

Registration number: 02758955

Holland & Barrett Retail Limited

Annual Report and Financial Statements

for the Year Ended 30 September 2021



Holland & Barrett Retail Limited

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Holland & Barrett Retail Limited

Company Information

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M Smith

Company secretary M Smith

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Holland & Barrett Retail Limited

Strategic Report for the Year Ended 30 September 2021

The directors present their strategic report for the year ended 30 September 2021.

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 foods to fruits, nuts, snacks and other items. In addition to this, the Company also earns income from overseas franchise operations.

At 30 September 2021, the Company operated 742 (2020: 766) health stores in the UK, 64 (2020: 65) worldwide franchise outlets and 508 (2020: 515) worldwide store in store concepts.

Business review and results

The results of the Company show sales of £528.6m (2020: £413.6m) and a profit before taxation of £43.6m (2020: profit before taxation £5.7m) for the year. This includes exceptional items of £8.0m (2020: £9.1m) driven by cost of store closures, costs relating to an onerous telecoms contract and restructure costs; excluding this, profit before taxation would have been £51.6m (2020: £14.8m).

The results for Holland & Barrett Retail Limited also include the trade and assets of Holland & Barrett Group Limited, which were transferred to the Company on the 1st October 2020.

As a result of the above, there has been an increase in sales of 27.8% in the year (2020: decline of 12.6%) for the Company. Overall in the UK there has been a reduction in sales in the financial year of 1.8% (2021: £528.6m vs 2020 HBR £413.6m & HBG £124.9m) 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.

In the year to 30 September 2021, the company reduced its footprint by 24 stores.

The directors do not recommend the payment of a dividend for the year ended 30 September 2021.

The Statement of Comprehensive Income and Balance Sheet is set out on page 21 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:

Holland & Barrett Retail Limited

Strategic Report for the Year Ended 30 September 2021 (continued)

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 comprehensive and well developed product training programs. This ensures that customers are able to receive informative and knowledge-based customer service.

New products

The Company has consistently been among the first in the industry to introduce innovative products in response to new studies, research and consumer preferences. Given the changing nature of consumer demand for new products and the continued publicity about the importance of healthy living and 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. The Company are also trialling a wellness journey-based offer centred around 'Wellness Hubs' in a number of larger stores around the UK.

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, marketing continues to be focused on the core product offering whilst showcasing new product development and brand awareness. A growing share of the customer base are enrolled in the Company's "Rewards for Life" loyalty program enabling personalised understanding of customer requirements along with additional value offered through a coupon programme.

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 Company's results. To mitigate these issues, the Company has implemented incentive schemes designed to retain key individuals and created a training academy for the development of retail staff. The Company is committed to maintaining high standards of health and safety for both colleagues and customers.

Holland & Barrett Retail Limited

Strategic Report for the Year Ended 30 September 2021 (continued)

- **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.

- **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. Since the new Trade and Cooperation Agreement (TCA) came into force on 1 January 2021, we have been working to ensure we comply with the new requirements. We have taken measures to mitigate delays at the border as far as possible in advance of the new trading relationship and continue to engage with our vendors and distribution partners to provide support on the new requirements where needed to limit the risk of delays wherever possible. While we have experienced some issues in exporting products to the Republic of Ireland due to overall market challenges, we are not experiencing any material challenges to our EU-UK flows to date. On tariffs, the direct impact resulting from rules of origin requirements are broadly neutral in comparison with our pre-Brexit position. We will continue to monitor for ongoing risks & aim to mitigate future changes to tariffs or border arrangements.

- **COVID-19 / Environment, Social and Governance / Macroeconomic**

We continue to monitor and manage the risks and impacts of Covid-19 on all areas of our business, as well as ensuring publicly available advice is followed and appropriate safeguards are quickly implemented. To date, no subsidiaries within the Group have called on any furlough support.

The Group continues to evaluate progress on our key priorities surrounding Environmental, Social and Governance (ESG) risks. Our approach towards the wellness of the planet and our products are detailed in the Corporate Governance section of the Directors' report. The Board receives updates about our performance and sustainability risks and continue to evaluate any emerging physical or transition risks to the business surrounding Climate Change.

These include changes to the tax environment and amendments to rules governing packaging and distribution risks to the business surrounding Climate Change.

The wider economic environment, with inflationary and supply chain pressures is regularly monitored and short & medium terms action planning implemented as required

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Strategic Report for the Year Ended 30 September 2021 (continued)

Key performance indicators ("KPIs")

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

	2021	2020
Turnover (£'000)	528,592	413,639
Gross Profit (£'000)	326,194	256,162
Gross profit percentage (%)	62	62
Operating profit/(loss) (£'000)	40,547	2,245
New stores (numbers)	9	-
Closed stores (numbers)	33	21
EBITDA before exceptional items * (£'000)	88,772	42,325
EBITDA (£'000)	80,808	33,205

* Adjusted for exceptional items of £8.0m (2020: £9.1m) (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 2021 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.

Section 172(1) statement

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

The L1R 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 2021. 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.

Holland & Barrett Retail Limited

Strategic Report for the Year Ended 30 September 2021 (continued)

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 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 2021 (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.

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Strategic Report for the Year Ended 30 September 2021 (continued)

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

Our purpose is to make health and wellness a way of life for everyone, and as a leading retailer of wellness products, we recognise our responsibility to do that in a way that supports our planet and the communities in which we operate. Our ESG programmes across Community Wellness, Planet Wellness and Product Wellness 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.

Community Wellness

In 2020 we introduced the Pennies micro-donation platform to our stores and website, and to demonstrate our support and partnership to the NHS during the pandemic we have raised over £100,000 for NHS Charities Together.

We have continued to work with Ocean Generation to raise awareness of the issue of plastic waste and waste in beauty, donating 5% of the profit from the sales of multi-use beauty face masks between Sept 6th - Dec 31st 2021. We also worked with The Felix Project at the height of lockdown to help offer immunity support to the vulnerable in London, donating over 2000 units of Vitamin D tablets.

Planet Wellness and Product Wellness

Holland & Barrett has a long history in taking action to reduce its impact on the environment. 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 and single use beauty sheet masks in our UK and ROI stores in 2021.

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 and to introduce ways to reduce packaging, drive recycling and reuse. Holland & Barrett has offered unpackaged food for many years, through its popular 'pick n mix' category for fruits, nuts and seeds.

Customers can buy product by weight using their own containers or use recycled brown paper bags. We have improved the packaging on our prepacked lines and have moved all our fruits nuts and seeds products into recyclable film packaging. We have also begun rolling out new packaging for our popular Vitamins, Minerals and supplements which are moving to be in 20% lighter RPET plastic bottles made with a minimum of 80% recycled plastic that are lightly tinted to maximise post-use when recycled. We are also introducing smaller sizes and getting rid of the plastic wrap around the cap to reduce our plastic use even further.

Our Stores Support Centre, Distribution Centres, 85% of our stores in the UK and 26% of our stores in Benelux are now powered by renewable sources.

We are proud to claim that we have been "Zero to Landfill" since November 2018, for our Burton manufacturing and distribution centre and for the vast majority of our store estate. We continually look at ways to limit waste across our operations. This year we launched our "Too Good to Waste" initiative in a bid to save over 370,000 food items from landfill each year. The scheme sees selected products with an expired "best before end" date being sold at a significantly discounted price in our stores.

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Strategic Report for the Year Ended 30 September 2021 (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 2021; 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.

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Strategic Report for the Year Ended 30 September 2021 (continued)

Principle 2- Board composition

The Board comprises an executive team of ten, with varied skillset, experience and knowledge. There is a separate Chairman and Chair of the 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 2021 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. The Internal Audit function partners 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 2021 (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 L1R 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 2021, 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 2021 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.

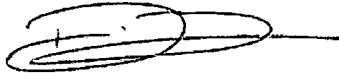
In regard to supplier relationships, the Group has re-launched the supplier portal within the financial year, along with issuing a new supplier manual and code of conduct. The board decided, that although not mandatory, the Grocer's code of conduct would be followed to allow for best practises to exist. 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 2021 (continued)

Approved by the Board on 21 January 2022 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'R' and 'B' followed by a horizontal line.

RI Bell
Director

Holland & Barrett Retail Limited

Directors' Report for the Year Ended 30 September 2021

The directors present their report and the audited financial statements for the year ended 30 September 2021.

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 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

AD Buffin (resigned 2 October 2020)

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

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

S Willett (appointed 1 January 2021 and resigned 28 August 2021)

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.

Holland & Barrett Retail Limited

Directors' Report for the Year Ended 30 September 2021 (continued)

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 2021 (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 account of reasonably possible changes in trading performance, as well as modelling severe but plausible downside scenarios 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 2022. Having assessed the principal risks, and taking into account the Group's cash balance at the year end and the undrawn RCF available to L1R HB Finance Limited and the letter of support provided by L1R HB Finance Limited, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

In its assessment of the Group's prospects, the directors have taken into account:

- The continued impact of Covid-19. We have acted responsibly during the Covid-19 pandemic, keeping the safety of our colleagues and customers our first priority. This was made possible by being classified as an essential retailer in most markets, which has allowed us to continue trading throughout the pandemic. Although the Covid-19 vaccine roll-out is underway in the countries we operate, this will take time to complete and might not cover the other variants if they appear.
- Supply chain risks. This year has seen disruption caused by the pandemic, with congestion at ports and an increased demand for containers. The pandemic has also caused operational difficulties for our suppliers, testing their ability to respond quickly to changes in demand. However, we have worked with our partners to ensure an effective response and to minimise the overall impact.
- Expectations of the future economic environment. There remains a lot of uncertainty over macro-economic risks brought about by the Covid-19 pandemic, including changing customer behaviours, reduced consumer confidence and governments needing to recoup their budget deficits in the future.

Having assessed the current position, principal risks and prospects of the group, and taking into account that forecasts produced by management demonstrate that the Group is forecast to generate profits and cash in the year ending 30 September 2022 and beyond, the directors consider it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

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 2021 (continued)

GHG emissions and energy use data for financial year ending 30 September 2021

Energy consumption used to calculate emissions (kWhs)	29,081,077
Emissions from combustion of gas tCO ₂ e (Scope 1)	58
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	2,334
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel tCO ₂ e (Scope 3)	277
Emissions from purchased electricity tCO ₂ e (Scope 2, location-based)	5,622
Total gross CO ₂ e based on above (tCO ₂ e)	8,291
Intensity ratio: tCO ₂ e gross figure based on mandatory fields above/£m 2020-21 Group Revenue (Holland and Barrett International Limited)	14

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 21 to 51 were approved by the Board on 21 January 2022 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

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 2021 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 2021; the Statement of Comprehensive Income and 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.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Holland & Barrett Retail Limited (Continued)

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and directors report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to food safety, environmental, health and safety legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of any known or suspected instances or non-compliance with laws and regulations or fraud; and
- Testing journal entries, in particular entries posted with unexpected account combinations.

Independent auditors' report to the members of Holland & Barrett Retail Limited (Continued)

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

21 January 2022

Holland & Barrett Retail Limited

Statement of Comprehensive Income for the Year Ended 30 September 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	528,592	413,639
Cost of sales		<u>(202,398)</u>	<u>(157,477)</u>
Gross profit		326,194	256,162
Distribution costs		<u>(215,132)</u>	<u>(183,956)</u>
Administrative expenses		(72,602)	(69,237)
Other administrative exceptional items	8	(7,964)	(9,120)
Loss on sale of assets		<u>(1,384)</u>	<u>(643)</u>
Total administrative expenses		<u>(81,950)</u>	<u>(79,000)</u>
Other operating income	9	<u>11,435</u>	<u>9,039</u>
Operating profit	4	<u>40,547</u>	<u>2,245</u>
Interest receivable and similar income	10	5,044	5,443
Interest payable and similar expenses	11	<u>(1,965)</u>	<u>(1,939)</u>
		<u>3,079</u>	<u>3,504</u>
Profit before tax		43,626	5,749
Tax on profit/(loss)	12	<u>(2,572)</u>	<u>(1,010)</u>
Profit for the financial year / Total comprehensive income/(expense)		<u>41,054</u>	<u>4,739</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 25 to 51 form an integral part of these financial statements.

Holland & Barrett Retail Limited
(Registration number: 02758955)
Balance Sheet as at 30 September 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	13	74,086	53,424
Tangible assets	14	114,127	116,668
Investments	15	600	-
		<u>188,813</u>	<u>170,092</u>
Current assets			
Stocks	16	113,904	109,574
Debtors	17	280,690	234,688
Cash at bank and in hand	18	14,849	42,630
Deferred tax assets	12	971	1,380
		<u>410,414</u>	<u>388,272</u>
Creditors: Amounts falling due within one year	19	<u>(179,554)</u>	<u>(179,437)</u>
Net current assets		<u>230,860</u>	<u>208,835</u>
Total assets less current liabilities		<u>419,673</u>	<u>378,927</u>
Creditors: Amounts falling due after more than one year	19	<u>(61,117)</u>	<u>(62,657)</u>
Provisions for liabilities			
Other Provisions	20	(2,418)	(3,351)
Deferred tax liabilities	20	(7,618)	(5,453)
		<u>(10,036)</u>	<u>(8,804)</u>
Net assets		<u>348,520</u>	<u>307,466</u>
Capital and reserves			
Called up share capital	25	1,050	1,050
Profit and loss account	26	347,470	306,416
Total equity		<u>348,520</u>	<u>307,466</u>

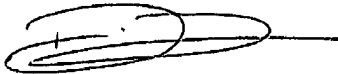
The notes on pages 25 to 51 form an integral part of these financial statements.
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Holland & Barrett Retail Limited

(Registration number: 02758955)

Balance Sheet as at 30 September 2021 (continued)

The financial statements on pages 21 to 51 were approved and authorised by the Board on 21 January 2022 and signed on its behalf by:

A handwritten signature in black ink, consisting of a stylized 'R' and 'B' followed by a horizontal line.

RI Bell
Director

Holland & Barrett Retail Limited

Statement of Changes in Equity for the Year Ended 30 September 2021

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2019	1,050	301,677	302,727
Profit for the year	-	4,739	4,739
Total comprehensive income	-	4,739	4,739
At 30 September 2020	1,050	306,416	307,466
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2020	1,050	306,416	307,466
Profit for the year	-	41,054	41,054
Total comprehensive income	-	41,054	41,054
At 30 September 2021	1,050	347,470	348,520

The notes on pages 25 to 51 form an integral part of these financial statements.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021

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

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.

As of 1 October 2020 the trade and assets of Holland & Barrett Group Limited, a fellow subsidiary were transferred at net book value.

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

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

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 account of reasonably possible changes in trading performance, as well as modelling severe but plausible downside scenarios 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 2022.

Having assessed the principal risks, and taking into account the Group's cash balance at the year end and the undrawn RCF available to L1R HB Finance Limited and the letter of support provided by L1R HB Finance Limited, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

In its assessment of the Group's prospects, the directors have taken into account:

- The continued impact of Covid-19. We have acted responsibly during the Covid-19 pandemic, keeping the safety of our colleagues and customers our first priority. This was made possible by being classified as an essential retailer in most markets, which has allowed us to continue trading throughout the pandemic. Although the Covid-19 vaccine roll-out is underway in the countries we operate, this will take time to complete and might not cover the other variants if they appear.

- Supply chain risks. This year has seen disruption caused by the pandemic, with congestion at ports and an increased demand for containers. The pandemic has also caused operational difficulties for our suppliers, testing their ability to respond quickly to changes in demand. However, we have worked with our partners to ensure an effective response and to minimise the overall impact.

- Expectations of the future economic environment. There remains a lot of uncertainty over macro-economic risks brought about by the Covid-19 pandemic, including changing customer behaviours, reduced consumer confidence and governments needing to recoup their budget deficits in the future.

Having assessed the current position, principal risks and prospects of the group, and taking into account that forecasts produced by management demonstrate that the Group is forecast to generate profits and cash in the year ending 30 September 2022 and beyond, the directors consider it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Classification of financial instruments issued by the Company

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

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

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 and online sales

The Company operates retail stores and online for the sale of health food and health 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 for retail store sales or delivery of the goods for online sales.

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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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 excluded from the underlying profit measures used by the Directors to monitor the underlying performance of the Group.

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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

2 Accounting policies (continued)

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.

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 2021 (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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

3 Turnover

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

	2021	2020
	£ 000	£ 000
Franchise and wholesale income	9,778	4,491
Retail sales	374,542	409,148
Online sales	144,272	-
	<u>528,592</u>	<u>413,639</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 2021 (continued)

4 Operating profit

Arrived at after charging

	2021 £ 000	2020 £ 000
Depreciation expense	15,701	16,028
Amortisation expense	24,560	14,932
Write-down of stocks to net realisable value	2,033	6,711
Foreign exchange losses	906	4,602
Operating lease expense - property	52,745	57,769
Operating lease expense - plant and machinery	2,584	2,286
Exceptional administrative expenses	7,964	9,120
Loss on disposal of property, plant and equipment	<u>1,384</u>	<u>643</u>

5 Auditors' remuneration

	2021 £ 000	2020 £ 000
Audit of the financial statements	<u>170</u>	<u>162</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:

	2021 £ 000	2020 £ 000
Wages and salaries	94,881	99,743
Social security costs	8,773	8,056
Other pension costs	<u>2,315</u>	<u>1,512</u>
	<u>105,969</u>	<u>109,311</u>

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

6 Staff costs (continued)

Included in staff costs above is £4.6m relating to temporary labour (2020: £1.9m). £9.5m of staff costs are also capitalised due to staff working on capitalised projects, these costs are not included in this note (2020: £11.4m).

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

	2021 No.	2020 No.
Administration and support	735	598
Sales	3,995	4,054
Distribution	590	381
	<u>5,320</u>	<u>5,033</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	1,532	2,350
Contributions paid to money purchase schemes	21	15
Compensation for loss of office	394	1,134
	<u>1,947</u>	<u>3,499</u>

During the year retirement benefits were accruing to 2 directors (2020: 2) in respect of defined contribution pension schemes.

In respect of the highest paid director:

	2021 £ 000	2020 £ 000
Remuneration	<u>667</u>	<u>1,156</u>

In respect of the highest paid director, £0.3m was paid as compensation for loss of office.

Remuneration of key management personnel are disclosed in note 27.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

8 Other administrative exceptional items

	2021 £ 000	2020 £ 000
Exceptional executive recruitment and personnel costs	4,261	3,200
Exceptional legal and professional fees	1,260	3,835
COVID-19 exceptional items	-	3,122
Provision for ongoing legal cases	-	(2,395)
Store closure costs	2,443	1,358
	<u>7,964</u>	<u>9,120</u>

Exceptional costs of nil (2020: (£2.4m)) relate to legal claims and £4.3m (2020: £3.2m) relates to recruitment and settlement costs due to significant management changes within the year.

Exceptional legal and professional costs of £1.3m (2020: £3.8m) relate to legal fees for discontinued operations around the group, strategy costs and other consultancy fees.

Exceptional costs of £nil (2020: £3.1m) relate to one-off COVID-19 costs incurred in the year relating to PPE, health and safety and additional personnel costs.

Exceptional costs of £2.4m (2020: £1.3m) 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:

	2021 £ 000	2020 £ 000
Miscellaneous other operating income	<u>11,435</u>	<u>9,039</u>

Miscellaneous other operating income relates to royalties from group undertakings.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

10 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	(2)	62
Dividend income	-	235
Other finance income	<u>5,046</u>	<u>5,146</u>
	<u>5,044</u>	<u>5,443</u>

Other finance income relates to interest receivable from group companies.

11 Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Interest on obligations under finance leases and hire purchase contracts	1,835	1,777
Interest payable on loans from group undertakings	<u>130</u>	<u>162</u>
	<u>1,965</u>	<u>1,939</u>

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

12 Taxation on profit/(loss)

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax adjustment to prior periods	-	(2,995)
Deferred taxation		
Arising from origination and reversal of timing differences	70	(130)
Arising from changes in tax rates and laws	1,595	477
Adjustments to prior periods	907	3,658
Total deferred taxation	2,572	4,005
Tax expense/(credit) in the income statement	2,572	1,010

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	43,626	5,749
Corporation tax at standard rate	8,289	1,092
Increase from effect of different UK tax rates on some earnings	1,595	478
Effect of expense not deductible in determining taxable profit (tax loss)	740	(17)
Adjustments to prior periods	908	663
Tax decrease arising from group relief	(8,960)	(1,161)
Tax decrease from effect of dividends from UK companies	-	(45)
Total tax charge	2,572	1,010

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

12 Taxation on profit/(loss) (continued)

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000
2021		
Accelerated capital allowances	-	(7,618)
Short term timing differences- trading	971	-
	<u>971</u>	<u>(7,618)</u>
2020	Asset £ 000	Liability £ 000
Accelerated capital allowances	-	(5,453)
Short term timing differences- trading	1,380	-
	<u>1,380</u>	<u>(5,453)</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.

The Finance Bill 2021 includes an increase of the corporation tax rate from 19% to 25%, it was substantively enacted on 24 May 2021, with the Finance Bill 2021 receiving Royal Assent on 10 June 2021.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

13 Intangible assets

	Goodwill £ 000	Software costs £ 000	Total £ 000
Cost or valuation			
At 1 October 2020	668	124,195	124,863
Additions	-	41,943	41,943
Transferred from group companies	-	10,530	10,530
Disposals	-	(2)	(2)
At 30 September 2021	<u>668</u>	<u>176,666</u>	<u>177,334</u>
Accumulated Amortisation			
At 1 October 2020	491	70,948	71,439
Amortisation charge	33	24,527	24,560
Amortisation eliminated on disposals	-	(2)	(2)
Transferred from group companies	-	7,251	7,251
At 30 September 2021	<u>524</u>	<u>102,724</u>	<u>103,248</u>
Carrying amount			
At 30 September 2021	<u>144</u>	<u>73,942</u>	<u>74,086</u>
At 30 September 2020	<u>177</u>	<u>53,247</u>	<u>53,424</u>

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

	2021 £ 000	2020 £ 000
Administration expenses	<u>24,560</u>	<u>14,932</u>

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

14 Tangible assets

	Freehold buildings £ 000	Fixtures and fittings £ 000	Total £ 000
Cost or valuation			
At 1 October 2020	46,317	176,490	222,807
Additions	-	12,948	12,948
Transferred from group companies	-	3,992	3,992
Disposals	-	(3,162)	(3,162)
At 30 September 2021	<u>46,317</u>	<u>190,268</u>	<u>236,585</u>
Accumulated Depreciation			
At 1 October 2020	7,532	98,607	106,139
Charge for the year	1,536	14,165	15,701
Eliminated on disposal	-	(1,778)	(1,778)
Impairment	-	668	668
Transferred from group companies	-	1,728	1,728
At 30 September 2021	<u>9,068</u>	<u>113,390</u>	<u>122,458</u>
Carrying amount			
At 30 September 2021	<u>37,249</u>	<u>76,878</u>	<u>114,127</u>
At 30 September 2020	<u>38,785</u>	<u>77,883</u>	<u>116,668</u>

The net carrying amount of assets under a finance lease was £36.9m (2020: £38.3m). The leased asset secures property lease obligations (see note 21).

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

14 Tangible assets (continued)

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 £0.7m (2020 - £0.2m). The impairment loss is included in Administrative Expenses.

15 Investments in subsidiaries, joint ventures and associates

	£ 000
Subsidiaries	
Cost or valuation	
Additions	<u>600</u>
Provision	
Carrying amount	
At 30 September 2021	<u><u>600</u></u>

During the year the company acquired the trade and assets of Beyond 100 Limited, an IT App development company for £600,100.

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:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2021	2020
Subsidiary undertakings				
Holland & Barrett 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%

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

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

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
Lifecycle 2018 Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Ordinary	100%	100%
Beyond 100 Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH	Ordinary	100%	0%

Subsidiary undertakings

Holland & Barrett Limited

The principal activity of Holland & Barrett 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.

Beyond 100 Limited

The principal activity of Beyond 100 Limited is IT App Development.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

16 Stocks

	2021 £ 000	2020 £ 000
Raw materials and consumables	16,766	13,621
Finished goods and goods for resale	97,138	95,953
	<u>113,904</u>	<u>109,574</u>

The cost of stocks recognised as an expense in the year amounted to £202.3m (2020 - £150.0m).

As at 30 September 2021, there is a stock provision of £0.9m (2020: £0.7m).

Impairment of stocks

The amount of impairment loss included in profit or loss is £3.5m (2020 - £3.5m). The impairment loss is included in Cost of Sales.

17 Debtors

	2021 £ 000	2020 £ 000
Due within one year	Note	
Trade debtors	7,378	7,606
Amounts owed by group undertakings	27 252,503	206,884
Prepayments	11,555	10,740
Accrued income	4,736	4,950
Income tax asset	4,518	4,508
	<u>280,690</u>	<u>234,688</u>
	2021	2020
Due after more than one year	Note	
Deferred tax assets	12 971	1,380

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 2021 (continued)

18 Cash at bank and in hand

	2021 £ 000	2020 £ 000
Cash on hand	<u>14,849</u>	<u>42,630</u>

19 Creditors

	Note	2021 £ 000	2020 £ 000
Amounts falling due within one year			
Finance lease liabilities	21	880	826
Trade creditors		68,742	66,976
Amounts owed to group undertakings	27	62,110	56,770
Taxation and social security		12,271	17,073
Other creditors		1,962	1,684
Accruals and deferred income		<u>33,589</u>	<u>36,108</u>
		<u>179,554</u>	<u>179,437</u>
Amounts falling due after more than one year			
Accruals and deferred income		14,797	15,458
Finance lease liabilities		39,820	40,699
Amounts owed to group undertakings		<u>6,500</u>	<u>6,500</u>
		<u>61,117</u>	<u>62,657</u>

The amount owed to group undertakings (Precision Engineered Limited) of £6.5m (2020: £6.5m) 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 2021 (continued)

20 Provisions for liabilities

	Legal proceedings £ 000	Onerous leases £ 000	Deferred tax £ 000	Total £ 000
At 1 October 2020	1,500	1,851	5,453	8,804
Increase (decrease) in existing provisions	-	26	2,165	2,191
Provisions used	<u>(600)</u>	<u>(359)</u>	<u>-</u>	<u>(959)</u>
At 30 September 2021	<u>900</u>	<u>1,518</u>	<u>7,618</u>	<u>10,036</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 (2020: £0.6m) and legal provision of £0.9m (2020: £1.5m) 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.

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

21 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Finance lease liabilities	<u>880</u>	<u>826</u>
	2021 £ 000	2020 £ 000
Non-current loans and borrowings		
Finance lease liabilities	39,820	40,699
Other borrowings	<u>6,500</u>	<u>6,500</u>
	<u>46,320</u>	<u>47,199</u>

Other borrowings relates to amounts owed to group undertakings (Precision Engineered Limited) of £6.5m (2020: £6.5m) are unsecured and repayable on 30 September 2023. Interest is charged at a commercial rate.

Terms and repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2021 £ 000	2020 £ 000
Finance lease liabilities	GBP	2-3%	2042-2045	Monthly	<u>40,700</u>	<u>41,525</u>

Holland & Barrett Retail Limited

Notes to the Financial Statements for the Year Ended 30 September 2021 (continued)

21 Loans and borrowings (continued)

Minimum lease payments under finance lease liabilities are as follow:

	2021 £ 000	2020 £ 000
Within one year	2,667	2,649
Between 1-5 years	10,862	13,529
Over 5 years	52,024	52,117
Less: finance charges	(24,853)	(26,770)
	<u>40,700</u>	<u>41,525</u>

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 £1.8m (2020 - £3.0m).

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 £2.3m (2020 - £1.5m).

Contributions totalling £0.7m (2020 - £0.6m) 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 2021 (continued)

24 Obligations under leases and hire purchase contracts (continued)

	2021 £ 000	2020 £ 000
Not later than one year	50,830	56,771
Later than one year and not later than five years	123,969	149,697
Later than five years	<u>23,117</u>	<u>38,717</u>
	<u>197,916</u>	<u>245,185</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £55.3m (2020 - £60.1m).

Within the total balance, £196.5m (2020: £243.2m) relates to land and buildings and £1.4m (2020: £2m) relates to other items.

25 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	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 2021 (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 £4.4m (2020: £5.6m) are included within Wages and salaries and £nil (2020:£0.06m) included within other pension costs. £0.8m (2020: £1.0m) 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.

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