This will mean that for the next financial year, ending 30 September 2021, Holland and Barrett Retail Limited will include the trade of UK online sales.