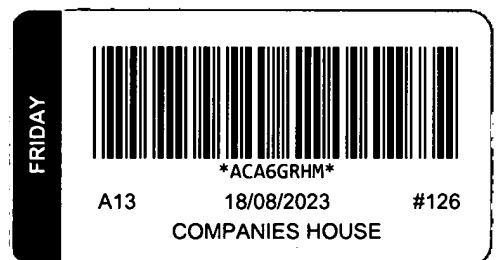


Registration number: 04515115

# Holland & Barrett International Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 September 2022



# **Holland & Barrett International Limited**

## **Contents**

|  |          |
|--|----------|
| Company Information                            | 1        |
| Strategic Report                               | 2 to 6   |
| Directors' Report                              | 7 to 18  |
| Corporate Governance                           | 10       |
| Statement of Directors' Responsibilities       | 19       |
| Independent Auditors' Report                   | 20 to 22 |
| Consolidated Income Statement                  | 23       |
| Consolidated Statement of Comprehensive Income | 24       |
| Consolidated Balance Sheet                     | 25 to 26 |
| Consolidated Statement of Changes in Equity    | 27       |
| Consolidated Statement of Cash Flows           | 28       |
| Notes to the Consolidated Financial Statements | 29 to 69 |
| Company Income Statement                       | 70       |
| Company Balance Sheet                          | 71       |
| Company Statement of Changes in Equity         | 72       |
| Notes to the Company Financial Statements      | 73 to 84 |

## **Holland & Barrett International Limited**

### **Company Information**

**Directors**           A W Gourlay  
                              N D V Allen  
                              M Smith  
                              A Dower

**Company secretary**   M Smith

**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

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2022**

The strategic report for the Group and Company year ended 30 September 2022.

#### **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 Retail Limited, Holland & Barrett Limited, Holland & Barrett B.V. and Holland & Barrett N.V.

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

The Company is the parent of the 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 1,018 (2021: 1,040) stores as at 30 September 2022. This is split across its main trading entities as follows: Holland & Barrett Retail Limited has 725 (2021: 742) health stores in the UK. The Group also runs the Holland & Barrett brand in Ireland with 62 (2021: 62) stores, Netherlands with 200 (2021: 202) and Belgium with 31 (2021: 34) stores. The Group also operates websites covering all its operating territories.

Holland & Barrett Retail Limited also engages in 57 (2021: 64) worldwide franchise outlets and 519 (2021: 508) worldwide franchise shop-in-shops.

As at 30 September 2022, the Group operated a packaging plant that ensures security of supply of Own Label products and three distribution sites across the Group and a separate commercial office in Amsterdam. In January 2023 a decision was made to close its distribution site in Ireland.

During the year to 30 September 2022, the Group employed an average of 7,993 colleagues across Europe with a 72.9% female to 28.1% male split between those employees.

The Group's revenue for the year ended 30 September 2022 decreased by 0.2% (2021: decreased by 0.1%) to £725.3m (2021: £726.7m). Gross profit fell to £443.9m in FY22 compared to £452.8m in FY21. Sales performance reflects an increase in retail footfall and corresponding decline in the on-line channel, driven by a return to stores in UK & Netherlands following Covid19 lock-downs in FY21.

During this period the Group reduced its footprint by 22 stores.

Distribution and operating costs of £279.3m (2021: £278.1m) represents a cost to sales ratio of 38.5% (2021: 38.3%). Administrative expenses excluding exceptional items increased by £62.4m from £92.2m in FY21 to £154.6m in FY22 driven by increased store and property costs reflecting the withdrawal of Covid19 rates relief, increased depreciation and amortisation expense reflecting investment in business transformation and smaller increases in store support and advertising and promotional costs.

Exceptional costs of £25.1m (2021: £7.8m) were driven by costs of exceptional stock write-off, store closures, goodwill impairment and costs relating to restructure.

As a result of the above, Holland and Barrett International Limited reported a loss before tax of £45.1m (2021: profit before tax of £42.1m).

The Group has £17.8m of cash at year end (2021: £29.8m) and net assets of £209.5m (2021: £247.5m).

The Company has investments amounting to £578.1m (2021: £577.1m) and net assets of £215.7m (2021: £230.8m). The Company made a loss of £15.1m (2021: £9.3m loss).

During the year, the Company received dividends of nil (2021: £nil) from its subsidiaries. The Company paid no dividends in 2022 (2021: nil). No dividends are proposed for year ended 30 September 2022.

The L1R HB Holdings Limited group had fully drawn down its revolving credit bank facility of £75m as at 30 September 2022. In November 2022, the L1R HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L. to the L1R HB Holdings Limited group.

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2022**

#### **Business environment**

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

#### **Strategy**

The Group is focused on delivering sustainable rates of growth and returns through organic growth with a growing share of the business moving on-line supported by e-commerce trading market momentum; this is combined the provision of Wellness related services, building on the trust and heritage of Holland & Barrett in the development of personalised diagnostic, prevention and wellness enhancing customer journeys. The Company also acts as an intermediate holding and financing company for the Group.

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

- **Our colleagues**

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

- **New products and services**

The Group has consistently been among the first in the industry to introduce innovative products in response to new studies, research and consumer preferences. Given the changing nature of consumer demand for new products and the continued publicity about the importance of healthy living and nutritional supplements, the Directors believe that the Group will continue to maintain its core customer base and attract new customers through its ability to respond rapidly to consumer demand. The wide range of products ensures that we continue to address the broad church of customers that are seeking a healthy lifestyle. The Group are also trialling a wellness journey-based offer centred around 'Wellness Hubs' in a number of larger stores around the UK.

- **Acquisition**

On 3rd December 2021, the Group acquired Blow Limited, UK's leading at-home beauty services. The Group continues its strategy of selectively expanding the store portfolio where strategically appropriate through either acquisition, organic growth or relocation and continuing to review opportunities to expand our digital reach beyond existing territories. The Group operates franchises in 12 (2021: 13) countries.

- **Technology**

The Group is continuing to invest in new technologies to support omni-channel development with an international reach, whilst responding to the demands of the online trading environment as well as tech enablement of the wider Wellness related services and personalised customer journeys.

- **Promotions and marketing**

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

#### **Principal risks and uncertainties**

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

## **Holland & Barrett International Limited**

### **Strategic Report for the Year Ended 30 September 2022**

- **Colleagues**

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

- **Legislation**

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

- **Competition**

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

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

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

The wider economic environment, with inflationary and supply chain pressures is regularly monitored and short & medium terms action planning implemented as required. This is complemented by a company-wide efficiency and productivity initiative 'Fit for Future'.

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.

## Holland & Barrett International Limited

### Strategic Report for the Year Ended 30 September 2022

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

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

|   | Unit | 2022  | 2021  |
|---|------|-------|-------|
| Revenue                                   | £'m  | 725.3 | 726.7 |
| Sales growth                              | %    | (0.2) | (0.1) |
| Operating profit before exceptional items | £'m  | 10.0  | 82.5  |
| EBITDA                                    | £'m  | 120.2 | 183.1 |
| Adjusted EBITDA                           | £'m  | 145.3 | 190.9 |

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.

EBITDA is the measure monitored most closely by the Directors and is the key indicator of the performance of the business. It has been reconciled to operating profit below:

|                                       | 2022<br>£m    | 2021<br>£m   |
|---------------------------------------|---------------|--------------|
| Adjusted EBITDA                       | 145.3         | 190.9        |
| Exceptional items                     | <u>(25.1)</u> | <u>(7.8)</u> |
| EBITDA                                | 120.2         | 183.1        |
| Fixed asset impairment                | (2.8)         | (0.6)        |
| Impairment of ROU asset               | (5.1)         | 0.8          |
| Depreciation and amortisation expense | (124.1)       | (107.2)      |
| Loss on disposal of fixed assets      | (3.3)         | (1.4)        |
| Operating (loss)/profit               | <u>(15.1)</u> | <u>74.7</u>  |
| Net finance expense                   | (30.0)        | (32.6)       |
| (Loss)/profit before tax              | <u>(45.1)</u> | <u>42.1</u>  |

## Holland & Barrett International Limited

### Strategic Report for the Year Ended 30 September 2022

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

|                 | 2022<br>£m | 2021<br>£m |
|-----------------|------------|------------|
| Net assets      | 215.7      | 230.8      |
| Loss before tax | (14.9)     | (11.4)     |

#### Corporate governance

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

Approved by the directors on 14/08/2023 and signed on its behalf by:



N D V Allen  
Director



## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

The report and the audited consolidated financial statements for the year ended 30 September 2022.

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.

#### **Director of the group**

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

R I Bell (resigned 30 April 2023)

A W Gourlay (appointed 30 April 2023)

N D V Allen (appointed 30 April 2023)

A Dower (appointed 30 April 2023)

M Smith - Company secretary and director

#### **Dividends**

During the year the Company received dividends of nil (2021: nil). The Company paid no dividends in 2022 (2021:nil).

#### **Financial instruments**

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

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

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

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

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

#### **Political donations**

No political contributions were made during the year.

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

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

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Employee involvement**

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

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

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

#### **Future developments**

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

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

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Going concern**

The Directors have assessed going concern over a 24 month period to 30 September 2024. The Group meets its day-to-day working capital requirements through its bank facilities. Forecasts and projections, taking account of reasonably possible changes in trading performance, as well as modelling severe but plausible downside scenarios, which amounted to a 10% reduction in EBITDA, show that the Group would potentially require support from its ultimate owner Letterone Investment Holdings SA to be able to continue with the level of capital investment deemed necessary to complete its transformation to a digitally led Wellness business. A letter of support has been provided to this effect by both the Group's ultimate owner and its parent company, LIR HB Holdings Limited.

The LIR HB Holdings Limited group had fully drawn down its revolving credit bank facility of £75m as at 30 September 2022. In November 2022, the LIR HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L. to the LIR HB Holdings Limited group.

Having assessed the principal risks and taking into account the Group's cash balance at the year end, forecasts produced by management which demonstrate that the Group is forecast to generate profits and free cashflow, the fact that the parent group has repaid all external debt in the year ending 30 September 2023, and the letter of support provided by the Group's owners Letter One, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial statements. Further information on the Group's borrowings is given in the notes to the financial statements.

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

- Covid-19. Now that the Covid-19 vaccine roll-out is complete in the countries in which we operate we feel that the risks arising from Covid-19 have been significantly mitigated.
- Supply chain risks. This year has seen some disruption caused by the pandemic, specifically related to the Omicron variant in December 21 & January 22. However, we have worked with our partners to ensure an effective response and to minimise the overall impact.
- Expectations of the futures economic environment. There remains a lot of uncertainty over macro-economic risks brought about by the Covid-19 pandemic, including changing customer behaviours, reduced consumer confidence and governments needing to recoup their budget deficits in the future.

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

##### **Corporate governance**

The Directors comply with the requirements of Section 172 Companies Act 2006 and the Wates Principles of Corporate Governance. How these requirements have impacted the Board's decision making throughout the financial year 2022 are detailed below. Note the below sections are with reference to the entire Holland & Barrett Group of which the top holding entity is LIR HB Holdings Limited ("Governance Group"). There is consistent management control across the Group and management applies the same governance principles to each entity within the Governance Group, of which the Company is one. Therefore, the below references to the principles applied across the Governance Group have also been applied to the Company by the Board.

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

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

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

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

##### **Board Governance**

The Board has chosen to apply the Wates Corporate Governance Principles for Large Private Companies for the year ended 30 September 2022. These principles provide a code of corporate governance for large private companies to raise awareness of good practice and over time to help to improve standards of corporate governance. They also support directors to meet the requirements of Section 172 Companies Act 2006.

##### **Activities of the Board in financial year 2022**

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

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

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

The LIR Holdings Limited Board reviews and approves the five-year plan (2022-2025) and monitors its implementation throughout the year using detailed reports on operating and financial performance. This includes monitoring progress against key strategic programmes (both short-term and long-term) as well as considering the allocation of capital to support the rolling five-year business plan. The key strategic decisions by the Board have been discussed within the Strategic Report on Page 2.

This financial year the focus of the Board is on the delivery and execution of high standard retail disciplines to ensure our customer proposition is well matched with customer needs. This is twinned with an efficiency programme to optimise business performance both in the store estate and digital offer in line with our strategy to become a leading Omni-Channel retailer. In addition, the Board will focus on expanding our International Development franchise and wholesale business and developing Wellness Futures, a portfolio of Wellness ventures that extends our proposition to customers. This will ensure the Group has a place in the market for future generations (Wates principle 1).

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

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

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

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

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

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

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

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

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

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

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

The Directors understand the importance of the Group's supply chain in delivering the long-term plans of the Group. We are continuing to invest in improving our supplier experience, including by working with them to agree long-term agreements, as we look to foster more collaborative relationships in key areas such as Responsible Sourcing and ESG.

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

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

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

Our purpose is to make health and wellness a way of life for everyone, and as a leading retailer of wellness products, we recognise our responsibility to do that in a way that supports our planet and the communities in which we operate. In 2022 the Group undertook an ESG Materiality Assessment, to identify and focus on topics of most relevance to our business. A Head of ESG was appointed and an ESG Steering Committee was formed, with Executive sponsors over each of the following material ESG topics; Climate and Packaging, Responsible Sourcing and Responsible Marketing. Investment has been made in understanding the ESG impacts not just of our immediate operation but throughout our supply chain and work is underway to establish a new ESG strategy.

##### **Community Wellness**

In 2022 we provided over £385,000 of non-perishable food products and supplies to the people of Ukraine, alongside an initial donation of £100,000 to the Disaster and Emergency Committees Ukraine Appeal and €50,000 to the Irish Red Cross appeal. We supported customers and colleagues wishing to donate in our stores and online, matching donations to raise £100,000 in total. We continue to support victims of the war in Ukraine through product donations to NGO's, agreeing a £1m product donation fund and colleagues developed a Refugee Wellness Platform MVP. We continue a partnership with ActionAid! through the Pennies micro donation platform in stores and online.

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

##### **Environment**

Holland & Barrett has a long history in taking action to reduce its impact on the environment. In 2010, we were the first retailer to ban plastic bags (well before the government introduced the 5p levy).

We have previously taken a stance on single use items, with the banning of wet wipes in 2019 and single use beauty sheet masks in our UK and ROI stores in 2021.

We are working hard to reduce the impact our packaging has on the environment. We are working to eliminate the use of single use plastics and to introduce ways to reduce packaging, drive recycling and reuse. Holland & Barrett has offered unpackaged food for many years, through its popular 'pick n mix' category for fruits, nuts and seeds available in selected stores. Customers can buy product by weight using their own containers or use recycled brown paper bags. We have rolled out new packaging for our popular Vitamins, Minerals and supplements moving them to be in 20% lighter RPET plastic bottles made with a minimum of 80% recycled plastic, removing approximately 179 tonnes of plastic by the end of 2022.

70% of our stores in the UK are now powered by renewable sources and we have continued the roll out of LED lighting across our stores, distribution and manufacturing sites. Work has begun to better understand our carbon impacts across scope 1, 2 and 3 emissions, as we look to accelerate decarbonization efforts in 2023.

We are proud to claim that we have been "Zero to Landfill" since November 2018, for our Burton manufacturing and distribution centre and for the vast majority of our store estate. We continually look at ways to limit waste across our operations and operate our retail "Too Good to Waste" mark down process that aims to save over 370,000 food items from landfill each year. The scheme sees selected products with an expired "best before end" date continuing to be sold at a significantly discounted price in our stores. We continue to trial distribution of food surplus from stores and in 2022 introduced a partnership with FareShare, to divert surplus stock from our Burton Manufacturing site to local food charities.

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

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

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

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

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

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

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

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

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

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

The focus of the board is to build on the performance of financial year ended 2022, the business has implemented a cross-functional propositional improvement and systemic operating model capability program to ensure the business is best able to deliver the future strategy with a growing digital presence, and build on the current momentum of Healthy Living.

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

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

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

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

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

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

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

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



## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

The Board has developed within the year following substantial personnel changes. In the financial year ending 2022 areas of emphasis for the board have been around ensuring the longevity of the Group. This has been managed and reviewed by identifying and adapting strategic priorities.

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

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

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

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

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

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

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

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

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

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

Quarterly briefings are given to the store support centre staff from the senior management and executive teams. This provides employees with an update on financial information, new product lines, business strategy updates and any other new projects. In the financial year 2022, there has been a focus on aligning the strategy to a digital focus and new product development.

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

#### **Corporate Governance**

In addition to formal communication processes as above, there are employee helplines and whistle-blowing lines independently managed to support honest and open conversations between employee and employer. The Group has also introduced a share-point network in the financial year 2022 which has improved communications to colleagues containing both policy and other useful updates. This is an ongoing project with the hope more departments will make use and share information on the share-point site going forward.

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

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

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

## Holland & Barrett International Limited

### Directors' Report for the Year Ended 30 September 2022

#### Director's liabilities

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

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

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

#### Energy Efficiency Action

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

| GHG emissions and energy use data for financial year  | 2022       | 2021       |
|---|------------|------------|
| Energy consumption used to calculate emissions (kWhs)                                       | 32,090,994 | 29,081,077 |
| Emissions from combustion of gas tCO <sub>2</sub> e (Scope 1)                               | 80.1       | 57.9       |
| Emissions from combustion of fuel for transport purposes tCO <sub>2</sub> e (Scope 1)       | 2,522.4    | 2,334.0    |
| Emissions from combustion of refrigeration tCO <sub>2</sub> e (Scope 1)                     | 283.9      | 276.7      |
| Emissions from purchased electricity tCO <sub>2</sub> e (Scope 2, market-based)             | 1,758      | 5,622      |
| Emissions from purchased electricity tCO <sub>2</sub> e (Scope 2, location-based)           | 5,852      | 5,622      |
| Total gross CO <sub>2</sub> e based on above (tCO <sub>2</sub> e)                           | 4,644      | 8,291      |
| Intensity ratio: tCO <sub>2</sub> e gross figure based on mandatory fields above/£m revenue | 6.4        | 14.4       |

#### Methodology

Greenhouse gas emissions calculated through application of the UK Department for Business, Energy & Industrial Strategy GHG Conversion Factors: Condensed Set (July 2022).

## **Holland & Barrett International Limited**

### **Directors' Report for the Year Ended 30 September 2022**

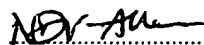
#### **Disclosure of information to the auditors**

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

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

PricewaterhouseCoopers LLP are not seeking reappointment as auditors of the Company and a resolution appointing PKF as their replacement has been proposed and approved by the Audit Committee.

Approved by the Board of Directors on 14/08/2023 and signed on its behalf by:



N D V Allen  
Director

## **Holland & Barrett International Limited**

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards 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, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

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

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Holland & Barrett International Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2022 and of the group's and company's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements 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 and Company Balance Sheet as at 30 September 2022; the Consolidated Income Statement, the Company Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements. To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided. We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

### Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Understanding of the mechanics and key inputs into management's detailed models and holding discussions with management to obtain an understanding of the trading performance and future outlook for the business;
- Agreeing management's cash flow projections to the latest Board approved forecasts, assessing how the forecasts have been compiled and assessing the accuracy of management's forecasts
- Obtaining an understanding of the Group's financing arrangements and the associated terms and conditions;
- Obtaining a copy of the letter of support provided by LetterOne Holdings S.A., obtaining the most recent audited financial statements of LetterOne Holdings S.A., obtaining the latest management accounts for LetterOne Holdings S.A and meeting with management of LetterOne Holdings S.A. to assess the ability of LetterOne Holdings S.A. to honour the terms of the letter of support
- Reviewing and assessing the disclosures within the financial statements and validating that they accurately describe management's going concern considerations.

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

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

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

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

## **Reporting on other information**

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

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

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

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

## **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 30 September 2022 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 company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

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

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

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

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

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

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Discussions with management, including consideration of any know of suspected instances or non-compliance with laws and regulations or fraud; and
- Testing journal entries, in particular entries posted with unexpected account combinations; and
- Challenging assumptions made by management in its significant accounting estimates; and
- Reviewing disclosures relating to accounting estimates.

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

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

### Use of this report

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

## Other required reporting

### Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Gillian Hinks (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

East Midlands

15 August 2023



# Holland & Barrett International Limited

## Consolidated Income Statement for the Year Ended 30 September 2022

|  | Note | 2022<br>£ m    | 2021<br>£ m    |
|--|------|----------------|----------------|
| Revenue  | 4    | 725.3          | 726.7          |
| Cost of sales  |      | <u>(281.4)</u> | <u>(273.9)</u> |
| Gross profit   |      | 443.9          | 452.8          |
| Distribution and operating costs                     |      | (279.3)        | (278.1)        |
| Administrative expenses, excluding exceptional items |      | (154.6)        | (92.2)         |
| Exceptional administrative expenses                  | 9    | (25.1)         | (7.8)          |
| Total administrative expenses                        |      | (179.7)        | (100.0)        |
| Operating (loss)/profit                              | 5    | <u>(15.1)</u>  | <u>74.7</u>    |
| Finance income                                       |      | 0.1            | -              |
| Finance costs  |      | <u>(30.1)</u>  | <u>(32.6)</u>  |
| Net finance costs                                    | 10   | <u>(30.0)</u>  | <u>(32.6)</u>  |
| (Loss)/profit before tax                             |      | (45.1)         | 42.1           |
| Income tax credit/(expense)                          | 11   | <u>7.4</u>     | <u>(1.7)</u>   |
| (Loss)/profit for the year                           |      | <u>(37.7)</u>  | <u>40.4</u>    |
| <b>(Loss)/profit attributable to:</b>                |      |                |                |
| Owners of the Company                                |      | <u>(37.7)</u>  | <u>40.4</u>    |

The notes on pages 29 to 69 form an integral part of these financial statements.

# Holland & Barrett International Limited

## Consolidated Statement of Comprehensive Income for the Year Ended 30 September 2022

|  | 2022<br>£ m   | 2021<br>£ m |
|--|---------------|-------------|
| (Loss)/profit for the year   | (37.7)        | 40.4        |
| <b>Items that may be reclassified subsequently to profit or loss</b> |               |             |
| Foreign currency translation (losses)/gains                          | <u>(0.3)</u>  | <u>1.5</u>  |
| Total comprehensive (expense)/income for the year                    | <u>(38.0)</u> | <u>41.9</u> |
| <b>Total comprehensive (expense)/income attributable to:</b>         |               |             |
| Owners of the parent company   | <u>(38.0)</u> | <u>41.9</u> |

# Holland & Barrett International Limited

(Registration number: 04515115)

## Consolidated Balance Sheet as at 30 September 2022

|  | Note | 30 September<br>2022<br>£ m | 30 September<br>2021<br>£ m |
|--|------|-----------------------------|-----------------------------|
| <b>Assets</b>                                |      |                             |                             |
| <b>Non-current assets</b>                    |      |                             |                             |
| Property, plant and equipment                | 12   | 122.0                       | 100.3                       |
| Right of use assets                          | 13   | 215.5                       | 255.6                       |
| Intangible assets                            | 14   | 381.5                       | 377.0                       |
| Investments                                  |      | 0.9                         | 0.1                         |
| Deferred tax assets                          | 11   | 16.3                        | 6.2                         |
|  |      | <u>736.2</u>                | <u>739.2</u>                |
| <b>Current assets</b>                        |      |                             |                             |
| Inventories                                  | 16   | 154.4                       | 151.7                       |
| Trade and other receivables                  | 17   | 101.5                       | 66.8                        |
| Corporation tax receivable                   |      | -                           | 4.5                         |
| Cash and cash equivalents                    | 18   | 17.8                        | 29.8                        |
|  |      | <u>273.7</u>                | <u>252.8</u>                |
| Total assets                                 |      | <u>1,009.9</u>              | <u>992.0</u>                |
| <b>Equity and liabilities</b>                |      |                             |                             |
| <b>Equity</b>                                |      |                             |                             |
| Share premium                                | 30   | (86.4)                      | (86.4)                      |
| Foreign currency translation reserve         | 30   | (10.5)                      | (10.8)                      |
| Accumulated losses                           | 30   | 301.9                       | 264.2                       |
| Merger reserve                               | 30   | (414.5)                     | (414.5)                     |
| Equity attributable to owners of the Company |      | (209.5)                     | (247.5)                     |
| <b>Non-current liabilities</b>               |      |                             |                             |
| Loans and borrowings                         | 20   | (191.4)                     | (226.6)                     |
| Deferred income                              |      | (14.1)                      | (14.7)                      |
|  |      | <u>(205.5)</u>              | <u>(241.3)</u>              |
| <b>Current liabilities</b>                   |      |                             |                             |
| Trade and other payables                     | 22   | (538.4)                     | (440.7)                     |
| Loans and borrowings                         | 20   | (51.0)                      | (55.0)                      |
| Income tax liability                         |      | (4.5)                       | (5.4)                       |
| Provisions                                   | 21   | (1.0)                       | (2.1)                       |
|  |      | <u>(594.9)</u>              | <u>(503.2)</u>              |
| Total liabilities                            |      | <u>(800.4)</u>              | <u>(744.5)</u>              |

The notes on pages 29 to 69 form an integral part of these financial statements.

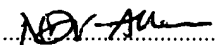
**Holland & Barrett International Limited**

**(Registration number: 04515115)**

**Consolidated Balance Sheet as at 30 September 2022**

|                              | <b>30 September<br/>2022<br/>£ m</b> | <b>30 September<br/>2021<br/>£ m</b> |
|------------------------------|--------------------------------------|--------------------------------------|
| Total equity and liabilities | <u>(1,009.9)</u>                     | <u>(992.0)</u>                       |

Approved by the Board of Directors on 14/08/2023 and signed on its behalf by:

  
.....  
N D V Allen  
Director

# Holland & Barrett International Limited

## Consolidated Statement of Changes in Equity for the Year Ended 30 September 2022

|                            | Share<br>capital<br>£ m | Share<br>premium<br>£ m | Merger<br>reserve<br>£ m | Foreign<br>currency<br>translation<br>£ m | Accumulated<br>losses<br>£ m | Total<br>£ m |
|----------------------------|-------------------------|-------------------------|--------------------------|---|------------------------------|--------------|
| At 1 October 2020          | -                       | 86.4                    | 414.5                    | 9.3                                       | (304.5)                      | 205.7        |
| Profit for the year        | -                       | -                       | -                        | -   | 40.4                         | 40.4         |
| Other comprehensive income | -                       | -                       | -                        | 1.5                                       | -                            | 1.5          |
| Total comprehensive income | -                       | -                       | -                        | 1.5                                       | 40.4                         | 41.9         |
| At 30 September 2021       | -                       | 86.4                    | 414.5                    | 10.8                                      | (264.2)                      | 247.5        |

|                             | Share<br>capital<br>£ m | Share<br>premium<br>£ m | Merger<br>reserve<br>£ m | Foreign<br>currency<br>translation<br>£ m | Accumulated<br>losses<br>£ m | Total<br>£ m |
|-----------------------------|-------------------------|-------------------------|--------------------------|---|------------------------------|--------------|
| At 1 October 2021           | -                       | 86.4                    | 414.5                    | 10.8                                      | (264.2)                      | 247.5        |
| Loss for the year           | -                       | -                       | -                        | -   | (37.7)                       | (37.7)       |
| Other comprehensive expense | -                       | -                       | -                        | (0.3)                                     | -                            | (0.3)        |
| Total comprehensive expense | -                       | -                       | -                        | (0.3)                                     | (37.7)                       | (38.0)       |
| At 30 September 2022        | -                       | 86.4                    | 414.5                    | 10.5                                      | (301.9)                      | 209.5        |

The notes on pages 29 to 69 form an integral part of these financial statements.

## Holland & Barrett International Limited

### Consolidated Statement of Cash Flows for the Year Ended 30 September 2022

|  | Note | 2022<br>£ m    | 2021<br>£ m   |
|--|------|----------------|---------------|
| <b>Cash flows from operating activities</b>        |      |                |               |
| (Loss)/profit for the year                         |      | (37.7)         | 40.4          |
| Adjustments to cash flows from non-cash items      |      |                |               |
| Depreciation and amortisation                      | 5    | 124.1          | 107.1         |
| Lease modifications                                |      | (1.5)          | -             |
| Goodwill impairment                                |      | 3.1            | -             |
| Fixed asset impairment                             |      | 7.9            | -             |
| Loss on disposal of fixed assets                   |      | 3.3            | 1.4           |
| Finance income                                     | 10   | (0.1)          | -             |
| Finance costs                                      | 10   | 30.1           | 32.6          |
| Income tax (credit)/expense                        | 11   | (7.4)          | 1.7           |
|  |      | <u>121.8</u>   | <u>183.2</u>  |
| Working capital adjustments                        |      |                |               |
| Increase in inventories                            | 16   | (2.6)          | (8.0)         |
| Increase in trade and other receivables            | 17   | (34.4)         | (20.9)        |
| Increase/(decrease) in trade and other payables    | 22   | -              | (29.4)        |
| Decrease in provisions                             | 21   | (1.1)          | (3.4)         |
|  |      | <u>83.7</u>    | <u>121.5</u>  |
| Cash generated from operations                     |      |                |               |
| Income taxes received/(paid)                       |      | 0.9            | (3.8)         |
|  |      | <u>84.6</u>    | <u>117.7</u>  |
| <b>Cash flows from investing activities</b>        |      |                |               |
| Interest received                                  |      | 0.1            | -             |
| Acquisition of subsidiaries (net of cash acquired) | 15   | (0.8)          | -             |
| Acquisitions of property plant and equipment       |      | (40.5)         | (16.7)        |
| Acquisition of intangible assets                   |      | (60.8)         | (43.6)        |
| Acquisition of non-controlling investments         |      | (0.8)          | -             |
|  |      | <u>(102.8)</u> | <u>(60.3)</u> |
| <b>Cash flows from financing activities</b>        |      |                |               |
| Interest paid                                      |      | (13.2)         | (32.7)        |
| Principal element of lease payments                |      | (52.7)         | (57.5)        |
| Draw down of bank borrowings                       |      | 75.0           | -             |
| Repayment of bank borrowings                       |      | (1.9)          | -             |
|  |      | <u>7.2</u>     | <u>(90.2)</u> |
| Net cash flows used in financing activities        |      |                |               |
| Net decrease in cash and cash equivalents          |      | <u>(11.0)</u>  | <u>(32.8)</u> |
| Cash and cash equivalents at 1 October             |      | 29.8           | 59.8          |
| Effect of exchange rate fluctuations on cash held  |      | (1.0)          | 2.8           |
|  |      | <u>17.8</u>    | <u>29.8</u>   |
| Cash and cash equivalents at 30 September          |      |                |               |

The notes on pages 29 to 69 form an integral part of these financial statements.

## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

#### **1 General information**

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

The address of its registered office is:

Samuel Ryder House

Barling Way

Eliot Park

Nuneaton

Warwickshire

CV10 7RH

The consolidated financial statements for the year ended 30 September 2022 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group's consolidated financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements. Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

#### **2 Accounting policies**

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

The group financial statements have been prepared in compliance with UK adopted IFRS and the Companies Act 2006.

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

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

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

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

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

## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

##### **Going concern**

The Group meets its day-to-day working capital requirements through its bank facilities. Forecasts and projections, taking account of reasonably possible changes in trading performance, as well as modelling severe but plausible downside scenarios, which amounted to a 10% reduction in EBITDA, show that the Group would potentially require support from its ultimate owner Letterone Investment Holdings SA to be able to continue with the level of capital investment deemed necessary to complete its transformation to a digitally led Wellness business. A letter of support has been provided to this effect by both the Group's ultimate owner and its parent company, LIR HB Holdings Limited.

The LIR HB Holdings Limited group had fully drawn down its revolving credit bank facility of £75m as at 30 September 2022. In November 2022, the LIR HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L. to the LIR HB Holdings Limited group.

Having assessed the principal risks and taking into account the Group's cash balance at the year end, forecasts produced by management which demonstrate that the Group is forecast to generate profits and free cashflow, the fact that the parent group has repaid all external debt in the year ending 30 September 2023, and the letter of support provided by the Group's owners Letter One, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial statements. Further information on the Group's borrowings is given in the notes to the financial statements.

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

- Covid-19. Now that the Covid-19 vaccine roll-out is complete in the countries in which we operate we feel that the risks arising from Covid-19 have been significantly mitigated.
- Supply chain risks. This year has seen some disruption caused by the pandemic, specifically related to the Omicron variant in December 21 & January 22. However, we have worked with our partners to ensure an effective response and to minimise the overall impact.
- Expectations of the future economic environment. There remains a lot of uncertainty over macro-economic risks brought about by the Covid-19 pandemic, including changing customer behaviours, reduced consumer confidence and governments needing to recoup their budget deficits in the future.

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

The group financial statements consolidate the financial statements of the company and all subsidiary undertakings drawn up to 30 September 2022.



## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

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

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

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

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

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

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

#### **Revenue recognition**

Revenue is recognised when all the following criteria are met;

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

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

#### ***Retail and online sales***

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

## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

##### *Deferred income*

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

##### *Wholesale and franchised income*

In certain locations the Group has franchised its brand to third parties. Royalties and fees charged for the use of the rights granted by the agreement and related services are recognised as revenue as the rights are used and services provided. Where applicable, turnover is recognised at the point of delivery of goods.

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

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

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

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

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

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

##### **Tax**

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

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

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

#### Property, plant and equipment

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

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

#### Depreciation

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

| Asset class                      | Depreciation method and rate     |
|----------------------------------|----------------------------------|
| Freehold property                | 30 years                         |
| Motor vehicles                   | 4 years                          |
| Fixtures, fittings and equipment | 3-10 years                       |
| Assets under construction        | Not depreciated                  |
| Right of use asset               | Straight line over life of lease |

#### 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.

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

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

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### Intangible assets and goodwill

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

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

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

##### Amortisation

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

| Asset class       | Amortisation method and rate |
|-------------------|------------------------------|
| Computer software | 3-10 years                   |

Amortisation is charged to "Administrative expenses" in the Consolidated Income Statement.

##### Inventories

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

##### Borrowings

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

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

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

##### Provisions

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### Leases

###### *Definition*

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

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

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

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

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

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

###### *Subsequent measurement*

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

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

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### *Lease modifications*

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

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

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

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

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

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

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

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

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

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

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

##### *Sub leases*

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

After classification lessor accounting is applied to the sublease.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### *Right of use asset impairment*

An impairment is recognised where the value in use does not support the right of use asset value.

##### **Dividends**

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

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

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

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

##### **Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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

## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

##### **Non-derivative financial instruments**

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

##### **Interest-bearing borrowings**

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

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

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

##### **Trade and other payables**

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

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

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

Cash and cash equivalents comprise cash balances.

##### **Offsetting**

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

##### **Exceptional items**

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



## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

##### **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.

##### **Impairment of 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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets (the "cash-generating unit").

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

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

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

The following are a list of future new standards that are not expected to have a significant impact on the financial statements in future periods:

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 October 2021:

- Property, plant and equipment: proceeds before intended use – Amendments to IAS 16
- Reference to the conceptual framework – amendments to IFRS 3
- Onerous contracts – cost of fulfilling a contract – Amendments to IAS 37
- Annual improvements to IFRS Standards 2018–2020

As at 30 September 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 30 September 2022:

- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates – Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16
- Non-current Liabilities with Covenants Amendments to IAS 1

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

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

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

##### **Valuation of goodwill**

Goodwill is reviewed for impairment at least every year or 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 includes management's best estimates of discount rates and future performance of the business that are consistent with business plans. See note 14 for further details.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

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

##### Lease discount rates

Where a rate implicit to the lease is not available, the selection of a discount rate for a lease based upon the marginal cost of borrowing to the business in relation to the funding for a similar asset. Management calculate appropriate discount rates based upon external costs of borrowing currently available to the Group and adjusted for several factors including the term of the lease. Management consider that these are the key details in determining the appropriate marginal cost of borrowing for each of these assets. An increase in the discount rate by 1% leads to a decrease in the closing lease liability of 2.5m.

##### Lease term

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

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

#### 4 Revenue

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

|                                | 2022<br>£ m | 2021<br>£ m |
|--------------------------------|-------------|-------------|
| Store sales of goods           | 539.6       | 517.4       |
| Online sales of goods          | 154.5       | 195.4       |
| Franchise and wholesale income | 31.2        | 13.9        |
|                                | 725.3       | 726.7       |

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

|                   | 2022<br>£ m | 2021<br>£ m |
|-------------------|-------------|-------------|
| United Kingdom    | 509.1       | 518.8       |
| Rest of Europe    | 185.0       | 194.0       |
| Rest of the world | 31.2        | 13.9        |
|                   | 725.3       | 726.7       |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 5 Operating (loss)/profit

Arrived at after charging/(crediting)

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
|   | <b>£ m</b>  | <b>£ m</b>  |
| Depreciation expense on property, plant and equipment | 18.4        | 18.7        |
| Depreciation on right of use assets (ROU) - property  | 50.1        | 62.8        |
| Amortisation expense                                  | 55.6        | 25.7        |
| Fixed asset impairment                                | 2.8         | 0.6         |
| Goodwill impairment                                   | 3.1         | -           |
| Write-down of inventory to net realisable value       | 0.5         | 6.4         |
| Foreign exchange                                      | 0.5         | 0.4         |
| Operating lease expense - plant and machinery         | 2.7         | 2.9         |
| Impairment / (reversal of impairment) on ROU assets   | 5.1         | (0.8)       |
| Loss on disposal of fixed assets                      | 3.3         | 1.5         |
| Exceptional items (excluding goodwill impairment)     | 22.0        | 7.8         |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 6 Auditors' remuneration

|  | 2022       | 2021       |
|--|------------|------------|
|  | £ m        | £ m        |
| Audit of these financial statements  | 0.1        | 0.1        |
| Audit of the financial statements of subsidiaries of the Company pursuant to legislation | 0.6        | 0.3        |
|  | <u>0.7</u> | <u>0.4</u> |

The Company's auditors did not provide any non-audit related services during the year ended 30 September 2022.

#### 7 Staff costs

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

|                       | 2022         | 2021         |
|-----------------------|--------------|--------------|
|                       | £ m          | £ m          |
| Wages and salaries    | 139.5        | 132.3        |
| Social security costs | 15.7         | 9.9          |
| Other pension costs   | 4.1          | 3.9          |
|                       | <u>159.3</u> | <u>146.1</u> |

Included in staff costs above are temporary labour costs of £8.2m (2021: £6.3m), these heads are not included in employee numbers below. The above staff costs do not include £28.5m (2021: £11.8m) of costs that have been capitalised within intangible assets.

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

|                            | 2022         | 2021         |
|----------------------------|--------------|--------------|
|                            | No.          | No.          |
| Administration and support | 1,177        | 856          |
| Sales                      | 6,063        | 5,732        |
| Distribution               | 753          | 803          |
|                            | <u>7,993</u> | <u>7,391</u> |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

|                                 | 2022<br>£ m | 2021<br>£ m |
|---------------------------------|-------------|-------------|
| Remuneration                    | 0.8         | 1.6         |
| Compensation for loss of office | -           | 0.4         |
|                                 | <u>0.8</u>  | <u>2.0</u>  |

In respect of the highest paid director:

|              | 2022<br>£ m | 2021<br>£ m |
|--------------|-------------|-------------|
| Remuneration | 0.6         | 0.9         |

In 2021, in respect of the highest paid director, £0.4m was paid as compensation for loss of office.

Retirement benefits are accruing under money purchases schemes for a total of 2 (2021: 2) directors.

#### 9 Exceptional administrative expenses

|   | 2022<br>£ m | 2021<br>£ m |
|---|-------------|-------------|
| Exceptional legal and professional costs                      | 1.2         | 1.6         |
| Provisions for ongoing legal cases                            | -           | (0.4)       |
| Exceptional executive recruitment and personnel payroll costs | 2.4         | 4.2         |
| Store closure costs   | 8.4         | 2.4         |
| Exceptional stock write off                                   | 9.7         | -           |
| Impairment of goodwill  | 3.1         | -           |
| One off charitable donations                                  | 0.3         | -           |
|   | <u>25.1</u> | <u>7.8</u>  |

Exceptional legal and professional costs of £1.2m (2021: £1.6m) relates to legal fees for discontinued operations around the group, strategy costs and other consultancy fees. Prior year relates to an onerous telecoms contract.

£2.4m (2021: £4.2m) relates to exceptional payroll costs to do with termination and recruitment costs of executive positions, incurred due to changes in the structure of the executive team.

£8.4m (2021: £2.4m) relates to the store optimisation program as part of the reassessment of the store portfolio.

Exceptional costs of £9.7m (2021: £nil) relate to accelerated write off of stock close to expiry due to Covid-19 and product line discontinuations.

Exceptional costs of £0.3m (2021: £nil) relate to donations to support charities supporting the Ukraine Crisis.

£3.1m (2021: £nil) relates to the impairment of the goodwill on acquisition of Blow Limited.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 10 Finance income and costs

|  | 2022<br>£ m   | 2021<br>£ m   |
|--|---------------|---------------|
| <b>Finance income</b>                  |               |               |
| Interest income on bank deposits       | 0.1           | -             |
| <b>Finance costs</b>                   |               |               |
| Interest expense on leases             | (13.2)        | (15.1)        |
| Interest payable to group undertakings | (16.3)        | (16.9)        |
| Finance costs recharged                | (0.6)         | (0.6)         |
| Total finance costs                    | <u>(30.1)</u> | <u>(32.6)</u> |
| Net finance costs                      | <u>(30.0)</u> | <u>(32.6)</u> |

#### 11 Income tax

Tax charged/(credited) in the income statement

|  | 2022<br>£ m   | 2021<br>£ m  |
|--|---------------|--------------|
| <b>Current taxation</b>  |               |              |
| Corporation tax  | 2.2           | 5.7          |
| Corporation tax adjustment to prior periods                    | 0.5           | -            |
|  | <u>2.7</u>    | <u>5.7</u>   |
| <b>Deferred taxation</b>                                       |               |              |
| Arising from origination and reversal of temporary differences | (7.2)         | (1.3)        |
| Arising from changes in tax rates and laws                     | -             | (1.6)        |
| Adjustments from prior periods                                 | (2.9)         | (1.1)        |
| Total deferred taxation  | <u>(10.1)</u> | <u>(4.0)</u> |
| Tax (credit)/expense in the income statement                   | <u>(7.4)</u>  | <u>1.7</u>   |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021: the same as the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 11 Income tax (continued)

|   | 2022<br>£ m | 2021<br>£ m |
|---|-------------|-------------|
| (Loss)/profit before tax  | (45.1)      | 42.1        |
| Corporation tax at standard rate  | (8.6)       | 8.0         |
| Decrease in current tax from adjustment for prior periods                     | (2.4)       | (1.1)       |
| Decrease from effect of different UK tax rates on some earnings               | (1.6)       | -           |
| Increase from effect of expenses not deductible in determining taxable profit | 8.4         | 2.1         |
| Tax decrease from tax losses for which no deferred tax asset recognised       | (2.5)       | -           |
| Decrease arising from group relief tax reconciliation                         | -           | (6.6)       |
| Increase from effect of foreign tax rates                                     | 0.1         | 0.8         |
| Deferred tax credit relating to changes in tax rates or laws                  | -           | (1.5)       |
| Other tax effects for reconciliation between accounting profit and tax income | (0.8)       | -           |
| Total tax (credit)/expense  | (7.4)       | 1.7         |

An increase to the main rate of corporation tax from 19% to 25% from 1 April 2023 was substantively enacted on 24 May 2021, with the Finance Bill 2021 receiving Royal Assent on 10 June 2021. Deferred taxes have been measured based on the enacted rate at the year end date and reflected in these financial statements.

#### Deferred tax

##### Group

Deferred tax assets and liabilities

|                              | Asset<br>£ m | Liability<br>£ m | Net deferred<br>tax<br>£ m |
|------------------------------|--------------|------------------|----------------------------|
| <b>2022</b>                  |              |                  |                            |
| Accelerated tax depreciation | -            | (4.7)            | (4.7)                      |
| Other timing differences     | 21.0         | -                | 21.0                       |
|                              | 21.0         | (4.7)            | 16.3                       |
| <b>2021</b>                  |              |                  |                            |
| Accelerated tax depreciation | 0.2          | (7.8)            | (7.6)                      |
| Other timing differences     | 13.8         | -                | 13.8                       |
|                              | 14.0         | (7.8)            | 6.2                        |



## **Holland & Barrett International Limited**

### **Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022**

#### **11 Income tax (continued)**

The Group has unused tax losses for which no deferred tax assets have been recognised of £19.4m (2021: £3.1m). It is not probable that there will be future taxable profits to support recognition of these unused tax losses. The unused tax losses were incurred by subsidiaries that are unlikely to generate a taxable income for the foreseeable future.

Management have assessed the deferred tax position and anticipates that £15.9m will be utilised within the next 12 months.

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 11 Income tax (continued)

Deferred tax movement during the year:

|                              | At<br>1 October<br>2021 | Recognised in<br>income | 30 September<br>2022 |
|------------------------------|-------------------------|-------------------------|----------------------|
|                              | £ m                     | £ m                     | £ m                  |
| Accelerated tax depreciation | (7.6)                   | 2.9                     | (4.7)                |
| Other timing differences     | 13.8                    | 7.2                     | 21.0                 |
| Net tax assets/(liabilities) | <u>6.2</u>              | <u>10.1</u>             | <u>16.3</u>          |

Deferred tax movement during the prior year:

|                              | At<br>1 October<br>2020 | Recognised in<br>income | 30 September<br>2021 |
|------------------------------|-------------------------|-------------------------|----------------------|
|                              | £ m                     | £ m                     | £ m                  |
| Accelerated tax depreciation | (5.4)                   | (2.3)                   | (7.6)                |
| Other timing differences     | 7.7                     | 6.2                     | 13.8                 |
| Net tax assets/(liabilities) | <u>2.3</u>              | <u>3.9</u>              | <u>6.2</u>           |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 12 Property, plant and equipment

##### Group

|                                 | Land and<br>buildings<br>£ m | Furniture,<br>fittings and<br>equipment<br>£ m | Motor<br>vehicles<br>£ m | Assets<br>under<br>construction<br>£ m | Total<br>£ m |
|---------------------------------|------------------------------|--|--------------------------|--|--------------|
| <b>Cost or valuation</b>        |                              |  |                          |  |              |
| At 1 October 2020               | 0.7                          | 241.2  | 0.1                      | 3.2                                    | 245.2        |
| Additions                       | -                            | 16.7   | -                        | -                                      | 16.7         |
| Disposals                       | -                            | (3.3)  | -                        | -                                      | (3.3)        |
| Transfers                       | -                            | 2.3  | -                        | (2.3)                                  | -            |
| Foreign exchange movements      | -                            | (3.2)  | -                        | -                                      | (3.2)        |
| At 30 September 2021            | 0.7                          | 253.7  | 0.1                      | 0.9                                    | 255.4        |
| At 1 October 2021               | 0.7                          | 253.7  | 0.1                      | 0.9                                    | 255.4        |
| Additions                       | -                            | 42.5   | -                        | -                                      | 42.5         |
| Disposals                       | (0.1)                        | (62.4)   | (0.1)                    | -                                      | (62.6)       |
| Transfers                       | -                            | 0.9  | -                        | (0.9)                                  | -            |
| Foreign exchange movements      | -                            | 0.9  | -                        | -                                      | 0.9          |
| At 30 September 2022            | 0.6                          | 235.6  | -                        | -                                      | 236.2        |
| <b>Accumulated depreciation</b> |                              |  |                          |  |              |
| At 1 October 2020               | 0.3                          | 139.0  | 0.1                      | -                                      | 139.4        |
| Charge for year                 | -                            | 18.7   | -                        | -                                      | 18.7         |
| Eliminated on disposal          | -                            | (1.8)  | -                        | -                                      | (1.8)        |
| Impairment                      | -                            | 0.6  | -                        | -                                      | 0.6          |
| Foreign exchange movements      | -                            | (1.9)  | -                        | -                                      | (1.9)        |
| At 30 September 2021            | 0.3                          | 154.6  | 0.1                      | -                                      | 155.1        |
| At 1 October 2021               | 0.3                          | 154.6  | 0.1                      | -                                      | 155.1        |
| Charge for the year             | (0.1)                        | 18.5   | -                        | -                                      | 18.4         |
| Eliminated on disposal          | -                            | (62.1)   | (0.1)                    | -                                      | (62.2)       |
| Impairment                      | -                            | 2.7  | -                        | -                                      | 2.7          |
| Foreign exchange movements      | -                            | 0.3  | -                        | -                                      | 0.3          |
| At 30 September 2022            | 0.2                          | 114.0  | -                        | -                                      | 114.2        |
| <b>Carrying amount</b>          |                              |  |                          |  |              |
| At 30 September 2022            | 0.4                          | 121.6  | -                        | -                                      | 122.0        |
| At 30 September 2021            | 0.4                          | 99.1   | -                        | 0.9                                    | 100.3        |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

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

##### Impairment

##### Furniture, fittings and equipment

Impairment charge relates to under performing stores. The impairment charge is included within administrative expenses in the Income Statement.

The amount of impairment loss included in profit and loss is £2.7m (2021: £0.6m).

#### 13 Right of use assets

##### Group

|                            | Property<br>£ m | Total<br>£ m |
|----------------------------|-----------------|--------------|
| <b>Cost or valuation</b>   |                 |              |
| At 1 October 2020          | 379.8           | 379.8        |
| Additions                  | 8.7             | 8.7          |
| Reassessment               | (0.3)           | (0.3)        |
| Foreign exchange movements | (4.8)           | (4.8)        |
| Impairment                 | 0.8             | 0.8          |
|                            | <hr/>           | <hr/>        |
| At 30 September 2021       | 384.3           | 384.3        |
| At 1 October 2021          | 384.3           | 384.3        |
| Additions                  | 12.6            | 12.6         |
| Disposals                  | (0.6)           | (0.6)        |
| Reassessment               | 1.6             | 1.6          |
| Foreign exchange movements | 1.4             | 1.4          |
| Impairment                 | (5.1)           | (5.1)        |
|                            | <hr/>           | <hr/>        |
| At 30 September 2022       | 394.2           | 394.2        |
| <b>Depreciation</b>        |                 |              |
| At 1 October 2020          | 65.8            | 65.8         |
| Charge for year            | 62.8            | 62.8         |
|                            | <hr/>           | <hr/>        |
| At 30 September 2021       | 128.6           | 128.6        |
| At 1 October 2021          | 128.6           | 128.6        |
| Charge for the year        | 50.1            | 50.1         |
|                            | <hr/>           | <hr/>        |
| At 30 September 2022       | 178.7           | 178.7        |
| <b>Carrying amount</b>     |                 |              |
| At 30 September 2022       | <u>215.5</u>    | <u>215.5</u> |
| At 30 September 2021       | <u>255.6</u>    | <u>255.6</u> |

An impairment has been charged in the year relating to under performing stores.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 14 Intangible assets

##### Group

|                                      | Goodwill<br>£ m | Computer<br>software<br>£ m | Total<br>£ m |
|--------------------------------------|-----------------|-----------------------------|--------------|
| <b>Cost or valuation</b>             |                 |                             |              |
| At 1 October 2020                    | 302.9           | 155.3                       | 458.1        |
| Additions                            | 0.6             | 43.0                        | 43.6         |
| Disposals                            | -               | -                           | -            |
| Foreign exchange movements           | (0.1)           | (0.4)                       | (0.5)        |
| At 30 September 2021                 | 303.4           | 197.8                       | 501.2        |
| At 1 October 2021                    | 303.4           | 197.8                       | 501.2        |
| Additions                            | 3.2             | 63.0                        | 66.2         |
| Disposals                            | (0.1)           | (85.2)                      | (85.3)       |
| At 30 September 2022                 | 306.5           | 175.6                       | 482.1        |
| <b>Accumulated amortisation</b>      |                 |                             |              |
| At 1 October 2020                    | 3.2             | 95.6                        | 98.8         |
| Amortisation charge                  | -               | 25.7                        | 25.7         |
| Amortisation eliminated on disposals | -               | (0.1)                       | (0.1)        |
| Foreign exchange movements           | -               | (0.3)                       | (0.3)        |
| At 30 September 2021                 | 3.2             | 121.0                       | 124.2        |
| At 1 October 2021                    | 3.2             | 121.0                       | 124.2        |
| Amortisation charge                  | -               | 55.6                        | 55.6         |
| Amortisation eliminated on disposals | (0.1)           | (82.3)                      | (82.4)       |
| Impairment                           | 3.1             | 0.1                         | 3.2          |
| At 30 September 2022                 | 6.2             | 94.4                        | 100.6        |
| <b>Carrying amount</b>               |                 |                             |              |
| At 30 September 2022                 | 300.3           | 81.2                        | 381.5        |
| At 30 September 2021                 | 300.1           | 76.9                        | 377.0        |

Holland & Barrett International Limited acquired 100% subsidiaries Blow Limited and Adia Health Limited during the financial year.

Blow Limited was acquired on 6 December 2021 for consideration of £0.8m. In April 2023, a decision was made to cease the trading of Blow Limited. As a result, £3.1m of goodwill recognised on acquisition has been impaired.

Adia Health Limited was acquired on 29 April 2022 for consideration of £0.1m.

##### *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:

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 14 Intangible assets (continued)

|   | 2022    | 2021      |
|---|---------|-----------|
| Period on which management approved forecasts are based | 5 years | 4 years   |
| Growth rate applied beyond forecast period              | 2%      | 2% - 3.5% |
| Discount rate (post tax rate)                           | 12.0%   | 8.8%      |

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

The calculated value in use exceeds the carrying value of goodwill even after the following stress tests have been performed with the resulting decrease in headroom-

- Increase discount rate to 12.5%: (£38m) decrease in headroom
- Decrease revenue growth after year 5 to 1%: (£59m) decrease in headroom
- Decrease EBITDA in years 1-5 by 20%: (£211m) decrease in headroom.

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 15 Subsidiaries and other investments

##### Group subsidiaries

Details of the subsidiaries as at 30 September 2022 and 2021 are as follows:

| Name of subsidiary                 | Principal activity                           | Registered office   | Proportion of ownership interest and voting rights held |      |
|------------------------------------|--|---|---|------|
|                                    |  |   | 2022  | 2021 |
| L1R HB Finance (Netherlands) BV    | Intermediate holding company                 | 22 Grenville Street, St Helier, Jersey<br>Jersey  | 100%  | 100% |
| Health & Diet Centres Limited      | Dormant                                      | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Holdings Limited | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Retail Limited   | Retailer of health food and related products | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Group Limited*   | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Health & Diet Group Limited        | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 15 Subsidiaries and other investments (continued)

| Name of subsidiary                           | Principal activity                           | Registered office  | Proportion of ownership interest and voting rights held |      |
|--|--|--|---|------|
|  |  |  | 2022  | 2021 |
| Precision Engineered Limited                 | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom | 100%  | 100% |
| Holland & Barrett Limited                    | Retailer of health food and related products | Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland       | 100%  | 100% |
| Holland & Barrett (Franchising) Limited      | Intermediate holding company                 | Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland Ireland       | 100%  | 100% |
| Holland & Barrett (Benelux) Limited*         | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom | 100%  | 100% |
| Holland & Barrett B.V.                       | Retailer of health food and related products | Piet Heinkade 167, 1019 GM Amsterdam, Netherlands Netherlands                                | 100%  | 100% |
| Holland & Barrett N.V. Limited               | Retailer of health food and related products | Pres. Wilsonplein, 4/288, 9000 Gent, Belgium Belgium   | 100%  | 100% |
| Holland & Barrett Limited                    | Dormant                                      | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH United Kingdom | 100%  | 100% |
| Holland & Barrett (South Africa) Pty Limited | Intermediate holding company                 | 1 Waterhouse Place, Cape Town 8001, South Africa South Africa                                | 100%  | 100% |
| Holland & Barrett US Inc                     | IT Service provider                          | 251 Little Falls Drive, Wilmington, DE 19808, County of New Castle USA                       | 100%  | 100% |



## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 15 Subsidiaries and other investments (continued)

| Name of subsidiary       | Principal activity       | Registered office   | Proportion of ownership interest and voting rights held |      |
|--------------------------|--------------------------|---|---|------|
|                          |                          |   | 2022  | 2021 |
| Lifecycle 2018 Limited** | Dormant                  | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Beyond 100 Limited       | Dormant                  | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Blow Limited*            | Business support service | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 0%   |
| Adia Health Limited*     | Human health activities  | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 0%   |

\* indicates direct investment of the company

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 16 Inventories

|                                     | 30 September<br>2022<br>£ m | Group<br>30 September<br>2021<br>£ m |
|-------------------------------------|-----------------------------|--------------------------------------|
| Raw materials and consumables       | 12.6                        | 16.8                                 |
| Finished goods and goods for resale | 141.8                       | 134.9                                |
|                                     | <u>154.4</u>                | <u>151.7</u>                         |

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £281.4m (2021: £273.3m). A provision to hold inventories at the lower of cost and net realisable value has been made amounting to £1.2m at 30 September 2022 (2021: £0.9m) with charges and release taken to cost of sales.

#### 17 Trade and other receivables

|                                     | 30 September<br>2022<br>£ m | Group<br>30 September<br>2021<br>£ m |
|-------------------------------------|-----------------------------|--------------------------------------|
| Trade receivables                   | 10.2                        | 8.3                                  |
| Receivables from group undertakings | 75.5                        | 42.7                                 |
| Prepayments and accrued income      | 8.5                         | 10.9                                 |
| Other receivables                   | 7.3                         | 4.8                                  |
|                                     | <u>101.5</u>                | <u>66.8</u>                          |

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 interest free.

As the principal business of the Group is retail sales made in cash or with major credit cards, the Group's trade receivables are mainly in relation to franchise and wholesale customers. There are £0.4m (2021: £0.9m) provisions against trade and other receivables. There are no (2021: 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:

|              | 2022<br>£ m | 2021<br>£ m |
|--------------|-------------|-------------|
| GBP Sterling | 57.9        | 45.3        |
| Euro         | 35.1        | 20.9        |
| Other *      | -           | 0.6         |
|              | <u>93.0</u> | <u>66.8</u> |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

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

\*The balance within others primarily relates to US Dollars (USD).

#### 18 Cash and cash equivalents

|              | 30 September<br>2022<br>£ m | Group<br>30 September<br>2021<br>£ m |
|--------------|-----------------------------|--------------------------------------|
| Cash on hand | <u>17.8</u>                 | <u>29.8</u>                          |

#### Reconciliation of net debt

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

|                              | 2022<br>£ m   | 2021<br>£ m   |
|------------------------------|---------------|---------------|
| Lease liabilities            | 242.4         | 281.6         |
| Cash on hand                 | <u>(17.8)</u> | <u>(29.8)</u> |
|                              | <u>224.6</u>  | <u>251.8</u>  |
|                              | 2022<br>£ m   | 2021<br>£ m   |
| At 1 October                 | 251.8         | 276.0         |
| Additions                    | 13.3          | 12.9          |
| Disposals                    | (0.6)         | -             |
| Reassessment                 | (0.6)         | (4.8)         |
| Foreign exchange movements   | 1.4           | (4.8)         |
| Accrued interest             | 13.2          | 15.0          |
| Payment of lease liabilities | (65.9)        | (72.5)        |
| Cash movements               | <u>12.0</u>   | <u>30.0</u>   |
| At 30 September              | <u>224.6</u>  | <u>251.8</u>  |

#### 19 Share capital

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

|                            | 30 September<br>2022 |            | 30 September<br>2021 |            |
|----------------------------|----------------------|------------|----------------------|------------|
|                            | No.                  | £          | No.                  | £          |
| Ordinary shares of £1 each | <u>202</u>           | <u>202</u> | <u>202</u>           | <u>202</u> |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 20 Loans and borrowings

|   | 30 September<br>2022<br>£ m | Group<br>30 September<br>2021<br>£ m |
|---|-----------------------------|--------------------------------------|
| <b>Non-current loans and borrowings</b> |                             |                                      |
| Lease liabilities                       | 191.4                       | 226.6                                |

|                                     | 30 September<br>2022<br>£ m | 30 September<br>2021<br>£ m |
|-------------------------------------|-----------------------------|-----------------------------|
| <b>Current loans and borrowings</b> |                             |                             |
| Lease liabilities                   | 51.0                        | 55.0                        |
|                                     | 51.0                        | 55.0                        |

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

|                            | 2022<br>£ m | 2021<br>£ m |
|----------------------------|-------------|-------------|
| Less than one year         | 59.2        | 71.5        |
| Between one and five years | 137.9       | 173.5       |
| In more than five years    | 84.5        | 96.3        |
| Finance charges            | (39.2)      | (59.7)      |
|                            | 242.4       | 281.6       |

Leases are secured on the assets to which they relate. Total cash outflow for leases is £65.9m (capital repayments of £52.7m and interest repayments of £13.2m).

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 21 Provisions

##### Group

|                       | Legal<br>proceedings<br>£ m | Onerous<br>leases<br>£ m | Total<br>£ m |
|-----------------------|-----------------------------|--------------------------|--------------|
| At 1 October 2021     | 1.8                         | 0.3                      | 2.1          |
| Additional provisions | 0.4                         | -                        | 0.4          |
| Provisions used       | (1.4)                       | (0.1)                    | (1.5)        |
| At 30 September 2022  | <u>0.8</u>                  | <u>0.2</u>               | <u>1.0</u>   |
| Current liabilities   | <u>0.8</u>                  | <u>0.2</u>               | <u>1.0</u>   |

At 30 September 2022, a £0.2m (2021: £0.3m) provision for onerous leases relates to stores not included in the ROU asset calculation on adoption of IFRS 16 due to the exemptions set out in the accounting policies note 2 regarding leases.

The legal provision relates to various settlements and provisions in relation to legal matters arising within the financial year. In the current financial year these relate to settlements with franchisees and goods for resale suppliers.

All provisions are recognised as current liabilities and are expected to be settled within 12 months of the balance sheet date.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 22 Trade and other payables

|                                      | 30 September<br>2022<br>£ m | Group<br>30 September<br>2021<br>£ m |
|--------------------------------------|-----------------------------|--------------------------------------|
| Trade payables                       | 91.8                        | 81.2                                 |
| Accrued expenses and deferred income | 37.4                        | 27.5                                 |
| Amounts owed to group undertakings   | 395.2                       | 313.6                                |
| Social security and other taxes      | 11.3                        | 16.4                                 |
| Other payables                       | 2.7                         | 2.0                                  |
|                                      | <u>538.4</u>                | <u>440.7</u>                         |

Further details on amounts owed to Group undertakings are given in note 25 for related party transactions. All amounts are unsecured, repayable on demand and accrue interest at varying rates ranging from nil up to SONIA+2.25% (2021: nil up to LIBOR +2.25%).

#### 23 Pension and other schemes

##### Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £4.1m (2021: £4.0m).

Included on the Balance Sheet at 30 September 2022 was £0.6m (2021: £0.7m) relating to pension costs outstanding.

#### 24 Financial instruments

##### Group

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

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

##### Capital risk management

##### Capital management

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

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

|                                 | 2022<br>£ m  | 2021<br>£ m  |
|---------------------------------|--------------|--------------|
| Total borrowings                | 242.4        | 281.6        |
| Less: Cash and cash equivalents | (17.8)       | (29.8)       |
| Net Debt                        | 224.6        | 251.8        |
| Total equity                    | 209.5        | 247.5        |
|                                 | <u>434.1</u> | <u>499.3</u> |

##### Credit risk

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

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

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

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

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

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

#### Exposure to credit risk

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

|                             | 2022         | 2021        |
|-----------------------------|--------------|-------------|
|                             | £ m          | £ m         |
| Trade and other receivables | 93.0         | 55.8        |
| Cash and cash equivalents   | 17.8         | 29.8        |
|                             | <u>110.8</u> | <u>85.6</u> |

#### Liquidity risk

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

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

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

#### Maturity analysis for financial liabilities

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

All financial instruments have contractual maturities within one year except for the borrowings (finance lease liabilities) for which maturities are disclosed in note 20. The following are contractual undiscounted cash flows:



## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

| <b>2022</b>                        | <b>Carrying<br/>amount<br/>£ m</b> | <b>Less than 1<br/>year<br/>£ m</b> | <b>2-5 years<br/>£ m</b> | <b>More than 5<br/>years<br/>£ m</b> | <b>Total<br/>£ m</b> |
|------------------------------------|------------------------------------|-------------------------------------|--------------------------|--------------------------------------|----------------------|
| <b>Non-derivative liabilities</b>  |                                    |                                     |                          |                                      |                      |
| Amounts owed to group undertakings | 395.2                              | 395.2                               | -                        | -                                    | 395.2                |
| Finance lease liabilities          | 242.4                              | 59.2                                | 137.9                    | 84.5                                 | 281.6                |
| Trade payables                     | 91.8                               | 91.8                                | -                        | -                                    | 91.8                 |
| Other payables                     | 2.7                                | 2.7                                 | -                        | -                                    | 2.7                  |
| Accruals                           | 36.7                               | 36.7                                | -                        | -                                    | 36.7                 |
|                                    | <u>768.8</u>                       | <u>585.6</u>                        | <u>137.9</u>             | <u>84.5</u>                          | <u>808.0</u>         |

| <b>2021</b>                        | <b>Carrying<br/>amount<br/>£ m</b> | <b>Less than 1<br/>year<br/>£ m</b> | <b>2-5 years<br/>£ m</b> | <b>More than 5<br/>years<br/>£ m</b> | <b>Total<br/>£ m</b> |
|------------------------------------|------------------------------------|-------------------------------------|--------------------------|--------------------------------------|----------------------|
| <b>Non-derivative liabilities</b>  |                                    |                                     |                          |                                      |                      |
| Amounts owed to group undertakings | 313.6                              | 313.6                               | -                        | -                                    | 313.6                |
| Finance lease liabilities          | 281.6                              | 71.5                                | 173.5                    | 96.3                                 | 341.3                |
| Trade payables                     | 81.2                               | 81.2                                | -                        | -                                    | 81.2                 |
| Other payables                     | 2.0                                | 2.0                                 | -                        | -                                    | 2.0                  |
| Accruals                           | 25.0                               | 25.0                                | -                        | -                                    | 25.0                 |
|                                    | <u>703.4</u>                       | <u>493.5</u>                        | <u>173.5</u>             | <u>96.3</u>                          | <u>763.3</u>         |

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

#### *Exposure to currency risk*

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

| <b>2022</b>                 | <b>GBP Sterling<br/>£ m</b> | <b>Euro<br/>£ m</b> | <b>Total<br/>£ m</b> |
|-----------------------------|-----------------------------|---------------------|----------------------|
| Cash and cash equivalents   | 14.4                        | 3.4                 | 17.8                 |
| Trade and other receivables | 57.9                        | 35.1                | 93.0                 |
| Trade and other payables    | (378.3)                     | (148.1)             | (526.4)              |
| Provisions                  | (1.0)                       | -                   | (1.0)                |
| Lease liabilities           | <u>(167.1)</u>              | <u>(75.3)</u>       | <u>(242.4)</u>       |
|                             | <u>(474.1)</u>              | <u>(184.9)</u>      | <u>(659.0)</u>       |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

| 2021                        | GBP Sterling<br>£ m | Euro<br>£ m    | Total<br>£ m   |
|-----------------------------|---------------------|----------------|----------------|
| Cash and cash equivalents   | 14.9                | 14.9           | 29.8           |
| Trade and other receivables | 24.2                | 31.6           | 55.8           |
| Trade and other payables    | (285.7)             | (136.1)        | (421.8)        |
| Provisions                  | (2.1)               | -              | (2.1)          |
| Finance lease liability     | (200.1)             | (81.5)         | (281.6)        |
|                             | <u>(448.8)</u>      | <u>(171.1)</u> | <u>(619.9)</u> |

The following significant exchange rates were applied:

|                                  | 2022        | 2021        |
|----------------------------------|-------------|-------------|
| <b>Average rate for the year</b> |             |             |
| Euro                             | 1.2         | 1.1         |
| Swedish Kroner                   | -           | 11.6        |
| United States Dollar             | 1.2         | 1.4         |
| Chinese Yuan                     | 8.3         | 8.9         |
| Singapore Dollar                 | <u>-</u>    | <u>1.8</u>  |
|                                  | <b>2022</b> | <b>2021</b> |

#### Balance sheet rate as at 30 September

|                      |          |            |
|----------------------|----------|------------|
| Euro                 | 1.1      | 1.2        |
| Swedish Kroner       | -        | 11.7       |
| United States Dollar | 1.1      | 1.4        |
| Chinese Yuan         | 7.9      | 8.9        |
| Singapore Dollar     | <u>-</u> | <u>1.8</u> |

#### Sensitivity analysis

A 1% percent weakening of the following currencies against GBP Sterling at 30 September 2022 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.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

|                       | 2022<br>£ m  | 2021<br>£ m  |
|-----------------------|--------------|--------------|
| <b>Equity</b>         |              |              |
| Euro                  | <u>(1.9)</u> | <u>(2.0)</u> |
|                       | 2022<br>£ m  | 2021<br>£ m  |
| <b>Profit or loss</b> |              |              |
| Euro                  | <u>-</u>     | <u>0.2</u>   |

A 1% percent strengthening of the above currencies against the GBP Sterling at 30 September 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Interest rate risk

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

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

|                                  | 2022<br>£ m | 2021<br>£ m |
|----------------------------------|-------------|-------------|
| <b>Variable rate instruments</b> |             |             |
| Financial liabilities            | 0.5         | 0.6         |

#### Sensitivity analysis

A 100 bps increase in interest rates at 30 September 2022 would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

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

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

|                       | 2022<br>£ m | 2021<br>£ m |
|-----------------------|-------------|-------------|
| <b>Equity</b>         |             |             |
| Impact                | (5.2)       | (5.6)       |
| <b>Profit or loss</b> |             |             |
| Impact                | (5.2)       | (5.6)       |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

A 100 bps decrease in interest rates at 30 September 2022 would have had the equal but opposite effect on the above to the amounts shown above, on the basis that all other variables remain constant.

#### Fair value of financial instruments

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

#### Financial assets

##### Loans and receivables

|                             | Carrying value       |                      | Fair value           |                      |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
|                             | 30 September<br>2022 | 30 September<br>2021 | 30 September<br>2022 | 30 September<br>2021 |
|                             | £ m                  | £ m                  | £ m                  | £ m                  |
| Cash and cash equivalents   | 17.8                 | 29.8                 | 17.8                 | 29.8                 |
| Trade and other receivables | 93.0                 | 55.8                 | 93.0                 | 55.8                 |
|                             | <u>110.8</u>         | <u>85.6</u>          | <u>110.8</u>         | <u>85.6</u>          |

#### Financial liabilities

##### Financial liabilities at amortised cost

|                          | Carrying value       |                      | Fair value           |                      |
|--------------------------|----------------------|----------------------|----------------------|----------------------|
|                          | 30 September<br>2022 | 30 September<br>2021 | 30 September<br>2022 | 30 September<br>2021 |
|                          | £ m                  | £ m                  | £ m                  | £ m                  |
| Trade and other payables | 526.4                | 421.8                | 526.4                | 421.8                |
| Borrowings               | 242.4                | 281.6                | 242.4                | 281.6                |
|                          | <u>768.8</u>         | <u>703.5</u>         | <u>768.8</u>         | <u>703.5</u>         |

See note 20 for further details on fair values for the borrowings above.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 24 Financial instruments (continued)

##### *Valuation methods and assumptions*

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

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

There were no transfers between levels for the years presented.

#### 25 Related party transactions

##### **Trading transactions**

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

|  | <b>Other related parties</b> |             |
|--|------------------------------|-------------|
|  | <b>2022</b>                  | <b>2021</b> |
|  | <b>£ m</b>                   | <b>£ m</b>  |
| Management charges paid to wider LetterOne Group | 3.8                          | 3.8         |
| Interest paid to wider LetterOne Group           | <u>16.3</u>                  | <u>16.5</u> |

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 25 Related party transactions (continued)

##### Other related party transactions

##### Key management compensation

|   | 30 September<br>2022<br>£ m | 30 September<br>2021<br>£ m |
|---|-----------------------------|-----------------------------|
| Salaries and other short term employee benefits | 4.0                         | 4.4                         |
| Other pension costs                             | 0.4                         | -                           |
| Compensation for loss of office                 | 0.1                         | 0.8                         |
|   | 4.5                         | 5.2                         |

#### 26 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £nil (2021: £2.3m).

#### 27 Parent and ultimate parent undertaking

The company's immediate parent is LIR HB Limited.

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

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

#### 28 Non adjusting events after the financial period

In November 2022, the LIR HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L to the LIR HB Holdings Limited group.

On 30 June 2023, LIR HB Limited, the parent company, subscribed for 949,798 ordinary shares with a nominal value of £1.00 each and share premium of £408,450,136.19. The subscription was notionally satisfied by an intercompany loan restructure across the LIR HB Holdings Limited group at that date, resulting in the assignment of intercompany loans from LIR HB Limited, which had been assigned from LIR HB Finance Limited.

In April 2023, a decision was made to cease the trading of Blow Limited.

In January 2023, a decision was made to close the distribution site in Ireland.

## Holland & Barrett International Limited

### Notes to the Consolidated Financial Statements for the Year Ended 30 September 2022

#### 29 Subsidiaries exempt from audit

The Company has guaranteed the liabilities of the following subsidiaries in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ended 30 September 2022. As a condition of the exemption, the Company has guaranteed the year-end liabilities of the relevant subsidiaries until they are settled in full.

| Company                             | Company Number |
|-------------------------------------|----------------|
| Holland & Barrett Group Limited     | 03086306       |
| Holland & Barrett Holdings Limited  | 03262074       |
| Beyond 100 Limited                  | 12526822       |
| Health & Diet Group Limited         | 00969167       |
| Health & Diet Centres Limited       | 01981210       |
| Holland & Barrett (Benelux) Limited | 08684899       |
| Precision Engineered Limited        | 05059593       |

#### 30 Reserves

##### *Share premium*

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

##### *Foreign currency translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

##### *Accumulated losses*

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

##### *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 LIR HB Finance (Netherlands) B.V. in the year ended 30 September 2018.

# Holland & Barrett International Limited

## Company Income Statement for the Year Ended 30 September 2022

|  | Note | 2022<br>£ m          | 2021<br>£ m         |
|--|------|----------------------|---------------------|
| Administrative expenses, excluding exceptional items |      | (0.2)                | -                   |
| Exceptional administrative expenses                  | 5    | (3.2)                | 0.2                 |
| Total administrative expenses                        |      | <u>(3.4)</u>         | <u>0.2</u>          |
| Operating (loss)/profit                              |      | (3.4)                | 0.2                 |
| Finance income                                       |      | 0.1                  | -                   |
| Interest payable and similar expenses                |      | <u>(11.6)</u>        | <u>(11.6)</u>       |
| Net finance costs                                    | 6    | <u>(11.5)</u>        | <u>(11.6)</u>       |
| Loss before tax                                      |      | (14.9)               | (11.4)              |
| Income tax (expense)/credit                          | 7    | <u>(0.2)</u>         | <u>2.1</u>          |
| Loss for the year                                    |      | <u><u>(15.1)</u></u> | <u><u>(9.3)</u></u> |

The notes on pages 73 to 84 form an integral part of these financial statements.



# Holland & Barrett International Limited

(Registration number: 04515115)

## Company Balance Sheet as at 30 September 2022

|                                   | Note | 30 September<br>2022<br>£ m | 30 September<br>2021<br>£ m |
|-----------------------------------|------|-----------------------------|-----------------------------|
| <b>Assets</b>                     |      |                             |                             |
| <b>Fixed assets</b>               |      |                             |                             |
| Investments                       | 8    | 578.1                       | 577.1                       |
| Deferred tax assets               | 7    | <u>4.1</u>                  | <u>4.3</u>                  |
|                                   |      | 582.2                       | 581.4                       |
| <br>Total assets                  |      | <br><u>582.2</u>            | <br><u>581.4</u>            |
| <br><b>Equity and liabilities</b> |      |                             |                             |
| <b>Current liabilities</b>        |      |                             |                             |
| Trade and other payables          | 9    | (365.7)                     | (349.7)                     |
| Provisions                        | 10   | <u>(0.8)</u>                | <u>(0.9)</u>                |
|                                   |      | (366.5)                     | (350.6)                     |
| <br><b>Equity</b>                 |      |                             |                             |
| Share premium                     | 12   | (86.4)                      | (86.4)                      |
| Profit and loss account           | 12   | <u>(129.3)</u>              | <u>(144.4)</u>              |
| Total equity                      |      | <u>(215.7)</u>              | <u>(230.8)</u>              |
| Total equity and liabilities      |      | <u>(582.2)</u>              | <u>(581.4)</u>              |

Approved by the Board of Directors on 14/08/2023 and signed on its behalf by:



N D V Allen  
Director

The notes on pages 73 to 84 form an integral part of these financial statements.

## Holland & Barrett International Limited

### Company Statement of Changes in Equity for the Year Ended 30 September 2022

|                             | Share capital<br>£ m | Share<br>premium<br>£ m | Profit and loss<br>account<br>£ m | Total<br>£ m |
|-----------------------------|----------------------|-------------------------|-----------------------------------|--------------|
| At 1 October 2020           | -                    | 86.4                    | 153.7                             | 240.1        |
| Loss for the year           | -                    | -                       | (9.3)                             | (9.3)        |
| Total comprehensive expense | -                    | -                       | (9.3)                             | (9.3)        |
| At 30 September 2021        | -                    | 86.4                    | 144.4                             | 230.8        |

|                             | Share capital<br>£ m | Share<br>premium<br>£ m | Profit and loss<br>account<br>£ m | Total<br>£ m |
|-----------------------------|----------------------|-------------------------|-----------------------------------|--------------|
| At 1 October 2021           | -                    | 86.4                    | 144.4                             | 230.8        |
| Loss for the year           | -                    | -                       | (15.1)                            | (15.1)       |
| Total comprehensive expense | -                    | -                       | (15.1)                            | (15.1)       |
| At 30 September 2022        | -                    | 86.4                    | 129.3                             | 215.7        |

The notes on pages 73 to 84 form an integral part of these financial statements.

## **Holland & Barrett International Limited**

### **Notes to the Company Financial Statements for the Year Ended 30 September 2022**

#### **1 General information**

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

The address of its registered office is:

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

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

#### **2 Accounting policies**

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

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

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

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

The Company's financial statements prepared in accordance with FRS 102. The accounting policies set out in the notes below have been applied in preparing the financial statements for the year ended 30 September 2022 and the comparative information presented in these financial statements for the year ended 30 September 2021. 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 UK adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, and are publicly available. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The Company's presentational and functional currency is Sterling. All amounts in the financial statements have been rounded to the nearest £0.1m.

The financial statements are prepared under the historical cost basis.

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### Going concern

The Directors have assessed going concern over a 24 month period to 30 September 2024. The Holland & Barrett International Limited group meets its day-to-day working capital requirements through its bank facilities. Forecasts and projections, taking account of reasonably possible changes in trading performance, as well as modelling severe but plausible downside scenarios, which amounted to a 10% reduction in EBITDA, show that the Group would potentially require support from its ultimate owner Letterone Investment Holdings SA to be able to continue with the level of capital investment deemed necessary to complete its transformation to a digitally led Wellness business. A letter of support has been provided to this effect by both the Group's ultimate owner and its parent company, LIR HB Holdings Limited.

The LIR HB Holdings Limited group had fully drawn down its revolving credit bank facility of £75m as at 30 September 2022. In November 2022, the LIR HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L. to the LIR HB Holdings Limited group.

Having assessed the principal risks and taking into account the Group's cash balance at the year end, forecasts produced by management which demonstrate that the Group is forecast to generate profits and free cashflow, the fact that the parent group has repaid all external debt in the year ending 30 September 2023, and the letter of support provided by the Group's owners Letter One, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial statements. Further information on the Group's borrowings is given in the notes to the financial statements.

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

- Covid-19. Now that the Covid-19 vaccine roll-out is complete in the countries in which we operate we feel that the risks arising from Covid-19 have been significantly mitigated.
- Supply chain risks. This year has seen some disruption caused by the pandemic, specifically related to the Omicron variant in December 21 & January 22. However, we have worked with our partners to ensure an effective response and to minimise the overall impact.
- Expectations of the futures economic environment. There remains a lot of uncertainty over macro-economic risks brought about by the Covid-19 pandemic, including changing customer behaviours, reduced consumer confidence and governments needing to recoup their budget deficits in the future.

##### Financial instruments

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

##### Basic financial instruments

###### *Financial assets*

Basic financial assets include amounts owed by Group undertakings recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

###### *Financial liabilities*

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

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

###### *Investments in subsidiaries*

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

## **Holland & Barrett International Limited**

### **Notes to the Company Financial Statements for the Year Ended 30 September 2022**

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

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

###### **Financial assets (including amounts owed by Group undertakings)**

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

###### **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

###### **Interest payable and similar expenses**

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

###### **Income from shares in Group undertakings**

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

###### **Taxation**

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

###### **Expenses**

###### *Exceptional items*

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

###### **Debtors**

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

###### **Creditors**

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

###### **Provisions**

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

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

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

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 2 Accounting policies (continued)

##### Dividends

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

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

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

##### *Impairment of investment in subsidiaries*

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

#### 4 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements amounted to £9,000 (2021: £6,000).

Amounts receivable by the Company's auditors and its associate in respect of services to the Company and its associates, other than audit of the Company's financial statements, have not been disclosed in the Company Notes as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, which has been disclosed in note 6 of the Group Notes.

#### 5 Exceptional administration expenses

|                             | 2022<br>£ m | 2021<br>£ m  |
|-----------------------------|-------------|--------------|
| Legal and professional fees | 1.0         | (0.2)        |
| Impairment of Blow Limited  | 2.2         | -            |
|                             | <u>3.2</u>  | <u>(0.2)</u> |

Provisions for ongoing legal cases relates to various settlements and provisions in relation to legal matters arising within the financial year. In 2021 amounts relating to ongoing investigations with HMRC that were accrued in the previous year have been released.

#### 6 Finance income and costs

|  | 2022<br>£ m   | 2021<br>£ m   |
|--|---------------|---------------|
| <b>Finance income</b>                                  |               |               |
| Interest income on bank deposits                       | 0.1           | -             |
|  | <u>0.1</u>    | <u>-</u>      |
| <b>Interest payable and similar expenses</b>           |               |               |
| Interest payable on amounts owed to Group undertakings | (11.6)        | (11.6)        |
|  | <u>(11.6)</u> | <u>(11.6)</u> |

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 7 Income tax

Tax charged/(credited) in the income statement

|  | 2022<br>£ m | 2021<br>£ m |
|--|-------------|-------------|
| <b>Current taxation</b>  |             |             |
| Corporation tax  |             |             |
| Total current income tax                                       | -           | -           |
| <b>Deferred taxation</b>                                       | -           | -           |
| Arising from origination and reversal of temporary differences | 0.2         | (0.6)       |
| Arising from changes in tax rates and laws                     | -           | (1.0)       |
| Adjustments from prior periods                                 | -           | (0.5)       |
| Total deferred taxation  | 0.2         | (2.1)       |
| Tax charge/(credit) in the income statement                    | 0.2         | (2.1)       |

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2021: the same as the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

|  | 2022<br>£ m | 2021<br>£ m |
|--|-------------|-------------|
| Loss before tax  | (14.9)      | (11.4)      |
| Corporation tax at standard rate                                       | (2.8)       | (2.2)       |
| Increase from effect of different tax rates on some earnings           | (0.1)       | -           |
| Increase from tax losses for which no deferred tax asset recognised    | (1.4)       | -           |
| Decrease in current tax from adjustment for prior periods              | -           | (0.5)       |
| Deferred tax (credit)/expense relating to changes in tax rates or laws | -           | (1.0)       |
| Tax decrease from utilisation of tax losses                            | -           | 1.6         |
| Effect of expense not deductible in determining taxable profit         | 4.5         | -           |
| Total tax charge/(credit)  | 0.2         | (2.1)       |

An increase to the main rate of corporation tax from 19% to 25% from 1 April 2023 was substantively enacted on 24 May 2021, with the Finance Bill 2021 receiving Royal Assent on 10 June 2021. Deferred taxes have been measured based on the enacted rate at the year end date and reflected in these financial statements.

#### Deferred tax

Deferred tax assets and liabilities

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 7 Income tax (continued)

| 2022                     | Asset<br>£ m |
|--------------------------|--------------|
| Other timing differences | <u>4.1</u>   |

| 2021                     | Asset<br>£ m |
|--------------------------|--------------|
| Other timing differences | <u>4.3</u>   |

Deferred tax movement during the year:

|                          | At 1 October<br>2021<br>£ m | Recognised in<br>income<br>£ m | At<br>30 September<br>2022<br>£ m |
|--------------------------|-----------------------------|--------------------------------|-----------------------------------|
| Other timing differences | <u>4.3</u>                  | <u>(0.2)</u>                   | <u>4.1</u>                        |

Deferred tax movement during the prior year:

|                          | At 1 October<br>2020<br>£ m | Recognised in<br>income<br>£ m | At<br>30 September<br>2021<br>£ m |
|--------------------------|-----------------------------|--------------------------------|-----------------------------------|
| Other timing differences | 2.2                         | 2.1                            | 4.3                               |

The Company did not recognise deferred income tax assets of £9.0m (2021: £2.0m) in respect of losses amounting to £36.0m (2021: £8.0m) that can be carried forward against future taxable income.

Management have assessed the deferred tax position and anticipates that £4.1m (2021: £4.4m) will not be utilised within the next 12 months.



## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 8 Investments

##### Summary of the company investments

|                             | 30 September<br>2022<br>£ m | 30 September<br>2021<br>£ m |
|-----------------------------|-----------------------------|-----------------------------|
| Investments in subsidiaries | <u>578.1</u>                | <u>577.1</u>                |

| Subsidiaries             | £ m          |
|--------------------------|--------------|
| <b>Cost or valuation</b> | 583.9        |
| At 1 October 2020        | <u>0.1</u>   |
| Additions                | 584.0        |
| At 30 September 2021     | 584.0        |
| At 1 October 2021        | <u>3.2</u>   |
| Additions                | 587.2        |
| At 30 September 2022     | 587.2        |
| <b>Provision</b>         | 6.9          |
| At 1 October 2020        | <u>6.9</u>   |
| At 30 September 2021     | 6.9          |
| At 1 October 2021        | <u>2.2</u>   |
| Impairment               | 9.1          |
| At 30 September 2022     | 9.1          |
| <b>Carrying amount</b>   | 578.1        |
| At 30 September 2022     | <u>577.1</u> |
| At 30 September 2021     | <u>577.1</u> |

Holland & Barrett International Limited acquired 100% subsidiaries Blow Limited on 6 December 2021 and Adia Health Limited on 29 April 2022.

In April 2023, a decision was made to cease the trading of Blow Limited. As a result, the £0.8m investment has been impaired.

Holland & Barrett International Limited purchased minority interests in Floe Oral Care Limited and Healthy Asian Kitchen Limited during the year ending 30 September 2022.

Details of the subsidiaries as at 30 September 2022 and 2021 are as follows:

| Name of subsidiary              | Principal activity           | Registered office                                | Proportion of ownership interest and voting rights held |      |
|---------------------------------|------------------------------|--|---|------|
|                                 |                              |  | 2022  | 2021 |
| L1R HB Finance (Netherlands) BV | Intermediate holding company | 22 Grenville Street, St Helier, Jersey<br>Jersey | 100%  | 100% |

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 8 Investments (continued)

| Name of subsidiary                 | Principal activity                           | Registered office   | Proportion of ownership interest and voting rights held |      |
|------------------------------------|--|---|---|------|
|                                    |  |   | 2022  | 2021 |
| Health & Diet Centres Limited      | Dormant                                      | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Holdings Limited | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Retail Limited   | Retailer of health food and related products | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Group Limited*   | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Health & Diet Group Limited        | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Precision Engineered Limited       | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett Limited          | Retailer of health food and related products | Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland<br>Ireland       | 100%  | 100% |

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 8 Investments (continued)

| Name of subsidiary                           | Principal activity                           | Registered office   | Proportion of ownership interest and voting rights held |      |
|--|--|---|---|------|
|  |  |   | 2022  | 2021 |
| Holland & Barrett (Franchising) Limited      | Intermediate holding company                 | Cedar Drive, Dublin, Airport Logistics Park, Saint Margaret's, Dublin, Ireland<br>Ireland       | 100%  | 100% |
| Holland & Barrett (Benelux) Limited*         | Intermediate holding company                 | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett B.V.                       | Retailer of health food and related products | Piet Heinkade 167, 1019 GM Amsterdam, Netherlands<br>Netherlands                                | 100%  | 100% |
| Holland & Barrett N.V. Limited               | Retailer of health food and related products | Pres. Wilsonplein, 4/288, 9000 Gent, Belgium<br>Belgium   | 100%  | 100% |
| Holland & Barrett Limited                    | Dormant                                      | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Holland & Barrett (South Africa) Pty Limited | Intermediate holding company                 | 1 Waterhouse Place, Cape Town 8001, South Africa<br>South Africa                                | 100%  | 100% |
| Holland & Barrett US Inc                     | IT Service provider                          | 251 Little Falls Drive, Wilmington, DE19808, County of New Castle<br>USA                        | 100%  | 100% |
| Lifecycle 2018 Limited                       | Dormant                                      | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 8 Investments (continued)

| Name of subsidiary   | Principal activity       | Registered office   | Proportion of ownership interest and voting rights held |      |
|----------------------|--------------------------|---|---|------|
|                      |                          |   | 2022  | 2021 |
| Beyond 100 Limited   | Dormant                  | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 100% |
| Blow Limited*        | Business support service | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 0%   |
| Adia Health Limited* | Human health activities  | Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH<br>United Kingdom | 100%  | 0%   |

\* indicates direct investment of the Company

#### 9 Trade and other payables

|                                    | 30 September<br>2022<br>£ m | Company<br>30 September<br>2021<br>£ m |
|------------------------------------|-----------------------------|--|
| Accruals and other creditors       | 0.8                         | 0.1                                    |
| Amounts owed to group undertakings | 364.9                       | 349.6                                  |
|                                    | <u>365.7</u>                | <u>349.7</u>                           |

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

Amounts owed to LIR HB Finance Limited of £200m (2021: £200m) incurs interest at 5.82%. No interest is charged on any other amounts.

## Holland & Barrett International Limited

### Notes to the Company Financial Statements for the Year Ended 30 September 2022

#### 10 Provisions

##### Company

|                       | Legal<br>proceedings<br>£ m | Total<br>£ m |
|-----------------------|-----------------------------|--------------|
| At 1 October 2021     | 0.9                         | 0.9          |
| Additional provisions | 0.4                         | 0.4          |
| Provisions used       | <u>(0.5)</u>                | <u>(0.5)</u> |
| At 30 September 2022  | <u>0.8</u>                  | <u>0.8</u>   |
| Current liabilities   | <u>0.8</u>                  | <u>0.8</u>   |

The above relates to various settlements and provisions in relation to legal matters arising within the financial year. In the current financial year these relate to settlements with franchisees and goods for resale suppliers.

All provisions are recognised as current liabilities and are expected to be settled within 12 months of the balance sheet date.

#### 11 Share capital

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

|                            | No.        | 30 September<br>2022<br>£ | No.        | 30 September<br>2021<br>£ |
|----------------------------|------------|---------------------------|------------|---------------------------|
| Ordinary shares of £1 each | <u>202</u> | <u>202</u>                | <u>202</u> | <u>202</u>                |

#### 12 Reserves

##### Share premium

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

##### Profit and loss account

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

## **Holland & Barrett International Limited**

### **Notes to the Company Financial Statements for the Year Ended 30 September 2022**

#### **13 Parent and ultimate parent undertaking**

The Company's immediate parent is LIR HB Limited, incorporated in Jersey.

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

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

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

In November 2022, the LIR HB Holdings Limited group purchased all of its external debt. The acquisition of the external debt was funded by a loan from DEA Finance S.A.R.L., a company in the LetterOne group. By 30 June 2023, a further £40m loan had been provided by DEA Finance S.A.R.L to the LIR HB Holdings Limited group.

On 30 June 2023, LIR HB Limited, the parent company, subscribed for 949,798 ordinary shares with a nominal value of £1.00 each and share premium of £408,450,136.19. The subscription was notionally satisfied by an intercompany loan restructure across the LIR HB Holdings Limited group at that date, resulting in the assignment of intercompany loans from LIR HB Limited, which had been assigned from LIR HB Finance Limited.

In April 2023, a decision was made to cease the trading of Blow Limited.

In January 2023, a decision was made to close the distribution site in Ireland.