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In good health



NeutraHealth plc Annual Report

Year ended 31 December 2009

NeutraHealth plc is a leading company within the £400 million UK vitamins and supplements market, operating two business divisions.

Brunel Healthcare manufactures and supplies multiple retailers with private label products and contract manufactures for brand owners.

BioCare supplies high quality products to practitioners, knowledgeable consumers and independent retailers.

Each division is a market leader in their channel. In 2009 NeutraHealth has delivered growth in revenue, EBITDA and earnings per share. Future growth will come from expansion in current and new markets, and through input price reductions.

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Board of Directors

The Directors of NeutraHealth



Ray Myers (Chief Executive)
Ray joined NeutraHealth plc in 2008. As Chief Executive he is responsible for the strategic direction and development of the Group. He is also Managing Director of Brunel Healthcare. Ray has almost 30 years experience in the Healthcare sector covering research-based pharmaceuticals, generic prescription products, OTC medicines and related products. He has extensive operational and general management experience. Ray has a Chemistry degree from Imperial College, London and an MBA from the London Business School.



Robin Hilton (Finance Director)
Robin joined NeutraHealth plc in 2005. He is responsible for investor relations, heads the finance function across the Group, and provides strategic and operational support to each business. Robin is a chartered accountant with experience in top tier accounting firms, including Andersen and Ernst & Young, and significant operational and finance experience in senior management positions. Robin has an MBA from Cranfield School of Management.



James McEuen (Managing Director)
James joined NeutraHealth Group in 2005. He is Managing Director of BioCare responsible for the development of this business unit and associated companies. James has extensive experience within healthcare businesses, high technology and fast moving consumer goods environments, with previous senior roles in Johnson & Johnson and Unilever. James has an MBA from Cranfield School of Management.



Anthony Good (Non-Executive Director)
Anthony is the Senior Independent Director on the Board. He founded the Good Relations Group, which was the first public relations company to be quoted on the London Stock Exchange. He has more recently operated as an independent consultant to Marks & Spencer plc and Scottish & Newcastle plc and was previously a director of Gowrings plc. He holds several non-executive directorships, including AIM listed company DQEntertainment plc, and is currently Chairman of Cox & Kings Limited and Cox & Kings (India) Limited.



Sir Gulam Noon, MBE (Non-Executive Director)
Sir Gulam is the founder and Chairman of Noon Products Limited, one of the largest suppliers of Indian food products into Britain's major supermarkets including Sainsburys, Waitrose, Morrisons and Safeway. He currently holds a number of high profile positions in industry and commerce. Sir Gulam is also Chairman and Managing Director of Bombay Halwa Ltd, suppliers of indian sweets and aviation catering. He is a former President of the London Chamber of Commerce and Industry and he was the founder Chairman of the Asian Business Association. Sir Gulam was awarded the 'Best Business Leader' Award at the SAGE Business Awards in 2003.

Jagdish Saxena (Non-Executive Director)
Jagdish has been the Managing Director of Elder Pharmaceuticals Limited since 1988, and is the founder and current Chairman. Elder Pharmaceuticals is a significant shareholder in NeutraHealth. Jagdish has 40 years experience within pharmaceuticals, having had responsibility in his career for all aspects of production, sales, marketing, and new product development.

Directors, Officers and Professional Advisers

Directors

R J Myers
R D Hilton
J S McEuen
Sir G K Noon
A B M Good
J K Saxena

Chief Executive
Finance Director
Managing Director
Non-executive Director
Non-executive Director
Non-executive Director

Company Secretary

R D Hilton FCA

Registered Office

180 Lifford Lane
Kings Norton
Birmingham
B30 3NU

Principal Addresses

180 Lifford Lane
Kings Norton
Birmingham
B30 3NU

William Nadin Way
Swadlincote
Derbyshire
DE11 0BB

Bankers

KBC Bank NV
111 Old Broad Street
London
EC2N 1BR

Barclays Bank plc
161 High Street
Kings Heath
Birmingham B14 7LA

HSBC Bank plc
10 High Street
Barnstaple
Devon EX31 1BQ

Brokers And Nominated Advisers

Centos Securities plc
6 7 8 Tokenhouse Yard
London
EC2R 7AS

Solicitors

Pinsent Masons
CityPoint
1 Ropemaker Street
London EC2Y 9AH

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditors

Baker Tilly UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Directors' Report

The Directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2009.

Principal activities

The Company's principal activity is to act as a holding company. The principal activity of the Group is the sale, manufacture and distribution of nutraceutical products. The Company is listed on the London Stock Exchange's Alternative Investment Market (AIM) and is incorporated and domiciled in England.

Review of the business

A review of the business, future developments and analysis of principal risks and uncertainties is included in the Chief Executive's and Finance Director's Review set out on pages 2 to 7 respectively.

Results

The profit after taxation for the year was £602,000 (2008: £2,111,000).

Dividend

The Directors do not recommend payment of a dividend for the year.

Directors and Directors' interests

The Directors who served throughout the year and their interests (including the interests of connected parties) at the year end in the share capital of the Company were as follows:

	Ordinary shares of 10 pence each 2009 Number	Ordinary shares of 10 pence each 2008 Number
Executive Directors		
R J Myers	–	–
R D Hilton	25,000	25,000
J S McEuen	102,500	102,500
M H Toxvaerd : resigned 14 January 2009	100,001	100,001
R J Stagg : resigned 6 March 2009	1,000,000	1,000,000
Non-executive Directors		
A B M Good	3,952,380	3,952,380
Sir G K Noon	4,112,134	4,112,134
J K Saxena	–	–
Z Hydari : resigned 6 March 2009	–	–

The shareholdings are all beneficial and have not changed between 31 December 2009 and 16 March 2010.

Mr J Saxena is Chairman of Elder Pharmaceuticals Limited, which at 31 December 2009 owned 37,101,786 shares in the Company.

Directors' interests in options to purchase shares in the Company are disclosed in the Report on Directors' Remuneration on pages 13 and 14.

None of the Directors had an interest in a contract of significance to which the Company was a party during the year. None of the Directors have any disclosable interests in any other Group company.

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its Directors.

Directors' Report - continued

Company policy on the payment of creditors

The Company acts as a holding company. As a non-trading company, it has no defined payment policy. The policy for Group trading companies is that payments are made within the terms established with suppliers, provided that the supplier is also complying with all relevant terms and conditions. The number of days' purchases outstanding at 31 December 2009 was 68 (2008: 86).

Political and charitable donations

Charitable donations during the year were £1,000 (2008:£3,000). There were no political donations.

Substantial shareholdings

At the close of business on 8 March 2010 the Directors were aware of the following substantial shareholdings:

	Ordinary shares of 10 pence each Number	Percentage holdings %
Elder Pharmaceuticals Limited	37,101,786	21.1
Rathbone Investment Management	11,882,116	6.8
Artemis Investment Management	11,211,905	6.4
Williams de Broe	8,061,480	4.6
Ipm Trustees Limited	7,300,000	4.1
Stirling J K Esq	7,230,002	4.1
AXA Framlington Investment Management	5,428,726	3.1

Post balance sheet events

On 18 January 2010, Nutrigold Limited disposed of its trade and assets to Nutrigold SW Limited, a company owned by Andrew Wren, Nutrigold's previous shareholder and managing director. The sale followed the end of the earn out period on 31 December 2009 that was put in place in February 2006 when Nutrigold was acquired.

Cash received by Nutrigold was £315,000 made up of consideration of £115,000 and repayment of an outstanding loan to BioCare of £200,000.

Financial instruments

Information on the Group's financial instruments is disclosed in note 18 to the consolidated financial statements on pages 43 to 45.

Disclosure of information to auditors

The Directors in office on 16 March 2010 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors

The Directors have resolved to reappoint Baker Tilly UK Audit LLP as the Group's auditors. Their appointment will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Robin Hilton FCA

16 March 2010
Company Secretary

Report on Corporate Governance

Policy statement

It is the objective of the Board to attain a high standard of Corporate Governance. As an AIM listed company, full compliance with the Combined Code is not a formal obligation. The Company has, however, sought to adopt the provisions of the code that are appropriate to its size and organisation and establish frameworks for the achievement of this objective. Set out below is a summary of how, at 31 December 2009, the Group was dealing with corporate governance issues.

Board and Committees

The Board

The Board comprises three Executive and three Non-executive Directors. The Non-executive Directors bring relevant experience from different backgrounds. The Board generally meets at least six times per annum to consider the current state of the business and strategic issues. Board papers including detailed management accounts are circulated in advance of meetings. The Board considers strategic matters, investment expenditure, business development policy, expenditure on major capital items, annual operating budgets, management structure and internal control procedures. The Board undertakes an annual review of its effectiveness.

Non-executive Directors have access to all information and, if required, external advice at the expense of the Company.

Remuneration Committee

The Remuneration Committee comprises Anthony Good as chairman and Sir Gulam Noon, and determines the terms and conditions of service of Executive Directors, and the Chairman. The report of the Board on Directors' Remuneration is set out on pages 13 and 14.

Nominations Committee

The Nominations Committee comprises Sir Gulam Noon as chairman and Anthony Good and is responsible for proposing to the Board the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board and senior management positions as and when they arise.

Audit Committee

The Audit Committee comprises Anthony Good as chairman Sir Gulam Noon. The Audit Committee meets at least twice annually and in addition the auditors may request a meeting at any time. The Audit Committee is responsible for reviewing the final accounts prior to submission to the Board. The Committee agrees the scope and approach to the annual audit in advance with the auditors. The Committee keeps under review the appointment and remuneration of the external auditors, their cost effectiveness, their independence and objectivity.

Internal control and risk management

The Board is responsible for maintaining an appropriate system of internal control to provide reasonable (but not absolute) assurance of the quality and reliability of financial information used to direct the business, safeguard assets and recognise liabilities in accordance with company law and generally accepted accounting practices. Authority levels for purchase and capital commitments are defined. The Company has developed detailed budgets and monthly management reporting of actual results against budgets and analyses variances in performance. Regular re-forecasting and projection of results are carried out during the year.

The Board has established a formal process for the assessment of key risks to the business. The risk assessment is updated on an ongoing basis and is reviewed regularly at Board meetings.

Going concern

The Directors have prepared and reviewed financial forecasts and the cash flow requirements to meet the Group and Company's financial objectives. The Directors are satisfied that, taking into account the current cash resources and facilities available to the business and its future cash requirements, it is appropriate to prepare accounts on a going concern basis.

Investor relations

Management endeavours to maintain a regular dialogue with institutions and analysts particularly in relation to interim and full year results. All shareholders will receive a printed copy of the Report and Accounts. The website (www.neutrahealthplc.com) contains investor information including regulatory announcements, financial statements and share price data.

The Board welcomes as many investors as possible to the Annual General Meeting and invites discussion on issues facing the Company. At least 21 days notice is given for the AGM.

Report on Directors' Remuneration

Introduction

As an AIM listed company, the preparation of a Report on Directors' Remuneration is not an obligation. The Company has, however, sought to provide information which is appropriate to its size and organisation.

Remuneration policy

The Remuneration Committee determines the policy on Executive Directors' remuneration. The objectives of the policy are to ensure that:

- Senior executive rewards and incentives are aligned with the performance of the Group and the interests of shareholders.
- The level of remuneration provided is sufficient to attract and retain executives of an appropriate calibre.

Salary and benefits of Directors are reviewed annually, taking into account Group and individual performance with reference to institutional guidelines and current market practices.

Executive Directors' remuneration comprises four elements:

- Annual salary
- Annual bonus: an annual bonus is payable to the Executive Directors on the achievement of Group objectives, defined at the outset of each year.
- Share-based incentives: share-based incentives are awarded to Executive Directors and key members of the management team, allowing participation in share price growth for the purpose of aligning the interests of management with those of shareholders. The Remuneration Committee oversees the award of share options and the management of option schemes.
- Benefits in kind: Executive Directors are provided with private medical cover. Lump sums, via death in service insurance policies, to a maximum of 4 times basic salary are provided.

Non-executive Directors' remuneration is determined by the Board and set at a level that is sufficient to attract and retain non-executives of an appropriate calibre.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2009 £'000	2008 £'000
Emoluments	460	851

Details of Directors' remuneration for the year ended 31 December 2009 are as follows:

	Basic salary		Compensation for loss of office		Performance related bonus		Benefits in kind		Total 2009 £'000	Total 2008 £'000
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000		
Executive Directors										
R J Myers	165	89	-	-	-	-	1	-	166	89
R D Hilton	135	107	-	-	-	25	1	1	136	133
J S McEuen	125	125	-	-	-	-	1	1	126	126
M H Toxvaerd	-	120	-	125	-	25	-	1	-	271
R J Stagg	-	102	-	53	-	-	-	3	-	158
Sub total	425	543	-	178	-	50	3	6	428	777
Non-executive Directors										
A B M Good	10	10	-	-	-	-	-	-	10	10
Sir G K Noon	10	10	-	-	-	-	-	-	10	10
J K Saxena	10	13	-	-	-	-	-	-	10	13
Z Hydari	2	13	-	-	-	-	-	-	2	13
S M Gatto	-	28	-	-	-	-	-	-	-	28
Total	457	617	-	178	-	50	3	6	460	851

Report on Directors' Remuneration - continued

The compensation for loss of office for M H Toxvaerd was agreed before his resignation on 14 January 2009.

The compensation for loss of office for R J Stagg relates to his cessation of employment with a subsidiary in December 2008. He received no compensation for loss of office on his resignation from NeutraHealth plc on 6 March 2009.

No Directors have any pension plans.

Directors' share options

Details of Directors' share options at 31 December 2009 are as follows:

Executive Directors	At 31 December 2008	Granted/ (Lapsed)	At 31 December 2009	Exercise price (p)	Earliest exercise date	Date of expiry
R J Myers	3,200,000	2,000,000	5,200,000	4.25	25/9/2011	25/9/2019
R D Hilton	1,666,666	–	1,666,666	4.25	25/9/2011	25/9/2019
R D Hilton	2,000,000	–	2,000,000	4.25	25/9/2011	25/9/2019
J S McEuen	703,703	–	703,703	4.25	25/9/2011	25/9/2019
J S McEuen	2,000,000	–	2,000,000	4.25	25/9/2011	25/9/2019
R J Stagg	2,500,000	(2,500,000)	–	12.5		
Total	12,070,369	(500,000)	11,570,369			

Directors not listed above had no share options at the beginning or end of the period. All share options were granted at market price at the date of grant.

On 25 September 2009, the options held by R J Myers, R D Hilton and J S McEuen were cancelled and an equal number of options immediately reissued on revised terms. R J Myers was awarded a further 2,000,000 options.

The Remuneration Committee considered the options in issue at 31 December 2008 no longer provided an incentive to the Executive Directors due to the terms of those options. The Remuneration Committee believed that re-issuing options on revised terms, incorporating suggestions from shareholders, represented a cost effective way of incentivising the Executive Directors to generate shareholder returns and a higher share price in line with the interests of all shareholders.

The share options issued to R J Myers, R D Hilton and J S McEuen may only be exercised if the price of the Company's shares is at least 6 pence per share, and adjusted earnings exceed 1.0 pence per share. Adjusted earnings excludes the effect of any significant one off items, share options charges, and amortisation of intangible assets arising on acquisition. These adjustments are detailed in the Annual Report each year. The adjusted earnings performance condition does not apply on change of control of the business.

R J Stagg resigned as a director on 6 March 2009, and his options lapsed on that date.

No share options relating to the Directors were exercised in the year.

The market price of the Company's ordinary shares at 31 December 2009 was 4.8p. The range during the year was 2.5p to 6.9p.

This report was approved on behalf of the Board of Directors on 16 March 2010 and signed on its behalf by:

Anthony Good
Remuneration Committee Chairman
16 March 2010

Statement of Directors' Responsibilities

Statement of Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group and Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and to prepare the Company financial statements in accordance with these as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company 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 they have been prepared in accordance with IFRS adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the NeutraHealth plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the members of NeutraHealth plc

We have audited the Group and Parent Company financial statements ("the financial statements") on pages 17 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As more fully explained in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the Parent's affairs as at 31 December 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Charles Fray, Senior Statutory Auditor

For and on behalf of
Baker Tilly UK Audit LLP, Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

16 March 2010

Consolidated Statement of Comprehensive Income

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Revenue	4	34,602	28,864
Cost of sales		(22,100)	(18,047)
Gross profit		12,502	10,817
Other operating income		1,168	641
Administrative expenses		(12,225)	(10,251)
Profit from operations before one off items		1,445	1,207
Other expenses:			
Impairment of goodwill	11	(405)	–
Employee termination and reorganisation costs	8	–	(825)
Impairment of property, plant and equipment	8	–	(675)
Profit on disposal of / (Impairment) of available-for-sale investments	15	103	(262)
Recognition of onerous lease	8	–	(615)
Profit on disposal of subsidiary		–	3,380
Profit from operations		1,143	2,210
Investment income	5	5	72
Finance costs	6	(240)	(489)
Profit before tax		908	1,793
Income tax (expense) / credit	7	(306)	318
Profit for the year	21	602	2,111
Other comprehensive income:			
Decrease in value of available-for-sale investments		–	(63)
Other comprehensive income for the year, net of tax		–	(63)
Total comprehensive income for the year		602	2,048
Profit attributable to:			
Equity holders of parent		602	2,111
Total comprehensive income attributable to:			
Equity holders of parent		602	2,048
Earnings per share			
Basic	10	0.3p	1.2p
Diluted	10	0.3p	1.2p

All amounts relate to continuing operations.

As permitted by section 408 of the Companies Act 2006, no separate Statement of Comprehensive Income is presented in respect of the Parent Company. The Parent Company profit for the year was £943,000 (2008: £2,186,000).

Consolidated Balance Sheet

As at 31 December 2009

Company Registration Number:
5290247

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Goodwill	11	18,009	18,414
Other intangible assets	12	2,211	1,935
Property, plant & equipment	13	3,526	4,245
Available-for-sale investments	15	–	–
Deferred tax assets	23	3	129
		23,749	24,723
Current assets			
Inventories	16	8,238	5,691
Trade and other receivables	17	5,708	6,929
Current tax assets		–	39
Cash and cash equivalents	17	961	1,283
		14,907	13,942
Total assets		38,656	38,665
Equity and liabilities			
Capital and reserves			
Share capital	19	17,599	17,599
Other reserves	20	2,042	2,161
Retained earnings	21	4,764	4,015
Total equity attributable to equity holders of the parent		24,405	23,775
Non-current liabilities			
Deferred tax liabilities	23	819	899
Provisions	24	270	640
Bank loan	25	4,967	4,544
Obligations under finance leases	26	–	57
		6,056	6,140
Current liabilities			
Trade and other payables	22	6,527	7,292
Current tax liabilities		279	–
Provisions	24	365	425
Bank loan	25	967	972
Obligations under finance leases	26	57	61
		8,195	8,750
Total liabilities		14,251	14,890
Total equity and liabilities		38,656	38,665

The financial statements on pages 17 to 53 were approved by the Board of Directors, authorised for issue on 16 March 2010 and are signed on its behalf by:



Robin Hilton FCA
Director

Company Balance Sheet

As at 31 December 2009

Company Registration Number:
5290247

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant & equipment	13	6	8
Investment in subsidiaries	14	28,074	28,622
		28,080	28,630
Current assets			
Trade and other receivables	17	1,493	2,159
Cash and cash equivalents		30	82
		1,523	2,241
Total assets		29,603	30,871
Equity and liabilities			
Capital and reserves			
Share capital	19	17,599	17,599
Other reserves	20	2,042	2,161
Retained earnings	21	3,958	2,868
Total equity		23,599	22,628
Non-current liabilities			
Bank loan	25	4,967	4,544
		4,967	4,544
Current liabilities			
Trade and other payables	22	70	2,727
Bank loan	25	967	972
		1,037	3,699
Total liabilities		6,004	8,243
Total equity and liabilities		29,603	30,871

The financial statements on pages 17 to 53 were approved by the Board of Directors, authorised for issue on 16 March 2010 and are signed on its behalf by:



Robin Hilton FCA
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2009

	Share capital £'000	Share premium £'000	Investment revaluation reserve £'000	Share- based payments £'000	Retained earnings £'000
At 1 January 2008	17,599	1,967	63	272	1,770
Total comprehensive income for the year	-	-	(63)	-	2,111
Recognition of share-based payments	-	-	-	56	-
Lapse of share options	-	-	-	(134)	134
Transactions with owners	-	-	-	(78)	134
At 31 December 2008	17,599	1,967	-	194	4,015
Total comprehensive income for the year	-	-	-	-	602
Recognition of share-based payments	-	-	-	28	-
Lapse of share options	-	-	-	(147)	147
Transactions with owners	-	-	-	(119)	147
At 31 December 2009	17,599	1,967	-	75	4,764

Company Statement of Changes in Equity

Year ended 31 December 2009

	Share capital £'000	Share premium £'000	Investment revaluation reserve £'000	Share- based payments £'000	Retained earnings £'000
At 1 January 2008	17,599	1,967	63	272	548
Total comprehensive income for the year	–	–	(63)	–	2,186
Recognition of share-based payments	–	–	–	56	–
Lapse of share options	–	–	–	(134)	134
Transactions with owners	–	–	–	(78)	134
At 31 December 2008	17,599	1,967	–	194	2,868
Total comprehensive income for the year	–	–	–	–	1,491
Recognition of share-based payments	–	–	–	28	–
Lapse of share options	–	–	–	(147)	147
Transactions with owners	–	–	–	(119)	147
At 31 December 2009	17,599	1,967	–	75	4,506

Consolidated Cash Flow Statement

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Profit from operations for the year		1,143	2,210
Adjustments for:			
Depreciation and amortisation		789	1,353
Share-based expense payments		28	56
Profit on disposal of subsidiary		–	(3,380)
Profit on disposal of property, plant & equipment		(81)	–
(Profit on disposal) / Impairment of available-for-sale investments		(103)	262
Impairment of goodwill		405	–
Recognition of onerous leases		–	615
Release of provisions		(430)	–
Cash generated by operations before changes in working capital		1,751	1,116
(Increase) / Decrease in inventories		(2,547)	719
Decrease / (Increase) in receivables		1,221	(874)
Decrease in payables		(51)	(130)
Cash generated from operations		374	831
Income taxes received / (paid)		58	(190)
Interest paid		(201)	(437)
Net cash generated by operating activities		231	204
Investing activities			
Interest received		5	72
Purchase of property, plant & equipment		(183)	(656)
Purchase of intangible assets		(167)	(468)
Proceeds from sale of property, plant & equipment		84	–
Acquisition of subsidiaries net of cash acquired	28	(720)	(7,860)
Disposal of subsidiary net of cash disposed		–	5,661
Proceeds from sale of available-for-sale investments		103	–
Net cash used in investing activities		(878)	(3,251)
Financing activities			
Repayment of borrowings		(1,000)	(1,000)
Repayment of obligations under finance leases		(61)	(159)
New bank loans raised		1,400	2,100
Cost of raising bank loans		(14)	–
Net cash from financing activities		325	941
Net decrease in cash and cash equivalents	27	(322)	(2,106)
Cash and cash equivalents at the beginning of the year		1,283	3,389
Cash and cash equivalents at the end of the year		961	1,283

Company Cash Flow Statement

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Operating activities			
Cash paid to suppliers and employees		(817)	(373)
Cash used in operations		(817)	(373)
Interest paid		(225)	(410)
Net cash used in operating activities		(1,042)	(783)
Investing activities			
Dividends received		2,308	234
Interest received		3	20
Purchase of property, plant & equipment		-	(9)
Acquisition of subsidiaries	28	(720)	(8,237)
Disposal of subsidiary		-	6,200
Cash (loaned to) / received from subsidiaries		(987)	264
Net cash from / (used in) investing activities		604	(1,528)
Financing activities			
Repayment of borrowings		(1,000)	(1,000)
New bank loans raised		1,400	2,100
Cost of raising new bank loans		(14)	-
Net cash from financing activities		386	1,100
Net decrease increase in cash and cash equivalents		(52)	(1,211)
Cash and cash equivalents at the beginning of the year		82	1,293
Cash and cash equivalents at the end of the year		30	82

Notes to the Consolidated Financial Statements

Year ended 31 December 2009

1. General information

NeutraHealth plc (the Company) is a public limited company incorporated and domiciled in England. The addresses of its registered office and principal place of business are disclosed on page 9. The principal activities of the Company and its subsidiaries (the Group) are described in note 4.

2. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Standards issued by not yet effective

At the date of authorisation of these financial statements the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 2 (Amendment)	Group cash-settled share-based payment transactions
IFRS 3 (Revised)	Business Combinations
IFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
IAS 27 (Amendment)	Consolidated and Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates
IAS 31 (Amendment)	Investments in Joint Ventures
IAS 32 (Amendment)	Financial Instruments: Presentation
IAS 38 (Amendment)	Intangible assets
IAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant standards and interpretations come into effect.

The financial statements have been prepared on the historical cost basis as modified by the revaluation of available for sale investments. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2. Significant accounting policies (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible fixed assets include product licences, trademarks, website and software costs, customer relationships and customer databases.

Product licences (required for medicines and herbal products) are stated at fair value less any impairment if acquired in a business combination or at cost if purchased. The product licences are deemed to have an indefinite life, as they are valid for as long as products are manufactured and supplied under that licence. The use of each licence is subject to annual impairment review.

Trademarks are stated at fair value less accumulated amortisation if acquired in a business combination or at purchase cost for subsequent additions. Trademarks are valued on an individual basis and amortised over their estimated useful lives of between 5 and 20 years.

Website costs are stated at cost less accumulated amortisation. Amortisation is charged over the estimated useful life of 5 years and is included within administrative expenses.

Software costs are stated at cost, including cost of user licenses and consultancy required to implement the software, less accumulated amortisation. Amortisation is charged over the estimated useful life of 10 years and is included within administrative expenses.

Customer relationships are only recognised if acquired in a business combination. They are stated at the expected net present value of the future cashflows arising from the relationships and have an estimated useful economic life of 12 years.

Customer databases are only recognised if acquired in a business combination. They are stated at the expected net present value of the future cashflows from those customers and have an estimated useful economic life of 3 years.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Segment

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Pension costs

For certain employees, the Group contributes to their personal or stakeholder pension plans. The costs of these contributions are charged to the income statement in the year in which they become payable.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development expenditure is recognised only if all of the following conditions are met:

- an asset is created that can be identified;

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

2. Significant accounting policies (continued)

- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives. At 31 December 2009 there were no capitalised development costs and therefore no estimated useful life is stated.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to the income statement in the period in which it is incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Significant accounting policies (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, which have been enacted or substantially enacted at the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Leasehold improvements and plant, machinery and office equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using either the straight-line or the reducing-balance methods. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following rates are used for depreciation of leasehold improvements, plant, machinery & office equipment:

Leasehold improvements	Over the remaining life of the lease
Plant, machinery and office equipment	Between 10% and 33% reducing balance and straight line

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment in subsidiaries

Investment in subsidiaries is stated at cost less any provision for impairment.

Available-for-sale investments

Available-for-sale investments are initially recognised at fair value plus transaction costs. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale investments are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from available-for-sale investments.

Impairment of tangible and intangible assets (excluding goodwill and product licenses)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

2. Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first in first out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Financial instruments

The following policies are operated:

- Contracts are negotiated with key suppliers that limit price rises to the growth in the retail price index and for variations in raw material prices.
- The Group is committed to hedging the interest rate payable on the bank borrowing if interest rates increase twice in any year.
- The Group maintains positive cash reserves.

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the fair value on initial recognition (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

2. Significant accounting policies (continued)

Share capital

Ordinary shares issued by the Company are classified as equity and recorded at fair value on initial recognition received net of direct issue costs.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions, with a corresponding adjustment to the equity-settled share options reserve.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if those assets are separable and their fair value can be measured reliably. In making its judgements, management have considered the recognition criteria for intangible assets set out in IFRS 3 and IAS 38.
- On acquiring Brunel Healthcare Manufacturing Limited in June 2008 management have judged that there were no separable identifiable intangible assets acquired.
- On acquiring Brunel Healthcare Manufacturing Limited in June 2008, contracts that were already in place were projected to be loss making over their duration, based on known revenue and expected costs of materials and manufacture. The carrying value of the expected loss from these contracts at 31 December 2009 is £222,000 (2008: £450,000).
- On acquiring Brunel Healthcare Manufacturing Limited in June 2008, a number of items of property, plant and equipment that had been fully depreciated were identified as having value in use. The carrying value of these assets is £1,075,000 (2008: £1,125,000), with an estimated average useful life of 7 years.
- On closure of the Brunel Healthcare Limited facilities in Bristol in December 2008, the Group retained a lease for premises that are no longer used for income generation. The lease expires in 2018 with an annual lease premium of £170,000. Management have estimated that it will take between 1 and 2 years to find a tenant for the property, and that some financial incentive will need to be offered to take on the lease. The carrying value of the onerous lease discounted to present value is £413,000 (2008: £615,000).
- On disposal of Brunel Pharma Limited in June 2008, an element of goodwill continued to be recognised for the vitamin and supplements business that was hived across into Brunel Healthcare Limited, a previously dormant company wholly owned by NeutraHealth Group. The carrying value of this goodwill, now attributed to Brunel Healthcare Manufacturing Limited is £1,953,000 (2008: £1,953,000).

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

3. Critical accounting judgements and key sources of estimation (continued)

- On acquiring Brunel Healthcare Limited (since renamed Brunel Pharma Limited) in January 2007 management have judged that a key customer contract was a separable identifiable intangible asset, and that other customer relationships were insufficiently separable to be recognised. The life of the contract was estimated as 12 years on the basis of prior experience and duration of business relationships of a similar nature. The carrying value of the customer contract, now included in Brunel Healthcare Manufacturing Limited, is £1,100,000 (2008 : £1,225,000).

Key sources of estimation uncertainty

Preparation of the consolidated financial statements in accordance with IFRSs requires management to make estimates and assumptions affecting recognition and measurement in the consolidated Balance Sheet and Statement of Comprehensive Income, as well as the disclosure of contingent assets and liabilities. Actual results could differ from these estimates. In particular, estimates are required when:

- Assessing the need for and measurement of impairment of goodwill
- Determining the fair value of share-based payments

Assessing whether goodwill is impaired requires an estimation of the value in use of the cash-generating units in which goodwill has arisen on acquisition. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying value of the goodwill at the balance sheet date was £18,009,000 (2008 : £18,414,000).

The trade and assets of Nutrigold Limited were disposed by the Group on 18 January 2010. As a result of this disposal, the goodwill is value at fair value less the costs to sell. This resulted in an impairment in goodwill in relation to Nutrigold Limited of £405,000 at the year end.

Determining the fair value of share-based payments requires adjustments to reflect non-transferability, vesting conditions, and behavioural considerations. The date and number of options exercised may differ from the amounts used in arriving at the fair value. During the year a charge of £28,000 (2008: £56,000) for share-based payments was recognised, on the basis of changes to the terms and conditions of options. Details of the basis for the calculations of this amount are set out in note 32.

4. Segment information

For management purposes the Group is currently organised into two operating divisions representing the operations at each UK site. These divisions are:

Name	Location	Nature of Business
Brunel	Swadlincote, Derbyshire	Manufacture and supply of healthcare products to large retailers and contract customers.
BioCare	Birmingham	Supply of branded supplements and healthcare products to practitioners and consumers.

The divisions reflect the Group's management and internal reporting structure during the year.

Year ended 31 December 2009	Brunel £'000	BioCare Continuing £'000	BioCare Discontinued £'000	Adjustments £'000	Total £'000
Revenue					
External	26,360	7,615	627	–	34,602
Inter-segment	8	5	–	(13)	–
Segment revenue	26,368	7,620	627	(13)	34,602
Operating results					
EBITDA	1,485	1,571	(130)	–	2,926
Depreciation	(458)	(140)	(5)	–	(603)
Amortisation of intangibles	(174)	(9)	–	–	(183)
Impairment of goodwill	–	–	(405)	–	(405)
Segment operating profit / (loss)	853	1,422	(540)	–	1,735
Unallocated expenses					(592)
Group profit from operations					1,143
Net finance costs					(235)
Profit before taxation					908
Tax charge					(306)
Profit for the Year					602

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

4. Segment information (continued)

Year ended 31 December 2009	Brunel £'000	BioCare Continuing £'000	BioCare Discontinued £'000	Total £'000
Assets and Liabilities				
Segment assets	19,771	18,483	346	38,600
Unallocated assets				56
Total assets				38,656
Segment liabilities	7,125	1,080	56	8,261
Unallocated liabilities				5,991
Total liabilities				14,252
Other segment information				
Capital expenditure				
- Property, plant & equipment	148	35	-	183
- Intangible assets	-	167	-	167

Revenues of 20% and 14% (2008: 24% and 9%) of total revenue are derived from two external customers. These revenues are attributable to Brunel. The concentration of trade receivables across the Group is disclosed in note 17.

Year ended 31 December 2008	Brunel £'000	BioCare Continuing £'000	BioCare Discontinued £'000	Adjustments £'000	Total £'000
Revenue					
External	20,513	7,645	706	-	28,864
Inter-segment	10	192	-	(202)	-
Segment revenue	20,523	7,837	706	(202)	28,864
Operating results					
EBITDA	(288)	1,486	(65)	-	1,133
Depreciation	(1,075)	(102)	(6)	-	(1,183)
Amortisation of intangibles	(124)	(12)	-	-	(136)
Segment operating profit / (loss)	(1,487)	1,372	(71)	-	(186)
Unallocated expenses					(984)
Profit on disposal of subsidiary	3,380				3,380
Group profit from operations					2,210
Net finance costs					(417)
Profit before taxation					1,793
Tax credit					318
Profit for the Year					2,111

In 2008 the disposal of the over-the-counter medicines product range from Brunel Healthcare Limited was not reported as a separate segment, and therefore has not been separated out from the figures above.

4. Segment information (continued)

Year ended 31 December 2008	Brunel £'000	BioCare Continuing £'000	BioCare Discontinued £'000	Total £'000
Assets and Liabilities				
Segment assets	18,958	18,616	958	38,532
Unallocated assets				133
Total assets				38,665
Segment liabilities	7,633	615	54	8,302
Unallocated liabilities				6,589
Total liabilities				14,891
Other segment information				
Capital expenditure				
- Property, plant & equipment	250	106	2	358
- Intangible assets	420	332	14	766

A geographical analysis of revenue by destination is as follows:

	2009 £'000	2008 £'000
United Kingdom	32,171	26,906
Europe (excluding UK)	1,772	1,680
Rest of World	659	278
	34,602	28,864

5. Investment income

	2009 £'000	2008 £'000
Interest on bank deposits	5	72

6. Finance costs

	2009 £'000	2008 £'000
Interest on bank overdrafts and loans	192	400
Interest on deferred consideration	6	50
Interest on obligations under finance leases	9	11
Other finance costs	33	28
Total finance costs	240	489

All finance costs arose from continuing operations.

Interest on deferred consideration arises through recognition of deferred consideration at net present value, and notional interest being applied until the date of payment of the contracted amount of consideration.

7. Taxation

	2009 £'000	2008 £'000
Corporation tax – current year	276	42
Deferred tax (note 23)	46	(352)
	322	(310)
Corporation tax – prior year	(16)	(8)
Income tax expense / (credit) for the year	306	(318)

Income tax is calculated at 28% (2008 : 28.5%) of the estimated assessable profit for the year. On 1 April 2008, the rate of corporation tax applicable to the companies in the Group fell from 30% to 28%.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

7. Taxation (continued)

The total charge for the year can be reconciled to the accounting profit as follows:

	2009 £'000	%	2008 £'000	%
Profit before tax	908		1,793	
Tax at the income tax rate of 28% (2008: 28.5%)	254	28.0	511	28.5
Tax effect of non-deductible impairment of goodwill	113	12.4	–	–
Tax effect of non-taxable profit on disposal of assets	(23)	(2.5)	–	–
Tax effect of non-taxable (profit on disposal) / non-deductible impairment of available-for-sale investments	(29)	(3.2)	75	4.2
Tax effect of non-taxable profit on disposal of subsidiary	–	–	(963)	(53.7)
Tax effect of expenses that are not deductible in determining taxable profit	14	1.5	79	4.4
Tax effect of small company rate in group companies	–	–	(12)	(0.7)
Tax effect of over provision in prior year	(16)	(1.6)	(8)	(0.4)
Other difference	(7)	(0.8)		
Tax expense / (credit) and effective tax rate for the year	306	33.7	(318)	(17.7)

8. Profit for the year

	2009 £'000	2008 £'000
Profit for the year has been arrived at after charging / (crediting):		
Depreciation of property, plant and equipment	600	527
Amortisation of intangible assets	189	151
Cost of inventories recognised as an expense	20,562	15,967
(Profit) / Loss on disposal of non-current assets	(81)	1
Share-based payments (see note 32)	28	56
Payments under operating leases (see note 30)	989	791
Staff costs (see note 9)	7,077	5,186
Fees payable to the Company's auditor for the audit of the annual financial statements	13	15
Fees payable to the Company's auditor for other services:		
Audit of the financial statements of the Company's subsidiaries pursuant to legislation	82	95
Tax compliance and tax advisory fees	20	20

In 2008 the fees payable to the Company's auditors for corporate finance transaction services of £28,000 were capitalised as part of the costs of acquisition.

During the year the Group did not impair any financial assets classified as loans and receivables (2008: nil).

The retained profit of the Parent Company, NeutraHealth plc, for the year ended 31 December 2009 was £943,000 (2008: £2,186,000).

In 2009, there was an impairment charge of £405,000 relating to the goodwill of Nutrigold Limited. This business had performed poorly during the year, and was sold shortly after the year end.

During 2008, there were significant one off charges / (credits) to profit as follows:

- Employee termination and reorganisation costs £825,000: These related to the acquisition and integration of Brunel Healthcare Manufacturing into the NeutraHealth Group and the subsequent closure of Brunel Healthcare in Bristol and relocation to the premises in Swadlincote.
- Fixed asset impairment £675,000: This related to assets owned by Brunel Healthcare, including leasehold improvements and plant and machinery. Following the closure of the Brunel Healthcare site in Bristol, these assets were no longer in use within the business, and were fully depreciated.

8. Profit for the year (continued)

- Recognition of onerous leases £615,000: The lease of the Bristol premises that Brunel Healthcare used for trading has not been terminated or assigned. As such, this lease represented an onerous contract, and the expected costs for the duration of the contract were recognised in full. The lease runs until 2018 with a current rent of £170,000 per annum. However, the Directors believe that an assignee for the lease will be found that reduces the total outstanding liability to the Group.
- Profit on disposal of subsidiary (£3,380,000): This profit arose on the sale of the over-the-counter medicines part of Brunel Healthcare Limited in June 2008.

	2009 £'000	2008 £'000
The following table analyses the nature of expenses:		
Cost of inventories	20,562	15,967
Staff costs	7,105	5,242
Premises costs	2,168	2,099
Marketing costs and sales support	1,288	1,855
Depreciation, amortisation and impairment charges	1,194	1,353
Other expenses	2,413	4,159
Total cost of sales, distribution costs, administrative expenses and other operating expenses	34,730	30,675

9. Staff costs

The average monthly number of employees (including Executive Directors) for the year was:

	2009 Number	2008 Number
Operations	134	89
Sales and Despatch	49	33
Administration	60	59
	243	181
	2009 £'000	2008 £'000
Their aggregate remuneration comprised:		
Wages and salaries	6,416	4,677
Social security costs	585	450
Pension contributions	76	59
Share option charge	28	56
	7,105	5,242

Staff remuneration is charged through administrative expenses in the consolidated statement of comprehensive income. Details of Directors' remuneration can be found in the Report on Directors' Remuneration and in note 33.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

10. Earnings per share

	2009 £'000	2008 £'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to equity holders of the parent)	602	2,111
Add back / (Deduct):		
Impairment of goodwill	405	–
Amortisation of intangible assets recognised on acquisition, net of deferred tax credit	136	136
Charges for share options in issue	28	56
One off items, net of corporation tax impact	(74)	1,974
Profit on disposal of subsidiary	–	(3,380)
Earnings for the purpose of adjusted earnings per share	1,097	897
	2009 Number '000	2008 Number '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	175,985	175,985
Effect of dilutive potential ordinary shares:		
Share options	–	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	175,985	175,985
	2009 p per share	2008 p per share
Earnings per share		
Basic	0.3	1.2
Diluted	0.3	1.2
Adjusted	0.6	0.5

The performance conditions for the share options in issue at this year end and last year end had not been met, and therefore the share options have not been treated as dilutive.

11. Goodwill

Group	2009 £'000	2008 £'000
Cost		
At 1 January	18,414	20,049
Arising on acquisition of subsidiaries	–	315
Disposal of subsidiary	–	(1,950)
At 31 December	18,414	18,414
Impairment		
At 1 January and 31 December	(405)	–
Carrying amount		
At 31 December	18,009	18,414

Goodwill is allocated as follows:

	2009 £'000	2008 £'000
BioCare Limited	15,101	15,101
Nutrigold Limited	143	548
Totally Nourish Limited (formerly Health Products for Life Limited)	497	497
Brunel Healthcare Manufacturing Limited	2,268	2,268
	18,009	18,414

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The goodwill allocated to Brunel Healthcare Manufacturing Limited includes £1,953,000 arising on the transfer of goodwill from Brunel Healthcare Limited on consolidation of both operations into one business unit.

The recoverable amount of the goodwill above, with the exception of Nutrigold Limited, has been determined based on a value in use calculation using approved budgets for the year ending 31 December 2010 and 31 December 2011, and an enterprise value at December 2011 based on future cash flows. The pre-tax discount rate applied to cash flow projections for 2010 and 2011 is 5.9%, being the Group's estimated weighted average cost of capital at the year end, and the enterprise value is estimated using a discount rate of 10%, being an estimated long term weighted average cost of capital.

The recoverable amount of goodwill for Nutrigold Limited has been determined on the basis of fair value less costs to sell.

The key assumptions in the value in use calculation are as follows:

- Budgeted revenue is based on expected levels of activity given performance to date. An increase in revenue is projected for 2010 through past efforts to increase market share, offer innovative products to customers and to win new export business.
- Budgeted gross margin is expected to improve as a result of the ongoing initiatives to reduce input prices following significant increases in 2008 and early 2009.
- Budgeted operating profit is based on management's expectation of revenues, gross margins and changes in operating costs appropriate to changes in the business.

The key sensitivities in the assumptions above for each cash generating unit are as follows:

- BioCare – the recoverable amount of this business exceeds the carrying amount by £1,792,000. The recoverable amount is most sensitive to changes in operating profit levels and changes in the discount rate. A 10% reduction in operating profit through either a 4.8% reduction in turnover, a 2.2% decrease in gross margin or an 8% increase in operating costs would give a value of goodwill equal to the current carrying value.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

11. Goodwill (continued)

- Totally Nourish – the recoverable amount of this business equals the carrying amount. The recoverable amount is most sensitive to changes in operating profit levels and changes in the discount rate the current value of goodwill will be impaired through any reduction in turnover, decrease in gross margin or increase in operating costs compared to projections.
- Brunel Healthcare Manufacturing – the recoverable amount of this business exceeds the carrying amount by £6,872,000. The recoverable amount is most sensitive to changes in operating profit levels and changes in the discount rate a 75% reduction in operating profit through either a 10% reduction in turnover, a 3% decrease in gross margin or an 8% increase in operating costs would give a value of goodwill equal to the current carrying value.

12. Other intangible assets

Group 2009

	Trademarks £'000	Website & Software costs £'000	Customer relationships & database £'000	Product Licences £'000	Total £'000
Cost					
At 1 January	93	102	1,497	540	2,232
Reclassified from property, plant and equipment	–	298	–	–	298
Additions	1	166	–	–	167
At 31 December	94	566	1,497	540	2,697
Accumulated amortisation					
At 1 January	11	34	252	–	297
Amortisation for the year	5	54	130	–	189
At 31 December	16	88	382	–	486
Carrying amount					
At 31 December	78	478	1,115	540	2,211

The amortisation charge for the current and preceding year is included in administrative expenses in the consolidated statement of comprehensive income.

The remaining period over which the customer relationships will be amortised is 9 years.

Group 2008

	Trademarks £'000	Website & Software costs £'000	Customer relationships & database £'000	Product Licences £'000	Total £'000
Cost					
At 1 January	77	70	1,497	–	1,644
Additions	16	32	–	420	468
Acquired on acquisition of subsidiary	–	–	–	120	120
At 31 December	93	102	1,497	540	2,232
Accumulated amortisation					
At 1 January	7	20	119	–	146
Amortisation for the year	4	14	133	–	151
At 31 December	11	34	252	–	297
Carrying amount					
At 31 December	82	68	1,245	540	1,935

The Group tests product licences annually for impairment, or more frequently if there are indications that product licences value might be impaired. The recoverable amount is determined by discounting the estimated future cashflows, based on the assumption in note 11, of products supplied to customers using these licences, discounted at the Group's estimated weighted cost of capital of 5.9%.

12. Other intangible assets (continued)

The recoverable amount of the products licences exceeds the carrying amount by £832,000. The recoverable amount is most sensitive to changes in sales and changes in the discount rate. A 61% reduction in turnover or an absolute 17.7% increase in the discount rate would give a value for product licences equal to the current carrying value.

All product licences are held by Brunel Healthcare Manufacturing Limited.

13. Property, plant & equipment

Group 2009

	Leasehold improvements £'000	Plant machinery and office equipment £'000	Total £'000
Cost			
At 1 January	971	4,782	5,753
Reclassified to intangible assets	–	(298)	(298)
Additions	26	157	183
Disposals	–	(22)	(22)
At 31 December	997	4,619	5,616
Accumulated depreciation			
At 1 January	133	1,375	1,508
Depreciation charge for the year	113	487	600
Disposals	–	(18)	(18)
At 31 December	246	1,844	2,090
Carrying amount			
At 31 December	751	2,775	3,526

Group 2008

	Leasehold improvements £'000	Plant machinery and office equipment £'000	Total £'000
Cost			
At 1 January	116	1,531	1,647
Additions	13	643	656
Acquired on acquisition of subsidiary	842	2,626	3,468
Disposals	–	(18)	(18)
At 31 December	971	4,782	5,753
Accumulated depreciation			
At 1 January	48	275	323
Depreciation charge for the year	80	447	527
Impairment loss	5	670	675
Disposals	–	(17)	(17)
At 31 December	133	1,375	1,508
Carrying amount			
At 31 December	838	3,407	4,245

The net book value of assets held under finance leases within plant, machinery and office equipment is £nil (2008: £nil). Depreciation charged during the year was £nil (2008: £41,000). The assets held under finance leases have a nil book value following the closure of the Bristol premises and the impairment of related assets in 2008, as disclosed in note 8.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

13. Property, plant & equipment (continued)

The depreciation charge for the current and preceding year is included in administrative expenses in the consolidated statement of comprehensive income. The impairment loss charged in 2008 £675,000 arose in writing down assets that were longer required following the closure of Bristol operations.

Assets pledged as security:

Property, plant and equipment with carrying value of £3,526,000 (2008: £4,245,000) have been pledged to secure borrowings of the Group (see note 25).

In addition, the Group's obligations under finance leases (see note 26) are secured by the lessors' title to the leased assets, which have a carrying value of £nil (2008 : £nil).

Company	2009 Office equipment £'000	2008 Office equipment £'000
Cost		
At 1 January	13	5
Additions	-	8
At 31 December	13	13
Accumulated depreciation		
At 1 January	5	2
Depreciation charge for the year	2	3
At 31 December	7	5
Carrying amount		
At 31 December	6	8

14. Investment in subsidiaries

	2009 £'000	2008 £'000
Cost		
At 1 January	28,622	24,185
Investment during the period	-	7,257
Disposal of subsidiary during the period	-	(2,820)
Impairment during the period	(548)	-
At 31 December	28,074	28,622

Details of the Company's subsidiaries at 31 December 2009 all of which are incorporated and operate in England and Wales, and all with a year end of 31 December, are as follows:

Name of Subsidiary	Proportion ownership interest	Proportion of voting power held	Principal activity
BioCare Limited	100%	100%	Sale of nutraceutical products
Nutrigold Limited	100%	100%	Sale of nutraceutical products
Totally Nourish Limited	100%	100%	Sale of nutraceutical products
Brunel Healthcare Manufacturing Limited	100%	100%	Manufacture and sale of nutraceutical products

The trade and assets of Nutrigold Limited were disposed of after the year end.

15. Available-for-sale investments**Group and Company**

	2009 £'000	2008 £'000
Fair value at 1 January	-	350
Decrease in fair value	-	(88)
Impairment	-	(262)
Fair value at 31 December	-	-

The investments included above represent investments in sterling denominated listed equity securities that offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. In 2008 provision was made for impairment for the full value of the investments as a result of uncertainty about the investments having any future value.

In 2009 these securities were sold, realising a profit of £103,000 as disclosed on the face of the statement of comprehensive income.

16. Inventories**Group**

	2009 £'000	2008 £'000
Raw materials	1,291	735
Work in progress	2,093	1,049
Finished goods	4,854	3,907
	8,238	5,691

The cost of inventories recognised as an expense includes £228,000 (2008 : £271,000) in respect of write downs of inventory to net realisable value.

All inventories have been pledged as security to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

17. Other financial assets

Trade and other receivables	Group	Group	Company	Company
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Amounts receivable from the sale of goods	5,171	6,058	-	-
Amounts due from Group companies	-	-	1,473	2,126
Other amounts receivable	537	871	20	33
	5,708	6,929	1,493	2,159

The average credit period taken on sale of goods is 47 days (2008: 63 days). As at 31 December 2009 there were no amounts receivable from the sale of goods (2008 : nil) that were impaired in relation to customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

Allowance has been made for estimated irrecoverable amounts from the sale of goods of £10,000 (2008: £48,000). This allowance has been based on the knowledge of the financial circumstances of individual debtors at the balance sheet date.

The Group has pledged all trade and other receivables as security to secure banking facilities granted to the Group.

The following table provides analysis of amounts receivable from the sale of goods that were past due at 31 December, but not impaired. The Group believes that the balances are ultimately recoverable based on a review of past payment history and the current financial status of the customers.

	2009 £'000	2008 £'000
Up to 3 months	175	451

There are no significant credit risks arising from financial assets that are neither past due nor impaired. At 31 December 2009 amounts receivable from the sale of goods were all denominated in sterling. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents of £961,000 (2008: £1,283,000) comprise cash and short-term deposits held by the Group. The carrying amount of these assets approximates their fair value.

Credit Risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has three significant trade receivable balances outstanding at the year end, individually representing 30%, 14% and 14% of the amounts receivable by the Group. These balances are due from major UK supermarkets and retailers, and as such there is minimal credit risk.

The Group has no other significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

18. Financial risk management

The Group's activities expose the Group to a number of risks including market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group manages these risks through an effective risk management program and where appropriate the use of derivatives. The Board provides written objectives, policies and procedures with regards to managing currency and interest rate exposure, liquidity and credit risk including guidance on the use of certain derivative and non-derivative financial instruments.

Exposures to financial risks are monitored and assessed by management and reported on a monthly basis. Any significant exposure is reported to the Board and discussed at Board meetings to ensure that the risk mitigation procedures are compliant with the Group policy and that any new risks are appropriately managed.

Liquidity risk

The Group closely monitors its access to bank and other credit facilities in comparison to its outstanding commitments on a regular basis to ensure that it has sufficient funds to meet the obligations of the Group as they fall due.

The Board receives regular forecasts which estimate the cash flows over the next eighteen months, so that management can ensure that sufficient financing is in place as it is required.

Detailed analysis of the debt facilities taken out and available to the Group are disclosed in note 25. In addition, the interest rate swaps taken out by the Group to minimise its exposure to fluctuating interest rates ensure that the Group can monitor cash outflows on interest payments closely.

Maturity analysis

The table below analyses the Group's financial liabilities on a contractual gross undiscounted cashflow basis into maturity groupings based on period outstanding at the balance sheet date up to the contractual maturity date.

Group

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 to 5 years £'000	Over 5 years £'000	Total £'000
Bank loans	484	483	4,967	–	5,934
Finance leases	28	29	–	–	57
Trade and other payables	6,527	–	–	–	6,527
Provisions	183	182	270	–	635
	7,222	694	5,237	–	13,153

Company

	Less than 6 months £'000	Between 6 months and 1 year £'000	Between 1 to 5 years £'000	Over 5 years £'000	Total £'000
Bank loans	484	483	4,967	–	5,934
Trade and other payables	58	–	–	–	58
Amounts owed to Group companies	12	–	–	–	12
	554	483	4,967	–	6,004

The Group would normally expect that sufficient cash is generated in the operating cycle to meet the contractual cash flows as disclosed above through effective cash management.

Interest rate risk

The Group's interest rate exposure arises mainly from its interest bearing borrowings. Contractual agreements entered into at floating rates expose the entity to cash flow risk whilst the fixed rate borrowings expose the entity to fair value risk.

The Group's policy is to maintain long term borrowing in fixed rate financial instruments in order to minimise its interest rate exposure. In order to achieve such an equilibrium, the Group at times enters into interest rate swaps.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

18. Financial risk management (continued)

The table below shows the Group's financial assets and liabilities split by those bearing fixed and floating rates and those that are non-interest bearing.

Group 2009

	Fixed Rate £'000	Floating Rate £'000	Non-interest bearing £'000	Total £'000
Cash and cash equivalents	–	961	–	961
Trade and other receivables	–	–	5,708	5,708
	–	961	5,708	6,669
Trade and other payables	–	–	6,527	6,527
Provisions	–	–	635	635
Bank loans	2,434	3,500	–	5,934
Obligations under finance leases	57	–	–	57
	2,491	3,500	7,162	13,153

Group 2008

	Fixed Rate £'000	Floating Rate £'000	Non-interest bearing £'000	Total £'000
Cash and cash equivalents	–	1,283	–	1,283
Trade and other receivables	–	–	6,929	6,929
	–	1,283	6,929	8,212
Trade and other payables	–	–	6,578	6,578
Provisions	–	–	1,065	1,065
Bank loans	3,416	2,100	–	5,516
Obligations under finance leases	118	–	–	118
Deferred consideration for acquisition of subsidiaries	–	–	714	714
	3,534	2,100	8,357	13,991

Company 2009

	Fixed Rate £'000	Floating Rate £'000	Non-interest bearing £'000	Total £'000
Cash and cash equivalents	–	30	–	30
Trade and other receivables	–	–	1,493	1,493
	–	30	1,493	1,523
Trade and other payables	–	–	70	70
Bank loans	2,434	3,500	–	5,934
	2,434	3,500	70	6,004

Company 2008

	Fixed Rate £'000	Floating Rate £'000	Non-interest bearing £'000	Total £'000
Cash and cash equivalents	–	82	–	82
Trade and other receivables	–	–	2,159	2,159
	–	82	2,159	2,241
Trade and other payables	–	–	2,013	2,013
Bank loans	3,416	2,100	–	5,516
Deferred consideration for acquisition of subsidiaries	–	–	714	714
	3,416	2,100	2,727	8,243

18. Financial risk management (continued)

Credit Risk Exposure

Credit risk predominantly arises from trade receivables and cash and cash equivalents.

Credit exposure is managed on a Group basis. Although external credit ratings are not obtained for all customers, Group policy is to assess the credit quality of each customer internally before accepting any terms of trade. Internal procedures are performed taking into account their financial position as well as their reputation within the industry and past experience.

The Group's maximum exposure to credit risk, gross of any collateral held, relating to its financial assets is equivalent to their carrying value as disclosed below. All financial assets have a fair value which is equal to their carrying value.

Maximum exposure to credit risk

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Trade and other receivables	5,708	6,929	1,493	2,159
Cash and cash equivalents	961	1,283	30	82
	6,669	8,212	1,523	2,241

Capital Management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade in the foreseeable future, and then to ensure there is sufficient capital to support growth. The Group also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis.

The Group considers its capital to include share capital, share premium, fair value reserve, retained earnings, and net debt as noted below.

Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Total debt	5,991	5,634	5,934	5,516
Less cash and cash equivalents	(961)	(1,283)	(30)	(82)
Net Debt	5,030	4,351	5,904	5,434
Total Equity	24,405	23,775	23,599	22,628
Total Capital	29,435	28,126	29,503	28,062
Debt to Capital ratio	17.1%	15.5%	20.0%	19.4%

The Group does not have externally imposed capital requirements.

19. Share capital

	2009 £'000	2008 £'000
Authorised:		
300,000,000 ordinary shares of 10p each	–	30,000
300,000,000 new ordinary shares of 1p each	3,000	–
300,000,000 deferred shares of 9p each	27,000	–
	30,000	30,000
Issued and fully paid:		
175,985,137 ordinary shares of 10p each	–	17,599
175,985,137 new ordinary shares of 1p each	1,760	–
175,985,137 deferred shares of 9p each	15,839	–
At 31 December	17,599	17,599

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

19. Share capital (continued)

On 29 April 2009 each ordinary share of 10p was divided into one new ordinary share of 1p each and one deferred share of 9p each. At 31 December 2009 the Company has 175,985,137 new ordinary shares and 175,985,137 deferred shares (2008: 175,985,137 ordinary shares of 10p each) in issue.

The new ordinary shares entitle holders to vote and receive dividends, and on liquidation would be repaid the nominal amount paid up before other classes of shares.

The deferred shares do not entitle the holders to vote or receive dividends, and on liquidation would be repaid the nominal amount paid up after the new ordinary shares had been repaid.

20. Other reserves

Group and Company

	Share premium £'000	Share-based payments reserve £'000	Investment revaluation reserve £'000	Total £'000
At 1 January 2008	1,967	272	63	2,302
Recognition of share-based payments	–	56	–	56
Transfer of lapsed share options value to retained earnings	–	(134)	–	(134)
Decrease in fair value of financial asset investments, net of deferred tax	–	–	(63)	(63)
At 31 December 2008	1,967	194	–	2,161
Recognition of share-based payments	–	28	–	28
Transfer of lapsed share options value to retained earnings	–	(147)	–	(147)
At 31 December 2009	1,967	75	–	2,042

21. Retained earnings

Group

	2009 £'000	2008 £'000
At 1 January	4,015	1,770
Profit for the year attributable to equity holders of the parent	602	2,111
Transfer of lapsed share options value from Other Reserves	147	134
At 31 December	4,764	4,015

Company

	2009 £'000	2008 £'000
At 1 January	2,868	548
Profit for the year attributable to equity holders	943	2,186
Transfer of lapsed share options value from Other Reserves	147	134
At 31 December	3,958	2,868

22. Trade and other payables

	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Amounts payable relating to the purchase of goods and services	4,707	4,527	27	91
Other payables	1,820	2,051	31	269
Amounts owed to Group companies	–	–	12	1,653
Deferred consideration for acquisition of subsidiaries	–	714	–	714
	6,527	7,292	70	2,727

22. Trade and other payables (continued)

The average credit period taken for trade purchases is 68 days (2008: 86 days). At 31 December 2009 amounts payable relating to the purchase of goods and services were all denominated in sterling.

The Directors consider that the carrying amount of trade payables approximates their fair value.

Deferred consideration represents contracted amounts payable for acquisitions made in prior periods, discounted to their fair value at the balance sheet date.

23. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and the movements thereon, during the current reporting period.

Group	Accelerated capital allowances £'000	Deferred tax on fair value adjustments £'000	Carried forward losses £'000	Other £'000	Total £'000
At 1 January 2008	188	387	–	80	655
Credit to income for the year	(187)	(36)	(125)	(4)	(352)
Acquisition of subsidiaries	177	315	–	–	492
Recognition of deferred tax on fair value reserve adjustment, credited to reserves	–	–	–	(25)	(25)
At 31 December 2008	178	666	(125)	51	770
Charge / (Credit) to income for the year	23	(48)	125	(54)	46
At 31 December 2009	201	618	–	(3)	816

Company	Share-based payments £'000	Capital gains £'000	Total £'000
At 1 January 2008	–	25	25
Recognition of deferred tax on fair value reserve adjustment, charged to reserves	–	(25)	(25)
At 31 December 2008	–	–	–
Charge / (Credit) to income for the year	–	–	–
At 31 December 2009	–	–	–

At the balance sheet date, the Company has unused tax losses of £61,000 (2008: £61,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these losses as the timing of their utilisation is not certain for when they can be offset against profits in the company in which they arise.

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2009 £'000	2008 £'000
Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	730	703
- Deferred tax liability to be recovered within 12 months	89	196
	819	899
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	–	–
- Deferred tax asset to be recovered within 12 months	3	129
	3	129
	816	770

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

24. Provisions

Group	Current	Current	Non-current	Non-current
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trading contracts	150	225	72	225
Property leases	215	200	198	415
	365	425	270	640

The provisions represent the present value of expected trading losses under onerous contracts and property lease payments that the Group is presently obliged to incur under non-cancellable contracts as follows. The expected duration of these contracts is less than three years.

	Trading contracts £'000	Property leases £'000
At 1 January 2009	450	615
Reduction arising from payments or other sacrifices of economic benefit	(228)	(202)
At 31 December 2009	222	413

25. Bank loan

Group and Company

	2009 £'000	2008 £'000
Bank loan	5,934	5,516
The borrowings are repayable as follows:		
On demand or within one year	967	972
In the second year	967	972
In the third year	4,000	972
In the fourth year	-	2,600
In the fifth year	-	-
	5,934	5,516
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(967)	(972)
Amounts due for settlement after 12 months	4,967	4,544

The carrying amounts of the Group's borrowings are all denominated in sterling and approximate their fair values.

The effective average interest rate paid was as follows:

	2009 £'000	2008 £'000
Bank loan	3.3%	7.0 %

The bank loan comprises a term loan and a revolver loan.

The term loan has a balance at the year end of £2.4million (2008: £3.4million), repayable in 6 monthly instalments until January 2012. The interest rate was at 3.85% until January 2010, at which point interest reverted to LIBOR plus a margin between 1.8% and 2.3% depending on levels of net debt. The loan is secured by a fixed and floating charge over the Group's assets.

The revolver loan has a balance of £3.5million at the year end (2008: £2.1million). The facility is available up to a maximum of £3.5million until January 2012. The interest rate is floating at LIBOR plus a margin between 1.5% and 2.3% depending on levels of net debt. The loan is secured by a fixed and floating charge over the Group's assets.

Following the year end, new facilities were agreed in principle with the existing bank facility provider.

26. Obligations under finance leases

Group	Gross 2009 £'000	Gross 2008 £'000	Net 2009 £'000	Net 2008 £'000
Due within one year	65	70	57	61
Due in one to five years	–	65	–	57
	65	135	57	118
Less future finance charges	(8)	(17)		
Present value of finance lease obligations	57	118		
Current			57	61
Non-current			–	57
Total obligations under finance leases			57	118

All lease obligations are denominated in sterling. The fair value of the Group's lease obligations approximate to their carrying amount.

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term outstanding is 1.0 years (2008: 2.0 years). The average effective borrowing rate was 4.7% (2008 : 4.7%). All leases are on a fixed, repayable basis and no arrangements have been entered into for contingent rental payments. Finance lease obligations included above are secured against the assets concerned.

27. Analysis of net debt

Group	31 December 2008 £'000	Cash flow £'000	Non-cash changes £'000	31 December 2009 £'000
Finance leases – current	(61)	61	(57)	(57)
Finance leases – non-current	(57)	–	57	–
Bank loan – current	(972)		5	(967)
Bank loan – non-current	(4,544)	(386)	(37)	(4,967)
Debt	(5,634)	(325)	(32)	(5,991)
Cash and cash equivalents	1,283	(322)	–	961
Net debt	(4,351)	(647)	(32)	(5,030)

28. Acquisition of subsidiary

During the year, the Company paid deferred consideration of £720,000 as part of the acquisition of Brunel Healthcare Limited. This amount was recognised as a cost of acquisition and a liability at 31 December 2008.

29. Events after the balance sheet date

On 18 January 2010, the Group disposed of the trade and assets of Nutrigold Limited for cash consideration of £115,000 plus repayment of an intercompany loan of £200,000. The value of goodwill disposed was £143,000.

Other than disclosed above, there were no events taking place after the balance sheet date requiring disclosure in the financial statements.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

30. Operating lease arrangements

The Group as lessee	2009 £'000	2008 £'000
Minimum lease payments under operating leases recognised as an expense in the year	989	791

At the balance sheet date, the Group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2009 £'000	2008 £'000
Within one year	1,075	1,134
In the second to fifth years inclusive	3,365	3,426
Over five years	9,119	9,932
	13,559	14,492

Operating lease payments represent rentals payable by the Group for certain of its office properties and for certain equipment. Property leases are negotiated for an average term of 8 years and rentals are fixed for an average term of 3 years.

31. Financial instruments recognised in the balance sheet

Group	Cash and Other Receivables being Total 2009 £'000	Cash and Other Receivables being Total 2008 £'000
Current financial assets		
Trade and other receivables	5,708	6,929
Cash and cash equivalents	961	1,283
	6,669	8,212
	Other financial liabilities 2009 £'000	Other financial liabilities 2008 £'000
Non-current financial liabilities		
Bank loan	4,967	4,544
Obligations under finance leases	-	57
	4,967	4,601
Current financial liabilities		
Trade and other payables	6,527	7,292
Bank loan	967	972
Obligations under finance leases	57	61
	7,551	8,325
Total	12,518	12,926

31. Financial instruments recognised in the balance sheet (continued)

Company	Cash and Other Receivables being Total 2009 £'000	Cash and Other Receivables being Total 2008 £'000
Current financial assets		
Trade and other receivables	1,493	2,159
Cash and cash equivalents	30	82
	1,523	2,241
	Other financial liabilities 2009 £'000	Other financial liabilities 2008 £'000
Non-current financial liabilities		
Bank loan	4,967	4,544
	4,967	4,544
Current financial liabilities		
Trade and other payables	70	2,727
Bank loan	967	972
	1,037	3,699
Total	6,004	8,243

32. Share-based payments

Equity-settled share option scheme

The Company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is two years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options may be forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	2009		2008	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the start of the year	18,236,773	11.0	27,369,582	11.0
Cancelled during the year	(9,570,369)	12.1	–	–
Re-issued during the year	9,570,369	4.3	–	–
Granted during the year	2,000,000	4.3	3,200,000	10.0
Lapsed during the year	(2,500,000)	12.5	(12,332,809)	10.4
Outstanding at the end of the year	17,736,773	6.4	18,236,773	11.5
Exercisable at the end of the year	6,166,404		15,036,773	

The options outstanding at the end of the year have a weighted average remaining contractual life of 8.3 years with a range of exercise prices of 4.3p to 10.5p.

During the year 9,570,369 options were cancelled and re-issued with amended exercise price, vesting periods and conditions. This resulted in an acceleration of charges for options in issue at 1 January 2009 of £14,000.

In 2009, options were granted on 25 September. The estimated fair value of the options granted on that date is £71,000. The weighted average fair value per option is 0.6p.

In 2008, options were granted on 17 June. The estimated fair value of the options granted on that date is £18,000. The weighted average fair value per option is 0.5p.

Notes to the Consolidated Financial Statements

Year ended 31 December 2009 - continued

32. Share-based payments (continued)

In 2007, options were granted on 16 October. The estimated fair value of the options granted on that date is £61,000. The weighted average fair value per option is 2.5p.

In 2006, options were granted on 24 October. The estimated fair value of the options granted on that date is £46,000. The weighted average fair value per option is 1.1p.

In 2005, options were granted on 4 February, 10 February, 31 August and 14 November. The estimated fair values of the options granted on those dates are £21,000, £25,000, £155,000, and £40,000 respectively. The weighted average fair value per option is 1.2p.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2009	2008
Weighted average share price	4.3 pence	8.0 pence
Weighted average exercise price	4.3 pence	10.0 pence
Expected volatility	33%	25%
Expected life	2.5 years	2 years
Risk free rate	3.6%	5.0%
Expected dividend yield	Nil	Nil

Expected volatility was determined by analysing the historical volatility of the Company's share price for the full period preceding the date of grant, and considering peer groups within the sector. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The fair value has been discounted to reflect the performance conditions attached to the share options.

The Group recognised a total expense of £28,000 (2008: £56,000) related to equity-settled share-based payment transactions during the year, of which £28,000 (2008: £56,000) relates to Directors of the Group (see note 33).

33. Related party transactions

Group

Compensation of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group during the year, was as follows:

	2009 £'000	2008 £'000
Short-term benefits	519	927
Share-based payments	28	56
	547	983

The remuneration of Directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

The equity-settled share option scheme details in note 32 includes 11,570,369 share options held by Directors.

None of the Directors have pension plans.

Consultancy agreement

On 14 January 2009, the Company entered into a consultancy agreement with Mr M Toxvaerd, a former Director of NeutraHealth plc. Under this agreement £62,500 was paid to Mr Toxvaerd in the six months to June 2009 for ongoing advice and support to the Board of Directors.

Deferred consideration payments

During the year Mr R J Stagg, a Director of the Company until 6 March 2009, received £522,000 in deferred consideration in relation to the sale of Brunel Healthcare Limited to NeutraHealth plc in January 2007.

**33. Related party transactions
(continued)**

Company		
<i>Transactions with subsidiaries</i>		
	2009	2008
	£'000	£'000
Dividends received from subsidiaries	(2,308)	(234)
Management expenses charged to subsidiaries	-	235
Cash (loaned to) / received from subsidiaries	(987)	264
<i>Year end balances arising from transactions with subsidiaries</i>		
	2009	2008
	£'000	£'000
<i>Receivables</i>		
Due from subsidiaries	1,473	2,126
<i>Payables</i>		
Due to subsidiaries	12	1,653

Notice of AGM

NOTICE IS HEREBY GIVEN that the Annual General Meeting of NeutraHealth plc (the "Company") will be held at 11 am on 28 April 2010 at Baker Tilly, 65 Kingsway, London for the following purposes:

Ordinary business

1. To receive and adopt the Company's Report and Accounts for the year ended 31 December 2009, the Directors' Report and the Auditors' Report on those accounts.
2. To re-appoint Baker Tilly UK Audit LLP to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which accounts are laid before the shareholders and to authorise the directors to fix the auditors' remuneration.
3. To re-appoint J S McEuen as a director who is retiring by rotation in accordance with the Company's Articles of Association.

Special business

To consider and, if thought fit, to pass the following resolutions of which resolution 4 will be proposed as an ordinary resolution and resolutions 5 and 6 will be proposed as special resolutions.

4. In substitution for all existing authorities, the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities in accordance with Section 551 of the Companies Act 2006 ("the Act") up to a maximum aggregate nominal amount of £175,985.14 (representing 10 per cent of the Company's issued ordinary share capital), provided this authority will expire 15 months after the date this resolution is passed or the next annual general meeting of the Company, whichever occurs first.
5. Subject to the passing of resolution 4, the Directors be and they are hereby empowered generally and unconditionally in accordance with Section 570 of the Act to allot equity securities (as defined by Section 560 of the Act) pursuant to the authority conferred by resolution 4 above as if Section 561 of the Act did not apply to the allotment provided that such power shall be limited to a maximum aggregate nominal amount of £175,985.14.
6. The Company be and is generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 693(4) of the Act) of New Ordinary Shares of 1 pence each in the capital of the Company provided that:
 - (a) The maximum aggregate number of ordinary shares authorised to be purchased is 8,799,257 (representing 5 per cent of the Company's issued ordinary share capital).
 - (b) The minimum price (exclusive of expenses) which may be paid for such shares is 1 pence per share.
 - (c) The maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5 per cent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased.
 - (d) Unless previously renewed, varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next annual general meeting.
 - (e) The Company may make a contract or contracts to purchase its own shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of its own shares pursuant to any such contract.

By order of the Board
Robin Hilton FCA
Company Secretary
16 March 2010

Registered Office:
180 Lifford Lane
Kings Norton
Birmingham B30 3NU

NOTES

1. A member entitled to attend and vote at the meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or notarially certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, BR3 4TU not less than 48 hours before the time and date for holding the meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
3. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00 am on 26 April 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the Company's registrars no later than 11.00 am on 26 April 2010.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the relevant register of members of the Company at close of business on 26 April 2010 shall be entitled to attend and vote at the Annual General Meeting or, if the Meeting is adjourned, close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after close of business on 26 April 2010 shall be disregarded in determining the right of any person to attend or vote at the Meeting.
5. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.

Explanatory Notes for AGM Resolutions

Resolution 1: Reports and Accounts

The directors are required to present to the meeting the audited accounts and the reports of the directors and the auditors for the financial year ended 31 December 2009.

Resolution 2: Re-appointment of Auditors

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the end of the next such meeting. This resolution proposes the appointment and, in accordance with standard practice, gives authority to the directors to determine the remuneration to be paid to the auditors.

Resolution 3: Re-appointment of Director

Under the Company's Articles of Association directors are obliged to retire by rotation every three years. J S McEuen is retiring by rotation and offering himself for re-election.

Resolution 4: Authority to Allot Shares

Under Section 551 of the Companies Act 2006, the directors of a company may only allot unissued shares and other "relevant securities" if authorised to do so. This resolution, if passed, will extend the directors' flexibility to act in the best interests of shareholders, when opportunities arise by issuing new shares, and renews the authority given on 28 April 2009.

This authority will allow the directors to allot new shares up to a nominal value of £175,985.14 which is equivalent to 10 per cent of the total issued ordinary share capital as at the date of this notice. The directors have no current intention of exercising this authority.

This authority will expire 15 months after the date this resolution is passed or at the conclusion of the next annual general meeting.

Resolution 5: Dis-application of Pre-emption Rights

If equity securities are to be allotted for cash, the Companies Act 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number held by them at the time of the offer and otherwise in compliance with the technical requirements of that Act. However, it may be in the interests of the Company for the directors to allot shares other than to shareholders in proportion to their existing holdings or otherwise than strictly in compliance with those requirements.

This resolution would allow the directors to allot shares for cash without first offering them to shareholders. This power is limited to the allotments of equity securities for cash up to a maximum nominal amount of £175,985.14, which is equivalent to 10 per cent of the total issued ordinary share capital of the Company as at the date of this notice and allotments of equity securities in connection with a rights issue or other offer to shareholders, subject to the directors ability to make arrangements to deal with certain legal or practical problems arising in connection with such offer. This power will expire at the conclusion of the next annual general meeting.

Resolution 6: Purchase of Own Shares

The directors believe that it is in the interests of the Company and its members to continue to have the flexibility to purchase its own shares and this resolution seeks authority from members to do so. The directors intend only to exercise this authority where, after considering market conditions prevailing at the time, they believe that the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

This resolution renews the authority given at the annual general meeting held on 28 April 2009 and would be limited to 8,799,257 ordinary shares, representing approximately 5 per cent of the issued share capital as at the date of this notice. The directors intend to seek renewal of this power at each annual general meeting.

HTP 50mg • 9 Day Detox Pack • Acetyl Carnitine & Alpha Lipoic Acid • Acidophilus • AD 206 • Adult Multivitamins & Minerals • Advanced
 Optimum Nutrition Pack with Brain Food® • Advanced Optimum Nutrition Pack with GL Support • AGE Antioxidant • Agnus Castus Plus •
 ex® • Alli-Cinn • Amino Plex • Ante-Natal Forte • Antioxidant Complex • AquaCell® CoQ10 100 • Artemisia Plus • Artichoke Plus • ASC
 us • Awake Food® • B Complex • Banana Acidophilus Plus • Barberry Plus • Beetroot Extract • BetaCare® • Bifidobacterium bifidum •
 fidobacterium infantis • Bio-A 5000i.u. • Bio-Acidophilus • Bio-Acidophilus Forte • Bio-Antioxidant 2000 • Bio-Carbonate • BioCardio®
 Biocidin • Biocidin Forte • Bio-Cysteine • Bio-D 100i.u. • Bioflavone 1000 • Bio-Magnesium • Bio-Manganese • Biomer (Chelating
 mplex) • Boswellia Plus • B-Plex • Brain Food® • BreastCare • Broad Spectrum Amino Acids • Butyric Acid Complex • Calcidophilus
 Calcium EAP2 • Calcium Plus • Carbozyme • Celery Seed • Cellguard Forte • Cervagyn • Chill Food® • Cholesterase • Cinnachrome®
 Colleginase • ColonGuard® • Concentrated Cranberry • Connect® • Copper Gluconate • CoQ10 Plus Carnitine • Cranberry Plus • CT
 1 • DermaGuard Complex™ • Digestaid • Digestpro • Dricelle® Cod Liver Oil • Dricelle® EPO • Dricelle® Linseed Oil • Dricelle® Mega
 A • Dricelle® Omega Plex • Dricelle® Omega-3 • Echinacea Complex • EnteroGuard® • Enteroplex • Essential Omegas • Evening
 imrose Oil • EyeCare Plus • F.O.S. • Femforte I • Femforte II • FemGuard • Folguard • Garcinia cambogia Plus • Garlic Plus • Get Up
 d Go™ Low GL • Ginger Forte • Gingerdophilus • Ginkgo Biloba • Ginkgo Plus • Ginseng GL Support • Glucosamine Hydrochloride
 lutenzyme Plus • Hair & Nail Complex • HCl & Pepsin • HEP 194 • HepaGuard Forte® • Histazyme® • ImmuneC® • ImmunoGuard® •
 plant™ • Intestinal Bowel Supplement • Intrafresh™ • Iron Complex • Iron EAP2 • Isoflavone Complex • Joint Support • JointGuard™
 Junior B Complex • Junior DHA & EPA • Junior Digestaid • Junior Multivitamins & Minerals • Junior NutriGuard Plus® • Junior Vitamin
 • Kids Complete • Kids Complete Complex • Lactase Enzyme • Lactobacillus bulgaricus • L-Glutamine Powder • Ligazyme Plus® •
 nseed Oil 1000 • Linseed Oil 500 • LipoCell® • Lipozyme • Liquid Biocidin • LIV-D • M.S.M. Plus • Mag 2:1 Cal • Magnesium EAP2 •
 gnesium Malate • Magnesium Plus Pantothenate • Magnesium Taurine • MaleForte • Mega EPA 1000 • Mega GLA Complex • Mexican
 ld Yam • MicroCell® CoQ10 Plus • MicroCell® Essential Fatty Acids • MicroCell® Lipo-Plex • MicroCell® Lipotone Intensive • MicroCell®
 copene Plus • MicroCell® NutriGuard Plus • MicroCell® Squalene • MicroCell® Vitamin E 100 • Micro-FloraGuard™ • Milk Thistle • Milk
 istle Complex • Milk Thistle Plus Tea • Mindlinx™ capsules • Mineral Complex • Mixed Ascorbates • Mood Food® • Muccolyte Plus •
 rcopyrly® 250 • N.A.G. • NEF 242 • No Blush® Niacin • NT 188 • Nutrisorb® Chromium • Nutrisorb® Manganese • Nutrisorb® Molybdenum
 Nutrisorb® Selenium • Nutrisorb® Trace Minerals • Nutrisorb® Zinc Plus Ascorbate • Oligoflavan® • OmegaBerry • OmegaCare® • One-
 Day Plus • One-A-Day Vitamins & Minerals • Optimum Nutrition Formula • Optimum Nutrition Pack • OptiZinc® • Oregano Complex
 Osteoplex • Oxy B15 • Oxyplex • Oxypr • P-5-P Complex • Pau D'Arco Plus • Permatrol • Phosphatidyl Serine • Phosphatidyl Serine
 ecurors • Phytosterol Complex • Pine Bark Extract • Polyzyme Forte • Potassium Ascorbate • Potassium Citrate • Pregnancy &
 ctation Formula • Probiotic Straws • Procydin • Prolactazyme Plus • Prostate Complex • Psyllium Plus • PT 208 • Quercetin Plus •
 Call® • Red Clover Extract • Reduced Glutathione • Refresh • Replete Intensive • Rhodiola • Saw Palmetto • Sea Plasma • Selenium
 Selenium Complex • Selenium Complex • Slippery Elm Plus • Spectrumzyme • St John's Wort • Sterolvite™ • Stomach & Colon
 mplex • Strawberry Acidophilus Plus • SucroGuard® • TH 207 • TravelGuard® • VascularGuard® • Vitaflavan Plus® • Vitaforte Banana •
 aGuard • Vitamin B1 • Vitamin B12 • Vitamin B2 • Vitamin B3 • Vitamin B6 • Vitamin C 1000 • Vitamin E 600 • Vitasorb® A 2500i.u. •
 asorb® B • Vitasorb® B12 • Vitasorb® B6 • Vitasorb® C • Vitasorb® CoQ10 • Vitasorb® D • Vitasorb® E • Vitasorb® Folic Acid • Vitasorb®
 lti-Vitamins • Vit-C-Plex • VytaMyn™ Complex • White Willow Plus • Wormwood & Barberry Plus • Zinc Ascorbate • Zinc Citrate



NeutraHealth plc
 180 Lifford Lane,
 Kings Norton,
 Birmingham B30 3NU

T: +44 (0)20 7549 1608
 F: +44 (0)20 7549 1611
 E: info@neutrahealthplc.com
 W: www.neutrahealthplc.com