

Company Registration No. 01785819

Vitality Group Limited

Report and Financial Statements

25 September 2004



Vitality Group Limited

Report and financial statements 2004

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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

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 25 September 2004 was £981,854 (2003 - £895,581). Turnover was £44.9 million (2003 - £39.8 million). Net assets rose 7.5% to £4.088 million and net current assets rose 21% to £2.619 million.

As is apparent from the statistics set out above, the financial year under review was one of steady progress. Profits growth however was not as strong as had been hoped due to a slowing of retail demand in all the areas served by the company in the second half of the year. The result was a tightening of margins across the wholesale sector that serves independent non-food retailers, and a slackening of turnover growth. Nonetheless we achieved a reasonable growth in turnover and, we believe, improved our structural position in the sector. It is clear that we are the most profitable company in this market and this is mainly because of our constant attention to our cost base. Our philosophy is a simple one. We strain every nerve to buy at the best price in the marketplace and we offer a very broad range of stock to our customers at the lowest prices overall. Low overheads, achieved through advanced computer and warehousing systems, are the key to achieving good profitability in this challenging environment.

Market demand continues to be rather soft in the current year but our turnover is growing and we are hopeful that profits will grow once again this year.

Our team continued to perform well during the year and I am grateful to them for their hard work and their success.

A R Deacon
Chairman



20 June 2005

Vitality Group Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 25 September 2004.

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.

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
N Edden

The directors' interests, as defined by the Companies Act 1985, in the ordinary shares of the company at 25 September 2004 were:

	2004	2003
A R Deacon	917,001	917,001
G Rosen	201,293	201,293

A R Deacon held a non-beneficial interest in 327,000 ordinary shares of the company (2003: 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 £375,000 in respect of the year ended 25 September 2004 (2003 - £300,000).

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 June 2005

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 25 September 2004 which comprise the consolidated profit and loss account, the balance sheets, the cash flow statement, notes to the cash flow statement and the related notes 1 to 22. 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.

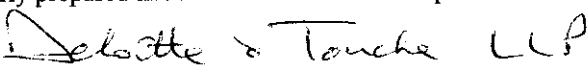
Basis of audit opinion

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 affairs of the company and of the group as at 25 September 2004 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

28 June 2005

Vitality Group Limited

Consolidated profit and loss account Year ended 25 September 2004

	Note	2004 £	2003 £
Turnover	2	44,908,973	39,845,321
Cost of sales		(39,086,888)	(34,990,656)
Gross profit		5,822,085	4,854,665
Operating expenses		(4,763,430)	(3,966,312)
Other operating income		177,253	182,285
Operating profit	2, 6	1,235,908	1,070,638
Interest payable and similar charges	5	(254,054)	(175,057)
Profit on ordinary activities before taxation		981,854	895,581
Tax on profit on ordinary activities	7	(307,678)	(222,377)
Profit on ordinary activities after taxation		674,176	673,204
Dividends paid and proposed	8	(375,000)	(300,000)
Retained profit for the year	19	299,176	373,204

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 £242,824 (2003: £436,068).

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.

Vitality Group Limited

Consolidated balance sheet 25 September 2004

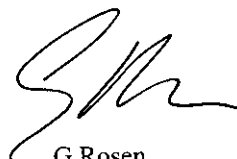
	Note	2004		2003	
		£	£	£	£
Fixed assets					
Goodwill	9		969,085		1,042,330
Investments	10		1		1
Tangible assets	11		536,762		635,019
			<u>1,505,848</u>		<u>1,677,350</u>
Current assets					
Stocks	12	6,130,115		5,806,854	
Debtors	13	5,889,144		5,041,808	
Cash in hand and at bank		83,399		71,051	
		<u>12,102,658</u>		<u>10,919,713</u>	
Creditors: amounts falling due within one year	14	(9,483,163)		(8,757,987)	
Net current assets			<u>2,619,495</u>		<u>2,161,726</u>
Total assets less current liabilities			<u>4,125,343</u>		<u>3,839,076</u>
Creditors: amounts falling due after more than one year	15		(37,670)		(50,579)
Net assets			<u>4,087,673</u>		<u>3,788,497</u>
Capital and reserves					
Called up share capital	18, 19		1,118,294		1,118,294
Share premium account	19		999,085		999,085
Capital redemption reserve	19		392,999		392,999
Profit and loss account	19		1,577,295		1,278,119
Total equity shareholders' funds			<u>4,087,673</u>		<u>3,788,497</u>

These financial statements were approved by the Board of Directors on 20 June 2005.

Signed on behalf of the Board of Directors



N. Edden
Director



G. Rosen
Director

Vitality Group Limited

Company balance sheet 25 September 2004

	Note	2004		2003	
		£	£	£	£
Fixed assets					
Goodwill	9		969,085		-
Investments	10		1,378,040		2,476,712
Tangible assets	11		536,762		635,019
			<u>2,883,887</u>		<u>3,111,731</u>
Current assets					
Stocks	12	6,130,115		5,806,854	
Debtors	13	5,889,144		5,041,808	
Cash at bank and in hand		83,399		71,051	
		<u>12,102,658</u>		<u>10,919,713</u>	
Creditors: amounts falling due within one year	14	(10,854,690)		(10,129,504)	
Net current assets			<u>1,247,968</u>		<u>790,209</u>
Total assets less current liabilities			<u>4,131,855</u>		<u>3,901,940</u>
Creditors: amounts falling due after more than one year	15		(37,670)		(50,579)
			<u>4,094,185</u>		<u>3,851,361</u>
Capital and reserves					
Called up share capital	18, 19		1,118,294		1,118,294
Share premium account	19		999,085		999,085
Capital redemption reserve	19		392,999		392,999
Profit and loss account	19		1,583,807		1,340,983
Total equity shareholders' funds			<u>4,094,185</u>		<u>3,851,361</u>

These financial statements were approved by the Board of Directors on 2 June 2005.

Signed on behalf of the Board of Directors



N Edden

Director



G Rosen

Director

Vitality Group Limited

Consolidated cash flow statement Year ended 25 September 2004

	Note	2004		2003	
		£	£	£	£
Net cash outflow from operating activities	A		114,721		529,435
Returns on investments and servicing of finance					
Interest paid			(263,083)		(171,205)
Taxation			(368,548)		(199,280)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(82,858)		(84,630)	
Receipts from sales of fixed assets		12,214		20,350	
Net cash outflow from capital expenditure and financial investment			(70,644)		(64,280)
Acquisitions and disposals					
Payments to acquire investment in subsidiary*			(200,000)		(1,076,711)
Equity dividends paid			(575,000)		(100,000)
Net cash outflow before financing			(1,362,554)		(1,082,041)
Financing					
Capital element of finance lease contracts			(71,025)		(112,953)
Decrease in cash	C		(1,433,579)		(1,194,994)

*Marsam (Fancy Goods) Limited was purchased by Vitality Group Limited on 12 December 2002. As part of the agreement £200,000 of deferred consideration was paid one year after the acquisition date.

Vitality Group Limited

Notes to the consolidated cash flow statement Year ended 25 September 2004

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

	2004 £	2003 £
Operating profit	1,235,908	1,070,638
Depreciation and amortisation of goodwill	313,681	272,955
Increase in stock	(323,261)	(950,704)
Increase in debtors	(888,184)	(122,147)
(Decrease)/increase in creditors	(223,912)	222,533
Loss/(profit) on sale of fixed assets	489	(13,840)
Write off of investment	-	50,000
Net cash outflow from operating activities	<u>114,721</u>	<u>529,435</u>

B. Analysis of net debt

	At 28 September 2003 £	Cash flow £	Other non cash changes £	At 25 September 2004 £
Cash in hand and at bank	71,051	12,348	-	83,399
Overdrafts	(1,182,538)	(267,613)	-	(1,450,151)
Invoice discounting	(2,386,906)	(1,178,314)	-	(3,565,220)
	<u>(3,498,393)</u>	<u>(1,433,579)</u>	<u>-</u>	<u>(4,931,972)</u>
Finance leases	(100,583)	71,025	(72,025)	(101,583)
Total	<u>(3,598,976)</u>	<u>(1,362,554)</u>	<u>(72,025)</u>	<u>(5,033,555)</u>

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

	2004 £	2003 £
Decrease in cash in the year	(1,433,579)	(1,194,994)
Cash outflow from decrease in debt and lease financing	<u>71,025</u>	<u>112,953</u>
Change in net debt resulting from cash flows	(1,362,554)	(1,082,041)
New finance leases	<u>(72,025)</u>	<u>(59,406)</u>
Movement in net debt in the year	(1,434,579)	(1,141,447)
Net debt at start of year	<u>(3,598,976)</u>	<u>(2,457,529)</u>
Net debt at end of year	<u>(5,033,555)</u>	<u>(3,598,976)</u>

Vitality Group Limited

Notes to the accounts

Year ended 25 September 2004

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted by the directors, which have been applied consistently throughout the current and preceding year, 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 25 September 2004.

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 25 September 2004

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.

3. Directors' emoluments

	2004 £	2003 £
Fees	489,256	384,060

In 2004 pension contributions made in respect of directors were £11,439 (2003: £6,673).

	2004 £	2003 £
Highest paid director		
Directors' remuneration	277,845	247,845

4. Employee information

	2004 £	2003 £
Staff costs		
Wages and salaries	1,969,280	1,536,566
Social security costs	218,146	149,228
Pension costs	15,593	18,696
	<u>2,203,019</u>	<u>1,704,490</u>
	No.	No.
Average number of persons employed		
Sales and distribution	80	60
Administration	6	9
	<u>86</u>	<u>69</u>

Vitality Group Limited

Notes to the accounts Year ended 25 September 2004

5. Interest payable and similar charges

	2004 £	2003 £
Interest on overdrafts and bank loans	244,887	166,170
Finance leases and hire purchase contracts	9,267	8,887
Interest received	(100)	-
	<u>254,054</u>	<u>175,057</u>

6. Operating profit

	2004 £	2003 £
Operating profit is stated after charging/(crediting)		
Depreciation charge for the year		
- owned	200,885	192,555
- held under hire purchase	39,551	24,058
Goodwill amortisation	73,245	56,342
Auditors' remuneration (Company and Group)		
- audit	35,300	28,500
- other services	-	-
Rentals under operating leases – land and buildings	520,000	520,000
Loss/(profit) on sale of fixed assets	489	(13,840)
Write off of investment	-	50,000
	<u></u>	<u></u>

Vitality Group Limited

Notes to the accounts

Year ended 25 September 2004

7. Tax charge on profit on ordinary activities

	2004 £	2003 £
United Kingdom corporation tax charge at 30% (2003 – 30%) based on the profit for the year	288,396	352,600
Adjustment in respect of prior years	(4,040)	(83,007)
	<u>284,356</u>	<u>269,593</u>
Deferred taxation:		
Timing differences	28,469	(59,933)
Adjustment in respect of prior years	(5,147)	12,717
	<u>307,678</u>	<u>222,377</u>

The tax assessed for the year is higher (2003: lower) than that resulting from applying the standard rate of corporation tax in the UK: 30 % (2003: 30%).

The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>981,854</u>	<u>895,581</u>
Tax at 30% thereon:	294,556	268,674
Effects of:		
Expenses not deductible for tax purposes	35,879	28,043
Capital allowances in excess of depreciation	11,364	22,312
Utilisation of tax losses	-	(4,050)
Movement in short term timing differences	(83)	(2,129)
Other deferred tax movements	(39,750)	39,750
Rate differences on current tax	(13,570)	-
Prior year adjustments	(4,040)	(83,007)
	<u>284,356</u>	<u>269,593</u>
Current tax charge for year		

8. Dividends

	2004 £	2003 £
Interim dividend paid – 33.5 p per ordinary share (2003: 10.9p)	375,000	100,000
Final dividend proposed – 0p per ordinary share (2003: 17.9p)	-	200,000
	<u>375,000</u>	<u>300,000</u>
Total dividend		

Vitality Group Limited

Notes to the accounts Year ended 25 September 2004

9. Goodwill

Group	£
Cost	
At 28 September 2003 and 25 September 2004	<u>1,098,672</u>
Accumulated amortisation	
At 28 September 2003	56,342
Charge for the period	<u>73,245</u>
At 25 September 2004	<u>129,587</u>
Net book value	
At 25 September 2004	<u>969,085</u>
At 27 September 2003	<u>1,042,330</u>
Company	
Cost	
At 28 September 2003	-
Reallocated from cost of investment	<u>1,098,672</u>
At 25 September 2004	<u>1,098,672</u>
Accumulated amortisation	
At 28 September 2003	-
Charge for the period	<u>129,587</u>
At 25 September 2004	<u>129,587</u>
Net book value	
At 25 September 2004	<u>969,085</u>
At 27 September 2003	<u>-</u>

Following the acquisition of Marsam (Fancy Goods) Limited in 2003, the net assets and business operations of that company have been hived up to the parent company, Vitality Group Limited. As a result, £1,098,672 of the original cost of the investment in Marsam has been reallocated to goodwill in the parent company balance sheet. This goodwill is being amortised over a period of 15 years.

Vitality Group Limited

Notes to the accounts Year ended 25 September 2004

10. Fixed asset investments

Group	Other investments £	Total £
Cost		
At 28 September 2003 and 25 September 2004	1	1

Company	Shares in subsidiary undertakings £	Other investments £	Total £
Cost			
At 28 September 2003	2,476,711	1	2,476,712
Reallocated to goodwill following hive up of business (see note 9)	(1,098,672)	-	(1,098,672)
At 25 September 2004	1,378,039	1	1,378,040

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 25 September 2004

11. Tangible fixed assets

Group and Company	Leasehold improvements £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 28 September 2003	415,014	874,210	72,663	1,361,887
Additions	1,500	62,467	90,916	154,883
Disposals	-	(90,299)	(59,408)	(149,707)
At 25 September 2004	416,514	846,378	104,171	1,367,063
Accumulated depreciation				
At 28 September 2003	221,859	470,171	34,838	726,868
Charge for the year	39,853	170,151	30,432	240,436
Disposals	-	(90,299)	(46,704)	(137,003)
At 25 September 2004	261,712	550,023	18,566	830,301
Net book value				
At 25 September 2004	154,802	296,355	85,605	536,762
At 27 September 2003	193,155	404,039	37,825	635,019

Fixed assets include items of plant, fixtures and fittings and motor vehicles with a cost of £218,354 (2003: £169,728) and accumulated depreciation of £61,940 (2003: £40,571) which are held under hire purchase or finance leases.

12. Stocks

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

13. Debtors

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	5,270,608	4,135,826	5,270,608	4,135,826
Other debtors	443,002	625,204	443,002	625,204
Prepayments	173,313	237,709	173,313	237,709
Corporation tax recoverable	-	17,526	-	17,526
Deferred tax asset (note 17)	2,221	25,543	2,221	25,543
	5,889,144	5,041,808	5,889,144	5,041,808

Vitality Group Limited

Notes to the accounts

Year ended 25 September 2004

14. Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Bank overdraft	1,450,152	1,182,538	1,450,152	1,182,538
Invoice discounting	3,565,220	2,386,906	3,565,220	2,386,906
Amounts due to subsidiary undertaking	-	-	1,371,527	1,524,862
Trade creditors	3,798,403	4,094,316	3,798,403	4,094,316
Obligations under finance leases and hire purchase contracts (note 16)	63,913	50,004	63,913	50,004
Corporation tax	244,291	346,010	244,291	192,665
Other taxation and social security costs	241,338	106,384	241,338	106,384
Accruals and other creditors	119,846	391,829	119,846	391,829
Dividends proposed	-	200,000	-	200,000
	<u>9,483,163</u>	<u>8,757,987</u>	<u>10,854,690</u>	<u>10,129,504</u>

The invoice discounting facility is secured on the relevant trade debtors.

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

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Obligation under finance leases and hire purchase contracts (note 16)	<u>37,670</u>	<u>50,579</u>	<u>37,670</u>	<u>50,579</u>

Vitality Group Limited

Notes to the accounts Year ended 25 September 2004

16. 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	2004 £	2003 £
Payable within one year or less	69,095	55,999
Payable more than one year but not more than two years	35,284	32,710
Payable more than one year but not more than five years	4,888	21,332
	<u>109,267</u>	<u>110,041</u>
Future finance charges included	(7,684)	(9,458)
	<u>101,583</u>	<u>100,583</u>
Creditors due within one year	63,913	50,004
Creditors due after more than one year	37,670	50,579
	<u>101,583</u>	<u>100,583</u>

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

17. Deferred tax asset

Group and Company	25 September 2004 £	27 September 2003 £
<i>Movement on deferred taxation balance in the period</i>		
Opening balance	25,543	(21,673)
(Charge)/credit to the profit and loss account	(23,322)	47,216
Closing balance	<u>2,221</u>	<u>25,543</u>
<i>Analysis of deferred tax balance</i>		
Capital allowances in excess of depreciation	528	(15,983)
Short term timing differences	1,693	1,776
Directors bonus deductible	-	39,750
Deferred tax asset	<u>2,221</u>	<u>25,543</u>

Vitality Group Limited

Notes to the accounts Year ended 25 September 2004

18. Called up share capital

	2004 £	2003 £
Authorised:		
1,118,294 ordinary shares of £1 each	1,118,294	1,118,294
Called up, allotted and fully paid:		
1,118,294 ordinary shares of £1 each	1,118,294	1,118,294

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

Group	Share capital £	Share-premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 28 September 2003	1,118,294	999,085	392,999	1,278,119	3,788,497
Retained profit for the year	-	-	-	299,176	299,176
At 25 September 2004	1,118,294	999,085	392,999	1,577,295	4,087,673
Company					
At 28 September 2003	1,118,294	999,085	392,999	1,340,983	3,851,361
Retained profit for the year	-	-	-	242,824	242,824
At 25 September 2004	1,118,294	999,085	392,999	1,583,807	4,094,185

20. Related party transactions

At 25 September 2004, Vitality Group Limited was owed an amount of £59,688 (2003: £127,410) 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.

21. Operating lease commitments

Group and Company	2004 Land and buildings £	2003 Land and buildings £
Leases which expire: After five years	520,000	520,000

22. Controlling party

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