Nutralife (UK) Limited

Registered No. 3857588

Report and financial statements

30 June 2005

Directors

G D Winn
S J Boydell

Secretary

S J Boydell

Auditors

Ernst & Young LLP
14 New Street
St Peter Port
Guernsey
Channel Islands
GY1 4AF

Registered Office

Stirling Court
South Marston Park
Swindon
Wiltshire
SN3 4WD

Directors' report

The directors present their report and financial statements for the year ended 30 June 2005.

Principal activity

The company's principal activity during the year continued to be vitamin pill supplying.

Results and dividends

The results for the year are set out in the profit and loss account on page 6. No dividends were paid during the year. The directors do not propose a final dividend for the year.

Directors

The directors during the year ended 30 June 2005 and to date were:

G D Winn	
M K Winn	(resigned 1 July 2005)
S J Boydell	(appointed 1 July 2005)

Auditors

As resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

S J Boydell

Secretary

Date: 17 January 2006.

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. (see note 1)

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

Independent auditors' report

to the members of Nutralife (UK) Limited

We have audited the company's financial statements for the year ended 30 June 2005 which comprise the Profit and Loss Account, Note of Historical Cost Profits and Losses, Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty over the company's ability to continue as a going concern. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

ERNST & YOUNG

Independent auditors' report

to the members of Nutralife (UK) Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act, 1985.

Ernst & Young LLP

Registered auditor

Guernsey, Channel Islands
Date:

19 JAN 2006

Profit and loss account

for the year ended 30 June 2005

	Notes	2005 £	2004 restated £
Turnover	3		
Continuing operations		2,626,011	1,684,814
Discontinued operations		1,759,343	2,990,996
		4,385,354	4,675,810
Cost of sales	4		
Continuing operations		1,394,930	980,635
Discontinued operations		1,111,187	2,190,427
		2,506,117	3,171,062
Gross profit			
Continuing operations		1,231,081	704,179
Discontinued operations		648,156	800,569
		1,879,237	1,504,748
Administration expenses	4		
Continuing operations		316,252	272,793
Discontinued operations		841,275	1,020,988
		1,157,527	1,293,781
Operating profit/(loss)	5		
Continuing operations		914,829	431,386
Discontinued operations		(193,119)	(220,419)
		721,710	210,967
Exceptional items			
Sale of discontinued operation	17	50,000	-
Redundancy expense	16	(74,488)	-
		(24,488)	-
Interest payable and similar charges	6	(80,053)	(52,733)
Profit before taxation		617,169	158,234
Taxation refund	7	2,856	-
Profit for the year		620,025	158,234
Statement of accumulated losses			
At 1 July		(1,494,105)	(1,652,339)
Profit for the year		620,025	158,234
Transfer from revaluation reserve		127,593	-
At 30 June		(746,487)	(1,494,105)

There are no other recognised gains or losses other than the profit for the year.

Note of Historical Cost Profits and Losses

for the year ended 30 June 2005

	2005	*2004 restated*
	£	*£*
Reported profit on ordinary activities before taxation	617,169	158,234
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	-	2,552
Historical cost profit on activities before and after taxation	617,169	160,786

Balance sheet

at 30 June 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	8	196,730	742,604
Investment	9	1	1
		196,731	742,605
Current assets			
Stock	10	1,194,444	451,471
Debtors	11	849,228	753,363
Cash at bank and in hand		126	409
		2,043,798	1,205,243
Creditors - amounts falling due within one year	12	2,690,550	2,855,784
Net current liabilities		(646,752)	(1,650,541)
Total assets less current liabilities		(450,021)	(907,936)
Creditors - amounts falling due after more than one year	13	296,464	458,574
		(746,485)	(1,366,510)
Deficiency of capital and reserves			
Called up share capital	14	2	2
Revaluation reserve	15	-	127,593
Profit and loss account	15	(746,487)	(1,494,105)
Shareholders' deficit – all attributable to equity interests		(746,485)	(1,366,510)

) Directors

Date: 17 January 2006.

Notes to the financial statements

at 30 June 2005

1. Basis of preparing the financial statements

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings and in accordance with applicable United Kingdom accounting standards.

The directors believe that the company is able to continue in operational existence for the foreseeable future and have therefore adopted the going concern basis in preparing the financial statements.

In forming this opinion, the directors have given consideration to the following:-

The company meets its day-to-day working capital requirements through an overdraft facility which is repayable on demand and a bank loan which is repayable in accordance with the schedule summarised in notes 12 and 13 to the financial statements.

In addition the ultimate controlling party (note 18) has agreed to provide adequate funds to enable the company to meet its liabilities as they fall due.

The financial statements do not include any adjustments that may result from a withdrawal of the overdraft and loan facility by the company's bankers nor the failure of the controlling party to provide adequate support.

In the event of the controlling party and the bank withdrawing their support it is unlikely that the company will be able to continue as a going concern.

2. Accounting policies

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off their cost evenly over their expected useful life, as follows:

Freehold Buildings	- over 50 years
Plant and machinery	- over 7 years
Fixtures and fittings	- over 5 years
Motor vehicles	- over 4 years
Computer and office equipment	- over 3 years

Taxation

The company is subject to UK corporation tax.

Interest payable

Interest payable is debited to the profit and loss account on an accruals basis.

Cash flow statement

The company is a small company within the meaning of Financial Reporting Standard 1 and is not therefore required to present a cash flow statement.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and conditions as follows:

Raw materials	- Purchase cost on a weighted average price.
Work in progress and finished goods	- Cost of direct materials and labour.

Notes to the financial statements

at 30 June 2005

2. Accounting policies (continued)

Consolidated accounts

The company is a small company within the meaning of Financial Reporting Standard 2 and is not therefore required to present consolidated financial statements. These financial statements present information about the company as an individual entity and not about its group.

Leasing and hire purchase agreements

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the lease and hire purchase contracts are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Research and development

Research and development expenditure is written off as incurred.

3. Turnover

Turnover comprises the invoice value of goods supplied during the year and is stated net of value added tax.

Included within turnover are sales of £4,390,691 (2004 £3,744,435) made to a fellow group company Healthy Direct Limited, a Guernsey registered company. As at 30 June 2005, the company was due £200,419 (2004: £469,785) in respect of these sales.

4. Staff costs

Included within cost of sales and administrative expenses are the following staff costs:

	2005	*2004*
	£	*£*
Wages and salaries	754,807	851,344
National Insurance Contribution	60,254	65,952
	815,061	917,296

These are included in the following headings in the profit and loss account:

Cost of sales	379,511	408,626
Administrative expenses (i)	435,550	508,670
	815,061	917,296

Notes to the financial statements

at 30 June 2005

4. Staff costs (continued)

(i) Included within administrative expenses are the following directors' emoluments:

	2005	*2004*
	£	*£*
Directors emoluments	-	24,991

None of the directors are accruing any retirement benefits.

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

	2005	*2004*
	No	*No*
Administration	19	18
Production	17	22
	36	40

5. **Operating profit** is stated after charging:

	2005	*2004*
	£	*£*
Auditors' remuneration	22,086	12,194
Depreciation – on assets owned by the company	70,491	65,872
- on assets held under finance leases	23,554	42,764

6. Interest payable and similar charges

	2005	*2004*
	£	*£*
On finance leases	31,568	11,523
Bank loans and overdrafts	55,977	40,060
On debt factoring	(7,492)	1,150
	80,053	52,733

7. Taxation

	2005	*2004*
	£	*£*
UK Corporation tax refund	2,856	-

Notes to the financial statements

at 30 June 2005

8. Tangible fixed assets

	Freehold land and buildings	*Plant and machinery*	*Motor vehicles*	*Fixtures and fittings*	*Computer and office equipment*	*Total*
	£	*£*	*£*	*£*	*£*	*£*
Cost or valuation:						
At 30 June 2004	480,000	380,984	55,882	100,474	43,820	1,061,160
Additions	-	522	-	-	7,886	8,408
Disposals	(480,000)	(8,589)	(55,882)	-	(20,176)	(564,647)
At 30 June 2005	-	372,917	-	100,474	31,530	504,921
Depreciation:						
At 30 June 2004	38,590	151,523	30,749	68,707	28,987	318,556
Charge for the year	9,600	54,110	-	20,095	10,240	94,045
Disposals	(48,190)	(5,357)	(30,749)	-	(20,114)	(104,410)
At 30 June 2005	-	200,276	-	88,802	19,113	308,191
Net book amounts:						
At 30 June 2005	-	172,641	-	11,672	12,417	196,730
At 30 June 2004	441,410	229,461	25,133	31,767	14,833	742,604

The net book value of fixed assets of £196,730 includes an amount of £94,306 (2004 - £196,949) in respect of assets held under finance leases.

Freehold land and buildings were revalued on 27 May 2003 by independent chartered surveyors, Smith Melzack Pepper Angliss, on an existing use basis. Included in cost or valuation of freehold land and buildings at 1 July 2004 was an amount of £127,593 in respect of the surplus on revaluation of the property.

During the year freehold land and buildings were transferred to Hub Europe.com Limited (UK), a fellow group company. As described in notes 12 and 13, the company has a mortgage on this property and this mortgage is secured against the property. The security continues to be valid against the asset held by Hub Europe.com Limited. It is the intention of the directors of Hub Europe.com Limited to dispose of the building in the short-term for an amount of in excess of carrying value. The proceeds of sale will be transferred to Nutralife (UK) Limited and used to discharge the mortgage liability.

9. Investment in subsidiary

	2005	*2004*
	£	*£*
Investment is subsidiary undertaking	1	1

Notes to the financial statements

at 30 June 2005

9. Investment in subsidiary (continued)

As at 30 June 2005, the company's subsidiary undertaking was:

Name	*Country of Incorporation*	*Registered Office*	*Proportion of Ordinary Shares*	*Activity*
Oxford Nutraceuticals Limited	United Kingdom	25 The Green Southwick West Sussex BN42 4DG	100%	Dormant

10. Stock

	2005	*2004*
	£	*£*
Raw materials	514,960	311,956
Work in Progress	-	28,374
Finished Goods	679,484	111,141
	1,194,444	451,471

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. Debtors

	2005	*2004*
	£	*£*
Trade Debtors (i)	221,207	751,501
Debtors Provision	(17,823)	(84,723)
Other Debtors	121,053	86,585
Related company loans	524,791	-
	849,228	753,363

(i) Included within trade debtors are amounts totalling £200,419 (2004: £469,785) due from Healthy Direct Limited, a fellow group company.

Notes to the financial statements

at 30 June 2005

12. Creditors Amounts falling due within one year

	2005	*2004*
	£	*£*
Bank Mortgage – current portion (i)	17,800	16,788
Bank Loans – current portion (ii)	90,452	62,542
Bank overdraft (ii)	599,999	479,940
Amount owed on factoring of debt	-	119,674
Trade Creditors	608,029	961,168
Other Creditors and Accruals	20,319	36,112
Tax and Social Security	27,336	16,081
Obligations under Finance Leases	30,984	67,936
Loan from Healthy Direct Limited	817,784	-
Loan from Shadowgrade Developments Limited (iii), (iv)	-	111,000
Loan from Osprey Investments Limited (iii), (iv)	-	684,479
Loan from Zouche Group Limited (note 18), (iv)	403,359	300,064
Redundancy costs	74,488	-
	2,690,550	2,855,784

(i) See note 13 for details of security over the mortgage and mortgage repayment terms.

(ii) The overdraft is part of a group facility of £2,715,000 which is repayable on demand. The facility is subject to periodic review by the Group's bankers, Barclays Bank Plc. It was renewed on 1 September 2005 and is next due for review in March 2006.

(iii) Shadowgrade Development Limited and Osprey Investments Limited are companies related by common control.

(iv) The loans are unsecured, interest free and repayable on demand.

Notes to the financial statements

at 30 June 2005

13. Creditors: amounts falling due after more than one year

	2005	*2004*
	£	*£*
Bank loan (i)	157,346	232,311
Bank mortgage (ii)	244,509	257,994
Obligations under finance leases	33,845	115,535
	435,700	605,840
Less: current portion (note 12) – loan	(90,452)	(62,542)
current portion (note 12) - mortgage	(17,800)	(16,788)
- finance leases	(30,984)	(67,936)
	296,464	458,574

	2005	*2004*
Bank loan (i)	*£*	*£*
In one year or less, or on demand	90,452	62,542
Between one and two years	66,894	66,520
Between two and five years	-	103,249
	157,346	232,311

	2005	*2004*
	£	*£*
Bank Mortgage (ii)		
In one year or less, or on demand	17,800	16,788
Between one and two years	18,872	17,800
Between two and five years	63,706	60,095
After more than five years	144,131	163,311
	244,509	257,994

Notes to the financial statements

at 30 June 2005

13. Creditors: amounts falling due after more than one year (continued)

	2005	*2004*
	£	*£*
Obligations under finance leases:		
Repayable within one year	30,984	67,936
Repayable between one and five years	2,861	47,599
	33,845	115,535

(i) The loan bears interest at 2% above Barclays Bank Base Rate and is repayable in monthly instalments, commencing January 2003, with the final payment to be made in February 2007. Security for the loan is as follows:

- first charge over the company's debt factoring agreement.
- guarantee by Osprey Investments Limited for £365,000.

(ii) The mortgage bears interest at 1.5% above Nat West Bank Base interest rate and is repayable in monthly instalments, commencing November 2002, with the final repayment to be made by 9 May 2015.

Security for the mortgage is as follows:

- Postponement of loan from Osprey Investment Limited for £185,000.
- Guarantee by G.D. Winn for £150,000.
- Guarantee by Osprey Investment Limited for £150,000.
- First legal charge over the property.

14. Called up share capital

	2005	*2004*
	£	*£*
Authorised:		
Ordinary shares of £1 each	10,000	10,000

	2005	*2004*	*2005*	*2004*
Allotted and called up:	*No*	*No*	*£*	*£*
Ordinary Shares of £1 each	2	2	2	2

Notes to the financial statements

at 30 June 2005

15. Reconciliation of movements in shareholders' deficit and movement on reserves

	Share Capital	*Profit and Loss account*	*Revaluation Reserve*	*Total Shareholders Deficit*
	£	*£*	*£*	*£*
At 1 July 2004	2	(1,494,105)	127,593	(1,366,510)
Profit for the year	-	620,025	-	620,025
Transfer	-	127,593	(127,593)	-
At 30 June 2005	2	(746,487)	-	(746,485)

16. Post balance sheet events

Since the year end the company has discontinued its vitamin manufacturing business and a loss of £104,000 was made on the disposal of assets. All costs relating to staff redundancies have been reflected in the current accounting period.

17. Sale of discontinued operation

Proceeds from disposal of Natralife stock and brand name have been reflected in the current accounting period.

18. Controlling party

The immediate controlling party is the Zouche Group Limited, a Guernsey company. The ultimate controlling party is the Victor Trust, a discretionary trust established under the laws of Guernsey.