

Holland & Barrett Retail Limited

Directors' report and financial statements

30 June 1994

Registered number 2758955



Holland & Barrett Retail Limited

Directors' report and financial statements

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Holland & Barrett Retail Limited

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 1994.

Principal activity and business review

On 30 June 1993 the undertakings of the constituent companies of the retail healthfood division of Lloyds Chemists plc were transferred to the company. On 1 July 1993 the company commenced the retailing of healthfood products.

Results and dividends

The results for the year are set out on page 5. The directors do not recommend the payment of a dividend (1993: £Nil). The profit for the financial year of £2,814,000 is transferred to reserves.

Significant changes in fixed assets

Changes in fixed assets are set out in notes 9 and 10 to the financial statements.

Directors and directors' interests

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

AJ Lloyd
PE Lloyd
RG Turner
SW Buckell
B Vickers
R Craddock
Mrs G Day
RJ Steele (resigned 15 April 1994)

MA Ward was appointed as a director on 18 July 1994.

AJ Lloyd, PE Lloyd, RG Turner and SW Buckell were directors of Lloyds Chemists plc, the ultimate holding company at the year end and their interests are disclosed in the financial statements of that company.

The interests of the other directors serving at the end of the year were as follows:

	Ordinary shares of 5p each		Executive Share Option Scheme Ordinary shares of 5p each		SAYE Share Option Scheme Ordinary shares of 5p each	
	1994	1993	1994	1993	1994	1993
B Vickers	-	-	11,000	6,000	3,024	3,024
R Craddock	-	-	6,000	5,620	10,182	10,182
Mrs G Day	35	1,000	5,000	3,000	3,024	3,024

Holland & Barrett Retail Limited

Directors' report *(continued)*

Directors and directors' interests *(continued)*

On 14 October 1993, B Vickers, R Craddock and Mrs G Day were granted options to subscribe for 5,000, 2,000 and 2,000 ordinary shares respectively in Lloyds Chemists plc. On 15 October 1993, R Craddock exercised options in respect of 1,620 ordinary shares.

Liability insurance

Pursuant to Section 310 of the Companies Act 1985, the company maintains insurance for its directors and officers against the financial consequences of actions brought against them by outside parties for acts or omissions in the performance of their duties as directors or officers of the company.

Employees

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

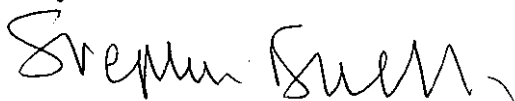
The company supports the employment of disabled people wherever possible, through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion, having regard to their particular aptitudes and abilities.

It is company policy to provide equal employment opportunities without regard to race, religion, sex, national origin or age.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



SW Buckell
Secretary

Britannia House
Centurion Park
Tamworth
Staffordshire
B77 5TZ

12 October 1994

Holland & Barrett Retail Limited

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the report of the auditors set out on page 4, describes the responsibilities of the directors in relation to these financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the year and of the profit or loss for the year.

The directors consider that in preparing the financial statements set out on pages 5 to 15, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the Company maintains adequate accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Peat House
2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Holland & Barrett Retail Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 mis-statement, 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 as at 30 June 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

12 Oct 1994

*Chartered Accountants
Registered Auditors*

Holland & Barrett Retail Limited

Profit and loss account for the year ended 30 June 1994

	Note	Continuing operations 1994 £'000
Turnover	1	63,340
Cost of sales		(36,036)
		<hr/>
Gross profit		27,304
Distribution costs		(21,677)
Administrative expenses		(1,557)
		<hr/>
Operating profit		4,070
Interest receivable	4	2
Interest payable	5	(181)
		<hr/>
Profit on ordinary activities before taxation	6	3,891
Tax on profit on ordinary activities	8	(1,077)
		<hr/>
Profit on ordinary activities after taxation and retained profit for the financial year	17	<hr/> 2,814 <hr/>

A statement of movements on reserves is given in note 17 to the financial statements.

The effect of acquisitions on turnover and operating profit is considered to be not material.

Holland & Barrett Retail Limited

Balance sheet at 30 June 1994

	Note	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	9	12,024	9,643
Investments	10	454	201
		<u>12,478</u>	<u>9,844</u>
Current assets			
Stocks	11	7,030	3,370
Debtors	12	6,092	10,295
Cash at bank and in hand		1,246	1,829
		<u>14,368</u>	<u>15,494</u>
Creditors: amounts falling due within one year	13	<u>(12,709)</u>	<u>(13,942)</u>
Net current assets		<u>1,659</u>	<u>1,552</u>
Total assets less current liabilities		<u>14,137</u>	<u>11,396</u>
Creditors: amounts falling due after more than one year	14	<u>(10,000)</u>	<u>(10,000)</u>
Provisions for liabilities and charges	15	<u>(800)</u>	<u>(396)</u>
Net assets		<u>3,337</u>	<u>1,000</u>
Capital and reserves			
Called up share capital	16	1,000	1,000
Goodwill write off reserve	17	(477)	-
Profit and loss account	17	2,814	-
Total equity shareholders' funds		<u>3,337</u>	<u>1,000</u>

These financial statements were approved by the board of directors on 12 October 1994 and were signed on its behalf by:

AJ Lloyd
Director

MA Ward
Director

Holland & Barrett Retail Limited

Statement of total recognised gains and losses *for the year ended 30 June 1994*

During the year ended 30 June 1994 there were no recognised gains or losses other than the profit for the financial year of £2,814,000.

Historical cost profits and losses *for the year ended 30 June 1994*

There is no difference between the historical cost profit on ordinary activities before taxation and that reported in the profit and loss account for the year ended 30 June 1994.

Reconciliation of movements in shareholders' funds *for the year ended 30 June 1994*

	1994 £'000
Profit for the year after taxation	2,814
Goodwill written off	(477)
	<hr/>
Net movement in shareholders' funds	2,337
Shareholders' funds at 1 July 1993	1,000
	<hr/>
Shareholders' funds at 30 June 1994	3,337
	<hr/>

Holland & Barrett Retail Limited

Notes

(forming part of the financial statements)

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 financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company is a wholly owned subsidiary of Lloyds Chemists plc which is established under the law of a member state of the European Community. Lloyds Chemists plc publishes consolidated financial statements including a consolidated cash flow statement which includes the results of Holland & Barrett Retail Limited, and consequently, in accordance with Financial Reporting Standard Number 1, no cash flow statement is included in these financial statements.

Turnover

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

Depreciation and amortisation

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

Short leasehold property	- period of the lease
Motor vehicles	- 25% on a reducing balance
Fixtures, fittings and equipment	- 10%-20% on a straight line basis

Leased assets

All leases are operating leases and the rental charges are taken to the profit and loss account over the life of the lease.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Pensions

The company is part of the defined contribution pension scheme operated by the Lloyds Chemists Group. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the scheme. Details of the scheme are set out in Lloyds Chemists plc group financial statements.

Holland & Barrett Retail Limited

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill relating to the acquisition of businesses is written off immediately against reserves.

2 Staff numbers and costs

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

	1994 Number
Administration	59
Retail	1,294
	<hr/>
	1,353

The aggregate payroll costs of these persons were as follows:

	£'000
Wages and salaries	7,882
Social security costs	164
Other pension costs	2
	<hr/>
	8,048

3 Transfers of trade

On 30 June 1993 the undertakings of the constituent companies of the retail healthfood division of Lloyds Chemists plc were transferred to the company. On 1 July 1993 the company commenced to trade.

The transfers have been reflected in the financial statements as follows:-

	£'000
Net assets transferred	4,594
	<hr/>
Intra group current accounts	4,594

4 Interest receivable

	1994 £'000
Bank interest	2

Holland & Barrett Retail Limited

Notes (continued)

5 Interest payable

1994
£'000

Bank loans and overdrafts	181
	<hr/>

6 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting) the following:

1994
£'000

Directors' remuneration	109
Depreciation of owned tangible fixed assets	1,330
Payments under operating leases:	
Land and buildings	8,320
Plant and machinery	137
Auditors' remuneration	10
Rents receivable	(229)
	<hr/>

7 Directors' emoluments

Excluding pension contributions, the emoluments of the chairman were £Nil and those of the highest paid director were £64,000. The emoluments of the directors were within the following ranges:

Number

£0 - £5,000	6
£35,001 - £40,000	1
£60,001 - £65,000	1
	<hr/>

8 Tax on profit on ordinary activities

1994
£'000

Taxation based on the profit for the financial year:	
Corporation tax at 33 %	673
Deferred taxation	404
	<hr/>
	1,077
	<hr/>

The tax charge has been reduced by approximately £280,000 as a result of the utilisation of trading losses brought forward.

Holland & Barrett Retail Limited

Notes (continued)

9 Tangible fixed assets

	Short leasehold properties £'000	Motor vehicles £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 July 1993	5,430	8	9,799	15,237
Additions	-	-	3,843	3,843
Intra-group transfers	-	29	-	29
Disposals	(554)	-	(553)	(1,107)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1994	4,876	37	13,089	18,002
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 July 1993	2,515	7	3,072	5,594
Charge for the year	276	9	1,045	1,330
Intra-group transfers	-	11	-	11
Disposals	(494)	-	(463)	(957)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1994	2,297	27	3,654	5,978
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 June 1994	2,579	10	9,435	12,024
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1993	2,915	1	6,727	9,643
	<hr/>	<hr/>	<hr/>	<hr/>

10 Investments

	Shares in group undertakings £'000
Cost and net book value	
At 1 July 1993	201
Additions	253
	<hr/>
At 30 June 1994	454
	<hr/>

Holland & Barrett Retail Limited

Notes (continued)

10 Investments (continued)

The investments in subsidiary undertakings, which are all wholly owned by Holland & Barrett Retail Limited, are as follows:

Holland & Barrett (Franchising) Limited
 Natural Health & Beauty Stores Limited
 Hillstart Limited
 Nature's Way Limited
 Beaumonts Health Stores Limited (acquired 21 April 1994)

With the exception of Holland & Barrett (Franchising) Limited which is registered in Scotland, all of these companies are registered in England and Wales.

Under the provision of Section 228 of the Companies Act 1985 the company has not prepared consolidated financial statements since it is a wholly owned subsidiary of another company registered in the European Community.

In the opinion of the directors the value of the investments in group undertakings is not less than the value stated in the balance sheet.

11 Stocks

	1994 £'000	1993 £'000
Goods for resale	7,030	3,370

12 Debtors

	1994 £'000	1993 £'000
Trade debtors	121	176
Amounts owed by parent undertakings and fellow subsidiary undertakings	1,787	5,695
Corporation tax recoverable	-	998
Prepayments and accrued income	4,184	3,426
	6,092	10,295

Holland & Barrett Retail Limited

Notes (continued)

13 Creditors: amounts falling due within one year

	1994 £'000	1993 £'000
Trade creditors	5,429	5,139
Amounts owed to parent undertakings and fellow subsidiary undertakings	6,410	8,503
Other taxation and social security	374	210
Other creditors	202	90
Corporation tax	294	-
	<u>12,709</u>	<u>13,942</u>

14 Creditors: amounts falling due after more than one year

	1994 £'000	1993 £'000
Amounts owed to parent undertakings and fellow subsidiary undertakings	<u>10,000</u>	<u>10,000</u>

15 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 July 1993	396
Transfer from profit and loss account	<u>404</u>
At 30 June 1994	<u>800</u>

The amounts provided for deferred taxation and the amounts unprovided, calculated under the liability method at 33%, are set out below:

	1994		1993	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	<u>800</u>	<u>-</u>	<u>396</u>	<u>(57)</u>

16 Called up share capital

	1994 £'000	1993 £'000
<i>Authorised, allotted, called up and fully paid:</i>		
1,000,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Holland & Barrett Retail Limited

Notes (continued)

17 Reserves

	Goodwill write off reserve £'000	Profit and loss account £'000
At 1 July 1993	-	-
Retained profit for the year	-	2,814
Goodwill written off	(477)	-
	<hr/>	<hr/>
At 30 June 1994	(477)	2,814
	<hr/>	<hr/>

18 Acquisition of businesses

During the year, the company acquired the businesses and certain assets of five retail premises for a total consideration of £248,000. After provisions of £477,000 for redundancy, integration and asset write-offs the goodwill arising on the acquisitions amounted to £477,000.

19 Commitments under operating leases

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

	1994 £'000	1993 £'000
Commitments which expire:		
Within one year	26	-
Within two to five years	40	-
	<hr/>	<hr/>
	66	-
	<hr/>	<hr/>

Operating lease commitments in respect of land and buildings are borne by other members of the Lloyds Chemists Group as they fall due.

20 Capital commitments

Capital expenditure sanctioned by the board and outstanding at 30 June 1994 amounted to £2,200,000 (1993: £2,000,000).

Contracts placed against these sanctions so far as not provided for in these financial statements amounted to £100,000 (1993: £1,000,000).

21 Contingent liabilities

The company guarantees the borrowings of other group companies which at 30 June 1994 amounted to £Nil (1993: £40,000,000).

Holland & Barrett Retail Limited

Notes *(continued)*

22 Ultimate holding company

The ultimate holding company is Lloyds Chemists plc, which is registered in England and Wales.

The financial statements of the company are included with the group financial statements of Lloyds Chemists plc but are not included within any other group financial statement.

Copies of the group financial statements may be obtained from Britannia House, Centurion Park, Tamworth, Staffordshire, B77 5TZ.