

Company Registration No. 01785819

Vitality Group Limited

Report and Financial Statements

30 September 2006



Vitality Group Limited

Report and financial statements 2006

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Vitality Group Limited

Report and financial statements 2006

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

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

Principal activity, trading review and future developments

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

Turnover has decreased by 1.4 % to £48,859,065 (2005 £49,540,559) and profit before tax has decreased to £637,974 (2005 £1,185,939), the directors consider the current position to be satisfactory and are looking to improve the company's trading results in the future

The acquisition of Stephens Wholesale Limited was completed on the 28 July 2006. The principal activity of Stephens Wholesale was as a wholesaler of household products and operated from leasehold premises in Dartford Kent

The group now intends to integrate the activities of Stephens Wholesale Limited into the Vitality Group operation based in North London, by early 2007. Through the integration of both businesses it is considered that this will lead to a lowering of the cost base with at the same time the opportunity to provide a comprehensive product range of toiletries and household products

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

Key performance indicators

The directors manage the group on key indicators including growth, profitability and cash generation. Other indicators include the acquisition of new customers and the retention of existing customers and the acquisition new source of supply

Gross Margin has grown in the year

Overheads have increased markedly and are now being reduced as the activities of Stephens Wholesale are absorbed

Risks

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

The group is cash generating, and the directors do not consider that it carries material liquidity risks. The operating company has an excellent record on bad debts, and the directors do not consider that it carries material credit risks. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of long-term and short-term finance

The group maintains an integrated computer system through its operations, ensuring that financial and management controls apply at all levels of the business. The use of annual budgets and forecasts are operated and investigations are made into areas of adverse expenditure with appropriate management action to correct

The group sells to its customers in sterling, and has further reviewed its customer base and considers that there is no significant concentration of credit risk. The amounts presented in the balance sheet are net of allowances for doubtful receivables

Vitality Group Limited

Directors' report

Some purchases made by the group are in currencies other than in sterling, where such transactions exist these are paid on a prompt basis or are subject to foreign exchange forward contracts

The group does not use derivative financial instruments for any aspect of its business activities

Results and dividends

The group profit for the year after taxation and exceptional item was £373,703 (2005 £809,753)

The directors declared a dividend of £200,000 in respect of the year ended 30 September 2006 (2005 - £350,000)

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 30 September 2006 were

	2006	2005
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 (2005 327,000), included in the above

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

The directors have no other interests that have to be recorded in the register of directors' interests

Directors' indemnities

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

Disabled employees and the environment

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

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

Vitality Group Limited

Directors' report

Employee consultation

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

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by



D C Harrison

Company secretary

3 October 2007

Vitality Group Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Vitality Group Limited

We have audited the financial statements of Vitality Group Limited for the year ended 30 September 2006 which comprise the consolidated profit and loss account, the consolidated and the company balance sheets, the cash flow statement, notes to the cash flow statement and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The director's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for the audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report for consideration whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

Independent auditors' report to the members of Vitality Group Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2006 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

3 October 2007

Vitality Group Limited

Consolidated profit and loss account Year ended 30 September 2006

	Note	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Turnover	2	48,859,065	49,540,559
Cost of sales		(42,650,744)	(43,289,128)
Gross profit		6,208,321	6,251,431
Operating expenses		(5,140,993)	(4,923,420)
Other operating income		196,350	196,350
Exceptional Item	16	(314,861)	-
Operating profit	2, 6	948,817	1,524,361
Interest payable and similar charges	5	(310,843)	(338,422)
Profit on ordinary activities before taxation		637,974	1,185,939
Tax on profit on ordinary activities	7	(264,271)	(376,186)
Profit on ordinary activities after taxation		373,703	809,753
Dividends paid or proposed	8	(200 000)	(350,000)
Retained profit for the year	21	173,703	459,753

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 £193,412 (2005 £459,753)

There are no recognised gains or losses for the current financial year and preceding financial year other than as stated in the profit and loss account. Accordingly no separate statement of total recognised gains and losses is presented.

The above results all derive from continuing operations.

Vitality Group Limited

Consolidated balance sheet 30 September 2006

	Note	30 September 2006		24 September 2005	
		£	£	£	£
Fixed assets					
Goodwill	9		2,234,815		895,840
Investments	10		1		1
Tangible assets	11		399,873		370,845
			<u>2,634,689</u>		<u>1,266,686</u>
Current assets					
Stocks	12	6,772,890		6,218,471	
Debtors	13	6,461,195		7,019,312	
Cash in hand and at bank		256,040		5,251	
		<u>13,490,125</u>		<u>13,243,034</u>	
Creditors: amounts falling due within one year	14	<u>(9,197,688)</u>		<u>(9,956,516)</u>	
Net current assets			<u>4,292,437</u>		<u>3,286,518</u>
Total assets less current liabilities			<u>6,927,126</u>		<u>4,553,204</u>
Creditors: amounts falling due after more than one year	15	(1,891,136)		(5,778)	
Provisions for liabilities	16	<u>(314,861)</u>		<u>-</u>	
Net assets			<u><u>4,721,129</u></u>		<u><u>4,547,426</u></u>
Capital and reserves					
Called up share capital	20,21	1,118,294		1,118,294	
Share premium account	21	999,085		999,085	
Capital redemption reserve	21	392,999		392,999	
Profit and loss account	21	<u>2,210,751</u>		<u>2,037,048</u>	
Shareholders' funds			<u><u>4,721,129</u></u>		<u><u>4,547,426</u></u>

These financial statements were approved by the Board of Directors on 30 October 2007

Signed on behalf of the Board of Directors



N Edden

Director

Vitality Group Limited

Company balance sheet 30 September 2006

	Note	30 September 2006 £	24 September 2005 £
Fixed assets			
Goodwill	9	2,234,815	895,840
Investments	10	2,118,040	1,378,040
Tangible assets	11	292,922	370,845
		<u>4,645,777</u>	<u>2,644,725</u>
Current assets			
Stocks	12	6,013,618	6,218,471
Debtors	13	5,224,391	1,019,312
Cash at bank and in hand		698	5,251
		<u>11,238,707</u>	<u>13,243,034</u>
Creditors: amounts falling due within one year	14	<u>(8,947,273)</u>	<u>(11,328,043)</u>
Net current assets		<u>2,291,434</u>	<u>1,914,991</u>
Total assets less current liabilities		<u>6,937,211</u>	<u>4,559,716</u>
Creditors: amounts falling due after more than one year	15	(1,875,000)	(5,718)
Provisions for liabilities and charges	16	<u>(314,861)</u>	<u>-</u>
		<u>4,747,350</u>	<u>4,553,938</u>
Capital and reserves			
Called up share capital	20,21	1,118,294	1,118,294
Share premium account	21	999,085	999,085
Capital redemption reserve	21	392,999	392,999
Profit and loss account	21	<u>2,236,972</u>	<u>2,043,560</u>
Shareholders' funds		<u>4,747,350</u>	<u>4,553,938</u>

These financial statements were approved by the Board of Directors on 30 October 2007

Signed on behalf of the Board of Directors



N Edden

Director

Vitality Group Limited

Consolidated cash flow statement Year ended 30 September 2006

	Note	Period ended 30 September 2006		Period ended 24 September 2005	
		£	£	£	£
Net cash inflow from operating activities	A		1,333,393		732,980
Returns on investments and servicing of finance					
Interest paid			(310,843)		(339,566)
Taxation			(203,597)		(413,751)
Capital expenditure and financial investment		1,792,920		(25,322)	
Net cash inflow (outflow) from capital expenditure and financial investment			1,792,920		(25,322)
Acquisitions and disposals					
Payments to acquire investment in subsidiary	D		(1,271,868)		-
Equity dividends paid			(200,000)		(350,000)
Net cash inflow (outflow) before financing			1,140,005		(395,659)
Financing					
Capital element of finance lease contracts			(31,892)		(63,913)
Increase/(decrease) in cash	C		1,108,113		(459,572)

Vitality Group Limited

Notes to the consolidated cash flow statement Year ended 30 September 2006

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

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Operating profit	948,817	1,524,361
Depreciation and amortisation of goodwill	257,782	264,484
Increase in stocks	(554,419)	(88,356)
Decrease/(increase) in debtors	551,774	(1,114,127)
(Decrease)/increase in creditors	(185,422)	146,618
Increase in provisions	314,861	-
Net cash inflow from operating activities	<u>1,333,393</u>	<u>732,980</u>

B Analysis of net debt

	At 24 September 2005 £	Cash flow £	At 30 September 2006 £
Cash in hand and at bank	5,251	250,789	256,040
Overdrafts	(1,519,088)	40,386	(1,478,702)
Invoice discounting	(3,877,707)	655,101	(3,222,606)
	<u>(5,391,544)</u>	<u>946,276</u>	<u>(4,445,268)</u>
Bank Loan	-	1,250,000	1,250,000
Finance leases	(37,670)	31,892	(5,778)
Total	<u>(5,429,214)</u>	<u>2,228,168</u>	<u>(3,201,046)</u>

C Reconciliation of net cash flow to movement in net debt

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Increase in cash in the year	946,276	(459,572)
Cash outflow from decrease in debt and lease financing	31,892	63,913
Bank Loan	1,250,000	-
Change in net debt resulting from cash flows	<u>2,228,168</u>	<u>(395,659)</u>
Movement in net debt in the year	<u>2,228,168</u>	<u>(395,659)</u>
Net debt at start of year	<u>(5,429,214)</u>	<u>(5,033,555)</u>
Net debt at end of year	<u>(3,201,046)</u>	<u>(5,429,214)</u>

Vitality Group Limited

Notes to the consolidated cash flow statement Year ended 30 September 2006

D. Purchase of subsidiary undertakings

	2006 £
Net assets acquired	
Tangible fixed assets	110,486
Stocks	911,308
Debtors	1,292,189
Bank account	151,873
Cash	9,964
VAT	(137,164)
Trade creditors	(1,397,853)
Taxation	(44,682)
Social Security	(18,854)
Other creditors	(126,882)
Deferred tax	(10,385)
	<hr/>
	740,000
Goodwill	1,428,705
	<hr/>
	2,168,705
Satisfied by	
Cash	1,433,705
Deferred consideration	735,000
	<hr/>
	2,168,705
	<hr/>
Acquisition of subsidiary	(1,433,705)
Net cash acquired with subsidiary	161,837
	<hr/>
	(1,271,868)
	<hr/>

The subsidiary undertaking in the year contributed an addition of £1,719,502 to the group's net operating cash flows, paid £nil in respect of net returns on investment and servicing of finance, paid £9,686 in respect of taxation. See note 10 for further details of the acquisition.

Vitality Group Limited

Notes to the accounts

Year ended 30 September 2006

1 Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and 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 30 September 2006.

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.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

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 have 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 30 September 2006

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

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Fees	386,061	381,000

One director is a member of the pension scheme (2005: 1). In 2006 pension contributions made in respect of directors were £12,392 (2005: £12,392).

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Highest paid director Directors' remuneration	160,000	160,000

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

4. Employee information

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Staff costs		
Wages and salaries	2,225,177	2,088,028
Social security costs	224,579	212,326
Pension costs	15,895	13,647
	<u>2,465,651</u>	<u>2,314,001</u>
Average number of persons employed	No.	No.
Sales and distribution	84	78
Administration	8	6
	<u>92</u>	<u>84</u>

5. Interest payable and similar charges

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Interest on overdrafts and bank loans	309,000	333,214
Finance leases and hire purchase contracts	1,844	5,281
Interest received	(1)	(73)
	<u>310,843</u>	<u>338,422</u>

6. Operating profit

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Operating profit is stated after charging		
Depreciation charge for the year		
- owned	163,123	156,741
- held under hire purchase	4,929	34,498
Goodwill amortisation	89,730	73,245
Auditors' remuneration (Company and Group)		
- audit fees	40,500	35,500
- other services (due diligence)	12,500	-
Rentals under operating leases – land and buildings	<u>612,068</u>	<u>562,583</u>

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

7. Tax charge on profit on ordinary activities

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
United Kingdom corporation tax charge at 30% (2005 – 30%) based on the profit for the year	246,201	394,686
Adjustment in respect of prior years	28,176	(2,459)
	<u>274,377</u>	<u>392,227</u>
Deferred taxation		
Timing differences	(10,106)	(14,521)
Adjustment in respect of prior years		(1,520)
	<u>264,271</u>	<u>376,186</u>

The tax assessed for the year is higher (2005 higher) than that resulting from applying the standard rate of corporation tax in the UK 30 % (2005 30%)

The differences are explained below

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Profit on ordinary activities before tax	<u>637,973</u>	<u>1,185,939</u>
Tax at 30% thereon	191,392	355,782
Effects of		
Expenses not deductible for tax purposes	35,395	29,028
Capital allowances in excess of depreciation	10,637	13,585
Movement in short term timing differences	8,777	936
Other deferred tax movements	-	-
Rate differences on current tax	-	(4,645)
Prior year adjustments	28,176	(2,459)
	<u>274,377</u>	<u>392,227</u>
Current tax charge for year		

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

8 Dividends

	Period ended 30 September 2006 £	Period ended 24 September 2005 £
Interim dividend paid – 21 9p per ordinary share (2005 31 3p)	200,000	350,000
Total dividend	<u>200,000</u>	<u>350,000</u>

9 Goodwill

Group	£
Cost	
At 24 September 2005	1,098,672
Addition, during the year *	1,428,705
At 30 September 2006	<u>2,527,377</u>
Accumulated amortisation	
At 24 September 2005	202,832
Charge for the period	89,730
At 30 September 2006	<u>292,562</u>
Net book value	
At 30 September 2006	<u>2,234,815</u>
At 24 September 2005	<u>895,840</u>

*On the 28 July 2006, the acquisition of 100% of the share capital of Stephens Wholesale Limited was completed, see note 10 and note D of the consolidated cash flow statement

Company	£
Cost	
At 24 September 2005 and 30 September 2006	1,098,672
Accumulated amortisation	
At 24 September 2005	202,832
Charge for the period	73,245
At 30 September 2006	<u>276,077</u>
Net book value	
At 30 September 2006	<u>822,595</u>
At 24 September 2005	<u>895,840</u>

The company only goodwill relates to Marsam (Fancy Goods) Limited which was acquired in 2002

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

10. Fixed asset investments

Group		Other investments £	Total £
Cost			
At 24 September 2005 and 30 September 2006		1	1
Company	Shares in subsidiary undertakings £	Other investments £	Total £
Cost			
At 24 September 2005	1,378,039	1	1,378,040
Additions	740,000	-	740,000
At 30 September 2006	2,118,039	1	2,118,040

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%	
Stephens Wholesale Limited	UK	Wholesaler of household products	100%	

On 28 July 2006 the company acquired 100% of the issued share capital of Stephens Wholesale Limited for consideration comprising an initial cash payment of £1,433,705 which is followed by a deferred consideration as detailed within the cash flow statement note D

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

11. Tangible fixed assets

Group	Leasehold improvements £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 30 September 2006	418,727	563,179	104,171	1,086,077
Additions	36,228	50,368		86,596
Acquisition of subsidiary undertaking		106,582	3,902	110,484
Disposals	-	(137,268)	-	(137,268)
At 30 September 2006	454,955	582,861	108,073	1,145,889
Accumulated depreciation				
At 24 September 2005	285,227	385,397	44,608	715,232
Charge for the year	42,432	99,400	26,220	168,052
Disposals	-	(137,268)	-	(137,268)
At 30 September 2006	327,659	347,529	70,828	746,016
Net book value				
At 30 September 2006	127,296	235,332	37,245	399,873
At 30 September 2006	133,500	177,782	59,563	370,845

Fixed assets include items of plant, fixtures and fittings and motor vehicles with a cost of £19,717 (2006 £144,390) and accumulated depreciation of £9,859 (2006 £75,103) which are held under hire purchase or finance leases

Company	Leasehold improvements £	Plant, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 24 September 2005	418,727	563,179	104,171	1,086,077
Additions	36,228	50,368		86,596
Disposals	-	(137,268)	-	(137,268)
At 30 September 2006	454,955	476,279	104,171	1,035,405
Accumulated depreciation				
At 24 September 2005	285,227	385,397	44,608	715,232
Charge for the year	42,432	96,044	26,043	164,519
Disposals	-	(137,268)	-	(137,268)
At 30 September 2006	327,659	344,173	70,651	742,483
Net book value				
At 30 September 2006	127,296	132,106	33,520	292,922
At 24 September 2005	133,500	177,782	59,563	370,845

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

12. Stocks

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

13. Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	5,406,464	6,120,859	4,286,554	6,120,859
Other debtors	699,763	535,081	606,230	535,081
Prepayments	343,049	345,110	303,552	345,110
Deferred tax asset (note 17)	11,919	18,262	28,055	18,262
	<u>6,461,195</u>	<u>7,019,312</u>	<u>5,224,391</u>	<u>7,019,312</u>

14. Creditors' amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdraft	1,478,702	1,519,088	1,478,702	1,519,088
Invoice discounting	3,222,606	3,877,707	3,222,606	3,877,707
Amounts due to subsidiary undertaking	-	-	1,441,277	1,371,527
Trade creditors	3,394,819	3,869,985	1,924,620	3,869,985
Obligations under finance leases and hire purchase contracts (note 16)	5,778	31,892	5,778	31,892
Corporation tax	260,962	222,767	212,345	222,767
Other taxation and social security costs	317,478	262,886	223,436	262,886
Accruals and other creditors	407,343	172,191	328,509	172,191
Deferred Consideration	110,000	-	110,000	-
	<u>9,197,688</u>	<u>9,185,331</u>	<u>8,947,273</u>	<u>11,328,043</u>

The invoice discounting facility is secured on the relevant trade debtors

Vitality Group Limited

Notes to the accounts

Year ended 30 September 2006

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Between one and two years				
Deferred consideration	175,000	-	175,000	-
Deferred tax	16,136	-	-	-
Bank Loans	416,667	-	416,667	-
Obligation under finance leases and hire purchase contracts (note 16)	-	5,778	-	5,778
Between two and five years				
Deferred consideration	450,000	-	450,000	-
Bank Loans	833,333	-	833,333	-
	<u>1,891,136</u>	<u>5,778</u>	<u>1,875,000</u>	<u>5,778</u>

16 Provisions for liabilities

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Between one and two years				
Exceptional item (onerous lease)	220,861	-	220,861	-
Between one and two years				
Exceptional item (onerous lease)	94,000	-	94,000	-
	<u>314,861</u>	<u>-</u>	<u>314,861</u>	<u>-</u>

An amount of £314,861 has been charged to the group profit and loss account in respect of costs incurred in rent and rates charges for a lease property acquired with Stephens Wholesale Limited

17. Deferred consideration

The accrued deferred consideration is in respect of the acquisition of Stephens Wholesale Limited, is payable on the anniversary of completion for four years and is an estimate. The actual amount payable will depend on the sales of the acquired company in the four years to 28 July 2010

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

18. 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	2006 £	2005 £
Payable within one year or less	6,019	33,436
Payable more than one year but not more than two years	-	6,018
	-	-
	6,019	39,454
Future finance charges included	(241)	(1,784)
	5,778	37,670
Creditors due within one year	5,778	31,892
Creditors due after more than one year	-	5,778
	5,778	37,670

Finance leases are charged over the assets to which they relate

19. Deferred tax asset

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
<i>Movement on deferred taxation balance in the period</i>				
Opening balance	18,262	2,221	18,262	2,221
Credit/(charge) to the profit and loss account	(6,343)	16,041	9,793	16,041
Closing balance	11,919	18,262	28,055	18,262
<i>Analysis of deferred tax balance</i>				
Capital allowances in excess of depreciation	9,090	15,633	25,226	15,633
Short term timing differences	2,829	2,629	2,829	2,629
Deferred tax asset	11,919	18,262	28,055	18,262

Vitality Group Limited

Notes to the accounts Year ended 30 September 2006

20 Called up share capital

	2006 £	2005 £
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

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

Group	Share capital £	Share-premium account £	Capital redemption reserve £	Profit and loss account £	Total £
At 24 September 2005	1,118,294	999,085	392,999	2,037,048	4,547,426
Retained profit for the year	-	-	-	173,703	173,703
At 30 September 2006	1,118,294	999,085	392,999	2,210,751	4,721,129
Company					
At 24 September 2005	1,118,294	999,085	392,999	2,043,560	4,553,938
Retained profit for the year	-	-	-	193,412	193,412
At 30 September 2006	1,118,294	999,085	392,999	2,236,972	4,747,350

22. Related party transactions

During the year, a repayment of £60,112 was made 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. At 30 September 2006, Vitality Group was owed the amount Nil (2005 £60,112). Following the acquisition of Stephens Wholesale Limited, purchases made from Stephens Wholesale Limited to Vitality Group Limited were £223,683, sales and costs incurred made to Stephens Wholesale Limited from Vitality Group were £134,028.

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

Vitality Group Limited

Notes to the accounts

Year ended 30 September 2006

23 Operating lease commitments under non-cancellable operating leases are as follows:

	2006	2005
Group and Company	Land and buildings £	Land and buildings £
Leases which expire		
Two - five years	568,000	568,000
Over five years	188,000	-

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

An onerous contract provision of £314,861 has been included in the balance sheet in respect of one of the above leases see note 16

24. Controlling party

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