

Company Number: 3839710

BRAES GROUP LIMITED

Report and Financial Statements

For 18 months ended 31 December 2005



REPORT AND FINANCIAL STATEMENTS 2005

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REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F Gregori Bohigues
H Monzo Oltra
J V Pons Andreu
A Wainwright

SECRETARY

A G Hunter

REGISTERED OFFICE

Masters House
107 Hammersmith Road
London
W14 0QH

COMPANY NO: 3839710

BANKERS

Bank of Scotland
155 Bishopsgate
London
EC2M 3YB

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Nottingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the 18 months ended 31 December 2005.

ACTIVITIES

The company is an intermediate holding company.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 3 August 2005 the company's parent company, Braes Holdings Limited, was acquired by Natraceutical S.A. As part of the acquisition the company sold its interest in Overseal Natural Ingredients Limited and The Talin Company Limited to Natraceutical S.A. and used the proceeds to pay down its external debt. The company's ultimate parent company is now Natra S.A., a company registered in Spain.

RESULTS AND DIVIDENDS

The loss after taxation is £3,408,000 (2004: profit of £45,000) as shown in the profit and loss account on page 6. The directors do not recommend the payment of a dividend (2004: £nil) resulting in a transfer from reserves of £3,408,000 (2004: to reserves of £45,000).

DIRECTORS AND THEIR INTERESTS

The following were directors of the company during the period:

J V Pons Andreu	(appointed 3 August 2005)
H M Oltra	(appointed 27 October 2005)
A Wainwright	(appointed 27 October 2005)
F Gregori Bohigues	(appointed 27 October 2005)
M M Tarazona	(appointed 3 August 2005 and resigned 27 October 2005)
L R Allen	(resigned 3 August 2005)
W S McBride	(resigned 3 August 2005)
N Badman	(resigned 3 August 2005)
J Cameron	(appointed 23 September 2004 and resigned 3 August 2005)
C Fleming	(appointed 23 September 2004 and resigned 3 August 2005)

No director had any interest in the share capital of the company at any time during the period. The interests of directors in the share capital of Braes Holdings Limited, the immediate parent company, are shown in the table below.

		Number of shares 31 December 2005	Number of shares 30 June 2004
L R Allen	(Note I)	-	123,533
W S McBride		-	302,695

Note I: Mr Allen's interest in these shares, which are held by a member of his family, is non beneficial.

None of the directors has any interest in the shares or debentures of any group company that are required to be disclosed in accordance with the Companies Act 1985. No director had an interest in any existing contract or arrangement at the end of or during the period to which the company was a party.

CHARITABLE AND POLITICAL DONATIONS

No charitable or political donations were made during the period.

DIRECTORS' REPORT
Continued


CHANGE IN FINANCIAL YEAR END

The company has changed its financial year end from 30 June to 31 December. Accordingly, the results are for the 18 month period from 1 July 2004 to 31 December 2005.

AUDITORS

During the period, RSM Robson Rhodes LLP resigned as auditors and Deloitte & Touche LLP were appointed. Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company.

Approved by the Board of Directors on 26 April 2006
and signed on behalf of the Board by



A G Hunter
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law in the United Kingdom requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BRAES GROUP LIMITED

We have audited the financial statements of Braes Group Limited for the 18 months ended 31st December 2005 which comprise profit and loss account, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with 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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2005 and of its loss for the period then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Nottingham

12th May 2006

PROFIT AND LOSS ACCOUNT
18 months ended 31 December 2005

	Note	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
TURNOVER	2	-	360
Administrative expenses		(3,284)	(1,966)
OPERATING LOSS		(3,284)	(1,606)
Net profit on disposal of subsidiary undertakings and similar charges	3	2,585	-
Net interest payable and similar charges and income	4	(4,254)	(3,351)
Dividend income	5	-	4,300
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(4,953)	(657)
Tax credit on loss on ordinary activities	8	1,545	702
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED (LOSS) / PROFIT FOR THE PERIOD TRANSFERRED (FROM) / TO RESERVES	16	(3,408)	45

The company's activities are continuing.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

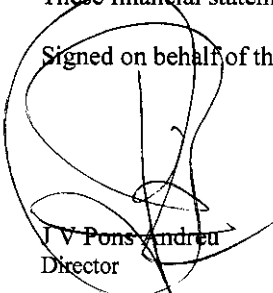
There are no recognised gains and losses for the current financial period and preceding financial year other than as stated in the profit and loss account above, accordingly no statement of total recognised gains and losses has been presented.

BALANCE SHEET
31 December 2005

	Note	31 December 2005 £'000	30 June 2004 £'000
FIXED ASSETS			
Investment in subsidiary undertakings	9	2,888	32,694
Tangible assets	10	-	1
		<u>2,888</u>	<u>32,695</u>
CURRENT ASSETS			
Debtors	11	11,747	1,854
Cash at bank		22	50
		<u>11,769</u>	<u>1,904</u>
CREDITORS: amounts falling due within one year	12	(33,441)	(11,612)
NET CURRENT LIABILITIES		<u>(21,672)</u>	<u>(9,708)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(18,784)	22,987
CREDITORS: amounts falling due after more than one year	13	-	(38,363)
NET LIABILITIES		<u>(18,784)</u>	<u>(15,376)</u>
CAPITAL AND RESERVES			
Called up share capital	15	927	927
Profit and loss account	16	(19,711)	(16,303)
TOTAL EQUITY SHAREHOLDERS' DEFICIT	17	<u>(18,784)</u>	<u>(15,376)</u>

These financial statements were approved by the Board of Directors on 26 April 2006

Signed on behalf of the Board of Directors


J V Pons Andreu
Director

The financial statements are prepared on a going concern basis under the historical cost convention, the accounting policies set out below and in accordance with applicable United Kingdom accounting standards.

Cash flow statement

The company is a wholly owned subsidiary of Natraceutical S.A., a company incorporated in Spain. Accordingly, the company has taken advantage of the exemption under the terms of Financial Reporting Standard No. 1 (revised) not to publish a cash flow statement.

Monetary assets and liabilities denominated in foreign currencies are converted to sterling at the rate ruling at the period end. Gains and losses on exchange are dealt with through the profit and loss account.

Under the provisions of Financial Reporting Standard No.4 (Capital Instruments), the company has capitalised the costs of arranging its external borrowings and is amortising them over the life of the facilities.

The company contributes a fixed percentage of 8% of employees' basic salaries to the Braes Group Personal Pension Plan. The pension cost relates to a defined contribution scheme and is the amount payable in the respective financial period.

Fixed asset investments are shown at cost less provision for impairment. Income is included in the accounts in the year in which it is receivable.

Tangible fixed assets are shown at cost. Depreciation of fixed assets is on a straight line basis calculated at annual rates estimated to write off each asset over the term of its useful life to its net recoverable amount.

Fixtures and fittings	3 to 10 years
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Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its accounting profits arising from gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable profits from which future reversal of the timing differences can be deducted. The deferred tax assets and liabilities are not discounted.

Turnover comprises management fees earned during the period.

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

3. NET PROFIT ON DISPOSAL OF SUBSIDIARY UNDERTAKINGS AND SIMILAR CHARGES

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Gross proceeds on sale	32,000	-
Expenses of sale	(181)	-
Net proceeds	31,819	-
Book value of investment disposed of	(29,806)	-
Other income	669	-
Other costs	(97)	-
Net profit on disposal	2,585	-

On 3 August 2005 Braes Holdings Limited, the then parent company, and its subsidiaries (the "Braes Group") were acquired by Natraceutical S.A.. As part of the acquisition the company's subsidiaries Overseal Natural Ingredients Limited ("Overseal") and The Talin Company Limited ("Talin") were acquired directly by Natraceutical S.A. from the company for £31.15 million and £0.85 million respectively. The profit on disposal of Overseal was £6,622,000 and the loss on disposal of Talin was £4,428,000 before sale expenses of £181,000. As part of the acquisition by Natraceutical S.A. the vendor waived £669,000 of outstanding external debt as at the date of acquisition of the Braes Group shown in other income above.

The tax effects of the net profit on disposal of subsidiary undertakings and similar charges should be nil due to the anticipated application of the Substantial Shareholding Exemption, which excludes profits and losses on the disposal of qualifying shareholdings from the charge to tax. Other income and costs will be subject to tax at the effective rate where applicable.

On 24 June 2005 Braes Research Limited was disposed of for £1. Included within the value of investments disposed of is the cost of investment of Braes Research Limited of £172,000 and the provision against this balance of £172,000.

On 27 May 2003 the company disposed of Braes UK Limited. Of the gross proceeds £600,000 was placed in an escrow account which was receivable within 18 months of the disposal date subject to warranty claims. In the period to 31 December 2005 warranty claims amounting to £92,000 were settled and are included in other costs above. The remaining £508,000 has now been received by the company (see note 11).

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

4. NET INTEREST PAYABLE AND SIMILAR CHARGES

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Bank loans and overdrafts	590	651
Other loans	2,780	2,420
Finance costs	380	169
Interest payable to group companies	753	143
Interest receivable from group companies	(231)	-
Bank interest receivable	(18)	(32)
	<u>4,254</u>	<u>3,351</u>

Included within financing costs is £356,000 (2004: £169,000) being the write-off of unamortised issue costs on the UK borrowings, referred to in Note 14, due to the repayment of these borrowings as part of the acquisition of the Braes Group by Natraceutical S.A. on 3 August 2005, as explained in Note 3.

5. DIVIDEND INCOME

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Dividend income from subsidiary undertaking	<u>-</u>	<u>4,300</u>

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging / (crediting):

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Depreciation	1	2
Provision against amounts owed by subsidiary undertakings	-	437
Auditors' remuneration – audit services	2	15
- non audit services	36	-
Exchange loss/(gain)	<u>259</u>	<u>(472)</u>

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

7. DIRECTORS AND EMPLOYEES

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Directors' emoluments		
Remuneration for management services	1,455	329
Pension contributions	32	13
Compensation for loss of office	152	113
	<u>1,639</u>	<u>455</u>
Emoluments of the highest paid director were:		
Remuneration for management services	542	219
Pension contributions	13	12
Compensation for loss of office	46	-
	<u>601</u>	<u>231</u>

In addition to the above, fees amounting to £33,000 (2004: £24,000) were due to 3i plc in respect of the services rendered by N J Badman.

The number of directors accruing benefits under a defined contribution pension scheme during the period was 3 (2004: 1).

Employee costs, including directors' emoluments during the period were as follows:

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Salaries and fees	2,268	931
Social security costs	247	121
Pension contributions	44	44
	<u>2,559</u>	<u>1,096</u>

The average number of employees, including directors, during the period was 5 (2004:6).

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

8. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
United Kingdom corporation tax at 30%		
Current Tax:		
Group tax relief receivable - current period	(1,254)	(640)
Group tax relief receivable - prior year	(86)	(62)
	<u>(1,340)</u>	<u>(702)</u>
Deferred Tax:		
Origination and reversal of timing differences in UK	(205)	-
Total deferred tax	<u>(205)</u>	<u>-</u>
	<u>(1,545)</u>	<u>(702)</u>

The tax credit for the period is different from that resulting from applying the standard rate of corporation tax in the UK. The differences are explained below:

	18 months ended 31 December 2005 £'000	Year ended 30 June 2004 £'000
Loss on ordinary activities before tax	<u>(4,953)</u>	<u>(657)</u>
UK corporation tax at 30%	(1,486)	(197)
Effects of :		
Non taxable disposal of subsidiary undertakings	(658)	-
Permanent disallowables	83	123
Non taxable dividend income	-	(1,290)
Recognition of deferred tax asset	205	-
Movement in deferred tax asset not recognised	602	724
Prior year adjustments	(86)	(62)
Current tax credit for the period	<u>(1,340)</u>	<u>(702)</u>

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

9. FIXED ASSET INVESTMENTS

	Investments in Subsidiary undertakings £'000
Cost	
At 1 July 2004	32,866
Disposals	(29,978)
At 31 December 2005	<u>2,888</u>
Provisions	
At 1 July 2004	(172)
Released in the period	172
At 31 December 2005	<u>-</u>
Net Book Value	
At 31 December 2005 (note 23)	<u>2,888</u>
At 30 June 2004	<u>32,694</u>

On 24 June 2005 the company sold Braes Research Limited which had a carrying value of £172,000 offset by a provision of £172,000. On 3 August 2005 the company sold its interest in Overseal Natural Ingredients Limited and The Talin Company Limited which had a combined carrying value of £29,806,000. A review of the carrying value of investments at the period end has resulted in £nil (2004: £nil) being provided.

10. TANGIBLE FIXED ASSETS

	Fixtures and fittings £'000
Cost	
At 1 July 2004	7
Disposals	(7)
At 31 December 2005	<u>-</u>
Accumulated depreciation	
At 1 July 2004	6
Charge for the period	1
Disposals	(7)
At 31 December 2005	<u>-</u>
Net book value	
At 31 December 2005	<u>-</u>
At 30 June 2004	<u>1</u>

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

11. DEBTORS

	31 December 2005 £'000	30 June 2004 £'000
Amounts due more than one year:		
Deferred tax (see Note 18)	205	-
Amounts due in less than one year:		
Amounts owed by group undertakings	11,539	1,228
Other debtors	3	606
Prepayments and accrued income	-	20
	<hr/>	<hr/>
	11,747	1,854

Other debtors in 2004 included £600,000 relating to the escrow receivable on the disposal of Braes UK Limited.

12. CREDITORS: amounts falling due within one year

	31 December 2005 £'000	30 June 2004 £'000
Bank loans (note 14)	-	1,200
Bank overdraft	-	1,529
Trade creditors	19	21
Amounts owed to group undertakings	33,403	6,861
Other creditors	-	368
Other taxation and social security	-	46
Accruals and deferred income	19	1,587
	<hr/>	<hr/>
	33,441	11,612

Amounts owed to group undertakings are repayable on demand and unsecured and bear interest at varying rates of interest.

13. CREDITORS: amounts falling due after more than one year

	31 December 2005 £'000	30 June 2004 £'000
Bank loans (note 14)	-	6,663
Other loans (note 14)	-	32,056
	<hr/>	<hr/>
	-	38,719
Issue costs	-	(356)
	<hr/>	<hr/>
	-	38,363

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

14. BANK AND OTHER LOANS

The maturity profile of financial liabilities is as follows:

	31 December 2005 £'000	30 June 2004 £'000
Within one year	-	2,729
Between one and two years	-	1,435
Between two and five years	-	18,091
After five years	-	19,193
	<hr/>	<hr/>
	-	41,448
Issue costs	-	(356)
	<hr/>	<hr/>
	-	41,092
	<hr/>	<hr/>

Borrowing facilities

The company has undrawn committed borrowing facilities as follows:

	31 December 2005 £'000	30 June 2004 £'000
Expiring in more than two years	-	1,998
	<hr/>	<hr/>

On 3 August 2005, the company was acquired by Natraceutical S.A. as part of the acquisition of Braes Holdings Limited and its subsidiaries (the "Braes Group"). The outstanding financial liabilities due to banks and other lenders were settled as part of the acquisition. The company has intragroup loans which are unsecured and bear interest at varying rates of interest.

15. CALLED UP SHARE CAPITAL

	31 December 2005 £'000	30 June 2004 £'000
Authorised		
1,050,000 Ordinary shares of £1 each	1,050	1,050
	<hr/>	<hr/>
Called up, allotted and fully paid		
927,500 Ordinary shares of £1 each	927	927
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
18 months ended 31 December 2005

16. PROFIT AND LOSS ACCOUNT

	31 December 2005 £'000	30 June 2004 £'000
At the beginning of the period	(16,303)	(16,348)
(Loss) / profit for the period	(3,408)	45
At the end of the period	<u>(19,711)</u>	<u>(16,303)</u>

17. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' DEFICIT

	31 December 2005 £'000	30 June 2004 £'000
Retained (loss) / profit for the period	(3,408)	45
Opening shareholders' deficit	(15,376)	(15,421)
Closing shareholders' deficit	<u>(18,784)</u>	<u>(15,376)</u>

18. DEFERRED TAXATION

	31 December 2005		30 June 2004	
	Recognised £'000	Unrecognised £'000	Recognised £'000	Unrecognised £'000
Deferred tax asset	<u>205</u>	<u>3,592</u>	<u>-</u>	<u>3,219</u>
Recognised deferred tax asset (see note 11)				£'000
At 1 July 2004				-
Recognised during the period				205
At 31 December 2005				<u>205</u>

The total deferred tax asset at 31 December 2005 is £3,797,000 comprising tax losses of £3,434,000 (2004: £2,987,000), short-term timing differences of £359,000 (2004: £228,000) and accelerated capital allowances of £4,000 (2004: £4,000). Tax losses of £205,000 have been recognised based on an assessment of future taxable profits expected to be made by the company against which these losses can be offset.

NOTES TO THE ACCOUNTS

18 months ended 31 December 2005

19. ULTIMATE PARENT COMPANY

At the beginning of the period the company's immediate and ultimate parent company was Braes Holdings Limited, a company incorporated in Great Britain and registered in England and Wales. During the period Braes Holdings Limited was sold to Natraceutical S.A. The company's ultimate parent company and controlling party is now Natra S.A., a company incorporated in Spain.

The smallest group of which Braes Group Limited is a member and for which group accounts are prepared is that headed by Natraceutical S.A. The largest group of which Braes Group Limited is a member and for which group accounts are prepared is that headed by Natra S.A..

The consolidated accounts for Natraceutical S.A. and Natra S.A. are available to the public and may be obtained from Natraceutical S.A., Plaza America, 2 Planta 10, 46004 Valencia, Spain and Natra S.A., Autovia A-3, Salida 343, s/n 46930 Quart de Poblet, Valencia, Spain.

20. PENSION SCHEME

The company contributed to the Braes Group Personal Pension Plan for UK employees. This plan comprised policies in individual employees' names to which the UK group companies contributed 8% of eligible employees' basic earnings. Subsequent to the acquisition of the company by Natraceutical S.A. on 3 August 2005, the company had no eligible employees and no further contributions were made.

The total pension cost charge for the period to 3 August 2005 was £44,000 (2004: £44,000).

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption granted by paragraph 3(c) of Financial Reporting Standard No. 8 not to disclose related party transactions with group companies.

22. CAPITAL COMMITMENTS

At 31 December 2005 there were no capital commitments which had been contracted for but not provided for (30 June 2004: Nil).

23. SUBSIDIARY UNDERTAKINGS

	Country of incorporation	Principal activity	Class of Share held	Proportion held
Braes Group BV	Netherlands	Holding company	issued shares	100%
Obipektin AG	Switzerland	Functional food ingredients	registered shares	100%

Obipektin AG is indirectly owned by Braes Group Limited through Braes Group BV.