

WASSEN HOLDINGS LIMITED

Report and Financial Statements

30 June 2004



REPORT AND FINANCIAL STATEMENTS 2004

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REPORT AND FINANCIAL STATEMENTS 2004

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G L Barnes	(resigned 3 June 2004)
M Barber	
P A J Tunnell	
J E Smithurst	(resigned 7 April 2004)
R M Cawse	
R Ricatti	
P G Austen	(appointed 10 June 2004)
A F Varney	(appointed 27 May 2004)

SECRETARY

A F Varney

REGISTERED OFFICE

14 The Mole Business Park
Leatherhead
Surrey
KT22 7BA

SOLICITORS

S J Berwin
222 Gray's Inn
London
WC1X 8XF

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Reading

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2004.

PRINCIPAL ACTIVITY

The company acts as a holding company. The principal activity of the group is that of the production and marketing of nutritional supplements.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Group continued to progress during the year despite difficult trading conditions in the UK and Europe. A number of one off exceptional charges were incurred in the year which amounted to £190,748 (2003 £nil), and if adjusted for, would result in an increased operating profit for the year under review. The Directors consider this to be a satisfactory year's trading, given the market climate both in the U.K. and Europe.

The current trading conditions are flat in the U.K. with growth opportunities in the international markets. The Directors anticipate small gains in sales and profitability in the current year. The Group continues to look to make acquisitions or commercial alliances to enhance the growth and profitability of the business.

Overall it is believed the strategies will lead to continued improvement in both turnover and profitability in the foreseeable future.

DIVIDENDS

The directors have proposed and paid a dividend of £211,928 (2003: proposed of £105,965) on the preference shares.

DIRECTORS

The directors who served during the period are noted on page 1. Directors' interests in the ordinary share capital of the company were:

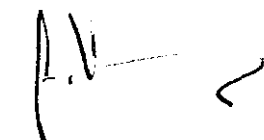
	Ordinary shares of £0.10 each	
	At 30 June 2004 No.	At 30 June 2003* No.
M Barber	651,250	651,250
R Cawse	68,513	68,513
P Tunnell	27,405	27,405
R Ricatti	70,000	70,000
A Varney	68,513	-
J Smithurst	-	68,513

* or date of appointment if later

AUDITORS

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

Approved by the Board of Directors,
and signed on behalf of the Board



A F Varney
Secretary

28th October 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WASSEN HOLDINGS LIMITED

We have audited the financial statements of Wassen Holdings Limited for the year ended 30 June 2004 which comprise the consolidated profit and loss account, the reconciliation of movement in consolidated shareholders' funds, the statement of movements on reserves, the consolidated balance sheet, the balance sheet, the consolidated cash flow statement, the notes to the consolidated cashflow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the group's and company's affairs as at 30 June 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Reading

29 October 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 30 June 2004

	Note	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
TURNOVER	2	6,840,113	3,758,716
Cost of sales		(2,368,310)	(1,160,735)
GROSS PROFIT		4,471,803	2,597,981
Administrative expenses - other		(1,773,816)	(951,000)
- exceptional charges	3	(190,748)	-
Total administrative expenses		(1,964,564)	(951,000)
Distribution costs		(2,093,510)	(1,337,339)
OPERATING PROFIT	3	413,729	309,642
Interest receivable and similar income	5	30,842	9,543
Interest payable and similar charges	6	(88,425)	(51,695)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		356,146	267,490
Tax on profit on ordinary activities	7	(177,106)	(114,025)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		179,040	153,465
Dividends - on non-equity shares	8	(211,928)	(105,965)
RETAINED (LOSS)/PROFIT FOR THE PERIOD		(32,888)	47,500

All amounts derive from continuing operations.

There are no recognised gains or losses for the year or prior period other than as stated above and accordingly no statement of total recognised gains and losses has been produced.

RECONCILIATION OF MOVEMENT IN CONSOLIDATED SHAREHOLDERS' FUNDS

Year ended 30 June 2004

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Profit for the financial year	179,040	153,465
Dividends	(211,928)	(105,965)
	(32,888)	47,500
Issue of shares	-	5,218,481
Recovery of expenses relating to prior year share issue	12,783	-
Net (reduction in)/addition to shareholders' funds	(20,105)	5,265,981
Opening shareholders' funds	5,265,981	-
Closing shareholders' funds	5,245,876	5,265,981

STATEMENT OF MOVEMENTS ON RESERVES
Year ended 30 June 2004

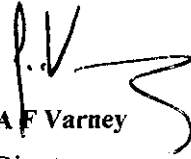
Group	Share premium account £	Profit and loss account £	Total £
At 1 July 2003	823,453	47,500	870,953
Retained loss for the year	-	(32,888)	(32,888)
Recovery of expenses relating to prior year share issue	12,783	-	12,783
	<hr/>	<hr/>	<hr/>
At 30 June 2004	836,236	14,612	850,848
	<hr/>	<hr/>	<hr/>
Company			
At 1 July 2003	823,453	-	823,453
Recovery of expenses relating to prior year share issue	12,783	-	12,783
	<hr/>	<hr/>	<hr/>
At 30 June 2004	836,236	-	836,236
	<hr/>	<hr/>	<hr/>

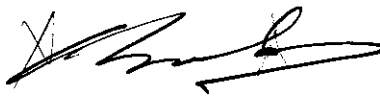
CONSOLIDATED BALANCE SHEET
30 June 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	10	3,779,430	4,013,266
Tangible assets	12	58,667	101,522
CURRENT ASSETS		3,838,097	4,114,788
Stocks	13	1,077,066	1,076,849
Debtors	14	1,646,118	1,923,373
Cash at bank and in hand		843,074	870,255
		3,566,258	3,870,477
CREDITORS: amounts falling due within one year	15	(1,686,336)	(1,921,794)
NET CURRENT ASSETS		1,879,922	1,948,683
TOTAL ASSETS LESS CURRENT LIABILITIES		5,718,019	6,063,471
CREDITORS: amounts falling due after more than one year	16	(468,529)	(752,483)
PROVISIONS FOR LIABILITIES AND CHARGES	17	(3,614)	(45,007)
NET ASSETS		5,245,876	5,265,981
CAPITAL AND RESERVES			
Called up share capital	18	4,395,028	4,395,028
Share premium account		836,236	823,453
Profit and loss account		14,612	47,500
SHAREHOLDERS' FUNDS		5,245,876	5,265,981
Attributable to equity shareholders		1,007,290	1,027,395
Attributable to non-equity shareholders		4,238,586	4,238,586

These financial statements were approved by the Board of Directors on 28th October 2004.

Signed on behalf of the Board of Directors


A F Varney
Director

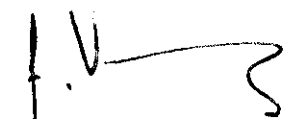

M Barber
Director

BALANCE SHEET
30 June 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	11	<u>6,326,062</u>	<u>6,326,062</u>
CREDITORS: amounts falling due within one year	15	<u>(626,269)</u>	<u>(466,209)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,699,793	5,859,853
CREDITORS: amounts falling due after more than one year	16	<u>(468,529)</u>	<u>(641,372)</u>
NET ASSETS		<u>5,231,264</u>	<u>5,218,481</u>
CAPITAL AND RESERVES			
Called up share capital	18	4,395,028	4,395,028
Share premium account		<u>836,236</u>	<u>823,453</u>
SHAREHOLDERS' FUNDS		<u>5,231,264</u>	<u>5,218,481</u>
Attributable to equity shareholders		992,678	979,895
Attributable to non-equity shareholders		<u>4,238,586</u>	<u>4,238,586</u>

These financial statements were approved by the Board of Directors on 28th October 2004.

Signed on behalf of the Board of Directors



A F Varney
Director



M Barber
Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 30 June 2004

	Note	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Net cash inflow from operating activities	1	805,095	408,139
Returns on investments and servicing of finance			
Interest received		30,842	9,543
Interest paid		(54,442)	(38,117)
		(23,600)	(28,574)
Taxation			
Corporation tax paid		(218,177)	(230,038)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(14,896)	(9,232)
Payments to acquire intangible fixed assets		(13,473)	(2,070)
Sale of tangible fixed assets		4,091	-
		(24,278)	(11,302)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(1,107,581)
Net cash acquired with subsidiary		-	1,144,530
		-	36,949
Non equity dividends paid		(317,893)	-
Net cash inflow before financing		221,147	175,174
Financing			
New borrowings		-	850,637
Repayment of borrowings		(261,111)	(155,556)
Recovery of expenses from prior year share issue		12,783	-
		(248,328)	695,081
(Decrease)/increase in cash	2,3	(27,181)	870,255

NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
Year ended 30 June 2004

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Operating profit	413,729	309,642
Depreciation charge	57,651	20,615
Amortisation of intangible fixed assets	247,309	115,346
Increase in stocks	(217)	(78,404)
Decrease in debtors	277,255	100,555
Decrease in creditors	(186,641)	(59,515)
Profit on sale of tangible fixed asset	(3,991)	-
Net cash inflow from operating activities	<u>805,095</u>	<u>408,139</u>

2. RECONCILIATION OF NET CASH (OUTFLOW)/INFLOW TO MOVEMENT IN NET DEBT

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
(Decrease)/increase in cash	(27,181)	870,255
Cash outflow/(inflow) from decrease/(increase) in debt	<u>261,111</u>	<u>(695,081)</u>
Movement in net debt resulting from cashflows	233,930	175,174
Loan acquired with subsidiary	-	(277,778)
Amortisation of financing expenses	(27,157)	(13,578)
Net debt at beginning of year	<u>(116,182)</u>	<u>-</u>
Net debt at end of year	<u>90,591</u>	<u>(116,182)</u>

3. ANALYSIS OF NET DEBT

	At 1 July 2003 £	Cash flows £	Other non-cash flow changes £	At 30 June 2004 £
Cash in hand, at bank	870,255	(27,181)	-	843,074
Debt due within one year	(233,954)	261,111	(311,111)	(283,954)
Debt due after one year	(752,483)	-	283,954	(468,529)
	<u>(116,182)</u>	<u>233,930</u>	<u>(27,157)</u>	<u>90,591</u>

The net non-cash flow movement of £27,157 relates to the amortisation of deferred loan costs.

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Basis of preparation of financial statements

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary.

Investments held as fixed assets

Investments held as fixed assets are stated at cost less provision for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	Between 8.25% and 33.3% per annum
-------------------	-----------------------------------

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Operating leases

Rental costs under operating leases are charged to the profit and loss account in the period to which they relate.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Cost is based on the first in – first out method.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result.

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise when the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred taxation is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Pension costs

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

1. ACCOUNTING POLICIES (continued)

Intangible fixed assets

Patents and trademarks are written off over 10 years on a straight line basis, being the directors' estimate of their useful economic lives.

Goodwill arising on consolidation is capitalised and amortised over its estimated useful economic life of 20 years.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and which fall within the company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, is attributable to one activity.

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
United Kingdom	3,033,222	1,676,191
Europe	3,368,863	1,826,665
Rest of World	438,028	255,860
	<u>6,840,113</u>	<u>3,758,716</u>

3. OPERATING PROFIT

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Operating profit is stated after charging:		
Amortisation of intangible assets	247,309	115,346
Depreciation of tangible fixed assets - owned	57,651	20,615
Profit on disposal of fixed assets	(3,991)	-
Hire of plant and machinery	3,879	1,226
Other operating leases	131,680	63,507
Auditors' remuneration: audit fees	12,500	8,850
non-audit fees	2,250	2,250
Exceptional charges	<u>190,748</u>	<u>-</u>

During the year ended 30 June 2004, the company agreed to subcontract its packaging operations to a third party. As a result of this, and subsequent reorganisation, exceptional costs of £134,065 were incurred.

The company also incurred £56,683 of exceptional professional fees in respect of an aborted acquisition.

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Directors' remuneration		
Emoluments	563,131	229,091
Pension contributions	43,268	11,162
Consideration paid to third parties	17,906	8,750
Compensation for loss of office	57,412	-
	<u>681,717</u>	<u>249,003</u>
	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Highest paid director		
Emoluments	245,427	113,079
Pension contributions	16,500	9,479
	<u>261,927</u>	<u>122,558</u>
Number of directors who:	No.	No.
Are members of money purchase pension plans	<u>5</u>	<u>2</u>
	No.	No.
Average number of persons employed		
Production	6	7
Office and management	20	17
	<u>26</u>	<u>24</u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	972,907	559,143
Social security costs	105,523	54,514
Pension costs	88,195	49,974
	<u>1,166,625</u>	<u>663,631</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

5. INTEREST RECEIVABLE

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Bank interest receivable	23,792	9,543
Other interest receivable	7,050	-
	<u>30,842</u>	<u>9,543</u>

6. INTEREST PAYABLE

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Bank loans	61,268	38,117
Amortisation of deferred loan costs	27,157	13,578
	<u>88,425</u>	<u>51,695</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
United Kingdom corporation tax at 30% (2003 – 30%) based on the profit for the year	242,270	119,411
Adjustment in respect of prior years	(23,771)	-
	218,499	119,411
Deferred taxation:		
- timing differences	(8,883)	(5,386)
- adjustment in respect of prior years	(32,510)	-
	177,106	114,025

The differences between the current tax rate for the year and the standard rate of tax are as follows:

	2004 %	2003 %
Standard rate of tax	30	30
Factors affecting charge:		
Goodwill amortisation not deductible for tax purposes	17	11
Other expenses not deductible for tax purposes	12	2
Depreciation in excess of capital allowances	2	2
Adjustment in respect of prior years	(4)	-
Current tax rate for the period	57	45

8. DIVIDENDS

	Year ended 30 June 2004 £	Period from 15 August 2002 to 30 June 2003 £
Preference dividend proposed	-	105,965
Preference dividend paid	211,928	-
	211,928	105,965

9. PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 230 of the Companies Act 1985, the company's profit and loss account has not been presented in these financial statements. The company's result for the financial period amounted to a profit after taxation of £211,928 (2003: £105,965).

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

10. INTANGIBLE FIXED ASSETS

The Group	Patents and Trademarks £	Goodwill £	Total £
Cost			
At 1 July 2003	381,278	3,990,570	4,371,848
Additions	13,473	-	13,473
At 30 June 2004	394,751	3,990,570	4,385,321
Amortisation			
At 1 July 2003	258,818	99,764	358,582
Charge for the period	47,781	199,528	247,309
At 30 June 2004	306,599	299,292	605,891
Net book value			
At 30 June 2004	88,152	3,691,278	3,779,430
At 30 June 2003	122,460	3,890,806	4,013,266

11. FIXED ASSET INVESTMENTS

The Company	Shares in group undertakings £
Cost and net book value	
At 1 July 2003 and 30 June 2004	6,326,062

The holdings in the following companies comprise the fixed asset investments balance:

Name of subsidiary	Country of incorporation	Ordinary shares held	Principal activity
Wassen International Limited	United Kingdom	100%	Nutritional supplement manufacturer
Wassen GmbH*	Germany	100%	Dormant
Bee Pollen From England Limited*	United Kingdom	99%	Dormant

* These company are indirect subsidiaries of Wassen Holdings Limited

NOTES TO THE ACCOUNTS Year ended 30 June 2004

12. TANGIBLE FIXED ASSETS

The Group

	Plant and machinery £
Cost	
At 1 July 2003	455,062
Additions	14,896
Disposals	(2,000)
At 30 June 2004	467,958
Accumulated depreciation	
At 1 July 2003	353,540
Charge for the period	57,651
Disposals	(1,900)
At 30 June 2004	409,291
Net book value	
At 30 June 2004	58,667
At 30 June 2003	101,522

13. STOCKS

	2004		2003	
	Group £	Company £	Group £	Company £
Raw materials and consumables	658,352	-	536,993	-
Finished goods and goods for resale	418,714	-	539,856	-
	1,077,066	-	1,076,849	-

14. DEBTORS

	2004		2003	
	Group £	Company £	Group £	Company £
Trade debtors	1,561,722	-	1,788,358	-
Other debtors	40,477	-	79,533	-
Prepayments and accrued income	43,919	-	55,482	-
	1,646,118	-	1,923,373	-

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004		2003	
	Group £	Company £	Group £	Company £
Bank loans (note 16)	283,954	172,843	233,954	122,843
Trade creditors	546,626	-	638,535	-
Amounts owed to subsidiary undertakings	-	453,426	-	237,210
Dividend proposed	-	-	105,965	105,965
Corporation tax	243,556	-	243,234	-
Other taxes and social security	27,846	-	30,160	-
Other creditors	15,819	-	10,546	191
Accruals and deferred income	568,535	-	659,400	-
	<u>1,686,336</u>	<u>626,269</u>	<u>1,921,794</u>	<u>466,209</u>

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

	2004		2003	
	Group £	Company £	Group £	Company £
Bank loans	<u>468,529</u>	<u>468,529</u>	<u>752,483</u>	<u>641,372</u>

	2004		2003	
	Group £	Company £	Group £	Company £
Maturity profile of financial liabilities:				
Bank loans (note 16a)				
- within one year	311,111	200,000	261,111	150,000
- between one and two years	200,000	200,000	311,111	200,000
- between two and five years	350,000	350,000	550,000	550,000
	<u>861,111</u>	<u>750,000</u>	<u>1,122,222</u>	<u>900,000</u>
Less: unamortised finance costs	<u>(108,628)</u>	<u>(108,628)</u>	<u>(135,785)</u>	<u>(135,785)</u>
	<u>752,483</u>	<u>641,372</u>	<u>986,437</u>	<u>764,215</u>

16a. Bank loans

The Group

The loans are repayable in quarterly instalments and are secured by fixed and floating charges over the assets of the group. One is interest bearing at a rate of 2.5% above the bank's base rate, and the other is interest bearing at a rate of LIBOR +2%.

The Company

The loan, which is repayable in quarterly instalments, is interest bearing at a rate of LIBOR + 2%. The loan is secured by fixed and floating charges over the assets of the company.

NOTES TO THE ACCOUNTS
Year ended 30 June 2004

17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
At 1 July 2003	45,007
Current year credit	(41,393)
	<hr/>
At 30 June 2004	3,614
	<hr/>

Deferred taxation relates to capital allowances in advance of depreciation.

18. CALLED UP SHARE CAPITAL

	2004	2003
Authorised		
1,750,000 ordinary shares of £0.10 each	175,000	175,000
4,238,586 cumulative redeemable preference shares of £1 each	4,238,586	4,238,586
	<hr/>	<hr/>
	4,413,586	4,413,586
	<hr/>	<hr/>
Called up, allotted and fully paid		
1,564,421 ordinary shares of £0.10 each	156,442	156,442
4,238,586 cumulative redeemable preference shares of £1 each	4,238,586	4,238,586
	<hr/>	<hr/>
	4,395,028	4,395,028
	<hr/>	<hr/>

Preference shares

The preference shares entitle the holders to receive dividends in priority to all other shareholders. The dividend is a fixed cumulative dividend of 5% per annum payable half yearly in arrears. Interest on unpaid dividends accrues at a rate of 10% per annum.

The preference shares are redeemable at par in full on 31 December 2007, or on a sale or event of default if earlier. The preference shares do not carry voting rights, but have priority over amounts receivable on a winding up or reduction in share capital.

Ordinary shares

The ordinary shareholders are not entitled to receive any dividend until a bank loan and the preference shares have been redeemed in full. They carry full voting rights, but rank behind the preference shares in a winding up or reduction in share capital.

NOTES TO THE ACCOUNTS

Year ended 30 June 2004

19. OTHER COMMITMENTS

At 30 June 2004 the group and company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within 1 year	-	-	6,910	-
Between 1 and 2 years	-	-	1,781	6,910
Between 2 and 5 years	111,148	68,270	4,732	1,781
In more than 5 years	14,042	56,417	-	-
	<u>125,190</u>	<u>124,687</u>	<u>13,423</u>	<u>8,691</u>

20. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they accrue. The charge for the year was £88,195 (2003: £42,835). At the year-end, an amount of £15,819 (2003: £nil) was outstanding.

21. RELATED PARTY TRANSACTIONS

The Group

J E Smithurst has a controlling interest in John Smithurst & Co., which supplied services to the group amounting to £60,875 (2003: £31,500) during the year. The amount owed to John Smithurst & Co. at the year-end was £7,638 (2003: £3,085).

R Ricatti, has a controlling interest in Wassen Italia SRL to whom the group supplied goods and services amounting to £427,223 (2003: £470,138). The amount owed by Wassen Italia SRL at the year-end was £214,202 (2003: £191,326).

G L Barnes has a controlling interest in Sankey Barnes Associates, which supplied services to the group amounting to £16,406 (2003: £5,812). The amount owed to Sankey Barnes Associates at the year-end was £nil (2003: £nil).