

Registration number: 04515115

# Holland & Barrett International Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2020



# **Holland & Barrett International Limited**

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# **Holland & Barrett International Limited**

## **Company Information**

<b>Directors</b>	R I Bell
	M Smith
	S Willett
<b>Company secretary</b>	M Smith
<b>Registered office</b>	Samuel Ryder House
	Barling Way
	Eliot Park
	Nuneaton
	Warwickshire
	CV10 7RH
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP
	Chartered Accountants and Statutory Auditors
	Donington Court
	Pegasus Business Park
	Castle Donington
	East Midlands
	DE74 2UZ

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2020**

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

#### **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. and Holland & Barrett N.V.

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 1,060 stores as at 30 September 2020. This is split across its main trading entities as follows: Holland & Barrett Retail Limited has 766 health stores in the UK. The Group also runs the Holland & Barrett brand in Ireland with 62 stores, Netherlands with 202 and Belgium with 30 stores. The Group also operates websites covering all its operating territories.

Holland & Barrett Retail Limited also engages in 65 worldwide franchise outlets and 515 worldwide franchise shop-in-shops.

The Group operates a packaging plant in Burton-upon-Trent that ensures security of supply of 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 2020, the Group employs 7,632 colleagues across Europe with circa 70:30 split between female:male employees.

The Group's revenue for the year ended 30 September 2020 increased by 1.7% (2019: 2.6%) to £727.4m (2019: £715.5m). Gross profit rose to £445.9m in FY20 compared to £422.0m in FY19. Sales performance reflects a decline in retail footfall, offset by strong growth in the on-line channel; driven by the COVID-19 impact on customer behaviour. During this period we closed 23 stores with a focus on optimising performance across catchments.

Distribution and operating costs of £280.3m (2019: £304.2m) represents a cost to sales ratio of 38.5% (2019: 42.5%) driven by the change in channel mix to digital sales. Administrative expenses excluding exceptional items decreased by £0.1m from £89.3m in FY19 to £89.2m in FY20.

Exceptional costs of £13.0m (2019: £37.7m) were largely due to provisions for several legal disputes totalling £3.9m, COVID-19 costs of £3.7m and exceptional payroll costs relating to executive restructure of £3.2m.

As a result of the above Holland and Barrett International Limited reported a profit before tax of £28.7m (2019: loss before tax of £25.9m).

The group has £59.8m of cash at year end (2019: £19.5m) and net assets of £206m (2019: £179.7m).

The Company has investments amounting to £577.0m (2018: £577.3m) and net assets of £240.2m (2019: £254.5m). The Company made a loss of £14.3m (2019: £1.9m loss).

During the year, the Company received dividends of nil (2019: £20m) from its subsidiaries. The Company paid no dividends in 2020 (2019: nil). No dividends are proposed for year ended 30 September 2020.

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

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2020**

#### **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 good value.

#### **Strategy**

The Group is focussed on consistently delivering sustainable rates of growth and returns through organic growth with a growing share of the business moving on-line via a continued shift to e-commerce trading and other related activities. The Company also acts as an intermediate holding and financing company for the Group.

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

- **Our colleagues**

The calibre and training of our colleagues is paramount to the success of the Holland & Barrett model. The Group invests heavily in its comprehensive and well developed product training programs. This ensures that customers are able to receive informative and knowledge based customer service.

- **New products**

The 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 store portfolio where strategically appropriate through either acquisition, organic growth or relocation and continuing to review opportunities to expand our digital reach beyond existing territories. The Group operates franchises in 13 (2019: 14) countries.

- **Technology**

The Group is continuing to invest in new technologies to make it a truly omni-channel business whilst responding to the demands of the online trading environment.

- **Promotions and marketing**

The Group runs regular promotional activity to give greater value to our customers. In conjunction with this, marketing continues to be focused on the core product offering whilst showcasing new product development and brand awareness. A growing share of the customer base are enrolled in the Group's "Rewards for Life" loyalty program enabling personalised understanding of customer requirements along with additional value offered through a coupon programme.

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2020**

#### **Adoption of IFRS 16**

As at the 1 October 2019, the Group has adopted the accounting standard IFRS 16. The standard represents a significant change in the accounting and reporting of leases which has impacted 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 adopted the simplified approach. Under this approach, the comparatives in the consolidated financial statements for the year ended 30 September 2020 have not been restated.

For the results presented for the financial year ended 30 September 2020, significant accounting differences arise under the adoption of IFRS 16 compared to the comparative year. EBITDA has been increased by £73.3m, while depreciation and interest have increased by £65.8m and £17.7m respectively, a net charge to profit before tax of £10.2m. On the balance sheet by the end of the financial year 30 September 2020, there is a right-of-use asset for £313.9m (2019: £Nil) and lease liabilities of £335.7m (2019: £42.4m) reducing net assets by £21.8m. See note 29 for further details.

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

- **Colleagues**

The Group's performance is highly dependent upon retaining and recruiting high calibre colleague 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. The group is committed to maintaining high standards of health and safety for both colleagues and customers.

- **Legislation**

The industry and the products sold by the 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 issues which could be experienced by the Group due to the UK leaving the EU. The on-going impact on distribution as a result of the Free Trade agreement between the UK and the EU announced after the Balance Sheet date will continue to be monitored by management.

- **COVID-19**

COVID-19 is not expected to have a significant impact on the entity. To date, no subsidiaries within the Group have called on any financial support. Where additional support is required, a centralised approach will be taken by the treasury function in the UK. The Group continues to monitor the situation, management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond.

## Holland & Barrett International Limited

### Strategic Report for the Year Ended 30 September 2020

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

	Unit	2020	2019
Revenue	£'m	727.4	715.5
Sales growth	%	1.7	2.6
Operating profit before exceptional items (excluding other intangible impairments)	£'m	76.5	4.4
EBITDA	£'m	168.5	56.2
Adjusted EBITDA	£'m	181.6	69.8

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.

Note, EBITDA has increased in the year partly due to the adoption of IFRS16. This has benefited EBITDA by £73.3m in the year, however depreciation and interest costs have increased by £65.8m and £17.7m respectively. See note 29 for further details.

For comparative purposes, excluding IFRS 16 adjustments, Operating profit before exceptional items for 2020 is £10.5m (2019: £4.4m), EBITDA £95.3m (2019 £56.2m), Adjusted EBITDA £108.4m (2019: £69.8m).

EBITDA 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:

	2020 £m	2019 £m
Adjusted EBITDA	181.6	69.8
Exceptional items (excluding other intangible impairment)	(13.0)	(13.6)
EBITDA	168.5	56.2
Other intangible asset impairment	-	(24.1)
Fixed asset impairment	(0.2)	(3.4)
Impairment of ROU asset	(0.1)	-
Depreciation and amortisation expense	(103.9)	(36.2)
Loss on disposal of property, plant and equipment	(0.8)	(1.7)
Operating profit/(loss)	63.4	(9.2)
Net finance expense	(34.8)	(16.7)
Profit/(loss) before tax	28.7	(25.9)

## Holland & Barrett International Limited

### Strategic Report for the Year Ended 30 September 2020

The Directors consider the individual Company's (Holland and Barrett Limited) key performance measures to be:

	2020 £m	2019 £m
Distributable reserves	153.8	168.1
Net assets	240.2	254.5
Loss before tax	(15.0)	(1.8)

#### Corporate governance

The corporate governance statement which includes S172 requirements has been included within the Directors Report.

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



.....  
R I Bell  
Director



## **Holland & Barrett International Limited**

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

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

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.

#### **Directors' of the group**

The directors, who held office during the year and up to the date of approval of these financial statements, were as follows:

R I Bell (appointed 1 July 2020)

A D Buffin (appointed 17 October 2019 and resigned 2 October 2020)

S Carson (resigned 6 January 2020)

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

G Goley (resigned 6 April 2020)

J A Houghton (resigned 6 April 2020)

H M Leam (resigned 14 February 2020)

G A Watts (appointed 23 October 2019 and resigned 1 July 2020)

The following directors were appointed after the year end:

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

S Willett (appointed 1 January 2021)

#### **Dividends**

During the year the Company received dividends of nil (2019: £20.0m). The Company paid no dividends in 2020 (2019:nil).

#### **Financial instruments**

##### ***Price risk, credit risk, liquidity risk and cash flow risk***

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.

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.

#### **Political donations**

No political contributions were made during the year.

## **Holland & Barrett International Limited**

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

#### **Corporate governance**

The corporate governance statement which includes S172 requirements has been included within the Directors Report.

#### **Employment of disabled persons**

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.

#### **Employee involvement**

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.

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.

#### **Future developments**

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

## **Holland & Barrett International Limited**

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

#### **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 financial year ending 30 September 2021. Presented as part of the financial statements are lease liabilities that are due within 12 months. These are part of normal course of business and represent rental payments that are now shown on balance sheet due to adoption of IFRS16. 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 the notes to the financial statements.

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

COVID-19 has not had, and is not expected to have a significant impact on the going concern assumption of the Group.

The year end cash balance was £59.8m (2019: £19.5m); in addition the Group has available an undrawn revolving credit bank facility of £75m and the directors do not foresee the need to draw down the RCF over the next 12 months.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

##### **Corporate governance**

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

##### **The Role of the Board**

The Board's primary responsibility is to promote the long-term success of the Group by creating and delivering sustainable shareholder value as well as contributing to wider society. The successful delivery of the long-term plans relies on key inputs and positive relationships with a wide range of stakeholders (as described in the Corporate Governance Report- principle 1 of Wates). The Board seeks to achieve this by setting out its strategy, monitoring performance against the Group's strategic objectives and reviewing the Executive Committee's implementation of the strategy.

A formal schedule of matters reserved for Board approval is maintained and reviewed regularly for operational relevance. This includes the determination of the Group's strategy and long-term direction, reviewing health and safety performance, approval of budgets, capital expenditure, organisational changes (including new business ventures, the acquisition or disposal of assets) and changes in key policies. The Board also monitors the effectiveness of the Group's systems of internal control, governance and risk management.

As set out in the Corporate Governance Report under principle 3 of Wates- there are a number of regular meetings held throughout the year which involve different board members. These include bi-monthly meetings for the Executive Board, Audit Committee, monthly investment committee and quarterly nomination and remuneration committee.

##### **Board Governance**

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 30 September 2020. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 Companies Act 2006.

##### **Activities of the Board in financial year 2020**

Engaging with stakeholders to deliver long term success is a key area of focus for the Board and all decisions take in to account the impact on stakeholders. It is the Board's priority to ensure that the Directors have acted both individually and collectively in the way that they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole with regard to all its stakeholders and to the matters set out in paragraphs a-f of Section 172 of the Companies Act 2006. These details are set out below:

## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

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

The L1R Holdings Limited Board annually approves the five-year plan (2021-2025) and monitors its implementation throughout the year using detailed reports on operating and financial performance. This includes monitoring progress against key strategic programmes (both short-term and long-term) as well as considering the allocation of capital to support the rolling five year-business plan. The key strategic decisions by the Board and its impact upon the current year have been discussed within the Business Review of the Strategic Report on Page 2.

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

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

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

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

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

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

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

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

## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

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

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

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

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

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

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

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

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

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

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

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

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

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

## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

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

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

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

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

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

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

#### ***Wates Principles***

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

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

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

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

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

## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

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

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

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

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

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

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

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

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

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

The strategic board is responsible for future opportunities. This is supported by the new ventures and strategy management teams. Along with H&B focus, our parent's L1 Retail, support and partner with future opportunities offering their expertise to identify and succeed in managing next steps for the business.

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



## **Holland & Barrett International Limited**

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

#### **Corporate Governance**

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

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

The Nomination & Remuneration Committee considers all reputational risks of all matters relating to remuneration. The committee consists of a non-executive director and an L1R director so is independent of H&B Group management.

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

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

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

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

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

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

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

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

## Holland & Barrett International Limited

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

#### Directors' liabilities

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

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

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

#### Energy Efficiency Action

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

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

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

#### Methodology

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

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

## **Holland & Barrett International Limited**

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

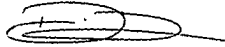
#### **Disclosure of information to the auditor**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### **Reappointment of independent auditors**

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

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



.....  
R I Bell  
Director

## **Holland & Barrett International Limited**

### **Statement of Directors' Responsibilities**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 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.

# ***Independent auditors' report to the members of Holland & Barrett International Limited***

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

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### **Opinion**

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

- give a true and fair view of the state of the group's affairs as at 30 September 2020 and of its profit 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 2020; 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.

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### **Basis for Opinion**

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

### **Independence**

We remained independent of the 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.

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### **Conclusions relating to going concern**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

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.

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### **Reporting on other information**

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

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

## ***Independent auditors' report to the members of Holland & Barrett International Limited (continued)***

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

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

### ***Strategic report and directors report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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.

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

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

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

In preparing the financial statements, the directors are responsible for assessing the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

This report, including the opinions, has been prepared for and only for the group'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.

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

***Independent auditors' report to the members of Holland & Barrett  
International Limited (continued)***

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**Other matter**

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We have reported separately on the company financial statements of Holland & Barrett International Limited for the year ended 30 September 2020.

*Gillian Hinks*

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

## Holland & Barrett International Limited

### Consolidated Income Statement for the Year Ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	727,365	715,506
Cost of sales		<u>(281,384)</u>	<u>(293,486)</u>
Gross profit		445,981	422,020
Distribution and operating costs		(280,303)	(304,217)
Administrative expenses, excluding exceptional items		(89,189)	(89,301)
Exceptional administrative expenses	9	(13,048)	(37,717)
Total administrative expenses		<u>(102,237)</u>	<u>(127,018)</u>
Operating profit/(loss)	5	63,441	(9,215)
Finance income		164	2,929
Finance costs		<u>(34,936)</u>	<u>(19,586)</u>
Net finance cost	10	<u>(34,772)</u>	<u>(16,657)</u>
Profit/(loss) before tax		28,669	(25,872)
Income tax expense	11	<u>(611)</u>	<u>(1,275)</u>
Profit/(loss) for the year from continuing operations		28,058	(27,147)
<b>Discontinued operations</b>			
(Loss) for the year from discontinued operations	12	<u>(433)</u>	<u>(406)</u>
Profit/(loss) for the year		<u>27,625</u>	<u>(27,553)</u>
<b>Profit/(loss) attributable to:</b>			
Owners of the company		<u>27,625</u>	<u>(27,553)</u>

The notes on pages 28 to 76 form an integral part of these financial statements.



# Holland & Barrett International Limited

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

	2020 £ 000	2019 £ 000
Profit/(loss) for the year	27,625	(27,553)
<b>Items that may be reclassified subsequently to profit or loss</b>		
Foreign currency translation (losses)/gains	<u>(1,571)</u>	<u>276</u>
Total comprehensive income/(expense) for the year	<u>26,054</u>	<u>(27,277)</u>
<b>Total comprehensive income/(expense) attributable to:</b>		
Owners of the parent company	<u>26,054</u>	<u>(27,277)</u>

The notes on pages 28 to 76 form an integral part of these financial statements.

# Holland & Barrett International Limited

(Registration number: 04515115)

## Consolidated Balance Sheet as at 30 September 2020

	Note	30 September 2020 £ 000	30 September 2019 £ 000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	105,817	152,895
Right of use assets	14	313,931	-
Intangible assets	15	359,327	347,631
Deferred tax assets	11	4,341	2,092
		<u>783,416</u>	<u>502,618</u>
<b>Current assets</b>			
Inventories	17	143,714	133,362
Trade and other receivables	18	45,904	44,973
Corporation tax receivable		4,510	4,399
Current deferred tax asset		3,546	-
Cash and cash equivalents	19	59,821	19,495
		<u>257,495</u>	<u>202,229</u>
Total assets		<u>1,040,911</u>	<u>704,847</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share premium		(86,384)	(86,384)
Foreign currency translation reserve		(9,332)	(10,903)
Retained earnings		304,529	332,154
Merger reserve		<u>(414,502)</u>	<u>(414,502)</u>
Equity attributable to owners of the company		(205,689)	(179,635)
<b>Non-current liabilities</b>			
Loans and borrowings	21	(270,751)	(41,491)
Provisions	22	-	(2,935)
Deferred income		(15,458)	(16,118)
Deferred tax liabilities	11	<u>(5,648)</u>	<u>(796)</u>
		(291,857)	(61,340)
<b>Current liabilities</b>			
Trade and other payables	23	(469,399)	(452,388)
Loans and borrowings	21	(64,981)	(911)
Income tax liability		(3,505)	(605)
Provisions	22	<u>(5,480)</u>	<u>(9,968)</u>
		<u>(543,365)</u>	<u>(463,872)</u>
Total liabilities		<u>(835,222)</u>	<u>(525,212)</u>

The notes on pages 28 to 76 form an integral part of these financial statements.

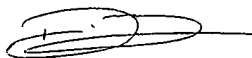
**Holland & Barrett International Limited**

**(Registration number: 04515115)**

**Consolidated Balance Sheet as at 30 September 2020**

	<b>30 September 2020 £ 000</b>	<b>30 September 2019 £ 000</b>
<b>Note</b>		
Total equity and liabilities	<u>(1,040,911)</u>	<u>(704,847)</u>

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



.....  
R I Bell  
Director

# Holland & Barrett International Limited

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

	Share capital £ 000	Share premium £ 000	Merger reserve £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2018	-	86,384	414,502	10,627	(88,329)	423,184
Loss for the year	-	-	-	-	(27,553)	(27,553)
Other comprehensive income	-	-	-	276	-	276
Total comprehensive income	-	-	-	276	(27,553)	(27,277)
Distribution in respect of intercompany loan cancellation	-	-	-	-	(216,272)	(216,272)
At 30 September 2019	-	86,384	414,502	10,903	(332,154)	179,635
	Share capital £ 000	Share premium £ 000	Merger reserve £ 000	Foreign currency translation £ 000	Accumulated losses £ 000	Total £ 000
At 1 October 2019	-	86,384	414,502	10,903	(332,154)	179,635
Profit for the year	-	-	-	-	27,625	27,625
Other comprehensive income	-	-	-	(1,571)	-	(1,571)
Total comprehensive income	-	-	-	(1,571)	27,625	26,054
At 30 September 2020	-	86,384	414,502	9,332	(304,529)	205,689

The notes on pages 28 to 76 form an integral part of these financial statements.

## Holland & Barrett International Limited

### Consolidated Statement of Cash Flows for the Year Ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>			
Profit/(loss) for the year		27,625	(27,553)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairment	5	104,228	66,458
Loss on disposal of property plant and equipment		845	1,688
Finance income	10	(164)	(2,929)
Finance costs	10	34,936	19,586
Income tax expense	11	611	1,275
		<u>168,081</u>	<u>58,525</u>
Working capital adjustments			
(Increase)/decrease in inventories	17	(10,109)	17,690
(Increase)/decrease in trade and other receivables	18	(9,666)	11,195
Increase/(decrease) in trade and other payables	23	29,353	(31,294)
(Decrease)/increase in provisions	22	(5,294)	10,046
		<u>172,365</u>	<u>66,162</u>
Cash generated from operations		172,365	66,162
Income taxes received/(paid)		<u>1,116</u>	<u>(4,532)</u>
Net cash flow used in operating activities		173,481	61,630
<b>Cash flows from investing activities</b>			
Interest received		164	2,929
Acquisitions of property plant and equipment		(13,239)	(21,982)
Acquisition of intangible assets		<u>(29,813)</u>	<u>(32,099)</u>
Net cash flows used in investing activities		(42,888)	(51,152)
<b>Cash flows from financing activities</b>			
Interest paid		(34,027)	(19,586)
Payments to lease creditors		<u>(56,715)</u>	<u>(863)</u>
Net cash flows from financing activities		<u>(90,742)</u>	<u>(20,449)</u>
Net increase/(decrease) in cash and cash equivalents		39,851	(9,971)
Cash and cash equivalents at 1 October		19,495	29,650
Effect of exchange rate fluctuations on cash held		<u>475</u>	<u>(184)</u>
Cash and cash equivalents at 30 September		<u><u>59,821</u></u>	<u><u>19,495</u></u>

Note The Group has adopted IFRS 16 and included in interest paid above is £16.8m relating to leases.

## **Holland & Barrett International Limited**

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

#### **1 General information**

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office is:

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

The consolidated financial statements for the year ended 30 September 2020 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. 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 3.

#### **2 Accounting policies**

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

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

The financial statements have been prepared in accordance with adopted IFRSs and under historical cost accounting rules.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

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

## **Holland & Barrett International Limited**

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

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

##### **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 financial year ending 30 September 2021. Presented as part of the financial statements are lease liabilities that are due within 12 months. These are part of normal course of business and represent rental payments that are now shown on balance sheet due to adoption of IFRS16. 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 the notes to the financial statements.

Management has produced forecasts that have been sensitised to reflect plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash in the year ending 30 September 2020 and beyond and that the Group has sufficient cash reserves to enable it to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

COVID-19 has not had and is not expected to have a significant impact on the going concern assumption of the Group.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

##### **Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 September 2020.

## **Holland & Barrett International Limited**

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

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

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### **Revenue recognition**

Revenue is recognised when all the following criteria are met;

- the parties to the contract have approved the contract;
- the company can identify each parties rights regarding the goods to be transferred;
- the company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the company will collect the consideration we are entitled to in respect of the goods to be transferred.

In the vast majority of cases the group's sales are made through stores and the control of goods is immediately transferred at the same time as the consideration received via our tills. Therefore revenue is recognised at this point. Returns, refunds and other similar obligations are immaterial for the Group and accounted for net of sales.

#### *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.



## **Holland & Barrett International Limited**

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

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

##### *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. 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.

##### *Wholesale and 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. Where applicable, turnover is recognised at the point of delivery of goods.

##### **Revenue recognition**

Revenue is recognised when all the following criteria are met;

- the parties to the contract have approved the contract;
- the company can identify each parties rights regarding the goods to be transferred;
- the company can identify the payment terms;
- the contract has commercial substance;
- it is probable that the company will collect the consideration we are entitled to in respect of the goods to be transferred.

In the vast majority of cases the group's sales are made through stores and the control of goods is immediately transferred at the same time as the consideration received via our tills. Therefore revenue is recognised at this point. Returns, refunds and other similar obligations are immaterial for the Group and accounted for net of sales.

##### *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.

##### *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. 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.

## **Holland & Barrett International Limited**

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

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

##### *Wholesale and 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. For sales of goods to franchises and wholesale customers, revenue is recognised on delivery of goods.

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

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.

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

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

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

##### **Tax**

Tax on profit or loss for the period 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.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and the 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 asset 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.

## Holland & Barrett International Limited

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

#### 2 Accounting policies (continued)

##### Property, plant and equipment

Property, plant and equipment is stated in the Balance Sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

##### Depreciation

Depreciation is charged on a straight-line basis so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	25 years
Motor vehicles	4 years
Fixtures, fittings and equipment	3-10 years
Assets under construction	Not depreciated

##### 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.

## Holland & Barrett International Limited

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

#### 2 Accounting policies (continued)

##### Intangible assets and goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss recognised in the income statement on disposal.

##### Amortisation

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

Asset class	Amortisation method and rate
Software	3-10 years

##### 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.

##### Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## **Holland & Barrett International Limited**

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

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

##### **Leases**

###### *First time adoption of IFRS 16 Leases*

The current period represents the first period where the Group has adopted the new leasing standard, IFRS 16. 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 has adopted the simplified approach. Under this approach, the comparatives in the consolidated financial statements for the year ended 30 September 2020 have not been restated.

This means that on the 1 October 2019, the Group applied IFRS 16 such that all leases as previously recognised under IAS 17, are restated under IFRS 16 such that the liability represents the discontinued cashflows remaining on the lease at that date, and the asset is set equal to that liability but adjusted for any brought forward balance sheet balances (such as prepayments and accruals).

Further disclosures are made in note 29

Our new leasing policy is as follows:

###### *Definition*

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the group to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the group has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

###### *Initial recognition and measurement*

The group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the group's initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

## Holland & Barrett International Limited

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

#### 2 Accounting policies (continued)

##### *Subsequent measurement*

After the commencement date, the group measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

##### *Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The group then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

## **Holland & Barrett International Limited**

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

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

##### *Short term and low value leases*

The group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value (below £5k).

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

##### *Sub leases*

If an underlying asset is re-leased by the group to a third party and the group retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The group continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease.

##### *Onerous leases*

A lease is considered onerous when the economic benefits of occupying the leased properties are less than the obligations payable under the lease.

On being classified as onerous, the right of use asset associated with the lease is impaired to nil. This has changed since prior period due to the adoption of IFRS 16, as rental costs were previously included in the onerous lease provision.

##### *Leases - accounting treatment in prior year*

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

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

Assets held under finance leases were recognised as non-current assets of the group at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets were depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor was included in the statement of financial position as a finance lease obligation.

Lease payments were apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

## **Holland & Barrett International Limited**

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

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

##### **Dividends**

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

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

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

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

##### **Financial instruments**

###### **Initial recognition**

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.



## **Holland & Barrett International Limited**

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

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

##### **Classification and measurement**

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income (FVTOCI); or
- financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-

- financial liabilities at amortised cost; or
- financial liabilities at fair value through the profit or loss (FVTPL).

The classification and the basis for measurement are subject to the group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

##### **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.

##### **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.

##### **Trade and other receivables**

Trade and other receivables are measured 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 payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

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

Cash and cash equivalents comprise cash balances.

##### **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.

## **Holland & Barrett International Limited**

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

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

##### **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.

##### **Financial assets (including receivables)**

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.

## **Holland & Barrett International Limited**

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

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

##### **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.

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.

## **Holland & Barrett International Limited**

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

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

##### **New standards and interpretations not yet adopted by the Group**

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 October 2019:

- IFRS 16 Leases
- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Plan, Amendment, Curtailment or Settlement - Amendments to IAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS16. The Group elected to adopt the simplified approach on a retrospective basis. The effect of initially applying the standard on 1 October 2019 is disclosed in note 29. Under this approach, the comparatives have not been restated.

The other amendments listed above do not have a significant impact on the financial statements in the current or future periods.

#### **3 Critical accounting judgements and key sources of estimation uncertainty**

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 judgements in the case of these financial statements.

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

##### **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. See note 15 for further details.

## Holland & Barrett International Limited

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

#### 3 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Lease discount rates

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset. Management calculate appropriate discount rates based upon external costs of borrowing currently available to the Group and adjusted for several factors including the term of the lease. Management consider that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets. An increase in the discount rate by 1% leads to a decrease in the closing lease liability of £7.7m.

##### Lease term

The lease term is a key input into calculating the initial lease liability under IFRS 16.

Management consider it appropriate, unless there is a good reason to act otherwise, to initially set a lease term equal to the longest possible contractual terms of that lease, reflecting our intention to operate profitable locations on acquisition without requiring break clauses.

Upon termination of a lease, where there does not exist a new agreement for property but we remain in occupation, a new "holding over" lease is created with a term based upon management's expectations of how long the Group is reasonably certain to stay in the property based upon recent trading patterns. Management consider that this is appropriate as it more fairly reflects the Group's intention to continue to occupy and trade from these properties.

#### 4 Revenue

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

	2020	2019
	£ 000	£ 000
Store sales of goods	552,564	624,339
Online sales of goods	163,583	80,697
Franchise and wholesale income	11,218	10,470
	<u>727,365</u>	<u>715,506</u>

The company derives revenue from the sale of goods at a point in time within the following geographical regions.

	2020	2019
	£ 000	£ 000
United Kingdom	534,029	539,354
Rest of Europe	182,118	168,860
Rest of the world	11,218	7,292
	<u>727,365</u>	<u>715,506</u>

## Holland & Barrett International Limited

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

#### 5 Operating profit

Arrived at after charging

	2020	2019
	£ 000	£ 000
Depreciation expense	19,813	21,939
Depreciation on right of use assets (ROU) - Property	65,833	-
Amortisation expense	18,227	13,890
Fixed Asset Impairment loss	231	3,447
Write-down of inventory to net realisable value	7,689	9,216
Foreign exchange gains	1,439	132
Operating lease expense - property	-	81,630
Operating lease expense - plant and machinery	2,590	1,836
Impairment on ROU asset	124	-
Loss on disposal of property, plant and equipment	845	1,688
Exceptional items (note 9)	13,048	37,717

Amounts relating to "Operating lease expense- property" are no longer applicable for the financial year ending 30 September 2020 given the adoption of IFRS 16.

#### 5.1 Amounts recognised in the consolidated income statement relating to leases

Arrived at after charging

	2020	2019
	£ 000	£ 000
Depreciation on right of use assets - Property	65,833	-
Interest expense on leases - Property (included in finance costs)	17,651	-
Expenses relating to leases of low-value assets (included in administrative expenses)	2,590	1,836
Expenses relating to variable lease payments not included in lease liabilities (included in distribution expenses)	467	-
Expenses relating to impairment of ROU asset (included in distribution expenses)	124	-

## Holland & Barrett International Limited

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

#### 6 Auditors' remuneration

	2020 £ 000	2019 £ 000
Audit of these financial statements	69	71
Audit of the financial statements of subsidiaries of the company pursuant to legislation	313	299
	<u>382</u>	<u>370</u>
<b>Other fees to auditors</b>		
All other non-audit services	<u>66</u>	<u>168</u>

#### 7 Staff costs

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

	2020 £ 000	2019 £ 000
Wages and salaries	143,233	129,102
Social security costs	8,886	7,197
Other pension costs	2,993	2,963
	<u>155,112</u>	<u>139,262</u>

Included in staff costs above are temporary labour costs of £7.7m (2019: £5.4m), these heads are not included in employee numbers below. The above staff costs do not include £11.8m (2019: £9.2m) of costs that have been capitalised within intangible assets.

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

	2020 No.	2019 No.
Administration and support	883	899
Sales	6,221	6,454
Distribution	528	453
	<u>7,632</u>	<u>7,806</u>

## Holland & Barrett International Limited

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

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £ 000	2019 £ 000
Remuneration	2,873	3,568
Contributions paid to money purchase schemes	15	103
Compensation for loss of office	1,134	743
	<u>4,022</u>	<u>4,414</u>

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Remuneration	1,156	527

Retirement benefits are accruing under money purchases schemes for a total of 2 (2019: 4) Directors.

#### 9 Exceptional administrative expenses

	2020 £ 000	2019 £ 000
Legal and professional costs	3,986	-
COVID-19 costs	3,681	-
Provisions for ongoing legal cases	823	7,871
Exceptional payroll costs	3,200	2,664
Store closure costs	1,358	-
Impairment of intangible assets	-	24,081
Impairment of goodwill	-	3,101
	<u>13,048</u>	<u>37,717</u>

Exceptional costs of £4.0m (2019: nil) relates to legal fees for discontinued operations around the group, strategy costs and other consultancy fees.

Provisions for ongoing legal cases relates to various settlements and provisions in relation to legal matters arising within the financial year. In the current financial year these relate to settlements with franchisees and ongoing investigations with HMRC. Amounts relating to ongoing investigations with HMRC that were accrued in the previous year have been released.

£3.7m (2019: £Nil) relates to COVID-19 costs incurred by the business including provision of Personal Protective Equipment, and other health & safety related costs.



## Holland & Barrett International Limited

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

#### 9 Exceptional administrative expenses (continued)

£3.2m (2019: £2.7m) relates to exceptional payroll costs to do with termination costs of executive positions, incurred due to changes in the structure of the Executive team.

£1.4m (2019: £Nil) relates to the store optimisation program as part of the reassessment of the store portfolio.

Impairment of goodwill relates to certain underperforming assets for a value of £Nil (2019: £3.1m).

Exceptional costs of £Nil (2019: £24.1m) relate to the impairment of software assets for which the value is no longer deemed recoverable.

#### 10 Finance income and costs

	2020 £ 000	2019 £ 000
<b>Finance income</b>		
Interest income on bank deposits	164	84
Interest income from group undertakings	-	2,842
Other finance income	-	3
	<hr/>	<hr/>
Total finance income	164	2,929
<b>Finance costs</b>		
Interest on bank overdrafts and borrowings	(31)	(195)
Interest on obligations under finance leases and hire purchase contracts	-	(1,635)
Interest expense on leases - Property	(17,651)	-
Interest paid to group undertakings	(16,588)	(17,086)
Finance costs recharged	(666)	(670)
	<hr/>	<hr/>
Total finance costs	(34,936)	(19,586)
	<hr/>	<hr/>
Net finance costs	(34,772)	(16,657)
	<hr/>	<hr/>

As from 1 October 2019, the Group has adopted the IFRS 16 accounting standard. Interest expense on leases relating to property is a result of this new accounting standard. Interest on obligations under finance leases and hire purchase contracts is no longer relevant under IFRS 16.

## Holland & Barrett International Limited

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

#### 11 Taxation

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
<b>Current taxation</b>		
UK corporation tax	4,463	3,429
UK corporation tax adjustment to prior periods	(3,029)	1,401
	<u>1,434</u>	<u>4,830</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(6,277)	(505)
Arising from changes in tax rates and laws	430	(72)
Adjustments from prior periods	5,024	(2,978)
Total deferred taxation	<u>(823)</u>	<u>(3,555)</u>
Tax expense in the income statement	<u>611</u>	<u>1,275</u>

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

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Profit/(loss) before tax	<u>28,669</u>	<u>(25,872)</u>
Corporation tax at standard rate	5,448	(4,916)
Increase/(decrease) in current tax from adjustment for prior periods	1,995	(1,577)
Decrease from effect of revenues exempt from taxation	-	181
Increase from effect of expenses not deductible in determining taxable profit	2,984	7,850
Tax decrease from utilisation of tax losses	(157)	-
Decrease from IFRS 16 adjustments	(4,142)	-
Decrease arising from group relief tax reconciliation	(5,240)	(1,080)
Decrease from effect of foreign tax rates	(76)	(55)
Deferred tax (credit)/expense from unrecognised tax loss or credit	(631)	724
Deferred tax expense relating to changes in tax rates or laws	430	148
Total tax charge	<u>611</u>	<u>1,275</u>

## Holland & Barrett International Limited

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

#### 11 Taxation (continued)

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

#### Deferred tax

##### Group

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2020</b>			
Other items	7,688	-	7,688
Accelerated tax depreciation	199	(5,648)	(5,449)
	<u>7,887</u>	<u>(5,648)</u>	<u>2,239</u>
	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2019</b>			
Other items	1,960	-	1,960
Accelerated tax depreciation	132	(796)	(664)
	<u>2,092</u>	<u>(796)</u>	<u>1,296</u>

The Group has unrecognised gross deferred tax assets of £3.1m (2019: £2.2m).

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.

## Holland & Barrett International Limited

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

#### 11 Taxation (continued)

Deferred tax movement during the year:

	At 1 October 2019 £ 000	Recognised in income £ 000	At 30 September 2020 £ 000
Other items	1,960	5,728	7,688
Accelerated tax depreciation	(664)	(4,785)	(5,449)
Net tax assets/(liabilities)	<u>1,296</u>	<u>943</u>	<u>2,239</u>

Deferred tax movement during the prior year:

	At 1 October 2018 £ 000	Recognised in income £ 000	At 30 September 2019 £ 000
Other items	1,877	83	1,960
Accelerated tax depreciation	(4,136)	3,472	(664)
Net tax assets/(liabilities)	<u>(2,259)</u>	<u>3,555</u>	<u>1,296</u>

#### 12 Discontinued operations

The results of the discontinued operations, which have been included in the consolidated income statement, were as follows:

	2020 £ 000	2019 £ 000
Revenue	-	104
Expenses	<u>(433)</u>	<u>(510)</u>
Loss before tax	<u>(433)</u>	<u>(406)</u>

The discontinued operations results contributed the following to the group cash flow:

	2020 £ 000	2019 £ 000
Net cash outflows from operating activities	<u>(433)</u>	<u>(406)</u>

Health & Diet Centres Limited accounts for £0.4m of the loss recognised from discontinued operations. Health & Diet Centres Limited a subsidiary of the Group, closed all its stores as at 30 September 2019. The entity ceased trading thereafter and has been disclosed as discontinued operations. There was no tax impact from discontinued operations.

## Holland & Barrett International Limited

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

#### 13 Property, plant and equipment

##### Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Properties under construction £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 October 2018	46,317	212,391	151	1,262	260,121
Additions	-	21,792	-	190	21,982
Disposals	-	(2,034)	-	-	(2,034)
Transfers	-	275	-	(275)	-
Foreign exchange movements	-	(44)	-	2	(42)
At 30 September 2019	46,317	232,380	151	1,179	280,027
At 1 October 2019	46,317	232,380	151	1,179	280,027
Assets transferred to ROU asset at 1 October 2019	(45,612)	-	-	-	(45,612)
Additions	-	9,835	-	3,403	13,238
Disposals	-	(3,805)	(39)	-	(3,844)
Transfers	-	1,392	-	(1,392)	-
Foreign exchange movements	-	1,415	-	18	1,433
At 30 September 2020	705	241,217	112	3,208	245,242
<b>Accumulated Depreciation</b>					
At 1 October 2018	4,709	98,421	115	-	103,245
Charge for year	1,287	20,625	27	-	21,939
Eliminated on disposal	-	(1,511)	-	-	(1,511)
Impairment	-	3,447	-	-	3,447
Foreign exchange movements	-	12	-	-	12
At 30 September 2019	5,996	120,994	142	-	127,132
At 1 October 2019	5,996	120,994	142	-	127,132
Assets transferred to ROU asset at 1 October 2019	(5,664)	-	-	-	(5,664)
Charge for the year	15	19,793	5	-	19,813
Eliminated on disposal	-	(2,965)	(35)	-	(3,000)
Impairment	-	231	-	-	231
Foreign exchange movements	-	913	-	-	913
At 30 September 2020	347	138,966	112	-	139,425
<b>Carrying amount</b>					

## Holland & Barrett International Limited

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

#### 13 Property, plant and equipment (continued)

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Properties under construction £ 000	Total £ 000
At 30 September 2020	<u>358</u>	<u>102,251</u>	<u>-</u>	<u>3,208</u>	<u>105,817</u>
At 30 September 2019	<u>40,321</u>	<u>111,386</u>	<u>9</u>	<u>1,179</u>	<u>152,895</u>
At 30 September 2018	<u>41,608</u>	<u>113,970</u>	<u>36</u>	<u>1,262</u>	<u>156,876</u>

## Holland & Barrett International Limited

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

#### 13 Property, plant and equipment (continued)

##### Impairment

##### Furniture, Fittings and Equipment

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

The amount of impairment loss included in profit and loss is £0.2m (2019 - £3.4m).

##### Assets held under finance leases and hire purchase contracts

During the year ending 30 September 2020, the Group has adopted the IFRS16 standard. With this assets previously recognised within Land and Buildings are transferred to the right of use asset recognised due to IFRS16. This relates to assets with a NBV of £39.9m at the 1 October 2019. The net carrying amount of property, plant and equipment did include the following amounts in respect of assets held under finance leases and hire purchase contracts:

	30 September 2020 £ 000	30 September 2019 £ 000
Land and buildings	-	39,948

#### 14 Right of use assets

##### Group

	Property £ 000	Total £ 000
<b>Cost or valuation</b>		
At 1 October 2019	364,139	364,139
Additions	8,221	8,221
Reassessment	1,922	1,922
FX gains/losses	5,606	5,606
Impairment	(124)	(124)
At 30 September 2020	379,764	379,764
<b>Depreciation</b>		
Charge for the year	65,833	65,833
At 30 September 2020	65,833	65,833
<b>Carrying amount</b>		
At 30 September 2020	313,931	313,931

## **Holland & Barrett International Limited**

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

#### **14 Right of use assets (continued)**

In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17, 'Leases'. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 October 2019, please refer to note 29.

An impairment has been charged in the year relating to loss making stores.



## Holland & Barrett International Limited

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

#### 15 Intangible assets

##### Group

	Goodwill £ 000	Computer software £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 October 2018	302,638	95,132	397,770
Additions	-	32,099	32,099
Disposals	-	(1,739)	(1,739)
Foreign exchange movements	(13)	(1)	(14)
At 30 September 2019	302,625	125,491	428,116
At 1 October 2019	302,625	125,491	428,116
Additions	-	29,651	29,651
Disposals	-	(59)	(59)
Foreign exchange movements	234	182	416
At 30 September 2020	302,859	155,265	458,124
<b>Accumulated Amortisation</b>			
At 1 October 2018	118	39,863	39,981
Amortisation charge	-	13,890	13,890
Amortisation eliminated on disposals	-	(574)	(574)
Impairment	3,101	24,081	27,182
Foreign exchange movements	-	6	6
At 30 September 2019	3,219	77,266	80,485
At 1 October 2019	3,219	77,266	80,485
Amortisation charge	-	18,227	18,227
Amortisation eliminated on disposals	-	(58)	(58)
Foreign exchange movements	-	143	143
At 30 September 2020	3,219	95,578	98,797
<b>Carrying amount</b>			
At 30 September 2020	299,640	59,687	359,327
At 30 September 2019	299,406	48,225	347,631
At 30 September 2018	302,520	55,269	357,789

Impairment of goodwill relates to certain underperforming assets for a value of £Nil (2019: £3.1m).

## Holland & Barrett International Limited

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

#### 15 Intangible assets (continued)

##### *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:

	2020	2019
Period on which management approved forecasts are based	5 years	5 years
Growth rate applied beyond forecast period	2%	2%
Discount rate (post tax rate)	7.9%	7.9%

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. The following sensitivities have been performed with the resulting decrease in headroom-

- Increase discount rate by 1%- £349m decrease in headroom
- Decrease revenue growth in years 1-5 by 1%- £84m decrease in headroom
- Decrease EBITDA in years 1-5 by 1%- £29m decrease in headroom.

Based on the above analysis, management deem no impairment charge is required.

## Holland & Barrett International Limited

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

#### 16 Subsidiaries, joint ventures and associates

##### Group subsidiaries

Details of the subsidiaries as at 30 September 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
LIR HB Finance (Netherlands) BV	Intermediate holding company	22 Grenville Street, St Helier, Jersey Jersey	100%	100%
Health & Diet Centres Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Holdings Limited*	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Retail Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Good 'N' Natural Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Group Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%

## Holland & Barrett International Limited

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

#### 16 Subsidiaries, joint ventures and associates (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Health & Diet Group Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Precision Engineered Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Limited	Retailer of health food and related products	Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland	100%	100%
Holland & Barrett (Franchising) Limited	Intermediate holding company	Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland	100%	100%
Holland & Barrett (Benelux) Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett B.V.	Retailer of health food and related products	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands Netherlands	100%	100%
Holland & Barrett N.V. Limited	Retailer of health food and related products	Pres. Wilsonplein, 4/288, 9000 Gent, Belgium Belgium	100%	100%
Nutrition Warehouse Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%

## Holland & Barrett International Limited

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

#### 16 Subsidiaries, joint ventures and associates (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Holland & Barrett Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Neal's Yard Wholefoods Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett (South Africa) Pty Limited	Intermediate holding company	1 Waterhouse Place, Cape Town 8001, South Africa	100%	100%
Holland & Barrett US Inc	IT Service provider	251 Little Falls Drive, Wilmington, DE19808, County of New Castle, USE USA	100%	100%
Lifecycle 2018 Limited**	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett China Limited	Retailer of health food and related products	Room 2943, 501 Yuncheng Zhong Road, China (Shanghai) China	100%	100%
Holland & Barrett AB	Retailer of health food and related products	Ostersund, 83123, Sweden Sweden	0%	100%
Holland & Barrett Singapore Private Ltd	Retailer of health food and related products	80 Robinson Road, #02-00, Singapore 068898 Singapore	100%	100%

\* indicates direct investment of the company

\*\*Lifecycle 2018 Limited is a dormant subsidiary that is exempt from preparing individual accounts by virtue of s394A of Companies Act 2006

## Holland & Barrett International Limited

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

#### 17 Inventories

	30 September 2020 £ 000	Group 30 September 2019 £ 000
Raw materials and consumables	13,621	10,858
Finished goods and goods for resale	130,093	122,504
	<u>143,714</u>	<u>133,362</u>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £220.3m (2019: £253.6m). A provision to hold inventories at the lower of cost and net realisable value has been made amounting to £1.0m at 30 September 2020 (2019: £2.0m) with charges and release taken to cost of sales.

#### 18 Trade and other receivables

	30 September 2020 £ 000	Group 30 September 2019 £ 000
Trade receivables	9,632	7,747
Receivables from group undertakings	22,127	6,665
Prepayments and accrued income	9,196	26,887
Other receivables	4,949	3,674
	<u>45,904</u>	<u>44,973</u>

Trade and other receivables are all due within 12 months.

Further details on amounts owed by Group undertakings are given in note 27. All amounts are unsecured, repayable on demand and interest free.

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are mainly in relation to franchise and wholesale customers. There are £1.3m (2019: £1.6m) provisions against trade and other receivables. There are no (2019: 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.

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

	2020 £ 000	2019 £ 000
GBP Sterling	28,176	30,140
Euro	17,207	12,627
Other *	520	2,206
	<u>45,903</u>	<u>44,973</u>

## Holland & Barrett International Limited

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

#### 18 Trade and other receivables (continued)

\*The balance within others primarily relates to Swedish Kroner (SEK) and US Dollars (USD).

#### 19 Cash and cash equivalents

	30 September 2020 £ 000	Group 30 September 2019 £ 000
Cash on hand	59,821	19,495

#### 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:

	2020 £ 000	2019 £ 000
Lease Liabilities	335,732	42,402
	<u>335,732</u>	<u>42,402</u>

	2020 £ 000	2019 £ 000
At 1 October	42,402	43,265
IFRS16 Transition	333,289	-
Additions	8,368	-
Reassessment	1,775	-
FX movement	5,704	-
Accrued interest	17,652	-
Payment of lease liabilities	(73,458)	(863)
At 30 September	<u>335,732</u>	<u>42,402</u>

#### 20 Share capital

##### Authorised, allotted, called up and fully paid shares

	30 September 2020		30 September 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>202</u>	<u>202</u>	<u>202</u>	<u>202</u>

## Holland & Barrett International Limited

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

#### 21 Loans and borrowings

	30 September 2020 £ 000	Group 30 September 2019 £ 000
<b>Non-current loans and borrowings</b>		
Lease liabilities	270,751	41,491
	<u>270,751</u>	<u>41,491</u>
	30 September 2020 £ 000	Group 30 September 2019 £ 000
<b>Current loans and borrowings</b>		
Lease liabilities	64,981	911
	<u>64,981</u>	<u>911</u>
<i>Minimum lease payments under lease liabilities are as follow:</i>		
	2020 £ 000	2019 £ 000
Less than one year	79,933	2,517
Between one and five years	212,133	12,996
In more than five years	117,106	50,527
Finance charges	(73,440)	(23,638)
	<u>335,732</u>	<u>42,402</u>

Leases are secured on the assets to which they relate. Total cash outflow for leases is £73.5m (capital repayments of £56.7m and interest repayments of £16.8m)

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.



## Holland & Barrett International Limited

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

#### 22 Other provisions

##### Group

	Legal proceedings £ 000	Onerous leases £ 000	Total £ 000
At 1 October 2019	7,550	5,353	12,903
Additional provisions	3,355	402	3,757
Provisions used	(3,518)	(2,947)	(6,465)
Unused provision reversed	(2,532)	(55)	(2,587)
IFRS 16 transitions	-	(2,128)	(2,128)
At 30 September 2020	<u>4,855</u>	<u>625</u>	<u>5,480</u>
Current liabilities	<u>4,855</u>	<u>625</u>	<u>5,480</u>

In prior year there was a provision for onerous leases which relates to loss making stores (£5.4m), provisions remaining at the end of 30 September 2020 for onerous leases which relate to stores are not included in the ROU asset calculation on adoption of IFRS 16 due to the exemptions set out in the accounting policies note (2) regarding leases. The onerous lease provision for this financial year relates to short-term leases.

The legal provision relates to various settlements and provisions in relation to legal matters arising within the financial year. In the current financial year these relate to settlements with franchisees and ongoing investigations with HMRC.

## Holland & Barrett International Limited

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

#### 23 Trade and other payables

	30 September 2020 £ 000	Group 30 September 2019 £ 000
Trade payables	78,448	66,801
Accrued expenses and deferred income	34,911	37,702
Amounts owed to group undertakings	333,844	333,066
Social security and other taxes	20,512	13,207
Other payables	1,684	1,612
	<u>469,399</u>	<u>452,388</u>

Further details on amounts owed to Group undertakings are given in note 27 Related Party Transactions. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to LIBOR +2.25% (2019: nil up to LIBOR +2.25%).

#### 24 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £3.0m (2019 - £3.0m).

Included on the Balance Sheet at 30 September 2020 was £0.6m (2019: £0.5m) relating to pension costs outstanding.

#### 25 Commitments

##### Group

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £3.5m (2019 - £2.1m).

##### Operating leases

In the year ending 30 September 2019, prior to the adoption of IFRS 16, operating lease commitments were noted as per below in relation to stores.

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

## Holland & Barrett International Limited

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

#### 25 Commitments (continued)

	30 September 2019 £ 000
Within one year	78,669
In two to five years	224,222
In over five years	95,776
	<u>398,667</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was nil (2019 - £83.5m)

#### 26 Financial instruments

##### Group

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.

##### Capital risk management

##### 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.

There has been a significant increase in borrowings in the financial year ending 30 September 2020 due to the adoption of IFRS 16 meaning that lease liabilities are now recognised on the balance sheet.

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

	2020 £ 000	2019 £ 000
Total borrowings	335,732	42,402
Less: Cash and cash equivalents	<u>(59,821)</u>	<u>(19,495)</u>
Net Debt	275,911	22,907
Total equity	<u>205,689</u>	<u>179,635</u>
	<u>481,600</u>	<u>202,542</u>

#### 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 and other 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:

	2020 £ 000	2019 £ 000
Trade and other receivables	36,708	18,086
Cash and cash equivalents	<u>59,821</u>	<u>19,495</u>
	<u>96,529</u>	<u>37,581</u>

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

##### 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.

##### Maturity analysis for financial liabilities

The following table sets out the remaining contractual maturities of the group's financial liabilities by type.

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

2020	Carrying amount	Less than 1 year	2-5 years	More than 5 years	Total
Non-derivative liabilities	£ 000	£ 000	£ 000	£ 000	£ 000
Amounts owed to group undertakings	333,844	333,844	-	-	333,844
Lease liabilities	335,732	79,931	212,133	117,106	409,170
Trade payables	78,448	78,448	-	-	78,448
Other payables	1,684	1,684	-	-	1,684
Accruals	31,185	31,185	-	-	31,185
	<u>780,893</u>	<u>525,092</u>	<u>212,133</u>	<u>117,106</u>	<u>854,331</u>

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

2019	Carrying amount £ 000	Less than 1 year £ 000	2-5 years £ 000	More than 5 years £ 000	Total £ 000
<b>Non-derivative liabilities</b>					
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
	<u>476,963</u>	<u>437,078</u>	<u>12,996</u>	<u>50,527</u>	<u>500,601</u>

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:

	GBP Sterling £ 000	Euro £ 000	Others* £ 000	Total £ 000
<b>2020</b>				
Cash and cash equivalents	42,635	16,938	248	59,821
Trade and other receivables	22,020	14,688	-	36,708
Trade and other payables	(304,982)	(140,271)	-	(445,253)
Provisions	(5,480)	-	-	(5,480)
Lease liabilities	<u>(238,183)</u>	<u>(97,549)</u>	<u>-</u>	<u>(335,732)</u>
	<u>(483,990)</u>	<u>(206,194)</u>	<u>248</u>	<u>(689,936)</u>
<b>2019</b>				
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)	-	-	(10,221)
Finance lease liability	<u>(42,402)</u>	<u>-</u>	<u>-</u>	<u>(42,402)</u>
	<u>(324,831)</u>	<u>(126,036)</u>	<u>1,264</u>	<u>(449,603)</u>

\*The balance within others primarily relates to Swedish Kroner (SEK) and US Dollars (USD).

The following significant exchange rates were applied:

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

	2020	2019
<b>Average rate for the year</b>		
Euro	1.1384	1.1313
Swedish Kroner	12.0424	11.8782
United States Dollar	1.2752	1.2770
Chinese Yuan	8.9312	8.7742
Singapore Dollar	<u>1.7638</u>	<u>1.7374</u>
	<b>2020</b>	<b>2019</b>

#### Balance sheet rate as at 30 September

Euro	1.0984	1.1233
Swedish Kroner	11.5802	12.0366
United States Dollar	1.2858	1.2290
Chinese Yuan	8.7672	8.7538
Singapore Dollar	<u>1.7615</u>	<u>1.6979</u>

#### Sensitivity analysis

A 1% percent weakening of the following currencies against GBP Sterling at 30 September 2020 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.

	2020 £ 000	2019 £ 000
<b>Equity</b>		
Euro	(1,868)	(1,704)
Swedish Kroner	-	34
Chinese Yuan	12	8
Singapore Dollar	<u>-</u>	<u>2</u>

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

	2020 £ 000	2019 £ 000
<b>Profit or loss</b>		
Euro	132	219
Swedish Kroner	36	(35)
Chinese Yuan	(4)	(10)
Singapore Dollar	<u>2</u>	<u>(5)</u>

A 1% percent strengthening of the above currencies against the GBP Sterling at 30 September 2020 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.

#### 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:

	2020 £ 000	2019 £ 000
<b>Fixed rate instruments</b>		
Financial liabilities	41,526	42,402
<b>Variable rate instruments</b>		
Financial liabilities	611,779	314,974

Note financial liabilities relating to variable rate instruments have increased in the financial year ending 30 September 2020 due to the adoption of IFRS 16 and the recognition of associated lease liabilities.

#### Sensitivity analysis

A 100 bps increase in interest rates at 30 September 2020 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.



## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

	2020 £ 000	2019 £ 000
<b>Equity</b>		
Impact	(6,118)	(3,150)
<b>Profit or loss</b>		
Impact	(6,118)	(3,150)

A 100 bps decrease in interest rates at 30 September 2020 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.

#### 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.

#### Financial assets

##### Loans and receivables

	Carrying value		Fair value	
	30 September 2020 £ 000	30 September 2019 £ 000	30 September 2020 £ 000	30 September 2019 £ 000
Cash and cash equivalents	59,821	19,495	59,821	19,495
Trade and other receivables	36,708	14,412	36,708	14,412
	<u>96,529</u>	<u>33,907</u>	<u>96,529</u>	<u>33,907</u>

#### Financial liabilities

##### Financial liabilities at amortised cost

	Carrying value		Fair value	
	30 September 2020 £ 000	30 September 2019 £ 000	30 September 2020 £ 000	30 September 2019 £ 000
Trade and other payables	450,642	447,464	450,642	447,464
Borrowings	335,732	42,402	335,732	42,402
	<u>786,374</u>	<u>489,866</u>	<u>786,374</u>	<u>489,866</u>

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

## Holland & Barrett International Limited

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

#### 26 Financial instruments (continued)

##### *Valuation methods and assumptions*

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.

#### 27 Related party transactions

##### **Trading transactions**

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

	<b>Other related parties</b>	
	<b>2020</b>	<b>2019</b>
	<b>£ 000</b>	<b>£ 000</b>
Management charges paid to	3,750	3,756
Interest paid to	16,588	17,123
Interest received from	-	1,204

##### **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 £nil (2019: £100,000) were made from the Group to Healthy Hope Limited.

## Holland & Barrett International Limited

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

#### 27 Related party transactions (continued)

##### Key management personnel

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

	No. of Shares Held in L1R HB Holdings	
	2020	2019
<b>Related party relationship</b>		
E Mead	-	2,700
L Garley-Evans	1,350	1,350
H Leam	2,700	2,700
H Lu	-	4,500
L Hipperson	-	2,700
S Carson	-	6,750
A Houghton	2,700	2,700
D Nesbit	2,700	2,700
C Keen - B Ordinary shares	189	189
C Keen - B Preference shares	168,691	169,691
C Keen - D2 Ordinary shares	<u>11,700</u>	<u>11,700</u>

##### Repurchase of shares from related parties (key management personnel)

On the 23 December 2019, the Company repurchased of 2,700 'C' preference shares at £7 per share for a total sum of £18,900, repurchasing total share premium of £18,873 and share capital of £27 from E Mead.

On the 5 May 2020, the Company repurchased of 4,500 'C' preference shares at £7 per share for a total sum of 31,500, repurchasing total share premium of £31,455 and share capital of £45 from H Lu.

On the 5 May 2020, the Company repurchased of 2,700 'C' preference shares at £7 per share for a total sum of £18,900, repurchasing total share premium of £18,873 and share capital of £27 from L Hipperson.

On the 8 September 2020, the Company repurchased of 6,750 'C' preference shares at £7 per share for a total sum of £47,250, repurchasing total share premium of £47,182 and share capital of £68 from S Carson.

## Holland & Barrett International Limited

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

#### 27 Related party transactions (continued)

##### Key management compensation

	30 September 2020 £ 000	30 September 2019 £ 000
Salaries and other short term employee benefits	4,113	436
Other pension costs	65	-
Termination benefits	1,008	-
	<u>5,186</u>	<u>436</u>

#### 28 Parent and ultimate parent undertaking

The company's immediate parent is L1R HB Limited.

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

The most senior parent entity producing publicly available financial statements is L1R HB Holdings Limited. These financial statements are available upon request from 22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX

#### 29 Changes in accounting policies- adoption of IFRS16

This note explains the impact of the adoption of IFRS 16, 'Leases', on the Group's financial statements.

As indicated, the Group has adopted IFRS 16, 'Leases' retrospectively from 1 October 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 October 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 October 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

## **Holland & Barrett International Limited**

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

#### **29 Changes in accounting policies- adoption of IFRS16 (continued)**

##### **Practical expedients applied**

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 October 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

## Holland & Barrett International Limited

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

#### 29 Changes in accounting policies- adoption of IFRS16 (continued)

##### Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 30 September 2019	395,780
Discounted using the lessee's incremental borrowing rate at the date of initial application	323,493
Add: finance lease liabilities recognised at 30 September 2019	42,402
(Less): short-term leases not recognised as a liability	(440)
(Less): closed store contracts previously recognised as part of the operating lease commitment	(3,332)
Add: term changes not previously recognised as part of the operating lease commitment	13,569
<b>Lease liability recognised as at 1 October 2019</b>	<b>375,691</b>
Of which are:	
Current lease liabilities	39,960
Non-current lease liabilities	335,731

##### Measurement of right-of-use asset

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 September 2019.

##### Adjustments recognised in the balance sheet on 1 October 2019

The change in accounting policy affected the following items in the balance sheet on 1 October 2019:

- property, plant and equipment - decrease by £39.9m
- right-of-use assets - increase by £364.1m
- deferred tax liability - increase by £3.5m
- corporation tax receivable- increase by £3.5m
- prepayments - decrease by £8.3m
- accruals and provisions- decrease by £17.4m
- borrowings - decrease by £42.4m
- lease liabilities - increase by £375.7m

There was no net impact on retained earnings on 1 October 2019.

# ***Independent auditors' report to the members of Holland & Barrett International Limited***

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

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### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 30 September 2020 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 2020; the Company Income Statement, 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.

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### **Basis for Opinion**

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

### **Independence**

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

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### **Conclusions relating to going concern**

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

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

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

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### **Reporting on other information**

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

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

# ***Independent auditors' report to the members of Holland & Barrett International Limited (continued)***

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

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

## ***Strategic report and directors report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

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

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

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

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

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

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

### ***Use of this report***

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

## **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)***

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### **Other matter**

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We have reported separately on the group financial statements of Holland & Barrett International Limited for the year ended 30 September 2020.

*Gillian Hinks*

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

# Holland & Barrett International Limited

## Company Income Statement for the Year Ended 30 September 2020

	Note	2020 £ 000	2019 £ 000
Administrative expenses, excluding exceptional items		137	53
Exceptional administrative expenses	34	(3,218)	(3,550)
Total administrative expenses		(3,081)	(3,497)
Amounts written off investments and amounts owed by group companies		(283)	(6,570)
Operating loss		(3,364)	(10,067)
Income from shares in group undertakings		-	20,000
Interest payable and similar expenses		(11,672)	(11,692)
Finance income/(expense)	35	(11,672)	8,308
Loss before tax		(15,036)	(1,759)
Income tax receipt/(expense)		689	(184)
Loss for the year		(14,347)	(1,943)

The notes on pages 83 to 94 form an integral part of these financial statements.

# Holland & Barrett International Limited

(Registration number: 04515115)

## Company Balance Sheet as at 30 September 2020

	Note	30 September 2020 £ 000	30 September 2019 £ 000
<b>Assets</b>			
<b>Fixed assets</b>			
Investments	37	577,003	577,286
<b>Current assets</b>			
Trade and other receivables	38	-	759,547
Deferred tax receivable		2,165	1,476
		<u>2,165</u>	<u>761,023</u>
Total assets		<u>579,168</u>	<u>1,338,309</u>
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	39	(335,704)	(1,080,303)
Provisions	40	<u>(3,355)</u>	<u>(3,550)</u>
		(339,059)	(1,083,853)
<b>Equity</b>			
Share premium	42	(86,384)	(86,384)
Profit and loss account	42	<u>(153,725)</u>	<u>(168,072)</u>
Total equity		<u>(240,109)</u>	<u>(254,456)</u>
Total equity and liabilities		<u>(579,168)</u>	<u>(1,338,309)</u>

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



.....  
R I Bell  
Director

The notes on pages 83 to 94 form an integral part of these financial statements.

## Holland & Barrett International Limited

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

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2018	-	86,384	170,015	256,399
Loss for the year	-	-	(1,943)	(1,943)
Total comprehensive income	-	-	(1,943)	(1,943)
At 30 September 2019	-	86,384	168,072	254,456

	Share capital £ 000	Share premium £ 000	Profit and loss account £ 000	Total £ 000
At 1 October 2019	-	86,384	168,072	254,456
Loss for the year	-	-	(14,347)	(14,347)
Total comprehensive income	-	-	(14,347)	(14,347)
At 30 September 2020	-	86,384	153,725	240,109

The notes on pages 83 to 94 form an integral part of these financial statements.

## **Holland & Barrett International Limited**

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

#### **30 General information**

The company is a private company limited by share capital, incorporated and domiciled in England and Wales.

The address of its registered office 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.

#### **31 Accounting policies**

##### **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.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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 2020 and the comparative information presented in these financial statements for the year ended 30 September 2019. 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 publicly available. In these financial statements, the Company is considered to be a qualifying entity 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.

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

## **Holland & Barrett International Limited**

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

#### **31 Accounting policies (continued)**

##### **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. A letter of support has been received from the parent Company L1R HB Finance Limited 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.

##### **Financial instruments**

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

##### **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.

##### **Impairment excluding inventories and deferred tax assets**

##### **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.

## **Holland & Barrett International Limited**

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

#### **31 Accounting policies (continued)**

##### **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.

##### **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.

##### **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.

##### **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.

##### **Expenses**

###### *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.

##### **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.

##### **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.

##### **Provisions**

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.

## Holland & Barrett International Limited

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

#### 31 Accounting policies (continued)

##### 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.

#### 32 Critical accounting judgements 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.

#### 33 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements amounted to £6,000 (2019: £6,000).

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 6 of the Group Notes.

#### 34 Exceptional administration expenses

	2020	2019
	£ 000	£ 000
Legal and professional fees	3,218	3,550

Provisions for ongoing legal cases relates to various settlements and provisions in relation to legal matters arising within the financial year. In the current financial year these relate to settlements with franchisees. Amounts relating to ongoing investigations with HMRC that were accrued in the previous year have been released.

#### 35 Finance income and costs

	2020	2019
	£ 000	£ 000
Interest payable and similar expenses		
Interest payable on amounts owed to Group undertakings	(11,672)	(11,692)



## Holland & Barrett International Limited

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

#### 36 Income tax

Tax charged/(credited) in the income statement

	2020 £ 000	2019 £ 000
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(1,783)	75
Arising from changes in tax rates and laws	(40)	109
Adjustments from prior periods	1,134	-
Total deferred taxation	<u>(689)</u>	<u>184</u>

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

The differences are reconciled below:

	2020 £ 000	2019 £ 000
Loss before tax	<u>(15,036)</u>	<u>(1,759)</u>
Corporation tax at standard rate	(2,857)	(334)
Increase in current tax from adjustment for prior periods	1,134	1,108
(Decrease)/increase from effect of different UK tax rates on some earnings	(40)	109
Increase from effect of expenses not deductible in determining taxable profit	54	1,248
Tax decrease from utilisation of tax losses	1,020	1,853
Decrease from effect dividends from UK companies	-	(3,800)
Total tax (credit)/charge	<u>(689)</u>	<u>184</u>

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

#### Deferred tax

Deferred tax assets and liabilities

2020	Asset £ 000
Other items	<u>2,165</u>

## Holland & Barrett International Limited

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

#### 36 Income tax (continued)

2019	Asset £ 000
Other items	<u>1,476</u>

Deferred tax movement during the year:

	At 1 October 2019 £ 000	Recognised in income £ 000	At 30 September 2020 £ 000
Other items	<u>1,476</u>	<u>689</u>	<u>2,165</u>

Deferred tax movement during the prior year:

	At 1 October 2018 £ 000	Recognised in income £ 000	At 30 September 2019 £ 000
Other items	<u>1,660</u>	<u>(184)</u>	<u>1,476</u>

The Company did not recognise deferred income tax assets of £1.5m (2019: £nil) in respect of losses amounting to £8m (2019: £nil) that can be carried forward against future taxable income.

## Holland & Barrett International Limited

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

#### 37 Investments

##### Summary of the company investments

	30 September 2020 £ 000	30 September 2019 £ 000
Investments in subsidiaries	<u>577,003</u>	<u>577,286</u>
<b>Subsidiaries</b>		<b>£ 000</b>
<b>Cost or valuation</b>		
At 1 October 2018		<u>583,856</u>
At 30 September 2019		583,856
At 1 October 2019		<u>583,856</u>
At 30 September 2020		583,856
<b>Provision</b>		
Provision		<u>6,570</u>
At 30 September 2019		6,570
At 1 October 2019		6,570
Provision		<u>283</u>
At 30 September 2020		<u>6,853</u>
<b>Carrying amount</b>		
At 30 September 2020		<u><u>577,003</u></u>
At 30 September 2019		<u><u>577,286</u></u>
At 1 October 2018		<u><u>583,856</u></u>

Details of the subsidiaries as at 30 September 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
L1R HB Finance (Netherlands) BV	Intermediate holding company	22 Grenville Street, St Helier, Jersey Jersey	100%	100%

## Holland & Barrett International Limited

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

#### 37 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Health & Diet Centres Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Holdings Limited*	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Retail Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Good 'N' Natural Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Group Limited	Retailer of health food and related products	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Health & Diet Group Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Precision Engineered Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%

## Holland & Barrett International Limited

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

#### 37 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Holland & Barrett Limited	Retailer of health food and related products	Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland	100%	100%
Holland & Barrett (Franchising) Limited	Intermediate holding company	Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland	100%	100%
Holland & Barrett (Benelux) Limited	Intermediate holding company	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett B.V.	Retailer of health food and related products	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands Netherlands	100%	100%
Holland & Barrett N.V. Limited	Retailer of health food and related products	Pres. Wilsonplein, 4/288, 9000 Gent, Belgium Belgium	100%	100%
Nutrition Warehouse Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Neal's Yard Wholefoods Limited	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%

## Holland & Barrett International Limited

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

#### 37 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2020	2019
Holland & Barrett (South Africa) Pty Limited	Intermediate holding company	1 Waterhouse Place, Cape Town 8001, South Africa	100%	100%
Holland & Barrett US Inc	IT Service provider	251 Little Falls Drive, Wilmington, DE19808, County of New Castle, USE USA	100%	100%
Lifecycle 2018 Limited**	Dormant	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom	100%	100%
Holland & Barrett China Limited	Retailer of health food and related products	Room 2943, 501 Yuncheng Zhong Road, China (Shanghai) China	100%	100%
Holland & Barrett AB	Retailer of health food and related products	Ostersund, 83123, Sweden Sweden	0%	100%
Holland & Barrett Singapore Private Ltd	Retailer of health food and related products	80 Robinson Road, #02-00, Singapore 068898 Singapore	100%	100%

\* indicates direct investment of the Company

#### 38 Trade and other receivables

	30 September 2020 £ 000	Company 30 September 2019 £ 000
Amounts owed by group undertakings	-	759,547
	-	759,547

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

## Holland & Barrett International Limited

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

#### 39 Creditors: amounts falling due within one year

	30 September 2020 £ 000	Company 30 September 2019 £ 000
Accruals and other creditors	34	53
Amounts owed to group undertakings	335,670	1,080,250
	<u>335,704</u>	<u>1,080,303</u>

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 (2019: £200m) incurs interest at a floating commercial rate. No interest is charged on any other amounts.

#### 40 Other provisions

##### Company

	Legal proceedings £ 000	Total £ 000
At 1 October 2019	3,550	3,550
Additional provisions	3,355	3,355
Provisions used	(3,413)	(3,413)
Unused provision reversed	(137)	(137)
At 30 September 2020	<u>3,355</u>	<u>3,355</u>
Current liabilities	<u>3,355</u>	<u>3,355</u>

The above relates to provisions for various settlements and provisions in relation to legal matters arising within the financial year. In the current year these relate to settlements franchisees and ongoing investigations with HMRC. Amounts relating to ongoing investigations with HMRC that were accrued in the previous year have been released.

## Holland & Barrett International Limited

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

#### 41 Share capital

##### Authorised, allotted, called up and fully paid shares

	30 September 2020		30 September 2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>202</u>	<u>202</u>	<u>202</u>	<u>202</u>

#### 42 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.

##### Profit and loss account

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

#### 43 Parent and ultimate parent undertaking

The company's immediate parent is L1R HB Limited. Which is incorporated in Jersey.

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

The most senior parent entity producing publicly available financial statements is L1R HB Holdings Limited. These financial statements are available upon request from 22 Grenville Street, St Helier, Jersey, Channel Islands, JE4 8PX