

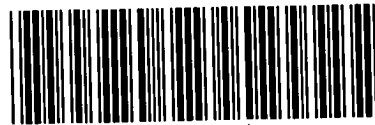
Holland & Barrett Group Limited

**Annual report and financial
statements**

Registered number 03086306

30 September 2017

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Directors and advisors

Directors

C. Keen
L. Garley-Evans

Company secretary

L. Garley-Evans

Registered office

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

Independent auditors

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

Strategic Report

The directors present their strategic report on the Company for the year ended 30 September 2017.

Principal activities

The principal activities of the Company during the year were the retailing of health food and related products through mail order and internet trading, and also acting as an intermediate holding company.

Acquisition by LetterOne

On 31 August 2017, the group headed by Holland & Barrett International Limited, including the Company, was acquired by LetterOne through its retail division, L1 Retail, for consideration of £1.74 billion.

Review of business and future developments

The results of the Company show sales of £42,146,000 (2016: £35,909,000) and a profit before taxation of £46,751,000 (2016: loss of £57,861,000). During the year to 30 September 2016, the Company recognised an impairment loss of £5,840,000 (2016: 222,446,000) in respect of its investment in Health & Diet Group Limited. Excluding this, profit before taxation would be £52,591,000 (2016: £164,585,000).

During the year the Company received dividends of £48,147,966 (2016: £158,210,314) from Holland & Barrett Holdings Limited as follows:

• 3 October 2016	£19,000,000
• 31 March 2017	£ 4,863,477
• 31 May 2017	£10,835,131
• 17 August 2017	£13,449,358

On the same dates, the Company approved and paid dividends to Holland & Barrett International Limited totalling £48,147,966 (2016: £158,210,314) for the year, equating to £1,094,272 (2016: £3,595,681) per ordinary share.

The profit and loss account is set out on page 8 and the balance sheet on page 9. Both the activity in the year and the year end financial position of the Company remain satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future. The company will continue to develop and maintain its performance in line with its existing principal activities.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from both national and independent internet and mail order retailers, employee retention and product availability. The directors' continue to monitor its competitors, new products to the market including their availability and viability and have established employee management and incentive schemes in place in order to retain high calibre individuals.

The Company is also the holding company for a number of wholly owned subsidiaries. The key risk affecting the Company is related to the performance of the subsidiaries and any requirement for a potential impairment of the carrying value of investments held.

Strategic Report *(continued)*

Key performance indicators (“KPIs”)

Management consider a broad range of retail metrics when operating the business. The key performance measures are detailed below:

	2017 £000	2016 £000
Turnover	42,146	35,909
Gross profit	25,531	22,395
Gross profit percentage	60.6%	62.4 %
Operating profit	10,526	8,603
EBITDA	11,609	9,545

The Company also monitors site visits, orders, conversion, average order value, average basket size and average selling price on a regular basis.

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

C Keen
Chief Financial Officer



27 February 2018

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 30 September 2017. Future developments are disclosed in the Strategic Report.

Financial risk management

The Company's activities expose it to financial risk. The main risk arises from currency and intercompany loans. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company's management team and directors continually monitor the position of the Company.

Dividends

During the year the Company received dividends from Holland & Barrett Holdings Limited of £48,147,966 (2016: £158,210,314).

On the same dates, the Company approved and paid to Holland & Barrett International Limited dividends totalling £48,147,966 (2016: £158,210,314) for the year, equating to £1,094,272 (2016: £3,595,681) per share.

Directors

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

P. Aldis	(resigned 17 November 2017)
C. Keen	
M. Moran	(resigned 30 September 2017)
K. Rowe	(resigned 17 November 2017)
L. Garley-Evans	

Going concern

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Directors' report *(continued)*

Statement of directors' responsibilities *(continued)*

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

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

C Keen
Chief Financial Officer



27 February 2018

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 30 September 2017; the Profit and Loss Account, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

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

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

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on pages 4-5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

27 February 2018

Profit and Loss Account
for the year ended 30 September 2017

	Note	2017 £000	2016 £000
Turnover	2	42,146	35,909
Cost of sales		(16,615)	(13,514)
Gross profit		25,531	22,395
Selling and distribution costs	3	(15,790)	(13,792)
Other operating income	4	785	-
Operating profit		10,526	8,603
Income from other fixed asset investments		-	3,912
Income from shares in group undertakings	7	48,148	158,210
Impairment of investment in subsidiaries	14	(5,840)	(222,446)
Other interest receivable and similar income	8	109	108
Interest payable and similar charges	9	(6,192)	(6,248)
Profit/(loss) before taxation		46,751	(57,861)
Tax on profit	10	74	1
Profit/(loss) for the financial year		46,825	(57,860)

All activity derives from continuing operations.

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

The notes of pages 11 to 21 form an integral part of these financial statements,

Balance Sheet

as at 30 September 2017

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	12	6,059	4,863
Tangible assets	13	1,067	1,145
Investments	14	570,319	576,159
		577,445	582,167
Current assets			
Debtors	15	849,978	797,707
Creditors: amounts falling due within one year	16	(1,130,833)	(1,053,687)
Net current liabilities		(280,855)	(255,980)
Total assets less current liabilities		296,590	326,187
Creditors: amounts falling due after more than one year	17	(13,220)	(41,420)
Provisions for liabilities			
Deferred tax liability	18	(4)	(78)
Net assets		283,366	284,689
Capital and reserves			
Called up share capital	19	-	-
Profit and loss account		283,366	284,689
Total shareholders' funds		283,366	284,689

The notes on pages 11 to 21 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 27 February 2018 and were signed on its behalf by:



C Keen
Chief Financial Officer

Company registered number: 03086306

Statement of Changes in Equity
for the year ended 30 September 2017

	Called up share capital	Profit and loss account	Total Shareholders' funds
	£000	£000	£000
Balance as at 1 October 2015	-	500,759	500,759
Total comprehensive expense for the year			
Loss for the financial year	-	(57,860)	(57,860)
Transactions with owners recorded directly in equity			
Dividends paid (<i>note 11</i>)	-	(158,210)	(158,210)
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2016	-	284,689	284,689
	<hr/>	<hr/>	<hr/>
Balance as at 1 October 2016	-	284,689	284,689
Total comprehensive income for the year			
Profit for the financial year	-	46,825	46,825
Transactions with owners recorded directly in equity			
Dividends paid (<i>note 11</i>)	-	(48,148)	(48,148)
	<hr/>	<hr/>	<hr/>
Balance as at 30 September 2017	-	283,366	283,366
	<hr/>	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Holland & Barrett Group Limited (the “Company”) is a private company limited by shares and incorporated and domiciled in the UK.

The Company’s (registered number 03806306) registered address is Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH, which is part of Warwickshire in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

1.1 Statement of compliance

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

1.2 Basis of preparation

The Company’s financial statements are 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 2017 and the comparative information presented in these financial statements for the year ended 30 September 2016.

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

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

As the consolidated financial statements of Holland & Barrett International Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.3 Measurement convention

The financial statements are prepared on the historical cost basis.

1.4 Going concern

Having regard to the current financial position and future plans for the business, the directors do not believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. Thus, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

1.5 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.6 Classification of financial instruments issued by the Company

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

1.7 Basic financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets include trade and other debtors, cash and bank balances and amounts owed by group undertakings recognised initially at transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Financial liabilities

Basic financial liabilities include trade and other payables and amounts owed to group undertakings recognised initially at 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.

Investments in subsidiaries

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

1.8 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Fixtures, fittings and equipment 3 -10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

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

1.9 Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- software costs 3 -10 years

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

Notes (continued)

1 Accounting policies (continued)

1.10 Impairments

Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. 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. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

1.11 Employee benefits

Defined contribution plans

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

1.12 Turnover

All turnover originates from operations in the United Kingdom.

Retail sales

The Company operates retail stores for the sale of health food products. Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes and discounts. Turnover is recognised at the point of sale or despatch of the goods.

Other operating income

The Company holds the licenses for brands utilised by fellow Group undertakings. Royalties and fees charged for the use of the brands is recognised as other operating income.

1.13 Commercial income

There are two types of commercial income recognised by the company, both of which are recorded within cost of sales:

Volume based rebates

Income is earned by achieving volume or spend targets set by the supplier over a specific period of time. Income is recognised through the year based on actual sale performance and the terms of the supplier agreements. Income is invoiced throughout the year in accordance with the specific supplier terms. Income is recognised as a reduction to the cost of goods sold.

Marketing and advertising funding

Income is earned in respect of in-store point of sale marketing and promotions. Income is invoiced throughout the year in accordance with the specific supplier terms. Income is recognised as a reduction to the cost of goods sold during the promotional period.

Notes (continued)

1 Accounting policies (continued)

1.14 Interest receivable and payable

Interest payable and similar charges include interest payable recognised in profit or loss as they accrue, using the effective interest method. Other interest receivable and similar income include interest receivable on funds invested as they accrue, using the effective interest method.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax 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.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

1.16 Dividend distribution

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

2 Turnover

All turnover relates to the principal activity of the Company, which is the sale of goods, and is generated in the United Kingdom.

3 Expenses and auditors' remuneration

Included in profit/(loss) are the following:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	168	170
Amortisation of intangible assets	915	772
	<hr/>	<hr/>
<i>Auditors' remuneration:</i>		
	2017 £000	2016 £000
Audit of these financial statements	19	19
	<hr/>	<hr/>

Amounts receivable by the Company's auditors and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Holland & Barrett International Limited.

Notes (continued)

4 Other operating income

	2017 £000	2016 £000
Royalties from Group undertakings	785	-

5 Staff numbers and costs

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

	Number of employees 2017	2016
Sales and administration	97	68

The aggregate payroll costs of these persons were as follows:

	2017	2016
Wages and salaries	2,749	2,590
Social security costs	168	142
Other pension costs	15	11
	2,932	2,743

6 Directors' remuneration

The directors received no remuneration in respect of their services to the Company (2016: £nil).

The remuneration of the directors is borne by Holland & Barrett Retail Limited, another group company. No recharge is made to the Company (2016: £nil) as it is not practical to allocate their remuneration from other group companies for services rendered. The directors received total remuneration of £14,191,000 (2016: £3,416,000) and pension contributions of £74,000 (2016: £230,000). Total remuneration included amounts related to settlement of share options of £10,736,000 (2016: £nil). At 30 September 2017, retirement benefits were accruing to no (2016: one) director under the group's defined contribution benefit scheme.

7 Income from shares in group undertakings

	2017 £000	2016 £000
Dividends received from subsidiary undertaking	48,148	158,210

During the year, total dividends of £48,147,966 (2016: £158,210,314) were received from Holland & Barrett Holdings Limited.

8 Other interest receivable and similar income

	2017 £000	2016 £000
Preference share dividend received from other group companies	109	108

Notes (continued)

9 Interest payable and similar charges

	2017 £000	2016 £000
Interest payable to group undertakings	6,192	6,248

10 Tax on profit/(loss)

Total tax credit recognised in the profit and loss account

	2017 £000	£000	2016 £000	£000
<i>Current tax</i>				
Adjustments in respect of prior periods	-		-	
Total current tax		-		-
<i>Deferred tax (see note 18)</i>				
Origination and reversal of timing differences	(84)		4	
Adjustment in respect of previous period	(1)		-	
Change in tax rate	11		(5)	
Total deferred tax		(74)		(1)
Total tax expense		(74)		(1)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) for the financial year	46,825	(57,860)
Total tax credit	(74)	(1)
Profit/(loss) before taxation	46,751	(57,861)
Tax using the UK corporation tax rate of 19.5% (2016: 20.0%)	9,116	(11,572)
Reduction in tax rate on deferred tax balances	11	(5)
Non-deductible expenses	1,161	44,494
Non-taxable dividends from subsidiary undertakings	(9,409)	(32,446)
Effect of group/other reliefs	(952)	(472)
Adjustments from previous periods	(1)	-
Total tax credit	(74)	(1)

Notes (continued)

10 Tax on profit/(loss) (continued)

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(loss) for the financial year	46,825	(57,860)
Total tax credit	(74)	(1)
	<hr/>	<hr/>
Profit/(loss) before taxation	46,751	(57,861)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19.5% (2016: 20.0%)	9,116	(11,572)
Reduction in tax rate on deferred tax balances	11	(5)
Non-deductible expenses	1,161	44,494
Non-taxable dividends from subsidiary undertakings	(9,409)	(32,446)
Effect of group/other reliefs	(952)	(472)
Adjustments from previous periods	(1)	-
	<hr/>	<hr/>
Total tax credit	(74)	(1)
	<hr/>	<hr/>

Factors affecting current and future tax charges

Reductions in the UK corporation tax rate from 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% instead of the above change to 18% (effective from 1 April 2020) was substantively enacted on 6 September 2016. These will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 September 2017 has been calculated based on these rates.

11 Dividends paid

	2017 £000	2016 £000
Dividends paid of £1,094,272 (2016: £3,595,681) per ordinary share	48,148	158,210
	<hr/>	<hr/>

Notes (continued)

12 Intangible assets

	Software costs £000
Cost	
Balance at 1 October 2016	6,143
Additions	2,111
	<hr/>
Balance at 30 September 2017	8,254
	<hr/>
Accumulated amortisation and impairment	
Balance at 1 October 2016	1,280
Amortisation for the year	915
	<hr/>
Balance at 30 September 2017	2,195
	<hr/>
Net book value	
At 1 October 2016	4,863
	<hr/>
At 30 September 2017	6,059
	<hr/>

Amortisation

The amortisation charge is included within selling and distribution costs in the profit and loss account:

	2017 £000	2016 £000
Amortisation of intangible assets	915	772
	<hr/>	<hr/>

13 Tangible assets

	Fixtures, Fittings and equipment £000
Cost	
Balance at 1 October 2016	1,830
Additions	90
	<hr/>
Balance at 30 September 2016	1,920
	<hr/>
Accumulated depreciation and impairment	
Balance at 1 October 2016	685
Depreciation charge for the year	168
	<hr/>
Balance at 30 September 2017	853
	<hr/>
Net book value	
At 1 October 2016	1,145
	<hr/>
At 30 September 2017	1,067
	<hr/>

Notes (continued)

14 Investments

	Shares in group undertakings £000
Cost and net book value	
At the beginning of the year	576,159
Impairment losses	(5,840)
	<hr/>
At the end of the year	570,319
	<hr/>

During the year, the Company impaired its investment in Health & Diet Group Limited by £5,840,000 as the amount is no longer considered to be recoverable. The remaining investment in Health & Diet Group is supported by the underlying net assets of the entity.

The directors believe that the carrying value of all other investments as of 30 September 2017 is supported by the recoverable amounts of the investees and their subsidiary businesses.

The Company's subsidiary undertakings are as follows:

	Country of incorporation	Principal activity	% of ordinary shares held
Holland & Barrett Holdings Limited	England and Wales	Intermediate holding company	100%
Good 'N' Natural Limited *	England and Wales	Intermediate holding company	100%
Health & Diet Group Limited	England and Wales	Intermediate holding company	100%

* In addition to the ordinary shares held, Holland & Barrett Group Limited holds 2,167,553 (2016: 2,167,553) called up, allotted and fully paid £1 (2016: £1) non-qualified preference shares at par value in Good 'N' Natural Limited. There are no voting rights attached to the preference shares. The preference shares have a fixed 5 percent annual dividend and are redeemable at 20 days business notice for Holland & Barrett Group Limited or Good 'N' Natural Limited.

The Company's indirect subsidiaries are as follows:

Name	Principal activity	Country of incorporation	Percentage of ordinary shares held
<i>Indirect holdings</i>			
Holland & Barrett Retail Limited	Retailer of health foods and related products	England and Wales	100%
Health & Diet Centres Limited	Retailer of health foods and related products	England and Wales	100%
Holland & Barrett (Franchising) Limited	Intermediate holding company	Eire	100%
Holland & Barrett Limited	Retailer of health foods and related products	Eire	100%
Holland & Barrett (South Africa) Pty Limited	Dormant	South Africa	100%
Neal's Yard Wholefoods Limited	Dormant	England and Wales	100%
Holland & Barrett Limited	Dormant	England and Wales	100%
Nutrition Warehouse Limited	Intermediate holding company	England and Wales	100%

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

The registered address of Holland & Barrett Limited and Holland & Barrett (Franchising) Limited (both incorporated in Ireland) is Cedar Drive, Dublin Airport Logistics Park, Saint Margaret's, Dublin, Ireland.

The registered address of Holland & Barrett (South Africa) Pty Limited is 1 Waterhouse Place, Cape Town 8001, South Africa.

Notes (continued)

14 Investments (continued)

The registered address of all other companies is Samuel Ryder House, Barling Way, Eliot Park, Nuneaton, Warwickshire, CV10 7RH.

In the year ended 30 September 2017, Health from Herbs Limited, Lifecycle Limited, Beaumont Health Stores Limited, Hillstart Limited, Nature's Way Limited, Health and Diet Food Company, Herbal Plus Limited, Blakeys Food Company Limited and Health Stop Limited were dissolved.

15 Debtors

	2017 £000	2016 £000
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	849,876	795,602
Prepayments and accrued income	102	2,105
	<u>849,978</u>	<u>797,707</u>

Amounts owed by group undertakings are unsecured, interest-free and are repayable on demand.

16 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Amounts owed to group undertakings	1,130,637	1,053,315
Accruals and deferred income	196	372
	<u>1,130,833</u>	<u>1,053,687</u>

Loans of £28,200,000 owed to group undertakings (2016: £28,200,000) have a fixed date of repayment of 30 September 2018 with interest charged at commercial rates payable per annum. All other amounts to group undertakings are unsecured, interest-free and are repayable on demand.

17 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Amounts owed to group undertakings	13,220	41,420

Amounts owed to group undertakings are unsecured. Interest is charged at commercial rates payable per annum.

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	2016 £000	Liabilities 2017 £000	2016 £000	Net 2017 £000	2016 £000
Accelerated capital allowances	-	-	(4)	(78)	(4)	(78)
Net tax liabilities	<u>-</u>	<u>-</u>	<u>(4)</u>	<u>(78)</u>	<u>(4)</u>	<u>(78)</u>

Notes (continued)

19 Called up share capital

	2017 £000	2016 £000
<i>Allotted, called up and fully paid</i>		
44 (2016: 44) ordinary shares of £0.10 each	-	-

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

20 Related parties

The Company has transacted in the year with related parties, being subsidiaries and other members of the wider group of The Nature's Bounty Co. prior to 31 August 2017 and with the wider group of Letterone Investment Holdings S.A. with effect from 31 August 2017. As all such related parties transacted with are wholly owned members of the wider group, the Company has taken advantage of FRS 102 33.11 from disclosing transactions with such fellow Group members.

21 Ultimate parent company and parent company of larger group

The immediate parent undertaking is Holland & Barrett International Limited, a company incorporated in England and Wales.

Prior to 31 August 2017, the Company's ultimate parent undertaking and controlling party was The Carlyle Group, a company incorporated in the United States of America. With effect from 31 August 2017, the Company's ultimate parent and controlling party is Letterone Investment Holdings S.A., a company incorporated in Luxembourg.

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

22 Accounting estimates and judgements

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

Recoverability of amounts owed by group undertakings

The recoverability of amounts owed by group undertakings are assessed at each balance sheet date based upon forecast cash flows of the businesses. Provisions are made where recoverability is not deemed probable.

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.

Fixed assets valuation (including both tangible and intangible assets)

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