Vitamins Direct (UK) Limited (previously Goldshield Limited) Financial Statements

For the year ended 31 March 2011

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Company No. 3561477

Company Information

Company registration number	3561477
Registered office	Witan Gate House Witan Gate West Milton Keynes MK9 1SH
Directors	Glen Robinson Michael Swift
Auditors	KPMG LLP Chartered Accountants Registered Auditors 37 Hills Road Cambridge CB2 1XL

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2011 On 2 August 2011 the company changed its name to Vitamins Direct (UK) Limited

Principal activities

The principal activity of the company during the year was the marketing, manufacture and distribution of healthcare products

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements

The directors have not recommended the payment of a dividend

Business review and future developments

Turnover for the year was £9,044,061 (2010 £11,482,924) and the loss for the financial year is £4,385,241 (2010 loss of £6,813,133) During the year, the parent company waived intercompany debt of £16,407,973 which has been credited directly to the profit and loss reserve

Key performance indicators

The directors have monitored the progress of the overall company's strategy and the individual strategic elements by the reference to certain financial key performance indicators which are analysed as follows

	Year to 31 March 2011	Year to 31 March 2010	Change	
	£ '000	£ '000	£ '000	%
Turnover	9,044	11,483	(2,439)	(21)
Gross profit	5,164	7,232	(2,068)	(29)
Profit/(loss) before tax	(4,385)	(6,814)	2,429	36

Subsequent events

On 31 May 2011, the company was acquired by Vitamins Direct (Bermuda) Limited

Principal risks and uncertainties

The management of the business and the nature of the company's strategy are subject to a number of risks

Economic downturn

The success of the business is reliant on consumer spending An economic downturn, resulting in reduction of consumer spending power will have a direct impact on the income achieved by the company

Report of the directors (continued)

In response to this risk, senior management aim to keep abreast of economic conditions In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions

High proportion of fixed overheads and variable revenues

A large proportion of the company's overheads are fixed There is the risk that any significant changes in revenue may lead to the inability to cover such costs

Senior management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented when there is an anticipated decline in revenues

Competition

The market in which the company operates is highly competitive As a result there is constant downwards pressure on margins and the additional risk of being unable to meet customers' expectations Policies of constant price monitoring and ongoing market research are in place to mitigate such risks

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors, that arise directly from its operations The main purpose of these financial instruments is to provide working capital for the company's operations

Short term debtors and creditors

Short term debtors and creditors have been excluded from the following risk disclosures except those relating to currency risk The company's trade and other receivables are actively monitored to avoid significant concentration of credit risk

Interest rate risk

The company finances its operations through a mixture of retained profits and bank facilities Bank borrowings are made using variable interest rates

Liquidity risk

The company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably

Short term flexibility is achieved through overdraft facilities and short/medium term borrowings

Currency risk

The company is exposed to transaction foreign exchange risk

Directors

The directors who served the company during the year and subsequent to the year end were as follows

Glen Robinson	(appointed on 31 May 2011)
Michael Swift	(appointed on 31 May 2011)
Lisa Stone	(resigned on 31 May 2011)
Philipp Schwalber	(resigned on 31 May 2011)
Ajay Patel	(resigned on 31 August 2010)
Rakesh Patel	(resigned on 19 May 2010)
John Beighton	(appointed on 9 December 2010 and resigned on 31 May 2011)

Report of the directors (continued)

Directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

ON BEHALF OF THE BOARD

Glen Robinson
Director

Report of the independent auditor to the members of Vitamins Direct (UK) Limited (previously Goldshield Limited)

We have audited the financial statements of Vitamins Direct (UK) Limited for the year ended 31 March 2011 set out on pages 8 to 17 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern At 31 March 2011 the company's net liabilities were £372,460 The company has continued to make trading losses since being acquired as the directors implement a programme of change to the business These conditions, along with other matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern

Report of the independent auditor to the members of Vitamins Direct (UK) Limited (previously Goldshield Limited)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Steve Muncey (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Hills Road
Cambridge
CB2 1XL

22 December 2011

Profit and loss account

	Note	2011 £	2010 £
Turnover	2	**9,044,061**	11,482,924
Cost of sales		**(3,879,731)**	(4,251,379)
Gross profit		**5,164,330**	7,231,545
Other operating charges	3	**(9,576,883)**	(14,103,980)
Other operating income	4	**27,312**	58,602
Operating loss		**(4,385,241)**	(6,813,833)
Loss on ordinary activities before taxation	5	**(4,385,241)**	(6,813,833)
Tax on loss on ordinary activities	7	**1,735,978**	1,319,937
Loss for the financial year		**(2,649,263)**	(5,493,896)

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	8	**3,812**	47,042
Investments	9	**118**	118
		3,930	47,160
Current assets			
Stocks	10	**862,450**	1,790,698
Debtors	11	**1,434,212**	2,125,478
Cash at bank		**828,678**	857,828
		3,125,340	4,774,004
Creditors: amounts falling due within one year	13	**(3,501,730)**	(18,952,334)
Net current liabilities		**(376,390)**	(14,178,330)
Total assets less current liabilities		**(372,460)**	(14,131,170)
Capital and reserves			
Called up share capital	15	**100**	100
Profit and loss account	16	**(372,560)**	(14,131,270)
Shareholders' deficit	17	**(372,460)**	(14,131,170)

These financial statements were approved by the directors on 12 December 2011 and were signed on their behalf by

Glen Robinson
Director

Company registration number 3561477

Notes to the financial statements

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Notwithstanding the net liabilities of £372,460 at the year end, the directors consider it appropriate to prepare the financial statements on a going concern basis The directors consider that the company has sufficient cash reserves available to settle its liabilities as they fall due

On 31 May 2011, the company was acquired by Vitamins Direct (Bermuda) Limited and the remaining amounts due at that date to the previous parent were waived Subsequent to the acquisition, the directors have implemented a programme to withdraw from low margin sales channels, refocus marketing direction and to initiate a significant reduction in the cost base of the business Furthermore, the directors have reviewed the supply chain to identify efficiencies on costs and to increase the availability of product Since acquisition, the company has made a loss of approximately £408,000 in the 6 months to 30 November 2011, although the company is now trading on a more stable basis and the positive impact of these measures has been seen in more recent months

The directors have prepared forecasts for the next 12 months which show that the company can operate within existing cash reserves Whilst there can be no certainty that the profit improvement plans can be achieved, the directors consider that the forecasts have been prepared on a realistic basis and have a reasonable expectation that the company will continue in operational existence for the foreseeable future even after factoring in reasonable downside sensitivities to the forecasts

Based on this, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis However, this material uncertainty may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) 'Cash Flow Statements' from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows

Plant and equipment - 15%

Investments

Investments are included at cost Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities

Notes to the financial statements

1 Accounting policies (continued)

Turnover

Revenue from the sale of goods is recognised in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer Revenue is measured at the fair value of the consideration received/receivable by the company for goods supplied, excluding value added tax and trade discounts

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

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

2 Turnover

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2011	2010
	£	£
United Kingdom	**7,843,874**	9,904,203
Western Europe	**1,200,187**	1,578,721
	9,044,061	11,482,924

Notes to the financial statements

3 Other operating charges

	2011 £	2010 £
Distribution costs	429,790	297,402
Administrative expenses	9,147,093	13,806,578
	9,576,883	14,103,980

4 Other operating income

	2011 £	2010 £
Other operating income	27,312	58,602

5 Operating loss

Operating loss is stated after charging/(crediting)

	2011 £	2010 £
Depreciation	10,818	10,842
Auditor's remuneration		
Audit fees	-	15,000
Net gain on foreign currency translation	(17,866)	(47,865)

The audit fees for the current year have been borne by other group companies

6 Directors and employees

All directors and employees of Vitamins Direct (UK) Limited are employed by Goldshield Management Services Limited A proportion of the total salaries expense is recharged to Vitamins Direct (UK) Limited based upon employee usage for the period

Notes to the financial statements

7 Taxation on loss on ordinary activities

(a) Analysis of charge in the year

	2011	2010
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2010 28%)	**(1,190,078)**	(1,217,482)
Adjustment to tax charge in respect of previous periods	**(596,470)**	(41,360)
Total current tax	**(1,786,548)**	(1,258,842)
Deferred tax		
Movement during the year	**50,570**	(61,095)
	(1,735,978)	(1,319,937)

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is lower (2010 higher) than the standard rate of corporation tax in the UK of 28% (2010 28%)

	2011	2010
	£	£
Loss on ordinary activities before taxation	**(4,385,241)**	(6,813,833)
Tax on loss on ordinary activities by rate of tax	**(1,227,867)**	(1,907,873)
Expenses not deductible for tax purposes	**37,789**	690,391
Adjustment to tax charge in respect of previous periods	**(596,470)**	(41,360)
Total current tax (note 7(a))	**(1,786,548)**	(1,258,842)

Notes to the financial statements

8 Tangible fixed assets

	Plant & Equipment £
Cost	
At 1 April 2010	71,536
Additions	-
Disposals	(60,720)
At 31 March 2011	10,816
Depreciation	
At 1 April 2010	24,494
Charge	10,818
Disposals	(28,308)
At 31 March 2011	7,004
Net book value	
At 31 March 2011	3,812
At 31 March 2010	47,042

9 Investments

	2011 £	2010 £
At cost and net book value at 1 April 2010	118	247
Impairment during the year	-	(129)
Net book value at 31 March 2011	118	118

Investments represent a 0 03% holding in the equity of Complete Wellbeing Private Limited which has been impaired during the prior year and 0 0034% in Goldshield Real Estate Private Limited, being companies incorporated in India

10 Stocks

	2011 £	2010 £
Finished goods	862,450	1,790,698

Notes to the financial statements

11 Debtors

	2011	2010
	£	£
Trade debtors	**337,426**	1,204,234
Prepayments	**1,398**	187,655
Amounts owed by group undertakings	**581,774**	72,660
Tax recoverable	**492,142**	604,479
Other taxation and social security	**15,592**	-
Deferred taxation (note 12)	**5,880**	56,450
	1,434,212	2,125,478

12 Deferred taxation

	2011	2010
	£	£
The movement in the deferred taxation account during the year was		
At 1 April 2010	**56,450**	(4,645)
Movement in deferred tax	**(50,570)**	61,095
At 31 March 2011	**5,880**	56,450

The balance of deferred taxation consists of the tax effect of timing differences in respect of

	2011	2010
	£	£
Other timing differences	**5,880**	56,450

13 Creditors: amounts falling due within one year

	2011	2010
	£	£
Trade creditors	**600,278**	831,210
Amounts owed to group undertakings	**2,592,026**	17,244,256
Other creditors	**2**	110,338
Other taxation and social security	-	23,643
Accruals and deferred income	**309,424**	742,887
	3,501,730	18,952,334

The amounts due to group undertakings represent the management charges that have been recharged to the company It also includes the allocation of direct costs to the company and intercompany funding provided by group undertakings The balances are interest free and payable on demand

Notes to the financial statements

14 Capital commitments

The company had no capital commitments at 31 March 2011 or 31 March 2010

15 Share capital

Authorised share capital

	2011 £	2010 £
100,000,000 Ordinary shares of £1 each	**100,000,000**	100,000,000

Allotted and called up

	2011 No	2011 £	2010 No	2010 £
Ordinary shares of £1 each	**100**	**100**	100	100

16 Reserves

	Profit and loss account £
At 1 April 2010	**(14,131,270)**
Loss for the financial year	**(2,649,263)**
Debt waiver by parent company	**16,407,973**
At 31 March 2011	**(372,560)**

17 Reconciliation of movements in shareholders' deficit

	2011 £	2010 £
Opening shareholders' deficit	**(14,131,170)**	(8,637,274)
Loss for the financial year	**(2,649,263)**	(5,493,896)
Debt waiver by parent company	**16,407,973**	-
Closing shareholders' deficit	**(372,460)**	(14,131,170)

Notes to the financial statements

18 Ultimate parent company

The ultimate parent company of Vitamins Direct (UK) Limited during the financial year was Midas Equityco S à r l registered in Luxembourg Consolidated accounts for Midas Equityco S à r l are available from the Luxembourg Ministry of Finance Midas Equityco S à r l 's equity is ultimately owned by certain private shareholders and by Rowan Nominees Limited (i) , a nominee company holding investments on behalf of a series of private equity funds under the management of HgCapital LLP (ii)

(i) RNL is the nominee company for Fund 6 investments
(ii) HgCapital LLP is the manager of Fund 6

As a wholly owned indirect subsidiary of Midas Equityco S à r l, the company is exempt from the requirements of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions with other members of the group headed by Midas Equityco S à r l

19 Subsequent events

On 31 May 2011, the company was acquired by Vitamins Direct (Bermuda) Limited