Registered number: 04515115

HOLLAND & BARRETT INTERNATIONAL LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2019

COMPANY INFORMATION

Directors	L M Garley-Evans G Goley (appointed on 1 April 2019) J A Houghton (appointed 7 February 2019) H M Leam G A Watts (appointed 23 October 2019) A D Buffin (appointed 16 October 2019)
Company secretary	L M Garley-Evans
Registered number	04515115
Registered office	Samuel Ryder House Barling Way Eliot Park Nuneaton Warwickshire CV10 7RH
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Pegasus Business Park Castle Donington East Midlands DE74 2UZ

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STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their strategic report on the Group and Company for the year ended 30 September 2019.

Principal activities

The principal activities of the Holland & Barrett International Limited group of companies ("the Group") is the global sale of Health & Wellness products. The principal trading entities of the Group are Holland & Barrett Group Limited, Holland & Barrett Retail Limited, Holland & Barrett Limited, Holland & Barrett B.V., Holland & Barrett N.V. and Holland & Barrett A.B.

The Group packages, markets, retails and wholesales a broad line of nutritional supplement products, including vitamins, minerals and herbal remedies, sports powders and drinks, as well as health food products which range from chilled and frozen to fruits, nuts, snacks and other items.

The Company is the parent of the wider UK Group as defined above. In acting as an intermediary holding and financing company, the Company receives and pays dividends and receives interest.

The Group operates a total of 1,660 stores including 73 international franchises as at 30 September 2019. This is split across its main trading entities as follows: Holland & Barrett Retail Limited operates 790 health stores in the UK, 73 worldwide franchise outlets and 484 worldwide franchise shop in shops. Holland & Barrett Group Limited operates the Holland & Barrett website.

The Group also operates the Holland & Barrett brand in Ireland with 63 stores and a retail website, the GNC/MET-Rx brand in the UK, the Holland & Barrett brand in the Netherlands with 200 owned stores and a retail website, the Holland & Barrett N.V. business with 28 stores in Belgium, and the Holland & Barrett brand in Sweden with 22 stores.

The Group operates a packaging plant in Burton-upon-Trent that ensures security of supply and maintains margins on Own Label products. The Group also operates three distribution sites in Burton-upon-Trent, Dublin and Beverwijk in Holland. In Amsterdam we operate a separate commercial head office.

In total, as of 30 September 2019, the Group employs over 7,806 associates across Europe with circa 70:30 split between female:male employees.

The Group's revenue for the year ended 30 September 2019 increased by 2.6% (2018: 6.4%) to £715.6m (2018: £697.3m). Gross profit fell to £422.0m in FY19 compared to £439.4m in FY18. The fall in gross margin was largely due to a change in mix of products sold and different promotional activity.

Distribution costs grew efficiently at 2.3% (2018: 11.6%), below the growth in sales. Administrative expenses grew significantly by £58.0m from £31.3m in FY18 to £89.3m in FY19. This was due a number of factors including an increase in business consultancy costs and other business initiative costs, higher depreciation and amortisation costs and higher operational store, support centre and marketing costs.

Exceptional costs of £37.7m (2018: £17.0m) were largely due to the impairment of previously capitalised costs in relation to a major IT change project of £14.9m, the impairment of a previously capitalised new business venture of £9.2m and a provision for several legal disputes of £7.9m.

As a result of the above FY19 culminated in a disappointing outturn for Holland and Barrett International Ltd in FY19 with a reported loss before tax of £25.9m (2018: profit £80.1m).

The group has net assets of £179.6m (2018: £423.2m) of which £299.4m (2018: £302.5m) relates to goodwill and £152.9m (2018: £156.9m) relates to property, plant and equipment. The movement in net assets relates largely to the loss for the year of £27.6m (2018: profit £69.7m) and the cancellation of an intercompany loan of £216.3m (2018: £nil) which was charged to retained earnings in FY19.

Net cash inflows from operating activities amounted to £42.0m (2018: £46.5m). Net cash outflows from investing and financing activities amounted to £52.0m (2018: £67.1m) resulting in a cash outflow of £10.0m in FY19 (2018: £20.5m) and £19.5m (2018: £29.7m) of cash at the year end.

The Company has investments amounting to £577.3m (2018: £580.3m) and net assets of £254.5m (2018: £256.4m). The Company made a loss of £1.9m (2018: £3.2m loss).

During the year, the Company received dividends of £20m (2018: £7.1m) from its subsidiaries. The Company paid no dividends in 2019 (2018: £7.1m).

The Group has available an undrawn revolving credit bank facility ("RCF") of £75m committed until 31 August 2023. Management has no current plans to draw on the RCF, however this does mean that the Group currently has over £100m of cash available to it for working capital and investment purposes.

Quarter ended 31 December 2019 update and outlook

During the 3 months ended 31 December 2019 sales growth was 4.6%. Sales and EBITDA were both ahead of management's expectations for the period. Cash as at 31 December 2019 was £29m and coupled with the undrawn RCF facility of £75m gives the Group access to over £100m of cash to invest in the business as required.

Tony Buffin, Holland & Barrett Chief Executive Officer, said, "I am pleased with the progress our support centre, distribution and store teams have made in putting customers back at the heart of our business. Our customers are increasingly telling us they want to live more healthy lifestyles, to look better and to do so without compromising on the ethically and sustainably sourced products and services they buy. H&B is ideally placed to meet these demands in growing markets and although we are still only in the early stages of transforming the business I would like to thank all of our teams for their hard work in the run up to Christmas."

Business environment

The health store market is highly fragmented globally. There are estimated to be more than 1,000 independent health stores operating in the UK alone. Furthermore, there is increasing competition from the national supermarket chains and other retailers, such as chemists, drugstores and internet traders. The Group has differentiated itself from its mass market competitors by developing a specialist reputation, whilst at the same time offering high quality products at a low value price. The Group will continue to differentiate itself through the continued shift to e-commerce trading and other related trading activities.

Strategy

The Group 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 Company's strategy is to act as an intermediate holding and financing company for the Group.

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

- Our associates

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

- New products

The Group 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 Group 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.

- Acquisition

The Group continues its strategy of selectively expanding the stores portfolio where strategically appropriate through either acquisition, organic growth or relocation. The Group operates franchises in 13 (2018: 14) countries and is continuing to open up new territories.

- Technology

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

- *Promotions and marketing*

The Group runs regular promotional activity to give greater value to our customers. In conjunction with this, there is aggressive marketing of high quality, value-oriented products. The Group also operates a "Rewards for Life" loyalty program with over 19.1m customers signed up and over 7.6m activated users. The program enables us to better service the Customers' needs as well as deliver additional value to them by way of quarterly coupons.

Banking arrangements

Net debt at 30 September 2019 was £22.9m (gearing ratio of 13%) compared with net debt of £13.6m (gearing ratio of 3%) at 30 September 2018. This falls within the Group and Company's target range of net debt. Further details are given in note 23.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the Group are set out below:

- Associates

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

- Legislation

The industry and the products sold by the Group are increasingly subject to regulation, much of which applies throughout the European Union (See Brexit commentary below). The Group devotes considerable resources to campaigning in respect of proposed legislative changes, ensuring that products are safe and consumer choices are preserved. The Group also ensures that it is at the forefront of the industry when new legislation is introduced.

- Competition

The Group operates in a highly competitive market, particularly in respect of price. In order to mitigate this, market prices are monitored on an on-going basis and regular promotional activity is undertaken. There is also a continual evaluation of product range and space management.

- Brexit

The Group has operations in several countries within the European Union (EU) in addition to the UK. The Group's Brexit Committee has undertaken an estimate of the known cost issues which could be experienced by the Group should the UK leave the EU in an unstructured manner. The cost increase is estimated to be £5-10m per annum if no trade agreements are negotiated. In the medium term these costs would be largely mitigated by changing sourcing and distribution arrangements. No material cost issues are foreseen by the Group if the UK leaves the EU in a structural manner with trade agreements in place.

The Company is the holding company for a number of wholly owned subsidiaries, including trading entities. The key risk affecting the Company is related to the potential impairment of the carrying value of the investments held, this includes the performance of the trading subsidiaries. The key risks identified in the trading subsidiaries are as set out above.

Key performance indicators ("KPIs")

The Directors consider the Group's key performance measures to be:

	2019	2018
Revenue (£'m)	**715.5**	697.3
Sales growth	**2.60%**	6.40%
Operating profit before exceptional items (excluding other intangible impairments) (£'m)	**4.4**	94.9
EBITDA (£'m)	**56.2**	138.4
Adjusted EBITDA (£'m)	**69.8**	139.5

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

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) is defined as profit before interest, tax, depreciation, amortisation, impairment and profit or loss on disposal of fixed assets and subsidiaries. Adjusted EBITDA is defined as EBITDA excluding exceptional items. It is the measure monitored most closely by the Directors and is the key indicator of the performance of the business. It has been reconciled to operating profit below:

	2019	2018
	£m	£m
Adjusted EBITDA	**69.8**	139.5
Exceptional items (excluding other intangible impairment)	**(13.6)**	(1.1)
EBITDA	**56.2**	138.4
Other intangible asset impairment	**(24.1)**	(15.9)
Fixed asset impairment	**(3.4)**	-
Depreciation and amortisation	**(36.2)**	(28.0)
Loss on disposal of property, plant and equipment	**(1.7)**	(0.7)
Operating (loss)/profit	**(9.2)**	93.8
Net finance expense	**(16.7)**	(13.7)
(Loss)/profit before tax	**(25.9)**	80.1

The Directors consider the Company's key performance measures to be:

	2019	2018
	£m	£m
Distributable reserves	**168.0**	170.0
Net assets	**254.5**	256.4
Loss before tax	**(1.8)**	(4.9)

This report was approved by the board on 28 January 2020 and signed on its behalf.

G A Watts

G A Watts
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

The Directors present their report and the audited consolidated financial statements for the year ended 30 September 2019.

Details regarding the Holland & Barrett International Limited group of companies' ("the Group's") structure and the Group and Company's principal activities are included within the Strategic report on page 3.

Future developments

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

The objective of the Company's management team is to continue to monitor and manage the financing arrangements in place and those being facilitated on behalf of the Group.

Financial risk management

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and SEK.

For the Company, foreign exchange risks arise from the retranslation of Euro denominated long term intercompany loans. 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. The Company's management team and Directors continually monitor the position of the Company.

Foreign exchange risk arises from commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group's and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Further disclosure is provided in note 23.

Political and charitable donations

The Group made Charitable donations to UK based organisations of £100,000 (2018: £200,000). The Group also has a charitable company, Healthy Hope Limited, from which donations are made. No political contributions were made during the year (2018: £nil). The Company made no (2018: nil) charitable donations in the year.

Employees

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

The Group 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 Group 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 and encouraged to participate in the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through the in-house newspaper and newsletters, briefing Groups and the distribution of the Annual report and consolidated financial statements.

Dividends

During the year the Company received dividends of £20,000,000 (2018: £7,086,000). The Company paid no dividends in 2019 (2018: £7,086,000, equating to £35,079 per ordinary share).

Going concern

The 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, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due within the year. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings.is given in note 21.

The Company's forecasts and projections show that the Company is able to operate within the level of its current facilities. There are no significant borrowings due within the year however the parent has provided a Letter of Support. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Directors

The Directors who served during the year were:

S T Carson (resigned 6 January 2020)
L M Garley-Evans
G Goley (appointed 1 April 2019)
J A Houghton (appointed 7 February 2019)
C Keen (resigned 23 October 2019)
H M Leam
H Lu (resigned 1 September 2019)
L M C Hipperson (resigned 31 August 2019)
E J Mead (resigned 4 July 2019)
M R Fabes (resigned 29 March 2019)
P H Aldis (resigned 4 March 2019)
J Dowd (resigned 31 October 2018)
G A Watts (appointed 23 October 2019)
A Buffin (appointed 16 October 2019)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 group and company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and 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 group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 of the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and 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 group and company's auditors are aware of that information.

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

Disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Insurance and qualifying third party indemnification

During the year and up to the date of signing of this report the Group maintained liability insurance and qualifying third party indemnification provisions for its Directors and the Company Secretary.

Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 January 2020 and signed on its behalf.

G A Watts

G A Watts
Director

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

Report on the audit of the group financial statements

Opinion

In our opinion, Holland & Barrett International Limited's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 30 September 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet as at 30 September 2019; the Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated 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 Group 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

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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 received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Holland & Barrett International Limited for the year ended 30 September 2019.

Gillian Hinks

Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
Date: 28 January 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Revenue	6	**715,506**	697,289
Cost of sales		**(293,486)**	(257,918)
Gross profit		**422,020**	439,371
Distribution expenses		**(304,217)**	(297,263)
Administrative expenses, excluding exceptional items		**(89,301)**	(31,332)
Exceptional administrative expenses	9	**(37,717)**	(16,960)
Total administrative expenses		**(127,018)**	(48,292)
(Loss)/profit from operations		**(9,215)**	93,816
Finance income	10	**2,929**	7,189
Finance expense	10	**(19,586)**	(20,879)
(Loss)/profit before tax		**(25,872)**	80,126
Tax expense	11	**(1,275)**	(9,146)
(Loss)/profit from continuing operations		**(27,147)**	70,980
Loss on discontinued operation, net of tax	12	**(406)**	(1,295)
(Loss)/profit for the year		**(27,553)**	69,685
(Loss)/profit for the year attributable to:			
Owners of the parent		**(27,553)**	69,685

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £000	2018 £000
(Loss)/profit for the year	**(27,553)**	69,685
Other comprehensive income:		
Items that will or may be reclassified to profit or loss:		
Exchange gains arising on translation on foreign operations	**276**	69
Other comprehensive income for the year, net of tax	**276**	69
Total comprehensive (expense)/income	**(27,277)**	69,754
Total comprehensive (expense)/income attributable to:		
Owners of the parent	**(27,277)**	69,754

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Property, plant and equipment	14	**152,895**	156,876
Intangible assets	15	**347,631**	357,789
Deferred tax assets	11	**2,092**	1,906
		502,618	516,571
Current assets			
Inventories	17	**133,362**	150,917
Corporation tax receivable		**4,399**	5,822
Trade and other receivables	18	**44,973**	271,554
Cash and cash equivalents	29	**19,495**	29,650
		202,229	457,943
Total assets		**704,847**	974,514
Liabilities			
Non-current liabilities			
Borrowings	21	**41,491**	42,402
Trade and other payables	19	**16,118**	16,780
Provisions	22	**2,935**	2,858
Deferred tax liability	11	**796**	4,165
		61,340	66,205
Current liabilities			
Loans and borrowings	21	**911**	863
Trade and other payables	19	**452,388**	482,540
Corporation tax payable		**605**	1,722
Provisions	22	**9,968**	-
		463,872	485,125
Total liabilities		**525,212**	551,330
Net assets		**179,635**	423,184

HOLLAND & BARRETT INTERNATIONAL LIMITED
REGISTERED NUMBER: 04515115

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Issued capital and reserves attributable to owners of the parent			
Share capital	24	**-**	-
Share premium reserve	26	**86,384**	86,384
Merger reserve	26	**414,502**	414,502
Foreign exchange reserve	26	**10,903**	10,627
Retained earnings	26	**(332,154)**	(88,329)
Total equity		**179,635**	423,184

The financial statements on pages 15 to 60 were approved and authorised for issue by the board of Directors on and were signed on its behalf by:

G A Watts

G A Watts
Director

28 January 2020

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

	Share capital & share premium £000	Merger reserve £000	Foreign exchange reserve £000	Retained earnings £000	Total attributable to equity holders of parent £000	Total equity £000
At 1 October 2017	-	418,249	10,558	(150,928)	277,879	277,879
Comprehensive income for the year						
Profit for the year	-	-	-	69,685	69,685	69,685
Other comprehensive income	-	-	69	-	69	69
Total comprehensive income for the year	-	-	69	69,685	69,754	69,754
Contributions by and distributions to owners						
Dividends	-	-	-	(7,086)	(7,086)	(7,086)
Issue of share capital	86,384	-	-	-	86,384	86,384
Arising from common control transaction	-	(3,747)	-	-	(3,747)	(3,747)
Total contributions by and distributions to owners	86,384	(3,747)	-	(7,086)	75,551	75,551
At 30 September 2018	**86,384**	**414,502**	**10,627**	**(88,329)**	**423,184**	**423,184**
At 1 October 2018	86,384	414,502	10,627	(88,329)	423,184	423,184
Comprehensive expense for the year						
Loss for the year	-	-	-	(27,553)	(27,553)	(27,553)
Other comprehensive income	-	-	276	-	276	276
Total comprehensive expense for the year	-	-	276	(27,553)	(27,277)	(27,277)
Contributions by and distributions to owners						
Distribution in respect of intercompany loan cancellation	-	-	-	(216,272)	(216,272)	(216,272)
Total contributions by and distributions to owners	-	-	-	(216,272)	(216,272)	(216,272)
At 30 September 2019	**86,384**	**414,502**	**10,903**	**(332,154)**	**179,635**	**179,635**

The notes on pages 22 to 60 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £000	2018 £000
Cash flows from operating activities		
(Loss)/profit for the year	**(27,553)**	69,685
	(27,553)	69,685
Adjustments for		
Depreciation, amortisation and impairment	**66,458**	43,816
Finance income	**(2,929)**	(7,188)
Finance expense	**19,586**	20,879
Loss on sale of property, plant and equipment	**1,688**	735
Income tax expense	**1,275**	9,146
	58,525	137,073
Movements in working capital:		
Decrease/(increase) in trade and other receivables	**11,195**	(22,319)
Decrease/(increase) in inventories	**17,690**	(25,169)
Decrease in trade and other payables	**(31,294)**	(5,787)
Increase in provisions	**10,046**	519
Cash generated from operations	**66,162**	84,317
Interest paid	**(19,586)**	(20,879)
Income taxes paid	**(4,532)**	(16,900)
Net cash from operating activities	**42,044**	46,538
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**-**	(2,792)
Purchases of property, plant and equipment	**(21,982)**	(31,314)
Sale of property, plant and equipment	**-**	911
Purchase of intangibles	**(32,099)**	(33,574)
Interest received	**2,929**	7,188
Net cash used in investing activities	**(51,152)**	(59,581)
Cash flows from financing activities		
Issue of ordinary shares	**-**	426
Payments of finance lease creditors	**(863)**	(819)
Dividends paid	**-**	(7,086)
Net cash used in financing activities	**(863)**	(7,479)
Net cash decrease in cash and cash equivalents	**(9,971)**	(20,522)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	2019 £000	2018 £000
Cash and cash equivalents at the beginning of year	**29,650**	49,592
Exchange (loss)/gains on cash and cash equivalents	**(184)**	580
Cash and cash equivalents at the end of the year	**19,495**	29,650

Note: The movement in trade and other receivables is inclusive of the intercompany loan cancelation as noted in the Consolidated Statement of Changes in Equity.

1. General information

Holland & Barrett International Limited (the "Company") is a private company limited by shares, based in the Midlands and incorporated, domiciled and registered in England in the UK. The registered number is 04515115 and the registered address is Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH.

The consolidated financial statements for the year ended 30 September 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group's consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRSs") and with the Companies Act 2006 as applicable to Companies using IFRS.

The financial statements have been prepared in accordance with interpretations issued by the IFRS Interpretations Committee (IFRS IC).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 October 2014 for the purposes of the transition to EU-IFRSs. Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

2. Accounting policies

2.1 Measurement convention

The financial statements are prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

2.2 Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained, interest as an associate, joint venture or financial asset.

Acquisitions from entities under common control
The Group has elected to account for common control transactions using book value accounting whereby the acquirer recognises the book values in the financial statements of the entity transferred at the date of acquisition where appropriate. Where a difference occurs between the consideration paid and net assets acquired, a merger reserve is recognised.

Transactions eliminated on consolidation
Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Accounting policies (continued)

2.3 Going concern

The 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, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due for repayment within the year. The Group also has access to a £75m RCF bank facility which is currently not drawn upon (2018: £nil). The RCF facility is due for renewal in 2024. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the Group's borrowings is given in note 21.

2.4 Revenue

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

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

Deferred income
Deferred income represents profit on the sale and leaseback of assets and deferred income from the Group's loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Sale and lease back accounting is set out in note 2.22. In respect of the loyalty scheme, the reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed or expired. Points expire after 3 months of issuing, if the points have not been used by their expiry date the liability relating to these is released.

2.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, GBP Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve.

The presentational and functional currency of the Company is GBP Sterling.

2. Accounting policies (continued)

2.6 Financial instruments

Classification of financial instruments
Ordinary share capital issued by the Company is classified as equity.

Non-derivative financial instruments
Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables
Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables
Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.7 Leasing

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

2.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Employee benefits

Defined contribution plans

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

2. Accounting policies (continued)

2.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.11 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated 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, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Freehold property	25 years
Motor vehicles	4 years
Fixtures and fittings	3 - 10 years
Assets under construction	Not depreciated

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

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2. Accounting policies (continued)

2.12 Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions prior to 1 October 2014 (date of transition to IFRSs)
IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to 1 October 2014. In respect of acquisitions prior to 1 October 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP with the difference to IFRS being that only separable intangibles were recognised and goodwill was amortised. On transition, amortisation of goodwill ceased. The classification and accounting treatment of business combinations that occurred prior to 1 October 2014 by merger accounting was not reconsidered.

Acquisitions after 1 October 2014 (date of transition to IFRSs)
For acquisitions on or after 1 October 2014, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

2.13 *Intangible assets and goodwill*

Derecognition of intangible assets

Goodwill
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation
Amortisation is charged to the income statement through distribution expenses on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives for software costs are 3 - 10 years.

2. Accounting policies (continued)

2.14 Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

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

Financing income and expenses
Financing expenses comprise interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Financing income comprise interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

2.15 New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations have been published but are not mandatory for the current reporting period ended 30 September 2019 and have not been early adopted by the Group in preparing these consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements of the Group, except as set out below:

IFRS 16 'Leases'

IFRS 16 'Leases' was published in January 2016 and will be effective for the Group from the period beginning 1 October 2019, replacing IAS 17 'Leases'. The main principle of the standard is to provide a single model for lessee accounting by eliminating the dual accounting model under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

The standard represents a significant change in the accounting and reporting of leases and it will impact the consolidated income statement and consolidated balance sheet presented by the Group. Transition to IFRS 16 for the Group took place on 1 October 2019, where the Group will adopt the simplified approach. Under this approach, the comparatives in the consolidated financial statements for the year ended 30 September 2020 will not be restated.

The Group's current leasing arrangements have been reviewed in light of the new lease accounting rules. As at 1 October 2019, the Group had non-cancellable operating lease commitments of £397.2m (as disclosed in Note 27). A small proportion of these commitments related to short-term leases of less than 1 year and leases of low less than $5000, value which will continue to be recognised on a straight-line basis in the consolidated income statement in accordance with IFRS16. The Group's principal lease arrangements are for property. The Group does not currently intend to alter its approach going forward as to whether assets should be leased or bought.

The profile of the costs recognised in the consolidated income statement will change compared to IAS 17. Under the new standard, the existing lease expense previously recorded in operating costs will be replaced by a depreciation charge, as well as a separate financing expense which will be recognised within interest expense.

2. Accounting policies (continued)

The new standard requires that the Group's leased assets are recorded within property, plant and equipment as right of use assets with a corresponding lease liability which is based on the present value of future payments required under each lease. The lease liability will be lower than the current IAS 17 operating lease commitments, as per Note 21, due to the discounting of future payments.

The Group has estimated that had IFRS 16 been applied in the year ended 30 September 2019, the impact on the consolidated balance sheet as at 30 September 2019 and on the consolidated income statement for the year ended 30 September 2019 would have been:

- Recognition of right-of-use assets, within Property, plant and equipment, of approximately between £350m to £388m;
- Recognition of Lease liabilities would be approximately between £350m to £388m to reflect the recognition of the discounted lease liabilities and;
- Adjustment to Operating Profit being an increase of approximately between £73m to £89m, increase to depreciation being approximately between £62m to £70m and increase in interest between £17m to £19m.

The total cash outflow for lease payments will not change under IFRS 16 but the allocation between operating cash flows and financing cash flows in the consolidated cash flow statement will change.

All accounting policies will be updated to reflect the impact of IFRS 16 in the consolidated financial statements for the year ended 30 September 2020.

There are no other IFRSs, Annual improvements or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.16 Adoption of new and revised standards

The Group has adopted and applied the following standards for the first time for the current financial year end commencing on 1 October 2018:

IFRS 15 'Revenue from contracts with customers' (2.4 Revenue)

IFRS 15 replaces IAS 18 'Revenue', IAS 11 'Construction contracts' and related interpretations. Transition to IFRS 15 for the Group took place on 1 October 2018 and the Group has adopted the standard using the modified retrospective transition approach, which does not require restatement of prior period comparatives. There has been no impact on the profit, net assets or retained earnings of the Group from the adoption.

The standard introduces a five-step approach to the timing and recognition of revenue, based on the performance obligations in customer contracts. Under IFRS 15, revenue should only be recognised when a customer obtains control of the goods or services and has the ability to direct the use and obtain the benefits from the goods or services. It applies to all contracts with customers, except those in the scope of other standards.

2. Accounting policies (continued)

The Group has completed a detailed impact assessment in relation to the adoption of IFRS 15.

It was concluded that the adoption of IFRS 15 does not have a significant impact on the Group. As such, there is no impact in the profit, net assets or retained earnings of the Group and no practical expedients have been taken.

IFRS 9 'Financial instruments' (2.6 Financial instruments)

IFRS 9 replaces IAS 39 'Recognition and measurement' and is applicable to financial assets and financial liabilities. Transition to IFRS 9 for the Group took place on 1 October 2018 and the Group has adopted the standard using the modified retrospective transition approach, which does not require the restatement of prior period comparatives.

IFRS 9 introduced three key changes when compared to IAS 39 relating to:
- New requirements for the classification and measurement of financial assets and financial liabilities;
- A new model for recognising provisions for the impairment of financial assets based on expected credit losses; and
- A revised hedge accounting treatment by aligning hedge accounting more closely to the risk management objectives.

Upon adoption of IFRS 9, the following changes in classification and measurement were applicable for the Group:
- all financial assets that were previously classified as loans and receivables are now classified as financial assets at amortised cost; and
- all financial assets that were previously classified as loans and receivables are now classified as financial assets at fair value through profit or loss.

No changes in classification are applicable for the financial liabilities held within the Group.

IFRS 9 also introduced a forward-looking expected credit loss model for recognising provision in respect of financial assets and receivables. The Group has updated its accounting policy for the establishment of provisions against trade receivables to reflect the lifetime expected credit loss, consistent with the simplified approach under IFRS 9. However, the impact of using the expected credit loss model on the consolidated financial statements of the Group is not significant.

The Group does not currently apply hedge accounting; hence the revised treatment has no impact on the financial statements.

As a result, the Group concluded that IFRS 9 has an immaterial impact on the consolidated financial statements. Accordingly, no adjustment has been made to the prior period comparatives and the opening consolidated balance sheet as at 1 October 2018..

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

2.18 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

2. Accounting policies (continued)

A financial asset not carried at fair value through profit or loss is 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 in respect of a financial asset measured at amortised cost 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. Interest on the impaired asset continues to be recognised through the unwinding of the discount. 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 Group's non-financial assets, other than inventories 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. For goodwill the recoverable amount is estimated each year at the same time.

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").

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash- generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to Groups of CGUs that are expected to benefit from the synergies of the combination.

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. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2. Accounting policies (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.19 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risk specific to the liability.

2.20 Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.21 Dividends

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

2.22 Sale 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. Deferred profit is recognised within deferred income within note .

2.23 Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2. Accounting policies (continued)

2.24 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.

3. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

4. Accounting estimates and judgements

(a) Critical accounting judgements

In applying the accounting policies, management may make judgements that have a significant effect on the amounts recognised in the financial statements. These judgements may include the classification of transactions between the Statement of Comprehensive Income and the Balance Sheet. There are no such judgments in the case of these financial statements.

(b) Critical accounting estimates and assumptions

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:

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

Valuation of goodwill and indefinite life intangible assets
Goodwill is reviewed for impairment when there exists indicators that the estimated recoverable value of goodwill has been reduced to below its carrying value. The recoverable amount of goodwill is derived from measurement of the present value of future cash flows of the cash generating units ("CGUs") of which the goodwill is a part. The calculation will include management's best estimates of discount rates and future performance of the business that are consistent with business plans.

5. Operating profit

	2019 £000	2018 £000
Impairment loss on inventory	**5,755**	6,180
Depreciation of tangible fixed assets	**21,939**	19,663
Amortisation of intangible assets	**13,890**	8,303
Loss on disposal of fixed assets	**1,688**	735
Operating lease rentals - land and buildings	**81,630**	80,282
Operating lease rentals - plant and machinery	**1,836**	2,340
Impairment of fixed assets	**3,447**	-
Exceptional items (note 9)	**37,717**	16,960
Net foreign exchange loss	**132**	584

Auditors' remuneration

	2019 £000	2018 £000
Audit of these financial statements	**71**	50
Audit of financial statements of the subsidiaries of the Company	**299**	291
Non-audit services - Other	**168**	-

6. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2019 £000	2018 £000
Retail sales of goods	**624,339**	610,863
Online sales of goods	**80,697**	70,705
Franchise and wholesale income	**10,470**	15,721
	715,506	697,289

Analysis of revenue by country of destination:

	2019 £000	2018 £000
United Kingdom	**539,354**	524,743
Rest of Europe	**168,860**	153,041
Rest of the world	**7,292**	19,505
	715,506	697,289

7. Employee benefit expenses

	2019 £000	2018 £000
Employee benefit expenses (including Directors) comprise:		
Wages and salaries	**129,102**	110,363
Social security costs	**7,197**	7,353
Other pension costs	**2,963**	2,046
	139,262	119,762

	2019 No. of employees	2018 No. of employees
Retail	**6,454**	6,088
Administration	**899**	793
Distribution	**453**	407
	7,806	7,288

8. Directors' remuneration

	2019 £000	2018 £000
Directors' remuneration	**3,568**	3,695
Company contributions to money purchase pension plans	**103**	-
Compensation for loss of office	**743**	-

The aggregate of remuneration of the highest paid Director was £527,000 (2018: £647,000) and Company pension contributions of £nil (2018: £nil) were made to a money purchase scheme on his behalf. The highest paid Director did not exercise any share options during the year (2018: none). Retirement benefits are accruing under money purchases schemes for a total of four (2018: one) Directors.

9. Exceptional administration expenses

	2019 £000	2018 £000
Acquisition related costs	-	1,110
Impairment of intangible assets	24,081	15,850
Legal and professional costs	7,871	-
Exceptional payroll costs	2,664	-
Impairment of goodwill	3,101	-
	37,717	16,960

Exceptional costs of £24,081,000 (2018: £15,850,000) relate to the impairment of software assets for which the value is no longer deemed recoverable.

Exceptional costs of £nil (2018: £1,110,000) relate to legal acquisition costs.

Exceptional costs of £7,871,000 (2018: £nil) relates to various settlements and provisions in relation to legal matters arising within the financial year.

Impairment of goodwill relates to certain underperforming assets for a value of £3,101,000 (2018: £nil).

£2,664,000 (2018: £nil) relates to exceptional payroll costs to do with termination and recruitment costs of executive positions.

10. Finance income and expense

Recognised in profit or loss

	2019 £000	2018 £000
Finance income		
Interest on bank deposits	84	89
Interest receivable from group companies	2,842	6,962
Other interest receivable	3	138
Total finance income	2,929	7,189
Finance expense		
Finance leases (interest portion)	1,635	1,661
Loans from group undertakings	17,086	18,548
Finance costs recharged	670	670
Other interest payable	195	-
Total finance expense	19,586	20,879
Net finance expense recognised in profit or loss	16,657	13,690

11. Tax expense

11.1 Income tax recognised in profit or loss

	2019 £000	2018 £000
Current tax		
Current tax on profits for the year	3,429	11,064
Adjustments in respect of prior years	1,401	(1,401)
Total current tax	4,830	9,663
Deferred tax expense		
Origination and reversal of timing differences	(72)	-
Adjustments in respect of prior years	(2,978)	-
Deferred tax expense	(505)	(559)
Reduction in tax rate	-	42
Total deferred tax	(3,555)	(517)
	1,275	9,146
Total tax expense		
Tax expense excluding tax on discontinued operation	1,275	9,146
Income tax on loss from discontinued operation	-	-
	1,275	9,146

11. Tax expense (continued)

11.1 Income tax recognised in profit or loss (continued)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits for the year are as follows:

	2019 £000	2018 £000
(Loss)/profit for the year	**(27,147)**	70,980
Income tax expense (including income tax on discontinued operation)	**1,275**	9,146
(Loss)/profit before income taxes	**(25,872)**	80,126
Tax using the Company's domestic tax rate of 19% (2018: 19%)	**(4,916)**	15,225
Expenses not deductible for tax purposes	**7,850**	1,715
Impact of overseas tax rates	**(55)**	-
Adjustments to tax charge in respect of prior periods	**(1,577)**	(1,488)
Income not subject to tax	**181**	(138)
Unrecognised deferred tax	**724**	352
Re-measurement of deferred tax - change in UK rate	**148**	515
Effect of group relief	**(1,080)**	(7,035)
Total tax expense	**1,275**	9,146

Changes in tax rates and factors affecting the future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using the rate of 17% on the basis that an immaterial amount of deferred tax will unwind at 19% during the period to 1 April 2020.

11. Tax expense (continued)

11.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2019 £000	2018 £000
Deferred tax assets	**2,092**	1,906
Deferred tax liabilities	**(796)**	(4,165)
	1,296	(2,259)

The Group has unrecognised gross deferred tax assets of £2,221,000 (2018: £1,590,000).

No deferred tax liability has been recognised on the retained earnings of subsidiary undertakings as the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

	Opening balance £000	**Recognised in profit or loss £000**	**Closing balance £000**
2019			
Property, plant and equipment	(4,136)	3,472	(664)
Other items	1,877	83	1,960
	(2,259)	3,555	1,296

	Opening balance £000	Recognised in profit or loss £000	Closing balance £000
2018			
Property, plant and equipment	(3,107)	(1,029)	(4,136)
Exchange differences	191	1,686	1,877
	(2,916)	657	(2,259)

12. Discontinued operations

The post-tax loss from discontinued operations was determined as follows:

	2019 £000	2018 £000
Result of discontinued operations		
Revenue	**104**	4,432
Expenses other than finance costs	**(510)**	(5,727)
Loss for the year	**(406)**	(1,295)

Statement of cash flows

The statement of cash flows includes the following amounts relating to discontinued operations:

	2019 £000	2018 £000
Operating activities	**(406)**	(1,295)
Net cash from discontinued operations	**(406)**	(1,295)

Health and Diet Centres Limited a subsidiary of the Group, has closed all of its remaining stores within the year. This entity ceased trading early in the financial year and has been disclosed as discontinued operations.

13. Dividends

	2019 £000	2018 £000
Interim dividends paid of £nil (2018: £35,077) per share	-	7,086
	-	7,086

14. Property, plant and equipment

	Land and buildings £000	Motor vehicles £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 October 2017	46,317	151	184,462	2,289	233,219
Additions	-	-	31,325	-	31,325
Disposals	-	-	(3,810)	(1,041)	(4,851)
Foreign exchange movements	-	-	414	14	428
At 30 September 2018	46,317	151	212,391	1,262	260,121
Additions	-	-	21,792	190	21,982
Transfers intra group	-	-	275	(275)	-
Disposals	-	-	(2,034)	-	(2,034)
Foreign exchange movements	-	-	(44)	2	(42)
At 30 September 2019	**46,317**	**151**	**232,380**	**1,179**	**280,027**
Accumulated depreciation and impairment					
At 1 October 2017	3,075	83	83,439	-	86,597
Charge for the year	1,634	32	17,997	-	19,663
Disposals	-	-	(3,221)	-	(3,221)
Exchange adjustments	-	-	206	-	206
At 30 September 2018	4,709	115	98,421	-	103,245
Charge for the year	1,287	27	20,625	-	21,939
Disposals	-	-	(1,511)	-	(1,511)
Impairment charge	-	-	3,447	-	3,447
Exchange adjustments	-	-	12	-	12
At 30 September 2019	**5,996**	**142**	**120,994**	**-**	**127,132**
Net book value					
At 1 October 2017	43,242	68	101,023	2,289	146,622
At 30 September 2018	41,608	36	113,970	1,262	156,876
At 30 September 2019	40,321	9	111,386	1,179	152,895

14. Property, plant and equipment (continued)

Impairment charge

Impairment charge relates to loss-making stores. The impairment charge is included within administrative expenses in the Income Statement.

Leased plant and machinery

At 30 September 2019 the net carrying amount of fixed assets under a finance lease was £39,948,000 (2018: £41,106,000). The leased asset secures property lease obligations (see note 21).

15. Intangible assets

	Goodwill £000	Computer software £000	Total £000
Cost			
At 1 October 2017	299,613	61,489	361,102
Additions - external	3,101	33,599	36,700
Disposals	-	(16)	(16)
Foreign exchange movement	(76)	60	(16)
At 30 September 2018	302,638	95,132	397,770
Additions - external	-	32,099	32,099
Disposals	-	(1,739)	(1,739)
Foreign exchange movement	(13)	(1)	(14)
At 30 September 2019	**302,625**	**125,491**	**428,116**
Accumulated amortisation and impairment			
At 1 October 2017	118	15,690	15,808
Charge for the year	-	8,303	8,303
Disposals	-	(5)	(5)
Impairment charge	-	15,850	15,850
Foreign exchange movement	-	25	25
At 30 September 2018	118	39,863	39,981
Charge for the year	-	13,890	13,890
Disposals	-	(574)	(574)
Impairment charge	3,101	24,081	27,182
Foreign exchange movement	-	6	6
At 30 September 2019	**3,219**	**77,266**	**80,485**

15. Intangible assets (continued)

Net book value			
At 1 October 2017	299,495	45,799	345,294
At 30 September 2018	302,520	55,269	357,789
At 30 September 2019	299,406	48,225	347,631

Amortisation and impairment charge

The amortisation and impairment charges are recognised in the following line items in the income statement:

	2019 £000	2018 £000
Distribution expenses	**13,890**	8,303
Exceptional administrative expenses	**27,182**	15,850
	41,072	24,153

Impairment of goodwill relates to certain underperforming assets for a value of £3,101,000.

Impairment testing

Goodwill arising from the acquisition of Holland & Barrett Group Limited in September 2003 has been allocated to the associated cash-generating unit (CGU), being UK retail operations. This represents the lowest level within the Group at which goodwill is monitored for internal reporting purposes.

Goodwill is tested annually for impairment on the basis of value in use calculations using discounted cash flows. The key assumptions of these calculations are shown below:

	2019	2018
Period on which management approved forecasts are based	**5 years**	5 years
Growth rate applied beyond forecast period	**2%**	2%
Discount rate (pre tax rate)	**9.6%**	12.0%
Discount rate (post tax rate)	**7.9%**	9.9%

The five year forecasts are based on historical information, adjusted for known factors and have been approved by the Board.

The calculated value in use significantly exceeded the carrying value of goodwill and no further sensitivity calculations were necessary to conclude there was no impairment.

16. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Country incorporation and operation	Proportion of ownership interest and voting power held by the Group (%) 2019	2018
1) Health & Diet Centres Limited	Retailer of health food and related products	England & Wales	100	100
2) Holland & Barrett Holdings Limited	Intermediate holding company	England & Wales	100	100
3) Holland & Barrett Retail Limited	Retailer of health food and related products	England & Wales	100	100
4) Good 'N' Natural Limited	Intermediate holding company	England & Wales	100	100
5) Holland & Barrett Group Limited(*)	Retailer of health food and related products	England & Wales	100	100
6) Health & Diet Group Limited	Intermediate holding company	England & Wales	100	100
7) Precision Engineered Limited	Intermediate holding company	England & Wales	100	100
8) Holland & Barrett Limited	Retailer of health food and related products	EIRE	100	100
9) Holland & Barrett (Franchising) Limited	Intermediate holding company	EIRE	100	100
10) Holland & Barrett (Benelux) Limited (*)	Intermediate holding company	Netherlands	100	100
11) L1R HB Finance (Netherlands) B.V.	Intermediate holding company	Netherlands	100	100
12) Holland & Barrett B.V.	Retailer of health food and related products	Netherlands	100	100
13) Holland & Barrett N.V. Limited	Retailer of health food and related products	Belgium	100	100
14) Holland & Barrett Sweden AB (*)	Retailer of health food and related products	Sweden	100	100
15) Nutrition Warehouse Limited	Dormant	England & Wales	100	100
16) Holland & Barrett Limited	Dormant	England & Wales	100	100
17) Neal's Yard Wholefoods Limited	Dormant	England & Wales	100	100
18) Holland & Barrett (South Africa) Pty Limited	Intermediate holding company	South Africa	100	100
19) Holland & Barrett China Limited	Retailer of health food and related products	China	100	-

16. Subsidiaries (continued)

(*) - Directly held by Holland & Barrett International Limited

Registered address

The registered address of the Company's subsidiaries are as follows:

Holland & Barrett B.V.
Piet Heinkade 167, 1019 GM Amsterdam, Netherlands

L1R HB Finance (Netherlands) B.V.
Piet Heinkade 167, 1019 GM Amsterdam, Netherlands

Holland & Barrett N.V.
Pres. Wilsonplein 4/288, 9000 Gent, Belgium

Holland & Barrett (Franchising) Limited
Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland

Holland & Barrett Limited
Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland

Holland & Barrett (South Africa) Pty Limited
1 Waterhouse Place, Cape Town 8001, South Africa

Holland & Barrett Sweden AB
Patron Pehrs väg 6, 141 35 Huddinge, Sweden

Holland & Barrett US Inc
251 Little Falls Drive, Wilmington, DE19808, County of New Castle

Holland & Barrett Singapore Private Ltd
80 Robinson Road, #02-00, Singapore, 068898

Holland & Barrett China Limited
Room 045139, 4th floor, 1155 Fangdian Road, Pudong New District, Shanghai

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

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

17. Inventories

	2019 £000	2018 £000
Raw materials	**10,858**	10,835
Finished goods and goods for resale	**122,504**	140,082
	133,362	150,917

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £253,625,000 (2018: £234,900,000). A provision to hold inventories at the lower of cost and net realisable value has been made amounting to £2,013,000 at 30 September 2019 (2018: £1,000,000) with charges and releases taken to cost of sales.

18. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	**7,747**	8,354
Amounts owed by group companies	**6,665**	213,995
Prepayments and accrued income	**26,887**	40,787
Other receivables	**3,674**	8,418
	44,973	271,554

Trade and other receivables are all due within 12 months.

Further details on amounts owed by Group undertakings are given in note 28. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to LIBOR +2.25%. Within the year an intercompany loan has been cancelled to the value of £216m.

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are small. There are £1,635,000 (2018: no) provisions against trade and other receivables. There are no (2018: no) non-trivial amounts past due but not impaired or past due and impaired and therefore further analysis has not been presented. Materially all trade and other receivables are current in each year presented.

18. Trade and other receivables (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2019 £000	2018 £000
GBP Sterling	**30,140**	56,619
Euro	**12,627**	214,935
Other *	**2,206**	-
	44,973	271,554

*The balance within others primarily relates to Swedish Kroner (SEK).

19. Trade and other payables

	2019 £000	2018 £000
Current		
Trade payables	**66,801**	83,262
Other taxation and social security	**13,207**	10,137
Other payables	**1,612**	3,382
Accrued expenses and deferred income	**37,702**	32,516
Amounts owed to group companies	**333,066**	353,243
	452,388	482,540
Non-current		
Deferred income	**16,118**	16,780

Further details on amounts owed to Group undertakings are given in note 28. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to LIBOR +2.25% (2018: nil LIBOR to +2.25%).

20. Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,963,000 (2018: £2,046,000).

Share-based payments

There were no options outstanding as of 30 September 2019 (2018: none).

21. Borrowings

	2019 £000	2018 £000
Non-current		
Finance leases	**41,491**	42,402
	41,491	42,402
Current		
Finance leases	**911**	863
	911	863
Total borrowings	**42,402**	43,265

The carrying value of borrowings classified as financial liabilities measured at amortised cost approximates fair value.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum Lease Payment 2019 £000	Minimum lease payments 2018 £000
Less than one year	**2,517**	2,633
Between one and five years	**12,996**	12,768
In more than five years	**50,527**	53,138
Total gross payments	**66,040**	68,539
Less: finance charges	**(23,638)**	(25,274)
	42,402	43,265

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

Terms and debt repayment schedule

	Currency	Normal interest rate	Year of maturity	Repayment schedule
Finance lease liabilities	GBP	2.5 - 3%	2042-45	Monthly

22. Provisions

	Onerous lease provision £000	Legal provision £000	Total £000
At 1 October 2018	2,858	-	2,858
Made during the year	4,289	7,550	11,839
Utilised during the year	(808)	-	(808)
Reversed during the year	(986)	-	(986)
At 30 September 2019	**5,353**	**7,550**	**12,903**
Due within one year or less	2,418	7,550	9,968
Due after more than one year	2,935	-	2,935
	5,353	**7,550**	**12,903**

The provision for onerous leases relates to loss making stores.

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

23. Financial instruments

The Group has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk, including currency risk and interest rate risk

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to manage risk exposures. This note presents information about the Group's exposure to each of the above risks, the Group's objective, policies and processes for measuring and managing risk, and the Group's management of capital. There have been no changes from the prior year.

Classification by category

From 1 October 2018, the Group classifies its financial assets in the following measurement categories:
- those to be measure subsequently at fair value through profit or loss: and
- those to be measure at amortised cost.

No financial assets are designated as fair value through other comprehensive income.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:
- Amortised cost: assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated income statement and other comprehensive income.
- Fair value through profit or loss (FVPL): assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period which it arises.

Impairment
The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. For longer-term financial assets, the impairment methodology applied depends on whether there has been a significant increase in credit risk.

23. Financial instruments (continued)

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Board of Directors oversees how management monitor compliance with the Group risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk's faced by the Group.

Capital management

The Group's definition and management of capital focuses on capital employed. The Group's capital employed is reported in the consolidated balance sheet.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to optimise returns to its Shareholders. The Board's policy is to retain a strong capital base so as to maintain investor, creditor, and market confidence and to sustain future growth. The Directors regularly monitor the level of capital in the Group to ensure that this can be achieved. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

	2019	2018
	£000	£000
Total borrowings	**42,402**	43,265
Less: cash and cash equivalents	**(19,495)**	(29,650)
Net debt	**22,907**	13,615
Total equity	**179,635**	423,184
	202,542	436,799
Gearing ratio	**13%**	3%

The increase in the gearing ratio during 2019 resulted primarily from the loss for the financial year and the intercompany loan cancellation, reducing total equity.

There were no changes in the Group's approach to capital management during the year and there are no externally imposed capital requirements.

23. Financial instruments (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligation. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently-rated parties with a minimum rating of 'Baa2' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are small and therefore credit risk primarily consists of accrued income and cash and cash equivalents. Accordingly, the Group does not systematically report outstanding receivables analysed by credit quality, in particular with respect to the credit quality of financial assets that are neither past due nor impaired. There is no significant concentration of credit risk with respect to trade receivables, as the Group has a large number of customers that are widely dispersed. As such any further detailed analysis of the credit risk of the Group's financial assets by category is not considered meaningful.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

No collateral is held against the credit risk exposures above for any years presented.

Exposure to credit risk
The maximum exposure to credit risk at the balance sheet date by class of financial instrument was:

	2019	2018
	£000	£000
Trade and other receivables	**18,086**	230,767
Cash and cash equivalents	**19,495**	29,650
	37,581	260,417

23. Financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, both under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation, so the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

The Group finances its operations through bank borrowings and finance lease liabilities. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. The Group invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient.

The Group ensures that it has sufficient cash or loan facilities to meet all its commitments when they fall due by ensuring that forecasting cash and working capital facilities to meet the cash requirements of the Group in line with the current Business Plan.

All financial instruments have contractual maturities within one year except for the borrowings (finance lease liabilities) for which the maturities are disclosed in note 21. The following are contractual undiscounted cash flows:

30 September 2019	**Carrying amount £000**	**Less than 1 year £000**	**Between 2 to 5 years £000**	**More than 5 years £000**	**Total £000**
Amounts owed to Group undertakings	**333,066**	**333,066**	**-**	**-**	**333,066**
Finance lease liabilities	**42,402**	**2,517**	**12,996**	**50,527**	**66,040**
Trade payables	**66,801**	**66,801**	**-**	**-**	**66,801**
Other payables	**14,819**	**14,819**	**-**	**-**	**14,819**
Accruals	**19,875**	**19,875**	**-**	**-**	**19,875**
	476,963	**437,078**	**12,996**	**50,527**	**500,601**

30 September 2018	Carrying amount £000	Less than 1 year £000	Between 2 to 5 years £000	More than 5 years £000	Total £000
Amounts owed to Group undertakings	353,243	353,243	-	-	353,243
Finance lease liabilities	43,265	2,633	12,768	53,138	68,539
Trade payables	83,262	83,262	-	-	83,262
Other payables	13,519	13,519	-	-	13,519
Accruals	22,721	22,721	-	-	22,721
	516,010	475,378	12,768	53,138	541,284

23. Financial instruments (continued)

(c) Currency risk

The Group buys and sells in other currencies to its functional and presentational currency of GBP Sterling. Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages the movement of funds via individual bank accounts relating to each currency, thereby reducing its exposure to exchange rate fluctuations.

Exposure to currency risk

The Group's exposure to foreign currency risk denominated in foreign currency is as follows:

30 September 2019	**GBP Sterling £000**	**Euro £000**	**Others* £000**	**Total £000**
Cash and cash equivalents	**9,569**	**8,860**	**1,066**	**19,495**
Trade and other receivables	**11,534**	**5,232**	**1,320**	**18,086**
Trade and other payables	**(293,311)**	**(140,128)**	**(1,122)**	**(434,561)**
Provisions	**(10,221)**	**-**	**(2,682)**	**(12,903)**
Finance lease liabilities	**(42,402)**	**-**	**-**	**(42,402)**
	(324,831)	**(126,036)**	**(1,418)**	**(452,285)**

30 September 2018	GBP Sterling £000	Euro £000	Others* £000	Total £000
Cash and cash equivalents	4,955	21,826	2,869	29,650
Trade and other receivables	16,491	214,276	-	230,767
Trade and other payables	(337,600)	(142,212)	(495)	(480,307)
Provisions	(2,858)	-	-	(2,858)
Finance lease liabilities	(43,265)	-	-	(43,265)
	(362,277)	93,890	2,374	(266,013)

*The balance within others primarily relates to Swedish Kroner (SEK).

The following significant exchange rates were applied:

	2019	2018
Average rate for the year		
Euro	**1.1313**	1.1302
Swedish Kroner	**11.8782**	11.4414
United States Dollar	**1.2770**	1.3471
Chinese Yuan	**8.7742**	8.8076
Singapore Dollar	**1.7374**	1.8086
Balance sheet rate as at 30 September		
Euro	**1.1233**	1.1229
Swedish Kroner	**12.0366**	11.5848
United States Dollar	**1.2290**	1.3029
Chinese Yuan	**8.7538**	8.9483
Singapore Dollar	**1.6979**	1.7809

23. Financial instruments (continued)

Sensitivity analysis

A 1% percent weakening of the following currencies against GBP Sterling at 30 September 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for all years presented. There are no changes to the methods and assumptions applied.

	2019 £000	2018 £000
Equity		
Euro	**(1,704)**	(948)
Swedish Kroner	**34**	(24)
United States Dollar	**-**	-
Chinese Yuan	**8**	-
Singapore Dollar	**2**	-
Profit or loss		
Euro	**219**	277
Swedish Kroner	**(35)**	(19)
United States Dollar	**-**	-
Chinese Yuan	**(10)**	-
Singapore Dollar	**(5)**	-

A 1% percent strengthening of the above currencies against the GBP Sterling at 30 September 2019 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

23. Financial instruments (continued)

(d) Interest rate risk

The Group's interest rate risk arises from its variable and fixed rate instruments being loans with Group undertakings and finance lease liabilities. Borrowings issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group monitors the levels of fixed to floating debt held to manage these risks and aims to ensure that it had appropriate cash facilities to meet liabilities as they fall through.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	2019 £000	2018 £000
Fixed rate instruments		
Financial assets	-	207,749
Financial liabilities	(42,402)	(43,265)
	(42,402)	164,484
Variable rate instruments		
Financial liabilities	(314,974)	(322,665)

Within the financial year the Group has cancelled an intercompany debtor, hence the decrease in financial assets.

Sensitivity analysis
A 100 bps increase in interest rates at 30 September 2019 would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

The analysis is performed on the same basis for all years presented. There are no changes to the methods and assumptions applied.

	2019 £000	2018 £000
Equity		
Impact	(3,150)	(3,227)
Profit or loss		
Impact	(3,150)	(3,227)

A 100 bps decrease in interest rates at 30 September 2019 would have had the equal but opposite effect on the above to the amounts shown above, on the basis that all other variables remain constant.

23. Financial instruments (continued)

(e) Fair value of financial instruments

The carrying value of all financial assets and liabilities measured at amortised cost is considered to be an appropriate approximation of fair value.

	Carrying amount 2019 £000	Fair value 2019 £000	**Carrying amount 2018 £000**	Fair value 2018 £000
Trade receivables	**7,747**	7,747	**8,354**	8,354
Amounts owed by parent undertaking	**6,665**	6,665	**213,955**	213,955
Cash and cash equivalents	**19,495**	19,495	**29,650**	29,650
Total financial assets	**33,907**	33,907	**251,959**	251,959
Finance lease liabilities	**42,402**	42,402	**43,365**	43,365
Trade payables	**66,801**	66,801	**83,262**	83,262
Amounts owed to Group undertakings	**333,066**	333,066	**353,243**	353,243
Other payables	**14,819**	14,819	**13,519**	13,519
Provisions	**12,903**	12,903	**2,858**	2,858
Accruals	**19,875**	19,875	**22,721**	22,721
Total financial liabilities	**489,866**	489,866	**518,968**	**518,968**

See note 21 for further details on fair values for the borrowings above.

IFRS 7 'Financial Instruments: Disclosure' requires fair value measurements to be undertaken using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments all fall into the level 3 categorisation.

There were no transfers between levels for the years presented.

24. Share capital

Authorised

	2019 Number	2018 Number
Shares treated as equity		
Ordinary shares shares of £1.00 each	**202**	202
	202	202

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.

25. Commitments

Capital commitments

The Group's contractual commitments to purchase tangible fixed assets at the year-end were £2,050,000 (2018: £1,267,000).

26. Reserves

Share premium

The share premium account represents amounts raised on the initial allotment of share capital in excess of the nominal value of shares issued, less any costs directly attributable to the issue of that share capital.

Foreign exchange reserve

The translation reserve comprises all foreign exchange differences arising since 1 October 2014, the transition date to EU-IFRSs, from the translation of the financial statements of foreign operations.

Merger Reserve

The merger reserve arose as a result of the acquisition of Holland & Barrett Group Limited and its subsidiaries in the financial year ended 30 September 2003 and the acquisition of L1R HB Finance (Netherlands) B.V. in the year ended 30 September 2018.

Retained earnings

The retained earnings account represents the accumulated profits, losses and distributions of the Group.

27. Leases

Operating leases - lessee

The total future value of minimum lease payments is due as follows:

	2019 £000	2018 £000
Not later than one year	**78,669**	74,618
Between one year and five years	**224,222**	220,898
Later than five years	**95,776**	127,325
	398,667	422,841

During the year £83,466,000 was recognised as an expense in the profit and loss account in respect of operating leases (2018: £80,282,000).

28. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

28.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	Other related parties 2019 £000	Other related parties 2018 £000
Management charges paid to	**3,756**	3,796
Interest paid to	**17,123**	19,218
Interest received from	**1,204**	6,963

The Group's related party transactions comprised of transactions with other members of the wider LetterOne Group.

The following balances were outstanding at the end of the reporting period:

	Amounts owed by related parties 2019 £000	Amounts owed by related parties 2018 £000	Amounts owed to related parties 2019 £000	Amounts owed to related parties 2018 £000
Other related parties	**6,665**	213,955	**333,066**	353,243

28. Related party transactions (continued)

28.2 Other related party transactions

Healthy Hope Limited was incorporated by Holland & Barrett Retail Limited as a charitable vehicle for the Group. Healthy Hope is a limited company by guarantee and controlled by its directors. During the year, donations of £100,000 (2018: £200,000) were made from the Group to Healthy Hope.

Shares held by key management personnel in L1R HB Holdings were as follows:

Related party relationship	**No. of Shares Held in L1R HB Holdings**	
	2019	**2018**
E Mead	2,700	2,700
L Garley-Evans	1,350	1,350
H Leam	2,700	2,700
H Lu	4,500	4,500
M Fabes	-	1,575
L Hipperson	2,700	2,700
S Carson	6,750	6,750
A Houghton	2,700	-
C Keen:		
- B Ordinary shares	189	189
- B Preference shares	168,691	168,691
- D2 Ordinary shares	11,700	11,700
P Aldis:		
- B Ordinary shares	-	944
- D1 Ordinary shares	-	29,700
- B Preference shares	-	843,454

Key management personnel remuneration

In addition to the amounts disclosed in the Directors' remuneration note, key management personnel remuneration amounts of £436,000 are included within Wages and Salaries.

29. Notes supporting statement of cash flows

Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	**19,495**	29,650
Cash and cash equivalents in the statement of financial position	**19,495**	29,650
Cash and cash equivalents in the statement of cash flows	**19,495**	29,650

Reconciliation of external debt

This section sets out an analysis of the debt of the Group and the movements in debt for each of the years presented:

	2019 £000	2018 £000
Lease liabilities	**42,402**	43,265

	2019 £000	2018 £000
At 1 October	**43,265**	44,084
Payment of finance lease liabilities	**(863)**	(819)
At 30 September	**42,402**	43,265

30. Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is L1R HB Limited, incorporated in Jersey. The Company's ultimate parent and controlling party is Letterone Investment Holdings S.A., a company incorporated in Luxembourg.

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Company Balance Sheet as at 30 September 2019; the Company Profit and Loss Account, the Company 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

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

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

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

Reporting on other information

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

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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

Other matter

We have reported separately on the group financial statements of Holland & Barrett International Limited for the year ended 30 September 2019.

Gillian Hinks

Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
28 January 2020

COMPANY PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Note	2019 £000	2018 £000
Administrative expenses		**53**	(184)
Exceptional administrative expenses	35	**(3,550)**	-
Operating loss		**(3,497)**	(184)
Income from shares in group undertakings		**20,000**	7,085
Amounts written off investments and amounts owed by group companies		**(6,570)**	-
Interest payable and similar expenses	36	**(11,692)**	(11,754)
Loss before taxation		**(1,759)**	(4,853)
Tax on loss	37	**(184)**	1,660
Loss for the financial year		**(1,943)**	(3,193)

The notes on pages 67 to 77 form part of these financial statements.

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2019

	Note		2019 £000		2018 £000
Fixed assets					
Investments	39		**577,286**		580,302
Current assets					
Debtors	40	**761,023**		761,448	
Creditors: amounts falling due within one year	41	**(1,080,303)**		(1,085,351)	
Net current liabilities			**(319,280)**		(323,903)
Total assets less current liabilities			**258,006**		256,399
Provisions for liabilities					
Other provisions	42		**(3,550)**		-
Net assets			**254,456**		256,399
Capital and reserves					
Called up share capital	43		**-**		-
Share premium account	44		**86,384**		86,384
Profit and loss account	44		**168,072**		170,015
Total shareholders' funds			**254,456**		256,399

The financial statements on pages 65 to 78 were approved and authorised for issue by the board and were signed on its behalf by:

G A Watts
Director

Date: 28 January 2020

The notes on pages 67 to 77 form part of these financial statements.

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

	Called up share capital	Share premium account	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1 October 2017	-	86,384	180,293	266,677
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(3,193)	(3,193)
Total comprehensive expense for the financial year	-	-	(3,193)	(3,193)
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(7,085)	(7,085)
Total transactions with owners	-	-	(7,085)	(7,085)
At 30 September 2018 and 1 October 2018	-	86,384	170,015	256,399
Comprehensive expense for the financial year				
Loss for the financial year	-	-	(1,943)	(1,943)
Total comprehensive expense for the financial year	-	-	(1,943)	(1,943)
At 30 September 2019	-	86,384	168,072	254,456

The notes on pages 67 to 77 form part of these financial statements.

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

31. General information

Holland & Barrett International Limited (the "Company") is a private company limited by shares and incorporated, registered and domiciled in the UK. The registered number is 4515115 and the registered address is Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH.

These financial statements present information about the Company as an individual undertaking and not about its Group.

32. Accounting policies

32.1 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 ("FRS 102") as issued in August 2014 and the Companies Act 2006. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

2.2 Basis of preparation of financial statements

The Company's financial statements prepared in accordance with FRS 102. The accounting policies set out in the notes below have been applied in preparing the financial statements for the year ended 30 September 2019 and the comparative information presented in these financial statements for the year ended 30 September 2018.

The Company is included within the consolidated financial statements of Holland & Barrett International Limited. The consolidated financial statements of Holland & Barrett International Limited are prepared in accordance with EU-IFRS and are publically available. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- *Reconciliation of the number of shares outstanding from the beginning to end of the period;*
- Financial instruments;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company's presentational and functional currency is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material *adjustment in the next year are discussed in* note 33.

2.3 Measurement convention

The financial statements are prepared under the historical cost basis, as modifed by the revaluation of certain financial assets and liabilities at fair value through profit and loss.

32. Accounting policies (continued)

32.4 Going concern

After making enquiries, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future despite the Company having net current liabilities. An undertaking has been received from the principal Group creditor that repayment will not be sought within twelve months of the date of signing of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

32.5 Financial instruments

Classification of financial instruments issued by the Company

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

Basic financial instruments

Financial assets

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

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

Investments in subsidiaries

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

Acquisitions from entities under common control

The Company accounts for group reconstruction using the merger accounting method.

32. Accounting policies (continued)

Impairment

Financial assets (including amounts owed by Group undertakings)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are 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. 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 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. An impairment loss is recognized if the carrying amount of an asset 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.

32.6 Interest payable and similar expenses

Interest payable and similar charges include interest payable recognised in profit or loss as it accrues, using the effective interest method.

32.7 Income from shares in Group undertakings

Dividend income from shares in Group undertakings is recognised in the profit and loss account on the date the Company's right to receive payments is established.

32.8 Taxation

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

32.9 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

32.10 Debtors

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

32.11 Creditors

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

32. Accounting policies (continued)

32.12 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

32.13 Dividends

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

33. Judgements in applying accounting policies and key sources of estimation uncertainty

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

Impairment of investment in subsidiaries

The Company considers whether investments in subsidiaries undertakings are impaired, and where an indicator of impairment is identified, the Company performs an impairment test through estimating the recoverable value of the investee. The recoverable amount is based upon forecast cash flows of the businesses. The amount and timing of the cash flows and the discount rate used in the model require management's judgement. An impairment loss is recognised where the carrying value of an investment exceeds its recoverable value.

34. Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements amounted to £6,000 (2018: £5,000). The audit fee was borne by another Group Company, Holland & Barrett Retail Limited. No recharge is made to the Company (2018: £Nil).

Amounts receivable by the Company's auditors and its associate in respect of services to the Company and its associates, other than audit of the Company's financial statements, have not been disclosed in the Company Notes as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, which has been disclosed in note 5 of the Group Notes.

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

35. Exceptional administrative expenses

	2019 £000	2018 £000
Legal and professional fees	**3,550**	-

The above relates to provisions for various legal matters arising within the financial year.

36. Interest payable and similar expenses

	2019 £000	2018 £000
Interest payable on amounts owed to Group undertakings	**11,692**	11,754

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

37. Tax on loss

	2019 £000	2018 £000
Deferred tax		
Origination and reversal of timing differences	**(924)**	(1,790)
Changes to tax rates	**-**	130
Adjustments in respect of prior periods	**1,108**	-
Total deferred tax	**184**	(1,660)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018: lower than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Loss before taxation	**(1,759)**	(4,853)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2018:19%)	**(334)**	(922)
Effects of:		
Expenses not deductible for tax purposes	**1,248**	-
Re-measurement of deferred tax - change in UK tax rate	**109**	130
Dividend income not taxable	**(3,800)**	(1,346)
Adjustments in respect of prior periods	**1,108**	(552)
Tax losses surrendered for no payment	**1,853**	1,030
Total tax charge/(credit) for the financial year	**184**	(1,660)

Factors that may affect future tax charges

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

38. Dividends

	2019 £000	2018 £000
Dividends paid of £nil (2018: £35,079) per ordinary share	**-**	7,085

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

39. Investments

	Investments in subsidiary companies £000
Cost	
At 1 October 2018	**580,302**
Additions	**3,554**
At 30 September 2019	**583,856**
Impairment	
At 1 October 2018	**-**
Charge for the period	**6,570**
At 30 September 2019	**6,570**
Net book value	
At 30 September 2019	**577,286**
At 30 September 2018	580,302

The Company has investments in a number of dormant and non-trading subsidiaries, all of which are registered in England and Wales. The directors believe that the carrying value of the investments is supported by the recoverable amount of the investees and their subsidiary businesses.

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

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Health & Diet Centres Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Retailer of health food and related products	Ordinary	100%
Holland & Barrett Holdings Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Intermediate holding company	Ordinary	100%
Holland & Barrett Retail Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Retailer of health food and related products	Ordinary	100%
Good 'N' Natural Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Intermediate holding company	Ordinary	100%
Holland & Barrett Group Limited (*)	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Retailer of health food and related products	Ordinary	100%
Health & Diet Group Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Intermediate holding company	Ordinary	100%
Precision Engineered Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Intermediate holding company	Ordinary	100%
Holland & Barrett Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland	Retailer of health food and related products	Ordinary	100%
Holland & Barrett (Franchising) Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland	Intermediate holding company	Ordinary	100%
Holland & Barrett (Benelux) Limited (*)	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Intermediate holding company	Ordinary	100%
L1R HB Finance (Netherlands) B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands	Intermediate holding company	Ordinary	100%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019
Subsidiary undertakings (continued)

Name	Registered office	Principal activity	Class of shares	Holding
Holland & Barrett B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands	Retailer of health food and related products	Ordinary	100%
Holland & Barrett N.V. (*)	Pres. Wilsonplein 4/288, 9000 Gent, Belgium	Retailer of health food and related products	Ordinary	100%
Holland & Barrett Sweden AB (*)	Patron Pehrs vag 6, 141 35 Huddinge, Sweden	Retailer of health food and related products	Ordinary	100%
Nutrition Warehouse Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Dormant	Ordinary	100%
Holland & Barrett Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Dormant	Ordinary	100%
Neal's Yard Wholefoods Limited	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK	Dormant	Ordinary	100%
Holland & Barrett (South Africa) Pty Limited	1 Waterhouse Place, Cape Town 8001, South Africa	Intermediate holding company	Ordinary	100%
Holland & Barrett US Inc	251 Little Falls Drive, Wilmington, DE19808, County of New Castle	IT Service provider	Ordinary	100%
Holland & Barrett Singapore Private Ltd	80 Robinson Road, #02-00, Singapore, 068898	Retailer of health food and related products	Ordinary	100%
Holland & Barrett China Limited	Room 045139, 4th floor, 1155 Fangdian Road, Pudong New District, Shanghai	Retailer of health food and related products	Ordinary	100%

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

40. Debtors

	2019 £000	2018 £000
Amounts owed by group undertakings	**759,547**	759,788
Tax recoverable	**1,476**	-
Other debtors	**-**	1,660
	761,023	761,448

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

41. Creditors: amounts falling due within one year

	2019 £000	2018 £000
Amounts owed to group undertakings	**1,080,250**	1,085,314
Accruals and other creditors	**53**	37
	1,080,303	1,085,351

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

Amounts owed to L1R HB Finance Limited of £200m (2018: £202m) incurs interest at a floating commercial rate. No interest is charged on any other amounts.

42. Other provisions

	Legal provisions £000
At 1 October 2018	-
Charged to profit or loss	**3,550**
At 30 September 2019	**3,550**

The above relates to provisions for various settlements and provisions in relation to legal matters arising within the financial year.

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

43. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
202 (2018: 202) Ordinary shares shares of £1 (2018: £1) each	-	-

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.

44. Reserves

Share premium account

The share premium account represents amounts raised on the initial allotment of share capital in excess of the nominal value of shares issued, less any costs directly attributable to the issue of that share capital.

Profit and loss account

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

45. Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is L1R HB Limited, incorporated in Jersey. The Company's ultimate parent and controlling party is Letterone Investment Holdings S.A., a company incorporated in Luxembourg.

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