NBTY Europe Limited

Annual report and financial statements for the year ended 30 September 2006

Company registration number 04515115

NBTY Europe Limited

Annual report and financial statements for the year ended 30 September 2006

NBTY Europe Limited

Officers and professional staff

Directors

S Rudolph
H Kamil
B Vickers
R Craddock
G Day
P Aldis
M Moran

Secretary

R Craddock

Registered Office

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

Auditors

PricewaterhouseCoopers LLP
East Midlands

NBTY Europe Limited

Directors' report
for the year ended 30 September 2006

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

Principal activities

The principal activities of the group are the manufacture, wholesale and retail of health products

Business Review and Principal Activities

NBTY Europe Limited (' the group") operates over 600 health stores under the brands ' Holland & Barrett" and GNC" in the UK, Nature's Way" in the Republic of Ireland and "De Tuinen" in Holland Holland & Barrett and Nature's Way market a broad line of nutritional supplement products, including vitamins, minerals and herbal remedies, as well as food products which include fruits, nuts, confectionery and other items GNC specialises in the sale of vitamins, minerals and sports nutrition products De Tuinen is a leading retailer of nutritional supplement products, selected confectionery and lifestyle giftware

The results of the group show a pre-tax profit of £24 million (2005 £39 million) for the year and sales of £319 million (2005 £310 million)

The directors expect that the present level of activity will be sustained for the foreseeable future

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 A similar environment exists in the Republic of Ireland and Holland 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 group s overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of strategic acquisition and organic growth

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

- Acquisition

  The group continues its strategy of selectively expanding the number of Holland & Barrett stores located throughout the UK and Nature's Way stores in the Republic of Ireland In addition, the group continues to evaluate opportunities to open additional GNC stores in the UK and De Tuinen stores in Europe

- New Products

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

NBTY Europe Limited

Directors' report
for the year ended 30 September 2006 (continued)

Strategy (continued)

- Promotions and Marketing

The group 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 group 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, management remains confident that the current level of performance will be maintained or improved in the future

Principal risks or uncertainties

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

The key business risks affecting the group are set out below

- Competition

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

- Employees

  The group'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 group's results To mitigate these issues, the group has implemented incentive schemes designed to retain key individuals and has created a Training Academy for the development of its retail staff

- Legislation

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

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 group is not necessary or appropriate for an understanding of the development, performance or position of the business of the company

NBTY Europe Limited

Directors' report
for the year ended 30 September 2006 (continued)

Results and dividends

The results for the group are detailed on page 7 A dividend of £230,945 (2005 £nil) per ordinary share was paid during the period A dividend of £192,500 per share was proposed after the year end and consequently has not been recognised in these accounts

Directors

The directors who held office during the period, and subsequently, were as follows

S Rudolph
H Kamil
B Vickers
R Craddock
G Day
P Aldis
M Moran

Payment of suppliers

It is the group'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 period end represented 44 days (2005 44 days) of group purchases

Charitable and Political Contributions

The group and company have made no charitable or political contributions in the period (2005 £nil)

Employees

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

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

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period

Statement of directors' responsibilities (continued)

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

So far as the directors at the date of this report are aware, there is no relevant audit information (that is, information needed by the group's auditors in connection with preparing their report) of which the group's auditors are unaware

The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information

Auditors

During the year PricewaterhouseCoopers LLP have been appointed as auditors to the company to fill a casual vacancy The company has passed an elective resolution dispensing with the requirement to appoint auditors annually Therefore PricewaterhouseCoopers LLP will continue in office

Approved by the board of directors and signed on behalf of the board,

G Day
Finance Director
10 December 2007

Independent auditors' report to the members of NBTY Europe Limited

We have audited the group and parent company financial statements (the "financial statements") of NBTY Europe Limited for the year ended 30 September 2006 which comprise the group profit and loss account, the group and company balance sheets, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body 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 into 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
10 December 2007

NBTY Europe Limited

Group profit and loss account
for the year ended 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
Turnover	2	**318,676**	310,306
Cost of sales		**(165,234)**	(156,556)
Gross profit		**153,442**	153,750
Net operating expenses	3	**(117,182)**	(104,731)
Operating profit	4	**36,260**	49,019
Profit on disposal of business		**-**	2,000
Profit on ordinary activities before interest and taxation		**36,260**	51,019
Interest receivable and similar income	6	**753**	980
Interest payable and similar charges	7	**(12,684)**	(13,467)
Other finance income	23	**11**	5
Profit on ordinary activities before taxation		**24,340**	38,537
Tax on profit on ordinary activities	9	**(17,602)**	(20,826)
Profit for the year	21	**6,738**	17,711

All the activities relate to continuing operations

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

NBTY Europe Limited

Statement of group total recognised gains and losses for the year ended 30 September 2006

	Note	2006 £'000	Restated 2005 £'000
Profit for the year		**6,738**	17,711
Actuarial loss recognised in the pension scheme	23	**(67)**	(84)
Total recognised gains and losses for the year		**6,671**	17,627
Prior year adjustment	23	**194**	
Total gains and losses recognised since the last annual report		**6,865**	

NBTY Europe Limited

Balance sheet
as at 30 September 2006

		Group	(Restated)	Company	(Restated)
		2006	2005	2006	2005
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Goodwill	11	**533,277**	566,220	**-**	-
Tangible assets	12	**32,717**	34,378	**-**	-
Investments	13	**-**	-	**305,248**	304,557
		565,994	600,598	**305,248**	304,557
Current assets					
Stocks goods for resale		**37,068**	39,569	**-**	-
Debtors	14	**66,620**	56,819	**27,406**	27,406
Cash at bank and in hand		**6,037**	18,444	**-**	-
		109,725	114,832	**27,406**	27,406
Creditors amounts falling due within one year	15	**(44,510)**	(44,426)	**(56,694)**	(46,203)
Net current assets/(liabilities)		**65,215**	70,406	**(29,288)**	(18,797)
Total assets less current liabilities		**631,209**	671,004	**275,960**	285,760
Creditors amounts falling due after more than one year	16	**(200,000)**	(200,000)	**(200,000)**	(200,000)
Provisions for liabilities and charges	17	**(884)**	(1,230)	**-**	-
Net assets excluding pension deficit		**430,325**	469,774	**75,960**	85,760
Net pension deficit	23	**(175)**	(106)	**-**	-
Net assets including pension deficit		**430,150**	469,668	**75,960**	85,760
Capital and reserves					
Called up share capital	18	**-**	-	**-**	-
Share premium	19	**83,652**	83,652	**83,652**	83,652
Merger reserve	19	**418,249**	418,249	**-**	-
Profit and loss account	19	**(71,751)**	(32,233)	**(7,692)**	2,108
Total shareholders' funds		**430,150**	469,668	**75,960**	85,760

These financial statements were approved by the board of directors on 10 December 2007 Signed on behalf of the board of directors

G Day
Director

NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2006

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 United Kingdom Accounting Standards

Change in accounting policy

The group has adopted FRS 21 'Events after the balance sheet date' in these financial statements The adoption of this standard represents a change in accounting policy and the comparative figures have been restated where applicable

The effect on the group results of the change in accounting policy to adopt FRS 21 was to decrease current year dividends paid by £1,886,000 (2005 £36,614,000 decrease) and to increase amounts owed by the parent company by £38,500,000 (2005 £41,097,000 increase) Net assets at 30 September 2006 are increased by £42,914,000 (2005 £41,097,000 increase) There is no impact on the total recognised gains and losses in the year (2005 £nil)

The impact on the company balance sheet was to increase amounts owed to group undertakings by £8,383,000 (2005 £4,832,000 increase) Company net assets and retained profits at 30 September 2006 are decreased by £8,383,000 (2005 £2,108,000 increase)

The effect of the change in accounting policy to adopt FRS 17 is set out in note 23

Basis of consolidation

The consolidated profit and loss account and balance sheet include the accounts of the company and its subsidiary undertakings made up to 30 September 2006 The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes Intra-group items are eliminated fully on consolidation

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at the fair values reflecting their condition at that date All changes to those assets and liabilities, and the resulting gains and losses that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account

Turnover

Turnover represents goods invoiced excluding value added tax

Notes to the financial statements for the year ended 30 September 2006 (continued)

1 Accounting policies (continued)

Cash flow statement

The company takes advantage of the exemption in Financial Reporting Standard 1 (revised) not to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary whose ultimate parent prepares consolidated financial statements which are publicly available

Foreign exchange

Monetary assets and liabilities denominated in overseas currencies are translated into Sterling at the balance sheet date The trading results are translated into Sterling at the average rate of exchange during the period Transactions and non-monetary assets and liabilities are translated at rates appropriate to the transaction date

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

Stocks

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

Goodwill

Goodwill relates to the excess of the purchase price over the fair value of the net assets of businesses acquired Goodwill has been capitalised as a fixed asset and amortised on a straight line basis over its estimated useful life For acquisitions to date this has been determined at 20 years, which the directors consider to be an appropriate useful economic life Amortisation has been charged to cost of sales

Depreciation

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

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

1 Accounting policies (continued)

Taxation

The tax expense represents the sum of the corporation tax currently payable and the deferred tax

The tax currently payable is based on taxable profit for the year Taxable profit differs from net profit as reported in the income statement 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 tax rates that have been enacted or substantially enacted at the balance sheet date

Deferred tax is provided 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

Investments

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

GNC Gold Card

Revenue received from the sale of gold cards which entitle the holder to a discount in the GNC stores operated by the group is spread evenly over the 1 year period in which the discount is offered

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

Pension costs

The group operates a defined contribution pension scheme Contributions paid into the scheme are expensed to the profit and loss account

The group operates two contracted-out funded defined benefit pension scheme The scheme funds are administered by trustees and are independent of the company's finances

Pension scheme assets are measured at fair values and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities The expected return on the schemes' assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other financial expense Actuarial gains and losses are recognised in the statement of total recognised gains and losses

Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet

Notes to the financial statements for the year ended 30 September 2006 (continued)

1 Accounting policies (continued)

Other operating income

Other operating income comprises franchise income and supplier promotional income in the period to which they relate

2 Segmental reporting

Analyses by business are based on the group's management structure Turnover between segments is immaterial Geographical analysis is based on the country in which the order is received It would be not materially different if based on the country in which the customer is located

a) 2006 – Geographical

		2006	
	Turnover	Profit/(loss) before taxation	Net assets/ (liabilities)
	£'000	£'000	£'000
United Kingdom	285,405	21,116	613,065
Republic of Ireland	9,386	2,028	5,307
Netherlands	23,885	1,196	5,741
Net finance cost/borrowings	-	-	(193,963)
	318,676	24,340	430,150

b) 2005 – Geographical

		Restated 2005	
	Turnover	Profit/(loss) before taxation	Net assets/ (liabilities)
	£'000	£'000	£'000
United Kingdom	278,829	37,345	643,672
Republic of Ireland	8,336	2,036	3,488
Netherlands	23,141	(844)	4,064
Net finance cost/borrowings	-	-	(181,556)
	310,306	38,537	469,668

NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

2 Segmental reporting (continued)

c) 2006 – Classes of business

	2006		
	Turnover	Profit/(loss) before taxation	Net assets / (liabilities)
	£'000	£'000	£'000
Retail	316,325	25,326	628,889
Wholesale	2,351	(986)	(4,776)
Net finance cost/borrowings	-	-	(193,963)
	318,676	24,340	430,150

d) 2005 – Classes of business

	Restated 2005		
	Turnover	Profit/(loss) before taxation	Net assets/ (liabilities)
	£'000	£'000	£'000
Retail	307,503	38,883	654,554
Wholesale	2,803	(346)	(3,330)
Net finance cost/borrowings	-	-	(181,556)
	310,306	38,537	469,668

Notes to the financial statements for the year ended 30 September 2006 (continued)

3 Net operating expenses

	2006	Restated 2005
	£'000	£'000
Selling and distribution costs	95,296	97,899
Administrative expenses	24,328	9,997
Other operating income	(2,442)	(3,165)
	117,182	104,731

4 Operating profit

Operating profit is stated after charging/(crediting)

	2006	2005
	£'000	£'000
Depreciation of tangible fixed assets	5,571	4,452
Amortisation of goodwill	33,012	33,104
Profit on disposal of fixed assets	(92)	(13)
Auditors' remuneration		
Audit services (company £5,000, 2005 £5,000)	316	120
Other services	7	-
Professional Fees – Deloitte & Touche		
Prior year audit fees	66	-
Other services to the company and its subsidiaries	151	225
Operating lease rentals – land and buildings	30,132	28,420

NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

5 Staff numbers and costs

The average monthly number of persons employed by the group during the year was as follows

	2006	2005
	No	No
Administration	**226**	207
Retail	**3,615**	3,715
Distribution	**371**	299
	4,212	4,221

	2006	Restated 2005
	£'000	£'000
Wages and salaries	**41,031**	41,049
Social security costs	**3,020**	2,999
Pension costs	**854**	637
	44,905	44,685

6 Interest receivable and similar income

	2006	2005
	£'000	£'000
Bank interest	753	980

7 Interest payable and similar charges

	2006	2005
	£'000	£'000
Bank interest	**12**	57
Group interest payable	**12,672**	13,410
	12,684	13,467

Notes to the financial statements for the year ended 30 September 2006 (continued)

8 Directors' emoluments

The aggregate emoluments of the directors were

	2006	2005
	£'000	£'000
Aggregate emoluments	1,940	1,648
Pension costs	341	147
	2,281	1,795

The emoluments of the highest paid director were 2006 £451,919 (2005 £425,864) In addition the highest paid director received pension contributions of £252,015 (2005 £58,518)

Retirement benefits are accruing to five directors (2005 five) under the group's defined contribution pension scheme

9 Tax on profit on ordinary activities

	2006	Restated 2005
	£'000	£'000
Current tax		
UK corporation tax at 30% based on profit for the year	17,720	21,101
Irish Corporation Tax	269	261
Adjustments in respect of prior periods	425	-
Current tax charge for the year	18,414	21,362
Deferred tax		
Origination and reversal of timing differences	(774)	309
Adjustment in respect of prior periods	(38)	(845)
Deferred tax credit for the year	(812)	(536)
	17,602	20,826

9 Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2006	Restated 2005
	£'000	£'000
Profit on ordinary activities before taxation	**24,340**	38,537
Profit on ordinary activities before taxation multiplied by the average rate of UK corporation tax for the year of 30%	**7,302**	11,561
Effects of		
Disallowable expenses – goodwill amortisation	**9,904**	9,931
Other disallowable expenses	**1,223**	714
Capital allowances in excess of depreciation	**301**	(163)
Movement in short term timing differences	**(5)**	-
Overseas carried forward tax losses	-	227
Utilisation of tax losses	**(329)**	-
Overseas tax rates	**(407)**	(331)
Brought forward amounts deductible in the year	-	(577)
Adjustment in respect of prior periods	**425**	-
	18,414	21,362

10 Dividends

	2006	Restated 2005
	£'000	£'000
£230,945 (2005 £nil) per ordinary share	**46,189**	-

It has come to the attention of the directors that when the interim dividends were paid in September 2006, the company had insufficient distributable reserves to allow the distribution in accordance with the Companies Act 1985 Subsequent to the year end the dividend was repaid

11 Intangible fixed assets

Group	Goodwill
	£'000
Cost	
At 1 October 2005	661,637
Additions	69
At 30 September 2006	**661,706**
Amortisation	
At 1 October 2005	95,417
Amortisation for the year	33,012
At 30 September 2006	**128,429**
Net book value	
At 30 September 2006	**533,277**
At 30 September 2005	566,220

12 Tangible fixed assets

Group	Freehold land and buildings	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 October 2005	15,972	44,402	60,374
Reclassifications	1,023	(1,023)	-
Additions	104	3,992	4,096
Disposals	-	(7,188)	(7,188)
At 30 September 2006	**17,099**	**40,183**	**57,282**
Depreciation			
At 1 October 2005	2,462	23,534	25,996
Reclassifications	912	(912)	-
Charge for the year	925	4,646	5,571
Disposals	-	(7,002)	(7,002)
At 30 September 2006	**4,299**	**20,266**	**24,565**
Net book value			
At 30 September 2006	**12,800**	**19,917**	**32,717**
At 30 September 2005	13,510	20,868	34,378

Included within freehold land and buildings is land of £2,294,000 (2005 £2,294,000) which is not subject to depreciation

The company had no fixed assets at the year end (2005 £nil)

Notes to the financial statements for the year ended 30 September 2006 (continued)

13 Fixed asset investments

Company	Share in group undertakings £'000
Cost	
At 1 October 2005	304,557
Addition	20,905
Disposal	(20,214)
At 30 September 2006	**305,248**

The principal trading subsidiary undertakings which are incorporated in the United Kingdom are as follows

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held
Health & Diet Centres Limited	Retailer of healthfood products	100%
Holland & Barrett Holdings Limited	Holding company	100%
Holland & Barrett Retail Limited	Retailer of healthfood products	100%
Nutrition Warehouse Limited	Wholesale of healthfood products	100%
US Nutrition Limited (*)	Wholesale of healthfood products	100%
Vitamin World Limited (*)	Retailer of healthfood products	100%

Subsidiary undertakings incorporated in the Republic of Ireland

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held
Nature's Way Limited	Retailer of health food products	100%

Subsidiary undertakings incorporated in the Netherlands

Subsidiary undertakings	Principal activity	Percentage of ordinary shares held
De Tuinen BV (*)	Retailer of health, lifestyle and giftware products	100%

(*) - directly held by NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

14 Debtors

	Group		Company	
	2006	Restated 2005	**2006**	Restated 2005
	£'000	£'000	**£'000**	£'000
Trade debtors	**2,012**	856	**-**	-
Amounts due from other group companies	**-**	-	**27,406**	27,406
Amounts owed by parent company	**46,145**	40,904	**-**	-
Prepayments and accrued income	**17,779**	14,884	**-**	-
Corporation tax recoverable	**43**	-		
Deferred tax asset (see note 17)	**641**	175	**-**	-
	66,620	56,819	**27,406**	27,406

15 Creditors: amounts falling due within one year

	Group		Company	
	2006	Restated 2005	**2006**	Restated 2005
	£'000	£'000	**£'000**	£'000
Trade creditors	**16,350**	17,337	**-**	-
Amounts owed to other group companies	**-**	-	**56,694**	41,914
Amounts owed to parent company	**-**	4,289	**-**	4,289
Other taxation and social security	**4,191**	4,126	**-**	-
Corporation tax payable	**6,667**	12,337	**-**	-
Other creditors and accruals	**17,302**	6,337	**-**	-
	44,510	44,426	**56,694**	46,203

Notes to the financial statements for the year ended 30 September 2006 (continued)

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Amounts owed to parent company	**200,000**	200,000	**200,000**	200,000

The amount owed to the parent company represents a promissory note of £200million by NBTY Europe Limited, which commenced in November 2002 and terminates in March 2009 Interest on the loan is charged at a rate of 6 month LIBOR plus 1 75%, with interest being payable 6 months in arrears

17 Provisions for liabilities and charges

	Deferred taxation
Group	**£'000**
At 1 October 2005 (restated)	1,230
Credit to the profit and loss account	(346)
At 30 September 2006	884
Deferred tax (asset)	
At 1 October 2005	(175)
Credit to the profit and loss account	(466)
At 30 September 2006	(641)
Net deferred taxation	243

The net deferred tax liability consists of the following amounts

	2006	2005
	£'000	£'000
Capital allowances in excess of depreciation	**947**	1,345
Other short-term differences	**(86)**	(141)
Losses	**(618)**	(149)
	243	1,055

The company has no deferred tax asset or liability

18 Share capital

Group and company

	2006	2005
	£'000	£'000
Authorised		
1,000 ordinary shares of £1 each	1	1
Allotted, called up and fully paid		
200 ordinary shares of £1 each	-	-

19 Reserves

	Merger reserve	Share premium	Profit and loss account
Group	£'000	£'000	£'000
At 1 October 2005 as previously stated	418,249	83,652	(73,330)
Prior year adjustment	-	-	41,097
	418,249	**83,652**	**(32,233)**
Profit for the year	-	-	6,738
Actuarial loss recognised in the pension scheme	-	-	(67)
Dividends	-	-	(46,189)
At 30 September 2006	**418,249**	**83,652**	**(71,751)**
Company			
At 1 October 2005 as previously stated	-	83,652	-
Prior year adjustment	-	-	2,108
	-	**83,652**	**2,108**
Profit for the year	-	-	36,389
Dividends	-	-	(46,189)
At 30 September 2006	-	**83,652**	**(7,692)**

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these accounts The profit for the financial period before dividends dealt with in the accounts of the company was £36,389,000 (2005 £610,000 loss)

Notes to the financial statements for the year ended 30 September 2006 (continued)

20 Commitments under operating leases

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

	Group	
	2006	2005
	£'000	£'000
Commitments which expire		
Within one year	**3,166**	2,750
Within two to five years	**11,553**	8,623
After five years	**17,396**	19,195
	32,115	30,568

The company has no commitments under operating leases at the year end (2005 £nil)

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2006	Restated 2005	**2006**	Restated 2005
	£'000	£'000	**£'000**	£'000
Profit/(loss) for the period	**6,738**	17,711	**36,389**	(610)
Actuarial loss recognised in the pension scheme	**(67)**	(84)	**-**	-
Dividends	**(46,189)**	-	**(46,189)**	-
Net (reductions in) / additions to shareholders' funds	**(39,518)**	17,627	**(9,800)**	(610)
Shareholders' funds at 1 October 2005 (originally £428,571 before prior year adjustment of £41,097)	**469,668**	452,041	**85,760**	86,370
Shareholders' funds at 30 September 2006	**430,150**	469,668	**75,960**	85,760

22 Capital commitments

	Group	
	2006	2005
	£'000	£'000
Capital expenditure contracted but not provided	**583**	799

The company has no capital commitments at the year end (2005 £nil)

23 Pension obligations

Change of accounting policy

The company has adopted FRS 17 'Retirement Benefits' in the financial statements The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly

The assets of the schemes are held separately from those of the Company in independently administered funds The total costs for the group were as follows which represent the combined costs of the De Tuinen BV and Nutrition Warehouse Limited

Defined contribution scheme

The pension cost of £856,000 (2005 £626,000) for the defined contribution scheme represents contributions payable by the group A pension prepayment of £nil was held at 30 September 2006 (2005 £nil)

Defined benefit scheme

The group operates a funded defined benefit scheme in the UK, the Health & Diet Food Company Limited Pension and Life Assurance Scheme (1975),sin ce the acquisition of the trade and assets of the Health & Diet Food Company Limited on 10 March 2003 The assets of the scheme are held entirely in the form of a with-profits policy held with the Equitable Life Assurance Society

The latest actuarial assessment was at 1 October 2003 The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries It was assumed that the investment return pre and post retirement would be 7% and 6% respectively and that salary increases would average 6% per annum At the date of the latest actuarial valuation, the market value of the assets was £1,050,000 which was sufficient to cover 78% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration The actuarial surplus is being spread over the average remaining service lives of current members

The group also operates a defined benefit scheme within Holland The latest actioned assessment was at 30 September 2006 It was assumed that the expected return on assets was 4 45% and that salary increases would be between 0 5% and 2% per annum

At the date of the latest actual valuation, the market value of the assets was £56,000 and the present value of scheme liabilities £75,000, resulting in a deficit of £19,000

FRS 17 valuations for the De Tuinen BV pension scheme were not obtained at 30 September 2005 or 30 September 2004 due to the immaterial size of the scheme

NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2006 (continued)

23 Pension obligations (continued)

FRS 17 disclosures

The major assumptions for the combined schemes used by the actuaries are in the ranges as follows

	2006	2005	2004
Rate of increases in salaries	**2.5%**	n/a	n/a
Rate of increase in pensions payment	**2.0%-3.0%**	2 9%	2 9%
Discount rate	**1 5%-5 0%**	5 0%	5 5%
Inflation assumption	**2.0%-3.2%**	3 0%	3 1%
Rate of increases in deferred pensions	**2 0%-3.2%**	3 0%	3 1%

The above assumptions for 2006 represent a combination of the Health & Diet Food Company Limited Pension and Life Assurance Scheme (1975) and the De Tuinen BV pension scheme

The adoption of FRS 17 has led to a restatement of the group's prior year profit and loss account, statement of total recognised gains and losses, reconciliation of movements in shareholders' funds and balance sheet The effect of the adjustment is

	£'000
Net impact on shareholders' funds as at 1 October 2005	194
2006 changes in the valuation of fund assets and liabilities	(67)
2006 profit and loss account adjustment (see below)	(2)
Net impact on shareholders' funds as at 30 September 2006	125

The impact on the profit and loss account is as follows

	2006	2005
	£'000	£'000
Adjustments to staff costs	**9**	16
Other finance costs recognised	**(11)**	(5)
	(2)	11

23 Pension obligations (continued)

The company invests in independent pension managed funds The allocation of assets in the fund and the expected long term rates of return were

	Long term rate of return expected at 30 September 2006	**Value at 30 September 2006 £'000**	Long term rate of return expected at 30 September 2005	Value at 30 September 2005 £'000	Long term rate of return expected at 30 September 2004	Value at 30 September 2004 £'000
With profits	**4 5%**	**1,349**	4 5%	1,220	5 15%	1,249
Total market value of assets		**1,349**		1,220		1,249
Present value of scheme liabilities		**(1,524)**		(1,326)		(1,282)
Net pension liability		**(175)**		(106)		(33)

The following amounts have been recognised in the performance statements in the year to 30 September 2006

Amount that has been charged to other finance income

	2006 £'000	2005 £'000
Expected return on pension scheme assets	**56**	60
Interest on pension scheme liabilities	**(67)**	(65)
Net return	**(11)**	(5)

23 Pension obligations (continued)

Amount that has been recognised in the Statement of Total Recognised Gains and Losses

	2006 £'000	2005 £'000
Actual return less expected return on assets	**9**	(26)
Experience gains and losses on liabilities	**(8)**	112
Changes in assumptions	**(68)**	(170)
Actuarial loss recognised	**(67)**	(84)

Movement in the deficit during the period

	2006 £'000	2005 £'000
Deficit in scheme at start of period	**(106)**	(33)
Movement in period		
Contributions	**9**	16
Other finance expenses	**(11)**	(5)
Actuarial loss	**(67)**	(84)
Deficit in scheme at end of the period	**(175)**	(106)

23 Pension obligations (continued)

History of experience gains and losses

	2006	2005	2004
Difference between the expected and actual return on scheme assets			
Amount (£'000)	9	(26)	176
Percentage of assets	1%	(2%)	14%
Experience gains and losses on scheme liabilities			
Amount (£'000)	(8)	112	103
Percentage of present value of scheme liabilities	1%	(8%)	(8%)
Amount in statement of total recognised gains and losses			
Amount (£'000)	(67)	(84)	226
Percentage of the present value of scheme liabilities	4%	6%	(18%)

24 Related party transactions

A director of the company, P Aldis, received a loan from a subsidiary company of £150,000 The loan bore interest at a rate of Libor plus 1 75% per annum and the amount outstanding, including interest, at 30 September 2006 was £150,000 The loan was fully repaid during 2007

25 Ultimate parent company

The immediate and ultimate controlling parent company is NBTY Inc , a company incorporated in the United States of America

NBTY Inc is the parent undertaking of the smallest and largest group to consolidate these financial statements

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