CIVVALS

Chartered Accountants
Registered Auditors

REPORT OF THE DIRECTORS AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2008

FOR

VITALITY GROUP LIMITED
COMPANY REGISTRATION NO: 01785819

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VITALITY GROUP LIMITED

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

VITALITY GROUP LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 30 SEPTEMBER 2008

DIRECTORS:	A R Deacon G Rosen N A Edden
REGISTERED OFFICE:	Garman Road Tottenham London N17 OQN
REGISTERED NUMBER:	1785819 (England and Wales)
AUDITORS:	Civvals Marble Arch House 66 - 68 Seymour Street London W1H 5AF
BANKERS:	Bank of Scotland London Chief Office P.O.Box 267 38 Threadneedle Street London EC2P 2EH

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 2008

The directors present their report with the financial statements of the company and the group for the year ended 30 September 2008.

PRINCIPAL ACTIVITY
The principal activity of the group in the year under review was that of trading as a wholesaler of toiletries, chemists' sundries and household products.

REVIEW OF BUSINESS
During the year turnover reduced due to a decision to cease supplies to a major customer and the expected continued decline in turnover from the independent chemist sector, which is itself reducing in the number of outlets and the turnover achieved in the products supplied by the company. Turnover to other retail sectors was satisfactory, as was that to the company's smaller wholesale customers.

In early 2008 the company's software suite, which had been written in house, was changed to that provided by an outside supplier experienced in the wholesale sector. The warehouse control systems functioned well from the outset but the process of transferring the accounting data presented unexpected challenges especially in the purchase ledger, which took many months to resolve. All systems are now working normally and the company has relieved itself of its exposure to its internal capability after the retirement of a principal staff member.

The directors noted in last year's report the inaccuracies discovered in both management and audited accounts in the 3 years ended 30th September 2007. These came to light in the year under review and enabled the directors to take remedial action during the summer of 2008 which radically reduced overheads. The result for the year was a profit before tax and exceptional items of £217,403, which is a major recovery from the previous year's result.

As a result of the overstatement of profit in previous years the company will receive a repayment of Corporation Tax of in excess of £500,000 later in 2009. In addition the VAT authorities were withholding at the year-end and continue to hold over £360,000 of VAT repayments some of which had been due for 18 months. The dispute which has resulted in this retention has been partly resolved in the company's favour and a payment is imminent.

The company has reduced both turnover and overheads to achieve a business level more appropriate to its capital resources during the current year.

Results

The group profit for the year after taxation and exceptional items was £62,439 (2007 loss £1,355,963)

Key performance indicators

The directors manage the group on key indicators including growth, profitability and cash generation. Other indicators include the acquisition of new customers and the retention of existing customers and acquisition of new sources of supply. Overheads have been cut significantly during the year. The company's business is dependent on the maintenance of credit facilities with its suppliers.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the group are the loss of credit rating with key suppliers as this may impact on future margins.

Risk management statement

The main risk facing the group is the loss of key staff. However, retention levels have continued to be healthy across the business. The managers of the business regularly review their exposure to key customers and are satisfied that the business has a sufficient broad range of clients.

The group is currently in discussion with the Bank of Scotland concerning the renewal of facilities. The directors appreciate that the business is reliant upon the support of the Bank of Scotland.

The directors are aware that the current economic climate will present certain business challenges to the group and as such have aimed to reduce overheads significantly.

DIVIDENDS

No interim dividend was paid during the year. The directors do not recommend payment of a final dividend.

In 2007 a dividend of £100,000 was paid. In December 2008 this dividend was repaid to the parent company and this repayment has been reflected in these financial statements.

The group profit for the year after taxation and exceptional items was £62,439 (2007 loss £1,355,963)

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 October 2007 to the date of this report.

A R Deacon
G Rosen
N A Edden

Other changes in directors holding office are as follows:

A J W Campbell ceased to be a director after 30 September 2008 but prior to the date of this report.

DIRECTORS' INDEMNITIES

The group has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

DISABLED EMPLOYEES AND THE ENVIRONMENT

The group policy in respect of disabled persons is that their applications for employment are always fully and fairly considered, bearing in mind the abilities of the applicants concerned. In the event of a member of staff becoming disabled every effort is made to ensure that his/her employment with the group continues and where necessary appropriate training is arranged. Training, career development and promotion for disabled persons should, as far as possible, be identical with that for other employees in similar gradings.

The group encourages employees to recycle waste materials wherever possible, and is considering the environmental impact in its sourcing of products and other consumables.

EMPLOYEE CONSULTATION

The directors and managers of the group place considerable value on employee meetings. Information on matters affecting employees and on factors affecting the performance of the group is disseminated at such meetings. Employee involvement and contribution are encouraged throughout the group operations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS
The auditors, Civvals, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
G Rosen - Director

Date: 9|2|09

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VITALITY GROUP LIMITED

We have audited the financial statements of Vitality Group Limited for the year ended 30 September 2008 on pages seven to twenty six. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page four.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Report of the Directors 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 Report of the Directors 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, except that the scope of our work was limited as explained below.

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 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.

As indicated in Note 1 to the financial statements, although the company's bank has indicated its willingness to support the company for the foreseeable future, detailed terms for that support have not been agreed. The absence of agreed terms casts doubt on the group's ability to continue as a going concern and it may therefore be unable to realise it assets and discharge its liabilities in the normal course of business. In this circumstance assets may have to be revalued and liabilities may have to be reclassified. The directors have prepared profit and cash flow projections to September 2010 and management accounts to October 2008. Trading statistics have been prepared since October 2008 to the date of approval of these financial statements but management accounts have not been completed. We have therefore been unable to conclude as to the applicability of the going concern basis of accounting.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF VITALITY GROUP LIMITED

Opinion: disclaimer on view given by the financial statements
Because of the possible effect of the disclosures made in Note 1 regarding going concern, we are unable to form an opinion as to whether 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 affairs as at 30 September 2008 and of the group's profit for the year then ended; and

• Have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

Civvals
Marble Arch House
66 - 68 Seymour Street
London
W1H 5AF

Date: 9|2|2009

VITALITY GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Notes	2008 £	2007 as restated £
TURNOVER	2	45,162,349	50,888,235
Cost of sales		39,263,711	44,729,725
GROSS PROFIT		5,898,638	6,158,510
Administrative expenses		5,369,913	6,223,428
		528,725	(64,918)
Other operating income		112,170	112,908
OPERATING PROFIT	4	640,895	47,990
Exceptional items	5	154,964	940,053
		485,931	(892,063)
Interest receivable and similar income		289	-
		486,220	(892,063)
Interest payable and similar charges	6	423,781	447,388
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		62,439	(1,339,451)
Tax on profit/(loss) on ordinary activities	7	40,485	16,512
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		21,954	(1,355,963)

CONTINUING OPERATIONS
None of the group's activities were acquired or discontinued during the current year or previous year.

The notes form part of these financial statements

VITALITY GROUP LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	2008 £	2007 as restated £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	21,954	(1,355,963)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	21,954	(1,355,963)
Prior year adjustment		(2,728,792)
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT		(4,084,755)

The notes form part of these financial statements

VITALITY GROUP LIMITED

CONSOLIDATED BALANCE SHEET
30 SEPTEMBER 2008

	Notes	2008 £	2008 £	2007 as restated £	2007 as restated £
FIXED ASSETS					
Intangible assets	11		805,472		1,115,439
Tangible assets	12		166,426		270,995
Investments	13		1		1
			971,899		1,386,435
CURRENT ASSETS					
Stocks	14	4,868,498		5,700,945	
Debtors	15	5,728,056		6,970,486	
Cash at bank and in hand		24,614		38,109	
		10,621,168		12,709,540	
CREDITORS					
Amounts falling due within one year	16	10,424,072		13,008,067	
NET CURRENT ASSETS/(LIABILITIES)			197,096		(298,527)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,168,995		1,087,908
CREDITORS					
Amounts falling due after more than one year	17		(416,667)		(426,000)
PROVISIONS FOR LIABILITIES	21		(94,001)		(125,534)
NET ASSETS			658,327		536,374
CAPITAL AND RESERVES					
Called up share capital	22		1,118,293		1,118,294
Share premium	23		999,085		999,085
Capital redemption reserve	23		392,999		392,999
Profit and loss account	23		(1,852,050)		(1,974,004)
SHAREHOLDERS' FUNDS	27		658,327		536,374

The financial statements were approved by the Board of Directors on 9/2/09 and were signed on its behalf by:

G Rosen - Director

N A Edden - Director

The notes form part of these financial statements

VITALITY GROUP LIMITED

COMPANY BALANCE SHEET
30 SEPTEMBER 2008

	Notes	2008 £	2008 £	2007 as restated £	2007 as restated £
FIXED ASSETS					
Intangible assets	11		**783,960**		1,093,927
Tangible assets	12		**166,426**		270,995
Investments	13		**1,378,040**		1,378,040
			2,328,426		2,742,962
CURRENT ASSETS					
Stocks	14	**4,868,498**		5,700,945	
Debtors	15	**5,692,099**		6,922,133	
Cash at bank and in hand		**24,614**		6,337	
		10,585,211		12,629,415	
CREDITORS					
Amounts falling due within one year	16	**11,775,497**		14,495,036	
NET CURRENT LIABILITIES			**(1,190,286)**		(1,865,621)
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,138,140**		877,341
CREDITORS					
Amounts falling due after more than one year	17		**416,667**		426,000
NET ASSETS			**721,473**		451,341
CAPITAL AND RESERVES					
Called up share capital	22		**1,118,294**		1,118,294
Share premium	23		**999,085**		999,085
Capital redemption reserve	23		**392,999**		392,999
Profit and loss account	23		**(1,788,905)**		(2,059,037)
SHAREHOLDERS' FUNDS	27		**721,473**		451,341

The financial statements were approved by the Board of Directors on ......9/2/09...... and were signed on its behalf by:

....
G Rosen - Director

....
N A Edden - Director

The notes form part of these financial statements

VITALITY GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

	Notes	2008 £	2008 £	2007 as restated £	2007 as restated £
Net cash inflow from operating activities	1		**1,439,768**		476,577
Returns on investments and servicing of finance	2		**(423,492)**		(447,388)
Taxation			**(42,251)**		(111,559)
Capital expenditure	2		**(220,628)**		(37,175)
Equity dividends paid			**100,000**		(100,000)
			853,397		(219,545)
Financing	2		**(416,667)**		(1,250,000)
Increase/(Decrease) in cash in the period			**436,730**		(1,469,545)

	Notes	2008 £	2008 £	2007 as restated £	2007 as restated £
Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		**436,730**		(1,469,545)	
Cash outflow/(inflow) from decrease/(increase) in debt		**416,666**		(1,250,000)	
Change in net debt resulting from cash flows			**853,396**		(2,719,545)
Movement in net debt in the period			**853,396**		(2,719,545)
Net debt at 1 October			**(2,719,545)**		-
Net debt at 30 September			**(1,866,149)**		(2,719,545)

The notes form part of these financial statements

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007 as restated
	£	£
Operating profit	640,895	47,990
Depreciation charges	235,164	271,810
Impairment of goodwill	400,000	1,028,705
Exceptional items	(154,964)	(940,053)
Decrease in stocks	832,447	1,071,945
Decrease/(Increase) in debtors	1,242,430	(36,299)
Decrease in creditors	(1,756,204)	(967,521)
Net cash inflow from operating activities	1,439,768	476,577

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008	2007 as restated
	£	£
Returns on investments and servicing of finance		
Interest received	289	-
Interest paid	(423,781)	(447,388)
Net cash outflow for returns on investments and servicing of finance	(423,492)	(447,388)
Capital expenditure		
Purchase of intangible fixed assets	(204,098)	-
Purchase of tangible fixed assets	(16,530)	(37,175)
Net cash outflow for capital expenditure	(220,628)	(37,175)
Financing		
Share issue	(1)	-
Bank loan disclosure adjustment	(416,666)	(1,250,000)
Net cash outflow from financing	(416,667)	(1,250,000)

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.10.07 £	Cash flow £	At 30.9.08 £
Net cash:			
Cash at bank and in hand	38,109	(13,495)	24,614
Bank overdraft	(1,507,654)	450,225	(1,057,429)
	(1,469,545)	436,730	(1,032,815)
Debt:			
Debts falling due within one year	(1,250,000)	833,333	(416,667)
Debts falling due after one year	-	(416,667)	(416,667)
	(1,250,000)	416,666	(833,334)
Total	(2,719,545)	853,396	(1,866,149)

1. ACCOUNTING POLICIES

Accounting convention
These financial statements have been prepared under the historical cost convention, on a going concern basis and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation
The consolidated profit and loss account and balance sheet include the financial statements of the company and all its subsidiary undertakings drawn up to 30 September 2008.

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill
Goodwill arising on consolidation represents the differences between the fair value of consideration given and the fair value of the identifiable net assets acquired. Goodwill arising on acquisition of subsidiaries and businesses is capitalised within intangible fixed assets and is amortised over 15 years.

Computer software
The cost of developing the company's computer software has been capitalised within intangible fixed assets and is amortised over its estimated useful life of 5 years.

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- over the term of the lease
Plant and machinery	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 25% on cost
Computer equipment	- at varying rates on cost

Stocks
Stocks are stated at lower of cost and net realisable value.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits
The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit and loss account in the period to which they relate.

Investments
Fixed asset investments are shown at cost less provision for impairment.

Going Concern
The directors consider it appropriate that the financial statements have been prepared on the going concern basis which assumes that the group will continue in operational existence for the foreseeable future. Although the company's bank has indicated that it will continue to support the company for the next twelve months, detailed terms have not yet been agreed. If detailed terms are not agreed, then the going concern basis would not be appropriate. In that circumstance assets may have to be revalued and liabilities may have to be reclassified.

continued...

2. TURNOVER

All turnover, operating profit/(loss) and net assets are derived from the company's and the group's principal activity which originated in and is derived from the United Kingdom.

3. STAFF COSTS

	2008	2007 as restated
	£	£
Wages and salaries	2,577,966	2,981,329
Other pension costs	12,651	13,223
	2,590,617	2,994,552

The average monthly number of employees during the year was as follows:

	2008	2007 as restated
Sales and distribution	84	88
Administration	8	9
	92	97

4. OPERATING PROFIT

The operating profit is stated after charging:

	2008	2007 as restated
	£	£
Hire of plant and machinery	10,020	19,978
Depreciation - owned assets	121,099	146,253
Loss on disposal of fixed assets	-	2,893
Goodwill amortisation	73,245	99,513
Computer software amortisation	40,820	-
Auditors' remuneration	30,400	47,000
Rentals under operating leases - land and buildings	568,000	577,659
Directors' emoluments	359,765	395,500

Information regarding the highest paid director is as follows:

	2008	2007 as restated
	£	£
Emoluments etc	149,167	160,000

continued...

5. EXCEPTIONAL ITEMS

	2008	2007
	£	£
Decrease in onerous lease provision	-	(189,327)
Restructuring costs	176,799	73,004
Impairment to fixed asset investment	-	108,806
Impairment to goodwill	400,000	947,570
Decrease in deferred consideration provision	(421,835)	-
	154,964	940,053

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007 as restated
	£	£
Bank interest	128,068	186,847
Invoice discounting interest & charges	295,713	260,126
Interest payable	-	415
	423,781	447,388

7. TAXATION

Analysis of the tax charge
The tax charge on the profit on ordinary activities for the year was as follows:

	2008	2007 as restated
	£	£
Current tax:		
UK corporation tax	40,485	4,593
Deferred tax	-	11,919
Tax on profit/(loss) on ordinary activities	40,485	16,512

continued...

7. TAXATION - continued

Factors affecting the tax charge
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2008	2007 as restated
	£	£
Profit/(loss) on ordinary activities before tax	62,439	(1,339,451)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.500% (2007 - 30%)	12,800	(401,835)
Effects of:		
Expenses not deductible for tax purposes	102	344,813
Capital allowances in deficit of depreciation	25,643	12,109
Movement in short term timing differences	-	743
Marginal relief	-	(13,400)
Tax losses carried forward	1,940	116,011
Adjustment in respect of prior years	-	(53,848)
Current tax charge	40,485	4,593

8. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £170,132 (2007 - £(1,467,217) loss).

9. DIVIDENDS

In 2007 a dividend of £100,000 was paid. In December 2008 this dividend was repaid to the parent company and this repayment has been reflected in these financial statements.

10. PRIOR YEAR ADJUSTMENT

Last year a prior year adjustment was made to restate investments and goodwill that were incorrectly stated in the year to 30 September 2006. The overall effect of this restatement impacted only the balance sheet as at 30 September 2006 with no effect to the profit and loss account.

A further prior year adjustment was made last year which related to the restatement of results for the years ended 30 September 2002 to 30 September 2006 following the elimination of old debit balances on the purchase ledger. The effect in 2007 of the prior year adjustment was to increase creditors by £3,228,792 and reduce reserves by £2,728,792 (after taking into account the tax effect of this adjustment).

continued...

11. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Computer software £	Totals £
COST			
At 1 October 2007	1,507,513	-	1,507,513
Additions	-	204,098	204,098
Impairments	(400,000)	-	(400,000)
At 30 September 2008	1,107,513	204,098	1,311,611
AMORTISATION			
At 1 October 2007	392,074	-	392,074
Amortisation for year	73,245	40,820	114,065
At 30 September 2008	465,319	40,820	506,139
NET BOOK VALUE			
At 30 September 2008	642,194	163,278	805,472
At 30 September 2007	1,115,439	-	1,115,439

In July 2008, the group lost a contract with a material customer. This contract was significant in determining the goodwill created upon the hive up of the business and assets from a subsidiary to Vitality Group Limited. The value of the goodwill in the balance sheet at 30 September 2007 was £400,000. An impairment write down of this amount has been made in these financial statements and is included in the exceptional item in the profit and loss account (see note 5).

Company

	Goodwill £	Computer software £	Totals £
COST			
At 1 October 2007	1,486,001	-	1,486,001
Additions	-	204,098	204,098
Impairments	(400,000)	-	(400,000)
At 30 September 2008	1,086,001	204,098	1,290,099
AMORTISATION			
At 1 October 2007	392,074	-	392,074
Amortisation for year	73,245	40,820	114,065
At 30 September 2008	465,319	40,820	506,139
NET BOOK VALUE			
At 30 September 2008	620,682	163,278	783,960
At 30 September 2007	1,093,927	-	1,093,927

continued...

12. TANGIBLE FIXED ASSETS

Group

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 October 2007	454,955	291,877	3,816
Additions	14,410	-	-
Disposals	-	(168,516)	(3,816)
At 30 September 2008	469,365	123,361	-
DEPRECIATION			
At 1 October 2007	370,091	176,578	3,380
Charge for year	46,035	40,103	436
Eliminated on disposal	-	(168,516)	(3,816)
At 30 September 2008	416,126	48,165	-
NET BOOK VALUE			
At 30 September 2008	53,239	75,196	-
At 30 September 2007	84,864	115,299	436

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 October 2007	77,837	110,674	939,159
Additions	-	2,120	16,530
Disposals	(67,857)	(7,982)	(248,171)
At 30 September 2008	9,980	104,812	707,518
DEPRECIATION			
At 1 October 2007	63,003	55,112	668,164
Charge for year	9,428	25,097	121,099
Eliminated on disposal	(67,857)	(7,982)	(248,171)
At 30 September 2008	4,574	72,227	541,092
NET BOOK VALUE			
At 30 September 2008	5,406	32,585	166,426
At 30 September 2007	14,834	55,562	270,995

continued...

12. TANGIBLE FIXED ASSETS - continued

Company

	Improvements to property £	Plant and machinery £	Fixtures and fittings £
COST			
At 1 October 2007	454,955	291,877	3,816
Additions	14,410	-	-
Disposals	-	(168,516)	(3,816)
At 30 September 2008	469,365	123,361	-
DEPRECIATION			
At 1 October 2007	370,091	176,578	3,380
Charge for year	46,035	40,103	436
Eliminated on disposal	-	(168,516)	(3,816)
At 30 September 2008	416,126	48,165	-
NET BOOK VALUE			
At 30 September 2008	53,239	75,196	-
At 30 September 2007	84,864	115,299	436

	Motor vehicles £	Computer equipment £	Totals £
COST			
At 1 October 2007	77,837	110,674	939,159
Additions	-	2,120	16,530
Disposals	(67,857)	(7,982)	(248,171)
At 30 September 2008	9,980	104,812	707,518
DEPRECIATION			
At 1 October 2007	63,003	55,112	668,164
Charge for year	9,428	25,097	121,099
Eliminated on disposal	(67,857)	(7,982)	(248,171)
At 30 September 2008	4,574	72,227	541,092
NET BOOK VALUE			
At 30 September 2008	5,406	32,585	166,426
At 30 September 2007	14,834	55,562	270,995

continued...

13. FIXED ASSET INVESTMENTS

Group

	Shares in group undertakings £
COST	
At 1 October 2007 and 30 September 2008	1
NET BOOK VALUE	
At 30 September 2008	1
At 30 September 2007	1

Company

	Shares in group undertakings £
COST	
At 1 October 2007 and 30 September 2008	1,378,040
NET BOOK VALUE	
At 30 September 2008	1,378,040
At 30 September 2007	1,378,040

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

Marsam (Fancy Goods) Limited
Country of incorporation: UK
Nature of business: Non-trading

Class of shares:	% holding
Ordinary	100.00

Stephens Wholesale Limited
Country of incorporation: UK
Nature of business: Non-trading

Class of shares:	% holding
Ordinary	100.00

On 10 June 2008, a liquidator was appointed to the subsidiary Stephens Wholesale Limited and the entity was placed into voluntary liquidation. The investment in the subsidiary has been fully impaired in the 2007 company balance sheet.

continued...

14. STOCKS

All stocks held by the company and the group are finished goods for resale.

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008	2007 as restated	2008	2007 as restated
	£	£	£	£
Trade debtors	4,269,346	5,132,177	4,269,346	5,101,867
Other debtors	1,057,847	1,419,607	1,010,847	1,401,564
VAT	400,863	418,702	411,906	418,702
	5,728,056	6,970,486	5,692,099	6,922,133

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2008	2007 as restated	2008	2007 as restated
	£	£	£	£
Bank loans and overdrafts (see note 18)	1,474,096	2,757,654	1,474,096	2,757,654
Trade creditors	5,330,373	5,115,231	5,330,373	5,115,231
Invoice discounting	2,906,331	4,413,271	2,906,331	4,413,271
Amounts owed to group undertakings	-	-	1,371,527	1,507,069
Tax	151,854	153,620	131,754	133,520
Social security and other taxes	48,890	67,797	48,890	67,797
Deferred consideration	195,785	309,000	195,785	309,000
Accrued expenses	316,743	191,494	316,741	191,494
	10,424,072	13,008,067	11,775,497	14,495,036

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2008	2007 as restated	2008	2007 as restated
	£	£	£	£
Bank loans (see note 18)	416,667	-	416,667	-
Deferred consideration	-	426,000	-	426,000
	416,667	426,000	416,667	426,000

continued...

18. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2008	2007 as restated	**2008**	2007 as restated
	£	£	**£**	£
Amounts falling due within one year or on demand:				
Bank overdrafts	**1,057,429**	1,507,654	**1,057,429**	1,507,654
Bank loans	**416,667**	1,250,000	**416,667**	1,250,000
	1,474,096	2,757,654	**1,474,096**	2,757,654
Amounts falling due between one and two years:				
Bank loans	**416,667**	-	**416,667**	-

19. OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year:

Group

	Land and buildings	
	2008	2007 as restated
	£	£
Expiring:		
Within one year	**568,000**	568,000
Between one and five years	**-**	188,000
	568,000	756,000

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

An onerous contract provision of £94,001 (2007 - £125,534) has been included in the balance sheet in respect of one of the above leases (see note 21)

continued...

20. SECURED DEBTS

The following secured debts are included within creditors:

	Group	
	2008	2007 as restated
	£	£
Bank overdrafts	**1,057,429**	1,507,654
Bank loans	**833,334**	1,250,000
Invoice discounting	**2,906,331**	4,413,271
	4,797,094	7,170,925

The bank overdrafts and loan are secured against a debenture over the entire assets of the Group. The invoice discounting facility is secured on the relevant trade debtors.

21. PROVISIONS FOR LIABILITIES

	Group	
	2008	2007 as restated
	£	£
Other provisions	**94,001**	125,534
Aggregate amounts	**94,001**	125,534

This is in respect of a provision for an onerous lease relating to a leased property acquired with Stephens Wholesale Limited..

22. CALLED UP SHARE CAPITAL

Authorised:

Number:	Class:	Nominal value:	**2008**	2007 as restated
			£	£
1,118,294	Ordinary	£1	**1,118,294**	1,118,294

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**2008**	2007 as restated
			£	£
1,118,294	Ordinary	£1	**1,118,293**	1,118,294

continued...

23. RESERVES

Group

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 October 2007	(1,974,004)	999,085	392,999	(581,920)
Profit for the year	21,954			21,954
Dividends	100,000			100,000
At 30 September 2008	(1,852,050)	999,085	392,999	(459,966)

Company

	Profit and loss account £	Share premium £	Capital redemption reserve £	Totals £
At 1 October 2007	(2,059,037)	999,085	392,999	(666,953)
Profit for the year	170,132			170,132
Dividends	100,000			100,000
At 30 September 2008	(1,788,905)	999,085	392,999	(396,821)

24. RELATED PARTY DISCLOSURES

The group has taken advantage of exemption conferred by Financial Reporting Standard No. 8 from the requirement to disclose details of transactions with group companies.

There were no other related party transactions requiring disclosure under the terms of Financial Reporting Standard No. 8.

25. POST BALANCE SHEET EVENTS

As stated in Note 9, in December 2008, the shareholders repaid the £100,000 dividend which was paid in the year.

There were no other material post balance sheet events at the time of signing these financial statements.

26. ULTIMATE CONTROLLING PARTY

The company is controlled by A R Deacon, a director of the company.

continued...

27. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2008	2007 as restated
	£	£
Profit/(Loss) for the financial year	21,954	(1,355,963)
Dividends	100,000	(100,000)
Net addition/(reduction) to shareholders' funds	121,954	(1,455,963)
Opening shareholders' funds	536,374	1,992,337
Closing shareholders' funds	658,328	536,374

Company

	2008	2007 as restated
	£	£
Profit/(Loss) for the financial year	170,132	(1,467,217)
Dividends	100,000	(100,000)
Net addition/(reduction) to shareholders' funds	270,132	(1,567,217)
Opening shareholders' funds	451,341	2,018,558
Closing shareholders' funds	721,473	451,341

28. DEFERRED CONSIDERATION

At 30 September 2007, there was deferred consideration of £309,000 disclosed in creditors due in less than one year and £426,000 disclosed in creditors due after more than one year. This was due following the purchase of the subsidiary Stephens Wholesale Limited in 2006. £118,774 was paid during the year. The consideration was linked to the performance of the contract which was terminated during the year (see note 11) and following its loss, the consideration outstanding at the balance sheet date amounted to £195,785. The remainder was therefore written off in these financial statements and included in exceptional items (see note 5).