NBTY Europe Limited

Annual report and financial statements

for the year ended 30 September 2007

Company registration number 04515115

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NBTY Europe Limited

Annual report and financial statements for the year ended 30 September 2007

NBTY Europe Limited

Officers and professional advisors

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
Chartered accountants and registered auditors
Donington Court
Pegasus Business Park
Castle Donington
DE74 2UZ

NBTY Europe Limited

Directors' report
for the year ended 30 September 2007

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

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 £25 million (2006 £24 million) for the year and sales of £323 million (2006 £319 million)

Both the level of business and the year end financial position remain satisfactory

The group is currently experiencing some organic growth restrictions due to the difficult economic trading conditions currently being experienced within the retail sector On 16 September 2008 NBTY Europe Limited acquired the shares of Julian Graves Limited and its subsidiary companies The acquisition added a store network of 345 outlets to the group (see note 24)

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 within the UK and De Tuinen stores in Europe Subsequent to the balance sheet date the group has entered into a new franchising agreement in South Africa and will continue to look at franchising opportunities worldwide

NBTY Europe Limited

Directors' report
for the year ended 30 September 2007 (continued)

Strategy (continued)

- 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, the directors believe that the group 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 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, 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 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 to campaigning in respect of proposed legislative changes, ensuring 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

Directors' report
for the year ended 30 September 2007 (continued)

Principal risks and uncertainties (continued)

- Financial risk management

The group's activities expose it to financial risk The main risk arises from currency and interest bearing loans

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance

The group 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 group's interest rate risk arises from long-term borrowings Borrowings issued at variable rates expose the group to cash flow interest rate risk Borrowings issued at fixed rates expose the group 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 group is not necessary or appropriate for an understanding of the development, performance or position of the business of the group

Results and dividends

The results for the group are detailed on page 9 A dividend of £51,209,000 (2006 £46,189,000) equating to £256,045 (2006 £230,945) per ordinary share was paid during the year No dividends were paid or proposed subsequent to the year end

Directors

The directors who held office during the year, 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 year end represented 59 days (2006 44 days) of group purchases

Charitable and political contributions

The group and company have made no charitable or political contributions in the year (2006 £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

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

Directors' report
for the year ended 30 September 2007 (continued)

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 thegroup's auditors are aware of that information

Auditors

The company's auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office In accordance with section 386(1) of the Companies Act 1985, the company has passed an elective resolution dispensing with the obligation to appoint auditors annually PricewaterhouseCoopers LLP are therefore deemed to be re-appointed as the company's auditors

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

G Day
Finance Director
26 September 2008

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 2007 which comprise the group profit and loss account, the group and company balance sheets, the group 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

Independent auditors' report to the members of NBTY Europe Limited (continued)

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 2007 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
29 September 2008

NBTY Europe Limited

Group profit and loss account
for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Turnover	2	**322,581**	318,676
Cost of sales		**(161,545)**	(165,234)
Gross profit		**161,036**	153,442
Net operating expenses	3	**(122,099)**	(117,160)
Operating profit	4	**38,937**	36,282
Interest receivable and similar income	6	**1,803**	753
Interest payable and similar charges	7	**(15,466)**	(12,684)
Other finance expense	23	**(16)**	(11)
Profit on ordinary activities before taxation		**25,258**	24,340
Tax on profit on ordinary activities	9	**(17,039)**	(17,602)
Profit for the year	21	**8,219**	6,738

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

Group statement of total recognised gains and losses for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Profit for the financial year		**8,219**	6,738
Currency translation differences		**171**	-
Actuarial gain / (loss) recognised in the pension scheme	23	**116**	(67)
Total recognised gains and losses since last annual report		**8,506**	6,671

NBTY Europe Limited

Balance sheets
as at 30 September 2007

		Group		Company	
	Note	**2007 £'000**	2006 £'000	**2007 £'000**	2006 £'000
Fixed assets					
Intangible assets	11	**500,136**	533,277	**-**	-
Tangible assets	12	**40,096**	32,717	**-**	-
Investments	13	**-**	-	**305,248**	305,248
		540,232	565,994	**305,248**	305,248
Current assets					
Stocks goods for resale		**43,608**	37,068	**-**	-
Debtors	14	**21,501**	66,620	**27,406**	27,406
Cash at bank and in hand		**33,333**	6,037	**-**	-
		98,442	109,725	**27,406**	27,406
Creditors amounts falling due within one year	15	**(49,927)**	(44,510)	**(43,912)**	(56,694)
Net current assets/(liabilities)		**48,515**	65,215	**(16,506)**	(29,288)
Total assets less current liabilities		**588,747**	631,209	**288,742**	275,960
Creditors. amounts falling due after more than one year	16	**(200,000)**	(200,000)	**(200,000)**	(200,000)
Provisions for liabilities and charges	17	**(1,239)**	(884)	**-**	-
Net assets excluding pension deficit		**387,508**	430,325	**88,742**	75,960
Pension deficit	23	**(61)**	(175)	**-**	-
Net assets including pension deficit		**387,447**	430,150	**88,742**	75,960
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	**(114,454)**	(71,751)	**5,090**	(7,692)
Total shareholders' funds		**387,447**	430,150	**88,742**	75,960

These financial statements on pages 9 to 32 were approved by the board of directors on 26 September 2008
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 2007

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

Basis of preparation

The accounts have been prepared under the historical cost convention, on the going concern basis and in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards

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 2007 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

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 year 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

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items

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

Tangible fixed assets

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

Impairment of stores

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

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

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Accounting policies (continued)

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 schemes 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

Other operating income

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

NBTY Europe Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

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) 2007 – Geographical

	Turnover	Profit before taxation	Net assets/ (liabilities)
	£'000	£'000	£'000
United Kingdom	284,911	18,318	542,614
Republic of Ireland	10,993	2,330	2,444
Netherlands	26,677	4,610	9,056
Net finance cost/borrowings	-	-	(166,667)
	322,581	25,258	387,447

b) 2006 – Geographical

	Turnover	Profit 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

Notes to the financial statements for the year ended 30 September 2007 (continued)

2 Segmental reporting (continued)

c) 2007 – Classes of business

	Turnover	Profit/(loss) before taxation	Net assets / (liabilities)
	£'000	£'000	£'000
Retail	319,322	25,798	559,271
Wholesale	3,259	(540)	(5,157)
Net finance cost/borrowings	-	-	(166,667)
	322,581	25,258	387,447

d) 2006 – Classes of business

	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

Notes to the financial statements for the year ended 30 September 2007 (continued)

3 Net operating expenses

	2007	2006
	£'000	£'000
Selling and distribution costs	**103,108**	95,296
Administrative expenses	**21,384**	24,306
Other operating income	**(2,393)**	(2,442)
	122,099	117,160

4 Operating profit

Operating profit is stated after charging/(crediting)

	2007	2006
	£'000	£'000
Depreciation of tangible fixed assets	**5,417**	5,571
Amortisation of goodwill	**33,132**	33,012
Loss/(profit) on disposal of fixed assets	**178**	(92)
Auditors' remuneration		
Audit services - company	**56**	56
Statutory audit of company's associates	**286**	260
Other services	**8**	7
Professional fees – Deloitte & Touche		
Prior year audit fees	**-**	66
Other services to the company and its subsidiaries	**88**	151
Operating lease rentals	**29,193**	30,132
Land and Buildings		
Others		

Notes to the financial statements for the year ended 30 September 2007 (continued)

5 Staff numbers and costs

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

	2007	2006
	No.	No
Administration	229	226
Retail	3,713	3,615
Distribution	263	371
	4,205	4,212

	2007	2006
	£'000	£'000
Wages and salaries	43,451	41,031
Social security costs	3,048	3,020
Pension costs	662	854
	47,161	44,905

The company had no employees in either year

6 Interest receivable and similar income

	2007	2006
	£'000	£'000
Bank interest	1,803	753

7 Interest payable and similar charges

	2007	2006
	£'000	£'000
Bank interest	43	12
Group interest payable	15,423	12,672
	15,466	12,684

Notes to the financial statements for the year ended 30 September 2007 (continued)

8 Directors' emoluments

The aggregate emoluments of the directors were

	2007	2006
	£'000	£'000
Aggregate emoluments	**1,702**	1,940
Pension costs	**78**	341
	1,780	2,281

The emoluments of the highest paid director were £478,945 (2006 £451,919) In addition the highest paid director received pension contributions of £nil (2006 £252,015)

Retirement benefits are accruing to five directors (2006 five) under the group's defined contribution pension scheme

9 Tax on profit on ordinary activities

	2007	2006
	£'000	£'000
Current tax		
UK corporation tax at 30% based on profit for the year	**15,750**	17,720
Irish & Dutch corporation tax	**932**	269
Adjustments in respect of prior years	**(624)**	425
Current tax charge for the year	**16,058**	18,414
Deferred tax		
Origination and reversal of timing differences	**1,014**	(774)
Impact of rate change	**(58)**	-
Adjustment in respect of prior years	**25**	(38)
Deferred tax charge / (credit) for the year	**981**	(812)
	17,039	17,602

Notes to the financial statements for the year ended 30 September 2007 (continued)

9 Tax on profit on ordinary activities (continued)

The tax assessed for the year is higher (2006 higher) than the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007	2006
	£'000	£'000
Profit on ordinary activities before taxation	**25,258**	24,340
Profit on ordinary activities before taxation multiplied by the average rate of UK corporation tax for the year of 30%	**7,578**	7,302
Effects of·		
Disallowable expenses – consolidated goodwill amortisation	**9,720**	9,904
Other disallowable expenses	**571**	1,223
Capital allowances in excess of depreciation	**(420)**	301
Movement in short term timing differences	**(5)**	(5)
Utilisation of tax losses	**(551)**	(329)
Irish & Dutch corporation tax	**(211)**	(407)
Adjustment in respect of prior years	**(624)**	425
	16,058	18,414

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed to 28% with effect from 1 April 2008

10 Dividends

	2007	2006
	£'000	£'000
£256,045 (2006 £230,945) per ordinary share	**51,209**	46,189

Notes to the financial statements for the year ended 30 September 2007 (continued)

11 Intangible assets

Group	**Goodwill**
	£'000
Cost	
At 1 October 2006	661,706
Disposals	(11)
At 30 September 2007	**661,695**
Amortisation	
At 1 October 2006	128,429
Amortisation on disposals	(2)
Amortisation for the year	33,132
At 30 September 2007	**161,559**
Net book value	
At 30 September 2007	**500,136**
At 30 September 2006	533,277

Notes to the financial statements for the year ended 30 September 2007 (continued)

12 Tangible fixed assets

Group	Freehold land and buildings	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 October 2006	17,099	40,183	57,282
Reclassification of cost and depreciation	-	132	132
Additions	160	12,814	12,974
Disposals	-	(5,903)	(5,903)
At 30 September 2007	**17,259**	**47,226**	**64,485**
Depreciation			
At 1 October 2006	4,299	20,266	24,565
Reclassification of cost and depreciation	-	132	132
Charge for the year	971	4,446	5,417
Disposals	-	(5,725)	(5,725)
At 30 September 2007	**5,270**	**19,119**	**24,389**
Net book value			
At 30 September 2007	**11,989**	**28,107**	**40,096**
At 30 September 2006	12,800	19,917	32,717

Included within freehold land and buildings is land of £2,294,000 (2006 £2,294,000) which is not subject to depreciation

The company had no fixed assets at the year end (2006 £nil)

Notes to the financial statements for the year ended 30 September 2007 (continued)

13 Fixed asset investments

Company	Share in group undertakings £'000
As at 1 October 2006 and 30 September 2007	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	35%
Holland & Barrett Retail Limited	Retailer of healthfood products	100%
Nutrition Warehouse Limited	Provision of retirement benefits under legacy pension arrangements	100%
Good 'n' Natural Limited (*)	Holding company	100%
US Nutrition Limited (*)	Wholesale of healthfood products	100%
Vitamin World Limited (*)	Retailer of healthfood products	100%
Health & Diet Group Limited	Holding company	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

(**) – Vitamin World has legal ownership of 35% of the ordinary share capital of Holland & Barrett Holdings Limited The remaining 65% is held by Chemical Nominees Limited on a nominee basis which gives no access to distribution or voting rights Consequently Vitamin World Limited holds a 100% beneficial interest in Holland & Barrett Holdings Limited and consequently no minority interest is recognised

Notes to the financial statements for the year ended 30 September 2007 (continued)

13 Fixed asset investments (continued)

The company has investments in a number of dormant subsidiaries, all of which are registered in England and Wales In accordance with s231 of the Companies Act 1985, 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

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Trade debtors	**1,068**	2,012	**-**	-
Amounts due from other group companies	**2,382**	46,145	**27,406**	27,406
Prepayments and accrued income	**15,621**	17,779	**-**	-
Corporation tax recoverable	**2,415**	43	**-**	-
Deferred tax asset (see note 17)	**15**	641	**-**	-
	21,501	66,620	**27,406**	27,406

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

Notes to the financial statements
for the year ended 30 September 2007 (continued)

15 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Bank borrowings	**9,575**	-	-	-
Trade creditors	**20,821**	16,350	-	-
Other taxation and social security	**5,099**	4,191	-	-
Corporation tax payable	**6,427**	6,667	-	-
Amounts owed to other group companies	-	-	**43,912**	56,694
Other creditors and accruals	**8,005**	17,302	-	-
	49,927	44,510	**43,912**	56,694

As at 30 September 2007 the bank loan was secured against the deposit bank account held by Good 'n' Natural Limited over a two year term In December 2007 this was subsequently extended to four years due to an extension to the original facility dated 22 December 2006 Interest is payable quarterly on the bank loan at margin plus LIBOR

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

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2007	2006	**2007**	2006
	£'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 £200 million 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

Notes to the financial statements for the year ended 30 September 2007 (continued)

17 Provisions for liabilities and charges

Group	Deferred taxation £'000
Deferred tax liability	
At 1 October 2006	884
Charge to the profit and loss account	355
At 30 September 2007	1,239
Deferred tax (asset)	
At 1 October 2006	(641)
Charge to the profit and loss account	626
At 30 September 2007	(15)
Net deferred taxation	1,224

The net deferred tax liability consists of the following amounts

	2007 £'000	2006 £'000
Capital allowances in excess of depreciation	**1,287**	947
Other short-term differences	**(63)**	(86)
Losses	**-**	(618)
	1,224	243

The group has no unrecognised deferred tax asset or liability The company has no recognised or unrecognised deferred tax asset or liability

Notes to the financial statements for the year ended 30 September 2007 (continued)

18 Share capital

Group and company

	2007	2006
	£'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 2006	418,249	83,652	(71,751)
Profit for the year	-	-	8,219
Currency translation differences	-	-	171
Actuarial gain recognised in the pension scheme	-	-	116
Dividends (see note 10)	-	-	(51,209)
At 30 September 2007	**418,249**	**83,652**	**(114,454)**
Company			
At 1 October 2006	-	83,652	(7,692)
Profit for the year	-	-	63,991
Dividends (see note 10)	-	-	(51,209)
At 30 September 2007	-	**83,652**	**5,090**

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 year before dividends dealt with in the accounts of the company was £63,991,000 (2006 £36,389,000)

Notes to the financial statements for the year ended 30 September 2007 (continued)

20 Commitments under operating leases

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

	Group			
	2007	**2007**	2006	2006
	Land & Building	**Others**	Land & Building	Others
	£'000	**£'000**	£'000	£'000
Commitments which expire				
Within one year	**4,140**	**143**	3,166	128
Within two to five years	**13,330**	**802**	11,553	859
After five years	**16,881**	**-**	17,396	-
	34,351	**945**	32,115	987

The company had no commitments under operating leases at the year end (2006 £nil)

21 Reconciliation of movements in shareholders' funds

	Group		Company	
	2007	2006	**2007**	2006
	£'000	£'000	**£'000**	£'000
Profit for the year	**8,219**	6,738	**63,991**	36,389
Actuarial gain/(loss) recognised in the pension scheme	**116**	(67)	**-**	-
Currency translation difference	**171**	-	**-**	-
Dividends (see note 10)	**(51,209)**	(46,189)	**(51,209)**	(46,189)
Net (reduction in)/addition to shareholders' funds	**(42,703)**	(39,518)	**12,782**	(9,800)
Opening shareholders' funds	**430,150**	469,668	**75,960**	85,760
Closing shareholders' funds	**387,447**	430,150	**88,742**	75,960

Notes to the financial statements for the year ended 30 September 2007 (continued)

22 Capital commitments

	Group	
	2007	2006
	£'000	£'000
Capital expenditure contracted but not provided	**1,326**	583

The company has no capital commitments at the year end (2006 £nil)

23 Pension obligations

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 schemes

Defined contribution scheme

The pension cost of £662,000 (2006 £854,000) for the defined contribution scheme represents contributions payable by the group Outstanding pension contributions at the balance sheet date were £15,989 (2006 £Nil)

Defined benefit scheme

One of the group companies, Nutrition Warehouse Limited, operates a funded defined benefit scheme in the UK, the Health & Diet Food Company Limited Pension and Life Assurance Scheme (1975), since 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 2006 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 5% and 4% respectively and that salary increases would average 3% per annum At the date of the latest actuarial valuation, the market value of the assets was £1,406,000 which was sufficient to cover 80% 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

De Tuinen BV, a subsidiary company, operates a defined benefit scheme within the Netherlands The latest actuarial assessment was at 30 September 2007 It was assumed that the expected return on assets was 5 10% and that salary increases would be 2 5% 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

NBTY Europe Limited

Notes to the financial statements
for the year ended 30 September 2007 (continued)

23 Pension obligations (continued)

FRS 17 dısclosures

The major assumptıons for the combıned schemes used by the actuarıes are ın the ranges as follows

	2007	2006	2005
Rate of ıncreases ın salarıes	2 5%	2 5%	n/a
Rate of ıncrease ın pensıons payment	2 0%-3 2%	2 0%-3 0%	2 9%
Dıscount rate	5 1%-5 8%	4 5%-5 0%	5 0%
Inflatıon assumptıon	2 0%-3 6%	2 0%-3 2%	3 0%
Rate of ıncreases ın deferred pensıons	2 0%-3 6%	2 0%-3 2%	3 0%

The above assumptıons for 2007 represent a combınatıon of the Health & Dıet Food Company Lımıted Pensıon and Lıfe Assurance Scheme (1975) and the De Tuınen BV pensıon scheme

The company ınvests ın ındependent pensıon managed funds The allocatıon of assets ın the fund and the expected long term rates of return were

	Long term rate of return expected at 30 September 2007	**Value at 30 September 2007 £'000**	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
Wıth profits	**5.3%**	**1,416**	4 5%	1,349	4 5%	1,220
Total market value of assets		**1,416**		1,349		1,220
Present value of scheme lıabılıtıes		**(1,459)**		(1,524)		(1,326)
Net pensıon lıabılıty		**(43)**		(175)		(106)
Adjustment ın respect of unrecognısable surplus (FRS 17 para 67(d))		**(18)**		-		-
Net pensıon lıabılıty		**(61)**		(175)		(106)

Notes to the financial statements for the year ended 30 September 2007 (continued)

23 Pension obligations (continued)

The following amounts have been recognised in the performance statements in the year to 30 September 2007

Amount that has been charged to other finance expense

	2007 £'000	2006 £'000
Expected return on pension scheme assets	63	56
Interest on pension scheme liabilities	(79)	(67)
Net expense	**(16)**	(11)

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

	2007 £'000	2006 £'000
Actual return less expected return on assets	21	9
Experience gains and losses on liabilities	15	(8)
Changes in assumptions	98	(68)
Adjustment for unrecognisable surplus (FRS17 para 67b)	(18)	-
Actuarial gain / (loss) recognised	**116**	(67)

Movement in the deficit during the year

	2007 £'000	2006 £'000
Deficit in scheme at start of the year	(175)	(106)
Movement in period		
Contributions	14	9
Other finance expenses	(16)	(11)
Actuarial gain / (loss)	116	(67)
Deficit in scheme at end of the year	(61)	(175)

23 Pension obligations (continued)

History of experience gains and losses

	2007	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets					
Amount (£'000)	**21**	9	(26)	176	(63)
Percentage of assets	**2%**	1%	(2%)	14%	(6%)
Experience gains and losses on scheme liabilities					
Amount (£'000)	**(15)**	(8)	112	103	(76)
Percentage of present value of scheme liabilities	**1%**	1%	(8%)	(8%)	(6%)
Amount in statement of total recognised gains and losses					
Amount (£'000)	**116**	(67)	(84)	226	(203)
Percentage of the present value of scheme liabilities	**(8%)**	4%	6%	(18%)	16%

24 Post balance sheet event

On 16 September 2008 the group completed the purchase of Julian Graves Limited and its subsidiaries for a total consideration of £14 million Julian Graves and its subsidiaries operate in the United Kingdom and Republic of Ireland and is involved in the packing, distribution, wholesale and retail of a specialist range of dried fruit, nuts, health foods, ingredients and indulgences

25 Related party transactions

In the year ended 30 September 2006, P Aldis, a director, had a loan from the company of £150,000 The loan bore interest at a rate of Libor plus 1 75% per annum The balance as at 30 September 2006 was £150,786 This was fully repaid in February 2007

26 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