

Holland & Barrett Retail Limited

Annual report and financial statements  
for the year ended 30 September 2009

Company registration number 02758955



# **Holland & Barrett Retail Limited**

## **Annual report and financial statements for the year ended 30 September 2009**

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# **Holland & Barrett Retail Limited**

## **Officers and professional advisors**

### **Directors**

P Aldis  
R Craddock  
H Kamil  
M Kendrick  
M Moran  
B Vickers

### **Company secretary**

R Craddock

### **Registered office**

Samuel Ryder House  
Townsend Drive  
Attleborough Fields  
Nuneaton  
Warwickshire  
CV11 6XW

### **Independent auditors**

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

# **Holland & Barrett Retail Limited**

## **Directors' report for the year ended 30 September 2009**

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 2009

### **Principal activities**

Holland & Barrett Retail Limited ("the company") operates over 530 health stores in the UK. Holland & Barrett market a broad line of nutritional supplement products, including vitamins, minerals and herbal remedies, as well as food products which include fruits, nuts, snacks and other items.

### **Business review**

The results of the company show a pre-tax profit of £41,161,000 (2008: £46,284,000) for the year and sales of £249,645,000 (2008: £244,303,000).

Both the activity in the year and the year end financial position of the company remain satisfactory. However, the company is experiencing some organic growth restrictions due to the difficult economic trading conditions currently being experienced within the retail sector.

### **Future developments**

The objective of the company's management team is to continue to produce a satisfactory performance within the brand, through expansion in the store estate, introduction of new products, effective promotional activity and continued investment in people.

### **Business environment**

The health store market is highly fragmented. There are estimated to be more than 1,000 independent health stores operating in the UK. Furthermore, there is increasing competition from the national supermarket chains and other retailers, such as chemists, drugstores and internet traders.

The group has differentiated itself from its mass market competitors by developing a specialist reputation, whilst at the same time offering high quality products at a low, value price.

### **Strategy**

The company's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of strategic acquisition and organic growth.

# **Holland & Barrett Retail Limited**

## **Directors' report for the year ended 30 September 2009 (continued)**

### **Strategy (continued)**

The key elements to the company's strategy for growth are

- **Acquisition**

The company continues its strategy of selectively expanding the number of stores located throughout the UK. The company will also continue to look at franchising opportunities worldwide.

- **New products**

The company has consistently been among the first in the industry to introduce innovative products in response to new studies, research and consumer preferences. Given the changing nature of consumer demand for new products and the continued publicity about the importance of nutritional supplements, the directors believe that the company will continue to maintain its core customer base and attract new customers through its ability to respond rapidly to consumer demand.

- **Promotions and marketing**

The company runs regular promotional activity to increase sales. In conjunction with this, there is aggressive marketing of high quality, value-oriented products.

- **Training and development**

The company invests heavily in its Training Academy, which delivers the most comprehensive and well developed product training programmes within the industry. This ensures that staff are able to offer the best possible customer service.

As a result, the directors remain confident that the current level of performance will be maintained or improved in the future.

### **Principal risks and uncertainties**

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

The key business risks affecting the company are set out below.

- **Competition**

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

# Holland & Barrett Retail Limited

## Directors' report for the year ended 30 September 2009 (continued)

### Principal risks and uncertainties (continued)

- Employees

The company's performance is highly dependent upon both its management and retail staff. The resignation of key individuals and the inability to recruit retail staff with the necessary experience and skills could adversely impact upon the company's results. To mitigate these issues, the company has implemented incentive schemes designed to retain key individuals and has created a Training Academy for the development of its retail staff.

- Legislation

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

- Financial

The company's activities expose it to financial risk. The main risk arises from currency and interest bearing 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the euro and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

### Key performance indicators

The directors of NBTY Europe Limited manage the group's operations on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of the company.

### Dividends

A dividend of £14,321,000 (2008: £27,756,000) equating to £13.64 (2008: £26.43) per ordinary share was paid during the year.

# **Holland & Barrett Retail Limited**

## **Directors' report for the year ended 30 September 2009 (continued)**

### **Directors**

The directors who held office during the year and up to the date of signing of the financial statements were as follows

P Aldis  
R Craddock  
H Kamil  
M Kendrick (appointed 1 October 2008)  
M Moran  
B Vickers

### **Political and charitable donations**

The company made charitable donations to UK based organisations of £8,335 (2008 £14,797). Charitable donations made were predominantly to associations and charities involved with distributing health care in the developing world. No political contributions were made during the year (2008 £nil).

### **Employees**

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

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

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

### **Payment of suppliers**

It is the company's policy that appropriate terms and conditions for its transactions are agreed with suppliers, that payments are made in accordance with these terms, provided that the supplier has also complied with all terms and conditions, and that no alterations are made to payment terms without prior agreement. Trade creditors at the year end represented 71 days (2008 69 days) of purchases.

**Company registration number** 02758955

### **Post balance sheet events**

On 24 March 2010, the company declared a dividend of £15,000,000 payable to Holland & Barrett Holdings Limited.

### **Statement of directors' responsibilities**

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

# Holland & Barrett Retail Limited

## Directors' report for the year ended 30 September 2009 (continued)

### Statement of directors' responsibilities (continued)

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

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

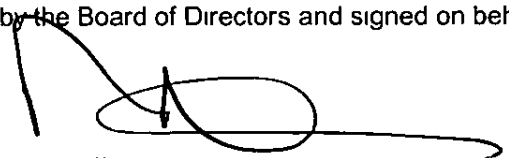
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

In accordance with Section 418 of the Companies Act 2006, in the case of each director in office at the date the Directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

  
P. Aldis  
Chief Executive Officer  
29 June 2010



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

We have audited the financial statements of Holland & Barrett Retail Limited for the year ended 30 September 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 September 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Jackie Bradshaw (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands  
29 June 2010

# Holland & Barrett Retail Limited

## Profit and loss account for the year ended 30 September 2009

		2009	2008
	Note	£'000	£'000
<b>Turnover</b>	1	<b>249,645</b>	244,303
Cost of sales		(99,285)	(96,198)
<b>Gross profit</b>		<b>150,360</b>	148,105
Exceptional net operating expenses	5	(1,696)	-
Other net operating expenses		(107,586)	(103,336)
Net operating expenses	2	(109,282)	(103,336)
<b>Operating profit</b>	3	<b>41,078</b>	44,769
Interest receivable and similar income	6	223	1,972
Interest payable and similar charges	7	(140)	(457)
<b>Profit on ordinary activities before taxation</b>		<b>41,161</b>	46,284
Tax on profit on ordinary activities	9	(8,995)	(10,817)
<b>Profit for the financial year</b>	18	<b>32,166</b>	35,467

All activity derives from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial years and their historical cost equivalents

The company has no recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses have been presented

# Holland & Barrett Retail Limited

## Balance sheet as at 30 September 2009

		2009	2008
	Note	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	11	544	404
Tangible assets	12	36,842	37,970
Investments	13	-	-
		<b>37,386</b>	<b>38,374</b>
<b>Current assets</b>			
Stocks – goods for resale		<b>43,524</b>	32,837
Debtors	14	<b>339,810</b>	318,336
Cash at bank and in hand		<b>16,525</b>	8,273
		<b>399,859</b>	<b>359,446</b>
Creditors: amounts falling due within one year	15	<b>(343,170)</b>	(321,177)
<b>Net current assets</b>		<b>56,689</b>	<b>38,269</b>
<b>Total assets less current liabilities</b>		<b>94,075</b>	<b>76,643</b>
Provisions for liabilities and charges	16	<b>(90)</b>	(503)
<b>Net assets</b>		<b>93,985</b>	<b>76,140</b>
<b>Capital and reserves</b>			
Called up share capital	17	<b>1,050</b>	1,050
Profit and loss account	18	<b>92,935</b>	75,090
<b>Total shareholders' funds</b>	19	<b>93,985</b>	<b>76,140</b>

These financial statements from pages 9 to 25 were approved by the Board of Directors on 2 June 2010

Signed on behalf of the Board of Directors



R Craddock  
Director

# **Holland & Barrett Retail Limited**

## **Notes to the financial statements for the year ended 30 September 2009**

### **1 Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts

#### **Accounting convention**

The accounts have been prepared under the historical cost convention, on the going concern basis and in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards

In accordance with Section 401 of the Companies Act 2006, the company has not prepared group accounts since it is a wholly owned subsidiary of a larger group. Group accounts are prepared by NBTY, Inc., a company incorporated in the United States of America.

The company is exempt from producing a cash flow statement as required by FRS 1 (Revised 1996) 'Cash Flow Statements' as it is a wholly owned subsidiary undertaking within the context of paragraph 5(a) of the standard. A consolidated group cash flow statement is presented in the financial statements of the ultimate parent company.

#### **Turnover**

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes and is attributable to the principal activity of the company for continuing operations. Turnover is recognised at the point of sale or despatch of the goods. All turnover originates from United Kingdom operations, and consists solely of the retailing of health food products in the United Kingdom.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the cost attributed to bringing the asset to its working condition for its intended use. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Fixtures, fittings and equipment	10 - 20% on a straight line basis
Freehold buildings	4% on a straight line basis

Freehold land is not depreciated. Finance costs directly attributable to the construction of fixed assets are capitalised as part of the cost of those assets.

#### **Goodwill**

Goodwill relates to the excess of the purchase price over the fair value of the net assets of the business acquired. Goodwill is capitalised as an intangible fixed asset and amortised on a straight line basis over its estimated useful economic life. For acquisitions to date this has been determined at a range between 10 and 20 years, which the directors consider to be an appropriate useful economic life.

# **Holland & Barrett Retail Limited**

## **Notes to the financial statements for the year ended 30 September 2009 (continued)**

### **1 Accounting policies (continued)**

#### **Impairment of stores**

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount in accordance with Financial Reporting Standard 11 'Impairment of Fixed Assets and Goodwill'. When stores are not considered to be profitable in the foreseeable future, the property values are written down to the recoverable amount (which is the higher of an asset's fair value less costs to sell and value in use) and if necessary an onerous lease provision is recognised in accordance with Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets'.

#### **Leases**

The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Benefits received as an incentive to sign a lease, whatever form they take are credited to the profit and loss account on a straight line basis over the life of the lease or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate. The corresponding liability is held within deferred income on the balance sheet.

#### **Investments**

Investments held as fixed assets are stated at cost less any provision for impairment.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value. In determining the cost a FIFO (first in first out) valuation is used. Provision is made for obsolete, slow moving or defective items.

#### **Other operating income**

Other operating income comprises supplier promotional income in the year to which it relates.

#### **Taxation**

The tax charge is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The company's liability for current tax is calculated using average tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the liability method, in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current taxes and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 1 Accounting policies (continued)

#### Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date, or if appropriate, at the forward contract rate.

#### Pensions

The NBTY Europe Limited group operates its own defined contribution pension scheme, which is administered by an independent insurance company. Contributions paid into the scheme are expensed to the profit and loss account.

#### Related party transactions

By virtue of the company being a wholly owned subsidiary included in the accounts of a larger group, whose accounts are publicly available, the company is exempt under Financial Reporting Standard 8 'Related party disclosures' from disclosing transactions or balances with entities which are part of the group that qualify as related parties.

#### Share based payments

The ultimate parent company, NBTY, Inc., has issued two tranches of share options to certain directors and employees. The grant date of the options was 1 February 2008 and 23 June 2009. The terms are 10 years with vesting rights of 0% on the first anniversary, and a third on each of the second, third and fourth anniversaries. The fair value of the options was estimated at the date of grant using the Black-Scholes option-pricing model. The fair value of the options related to those individuals employed by Holland & Barrett Retail Limited will be charged as an expense in the profit and loss account over the vesting period. The charge is adjusted each year to reflect the expected and actual level of vesting.

### 2 Net operating expenses

	2009	2008
	£'000	£'000
Selling and distribution costs	94,948	92,526
Administrative expenses	14,553	12,253
Exceptional administrative expenses (note 5)	1,696	-
	16,249	12,253
Other operating income	(1,915)	(1,443)
	109,282	103,336

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 3 Operating profit

Operating profit is stated after charging/(crediting)

	2009	2008
	£'000	£'000
Depreciation of tangible fixed assets	5,132	4,562
Impairment of tangible fixed assets	170	-
Amortisation of purchased goodwill	28	25
Services provided by the company's auditors		
- Fees payable for the audit	164	189
- Other services pursuant to legislation (borne by NBTY, Inc )	30	29
Loss/(profit) on disposal of fixed assets	130	(90)
Operating lease rentals – other	30,464	27,954
Exceptional administrative expenses	1,696	-

The exceptional administrative expenses are discussed further in note 5

### 4 Staff numbers and costs

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

	2009	2008
	Number	Number
Administration	209	188
Retail	2,887	2,992
Distribution	240	243
	3,336	3,423



# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows

	2009	2008
	£'000	£'000
Wages and salaries	36,909	36,426
Social security costs	2,795	2,812
Share option charge	160	139
Other pension costs	319	311
	40,183	39,688

### 5 Exceptional administrative expenses

	2009	2008
	£'000	£'000
IT charges	1,696	-

The IT charges relate to the write-off of costs on an aborted Electronic Point of Sale ('EPOS') project

### 6 Interest receivable and similar income

	2009	2008
	£'000	£'000
Bank interest	198	1,758
Group interest receivable	25	214
	223	1,972

### 7 Interest payable and similar charges

	2009	2008
	£'000	£'000
Group interest payable	140	457

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 8 Directors' emoluments

The aggregate emoluments of the directors were

	2009	2008
	£'000	£'000
Aggregate emoluments	1,926	1,879
Other pension costs	89	181
	2,015	2,060

The aggregate emoluments of the highest paid director were £490,381 (2008 £474,060) which includes £nil (2008 £nil) relating to the cost of the share option scheme. In addition, pension contributions of £nil (2008 £nil) were made by the company.

Retirement benefits are accruing to four (2008 five) directors under the group's defined contribution pension scheme.

Aggregate emoluments include £129,000 (2008 £102,000) relating to the costs of the share option scheme.

During the year, no (2008 none) directors exercised share options in NBTY, Inc.

### 9 Tax on profit on ordinary activities

The tax is based on the profit for the year and comprises

	2009	2008
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax charge at 28% (2008 29%) based on profit for the year	9,681	10,928
Adjustments in respect of prior years	(273)	585
Current tax charge for the year	9,408	11,513
<b>Deferred tax</b>		
Origination and reversal of timing differences	(397)	(272)
Adjustment in respect of prior years	(16)	(424)
Deferred tax credit for the year	(413)	(696)
<b>Total tax charge for the year</b>	<b>8,995</b>	<b>10,817</b>

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 9 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 29%)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2009	2008
	£'000	£'000
<b>Profit of ordinary activities before taxation</b>	<b>41,161</b>	<b>46,284</b>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax for the year of 28% (2008 29%)	<b>11,525</b>	<b>13,422</b>
<b>Effects of:</b>		
Disallowable expenses	<b>475</b>	<b>517</b>
Depreciation in excess of capital allowances	<b>389</b>	<b>279</b>
Short term timing differences	<b>8</b>	<b>3</b>
Transfer pricing adjustments	<b>51</b>	<b>(161)</b>
Group relief not paid for	<b>(2,767)</b>	<b>(3,132)</b>
Adjustments in respect of prior years	<b>(273)</b>	<b>585</b>
<b>Current tax charge for the year</b>	<b>9,408</b>	<b>11,513</b>

### 10 Dividends

	2009	2008
	£'000	£'000
Final dividends paid of £13 64 (2008 £26 43) per ordinary share of £1 each	<b>14,321</b>	<b>27,756</b>

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 11 Intangible assets

	Purchased goodwill
	£'000
<b>Cost</b>	
At 1 October 2008	500
Additions	168
As at 30 September 2009	668
<b>Accumulated amortisation</b>	
At 1 October 2008	96
Charge for the year	28
At 30 September 2009	124
<b>Net book value</b>	
At 30 September 2009	544
At 30 September 2008	404

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 12 Tangible assets

	Freehold land and buildings	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 October 2008	17,195	40,737	57,932
Additions	3,232	1,084	4,316
Disposals	(561)	(2,457)	(3,018)
<b>At 30 September 2009</b>	<b>19,866</b>	<b>39,364</b>	<b>59,230</b>
<b>Accumulated depreciation</b>			
At 1 October 2008	6,184	13,778	19,962
Provided in the year	941	4,191	5,132
Provided due to impairment	-	170	170
Disposals	(561)	(2,315)	(2,876)
<b>At 30 September 2009</b>	<b>6,564</b>	<b>15,824</b>	<b>22,388</b>
<b>Net book value</b>			
<b>At 30 September 2009</b>	<b>13,302</b>	<b>23,540</b>	<b>36,842</b>
At 30 September 2008	11,011	26,959	37,970

Included within freehold land and buildings is land of £4,854,000 (2008 £2,294,000) which is not subject to depreciation

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 13 Investments

Share in  
group  
undertakings

£'000

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#### Cost and net book value

At 1 October 2008 and 30 September 2009

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The company has investments in a number of dormant subsidiaries, all of which are registered in England and Wales. Further information has not been provided in respect of these investments as their results and financial position do not significantly affect the figures shown in the financial statements.

### 14 Debtors

Amounts falling due within one year

	2009	2008
	£'000	£'000
Trade debtors	326	314
Amounts owed by group undertakings	322,659	302,969
Prepayments and accrued income	16,825	15,053
	339,810	318,336

Amounts owed by group undertakings are unsecured, are charged interest at commercial rates, have no fixed date of repayment and are repayable on demand.

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

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

	2009	2008
	£'000	£'000
Trade creditors	19,439	18,233
Amounts owed to group undertakings	310,353	287,872
Other taxation and social security	3,143	3,344
Corporation tax payable	2,000	4,713
Other creditors	783	12
Accruals and deferred income	7,452	7,003
	343,170	321,177

Amounts owed to group undertakings are unsecured, are charged interest at commercial rates, have no fixed date of repayment and are repayable on demand

Outstanding pension contributions at the balance sheet date were £nil (2008 £nil)

### 16 Provisions for liabilities and charges

Deferred taxation	£'000
At 1 October 2008	503
Credited to the profit and loss account	(413)
<b>At 30 September 2009</b>	<b>90</b>

The provision for deferred taxation consists of the following amounts

	2009	2008
	£'000	£'000
Capital allowances in excess of depreciation	167	578
Other short-term differences	(77)	(75)
	90	503

There is no unprovided deferred taxation (2008 £nil)

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 17 Called up share capital

	2009	2008
	£'000	£'000
<b>Authorised.</b>		
1,050,000 (2008 1,050,000) ordinary shares of £1 each	1,050	1,050
<b>Allotted and fully paid</b>		
1,050,000 (2008 1,050,000) ordinary shares of £1 each	1,050	1,050

### 18 Profit and loss account

	£'000
At 1 October 2008	75,090
Profit for the financial year	32,166
Dividends (note 10)	(14,321)
<b>At 30 September 2009</b>	<b>92,935</b>

### 19 Reconciliation of movements in total shareholders' funds

	2009	2008
	£'000	£'000
Profit for the financial year	32,166	35,467
Dividends (note 10)	(14,321)	(27,756)
Retained profit for the financial year, being net addition to total shareholders' funds	17,845	7,711
Opening total shareholders' funds	76,140	68,429
Closing total shareholders' funds	93,985	76,140



# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 20 Share based payments

The NBTY, Inc year 2008 Stock Option Plan was introduced in February 2008. Share options are granted at a price equal to the fair market value of NBTY, Inc's common stock on the dates of the grant. The contractual life of an option is 10 years and awards under the scheme are generally reserved for employees at a senior manager level and above. As at 30 September 2009 17 individuals were eligible to participate in the scheme. The company has made grants on 1 February 2008 and 23 June 2009. The options vest over four years with no vesting in year one and one third vesting on the anniversary of the date of the grant in years two, three and four.

Exercise of an option is subject to continued employment. The fair value of each option award is estimated on the date of grant using a Black-Scholes option price model. The fair value per option granted and the assumptions used in the calculation are as follows:

	23 June 2009	1 February 2008
Share price at grant date	\$25.62	\$25.50
Exercise price	\$25.62	\$25.50
Number of employees	17	14
Shares under option	98,000	85,000
Vesting period (years)	4	4
Expected volatility (1)	49%	47%
Option life (years)	10	10
Expected life (years) (2)	6.5	6.4
Risk free rate (3)	2.8%	3.2%
Expected dividends	0%	0%
Fair value per option	\$11.48	\$12.70

(1) Expected volatility is primarily based on the daily historical volatility of NBTY, Inc's stock price, over a period similar to the expected term of the option.

(2) The expected term of the option is based on historical employee exercise behaviour, the vesting terms of the respective option and a contractual life of 10 years.

(3) The risk free rate is based upon the rate on a zero coupon US treasury bill, for the expected term of the option in effect at time of grant.

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 20 Share based payments (continued)

A summary of share option activity during the year ended 30 September 2009 is as follows

	Number of shares	Weighted average exercise price
	'000	\$
Outstanding at beginning of period	84	25 50
Granted	98	25 62
Forfeited	(5)	25 50
Outstanding at end of period	177	25 57
Exercisable at end of period	-	-

Options outstanding				Options exercisable			
Range of exercise prices	Shares out- standing	Weighted average remaining contractual life	Weighted average exercise price	Shares exercisable	Weighted average exercise price	Weighted average remaining contractual life	Intrinsic value
\$	No '000	Years	\$	No '000	£	Years	£
25 50-25 62	177	9 0	25 57	-	-	-	-

# Holland & Barrett Retail Limited

## Notes to the financial statements for the year ended 30 September 2009 (continued)

### 21 Commitments under operating leases

Annual commitments under non-cancellable operating leases are

	2009	2009	2008	2008
	Land and Buildings	Others	Land and Buildings	Others
	£'000	£'000	£'000	£'000
Commitments which expire				
Within one year	4,223	100	3,050	195
Within two to five years	10,412	1,294	11,148	977
After five years	16,064	-	15,246	-
	30,699	1,394	29,444	1,172

### 22 Capital commitments

	2009	2008
	£'000	£'000
Capital expenditure contracted but not provided	13,242	3,245

### 23 Related party transactions

No related party transactions have been disclosed between the company and other group companies as permitted by paragraph 3(c) of Financial Reporting Standard 8 'Related party disclosures'

### 24 Immediate and ultimate parent undertaking and controlling party

The company's immediate parent company and controlling party is Holland & Barrett Holdings Limited. The company's ultimate controlling parent company is that headed by NBTY, Inc., a company incorporated in the United States of America.

The largest and only group into which the results of the company are consolidated is that headed by NBTY, Inc.

Copies of the ultimate parent company's consolidated accounts may be obtained from NBTY, Inc., 90 Orville Drive, Bohemia, New York 11716, USA.

## **Holland & Barrett Retail Limited**

### **Notes to the financial statements for the year ended 30 September 2009 (continued)**

#### **25 Post balance sheet events**

On 24 March 2010, the company declared a dividend of £15,000,000 payable to Holland & Barrett Holdings Limited