

Holland & Barrett Retail Limited

Annual report and accounts

for the year ended 30 September 2003

Registered number: 2758955



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Holland & Barrett Retail Limited

Directors' report and accounts for the year ended 30 September 2003

| | Page |
|---|-------------|
| Directors' report for the year ended 30 September 2003 | 1 |
| Independent auditors' report to the members of Holland & Barrett Retail Limited | 3 |
| Profit and loss account for the year ended 30 September 2003 | 4 |
| Balance sheet as at 30 September 2003 | 5 |
| Notes to the financial statements for the year ended 30 September 2003 | 6 |

Holland & Barrett Retail Limited

Directors' report for the year ended 30 September 2003

The directors present their annual report and audited accounts for the year ended 30 September 2003.

Principal activity

The principal activity of the company during the year was retailing of health products.

Review of business

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Dividends

A dividend of £23.54 (2002: £32.46) per ordinary share was paid during the year.

Directors and directors' interests

The directors who held office during the year and subsequently were as follows:

S Rudolph
H Kamil
B Vickers
R Craddock
Mrs G Day
P Aldis
M Moran (appointed 1 January 2003)

S Rudolph and H Kamil are officers of NBTY Inc., the ultimate controlling parent company and their interests are disclosed in the accounts of that company.

The interests of the other directors are disclosed in the accounts of NBTY Europe Limited.

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.

Holland & Barrett Retail Limited

Directors' report for the year ended 30 September 2003 (continued)

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 68 days (2002 : 69 days) of purchases.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 September 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 17 April 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The company has passed an elective resolution to dispense with the reappointment of auditors at the annual general meeting.

By order of the board



B Vickers
Chief Executive
21 October 2004

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

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
21 October 2004

Holland & Barrett Retail Limited

Profit and loss account for the year ended 30 September 2003

| | Notes | 2003 £'000 | 2002 £'000 |
|--|-------|----------------|----------------|
| Turnover | 1 | 193,945 | 186,218 |
| Cost of sales | | (79,229) | (75,065) |
| Gross profit | | 114,716 | 111,153 |
| Net operating expenses | 2 | (73,544) | (67,209) |
| Operating profit | 3 | 41,172 | 43,944 |
| Income from shares in group undertakings | | 1,521 | 3,558 |
| Interest receivable and similar income | 5 | 574 | 680 |
| Interest payable and similar charges | 6 | (51) | (28) |
| Profit on ordinary activities before taxation | | 43,216 | 48,154 |
| Taxation on profit on ordinary activities | 8 | (10,633) | (12,371) |
| Profit on ordinary activities after taxation | | 32,583 | 35,783 |
| Dividends | 9 | (24,713) | (34,079) |
| Retained profit for the year | 17 | 7,870 | 1,704 |

All the activities of the company are continuing.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the results above and the results on an unmodified historical cost basis.

Holland & Barrett Retail Limited

Balance sheet as at 30 September 2003

| | Notes | 2003 £'000 | 2002 £'000 |
|---|-------|-----------------|---------------|
| Fixed assets | | | |
| Intangible assets | 10 | 81 | 90 |
| Tangible assets | 11 | 25,933 | 25,836 |
| Investments | 12 | 684 | 684 |
| | | 26,698 | 26,610 |
| Current assets | | | |
| Stocks – goods for resale | | 30,482 | 26,793 |
| Debtors | 13 | 41,767 | 15,790 |
| Cash at bank and in hand | | 19,074 | 14,771 |
| | | 91,323 | 57,354 |
| Creditors: amounts falling due within one year | 14 | (70,525) | (44,110) |
| Net current assets | | 20,798 | 13,244 |
| Total assets less current liabilities | | 47,496 | 39,854 |
| Provisions for liabilities and charges | 15 | (952) | (1,180) |
| Net assets | | 46,544 | 38,674 |
| Capital and reserves | | | |
| Called up share capital | 16 | 1,050 | 1,050 |
| Profit and loss account | 17 | 45,494 | 37,624 |
| Equity shareholders' funds | 18 | 46,544 | 38,674 |

The accounts on pages 4 to 19 were approved by the board of directors on 21 October 2004 and were signed on its behalf by:

G Day
Finance Director

Holland & Barrett Retail Limited

Notes to the financial statements for the year ended 30 September 2003

1 Accounting policies

The following accounting policies have been applied consistently, except where set out below, in dealing with items which are considered material in relation to the company's accounts.

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

The company has taken advantage of the exemption under section 228(i) of the Companies Act 1985, not to prepare and file consolidated accounts. The results of the company are included within the group accounts of Holland & Barrett Holdings Limited, an intermediate parent undertaking, which is incorporated in the United Kingdom.

The company is a wholly owned subsidiary of Holland & Barrett Holdings Limited which is controlled by NBTY Inc. NBTY Inc. publishes consolidated accounts, including a consolidated cash flow statement, which includes the results of Holland & Barrett Retail Limited. Consequently, in accordance with Financial Reporting Standard 1 (Revised), no cash flow statement is included in these accounts.

Turnover

Turnover represents goods invoiced excluding value added tax. All sales were made in the United Kingdom.

Depreciation and amortisation

Depreciation is provided so as to write off the cost less estimated residual value of tangible fixed assets over their estimated useful lives. The principal rates used are as follows:

| | |
|----------------------------------|-----------------------------------|
| Motor vehicles | 20% on a straight line basis |
| 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

Impairments of stores

The Group reviews the carrying value of its properties for potential impairment in accordance with Financial Reporting Standard 11 and when deemed appropriate property values are written down and if necessary an onerous lease provision recognised under Financial Reporting Standard 12.

Leasing commitments

All leases are operating leases and the rental charges are charged to the profit and loss account on a straight-line basis over the lease term.

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

1 Accounting policies (continued)

Investments

Investments held as fixed assets are stated at cost less any provision for diminution of value.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax

Deferred tax is provided on all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are temporary differences between profits as computed for tax purposes and profits as stated in the financial statements which arise because certain items of income and expenditure in the financial statements are dealt with in different years for tax purposes.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Pensions

The company 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 from disclosing transactions or balances with entities which are part of the group that qualify as related parties.

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

1 Accounting policies (continued)

Goodwill

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

2 Net operating expenses

| | 2003 | 2002 |
|--------------------------------|---------|---------|
| | £'000 | £'000 |
| Selling and distribution costs | 66,281 | 61,100 |
| Administrative expenses | 8,376 | 7,222 |
| Other operating income | (1,113) | (1,113) |
| | 73,544 | 67,209 |

3 Operating profit

Operating profit is stated after charging:

| | 2003 | 2002 |
|--|--------|--------|
| | £'000 | £'000 |
| Depreciation | 5,409 | 5,358 |
| Amortisation of intangibles | 9 | - |
| Auditors' remuneration: | | |
| Audit fees | 42 | 40 |
| Other services to the company | 79 | 33 |
| Loss on disposal of fixed assets | 43 | 47 |
| Operating lease rentals – land and buildings | 19,504 | 17,432 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

4 Staff numbers and costs

The average monthly number of persons employed by the company during the year, analysed by category, were as follows:

| | 2003 | 2002 |
|----------------|--------|--------|
| | Number | Number |
| Administration | 144 | 116 |
| Retail | 2,711 | 2,737 |
| Distribution | 172 | 149 |
| | 3,027 | 3,002 |

The aggregate payroll costs of these persons were as follows:

| | 2003 | 2002 |
|-----------------------|--------|--------|
| | £'000 | £'000 |
| Wages and salaries | 24,600 | 23,444 |
| Social security costs | 1,773 | 1,475 |
| Pension costs | 288 | 310 |
| | 26,661 | 25,229 |

5 Interest receivable and similar income

| | 2003 | 2002 |
|----------------|-------|-------|
| | £'000 | £'000 |
| Bank interest | 573 | 680 |
| Other interest | 1 | - |
| | 574 | 680 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

6 Interest payable and similar charges

| | 2003 | 2002 |
|---------------------------|-------|-------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 25 | 28 |
| Group interest payable | 26 | - |
| | 51 | 28 |

7 Directors' emoluments

The aggregate emoluments of the directors were:

| | 2003 | 2002 |
|----------------------|-------|-------|
| | £'000 | £'000 |
| Aggregate emoluments | 1,005 | 748 |
| Other pension costs | 128 | 179 |
| | 1,133 | 927 |

The emoluments of the highest paid director were £314,709 (2002: £265,648). In addition, pension contributions of £40,341 (2002: £106,973) were made by the company.

Retirement benefits are accruing to five (2002: four) directors under the group's defined contribution pension scheme.

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

8 Taxation on profit on ordinary activities

| | 2003 | 2002 |
|---|---------------|--------|
| | £'000 | £'000 |
| Current tax: | | |
| UK corporation tax at 30% (2002 : 30%) based on profit for the year | 10,807 | 13,715 |
| Adjustments in respect of prior years | 54 | (820) |
| Current tax charge for the year | 10,861 | 12,895 |
| Deferred tax: | | |
| Origination and reversal of timing differences | (365) | (560) |
| Adjustment in respect of prior years | 137 | 36 |
| | 10,633 | 12,371 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

8 Taxation on profit on ordinary activities (continued)

The tax assessed for the period is different to the standard rate of corporation tax in the UK (30%) as explained below:

| | 2003 | 2002 |
|--|---------------|---------------|
| | £'000 | £'000 |
| Profit on ordinary activities before taxation | 43,216 | 48,154 |
| Profit on ordinary activities multiplied by the average rate of UK corporation tax for the year of 30% (2002: 30%) | 12,965 | 14,446 |
| Effects of: | | |
| Disallowable expenses | 292 | 222 |
| Depreciation in excess of capital allowances | 327 | 483 |
| Movement in short term timing differences | 37 | 76 |
| Difference in NBV and tax written down value transferred | - | (14) |
| Dividends from subsidiary undertakings | (456) | (1,067) |
| Group Relief not paid for | (2,358) | (438) |
| Rounding tax charge | - | 7 |
| Prior year adjustments | 54 | (820) |
| Current tax charge for the year | 10,861 | 12,895 |

9 Dividends

| | 2003 | 2002 |
|--|--------|--------|
| | £'000 | £'000 |
| £23.54 (2002: £32.46) per ordinary share | 24,713 | 34,079 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

10 Intangible fixed assets

| | Goodwill |
|---|----------|
| | £'000 |
| <hr/> | |
| Cost: | |
| <hr/> | |
| At 1 October 2002 and 30 September 2003 | 90 |
| <hr/> | |
| Amortisation: | |
| At 1 October 2002 | - |
| Amortisation for the year | 9 |
| <hr/> | |
| At 30 September 2003 | 9 |
| <hr/> | |
| Net book value: | |
| <hr/> | |
| At 30 September 2003 | 81 |
| <hr/> | |
| At 30 September 2002 | 90 |
| <hr/> | |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

11 Tangible fixed assets

| | Freehold land and buildings | Fixtures, fittings and equipment | Total |
|-----------------------------|-----------------------------------|--|---------------|
| | £'000 | £'000 | £'000 |
| Cost: | | | |
| At 1 October 2002 | 10,326 | 38,255 | 48,581 |
| Additions | 1,921 | 3,926 | 5,847 |
| Disposals | - | (8,192) | (8,192) |
| At 30 September 2003 | 12,247 | 33,989 | 46,236 |
| Depreciation: | | | |
| At 1 October 2002 | 1,034 | 21,711 | 22,745 |
| Charge for the year | 557 | 4,852 | 5,409 |
| Disposals | - | (7,851) | (7,851) |
| At 30 September 2003 | 1,591 | 18,712 | 20,303 |
| Net book value: | | | |
| At 30 September 2003 | 10,656 | 15,277 | 25,933 |
| At 30 September 2002 | 9,292 | 16,544 | 25,836 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

12 Fixed asset investment

Shares in
group
undertakings

£'000

Cost and net book value:

At 30 September 2002 and 30 September 2003

684

The principal subsidiary undertakings are as follows:

| Subsidiary undertakings | Principal activity | Percentage of ordinary shares held |
|--|-------------------------------|------------------------------------|
| Hillstart Limited | Dormant company | 100% |
| Nature's Way Limited | Dormant company | 100% |
| Baumonts Health Stores Limited | Retail of healthfood products | 100% |
| Neal's Yard Wholefoods Limited | Dormant company | 100% |
| Holland & Barrett Limited | Dormant company | 100% |
| Nabarco Advertising Limited | Dormant company | 100% |
| Neal's Yard Wholefoods (Guildford) Limited | Dormant company | 100% |
| Lifecycle Limited | Dormant company | 100% |

All subsidiary undertakings are registered in Great Britain.

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

13 Debtors

| | 2003 | 2002 |
|---|--------|--------|
| | £'000 | £'000 |
| Trade debtors | 87 | 87 |
| Amounts owed by ultimate parent undertaking | 1,923 | - |
| Amounts owed by group undertakings | 29,978 | 6,608 |
| Prepayments and accrued income | 9,779 | 9,095 |
| | 41,767 | 15,790 |

14 Creditors: amounts falling due within one year

| | 2003 | 2002 |
|---|--------|--------|
| | £'000 | £'000 |
| Trade creditors | 14,724 | 13,190 |
| Amounts owed to ultimate parent undertaking | - | 1,644 |
| Amounts owed to group undertakings | 43,907 | 17,503 |
| Other taxation and social security | 2,070 | 985 |
| Corporation tax payable | 5,455 | 7,674 |
| Other creditors and accruals | 4,369 | 3,114 |
| | 70,525 | 44,110 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

15 Provisions for liabilities and charges

| Deferred tax | £'000 |
|---|------------|
| At 1 October 2002 | 1,180 |
| Released to the profit and loss account | (365) |
| Adjustment to the prior year | 137 |
| At 30 September 2003 | 952 |

The provision for deferred taxation consists of the following amounts:

| | 2003 | 2002 |
|--|------------|--------------|
| | £'000 | £'000 |
| Capital allowances in excess of depreciation | 948 | 1,384 |
| Other short-term timing differences | 4 | (204) |
| | 952 | 1,180 |

16 Share capital

| | 2003 | 2002 |
|--|--------------|-------|
| | £'000 | £'000 |
| Authorised: | | |
| 1,050,000 ordinary shares of £1 each | 1,050 | 1,050 |
| Allotted, called up and fully paid: | | |
| 1,050,000 ordinary shares of £1 each | 1,050 | 1,050 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

17 Profit and loss account

| | £'000 |
|-------------------------------|--------|
| At 1 October 2002 | 37,624 |
| Profit for the financial year | 7,870 |
| At 30 September 2003 | 45,494 |

18 Reconciliation of movements in equity shareholders' funds

| | 2003 | 2002 |
|------------------------------------|----------|----------|
| | £'000 | £'000 |
| Profit for the year | 32,583 | 35,783 |
| Dividends | (24,713) | (34,079) |
| Net movement in shareholders funds | 7,870 | 1,704 |
| Opening shareholders' funds | 38,674 | 36,970 |
| Closing shareholders' funds | 46,544 | 38,674 |

19 Commitments under operating leases

Annual commitments under non-cancellable operating leases in respect of land and buildings are:

| | 2003 | 2002 |
|---------------------------|--------|--------|
| | £'000 | £'000 |
| Commitments which expire: | | |
| Within one year | 488 | 726 |
| Within two to five years | 4,400 | 2,697 |
| After five years | 14,009 | 14,339 |
| | 18,897 | 17,762 |

Holland & Barrett Retail Limited

Notes to the financial statements for the period ended 30 September 2003 (continued)

20 Capital commitments

| | 2003 | 2002 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Capital expenditure contracted but not provided | 496 | 255 |

21 Ultimate parent company

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

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