Vitaflo (International) Limited

Directors' report and consolidated financial statements

Registered number 03380926

31 March 2009

Contents

Directors' report

The directors present their report and financial statements for the year ended 31 March 2009.

Business review and principal activities

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. The group supplies these products internationally in over 10 countries.

Sales have increased 50% over the previous year due to a combination of increased global sales of existing products and the release of new products.

Profit before tax has increased 72% over the previous year, with the increased margin resulting from sales increasing at a higher rate than overheads and also benefiting from the absence of exceptional costs of the previous year.

The balance sheets on pages 7 and 8 of the financial statements show that the financial position of both the group and the company remain positive, with a continuing increase in net assets.

The group's management uses a number of key measures to monitor and manage the performance of the business. The performance of each territory is reviewed monthly in terms of turnover, with particular emphasis on comparison of actual performance against prior months and prior year, and also against budgeted performance. Gross margin levels are monitored on a monthly basis, and a detailed monthly review is also carried out on overhead expenditure against budgeted expenditure. Additionally, stock turnover, debtor and creditor days and cash levels are continually monitored.

On 24 May 2008 the entire share capital of the company was acquired by Vitaflo International Holdings Limited (formerly Broomco (4152) Limited), as part of a group refinancing activity.

Principal risks and uncertainties

As a small business in the global clinical nutrition market the group faces significant international competition and is dependent upon continued product innovation and improvement to combat competitive threats while at the same time being reliant on providing products to patients through its largest single customer, the NHS.

Dividends

The directors propose a final dividend of £741,000 in respect of the current financial year (*2008: £nil*).

Dividends paid during the year comprise £1,155,000 to the holding company Vitaflo International Holdings Limited.

Directors

The directors who held office during the year were as follows:

TA Partington	
WT Macnab	
M O'Donnell	
Medifood SRL	(resigned 23 May 2008)
AFM NEDS Limited	(resigned 23 May 2008)
KJ McLachlan	(appointed 23 May 2008)

Certain directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Kenneth J McLachlan

KJ McLachlan
Director

11-16 Century Buildings
Brunswick Business Park
Liverpool
L3 4BL

24th September, 2009.

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 group and the parent company financial statements in accordance with UK Accounting Standards, and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
8 Princes Parade
Liverpool L3 1QH
United Kingdom

Independent auditors' report to the members of Vitaflo (International) Limited

We have audited the group and parent company financial statements (the "financial statements") of Vitaflo (International) Limited for the year ended 31 March 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, and the related notes. 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 auditor's 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 directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 to you 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 our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatement within it.

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 group's and 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.

Independent auditors' report to the members of Vitaflo (International) Limited *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2009 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

25th September 2009

Consolidated Profit and Loss Account
for the year ended 31 March 2009

	Note	2009 £000	2008 £000
Turnover	2	**17,095**	11,388
Cost of sales		**(6,724)**	(4,598)
Gross profit		**10,371**	6,790
Administrative expenses - including exceptional items of £nil *(2008: £147,000)*	3	**(4,702)**	(3,523)
Operating profit	3	**5,669**	3,267
Interest receivable and similar income	6	**19**	39
Interest payable and similar charges	7	**(30)**	(8)
Profit on ordinary activities before taxation		**5,658**	3,298
Tax on profit on ordinary activities	8	**(1,606)**	(1,037)
Profit on ordinary activities after taxation		**4,052**	2,261
Minority interests	24	**(13)**	71
Profit for the financial year		**4,039**	2,332

All results arise from continuing operations.

Consolidated Balance Sheet
at 31 March 2009

	Note	**2009 £000**	**2009 £000**	2008 £000	2008 £000
Fixed assets					
Intangible assets	*10*		**215**		144
Tangible assets	*11*		**291**		195
			506		339
Current assets					
Stocks	*13*	**2,899**		2,196	
Debtors	*14*	**4,787**		2,121	
Cash at bank in hand		**1,449**		1,738	
		9,135		6,055	
Creditors: amounts falling due within one year	*15*	**(2,602)**		(2,036)	
Net current assets			**6,533**		4,019
Total assets less current liabilities			**7,039**		4,358
Creditors: amounts falling due after more than one year	*16*		**-**		70
Provisions for liabilities	*20*		**27**		13
Capital and reserves					
Called up share capital	*21*		**625**		625
Share premium	*22*		**17**		17
Capital redemption reserve	*22*		**170**		170
Profit and loss account	*22*		**6,248**		3,564
Shareholders' funds			**7,060**		4,376
Minority interests	*24*		**(48)**		(101)
			7,039		4,358

These financial statements were approved by the board of directors on 24/9/09 and were signed on its behalf by:

Kenneth J McLachlan

KJ McLachlan
Director

Company Number 03380926

Company Balance Sheet
at 31 March 2009

	Note	2009 £000	2009 £000	2008 £000	2008 £000
Fixed assets					
Intangible assets	*10*		82		45
Tangible assets	*11*		281		182
Investments	*12*		164		164
			527		391
Current assets					
Stocks	*13*	2,899		2,196	
Debtors	*14*	5,390		2,674	
Cash at bank and in hand		1,283		1,392	
		9,572		6,262	
Creditors: amounts falling due within one year	*15*	(2,180)		(1,787)	
Net current assets			7,392		4,475
Total assets less current liabilities			7,919		4,866
Creditors: amounts falling due after more than one year	*16*		-		70
Provisions for liabilities	*20*		27		13
Capital and reserves					
Called up share capital	*21*		625		625
Share premium	*22*		17		17
Capital redemption reserve	*22*		170		170
Profit and loss account	*22*		7,080		3,971
Shareholders' funds			7,892		4,783
			7,919		4,866

These financial statements were approved by the board of directors on 24/9/09 and were signed on its behalf by:

Kenneth J McLachlan

KJ McLachlan
Director

Company Number 03380926

Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 March 2009

	2009 £000	2008 £000
Profit for the financial year	**4,039**	2,332
Translation differences	**(200)**	(30)
Total recognised gains and losses relating to the year	**3,839**	2,302

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the group is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the group in its own published consolidated financial statements.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Patents and licences purchased by the Company are amortised to nil by equal annual instalments over their useful economic lives of ten years.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and machinery	-	15% per annum
Fixtures, fitting and equipment	-	15% per annum
Computer equipment	-	25% per annum

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average monthly rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for short-dated stock. Work in progress is recognised with reference to the stage of completion. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Consignment stock

Stocks which are held in foreign subsidiaries are held on a consignment stock basis, as the foreign subsidiaries have the right to return the products to their parent company, Vitaflo (International) Limited.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Turnover

Sales are recognised upon delivery to customers.

Notes *(continued)*

2 Turnover

Turnover is stated net of value added tax.

The directors believe that it would be seriously prejudicial to the interests of the company to disclose the geographical split of turnover.

All turnover arises from the group's principal business activity.

3 Notes to the profit and loss account

	2009	2008
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	**70**	46
- assets on hire purchase contracts	**-**	5
Amortisation and other amounts written off intangible fixed assets:	**6**	6
Amortisation of goodwill	**7**	4
Hire of plant and machinery – operating leases	**-**	-
Hire of other assets – operating leases	**215**	162
Auditors' remuneration		
- Audit of these financial statements	**24**	21
- Other services relating to taxation	**6**	4

Exceptional costs

The group incurred £147,000 of professional fees in the prior year in relation to a potential sale of the company. These fees have not had a significant effect on the tax charges.

4 Remuneration of directors

	2009	2008
	£000	£000
Directors' emoluments	**493**	286
Company contributions to money purchase pension schemes	**15**	12

The aggregate of emoluments of the highest paid director was £123,000 *(2008:£109,000)* and Company pension contributions of £nil *(2008: £5,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2009	2008
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**3**	3

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Group and Company (including directors) during the year, analysed by category, was as follows:

	Number of employees Group		Number of employees Company	
	2009	2008	**2009**	2008
Production	**16**	9	**16**	9
Research and development	**6**	8	**6**	8
Marketing	**35**	27	**19**	12
Administration	**7**	11	**7**	11
Directors	**4**	3	**4**	3
	68	58	**52**	43

The aggregate payroll costs of these persons were as follows:

	Group		Company	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Wages and salaries	**2,766**	1,861	**1,974**	1,280
Social security costs	**246**	170	**238**	139
Other pension costs	**67**	48	**67**	48
	3,079	2,079	**2,279**	1,467

6 Other interest receivable and similar income

	2009	2008
	£000	£000
Bank interest receivable	**19**	39
	19	39

7 Interest payable and similar charges

	2009	2008
	£000	£000
On bank loans and overdrafts	**27**	6
Finance charges payable in respect of hire purchase contracts	**3**	2
	30	8

Notes *(continued)*

8 Taxation

Analysis of charge in year

	2009 £000	2008 £000
UK corporation tax		
Current tax on income for the period	**1,513**	1,035
Adjustments in respect of prior periods	**3**	(43)
	1,516	992
Double tax relief	**(226)**	(87)
Foreign tax		
Current tax on income for the period	**302**	125
Total current tax	**1,592**	1,030
Deferred tax		
Origination/reversal of timing differences	**10**	7
Adjustment in respect of previous years	**4**	-
Total deferred tax	**14**	7
Tax on profit on ordinary activities	**1,606**	1,037

Factors affecting tax charge for the current period

The current tax charge for the period is higher (*2008: higher*) than the standard rate of corporation tax in the UK (28%) (*2008: 30%*). The differences are explained below:

	2009 £000	2008 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**5,658**	3,298
Current tax at 28% *(2008: 30%)*	**1,584**	989
Effects of:		
Expenses not deductible for tax purposes	**23**	63
Capital allowances for period in excess of depreciation	**(9)**	(4)
Research and development enhanced deduction	**(136)**	(78)
Effect of overseas tax	**129**	106
Adjustment in respect of prior periods	**3**	(43)
Other timing differences	**(2)**	(3)
Total current tax charge (see above)	**1,592**	1,030

Factors that may affect future current and total tax charges

The UK corporation tax rate decreased from 30% to 28% effective from 1 April 2008.

Notes *(continued)*

9 Dividends

The aggregate amount of dividends comprises:

	2009 £000	2008 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	-	778
Interim dividend paid in respect of current year	1,155	-
Aggregate amount of dividends paid in the financial year	1,155	778
	1,155	778

A final dividend of £741,000 has been declared in respect of 2009.

10 Intangible fixed assets

Group	**Goodwill** £000	**Patents and licences** £000	**Total** £000
Cost			
At 31 March 2008	133	136	269
Additions	40	44	84
At 31 March 2009	**173**	**180**	**353**
Amortisation			
At 31 March 2008	34	91	125
Amortisation for year	7	6	13
At 31 March 2009	**41**	**97**	**138**
Net book value			
At 31 March 2009	**132**	**83**	**215**
At 31 March 2008	99	45	144

Notes *(continued)*

10 Intangible fixed assets *(continued)*

Company	Patents and licences £000
Cost	
At 31 March 2008	136
Additions	43
At 31 March 2009	**179**
Amortisation	
At 31 March 2008	91
Amortisation for year	6
At 31 March 2009	**97**
Net book value	
At 31 March 2009	**82**
At 31 March 2008	45

11 Tangible fixed assets

Group	Plant & machinery £000	Fixtures & fittings As restated £000	Computer equipment £000	Total As restated £000
Cost				
At 31 March 2008	65	213	103	381
Additions	-	119	47	166
At 31 March 2009	**65**	**332**	**150**	**547**
Depreciation				
At beginning of period	17	109	60	186
Charge for period	10	34	26	70
At 31 March 2009	**27**	**143**	**86**	**256**
Net book value				
At 31 March 2009	**38**	**189**	**64**	**291**
At 31 March 2008	48	104	43	195

During the year, all assets held under hire purchase contracts were bought outright. Included in the total net book value of plant and machinery of the group is £nil *(2008: £48,000)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £nil *(2008: £4,000)*. Included in the total net book value of fixtures and fittings of the group is £nil *(2008: £2,000)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £nil *(2008: £1,000)*.

Notes *(continued)*

11 Tangible fixed assets *(continued)*

Company	Plant & machinery £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 31 March 2008	59	193	104	356
Additions	-	116	46	162
At 31 March 2009	**59**	**309**	**150**	**518**
Depreciation				
At beginning of period	11	102	61	174
Charge for period	8	29	26	63
At 31 March 2009	**19**	**131**	**87**	**237**
Net book value				
At 31 March 2009	**40**	**178**	**63**	**281**
At 31 March 2008	48	91	43	182

During the year, all assets held under hire purchase contracts were bought outright. Included in the total net book value of plant and machinery for the company is £nil *(2008: £48,000)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £nil *(2008: £4,000)*. Included in the total net book value of fixtures and fittings for the company is £nil *(2008: £2,000)* in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £nil *(2008: £1,000)*.

12 Fixed asset investments

Company	Shares in group undertaking £000
Valuation	
At beginning of year	164
Additions	-
At end of year	**164**
Provisions	
At beginning and end of year	-
Net book value	
At 31 March 2009	**164**
At 31 March 2008	164

Notes *(continued)*

12 Fixed asset investments *(continued)*

The principal undertakings in which the Company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Percentage held of ordinary shares by group company	Country of incorporation	Capital and Reserves £000	Profit/(loss) for the period £000
Vitaflo Australia Pty	100%	Australia	155	206
Vitaflo USA LLC	100%	USA	(347)	(183)
Vitaflo Pharma GmbH	100%	Germany	(280)	(103)
Vitaflo France SARL	100%	France	103	329
Vitaflo Espana SL	80%	Spain	(242)	-
Vitaflo Saglik ve Gıda Urunleri San. ve Tic. Ltd. Sti.	100%	Turkey	(255)	(124)

The principal activity of all of the subsidiaries is that of distribution of clinical products.

The results of the subsidiaries are included in the consolidated accounts. Dormant or non-trading companies have not been listed.

13 Stocks

	Group and Company 2009 £000	Group and Company 2008 £000
Raw materials	**510**	647
Work in progress	**650**	770
Finished goods	**1,739**	779
	2,899	2,196

14 Debtors: amounts falling due within one year

	Group		**Company**	
	2009 £000	2008 £000	**2009 £000**	2008 £000
Trade debtors	**2,965**	1,745	**1,939**	1,328
Other debtors	**186**	173	**144**	193
Amounts owed by group undertakings	**1,446**	-	**3,117**	950
Amounts owed by related parties	**-**	28	**-**	28
Prepayments and accrued income	**190**	175	**190**	175
	4,787	2,121	**5,390**	2,674

Notes *(continued)*

15 Creditors: amounts falling due within one year

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Bank loans and overdrafts	-	13	-	13
Hire purchase contracts	-	17	-	17
Trade creditors	1,386	1,203	1,296	1,129
Amounts owed to group undertakings	-	-	20	20
Corporation tax	476	503	313	392
Social security and other taxes	123	101	74	66
Other creditors	456	85	334	43
Accrued expenses	161	114	143	107
	2,602	2,036	2,180	1,787

16 Creditors: amounts falling due after more than one year

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
Bank loans (see note 17)	-	43	-	43
Hire purchase contracts	-	27	-	27
	-	70	-	70

17 Bank loans

The maturity of bank loans is as follows:

	Group 2009 £000	2008 £000	Company 2009 £000	2008 £000
In one year or less	-	13	-	13
Between one and two years	-	13	-	13
Between two and five years	-	31	-	31
In five years or more	-	-	-	-
	-	57	-	57

The bank loan was repayable in instalments and was due to be fully repaid by December 2012. Interest was charged at 3% above bank's base rate.

On 24 May 2008 the bank loan was repaid in full and new loans were entered into by Vitaflo International Holdings Limited, the new parent company of Vitaflo (International) Limited, which were secured on the assets of this company.

Notes *(continued)*

18 Creditors: obligations under hire purchase contracts and leases

The maturity of obligations under finance leases and hire purchase contracts is as follows:

Hire purchase contracts

	Group and Company	
	2009	2008
	£000	£000
Within one year	-	17
In the second to fifth years	-	27
	-	44

During the year, all assets held under hire purchase contracts were bought outright.

19 Secured debts

The following secured debts are included within creditors:

	Group		**Company**	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
Bank loans (see note 17)	-	56	-	56
Hire purchase contracts (see note 18)	-	44	-	44
	-	100	-	100

At the prior year end there was a ranking agreement dated 29th November 2000 between Vitaflo (International) Limited, Vitaflo Limited (a 100% dormant subsidiary undertaking), Merseyside Special Investment Mezzanine Fund Limited and Bank of Scotland. There was a Cross Corporate Guarantee between Vitaflo International Limited and Vitaflo Limited dated 8th November 2000 in favour of the Bank of Scotland. This held all companies jointly and severally liable for the secured liabilities due to the Bank of Scotland, which at 31st March 2008 amounted to £56,000.

At the prior year end there was a bond and floating charge over the undertakings and assets of Vitaflo Limited dated 8th November 2000.

At the prior year end there was a floating charge dated 24 June 2002 over the assets of Vitaflo Limited, held in favour of the Bank of Scotland.

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

20 Provisions for liabilities

	Deferred taxation
	£000
Group	
At beginning of year	13
Charge to the profit and loss for the year	14
At end of year	27

Notes *(continued)*

20 Provisions for liabilities *(continued)*

	Deferred taxation £000
Company	
At beginning of year	13
Charge to the profit and loss for the year	14
At end of year	27

The elements of deferred taxation are as follows:

	2009 £000	2008 £000
Group and company		
Difference between accumulated depreciation and amortisation and capital allowances	27	14
Other timing differences	-	(1)
	27	13

21 Called up share capital

	2009 £000	2008 £000
Authorised		
705,621 ordinary shares of £1 each	706	706
210,994 'A' ordinary shares of 50p each	105	105
37,764 'B' ordinary shares of 50p each	19	19
170,000 cumulative redeemable preference shares of £1 each	170	170
	1,000	1,000
Allotted, called up and fully paid		
501,000 ordinary shares of £1 each	501	501
210,994 'A' ordinary shares of 50p each	105	105
37,764 'B' ordinary shares of 50p each	19	19
	625	625

Rights of each class of ordinary share

Income shall be applied as follows:

Firstly: Of the 210,994 'A' Ordinary shares 177,455 shares are entitled to a participating dividend of 7.5% of the net profits (profit before tax and amortisation) of the company. The remaining 33,539 share are entitled to a dividend of 2% of the net profits of the company.

Secondly: Paying the holders of Ordinary shares and 'B' Ordinary shares an annual dividend of 1.75 times of the participating dividend paid on each of the 177,455 'A' Ordinary shares.

Notes *(continued)*

21 Share capital *(continued)*

At the year end the shares ranked pari passu in respect of any remaining profits.

Capital

The assets of the company available to the shareholders on liquidation or otherwise shall be applied in the following manner and priority:

Firstly: Paying the holders of the Cumulative Preference shares, if any, the issue price of the shares plus any premiums due.

Secondly: Paying the holders of 'A' Ordinary shares all unpaid arrears of any participating dividend.

Thirdly: Paying the holders of 'A' Ordinary shares the issue price of the shares.

Fourthly: Paying the holders of 'B' Ordinary shares all unpaid arrears of any ordinary dividend.

Fifthly: Paying the holders of 'A' Ordinary shares, 'B' Ordinary shares and Ordinary shares any additional dividends declared.

Sixthly: Paying the holders of Ordinary shares and 'B' Ordinary shares the issue price of the shares.

In all other respects the shares rank pari passu.

Voting

In all respects the Ordinary, 'A' Ordinary and 'B' Ordinary shares rank pari passu.

Based on the above characteristics, all shares are classified as equity shares.

22 Share premium and reserves

Group	**Share premium account £000**	**Capital redemption reserve £000**	**Profit and loss account £000**
At beginning of year	17	170	3,564
Profit for the year	-	-	4,039
Dividends on shares classified in shareholders' funds	-	-	(1,155)
Exchange adjustments	-	-	(200)
At end of year	**17**	**170**	**6,248**

Notes *(continued)*

22 Share premium and reserves *(continued)*

Company	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At beginning of year	17	170	3,971
Profit for the year	-	-	4,264
Dividends on shares classified in shareholders' funds	-	-	(1,155)
At end of year	**17**	**170**	**7,080**

23 Reconciliation of movement in shareholders' funds

Group	2009 £000	2008 £000
Profit for the period	**4,039**	2,332
Dividends paid	**(1,155)**	(778)
	2,884	1,554
Other recognised gains and losses relating to the year	**(200)**	(30)
Net addition to shareholders' funds	**2,684**	1,524
Opening shareholders' funds	**4,376**	2,852
Closing shareholders' funds	**7,060**	4,376

Company	2009 £000	2008 £000
Profit for the period	**4,264**	2,613
Dividends paid	**(1,155)**	(778)
Net addition to shareholders' funds	**3,109**	1,835
Opening shareholders' funds	**4,783**	2,948
Closing shareholders' funds	**7,892**	4,783

Notes *(continued)*

24 Minority interests

	Group 2009 £000	2008 £000
At beginning of year	**101**	69
Share of (loss)/profit for year	**(13)**	71
Vitaflo Pharma GmbH	**-**	(39)
Vitaflo USA LLC	**(40)**	-
At end of year	**48**	101

During the year, the remaining 20% of Vitaflo USA LLC was purchased by Vitaflo (International) Limited. Minority interests represent 20% equity interest in Vitaflo Espana SL.

25 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2009 Land and buildings £000	Other £000	2008 Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	**78**	**1**	-	9
In the second to fifth years inclusive	**90**	**50**	168	15
Over five years	**-**	**-**	-	-
	168	**51**	168	24

	2009 Land and buildings £000	Other £000	2008 Land and buildings £000	Other £000
Company				
Operating leases which expire:				
Within one year	**78**	**1**	-	9
In the second to fifth years inclusive	**90**	**50**	168	15
Over five years	**-**	**-**	-	-
	168	**51**	168	24

26 Pension scheme

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £76,000 *(2008: £50,000)*.

Contributions amounting to £nil *(2008: £13,000)* were payable to the scheme at the year end and are included in creditors.

Notes *(continued)*

27 Related party disclosures

At the year end the group was controlled by its board of directors.

As of 23 May 2008, Medifood SRL resigned as director and shareholder of the group. Before this date, the group made sales of £35,000 *(2008: £396,000)* to Medifood SRL. Included in "Amounts owed by related parties" is a balance outstanding of £nil *(2008: £28,000)* in respect of these transactions.

28 Ultimate parent undertaking

On 24 May 2008, Vitaflo (International) Limited was acquired by Vitaflo International Holdings Limited.

The Company is a subsidiary of Vitaflo International Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. The ultimate parent undertaking and controlling party is Vitaflo International Holdings Limited.

The consolidated accounts of Vitaflo International Holdings Limited are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.