Holland & Barrett International Limited

Annual report and consolidated financial statements

Registered number 4515115

For year ended 30 September 2018

Contents

Directors and advisors

Directors

P. Aldis
S. Carson
C. Keen
L. Hipperson
L. Garley-Evans
H. Lu
M. Fabes
H. Leam
E. Mead

Company secretary

L. Garley-Evans

Registered office

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

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

Strategic report

The Directors present their strategic report on the Group and Company for the year ended 30 September 2018.

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, Health & Diet Centres Limited, Holland & Barrett Limited, Holland & Barrett B.V., Holland & Barrett N.V. and Holland & Barrett A.B.

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

The Company is the UK ultimate 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 1,075 stores including 97 international franchises as at 30 September 2018. This is split across its main trading entities as follows: Holland & Barrett Retail Limited operates 767 health stores in the UK and 97 worldwide franchise outlets. Holland & Barrett Group Limited operates the Holland & Barrett website. The Group also operates the Holland & Barrett brand in Ireland with 62 stores and a retail website, the GNC/MET-Rx brand in the UK with 6 stores and a retail website, the Holland & Barrett brand in the Netherlands with 202 owned stores and a retail website, the Holland & Barrett N.V. business with 19 stores in Belgium, and the Holland & Barrett brand in Sweden with 19 stores. Health and Diet Centres from within the Group has been closing its stores throughout the year. This entity will cease trading early in the next financial year and has been disclosed as discontinued operations.

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

In total, as of 30 September 2018, the Group employs over 7,288 associates across Europe with 66% of the Group's Store Managers in the UK and Ireland being female.

Business review and future developments

The Group's revenue for the year ended 30 September 2018 has increased by 6.4% *(2017: 7.1%)* to £697.3m *(2017: £655.5m)*. During the year, the Group opened 60 *(2017: 45)* new stores and 15 *(2017: 9)* new franchises, highlighting the successful globalisation of the 'Holland & Barrett model'.

The Group has net assets of £423.2m *(2017: £277.9m)* of which £302.5m *(2017: £299.5m)* relates to goodwill and £156.9m *(2017: £146.6m)* relates to property, plant and equipment.

The Group generated EBITDA of £122.5m *(2017: £121.4m)* including exceptional items of £17.0m *(2017: £18.7m)* based on operating profit from continuing operations of £93.8m *(2017: £95.6m)* and profit on continuing operations before taxation of £80.1m *(2017: £72.5m)*.

During the year, the Group acquired Hälsa för alla Sverige AB, incorporated in Sweden, for total consideration of £2.8m. This was subsequently merged with Holland & Barrett AB to form one legal entity.

The Company has investments amounting to £580.3m *(2017: £492.6m)* and net assets of £256.3m *(2017: £180.3m)*.

The Company made a loss of £3.1m *(2017: £28.7m profit)*.

Strategic report *(continued)*

During the year, the Company received dividends of £7.1 *(2017: £48.1m)* from its subsidiaries. The Company approved dividend payments to totalling £7.1m *(2017: £34.7m)*

Both the activity in the year and the year-end financial position of the Group and the Company remain satisfactory and the Directors expect that the present level of activity will be sustained for the foreseeable future.

The overall business model is to continue to expand the portfolio where strategically appropriate, including relocations of existing stores, opening of new stores and acquisition of appropriate businesses.

Business environment

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

Strategy

The Group is consistently delivering on its overriding objective which is to achieve attractive and sustainable rates of growth and returns through a combination of strategic acquisition and organic growth. The Company's strategy is to act as an intermediate holding and financing company for the Group.

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

- Our associates

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

- New products

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

- Acquisition

The Group continues its strategy of selectively expanding the stores portfolio where strategically appropriate through either acquisition, organic growth or relocation. The Group operates franchises in 14 *(2017: 13)* countries and is continuing to open up new territories.

- Technology

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

- Promotions and marketing

The Group runs regular promotional activity to give greater value to our customers. In conjunction with this, there is aggressive marketing of high quality, value-oriented products. The Group also operates a "Rewards for Life" loyalty program with over 23.3m customers signed up and over 20.3m activated users. The program enables us to better service the Customers' needs as well as deliver additional value to them by way of quarterly coupons.

Strategic report *(continued)*

Banking arrangements

Net debt at 30 September 2018 was £13.6m (gearing ratio of 3%) compared with net debt of £(5.5)m (gearing ratio of -2%) at 30 September 2017. This falls within the Group and Company's target range of net debt. Further details are given in note 22.

Principal risks and uncertainties

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

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

- Associates

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

- Legislation

The industry and the products sold by the Group are increasingly subject to regulation, much of which applies throughout the European Union. 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.

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.

Strategic report *(continued)*

Key performance indicators ("KPIs")

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

	2018	2017
Revenue (£'000)	**697,289**	655,535
Sales growth	**6.4%**	7.1%
Operating profit before exceptional items (£'000)	**110,776**	114,315
Net stores opened*	**(69)**	(17)
EBITDA (£'000)	**122,517**	121,426
Adjusted EBITDA* (£'000)	**139,477**	140,164

*Includes owned store and franchise stores.

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

	2018	2017
	£'000	£'000
Adjusted EBITDA	**139,477**	140,164
Exceptional items	**(16,960)**	(18,738)
EBITDA	**122,517**	121,426
Depreciation, amortisation and impairment	**(27,966)**	(23,270)
Loss on disposal of property, plant and equipment	**(735)**	(2,625)
Operating profit	**93,816**	95,577
Net finance expense	**(13,690)**	(23,098)
Profit before tax	**80,126**	72,479

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

	2018	2017
Distributable reserves (£'000)	**170,015**	180,293
Net assets (£'000)	**256,399**	180,293
Loss before tax (£'000)	**(4,853)**	28,674

Approved by the Board of Directors and signed on behalf of the Board.

P. Aldis

Chief Executive Officer

25th January 2019

Directors' report

The Directors present their report and the audited financial statements of the Group and Company for the year ended 30 September 2018.

Details regarding the Holland & Barrett International Limited group of companies' ("the Group's") structure and the Group and Company's principal activities are included within the Strategic report on page 2.

Future developments

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

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

Financial risk management

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and SEK. Prior to 31 August 2017, the Group was a member of a wider US Group, The Nature's Bounty Co., and incurred management and IT recharges from its parent company denominated in US Dollars.

For the Company, foreign exchange risks arise from the retranslation of Euro denominated intercompany loans. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company's management team and Directors continually monitor the position of the Company.

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

The Group's and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Further disclosure is provided in note 22.

Political and charitable donations

The Group made charitable donations to UK based organisations of £0.2m *(2017: £0.2m)*. The Group also has a charitable company, Healthy Hope Limited, from which donations are made. No political contributions were made during the year *(2017: £nil)*. The Company made no *(2017: no)* charitable donations in the year.

Employees

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

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

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

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

Directors' report *(continued)*

Dividends

During the year the Company received dividends of £7.1m *(2017: £48.1m)*. The Company approved of dividend payments totalling £7.1m *(2017: £34.7m)*, equating to £35,079 *(2017: £173,493)* per ordinary share.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due within the year. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 16.

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

Directors

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

P. Aldis	
C. Keen	
L. Garley-Evans	
K. Rowe	(resigned 12 March 2018)
H. Lu	(appointed 15 June 2018)
L. Hipperson	(appointed 15 June 2018)
S. Carson	(appointed 15 June 2018)
J. Dowd	(appointed 17 November 2017, resigned 31 October 2018)
M. Fabes	(appointed 17 November 2017)
H. Leam	(appointed 17 November 2017)
E. Mead	(appointed 17 November 2017)
A. Torrance	(appointed 17 November 2017, resigned 16 April 2018)

Directors' report *(continued)*

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and consolidated 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 the 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 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 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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 the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

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.

Insurance and third party indemnification

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

Directors' report *(continued)*

Independent auditors

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

This report and the financial statements on pages 12 to 60 were approved by the Board of Directors and signed on its behalf by:

P. Aldis
Chief Executive Officer

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

25th January 2019

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

Report on the audit of the group financial statements

Opinion

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

- give a true and fair view of the state of the group's affairs as at 30 September 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 2018; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, and the Consolidated Statement of Changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

Reporting on other information

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

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of Holland & Barrett International Limited for the year ended 30 September 2018.

Gillian Hinks

Gillian Hinks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

28 January 2019

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2018

	Note	2018 Before exceptional items £000	2018 Exceptional items (see note 4)	2018 Total	2017 Before exceptional items £000	2017 Exceptional items (see note 4) £000	2017 Total £000
Continuing operations							
Revenue	2	**697,289**	-	**697,289**	655,535	-	655,535
Cost of sales		**(257,918)**	-	**(257,918)**	(240,265)	-	(240,265)
Gross profit		**439,371**	-	**439,371**	415,270	-	415,270
Distribution expenses		**(297,263)**	-	**(297,263)**	(266,351)	-	(266,351)
Administrative expenses		**(31,332)**	**(16,960)**	**(48,292)**	(34,604)	(18,738)	(53,342)
Operating profit	3	**110,776**	**(16,960)**	**93,816**	114,315	(18,738)	95,577
Financial income	7	**7,189**	-	**7,189**	1,985	-	1,985
Financial expense	8	**(20,879)**	-	**(20,879)**	(25,083)	-	(25,083)
Net financing expense		**(13,690)**	-	**(13,690)**	(23,098)	-	(23,098)
Profit before tax		**97,086**	**(16,960)**	**80,126**	91,217	(18,738)	72,479
Taxation	9	**(9,146)**	-	**(9,146)**	(22,018)	-	(22,018)
Profit from continuing operations		**87,940**	**(16,960)**	**70,980**	69,199	(18,738)	50,461
Discontinued operations							
Loss from discontinued operations, net of tax	27	**(1,295)**	-	**(1,295)**	-	-	-
Profit for the period		**86,645**	**(16,960)**	**69,685**	69,199	(18,738)	50,461
Other comprehensive income							
Items that may be reclassified subsequently to profit or loss:							
Foreign currency translation differences – foreign operations		**69**	-	**69**	1,425	-	1,425
Other comprehensive income for the year, net of income tax		**69**	-	**69**	1,425	-	1,425
Total comprehensive income for the year		**86,714**	**(16,960)**	**69,754**	70,624	(18,738)	51,886

All activities are from continuing operations other than as disclosed above when there have been some discontinued in the year.

The notes on pages 16 to 47 form an integral part of these financial statements.

Consolidated Balance Sheet
as at 30 September 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	*10*	**156,876**	146,622
Intangible assets	*11*	**357,789**	345,294
Deferred tax assets	*12*	**1,906**	191
		516,571	492,107
Current assets			
Inventories	*13*	**150,917**	124,761
Corporation tax receivable		**5,822**	4,305
Trade and other receivables	*14*	**271,554**	42,802
Cash and cash equivalents	*15*	**29,650**	49,592
		457,943	221,460
Total assets		**974,514**	713,567
Current liabilities			
Borrowings	*16*	**863**	819
Trade and other payables	*17*	**482,540**	362,058
Corporation tax payable		**1,722**	7,240
		485,125	370,117
Non-current liabilities			
Borrowings	*16*	**42,402**	43,265
Trade and other payables	*17*	**16,780**	16,858
Provisions	*19*	**2,858**	2,341
Deferred tax liabilities	*12*	**4,165**	3,107
		66,205	65,571
Total liabilities		**551,330**	435,688
Net assets		**423,184**	277,879
Equity attributable to equity holders of the parent			
Share capital	*20*	**-**	-
Share premium		**86,384**	-
Merger reserve	*20,21*	**414,502**	418,249
Translation reserve	*20*	**10,627**	10,558
Accumulated losses		**(88,329)**	(150,928)
Total equity		**423,184**	277,879

The notes on pages 16 to 47 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24th January 2019 and were signed on its behalf by:

C. Keen
Chief Financial Officer

Company registered number: 4515115

Consolidated Statement of Changes in Equity
for the year ended 30 September 2018

	Share capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Accumu-lated losses £000	Total shareholders' equity £000
Balance at 1 October 2016	-	-	418,249	9,133	(165,549)	261,833
Total comprehensive income for the year						
Profit for the year	-	-	-	-	50,461	50,461
Other comprehensive income	-	-	-	1,425	-	1,425
Total comprehensive income for the year	-	-	-	1,425	50,461	51,886
Transactions with owners, recorded directly in equity						
Equity-settled share based payment transactions	-	-	-	-	(1,141)	(1,141)
Dividends paid (see note 20)	-	-	-	-	(34,699)	(34,699)
Total contributions by and distributions to owners	-	-	-	-	(35,840)	(35,840)
Balance at 30 September 2017	-	-	418,249	10,558	(150,928)	277,879
Balance at 1 October 2017	-	-	418,249	10,558	(150,928)	277,879
Total comprehensive income for the year						
Profit for the year	-	-	-	-	**69,685**	**69,685**
Other comprehensive income	-	-	-	**69**	-	**69**
Total comprehensive income for the year	-	-	-	**69**	**69,686**	**69,754**
Transactions with owners, recorded directly in equity						
Issue of shares	-	**86,384**	-	-	-	**86,384**
Dividends paid (see note 20)	-	-	-	-	**(7,086)**	**(7,086)**
Arising from common control transaction	-	-	**(3,747)**	-	-	**(3,747)**
Total contributions by and distributions to owners	-	**86,384**	**(3,747)**	-	**(7,086)**	**75,551**
Balance at 30 September 2018	-	**86,384**	**414,502**	**10,627**	**(88,329)**	**423,184**

The notes on pages 16 to 47 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Profit for the year		**69,685**	50,461
Adjustments for:			
Depreciation, amortisation and impairment	3	**43,816**	25,370
Financial income	7	**(7,188)**	(1,985)
Financial expense	8	**20,879**	25,083
Loss on sale of property, plant and equipment	3	**735**	2,625
Equity settled share based payments		**-**	(1,141)
Taxation		**9,146**	22,018
		137,073	122,430
Decrease/(Increase) in trade and other receivables		**(22,319)**	83,407
(Increase)/decrease in inventories		**(25,169)**	(354)
Increase/(decrease) in trade and other payables		**(5,787)**	264,882
Increase/(decrease) in provisions and employee benefits		**519**	1,211
		84,317	471,576
Interest paid		**(20,879)**	(25,083)
Tax paid		**(16,900)**	(23,701)
Net cash from operating activities		**46,538**	422,792
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**911**	1,293
Interest received		**7,188**	1,985
Acquisition of property, plant and equipment		**(31,314)**	(28,779)
Acquisition of intangible assets		**(33,574)**	(19,315)
Acquisition of subsidiary net of cash acquired		**(2,792)**	-
Net cash used in investing activities		**(59,581)**	(44,816)
Cash flows from financing activities			
Issue of ordinary shares		**426**	-
Proceeds from new loan	16	**-**	20,141
Proceeds from sale and leaseback		**-**	9,106
Repayment of borrowings		**-**	(350,151)
Payment of finance lease liabilities		**(819)**	(701)
Dividends paid	20	**(7,086)**	(34,699)
Net cash used financing activities		**(7,479)**	(356,304)
Net increase in cash and cash equivalents		**(20,522)**	21,672
Cash and cash equivalents at 1 October		**49,592**	27,523
Effect of exchange rate fluctuations on cash held		**580**	397
Cash and cash equivalents at 30 September	15	**29,650**	49,592

The notes on pages 16 to 47 form an integral part of these financial statements.

Group Notes
(forming part of the financial statements)

1 Accounting policies

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

The consolidated financial statements for the year ended 30 September 2018 comprises 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 accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 October 2014 for the purposes of the transition to EU-IFRSs. Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 28.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate within the level of its current facilities. There are no significant borrowings due within the year. Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 16.

1.3 Basis of consolidation

Subsidiaries

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

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

Acquisitions from entities under common control

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

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Basis of consolidation (continued)

Transactions eliminated on consolidation

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

1.4 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

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

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

1.5 Classification of financial instruments

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

1.6 Non-derivative financial instruments

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

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Interest-bearing borrowings

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

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Property, plant and equipment

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

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

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

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

- freehold buildings 25 years
- fixtures and fittings 3 - 10 years
- motor vehicles 4 years

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

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

1.8 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.

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Intangible assets and goodwill

Goodwill

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

Other intangible assets

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

Amortisation

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

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle 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.

1.11 Impairment excluding inventories and deferred tax assets

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.

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").

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Impairment excluding inventories and deferred tax assets (continued)

Non-financial assets (continued)

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.

1.12 Employee benefits

Defined contribution plans

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

1.13 Provisions

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

1.14 Revenue

Retail 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 despatch of goods.

Franchised income

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

Deferred income

Deferred income represents profit on the sale and leaseback of assets and deferred income from the Group's loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. Sale and lease back accounting is set out in note 1.18. 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.

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Expenses

Operating lease payments

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

Finance lease payments

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

Financing income and expenses

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

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

1.16 Taxation

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

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

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

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

1.17 Dividends

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

1.18 Sale and leaseback

Where a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, the seller-lessee recognises any profit or loss immediately. Where the sale price is below fair value, the seller-lessee shall recognise any profit or loss immediately unless the loss is compensated for by future lease payments at below market price. In that case the seller-lessee shall defer and amortise such loss in proportion to the lease payments over the period for which the asset is expected to be used. Where the sale price is above fair value, the seller-lessee shall defer the excess over fair value and amortise it over the period for which the asset is expected to be used. Deferred profit is recognised within deferred income within note 17.

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.19 Share-based payments

The Group through its subsidiary, Holland & Barrett Retail Limited, operates a number of equity-settled, share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options) of Alphabet Holding Company, Inc., a subsidiary of The Carlyle Group Limited. The awards are granted by Alphabet Holding Company, Inc. and Holland & Barrett Retail Limited has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. A credit is recognised directly in shareholders' funds. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time). Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised the company is recharged the options' original fair value as of the grant date from Alphabet Holding Company, Inc. This recharge is accounted for as a deduction from shareholders' funds.

1.20 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.

1.21 Exceptional items

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

Group Notes *(continued)*

1 Accounting policies *(continued)*

1.22 New standards and interpretations not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is currently assessing the impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a "right of use asset" for virtually all lease contracts. IFRS 16 is effective from 1 January 2019. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. The standard replaces IAS 17 'Leases' and related interpretations. A Company can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 Revenue from contracts with customers. The Group is in the process of assessing the impact of IFRS 16. The Group's operating lease commitments are disclosed in note 23.

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

Group Notes *(continued)*

2 Revenue

	2018 £000	2017 £000
Business analysis		
Retail sales of goods	**610,863**	585,928
Online sales of goods	**70,705**	53,911
Franchise and wholesale income	**15,721**	15,696
	697,289	655,535
Geographical analysis		
United Kingdom	**524,743**	500,685
Republic of Ireland	**33,624**	30,608
Netherlands	**108,699**	102,013
Belgium	**10,718**	9,879
Rest of the world	**19,505**	12,350
	697,289	655,535

3 Expenses and auditors' remuneration

Included in operating profit are the following:

	2018 £000	2017 £000
Impairment loss on inventories	**6,180**	9,337
Depreciation of tangible fixed assets	**19,663**	17,494
Amortisation of intangible assets	**8,303**	5,730
Loss on disposal of fixed assets	**735**	2,625
Operating lease rentals – lands and buildings	**80,282**	74,328
Operating lease rentals – plant and machinery	**2,340**	2,223
Impairment loss on tangible fixed assets	**-**	793
Impairment loss on intangible fixed assets (see note 4)	**15,850**	1,352
Exceptional items relating to legal acquisition costs	**1,110**	-
Net foreign exchange loss	**584**	549

Auditors' remuneration:

	2018 £000	2017 £000
Audit of these financial statements	**50**	35
Amounts receivable by the Company's auditors and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**291**	220
Corporate finance services	**-**	1,550

Group Notes *(continued)*

4 Exceptional items

	2018 £000	2017 £000
Settlement of management's equity in Holland & Barrett Group Limited	-	14,045
Forfeiture of management's share options	-	(1,141)
Acquisition related costs	1,110	5,834
Impairment of intangible assets	15,850	-
	16,960	18,738

Exceptional costs of £15,850,000 relate to the impairment of software assets for which the value is no longer deemed recoverable (see note 11). Exceptional costs of £1,110,000 relate to legal acquisition costs.

In the prior year, exceptional costs of £14,045,000 and £ 5,834,000 relate to the settlement of management equity in Holland & Barrett Group Limited, a fellow subsidiary undertaking (see note 21) and costs incurred by the Company in respect of the Holland & Barrett Group's acquisition by LetterOne on 31 August 2017 respectively. In the prior year, exceptional income £1,141,000 arose from the forfeiture of equity instruments held by employees in Alphabet Holding Company, Inc. (see note 18).

5 Staff numbers and costs

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

	2018 No. of employees	2017 No. of employees
Retail	6,088	6,190
Administration	793	562
Distribution	407	414
	7,288	7,166

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	110,363	99,945
Share based payments (see note 18)	-	12,904
Social security costs	7,353	6,037
Other pension costs (see note 18)	2,046	1,932
	119,762	120,818

In the view of those charged with governance, key management personnel are the same as the Directors.

Group Notes *(continued)*

6 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	**3,695**	3,455
Settlement of share options (see note 18)	**-**	10,736
Company contributions to money purchase pension plans	**-**	74
	3,695	14,265

The aggregate of remuneration of the highest paid Director was £647,000 *(2017: £1,636,000)* and Company pension contributions of £nil *(2017: £nil)* were made to a money purchase scheme on his behalf. Retirement benefits are accruing under money purchases schemes for a total of one (*2017: one*) Director.

7 Financial income

	2018 £000	2017 £000
Bank interest	**89**	107
Other interest receivable	**137**	1,878
Interest receivable on amounts owed by Group undertakings	**6,962**	-
Total finance income	**7,188**	1,985

8 Financial expense

	2018 £000	2017 £000
Interest payable on unsecured loan notes	**-**	10,756
Interest payable on secured bank loans	**-**	2,458
Interest payable on finance leases	**1,661**	1,458
Interest payable on amounts owed to Group undertakings	**18,548**	1,176
Financing costs recharged from Group undertakings	**670**	9,121
Other interest payable	**-**	114
Total finance expense	**20,879**	25,083

Group Notes *(continued)*

9 Taxation

Recognised in the income statement

	2018 £000	2017 £000
Current tax expense		
Current year	**11,064**	20,999
Adjustments for prior years	**(1,401)**	(1,011)
Current tax expense	**9,663**	19,988
Deferred tax expense	**(559)**	
Origination and reversal of temporary differences	**-**	441
Reduction in tax rate	**42**	(73)
Adjustments for prior years	**-**	1,662
Deferred tax expense	**(517)**	2,030
Total tax expense	**9,146**	22,018

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	**70,980**	50,461
Total tax expense	**9,146**	22,018
Profit before taxation	**80,126**	72,479
Tax using the UK corporation tax rate of 19% *(2017: 19.5%)*	**15,225**	14,133
Impact of overseas tax rates	**-**	(163)
Re-measurement of deferred tax – change in UK rate	**515**	438
Effect of group relief	**(7,035)**	1,859
Transfer pricing adjustment	**-**	37
Expenses not deductible for tax purposes	**1,715**	4,245
Income not subject to tax	**(138)**	(38)
Unrecognised deferred tax	**352**	904
Adjustments to tax charge in respect of prior years	**(1,488)**	603
Total tax expense	**9,146**	22,018

Factors affecting future tax changes

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

Group Notes *(continued)*

10 Property, plant and equipment

	Land and buildings £000	Motor Vehicles £000	Fixtures and fittings £000	Under construction £000	Total £000
Cost					
Balance at 1 October 2016	37,164	122	170,416	1,486	209,188
Additions	9,203	24	27,498	1,072	37,797
Disposals	(50)	-	(14,705)	(386)	(15,141)
Effect of movements in foreign exchange	-	5	1,253	117	1,375
Balance at 30 September 2017	46,317	151	184,462	2,289	233,219
Balance at 1 October 2017	46,317	151	184,462	2,289	233,219
Additions	-	-	31,325	-	31,325
Disposals	-	-	(3,810)	(1,041)	(4,851)
Effect of movements in foreign exchange	-	-	414	14	428
Balance at 30 September 2018	**46,317**	**151**	**212,391**	**1,262**	**260,121**
Accumulated depreciation and impairment					
Balance at 1 October 2016	1,577	47	68,608	-	70,232
Depreciation charge for the year	1,527	31	15,936	-	17,494
Impairment losses	-	-	793		793
Disposals	(29)	-	(2,739)	-	(2,768)
Effect of movements in foreign exchange	-	5	841	-	846
Balance at 30 September 2017	3,075	83	83,439	-	86,597
Balance at 1 October 2017	3,075	83	83,439	-	86,597
Depreciation charge for the year	1,634	32	17,997	-	19,663
Impairment losses	-	-	-		-
Disposals	-	-	(3,221)	-	(3,221)
Effect of movements in foreign exchange	-	-	206	-	206
Balance at 30 September 2018	**4,709**	**115**	**98,421**	**-**	**103,245**
Net book amount					
At 30 September 2016	35,587	75	101,808	1,486	138,956
At 30 September 2017	43,242	68	101,023	2,289	146,622
At 30 September 2018	**41,608**	**36**	**113,970**	**1,262**	**156,876**

Impairment losses

Impairment losses relate to loss-making stores or stores that are expected to close during the next financial year. The impairment loss is included within administrative expenses in the Statement of Comprehensive Income.

Leased plant and machinery

At 30 September 2018 the net carrying amount of fixed assets under a finance lease was £41,106,000 *(2017: £42,699,000)*. The leased asset secures lease obligations (see note 16). During the prior year the business entered in to a sale and leaseback transaction for the extension at its Nuneaton site.

Group Notes (continued)

11 Intangible assets

	Goodwill £000	Software costs £000	Total £000
Cost			
Balance at 1 October 2016	299,498	42,556	342,054
Additions	-	21,527	21,527
Disposals	-	(2,768)	(2,768)
Effect of movements in foreign exchange	115	174	289
Balance at 30 September 2017	299,613	61,489	361,102
Balance at 1 October 2017	299,613	61,489	361,102
Additions	3,101	33,549	36,650
Disposals	-	(16)	(16)
Effect of movements in foreign exchange	(76)	60	(16)
Balance at 30 September 2018	**302,638**	**95,082**	**397,720**
Accumulated amortisation and impairment			
Balance at 1 October 2016	118	8,468	8,586
Amortisation for the year	-	5,730	5,730
Impairment losses	-	1,352	1,352
Effect of movements in foreign exchange	-	140	140
Balance at 30 September 2017	118	15,690	15,808
Balance at 1 October 2017	118	15,690	15,808
Amortisation for the year	-	8,303	8,303
Impairment losses	-	15,850	15,850
Disposals	-	(5)	(5)
Effect of movements in foreign exchange	-	25	25
Balance at 30 September 2018	**118**	**39,863**	**39,981**
Net book amount			
At 30 September 2016	299,380	34,088	333,468
At 30 September 2017	299,495	45,799	345,294
At 30 September 2018	**302,520**	**55,219**	**357,739**

Group Notes *(continued)*

11 Intangible assets *(continued)*

Amortisation and impairment charge

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

	2018	2017
	£000	£000
Administrative expenses	**24,153**	7,082

Included within the additions for the year is goodwill relating to the acquisition of Hälsa för alla Sverige AB (see note 21).

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:

	2018	2017
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)	9.9%	9.9%

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

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

Group Notes *(continued)*

12 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Property, plant and equipment	**32**	-	**4,165**	(3,107)
Other	**1,874**	191	**-**	-
Net deferred tax asset / (liability)	**1,906**	191	**4,165**	(3,107)

The Group has unrecognised gross deferred tax assets of £1,590,000 *(2017: £1,596,000).*

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

Movement in deferred tax during the year ended 30 September 2018

	1 October 2017 £000	**Recognised in income £000**	**30 September 2018 £000**
Property, plant and equipment	**(3,107)**	**(1,029)**	**(4,136)**
Others	**191**	**1,686**	**1,877**
Net deferred tax liability	**(2,916)**	**657**	**(2,259)**

Movement in deferred tax during the year ended 30 September 2017

	1 October 2016 £000	Recognised in income £000	30 September 2017 £000
Property, plant and equipment	(1,077)	(2,044)	(3,107)
Others	177	14	191
Net deferred tax liability	(900)	(2,030)	(2,916)

13 Inventories

	2018	2017
	£000	£000
Raw materials and consumables	**10,835**	9,661
Finished goods	**140,082**	115,100
	150,917	124,761

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £234.9m *(2017: £222.3m)*. A provision to hold inventories at the lower of cost and net realisable value has been made amounting to £1.0m at 30 September 2018 *(2017: £1.6m)* with charges and releases taken to cost of sales.

Group Notes *(continued)*

14 Trade and other receivables

	2018	2017
	£000	£000
Trade receivables	**8,354**	5,953
Amounts owed by Group undertakings (see note 25)	**213,995**	-
Prepayments and accrued income	**40,787**	28,664
Other debtors	**8,418**	8,185
	271,554	42,802

Trade and other receivables are all due within 12 months.

Further details on amounts owed by Group undertakings are given in note 25. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to LIBOR +2.25%.

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are small. There are no *(2017: no)* provisions against trade and other receivables. There are no *(2017: 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:

	2018	2017
	£000	£000
GBP Sterling	**56,619**	35,925
Euro	**214,935**	6,570
Other *	**-**	307
	271,554	42,802

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

15 Cash and cash equivalents

	2018	2017
	£000	£000
Cash and cash equivalents	**29,650**	49,592

Group Notes *(continued)*

16 Borrowings

This note provides information about the contractual terms of the interest-bearing loans and borrowings.

	2018	2017
	£000	£000
Non-current liabilities		
Finance lease liabilities	**42,402**	43,265
Current liabilities		
Finance lease liabilities	**863**	819
	43,265	44,084

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**Repayment schedule**	**2018**	2017
					£000	£000
Finance lease liabilities	GBP	2.5 - 3%	2042-45	Monthly	**43,265**	44,084

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 £000	Minimum lease payments 2017 £000
Less than one year	**2,633**	2,482
Between one and five years	**12,768**	10,103
In more than five years	**53,138**	58,435
Total gross payments	**68,539**	71,020
Less: finance charges	**(25,274)**	(26,936)
	43,265	44,084

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

Group Notes *(continued)*

17 Trade and other payables

	2018	2017
	£000	£000
Current		
Trade payables	**83,262**	79,170
Other taxation and social security	**10,137**	8,180
Other payables	**3,382**	1,348
Accrued expenses and deferred income	**32,516**	24,730
Amounts owed to Group undertakings	**353,243**	248,630
	482,540	362,058
Non-current		
Deferred income	**16,780**	16,858

Further details on amounts owed to Group undertakings are given in note 25. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to LIBOR +2.25% *(2017: nil-2.25%).*

18 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £2,046,000 *(2017: £1,932,000).*

Share-based payments

Prior to 31 August 2017, the Group through its subsidiary, Holland & Barrett Retail Limited, operated a number of equity-settled, share-based compensation plans, under which the Group received services from employees as consideration for equity instruments (options) of Alphabet Holding Company, Inc., a subsidiary of The Carlyle Group Limited. The awards were granted by Alphabet Holding Company, Inc. and Holland & Barrett Retail Limited had no obligation to settle the awards. All options under this scheme were forfeited during the prior year resulting in an exceptional income of £1,141,000 (see note 4) for the year ended 30 September 2017.

In the year end 31 September 2017, E and F shares in Holland & Group Limited, a subsidiary of the Group, previously held by selected key employees were purchased by Holland & Barrett International Limited for a total sum of £14,045,000, recognised within exceptional costs (see note 4). Selected key employees reinvested a total amount of £426,000 through subscription of share capital in L1R HB Holdings Limited, an intermediate parent company.

There were no options outstanding as of 30 September 2018 *(2017: none).*

Group Notes *(continued)*

19 Provisions

Onerous lease provision	**2018 £000**	2017 £000
Balance at 1 October	**1,908**	1,130
Provisions made during the financial year	**2,605**	996
Provisions used during the financial year	**(1,305)**	(218)
Provisions reversed during the financial year	**(400)**	-
Balance at 30 September	**2,808**	1,908

Dilapidations	**2018 £000**	2017 £000
Balance at 1 October	**433**	773
Provisions made during the financial year	**-**	-
Provisions used during the financial year	**-**	-
Provisions reversed during the financial year	**(383)**	(340)
Balance at 30 September	**50**	433

Total	**2018 £000**	2017 £000
Balance at 1 October	**2,341**	1,903
Provisions made during the financial year	**2,605**	996
Provisions used during the financial year	**(1,305)**	(558)
Provisions reversed during the financial year	**(783)**	-
Balance at 30 September	**2,858**	2,341

The provision for onerous leases relates to loss making stores and stores expected to close within one year primarily within the Health & Diet Centres Limited statutory entity.

The provision for dilapidations relates to obligation to make good dilapidations or other damage which occurs to the property during the course of the property lease.

20 Capital and reserves

Share capital

	2018 £000	2017 £000
Allotted, called up and fully paid		
202 *(2017: 200)* Ordinary shares of £1 each	**-**	-

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

Group Notes *(continued)*

20 Capital and reserves *(continued)*

Translation reserve

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

Merger reserve

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

Dividend paid

	2018 £000	2017 £000
Interim dividends paid of £35,077 *(2017: £173,493)* per share	**7,086**	34,699

During the year the Company received dividends of £7.1m (2017: £48.1m). The Company approved a dividend payments of £7.1m *(2017: £34.7m)*, equating to £35,077 *(2017: £173,493)* per ordinary share.

The Company has distributable reserves amounting to £177.2m *(2017: £188.0m)* as disclosed in the Company financial statements.

21 Acquisitions in the year

Acquisition of Hälsa för alla Sverige AB

On 1 December 2017, the Group acquired the entire share capital of Hälsa för alla Sverige AB, a company incorporated in Sweden, for consideration of £2.8m. The principal activities Hälsa för alla Sverige AB is the sale of health products. The fair value of net assets acquired were £0.1m. Goodwill of £2.7m has been recognised representing the location of retail stores.

Acquisition of L1R HB Finance (Netherlands) B.V.

On 1 October 2018, the Group acquired the entire share capital of L1R HB Finance (Netherlands) B.V from its immediate parent company, L1R HB Finance Limited. This transaction has been accounted for as a common control transaction as the overall parent company of the wider Group has not changed as a result of the transaction.

The book values recognised on acquisition are detailed as below:

	Book values of assets and liabilities acquired £000
Trade and other receivables	**206,298**
Trade and other payables	**(124,087)**
Total book value of assets and liabilities acquired	**82,211**
Consideration paid:	
1 Ordinary Share	**(85,958)**
Total merger reserve arising on acquisition	**(3,747)**

Group Notes *(continued)*

22 Financial instruments

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

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

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

Classification by category

All financial assets have been classified as 'loans and receivables' and all financial liabilities have been classified as 'other financial liabilities at amortised cost' for all years presented.

Risk management framework

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

Capital management

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

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

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

	2018	2017
	£000	£000
Total borrowings	**43,265**	44,084
Less: cash and cash equivalents	**(29,650)**	(49,592)
Net debt	**13,615**	(5,508)
Total equity	**423,184**	277,879
Total capital	**436,799**	272,371
Gearing ratio	**3%**	(2)%

Group Notes *(continued)*

22 Financial instruments *(continued)*

Capital management *(continued)*

The increase in the gearing ratio during 2017 resulted primarily from the payment of dividends reducing total equity. The Group traded satisfactorily in this regard in the year and the Directors anticipate similar performance going forwards.

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

(a) Credit risk

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

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

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

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

Exposure to credit risk

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

	2018	2017
	£000	£000
Trade and other receivables	**230,767**	14,138
Cash and cash equivalents	**29,650**	49,592
	260,417	63,730

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

Group Notes *(continued)*

22 Financial instruments *(continued)*

(b) Liquidity risk

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

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

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

All financial instruments have contractual maturities within one year except for the borrowings (finance lease liabilities) for which the maturities are disclosed in note 16. The following are contractual undiscounted cash flows:

30 September 2018

	Carrying amount £000	Less than 1 year £000	Between 2 to 5 years £000	More than 5 years £000	Total £000
Amounts owed to Group undertakings	353,243	353,243	-	-	353,243
Finance lease liabilities	43,265	2,633	12,768	53,138	68,539
Trade payables	83,262	83,262	-	-	83,262
Other payables	3,382	3,382	-	-	3,382
Accruals	22,721	22,721	-	-	22,721
	505,873	**465,241**	**12,768**	**53,138**	**531,147**

30 September 2017

	Carrying amount £000	Less than 1 year £000	Between 2 to 5 years £000	More than 5 years £000	Total £000
Amounts owed to Group undertakings	248,630	248,630	-	-	248,630
Finance lease liabilities	44,084	2,482	10,103	58,435	71,020
Trade payables	79,170	79,170	-	-	79,170
Other payables	1,348	1,348	-	-	1,348
Accruals	20,926	20,926	-	-	20,926
	394,158	352,556	10,103	58,435	421,094

Group Notes *(continued)*

22 Financial instruments *(continued)*

(c) Currency risk

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

Exposure to currency risk

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

30 September 2018

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

30 September 2017

	GBP Sterling £000	Euro £000	Others* £000	Total £000
Cash and cash equivalents	29,148	20,307	137	49,592
Trade and other receivables	13,006	1,132	-	14,138
Trade and other payables	(341,379)	(16,679)	(198)	(358,256)
Provisions	(2, 341)	-	-	(2,341)
Finance lease liabilities	(44,084)	-	-	(44,084)
	(345,650)	4,760	(61)	(340,951)

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

Group Notes *(continued)*

22 Financial instruments *(continued)*

(c) Currency risk *(continued)*

The following significant exchange rates were applied:

Average rate for the year	**2018**	2017
Euro	**1.1302**	1.1507
Swedish Kroner	**11.4414**	11.0878

Balance sheet rate as at 30 September	**2018**	2017
Euro	**1.1229**	1.1332
Swedish Kroner	**11.5848**	10.9351

Sensitivity analysis

A 1% percent weakening of the following currencies against GBP Sterling at 30 September 2018 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.

Equity	**2018 £000**	2017 £000
Euro	**(948)**	51
Swedish Kroner	**(24)**	(1)

Profit or loss	**£000**	£000
Euro	**277**	89
Swedish Kroner	**(19)**	(14)

A 1% percent strengthening of the above currencies against the GBP Sterling at 30 September 2018 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.

Group Notes *(continued)*

22 Financial instruments *(continued)*

(d) Interest rate risk

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

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

	30 September 2018 £000	30 September 2017 £000
Fixed rate instruments		-
Financial assets	**207,749**	
Financial liabilities	**(43,265)**	(44,084)
	164,484	(44,084)
Variable rate instruments		
Financial liabilities	**(212,086)**	(238,586)

Sensitivity analysis

A 100 bps increase in interest rates at 30 September 2018 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.

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.

Equity	**2018 £000**	2017 £000
Impact	**(2,121)**	(2,386)
Profit or loss	**£000**	£000
Impact	**(2,121)**	(199)

A 100 bps decrease in interest rates at 30 September 2018 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.

Group Notes *(continued)*

22 Financial instruments *(continued)*

(e) Fair value of financial instruments

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

	2018 Carrying amount £000	**Fair value £000**	2017 Carrying amount £000	Fair value £000
Trade receivables	**8,354**	**8,354**	5,953	5,953
Amounts owed by parent undertaking	**213,955**	**213,955**	-	-
Cash and cash equivalents	**29,650**	**29,650**	49,592	49,592
Total financial assets	**251,959**	**251,959**	55,545	55,545
Finance lease liabilities	**43,365**	**43,365**	44,084	44,084
Trade payables	**83,262**	**83,262**	79,170	79,170
Amounts owed to Group undertakings	**353,243**	**353,243**	248,630	248,630
Other payables	**3,382**	**3,382**	1,348	1,348
Provisions	**2,858**	**2,858**	2,341	2,341
Accruals	**22,721**	**22,721**	20,926	20,926
Total financial liabilities	**508,831**	**508,831**	396,499	396,499

See note 16 for further details on fair values for the borrowings above.

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

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

The Group has no financial assets or liabilities in any classification.

There were no transfers between levels for the years presented.

Group Notes *(continued)*

23 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land & buildings		Others	
	2018	2017	**2018**	2017
	£000	£000	**£000**	£000
Less than one year	**74,361**	74,376	**257**	1,251
Between one and five years	**220,598**	238,042	**300**	2,616
More than five years	**126,668**	185,737	**657**	-
	421,627	498,155	**1,214**	3,867

During the year £80,282,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £76,551,000).*

24 Commitments

Capital commitments

The Group's contractual commitments to purchase tangible fixed assets at the year-end were £1,267,000 *(2017: £6,823,000).*

25 Related parties

Identity of related parties with which the Group has transacted

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

Goods are sold based on the price lists in force and terms that would be available to third parties.

The Group considers key management personnel to be the directors of the Group. Compensation paid or payable to key management for employee services is shown in note 6.

Related party transactions for the year ended 30 September 2018

	Purchase of goods /services from	Sale of goods/ services to	Management charges paid to	Management charges received from	Interest paid to	Interest received from
	£000	£000	£000	£000	£000	£000
Other related parties	-	-	3,796	-	19,218	6,963
	-	-	3,796	-	19,218	6,963

Group Notes *(continued)*

25 Related parties *(continued)*

Related party transactions outstanding as of 30 September 2018

	Trade and other receivables £000	Trade and other payables £000	Loans & Borrowings £000
Other related parties	213,955	353,243	-

Related party transactions for the year ended 30 September 2017

	Purchase of goods /services from £000	Sale of goods/ services to £000	Management charges paid to £000	Management charges received from £000	Interest paid to £000	Interest received from £000
Parent company	2,455	-	474	895	-	-
Other related parties	22,612	5,019	32	-	1,874	21,054
	25,067	5,019	506	895	1,874	21,054

Related party transactions outstanding as of 30 September 2017

	Trade and other receivables £000	Trade and other payables £000	Loans & Borrowings £000
Other related parties	-	246,630	-

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 £0.2m *(2017: £0.2m)* were made from the Group to Healthy Hope.

During the year 22,275 C Preference shares of 0.01p in the company were purchased by a number of directors at a price of £7 per share.

	No. of shares 2018	No of shares 2017
E Mead	2,700	-
L Garley-Evans	1,350	-
H Leam	2,700	-
H Lu	4,500	-
M Fabes	1,575	-
L Hipperson	2,700	-
S Carson	6,750	-
C Keen*	-	11,700
P Aldis*	-	29,700

*- During the previous financial year selected key employees invested a total amount of £426,000 via the purchase of D1 and D2 ordinary shares.

26 Ultimate parent company and parent company of larger group

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

Group Notes *(continued)*

27 Discontinued Operations

Health and Diet Centres from within the Group has been closing its stores throughout the year. This entity will cease trading early in the next financial year and has been disclosed as discontinued operations. The revenue for the year is £4,432,000 *(2017: £8,717,000)*, cost of sales of £3,200,000 *(2017: £6,570,000)* giving rise to gross profit of £1,232,000 *(2017: £2,147,000)*. Distribution costs of £2,527,000 *(2017: £8,393,000)* leading to a loss after tax of £1,295,000 *(2017: £6,445,000- 2017 loss after tax includes £6,000 net interest expense and a tax charge of £193,000)*.

28 Critical accounting estimates, assumptions and judgements

(a) Critical accounting judgements

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

(b) Critical accounting estimates and assumptions

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

Tangible fixed assets valuation

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

Valuation of goodwill

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.

29 Subsidiary and associated undertakings

	Country of incorporation	**Principal activity**	**Ordinary shareholding %**	
			2018	2017
Health & Diet Centres Limited	England & Wales	Retailer of health food and related products	**100%**	100%
Holland & Barrett Holdings Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Retail Limited	England & Wales	Retailer of health food and related products	**100%**	100%
Good 'N' Natural Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Group Limited (*)	England & Wales	Retailer of health food and related products	**100%**	100%
Health & Diet Group Limited	England & Wales	Intermediate holding company	**100%**	100%

Group Notes *(continued)*

29 Subsidiary and associated undertakings *(continued)*

	Country of incorporation	Principal activity	Ordinary shareholding %	
Precision Engineered Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Limited	EIRE	Retailer of health food and related products	**100%**	100%
Holland & Barrett (Franchising) Limited	EIRE	Intermediate holding company	**100%**	100%
Holland & Barrett (Benelux) Limited (*)	Netherlands	Intermediate holding company	**100%**	100%
L1R HB Finance (Netherlands) B.V.	Netherlands	Intermediate holding company	**100%**	-
Holland & Barrett B.V.	Netherlands	Retailer of health food and related products	**100%**	100%
Holland & Barrett N.V. Limited	Belgium	Retailer of health food and related products	**100%**	100%
Holland & Barrett Sweden AB (*)(**)	Sweden	Retailer of health food and related products	**100%**	100%
Nutrition Warehouse Limited	England & Wales	Dormant	**100%**	100%
Holland & Barrett Limited	England & Wales	Dormant	**100%**	100%
Neal's Yard Wholefoods Limited	England & Wales	Dormant	**100%**	100%
Holland & Barrett (South Africa) Pty Limited	South Africa	Intermediate holding company	**100%**	100%

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

(**) – This entity is the new name for Hälsa för alla Sverige AB that was incorporated within the financial year

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

	Registered address
Holland & Barrett B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands
L1R HB Finance (Netherlands) B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands
Holland & Barrett N.V.	Pres. Wilsonplein 4/288, 9000 Gent, Belgium
Holland & Barrett Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland
Holland & Barrett (Franchising) Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland
Holland & Barrett (South Africa) Pty Limited	1 Waterhouse Place, Cape Town 8001, South Africa
Holland & Barrett Sweden AB	Patron Pehrs väg 6, 141 35 Huddinge, Sweden
All other companies	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH

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

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

Report on the audit of the company financial statements

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 2018 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 2018; the Company Profit and Loss Account, the Company Statement of Changes in Equity; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

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

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 2018 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 set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Holland & Barrett International Limited for the year ended 30 September 2018.

Gillian Hinks.

Gillian Hinks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands

28 January 2019

Company Profit and Loss Account
for the year ended 30 September 2018

	Note	2018 £000	2017 £000
Administrative expenses		**(184)**	-
Operating profit		**(184)**	-
Income from shares in Group undertakings	D	**7,085**	48,148
Interest payable and similar expenses	E	**(11,754)**	(19,474)
Profit before taxation		**(4,853)**	28,674
Tax on profit	F	**1,660**	-
Profit for the financial year		**(3,193)**	28,674

All activity derives from continuing operations.

The Company has no recognised other comprehensive income other than those above and therefore no separate statement of comprehensive income has been presented.

The notes on pages 53 to 60 form an integral part of these financial statements.

Company Balance Sheet
as at 30 September 2018

	Note	2018		2017	
		£000	£000	£000	£000
Fixed assets					
Investments	*H*		**580,302**		492,563
Current assets					
Debtors	*I*	**761,448**		759,364	
Creditors: amounts falling due within one year	*J*	**(1,085,351)**		(1,071,634)	
Net current liabilities			**(323,903)**		(312,270)
Total assets less current liabilities, being net assets			**256,399**		180,293
Capital and reserves					
Called up share capital	*K*		**-**		-
Share premium			**86,384**		-
Profit and loss account			**170,015**		180,293
Total shareholders' funds			**256,399**		180,293

The notes on pages 53 to 60 form an integral part of these financial statements.

These financial statements were approved by the board of Directors on 25th January 2019 and were signed on its behalf by:

C. Keen
Chief Financial Officer

Company registered number: 4515115

Company Statement of Changes in Equity
for the year ended 30 September 2018

	Called up share capital	Share premium	Profit and loss account	Total Shareholders' funds
	£000	£000	£000	£000
Balance at 1 October 2016	-	-	186,318	186,318
Total comprehensive income for the year				
Profit for the financial year	-	-	28,674	28,674
Transactions with owners, recorded directly in equity				
Dividends paid	-	-	(34,699)	(34,699)
Balance at 30 September 2017	-	-	180,293	180,293
Balance at 1 October 2017	-	-	180,293	180,293
Total comprehensive income for the year				
Profit for the financial year	-	-	**(3,193)**	**(3,193)**
Transactions with owners, recorded directly in equity				
Issue of shares	-	**86,384**	-	**86,384**
Dividends paid	-	-	**(7,085)**	**(7,085)**
Balance at 30 September 2018	-	**86,384**	**170,015**	**256,399**

The notes on pages 53 to 60 form an integral part of these financial statements.

Company Notes
(forming part of the financial statements)

1. Accounting policies

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

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

Aa Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014 and the Companies Act 2006. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

Ab 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 2018 and the comparative information presented in these financial statements for the year ended 30 September 2017.

The company is included within the consolidated financial statements of Holland & Barrett International Limited. The consolidated financial statements of Holland & Barrett International Limited are prepared in accordance with EU-IFRS and are publically available. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) 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;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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

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

Ac Measurement convention

The financial statements are prepared under the historical cost basis.

Ad Going concern

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

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

Company Notes *(continued)*

A. Accounting policies *(continued)*

Ae Classification of financial instruments issued by the Company

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

Af 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.

Ag Impairment

Financial assets (including amounts owed by Group undertakings)

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised 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.

Ah Interest payable

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

Ai 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.

Aj 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.

Company Notes *(continued)*

A. Accounting policies *(continued)*

Ak Dividend distribution

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

B. Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements amounted to £5,000 *(2017: £5,000)*. The audit fee was borne by another Group Company, Holland & Barrett Retail Limited. No recharge is made to the Company *(2017: £nil)*.

Amounts receivable by the Company's auditors and its associate in respect of services to the Company and its associates, other than audit of the Company's financial statements, have not been disclosed in the Company Notes as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, which has been disclosed in note 3 of the Group Notes.

C. Directors' remuneration and staff numbers

The Directors received no remuneration in respect of their services to the Company *(2017: £nil)*. The remuneration of the remaining Directors is borne by Holland & Barrett Retail Limited, another Group Company. No recharge is made to the Company *(2017: £nil)*.

There were no employees in the Company in the year *(2017: none)*.

D. Income from shares in Group undertakings

	2018	2017
	£000	£000
Dividends received from subsidiary undertaking	**7,085**	48,148

During the year dividends of £7,085,000 *(2017: £48,147,966)* were received from subsidiary undertakings.

E. Interest payable and similar expenses

	2018	2017
	£000	£000
Interest payable on loan notes	**-**	10,756
Interest payable on amounts owed to Group undertakings	**11,754**	996
Financing cost recharged from Group undertakings	**-**	7,722
	11,754	19,474

Company Notes *(continued)*

F. Tax on profit

Total tax expense recognised in the profit and loss account

	2018 £000	2017 £000
Current tax		
Current tax on income for the financial year	-	-
	-	-
Deferred tax		
Origination and reversal of timing differences	(1,790)	-
Change in tax rate	130	
Total tax (credit)/expense included in profit or loss	(1,660)	-

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before taxation	(4,853)	28,674
Tax using the UK corporation tax rate of 19% *(2017: 19.5%)*	(922)	5,591
Non-taxable dividend income	(1,346)	(9,388)
Effects of Group relief/other reliefs	1,030	3,808
Difference between current and deferred tax rates	130	-
Transfer pricing adjustments	-	(11)
Adjustments in respect of prior periods	(552)	-
Total tax (credit)/expense included in profit or loss	(1,660)	-

Factors affecting current and future tax charges

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

G. Dividends

	2018 £000	2017 £000
Dividends paid of £35,079 *(2017: £173,493)* per ordinary share	7,085	34,699

On various dates during the year ended 30 September 2018 the Company declared and paid dividends totalling £7,085,000 *(2017: £34,698,608)*.

Company Notes *(continued)*

H. Investments

	Shares in Group undertakings £000
Cost	
At beginning of the year	492,563
Additions	173,697
Disposals	(85,958)
At end of the year	**580,302**

On 1 October 2018, the Company acquired the entire share capital of L1R HB Finance (Netherlands) B.V in exchange for one ordinary share of the Company. The transaction has been accounted for at cost based on the transferor's book value.

Subsequently, on the same date, the Company transferred its entire investment in L1R HB Finance (Netherlands) B.V to Holland & Barrett (Benelux) Limited in exchange for one additional ordinary share.

During the year the Company acquired shares in Holland & Barrett N.V for cash consideration of £1,781,000.

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

	Country of incorporation	**Principal activity**	**Ordinary shareholding %**	
			2018	2017
Health & Diet Centres Limited	England & Wales	Retailer of health food and related products	**100%**	100%
Holland & Barrett Holdings Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Retail Limited	England & Wales	Retailer of health food and related products	**100%**	100%
Good 'N' Natural Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Group Limited (*)	England & Wales	Retailer of health food and related products	**100%**	100%
Health & Diet Group Limited	England & Wales	Intermediate holding company	**100%**	100%
Precision Engineered Limited	England & Wales	Intermediate holding company	**100%**	100%
Holland & Barrett Limited	EIRE	Retailer of health food and related products	**100%**	100%
Holland & Barrett (Franchising) Limited	EIRE	Intermediate holding company	**100%**	100%
Holland & Barrett (Benelux) Limited (*)	Netherlands	Intermediate holding company	**100%**	100%
L1R HB Finance (Netherlands) B.V.	Netherlands	Intermediate holding company	**100%**	-

Company Notes *(continued)*

H. Investments *(continued)*

	Country of incorporation	Principal activity	Ordinary shareholding % 2018	2017
Holland & Barrett B.V.	Netherlands	Retailer of health food and related products	**100%**	100%
Holland & Barrett N.V. (*)	Belgium	Retailer of health food and related products	**100%**	100%
Holland & Barrett Sweden AB (*)(**)	Sweden	Retailer of health food and related products	**100%**	100%
Nutrition Warehouse Limited	England & Wales	Dormant	**100%**	100%
Holland & Barrett Limited	England & Wales	Dormant	**100%**	100%
Neal's Yard Wholefoods Limited	England & Wales	Dormant	**100%**	100%
Holland & Barrett (South Africa) Pty Limited	South Africa	Intermediate holding company	**100%**	100%

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

(**) – This entity is the new name for Hälsa för alla Sverige AB that was incorporated within the financial year

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

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

	Registered address
Holland & Barrett B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands
Holland & Barrett N.V.	Pres. Wilsonplein 4/288, 9000 Gent, Belgium
L1R HB Finance (Netherlands) B.V.	Piet Heinkade 167, 1019 GM Amsterdam, Netherlands
Holland & Barrett Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland
Holland & Barrett (Franchising) Limited	Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland
Holland & Barrett (South Africa) Pty Limited	1 Waterhouse Place, Cape Town 8001, South Africa
Holland & Barrett Sweden AB	Patron Pehrs väg 6, 141 35 Huddinge, Sweden
All other companies	Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, UK

I. Debtors

	2018 £000	2017 £000
Amounts falling due within one year		
Amounts owed by Group undertakings	**759,788**	759,364
Deferred tax asset	**1,660**	-
	761,448	759,364

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

Company Notes *(continued)*

J. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Amounts owed to Group undertakings	**1,085,314**	1,071,634
Accruals and other creditors	**37**	-
	1,805,351	1,071,634

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 £202.0m incurs interest at a floating commercial rate. No interest is charged on any other amounts.

K. Called up share capital

Share capital

	Ordinary shares
On issue at 1 October 2017	**200**
Shares issued in the year	**2**
On issue at 30 September 2018	**202**

	2018	2017
	£000	£000
Allotted and fully paid		
202 *(2017: 200)* ordinary shares of £1 each	**-**	-

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

During the year, the Company issued one ordinary share as consideration in exchange for a 100% shareholding in L1R HB Finance (Netherlands) B.V. (see note I). The Company has elected to apply relief available under s39B of the Jersey Company Law 1991 in respect of this transaction and recognised share premium of £85,958,000.

During the year, the Company issued one ordinary share to its immediate parent, L1R HB Limited, in exchange for consideration of £426,000 creating share premium of £426,000.

Company Notes *(continued)*

L. Ultimate parent company and parent company of larger group

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

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

M. Critical accounting estimates, assumptions and judgements

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.