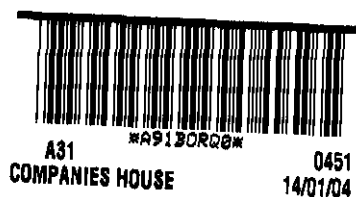


Financial Statements
for the Year Ended 31st March 2003
for
VITAFLO INTERNATIONAL LIMITED



VITAFLO INTERNATIONAL LIMITED

Contents of the Financial Statements
for the Year Ended 31st March 2003

	Page
Company Information	1
Report of the Directors	2
Report of the Independent Auditors	4
Consolidated Profit and Loss Account	5
Statement of Total Recognised Gains and Losses	6
Consolidated Balance Sheet	7
Company Balance Sheet	8
Consolidated Cash Flow Statement	9
Notes to the Consolidated Cash Flow Statement	10
Notes to the Financial Statements	12
Consolidated Trading and Profit and Loss Account	26

VITAFLO INTERNATIONAL LIMITED

Company Information
for the Year Ended 31st March 2003

DIRECTORS:

T A Partington
W T Macnab
Ms M O'Donnell
AFM NEDS Limited

SECRETARY:

C L Heaton

REGISTERED OFFICE:

11 Century Building
Tower Street
Brunswick Business Park
Liverpool
Merseyside
L3 4BJ

REGISTERED NUMBER:

03380926 (England and Wales)

AUDITORS:

Ford Campbell
Chartered Accountants &
Registered Auditors
City Wharf
New Bailey Street
Manchester
M3 5ER

VITAFLO INTERNATIONAL LIMITED

Report of the Directors **for the Year Ended 31st March 2003**

The directors present their report with the financial statements of the company and the group for the year ended 31st March 2003.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of the development and manufacture of clinical nutritional products for the dietary management of various clinical conditions.

REVIEW OF BUSINESS

The results for the year and financial position of the company and the group are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the year ended 31st March 2003.

DIRECTORS

The directors during the year under review were:

T A Partington
W T Macnab
Ms M O'Donnell
AFM NEDS Limited - appointed 4.9.2002

The beneficial interests of the directors holding office on 31st March 2003 in the issued share capital of the company were as follows:

	31.3.03	1.4.02 or date of appointment if later
Ordinary £1 shares		
T A Partington	216,000	211,000
W T Macnab	40,000	40,000
Ms M O'Donnell	75,000	70,000
AFM NEDS Limited	-	-
'A' ordinary 50p shares		
T A Partington	-	-
W T Macnab	-	-
Ms M O'Donnell	-	-
AFM NEDS Limited	-	-
Cumulative redeemable preference £1 shares		
T A Partington	-	-
W T Macnab	-	-
Ms M O'Donnell	-	-
AFM NEDS Limited	-	-

GROUP'S POLICY ON PAYMENT OF CREDITORS

It is the group's policy to comply with the agreed terms of its suppliers. At the year end the group had an average days creditors outstanding of 116 days.

VITAFLO INTERNATIONAL LIMITED

Report of the Directors
for the Year Ended 31st March 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

AUDITORS

The auditors, Ford Campbell, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

.....*C L Heaton*.....

C L Heaton - Secretary

Date: *17 December 2003*

Report of the Independent Auditors to the Members of
VitaFlo International Limited

We have audited the financial statements of VitaFlo International Limited for the year ended 31st March 2003 on pages five to twenty five. These financial statements have been prepared under the historical cost convention and 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 on pages two and three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st March 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ford Campbell
Chartered Accountants &
Registered Auditors
City Wharf
New Bailey Street
Manchester
M3 5ER

Date: 9 JANUARY 2004

VITAFLO INTERNATIONAL LIMITED**Consolidated Profit and Loss Account
for the Year Ended 31st March 2003**

		<u>31.3.03</u>	<u>31.3.02</u>
	Notes	£	£
TURNOVER		1,391,248	753,871
Cost of sales		<u>573,934</u>	<u>415,437</u>
GROSS PROFIT		817,314	338,434
Administrative expenses		<u>462,129</u>	<u>362,469</u>
		355,185	(24,035)
Other operating income		<u>7,865</u>	<u>2,846</u>
OPERATING PROFIT/(LOSS)	3	363,050	(21,189)
Interest receivable and similar income		<u>2,824</u>	<u>853</u>
		365,874	(20,336)
Interest payable and similar charges	4	<u>16,452</u>	<u>22,405</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		349,422	(42,741)
Tax on profit/(loss) on ordinary activities	5	<u>24,596</u>	<u>(95,199)</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		324,826	52,458
Non equity finance costs	7	<u>9,096</u>	<u>22,899</u>
RETAINED PROFIT FOR THE YEAR FOR THE GROUP		<u>315,730</u>	<u>29,559</u>

CONTINUING OPERATIONS

None of the group's activities were acquired or discontinued during the current and previous years.

VITAFLO INTERNATIONAL LIMITED

Statement of Total Recognised Gains and Losses
for the Year Ended 31st March 2003

	<u>31.3.03</u>	<u>31.3.02</u>
	£	£
PROFIT FOR THE FINANCIAL YEAR	324,826	52,458
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	324,826	<u>52,458</u>
Prior year adjustment	Note 8	
	<u>57,300</u>	
TOTAL GAINS AND LOSSES RECOGNISED SINCE LAST ANNUAL REPORT	<u>382,126</u>	

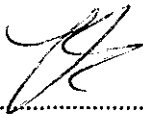
The notes form part of these financial statements

VITAFLO INTERNATIONAL LIMITED

Consolidated Balance Sheet
31st March 2003

		<u>31.3.03</u>		<u>31.3.02</u>	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	9		176,044		183,913
Tangible assets	10		<u>26,204</u>		<u>33,542</u>
			202,248		217,455
CURRENT ASSETS					
Stocks	12	206,238		126,278	
Debtors	13	474,818		337,434	
Cash at bank and in hand		<u>336,441</u>		<u>55,091</u>	
		1,017,497		518,803	
CREDITORS					
Amounts falling due within one year	14	<u>449,744</u>		<u>381,582</u>	
NET CURRENT ASSETS			<u>567,753</u>		<u>137,221</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			770,001		354,676
CREDITORS					
Amounts falling due after more than one year	15		<u>203,949</u>		<u>143,450</u>
			<u>566,052</u>		<u>211,226</u>
CAPITAL AND RESERVES					
Called up share capital	19		759,728		729,728
Other reserves	20		31,995		22,899
Profit and loss account	20		<u>(225,671)</u>		<u>(541,401)</u>
SHAREHOLDERS' FUNDS	23		<u>566,052</u>		<u>211,226</u>

ON BEHALF OF THE BOARD:



.....
T A Partington - Director

Approved by the Board on17 December 2003

The notes form part of these financial statements

VITAFLO INTERNATIONAL LIMITED

**Company Balance Sheet
31st March 2003**

		<u>31.3.03</u>		<u>31.3.02</u>	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	9		93,136		97,741
Tangible assets	10		26,067		33,464
Investments	11		<u>65,002</u>		<u>65,000</u>
			184,205		196,205
CURRENT ASSETS					
Stocks	12	204,118		126,278	
Debtors	13	404,825		469,486	
Cash at bank and in hand		<u>282,278</u>		<u>54,726</u>	
		891,221		650,490	
CREDITORS					
Amounts falling due within one year	14	<u>294,832</u>		<u>332,505</u>	
NET CURRENT ASSETS			<u>596,389</u>		<u>317,985</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			780,594		514,190
CREDITORS					
Amounts falling due after more than one year	15		<u>203,949</u>		<u>143,450</u>
			<u>576,645</u>		<u>370,740</u>
CAPITAL AND RESERVES					
Called up share capital	19		759,728		729,728
Other reserves	20		31,995		22,899
Profit and loss account	20		<u>(215,078)</u>		<u>(381,887)</u>
SHAREHOLDERS' FUNDS	23		<u>576,645</u>		<u>370,740</u>

ON BEHALF OF THE BOARD:


.....
T A Partington - Director

Approved by the Board on 17 December 2003

The notes form part of these financial statements

VITAFLO INTERNATIONAL LIMITED

Cash Flow Statement
for the Year Ended 31st March 2003

		<u>31.3.03</u>		<u>31.3.02</u>	
	Notes	£	£	£	£
Net cash inflow/(outflow) from operating activities	1		237,820		(104,492)
Returns on investments and servicing of finance	2		(13,628)		(21,552)
Taxation	2		1,887		15,000
Capital expenditure	2		<u>(5,512)</u>		<u>(23,102)</u>
			220,567		(134,146)
Financing	2		<u>60,783</u>		<u>113,860</u>
Increase/(Decrease) in cash in the period			<u>281,350</u>		<u>(20,286)</u>
<hr/>					
Reconciliation of net cash flow to movement in net debt	3				
Increase/(Decrease) in cash in the period		281,350		(20,286)	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		<u>(31,032)</u>		<u>6,140</u>	
Change in net debt resulting from cash flows			<u>250,318</u>		<u>(14,146)</u>
Movement in net debt in the period			250,318		(14,146)
Net debt at 1st April			<u>(243,968)</u>		<u>(229,822)</u>
Net funds/(debt) at 31st March			<u>6,350</u>		<u>(243,968)</u>

The notes form part of these financial statements

VITAFLO INTERNATIONAL LIMITED

Notes to the Cash Flow Statement
for the Year Ended 31st March 2003

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	31.3.03 £	31.3.02 £
Operating profit/(loss)	363,050	(21,189)
Depreciation charges	20,720	22,794
Increase in stocks	(79,960)	(41,694)
Increase in debtors	(163,868)	(107,418)
Increase in creditors	<u>97,878</u>	<u>43,015</u>
Net cash inflow/(outflow) from operating activities	<u>237,820</u>	<u>(104,492)</u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.3.03 £	31.3.02 £
Returns on investments and servicing of finance		
Interest received	2,824	853
Interest paid	(14,261)	(16,677)
Interest element of hire purchase payments	<u>(2,191)</u>	<u>(5,728)</u>
Net cash outflow for returns on investments and servicing of finance	<u>(13,628)</u>	<u>(21,552)</u>
Taxation		
Taxation refund	<u>1,887</u>	<u>15,000</u>
Net cash inflow for taxation	<u>1,887</u>	<u>15,000</u>
Capital expenditure		
Purchase of intangible fixed assets	(1,908)	(15,930)
Purchase of tangible fixed assets	<u>(3,604)</u>	<u>(7,172)</u>
Net cash outflow for capital expenditure	<u>(5,512)</u>	<u>(23,102)</u>
Financing		
New loans in year	130,000	50,000
Loan repayments in year	(93,814)	(46,000)
Capital repayments in year	(5,154)	(10,140)
Amount withdrawn by directors	(249)	(46,000)
Share issue	<u>30,000</u>	<u>166,000</u>
Net cash inflow from financing	<u>60,783</u>	<u>113,860</u>

The notes form part of these financial statements

VITAFLO INTERNATIONAL LIMITED

Notes to the Cash Flow Statement
for the Year Ended 31st March 2003

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.4.02 £	Cash flow £	At 31.3.03 £
Net cash:			
Cash at bank and in hand	<u>55,091</u>	<u>281,350</u>	<u>336,441</u>
	<u>55,091</u>	<u>281,350</u>	<u>336,441</u>
Debt:			
Hire purchase	(5,639)	5,154	(485)
Debts falling due within one year	(150,455)	24,590	(125,865)
Debts falling due after one year	<u>(142,965)</u>	<u>(60,776)</u>	<u>(203,741)</u>
	<u>(299,059)</u>	<u>(31,032)</u>	<u>(330,091)</u>
Total	<u>(243,968)</u>	<u>250,318</u>	<u>6,350</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements **for the Year Ended 31st March 2003**

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 1998, is being written off evenly over its estimated useful life of twenty years.

Development and patents

Development expenditure relating to three products which have now been approved by the Advisory Committee for Borderline Substances has been capitalised. The life of the products is deemed to be infinite.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Development	-20 years straight line
Patents	-10 years straight line

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery	- 15% on cost
Fixtures and fittings	- 15% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 25% on cost

Stocks

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Research and development

Expenditure on research is written off in the year in which it is incurred. Development expenditure is deferred to future periods where there is a clearly defined project with separately identifiable expenditure. The outcome of such a project has been assessed with reasonable certainty in regard to the technical feasibility and the ultimate commercial viability has been carefully considered. Future revenues are reasonably expected to exceed the current deferred development costs, future development costs and related production, selling and administration expenditure. Adequate financial resources are expected to be available to complete the project.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are written off to the profit and loss account in the year in which they are incurred.

Grants

The group receive grants for the research and development work it undertakes. The grant is written off to the profit and loss account in the year of receipt.

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements for the Year Ended 31st March 2003

1. ACCOUNTING POLICIES - continued

Hire purchase & leasing commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the year of the lease.

Lease payments under operating leases, where substantially all the risks and rewards remain with the lessor, are charged as expenses in the years in which they are incurred.

2. STAFF COSTS

	31.3.03	31.3.02
	£	£
Wages and salaries	231,975	189,247
Social security costs	<u>18,748</u>	<u>16,978</u>
	<u><u>250,723</u></u>	<u><u>206,225</u></u>

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

	31.3.03	31.3.02
Production	5	4
Research & development	2	2
Marketing	2	2
Administration	<u>5</u>	<u>5</u>
	<u><u>14</u></u>	<u><u>13</u></u>

3. OPERATING PROFIT/(LOSS)

The operating profit (2002 - operating loss) is stated after charging:

	31.3.03	31.3.02
	£	£
Depreciation - owned assets	10,942	11,237
Goodwill written off	3,647	5,522
Patents and licences written off	6,130	6,036
Auditors remuneration	5,258	2,461
Depreciation - leased assets	<u>1,274</u>	<u>1,465</u>
Directors' emoluments	78,932	75,696
Sums paid to third parties in respect of directors' services	<u>10,000</u>	<u>10,000</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.3.03	31.3.02
	£	£
MSIMF loan interest	3,643	5,896
Bank loan interest	10,618	10,781
Leasing	2,665	4,715
Exchange rate gains and losses	<u>(474)</u>	<u>1,013</u>
	<u><u>16,452</u></u>	<u><u>22,405</u></u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements **for the Year Ended 31st March 2003**

5. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	31.3.03 £	31.3.02 £
Current tax:		
UK corporation tax	(1,887)	(15,000)
Deferred taxation	<u>26,483</u>	<u>(80,199)</u>
Tax on profit/(loss) on ordinary activities	<u>24,596</u>	<u>(95,199)</u>

Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	31.3.03 £	31.3.02 £
Profit/(loss) on ordinary activities before tax	<u>349,422</u>	<u>(42,741)</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2002 - 19%)	66,390	(8,121)
Effects of:		
Expenses not deductible for tax purposes	1,571	3,761
Accelerated capital allowances	2,108	2,790
Research & development enhanced deduction	(11,554)	(7,520)
Utilisation of tax losses	(59,219)	(4,469)
Marginal relief	(850)	-
Tax losses available to carry forward	1,554	13,559
Research & development tax credit	<u>(1,887)</u>	<u>(15,000)</u>
Current tax charge/(credit)	<u>(1,887)</u>	<u>(15,000)</u>

Factors that may affect future tax charges

The group is expected to make profits in the future but has considerable tax losses to carry forward and offset against these profits totalling £297,804.

6. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £175,904 (2002 - £40,701).

7. NON EQUITY FINANCE COSTS

	31.3.03 £	31.3.02 £
Appropriations and other finance costs:		
Redemption premium on preference shares	<u>9,096</u>	<u>22,899</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements **for the Year Ended 31st March 2003**

8. PRIOR YEAR ADJUSTMENT

The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred Tax' in these financial statements. This has led to a prior period adjustment for deferred tax of £80,199. This has resulted in an increase in net assets of £80,199.

A prior year adjustment has been made in respect of the redemption premiums on the issue of redeemable preference shares which are treated as finance costs and accounted for over the period the shares are in issue. This has led to an adjustment of £22,899 increasing the deficit on the profit and loss account.

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Development costs £	Totals £
COST:				
At 1st April 2002	72,936	108,498	26,000	207,434
Additions	<u>-</u>	<u>1,908</u>	<u>-</u>	<u>1,908</u>
At 31st March 2003	<u>72,936</u>	<u>110,406</u>	<u>26,000</u>	<u>209,342</u>
AMORTISATION:				
At 1st April 2002	12,764	10,757	-	23,521
Amortisation for year	<u>3,647</u>	<u>6,130</u>	<u>-</u>	<u>9,777</u>
At 31st March 2003	<u>16,411</u>	<u>16,887</u>	<u>-</u>	<u>33,298</u>
NET BOOK VALUE:				
At 31st March 2003	<u>56,525</u>	<u>93,519</u>	<u>26,000</u>	<u>176,044</u>
At 31st March 2002	<u>60,172</u>	<u>97,741</u>	<u>26,000</u>	<u>183,913</u>

Research and development capitalised is in respect of a specific project currently ongoing. No amortisation has been charged to the profit and loss account as the product is not ready for sale. It is estimated that the project will be completed in approximately one year.

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

9. INTANGIBLE FIXED ASSETS - continued

Company

	Patents and licences £
COST:	
At 1st April 2002	108,498
Additions	<u>1,525</u>
At 31st March 2003	<u>110,023</u>
AMORTISATION:	
At 1st April 2002	10,757
Amortisation for year	<u>6,130</u>
At 31st March 2003	<u>16,887</u>
NET BOOK VALUE:	
At 31st March 2003	<u>93,136</u>
At 31st March 2002	<u>97,741</u>

The products relating to these costs were sold from April 2000 and therefore the costs have started to be amortised from this date. Intangible asset additions are amortised in the year following the year of expenditure.

10. TANGIBLE FIXED ASSETS

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST:					
At 1st April 2002	5,760	48,328	13,750	18,125	85,963
Additions	-	3,519	-	85	3,604
Disposals	<u>-</u>	<u>-</u>	<u>(13,750)</u>	<u>-</u>	<u>(13,750)</u>
At 31st March 2003	<u>5,760</u>	<u>51,847</u>	<u>-</u>	<u>18,210</u>	<u>75,817</u>
DEPRECIATION:					
At 1st April 2002	5,682	19,913	13,750	13,076	52,421
Charge for year	60	7,524	-	3,358	10,942
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>(13,750)</u>	<u>-</u>	<u>(13,750)</u>
At 31st March 2003	<u>5,742</u>	<u>27,437</u>	<u>-</u>	<u>16,434</u>	<u>49,613</u>
NET BOOK VALUE:					
At 31st March 2003	<u>18</u>	<u>24,410</u>	<u>-</u>	<u>1,776</u>	<u>26,204</u>
At 31st March 2002	<u>78</u>	<u>28,415</u>	<u>-</u>	<u>5,049</u>	<u>33,542</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

10. TANGIBLE FIXED ASSETS - continued

Company	Fixtures and fittings £	Computer equipment £	Totals £
COST:			
At 1st April 2002	48,328	18,125	66,453
Additions	<u>3,349</u>	<u>85</u>	<u>3,434</u>
At 31st March 2003	<u>51,677</u>	<u>18,210</u>	<u>69,887</u>
DEPRECIATION:			
At 1st April 2002	19,913	13,076	32,989
Charge for year	<u>7,473</u>	<u>3,358</u>	<u>10,831</u>
At 31st March 2003	<u>27,386</u>	<u>16,434</u>	<u>43,820</u>
NET BOOK VALUE:			
At 31st March 2003	<u>24,291</u>	<u>1,776</u>	<u>26,067</u>
At 31st March 2002	<u>28,415</u>	<u>5,049</u>	<u>33,464</u>

The net book value of fixed assets includes an amount of £589 (2002 : £4,820) and depreciation charged for the year includes an amount of £1,274 (2002 : £1,456) in respect of assets held under a finance lease.

11. FIXED ASSET INVESTMENTS

Company	Listed investments £
COST:	
At 1st April 2002	65,000
Addition	<u>2</u>
At 31st March 2003	<u>65,002</u>
NET BOOK VALUE:	
At 31st March 2003	<u>65,002</u>
At 31st March 2002	<u>65,000</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiaries

VitaFlo Limited

Country of incorporation: Scotland

Nature of business: Distributor of clinical nutrition products

Class of shares:	%
Ordinary	holding 100.00

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

11. FIXED ASSET INVESTMENTS - continued

Vitaflo Australia Pty

Country of incorporation: Australia

Nature of business: Distributer of clinical nutrition products

	%
Class of shares:	holding
Ordinary	100.00

The results of the subsidiaries are included in the consolidated accounts.

12. STOCKS

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Stocks	154,328	67,236	152,208	67,236
Work-in-progress	21,601	35,402	21,601	35,402
Finished goods	<u>30,309</u>	<u>23,640</u>	<u>30,309</u>	<u>23,640</u>
	<u>206,238</u>	<u>126,278</u>	<u>204,118</u>	<u>126,278</u>

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Trade debtors	354,242	179,867	97,652	80,212
Other debtors	43,955	59,593	37,542	56,913
Amounts owed by subsidiary undertakings	-	-	195,324	236,298
Deferred tax	53,716	80,199	53,716	80,199
Prepayments and accrued income	<u>22,905</u>	<u>17,775</u>	<u>20,591</u>	<u>15,864</u>
	<u>474,818</u>	<u>337,434</u>	<u>404,825</u>	<u>469,486</u>

Deferred Tax

	31.03.03	31.03.02
	£	£
Deferred tax asset	<u>53,716</u>	<u>80,199</u>

Deferred tax
£

Balance at 1st April 2002

Movement in provision

Balance at 31st March 2003

80,199
<u>(26,483)</u>
<u>53,716</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Bank loans and overdrafts (see note 16)	24,000	24,000	24,000	24,000
Other loans (see note 16)	101,865	126,455	101,865	126,455
Hire purchase contracts (see note 17)	277	5,154	277	5,154
Trade creditors	156,581	158,765	140,700	158,765
Social security and other taxes	8,931	7,921	8,931	7,921
Other creditors	135,374	44,549	-	-
Directors' current accounts	-	249	-	249
Accrued expenses	<u>22,716</u>	<u>14,489</u>	<u>19,059</u>	<u>9,961</u>
	<u>449,744</u>	<u>381,582</u>	<u>294,832</u>	<u>332,505</u>

Other loans of £60,753 relate to consideration received for an option to purchase 10% of the initial share capital of the company. Under certain circumstances the company may be required to repay the full amount within 30 days notice.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Bank loans (see note 16)	152,000	76,000	152,000	76,000
Other loans (see note 16)	51,741	66,965	51,741	66,965
Hire purchase contracts (see note 17)	<u>208</u>	<u>485</u>	<u>208</u>	<u>485</u>
	<u>203,949</u>	<u>143,450</u>	<u>203,949</u>	<u>143,450</u>

The debenture loan is repayable in equal instalments, which commenced in February 2000, although the company has the right to repay the loan early. The loan is secured by fixed and floating charges over all the assets of the company. Under certain circumstances the lender can crystallise the floating charge into a fixed charge over all the company's assets.

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	24,000	24,000	24,000	24,000
Debenture loans	41,112	65,702	41,112	65,702
Other loans	<u>60,753</u>	<u>60,753</u>	<u>60,753</u>	<u>60,753</u>
	<u>125,865</u>	<u>150,455</u>	<u>125,865</u>	<u>150,455</u>
Amounts falling due between one and two years:				
Bank loans - 1-2 years	36,500	24,000	36,500	24,000
Debenture loans	<u>41,111</u>	<u>29,763</u>	<u>41,111</u>	<u>29,763</u>
	<u>77,611</u>	<u>53,763</u>	<u>77,611</u>	<u>53,763</u>
Amounts falling due between two and five years:				
Bank loans - 2-5 years	115,500	52,000	115,500	52,000
Debenture loans - 2-5 years	<u>10,630</u>	<u>37,202</u>	<u>10,630</u>	<u>37,202</u>
	<u>126,130</u>	<u>89,202</u>	<u>126,130</u>	<u>89,202</u>

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

Group

	Hire purchase contracts	
	31.3.03	31.3.02
	£	£
Net obligations repayable:		
Within one year	277	5,154
Between one and five years	<u>208</u>	<u>485</u>
	<u>485</u>	<u>5,639</u>

Company

	Hire purchase contracts	
	31.3.03	31.3.02
	£	£
Net obligations repayable:		
Within one year	277	5,154
Between one and five years	<u>208</u>	<u>485</u>
	<u>485</u>	<u>5,639</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements **for the Year Ended 31st March 2003**

17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

Group

	31.3.03	Operating leases 31.3.02
	£	£
Expiring:		
Between one and five years	<u>47,042</u>	<u>40,703</u>

Company

	31.3.03	Operating leases 31.3.02
	£	£
Expiring:		
Between one and five years	<u>31,221</u>	<u>31,221</u>

18. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	31.3.03	31.3.02	31.3.03	31.3.02
	£	£	£	£
Bank loans	176,000	100,000	176,000	100,000
Hire purchase contracts	485	5,639	485	5,639
Other creditors	<u>135,361</u>	<u>44,549</u>	<u>-</u>	<u>-</u>
	<u>311,846</u>	<u>150,188</u>	<u>176,485</u>	<u>105,639</u>

Obligations under hire purchase contracts are secured on the assets concerned.

There is a debenture incorporating the fixed and floating charges over the undertakings and assets of Vitaflo International Limited including uncalled capital dated 10th November 2000.

There is a ranking agreement dated 29th November 2000 between Vitaflo International Limited, Vitaflo Limited, Merseyside Special Investment Mezzanine Fund Limited and Bank of Scotland. There is a Cross Corporate Guarantee between Vitaflo International Limited and Vitaflo Limited dated 8th November 2000 in favour of the Bank of Scotland. This holds all group companies jointly and severally liable for the secured liabilities due to the Bank of Scotland, which at 31st March 2003 amounted to £176,000 (2002: £100,000).

There is a Bond and Floating Charge over the undertakings and assets of Vitaflo Limited dated 8th November 2000.

There is a floating charge dated 24th June 2002 over the assets of Vitaflo Limited, held in favour of The Bank of Scotland.

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements for the Year Ended 31st March 2003

19. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	31.3.03	31.3.02
			£	£
725,893	Ordinary	£1	725,893	725,893
208,214	'A' ordinary	50p	104,107	104,107
170,000	Cumulative redeemable preference	£1	<u>170,000</u>	<u>170,000</u>
			<u>1,000,000</u>	<u>1,000,000</u>

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.3.03	31.3.02
			£	£
501,000	Ordinary	£1	501,000	471,000
(31.3.02 - 471,000)				
177,455	'A' ordinary	50p	88,728	88,728
170,000	Cumulative redeemable preference	£1	<u>170,000</u>	<u>170,000</u>
			<u>759,728</u>	<u>729,728</u>

During the year the following shares were issued, with the consideration being applied to the development of the company.

30,000 fully paid ordinary shares of £1 each for a total consideration of £30,000.

The redeemable preference shares carry no rights to dividends, and are classified as non equity. In the event the company has not redeemed the shares or in a winding up, then the redeemable preference shares shall be entitled to one vote for each fully paid up share. In the event of a change of control or a winding up of the company, they rank first and would be paid 125% of the original subscription price. The shares are redeemable at a premium of 25% as follows:

	Nominal value	Cash to be paid
	£	£
30th June 2003	60,000	75,000
30th June 2004	60,000	75,000
30th June 2005	<u>50,000</u>	<u>62,500</u>
	<u>170,000</u>	<u>212,500</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements for the Year Ended 31st March 2003

19. CALLED UP SHARE CAPITAL - continued

Mereseyside Special Investment Mezzanine Fund Limited (MSIMF) have options to purchase 'A' ordinary shares of 50 pence each. The number of shares subject to the option and the price payable for the subscription is dependant upon the amount of the total debenture loan that has been advanced at the time of exercising the option and the level of profit of the group, but will be between the following limits:

Number of options exercisable	33,539
Option subscription price	£0.66
Date granted	12th September 2002
Date exercisable from	12th September 2002
Expiry date	30th June 2006

20. RESERVES

Group

	Profit and loss account £	Other reserves £	Totals £
At 1st April 2002	(598,701)	22,899	(575,802)
Prior year adjustment	<u>57,300</u>	<u>-</u>	<u>57,300</u>
	(541,401)	22,899	(518,502)
Retained profit for the year	315,730	-	315,730
Appropriations in respect of non-equity shares	<u>-</u>	<u>9,096</u>	<u>9,096</u>
At 31st March 2003	<u>(225,671)</u>	<u>31,995</u>	<u>(193,676)</u>

Company

	Profit and loss account £	Other reserves £	Totals £
At 1st April 2002	(439,186)	22,899	(416,287)
Prior year adjustment	<u>57,300</u>	<u>-</u>	<u>57,300</u>
	(381,886)	22,899	(358,987)
Retained profit for the year	166,808	-	166,808
Appropriations in respect of non-equity shares	<u>-</u>	<u>9,096</u>	<u>9,096</u>
At 31st March 2003	<u>(215,078)</u>	<u>31,995</u>	<u>(183,083)</u>

21. CONTINGENT LIABILITIES

The group operates a Phantom Share Scheme which gives key employees the right to receive a bonus on the occurrence of a future event. It is not practicable to estimate the cost to the company due to the uncertainties over the amounts on which the bonus will be calculated. The cost will be incurred within five years of the balance sheet date.

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements for the Year Ended 31st March 2003

22. RELATED PARTY DISCLOSURES

The group is not controlled by any one entity as defined by FRS 8.

At the balance sheet date, the group owed the director, Mr W T McNab, £188 (2002: £192). This amount is interest free and repayable on demand.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	31.3.03	31.3.02
	£	£
Profit for the financial year	324,826	52,458
Dividends and non equity finance costs	<u>(9,096)</u>	<u>(22,899)</u>
	315,730	29,559
Share capital issued	30,000	166,000
Appropriations in respect of non-equity shares	<u>9,096</u>	<u>22,899</u>
Net addition to shareholders' funds	354,826	218,458
Opening shareholders' funds (originally £153,926 before prior year adjustment of £57,300)	<u>211,226</u>	<u>(7,232)</u>
Closing shareholders' funds	<u>566,052</u>	<u>211,226</u>
Equity interests	<u>566,052</u>	<u>211,226</u>

Company

	31.3.03	31.3.02
	£	£
Profit for the financial year	175,904	40,701
Dividends and non equity finance costs	<u>(9,096)</u>	<u>(22,899)</u>
	166,808	17,802
Share capital issued	30,000	166,000
Appropriations in respect of non-equity shares	<u>9,097</u>	<u>22,899</u>
Net addition to shareholders' funds	205,905	206,701
Opening shareholders' funds (originally £313,440 before prior year adjustment of £57,300)	<u>370,740</u>	<u>164,039</u>
Closing shareholders' funds	<u>576,645</u>	<u>370,740</u>
Equity interests	<u>576,645</u>	<u>370,740</u>

VITAFLO INTERNATIONAL LIMITED

Notes to the Financial Statements
for the Year Ended 31st March 2003

24. **AQUISITIONS**

On 1st April 2002, the company acquired the entire issued share capital of Vitaflo Australia Pty Limited for a total consideration of £2 which represented the fair value of the net assets at this date.