

Company Registration No. 01785819

Vitality Group Limited

Report and Financial Statements

27 September 2003



Vitality Group Limited

Report and financial statements 2003

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Vitality Group Limited

Officers and professional advisers

Directors

A R Deacon FCA	Chairman
A J W Campbell MA	Non Executive
G Rosen	
N Edden	

Company Secretary

D C Harrison (appointed 2 June 2004)
M J Hayward (resigned 2 June 2004)

Registered office

Garman Road
Tottenham
London
N17 OQN

Bankers

Bank of Scotland
London Chief Office
PO Box 267
38 Threadneedle Street
London
EC2P 2EH

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

Vitality Group Limited

Chairman's Statement

Profit before taxation for the financial year ended 27 September 2003 was £895,581 (2002 - £711,321). Turnover was £39.8million (2002 - £30.7 million). Net assets rose 71% to £3.8 million and net current assets rose 41% to £2.2 million.

These are indeed pleasing results to report especially as underlying profit growth was rather greater than that reflected in the Profit & Loss account. The major project of the year was the assimilation of the business of Marsam (Fancy Goods) Limited, the acquisition of which was completed in December 2002. In February 2003 the planned closure of Marsam's North London warehouse was completed and the whole operation was moved into Vitality's warehouse on time and on budget. There was no significant disruption to the customers or suppliers of either company, and systems were soon running smoothly again.

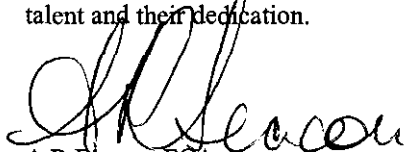
The addition of Marsam has been an important step for Vitality. Not only has it increased significantly our purchasing power so that we can offer a much strengthened service to our suppliers, but we have very significantly increased our penetration of the smaller wholesaler supply system which remains an important element of our industry. The acquisition of Marsam by Vitality has been well received by Marsam's customers, who have enjoyed an enhanced range and lower prices as a result of the deal.

The company changed its name in December 2002. Our policy, since the acquisition of Marsam has been to trade with our various markets under the overall corporate umbrella of Vitality Group, whilst maintaining separate primary brands. CBS Genios remains the brand for our independent pharmacist business. Whilst we remain the largest independent pharmacy wholesaler in our product sector it represents a decreasing proportion of our business. CBS Shopdrop remains our brand for delivered wholesaling to non-pharmacy independent stores, and CBS Cash & Carry operates as a cash & carry wholesaler to market traders and independent stores. Marsam is now our wholesale trading brand.

The products and services of all our brands are tailored for their individual markets but they are served by a central logistics facility that is achieving a very high level of cost efficiency in both warehousing and transport.

The current year has so far been exhilaratingly successful and we will achieve a significant increase in both turnover and profits.

I believe that Vitality has the best management team in this business and I thank them for their talent and their dedication.



A R Deacon FCA
Chairman

20 August 2004

Vitality Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 27 September 2003.

Activities

The principal activity of the group is trading as a wholesaler of toiletries, chemists' sundries and household products.

Review of developments

A review of developments is included in the Chairman's statement.

Future prospects

The Board have taken steps during the year under review which it expects will result in profits growth with resultant benefit to the company's future performance.

Donations

During the year the company made charitable donations totalling £5,000 (2002 – £2,070).

Directors and their interests

The directors of the company who served throughout the year, unless otherwise stated, were:

A R Deacon

A J W Campbell

G Rosen (appointed 12 December 2002)

N Edden (appointed 13 December 2002)

The directors' interests, as defined by the Companies Act 1985, in the ordinary shares of the company at 27 September 2003 were:

	2003	2002
A R Deacon	917,001	917,001
G Rosen	201,293	-

A R Deacon held a non-beneficial interest in 327,000 ordinary shares of the company (2002: 327,000), included in the above.

A J W Campbell and N Edden held no interests in the shares of the company.

Dividends

The directors declared a dividend of £300,000 in respect of the year ended 27 September 2003 (2003 - £200,000).

Acquisition of subsidiary

In December 2002, the company acquired Marsam (Fancy Goods) Limited. Subsequently this business was incorporated in to the trading activities of the company.


Vitality Group Limited

Directors' report

Auditors

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


D C Harrison
Company secretary

20 August 2004

Vitality Group Limited

Statement of directors' responsibilities

United Kingdom 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 the group as at the end of the financial year 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 accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 of the group, and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Vitality Group Limited

We have audited the financial statements of Vitality Group Limited for the year ended 27 September 2003 which comprise the consolidated profit and loss account, the balance sheets, the cash flow statement and the related notes 1 to 23. 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

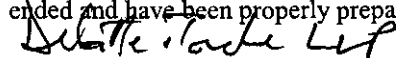
Basis of audit opinion

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 and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group as at 27 September 2003 and of the profit of the group for year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

23 August 2004

Vitality Group Limited

Consolidated profit and loss account Year ended 27 September 2003

	Note	2003 £	2002 £
Turnover	2	39,845,321	30,707,198
Cost of sales		(34,990,656)	(27,041,088)
Gross profit		4,854,665	3,666,110
Operating expenses		(3,966,312)	(2,966,006)
Other operating income		182,285	185,193
Operating profit	2, 7	1,070,638	885,297
Interest payable and similar charges	6	(175,057)	(173,976)
Profit on ordinary activities before taxation		895,581	711,321
Tax on profit on ordinary activities	8	(222,377)	(219,447)
Profit on ordinary activities after taxation		673,204	491,874
Dividends paid and proposed	9	(300,000)	(200,000)
Retained profit for the year	20	373,204	291,874

As permitted by Section 230(4) of the Companies Act 1985, only the group's profit and loss account has been presented. The parent company's profit for the year amounted to £436,068 (2002: £291,874).

No statement of total recognised gains and losses has been prepared on the grounds that there are no differences between the reported profit and the total recognised profits.

The above results all derive from continuing operations.

On 12 December 2002, Vitality Group Limited acquired 100% of the ordinary share capital of Marsam (Factory Goods) Limited (see note 3). Following the acquisition, the business activities of Marsam (Fancy Goods) Limited were fully integrated with the operations of Vitality Group Limited. It has therefore not been practicable to determine the post acquisition results of the acquired operation or to provide an indication of the contribution of the acquisition to turnover and operating profit.

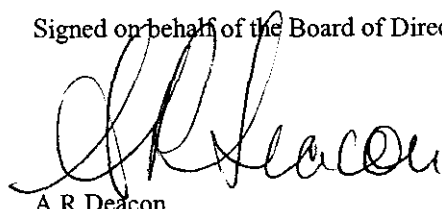
Vitality Group Limited

Consolidated balance sheet As at 27 September 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Goodwill	10		1,042,330		-
Investments	11		1		50,001
Tangible assets	12		635,019		704,558
			<u>1,677,350</u>		<u>754,559</u>
Current assets					
Stocks	13	5,806,854		3,156,126	
Debtors	14	5,041,808		3,498,424	
Cash in hand and at bank		71,051		106,912	
			<u>10,919,713</u>		<u>6,761,462</u>
Creditors: amounts falling due within one year	15	(8,757,987)		(5,236,683)	
Net current assets			<u>2,161,726</u>		<u>1,524,779</u>
Total assets less current liabilities			<u>3,839,076</u>		<u>2,279,338</u>
Creditors: amounts falling due after more than one year	16		(50,579)		(42,372)
Provisions for liabilities and charges	18		-		(21,673)
Net assets			<u>3,788,497</u>		<u>2,215,293</u>
Capital and reserves					
Called up share capital	19, 20		1,118,294		917,001
Share premium account	20		999,085		378
Capital redemption reserve	20		392,999		392,999
Profit and loss account	20		1,278,119		904,915
Total equity shareholders' funds			<u>3,788,497</u>		<u>2,215,293</u>

These financial statements were approved by the Board of Directors on 2nd August 2004.

Signed on behalf of the Board of Directors



A R Deacon

Director

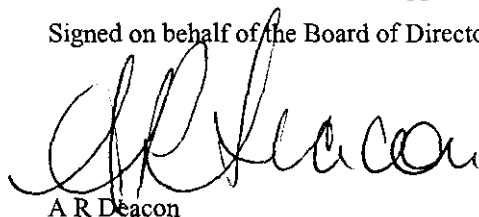
Vitality Group Limited

Company balance sheet As at 27 September 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Investments	11		2,476,712		50,001
Tangible assets	12		635,019		704,558
			<u>3,111,731</u>		<u>754,559</u>
Current assets					
Stocks	13	5,806,854		3,156,126	
Debtors	14	5,041,808		3,498,424	
Cash at bank and in hand		71,051		106,912	
		<u>10,919,713</u>		<u>6,761,462</u>	
Creditors: amounts falling due within one year	15	(10,129,504)		(5,236,683)	
Net current assets			<u>790,209</u>		<u>1,524,779</u>
Total assets less current liabilities			<u>3,901,940</u>		<u>2,279,338</u>
Creditors: amounts falling due after more than one year	16		(50,579)		(42,372)
Provisions for liabilities and charges	18		-		(21,673)
			<u>3,851,361</u>		<u>2,215,293</u>
Capital and reserves					
Called up share capital	19, 20		1,118,294		917,001
Share premium account	20		999,085		378
Capital redemption reserve	20		392,999		392,999
Profit and loss account	20		1,340,983		904,915
Total equity shareholders' funds			<u>3,851,361</u>		<u>2,215,293</u>

These financial statements were approved by the Board of Directors on 26 August 2004.

Signed on behalf of the Board of Directors



A R Deacon

Director

Vitality Group Limited

Consolidated cash flow statement Year ended 27 September 2003

	Note	2003		2002	
		£	£	£	£
Net cash outflow from operating activities	A		529,435		1,582,681
Returns on investments and servicing of finance					
Interest paid			(171,205)		(173,976)
Taxation			(199,280)		(364,240)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(84,630)		(85,889)	
Receipts from sales of fixed assets		20,350		64,000	
Net cash outflow from capital expenditure and financial investment			(64,280)		(21,889)
Acquisitions and disposals					
Payments to acquire investment in subsidiary			(1,076,711)		-
Equity dividends paid			(100,000)		(200,000)
Net cash outflow before financing			(1,082,041)		822,576
Financing					
Capital element of finance lease contracts			(112,953)		(191,006)
(Decrease)/increase in cash	C		(1,194,994)		631,570

Vitality Group Limited

Notes to the consolidated cash flow statement Year ended 27 September 2003

A. Reconciliation of operating profit to net cash inflow from operating activities

	2003 £	2002 £
Operating profit	1,070,638	885,297
Depreciation and amortisation of goodwill	272,955	235,589
(Increase)/decrease in stock	(950,704)	551,536
(Increase)/decrease in debtors	(122,147)	398,807
Increase/(decrease) in creditors	222,533	(483,101)
Profit on sale of fixed assets	(13,840)	(5,447)
Write off of investment	50,000	-
Net cash outflow from operating activities	<u>529,435</u>	<u>1,582,681</u>

B. Analysis of net debt

	At 29 September 2002 £	Cash flow £	Other non cash changes £	At 27 September 2003 £
Cash in hand and at bank	106,912	(35,861)	-	71,051
Overdrafts	(348,741)	(833,797)	-	(1,182,538)
Invoice discounting	(2,061,570)	(325,336)	-	(2,386,906)
	<u>(2,303,399)</u>	<u>(1,194,994)</u>		<u>(3,498,393)</u>
Finance leases	(154,130)	112,953	(59,406)	(100,583)
Total	<u>(2,457,529)</u>	<u>(1,082,041)</u>	<u>(59,406)</u>	<u>(3,598,976)</u>

C. Reconciliation of net cash flow to movement in net debt

	2003 £	2002 £
(Decrease)/increase in cash in the year	(1,194,994)	631,570
Cash outflow from increase in debt and lease financing	<u>112,953</u>	<u>191,006</u>
Change in net debt resulting from cash flows	(1,082,041)	822,576
New finance leases	<u>(59,406)</u>	<u>(66,509)</u>
Movement in net debt in the year	(1,141,447)	756,007
Net debt at start of year	<u>(2,457,529)</u>	<u>(3,213,596)</u>
Net debt at end of year	<u>(3,598,976)</u>	<u>(2,457,529)</u>

Vitality Group Limited

Notes to the consolidated cash flow statement **Year ended 27 September 2003**

D. Purchase of undertaking

Because the business activities of the subsidiary acquired in the year (see note 3) have been fully integrated with the operations of Vitality Group Limited, it has not been practicable to separate out the effects of the acquisition on the amounts reported under each of the cash flow statement headings.

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors are described below.

Basis of accounting

These financial statements have been prepared under the historical cost convention.

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 27 September 2003.

Acquisitions and disposals

On the acquisition of a business fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

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.

Stocks

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

Turnover

Turnover represents the invoiced value of goods sold and services provided during the year, net of VAT.

Tangible fixed assets

Depreciation is charged on a monthly basis with depreciation being charged in the month of addition and the month of disposal. Depreciation on tangible fixed assets has been provided at the following rates, in order to write off the assets over their estimated useful lives:

Leasehold improvements	Over term of lease
Plant, fixtures and fittings	10 - 50% per annum
Motor vehicles	25% per annum

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which 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 tax rates and law. Differences arise from the inclusion of items of income and expenditure in taxation computations in periods 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.

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

1. Accounting policies (continued)

Pension costs

Retirement benefits to certain employees of the company are provided by defined contribution schemes which are funded by contributions from the company and the employees. Payments are charged against the profit and loss account in the year in which they become payable.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account in equal quarterly amounts over the periods of the leases.

2. Analysis of turnover, operating profit and net assets

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

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

3. Acquisitions and goodwill

Acquisition

On 12 December 2002, Vitality Group Limited purchased 100% of the ordinary share capital of Marsam (Fancy Goods) Limited.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book amount and fair value to the group £
Tangible fixed assets	8,048
Investments	1,500
Stock	1,700,024
Debtors	1,378,168
Creditors	(1,709,701)
Net assets at 12 December 2002	<u>1,378,039</u>
Consideration	
Cash	1,880,000
Shares issued	1,200,000
Deferred consideration	200,000
Legal fees and stamp duty	76,711
	<u>3,356,711</u>
Less dividend receivable out of pre-acquisition profits	<u>(880,000)</u>
	<u>2,476,711</u>
Goodwill arising on the acquisition	<u>1,098,672</u>

Net cash consideration paid for the acquisition during the period was £1,076,711.

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

3. Acquisitions and goodwill (continued)

The summarised profit and loss account of Marsam (Fancy Goods) Limited for the period ended 12 December 2002 is set out below.

	Period 1 January 2002 to 12 December 2002 £
Turnover	14,538,984
Operating profit	77,090
Exceptional items	567,602
Profit before interest and taxation	644,692
Interest receivable and similar income	5,667
Interest payable and other charges	(8,246)
Profit before taxation	642,113
Taxation	(148,410)
Profit after taxation	493,703

4. Directors' emoluments

	2003 £	2002 £
Fees	384,060	121,000

In 2003 pension contributions made in respect of directors were £6,673 (2002: £nil).

	2003 £	2002 £
Highest paid director		
Directors' remuneration	247,845	121,000

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

5. Employee information

	2003 £	2002 £
Staff costs		
Wages and salaries	1,536,566	1,107,469
Social security costs	149,228	79,062
Pension costs	18,696	8,372
	<u>1,704,490</u>	<u>1,194,903</u>
	No.	No.
Average number of persons employed		
Sales and distribution	60	50
Administration	9	9
	<u>69</u>	<u>59</u>

6. Interest payable and similar charges

	2003 £	2002 £
Interest on overdrafts and bank loans	166,170	151,161
Finance leases and hire purchase contracts	8,887	22,815
	<u>175,057</u>	<u>173,976</u>

7. Operating profit

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation charge for the year		
- owned	192,555	166,991
- held under hire purchase	24,058	68,598
Goodwill amortisation	56,342	-
Auditors' remuneration (Company and Group)		
- audit	28,500	21,000
- other services	-	5,000
Rentals under operating leases – land and buildings	520,000	520,000
Profit on sale of fixed assets	(13,840)	(5,447)
Write off of investment	50,000	-

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

8. Tax charge on profit on ordinary activities

	2003 £	2002 £
United Kingdom corporation tax charge at 30% (2002 – 30%) based on the profit for the year	352,600	243,344
Adjustment in respect of prior years	(83,007)	(45,570)
	<u>269,593</u>	<u>197,774</u>
Deferred taxation	(47,216)	21,673
	<u>222,377</u>	<u>219,447</u>

The tax assessed for the year is lower (2002: lower) than that resulting from applying the standard rate of corporation tax in the UK: 30% (2002: 30%).

The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>895,581</u>	<u>711,321</u>
Tax at 30% thereon:	(268,674)	(213,396)
Effects of:		
Expenses not deductible for tax purposes	(28,043)	(7,811)
Capital allowances in excess of depreciation	(22,312)	(6,818)
Utilisation of tax losses	4,050	-
Movement in short term timing differences	2,129	(15,319)
Other deferred tax movements	(39,750)	-
Prior year adjustments	83,007	45,570
	<u>(269,593)</u>	<u>(197,774)</u>
Current tax charge for year		

9. Dividends

	2003 £	2002 £
Interim dividend paid – 10.9p per ordinary share (2002: 21.8p)	100,000	200,000
Final dividend proposed – 17.9p per ordinary share (2002: nil)	200,000	-
	<u>300,000</u>	<u>200,000</u>
Total dividend		

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

10. Goodwill

	£
Cost	
At 29 September 2002	-
Additions (note 3)	1,098,672
	<hr/>
At 27 September 2003	1,098,672
	<hr/>
Accumulated amortisation	
At 29 September 2002	-
Charge for the period	56,342
	<hr/>
At 27 September 2003	56,342
	<hr/>
Net book value	
At 27 September 2003	1,042,330
	<hr/> <hr/>
At 29 September 2002	-
	<hr/> <hr/>

11. Fixed asset investments

Group	Other investments £	Total £
Cost		
At 29 September 2002	50,001	50,001
Investment written off	(50,000)	(50,000)
	<hr/>	<hr/>
At 27 September 2003	1	1
	<hr/> <hr/>	<hr/> <hr/>

Company	Shares in subsidiary undertakings £	Other investments £	Total £
Cost			
At 29 September 2002	-	50,001	50,001
Additions in the year	2,476,711	-	2,476,711
Investment written off	-	(50,000)	(50,000)
	<hr/>	<hr/>	<hr/>
At 27 September 2003	2,476,711	1	2,476,712
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All the above investments are unlisted

Subsidiary undertakings	Country of incorporation and operation	Activity	Proportion of ordinary shares held %
Marsam (Fancy Goods) Limited	UK	Non-trading	100%

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

12. Tangible fixed assets

Group and Company	Leasehold improvements £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 29 September 2002	390,010	933,424	59,408	1,382,842
Additions	35,694	103,035	13,355	152,084
Disposals	(10,690)	(162,249)	(100)	(173,039)
At 27 September 2003	415,014	874,210	72,663	1,361,887
Accumulated depreciation				
At 29 September 2002	192,721	466,078	19,485	678,284
Charge for the year	39,828	161,432	15,353	216,613
Disposals	(10,690)	(157,339)	-	(168,029)
At 27 September 2003	221,859	470,171	34,838	726,868
Net book value				
At 27 September 2003	193,155	404,039	37,825	635,019
At 29 September 2002	197,289	467,346	39,923	704,558

Fixed assets include items of plant, fixtures and fittings and motor vehicles with a cost of £169,728 (2002: £515,803) and accumulated depreciation of £40,571 (2002: £320,934) which are held under hire purchase or finance leases.

13. Stocks

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

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

14. Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	4,135,826	3,062,825	4,135,826	3,062,825
Other debtors	625,204	369,635	625,204	369,635
Prepayments	237,709	65,964	237,709	65,964
Corporation tax recoverable	17,526	-	17,526	-
Deferred tax asset	25,543	-	25,543	-
	<u>5,041,808</u>	<u>3,498,424</u>	<u>5,041,808</u>	<u>3,498,424</u>

15. Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank overdraft	1,182,538	348,741	1,182,538	348,741
Invoice discounting	2,386,906	2,061,570	2,386,906	2,061,570
Amounts due to subsidiary undertaking	-	-	1,524,862	-
Trade creditors	4,094,316	2,329,237	4,094,316	2,329,237
Obligations under finance leases and hire purchase contracts (note 17)	50,004	111,758	50,004	111,758
Corporation tax	346,010	109,761	192,665	109,761
Other taxation and social security costs	106,384	88,820	106,384	88,820
Accruals and other creditors	391,829	186,796	391,829	186,796
Dividends proposed	200,000	-	200,000	-
	<u>8,757,987</u>	<u>5,236,683</u>	<u>10,129,504</u>	<u>5,236,683</u>

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Obligation under finance leases and hire purchase contracts (note 17)	<u>50,579</u>	<u>42,372</u>	<u>50,579</u>	<u>42,372</u>

Vitality Group Limited

Notes to the accounts

Year ended 27 September 2003

17. Obligations under finance leases and hire purchase contracts

The company is committed to the following minimum payments under finance leases and hire purchase contracts

Group and Company	2003 £	2002 £
Payable within one year or less	55,999	120,131
Payable more than one year but not more than five years	54,042	44,689
	<u>110,041</u>	<u>164,820</u>
Future finance charges included	(9,458)	(10,690)
	<u>100,583</u>	<u>154,130</u>
Creditors due within one year	50,004	111,758
Creditors due after more than one year	50,579	42,372
	<u>100,583</u>	<u>154,130</u>

Finance leases are charged over the assets to which they relate.

18. Provisions for liabilities and charges

Group and Company	Deferred taxation £
Balance at 29 September 2002	21,673
Profit and loss account credit	(21,673)
Balance at 27 September 2003	<u>-</u>

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

19. Called up share capital

	2003 £	2002 £
Authorised:		
1,118,294 ordinary shares of £1 each (2002: 917,001 ordinary shares of £1 each)	<u>1,118,294</u>	<u>917,001</u>
Called up, allotted and fully paid:		
1,118,294 ordinary shares of £1 each (2002: 917,001 ordinary shares of £1 each)	<u>1,118,294</u>	<u>917,001</u>

Share issue

As part of the consideration for the acquisition of Marsam (Fancy Goods) Limited, the company issued 201,293 ordinary shares of £1 each at a value of £5.96 each.

20. Combined statement of movements on reserves and shareholders' funds

Group	Share capital £	Share- premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 29 September 2002	917,001	378	392,999	904,915	2,215,293
New shares issued	201,293	998,707	-	-	1,200,000
Retained profit for the year	-	-	-	373,204	373,204
At 27 September 2003	<u>1,118,294</u>	<u>999,085</u>	<u>392,999</u>	<u>1,278,119</u>	<u>3,788,497</u>

Company	Share capital £	Share- premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 29 September 2002	917,001	378	392,999	904,915	2,215,293
New shares issued	201,293	998,707	-	-	1,200,000
Retained profit for the year	-	-	-	436,068	436,068
At 27 September 2003	<u>1,118,294</u>	<u>999,085</u>	<u>392,999</u>	<u>1,340,983</u>	<u>3,851,361</u>

21. Related party transactions

At 27 September 2003, Vitality Group Limited was owed an amount of £127,410 (2002: £997 creditor) by Active Participation Limited, a company of which A R Deacon is a director. The amount relates to recoverable fees previously paid to that company for directors services.

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

Vitality Group Limited

Notes to the accounts Year ended 27 September 2003

22. *Operating lease commitments*

	2003 Land and buildings £	2002 Land and buildings £
Group and Company		
Leases which expire: After five years	520,000	520,000

23. *Controlling party*

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