

William Ransom & Son plc
Annual Report 2008



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Financial highlights and Operational developments

Financial highlights

- Sales of £35.1m (2007: £36.5m)
- Gross margin pre exceptional items reduced to 39.6% (2007: 42.4%), post exceptional items 39.2% (2007: 42.4%)
- Suspension of Manufacturer's Licence reduced operating profit pre restructuring costs by £1m (post restructuring costs by £1.3m)
- Additional pre tax reorganisation and restructuring charges of £8.1m including goodwill impairment of £4.4m (2007: £0.3m)
- Operating profit before restructuring costs of £0.4m (2007: £4.1m). Overall operating loss of £7.7m (2007: profit £3.9m)
- Adjusted loss per share 0.39p (2007: earnings 3.28p). Overall loss per share 8.72p (2007: earnings 3.05p)
- Results reported under IFRS for first time

Operational developments

- Appointment of Ivor Harrison as Chief Executive with effect from 6 May 2008
- Board re-structure completed
- Strategic review completed and turnaround plan implemented
 - consumer product offering rationalised
 - offices and warehouse in Sandhurst and Cardiff closed
 - non-core asset disposal program initiated and divestment of Pavacol-D and Radian B has now been completed
- Manufacturing licence re-instated and output from Witham site restored
- Direct-to-Consumer collaboration, Trust William launched in September 2008

Chairman's Statement

The year to 31 March 2008 was a very challenging period for the company. Following my appointment as Chairman in October 2007 and the temporary suspension of the company's Manufacturer's Licence for the Witham facility, the Board initiated a widespread re-structuring exercise to maintain Bank support, rationalise the business and its products and to improve operational performance. Details are set out in the Operating and Financial Review.

Results

The group made an operating profit before restructuring costs of £0.4m (2007: £4.1m) and overall operating loss of £7.7m (2007: profit £3.9m). Sales for the year were £35.1m, £1.4m lower than prior year sales at £36.5m. However, the group incurred significant exceptional restructuring costs in the year. Before tax, these totalled £8.1m (2007: £0.3m) and were incurred principally as a result of the licence suspension, the decision after the year end to terminate the distribution agreement for Alateris, the fundamental re-organisation of the business which was initiated in December 2007 and a goodwill impairment of £4.4m. Financing charges for the year totalled £0.7m (2007: £0.5m).

The adjusted loss per share was 0.39p (2007: earnings 3.28p). Overall loss per share 8.72p (2007: earnings 3.05p).

Net debt at the end of the year was £6.7m (2007: £4.6m). Since the year end, the company has been in detailed negotiations with its lending bank to restructure its banking facilities. Further details are provided in the Operating and Financial Review.

Dividend

The company paid its final dividend of 1.10p for the year ended 31 March 2007 on 2 October 2007. In the light of current performance, the company will not be in a position to pay a dividend to shareholders this year. It is the board's intention to reinstate a dividend payment as soon as the financial position of the group improves.

Share suspension and future trading

At the date of this report the company's overdraft and loan facilities are repayable upon demand following the breach of the company's bank covenants as at 30 June 2008. Due to this breach significant uncertainty surrounded the company's future, hence the unqualified audit report includes an emphasis of matter regarding this uncertainty. In consultation with the London Stock Exchange, the company concluded that it was appropriate to request a suspension of dealings in the company's shares on AIM in June 2008.

Following the disposal of Radian B and subsequent reduction of the company's borrowing facilities, coupled with the good progress that continues to be made in line with the new management turnaround plan a letter of support from the company's lending bank has been provided.

These latest developments have led to an agreement with the London Stock Exchange that the suspension of the trading of the company's shares on AIM would be lifted once the annual report and accounts for the year ended 31 March 2008 had been published and the interim accounts for the period ended 30 September 2008 notified. It is expected that the interim accounts will be released by 31 December 2008 and the annual report and accounts published by 9 January 2009.

If the above matters are not completed by 9 January 2009, then the AIM listing may be cancelled.

General Meeting

On 26 November 2008, former directors of the company exercised their right as shareholders to convene a general meeting of the company to consider and, if thought fit, pass resolutions to remove the current board. A circular containing a letter from myself and notice of the resolutions to be proposed at the general meeting was posted to all shareholders on 16 December 2008. The general meeting will be held on 13 January 2009 and shareholders are urged to support the board and vote against the resolutions.

People

Tim Dye stepped down as Chief Executive on 31 January 2008 and was replaced by Iwan Williams who held the post on an interim basis until the permanent appointment of Ivor Harrison on 6 May 2008. Steve Quinn, David Wilkie and Fred Whitcomb left the Board on 31 December 2007 to pursue other business interests. At the same time Chris Clark resigned as Senior independent Non-executive Director after completing 9 years of service. I thank all of the directors who left the Board during the year for their contribution.

Ian Miscampbell has also stepped down as Finance Director and left the company on 24 October 2008. I would like to make special mention of his support during the period of transition to a new Chief Executive.

The challenges of the last twelve months have been difficult to manage. Our employees have responded with fortitude and I thank them for their efforts to improve the group's performance.

Chairman's Statement

(continued)

Outlook

The new management team under Ivor Harrison has begun the process of rationalisation that is required for the success of the business. There will be more marketing spend dedicated to fewer consumer products, positioned in strategically chosen market segments and branded in a consistent manner. This will provide opportunities to re-establish momentum within the UK consumer business. Progress is also being made to establish our Natural Products business as a supplier of choice to food and drink manufacturers and to build on the William Ransom heritage. After the disposal of Pavacol D and Radian B, steps are now being taken to divest the company's pharmaceutical contract manufacturing business.

The wider economy will not be helpful in the coming year but I believe that the new management team has the drive, expertise and imagination to turn the business around and deliver improving results.

The interim accounts for the period ended 30 September 2008 are expected to be announced by 31 December 2008.

David Suddens

Non-executive Chairman
22 December 2008



Chief Executive's Statement

I was delighted to accept the position of Chief Executive of the company in May 2008 and to take up the challenge of turning the business around after the difficulties of last year. Ransom is a company with a long history in the development of natural healthcare products and has particular expertise and understanding of the efficacy of plant extracts and other natural materials. Therefore the company is well placed to capitalise on the growing trend for health related products as consumers seek healthier, more natural products and in so doing demand effective remedies.

In the short term, however, it has been necessary to focus on debt reduction through asset disposals and cost control. At the same time it has been important to lay the foundations for business growth through management development, the introduction of new professional processes, effective brand development and communication, supported by channel and customer development plans.

Immediately on joining, I instigated a detailed strategic review covering all aspects of the company's operations. The conclusions from this review formed the basis of the turnaround plan which we are now implementing, the main features of which are:

- the simplification of the company's operations, reduction in the number of products which we support and the sale of non core brands and manufacturing operations;
- the improved management of working capital and, in particular, the reduction in the amount of stock carried in the business;
- the development of a vision and strategic framework with which we could make informed decisions. In essence we have a passion...

*To help people to help themselves
by offering products that are based on natural science
to maintain a healthy body and mind*

- a refocus of the consumer product portfolio to provide products:
 - that are as natural as possible yet still effective;
 - that are supported by evidence; and
 - that people need rather than just want, an important differentiator in more recessionary times
- the concentration on a number of key growth drivers to improve the performance of our consumer product business, including:
 - re-branding and communicating the range more effectively;

- upgrading and modernizing packaging formats;
- targeting new product development and introductions;
- focusing on the UK, and specifically growth channels while supporting the independents;
- selectively and strategically growing export markets; and
- establishing an on-line presence;
- The establishment of a management team with a proven track record, and particularly the appointment of new finance, sales, and operations directors.

I believe that this plan will deliver a smaller but more profitable and stable business and I look forward to reporting on our progress to all shareholders over the next twelve months.

Key achievements since 31 March 2008:

- development of a detailed business plan for the next 18 months to attain Bank support
- reduction in term loan from £5.75m to £3.75m following the sale of Radian B
- reduction in the overdraft facility from £2.75m to £2m
- reduction in number of product lines from 1,700 to 270
- focus on 7 core brands
- reduction of stock from £9.5m to £6.1m, which continues to reduce
- addressing loss making activities including exiting the Alateris contract with Navamedic, stopping unprofitable promotions, taking action at the Witham manufacturing facility, and reducing headcount across the business
- recruitment of experienced results driven management – finance, sales, operations directors
- introduction of new professional business processes, including new product development
- consumer research into "naturalness" and umbrella branding showing that Ransom's heritage is highly desirable.

Ivor Harrison
Chief Executive
22 December 2008

Operating and Financial Review

Overview

The group's poor performance this year resulted from external market conditions and internal operational and strategic issues. The consumer healthcare market remains an attractive segment but there has been increasing promotional pressure from most channels of distribution and, hence, a reduction in margins. The investments made to encourage retailers to stock and consumers to buy our goods did not result in higher sales. Fortunately, to offset this shortfall, exports developed significantly with particularly strong gains in the Middle East.

The company's pharmaceutical contract manufacturing operation suffered from low volumes during the first half of the year but was expected to recover on the back of new business in the pipeline. However, the temporary suspension of the Manufacturers' Licence by the Medicines and Healthcare products Regulatory Agency ('MHRA') in December set back the anticipated recovery and led to substantial losses.

The Natural Products business gained new customers in the functional food and drink sector. However difficulties in sourcing scarce raw materials, like Ipecacuanha root restricted sales in the group's traditional Far Eastern export markets.

The performance of each business unit is discussed in more detail in the relevant section below. Key performance indicators, treasury policy and the going concern statement are all disclosed in the directors' report.

Since the year end the company has been in detailed discussions with its lending bankers to ensure the adequacy of its banking facilities. These discussions, which have been constructive and which are continuing, are summarised in the financial section below.

Consumer Healthcare

UK

The trend away from the independent healthfood store sector, where the group was historically strong towards multiple grocery and pharmacy outlets has affected the UK consumer healthcare business. This has been exacerbated by the general economic slowdown. As a consequence the group has had difficulty in maintaining its position and UK sales of branded consumer healthcare products were £19.8m (2007: £21.5m).

At the beginning of the year the company launched Alateris the first licensed glucosamine product for the treatment of osteoarthritis in the UK market. This product was licensed from Navamedic ASA (Oslo: NAVA).

Following the product's launch, the National Institute for Health and Clinical Excellence issued guidance which did not support the prescription of glucosamine. As a result of the slower than expected uptake of the product, and in line with the company's revised strategy to focus on the natural 'over the counter' and consumer product sector, the board negotiated an exit from this arrangement after the financial year end, thereby avoiding the need to acquire significant additional amounts of stock. The total cost before tax of exiting this contract was £1.1m.

In August 2007 the company announced the formation of a collaboration with MDY Healthcare plc (AIM: MDY) to exploit the opportunity of selling consumer healthcare products directly to the consumer. Trust William Limited commenced trading on schedule in September 2008.

As part of the re-structuring process, the company is reducing the number of product lines which it will offer and has embarked on a process to re-brand and promote its core product range. This process has been designed to simplify the consumer healthcare business and to help it regain the ground lost in the last twelve months. The group has also closed two of the sites previously operated by the division, a warehouse and office facility in Sandhurst (December 2007) and an office in Cardiff (announced in March 2008). In addition, a retail outlet which was previously operated in Hitchin, was closed in July 2007.

Export

Exports of consumer healthcare products rose again by 28% to £7.6m (2007: £6.0m). Consumer healthcare turnover in the Middle East rose by 76%. Progress has been made with Aloe Dent in the US market and sales have also improved in the Irish and Italian markets.

Ransom Pharmaceuticals

Ransom Pharmaceuticals manufactures the company's own MHRA-licensed products as well as pharmaceuticals and over-the-counter products for third parties. Sales to third parties fell during the year to £4.7m (2007: £5.7m).

As previously reported the company's Manufacturer's Licence for the Witham facility was temporarily suspended by the MHRA in December 2007 and a small product recall of product manufactured for a third party was initiated. The suspension occurred as a result of the MHRA's concern over aspects of the company's cGMP manufacturing process and documentation. After consultation with the MHRA and following a further inspection in January 2008, the Manufacturer's Licence was reinstated. Since then the company has maintained contact with the MHRA and the site has successfully completed further re-inspections in April and October 2008. The loss of an estimated £1.8m of revenue during

Operating and Financial Review

(continued)

the busiest part of the year for the facility resulted in a £1.0m reduction in operating profit before restructuring costs for the division (£1.3m post restructuring costs).

In spite of the setbacks during the last twelve months, the company has recently been successful in gaining a significant level of new business. In particular the agreement with Forest Laboratories UK Limited for the supply of Infacol to the European market is expected to underpin an improvement in financial performance for the contract manufacturing business this year. Notwithstanding, following completion of the company's strategic review after the year end, the board concluded that the pharmaceutical contract manufacturing operation was not core to the company's future and decided it will divest it. The process of divestment is continuing.

Ransom Natural Products ('RNP')

RNP principally manufactures botanical extracts for sale to third parties and for use in finished products made by Ransom Pharmaceuticals. These extracts are typically used as active pharmaceutical ingredients by pharmaceutical companies or as nutraceutical ingredients by food and drink manufacturers. Sales to third parties were £3.0m (2007: £3.2m). Growth in the functional food and drink sector failed to fully offset a reduction in the group's traditional far eastern export markets in part caused by a shortage of scarce raw materials.

The changing regulations regarding herbal medicines continue to offer substantial opportunities across the group, and particularly for RNP as a developer and manufacturer of herbal products in a pharmaceutical environment. Under the Traditional Herbal Medicines Product Directive, companies have until 2011 to register herbal products with the MHRA. A focus for RNP is to register a range of products and to sell them to third parties and through our consumer healthcare business.

Financial

Restatement of the previous reported numbers and prior year adjustment

During the year the group determined that the corporation tax charge for the year ended 31 March 2006 had been incorrectly calculated. Following voluntary disclosure to HM Revenue and Customs, revised computations have now been prepared and submitted. The correction of the error arising in the prior period has been excluded from the income statement for the current year and an appropriate prior year adjustment, totalling £250,000 has been booked in these financial statements.

The financial performance of the group has been adversely impacted by a significant level of one-off

restructuring costs. These have been incurred in order to:

- restructure the senior management team;
- rationalise the number of lines sold by the consumer healthcare business;
- reduce the number of operational sites;
- improve the efficiency of the group's supply chain;
- target marketing resources more effectively; and
- write-off the investment in Alateris.

The process of re-structuring is well underway and the group can report significant progress to shareholders in the coming months as summarised in the Chief Executive report.

These are the first results to be presented under International Financial Reporting Standards ('IFRS'). Adoption of IFRS has resulted in a small number of changes to the basis on which results have been prepared this year and these changes are summarised below:

- adoption of impairment testing of intangible assets and goodwill as opposed to the previous treatment of routine amortisation;
- restatement of results into new presentational formats for IFRS purposes and increased levels of disclosure.

Sales for the year were £35.1m (2007: £36.5m). The profit before interest, tax and one-off costs fell to £0.4m (2007: £4.1m). The overall operating loss of £7.7m included £4.4m goodwill impairment and £3.1m of restructuring costs (2007: profit £3.9m) Finance costs for the year were £0.7m (2007: £0.5m). One-off costs for the year before tax totalled £8.1m including £4.4m goodwill impairment, this is further explained within the financial statements.

Exports accounted for 27% of sales (2007: 22%) and were ahead of 2007 levels notwithstanding the reduced level of export sales from RNP. Domestic sales fell by 10% to £25.7m. Underlying gross margin also fell in the year to 39.6% (2007: 42.4%) driven by the shortfall in profitability within the pharmaceutical contract manufacturing division and by the change in sales mix within the consumer healthcare business where lower margin exports accounted for a higher proportion of the sales achieved in the year.

Operating and Financial Review

(continued)

Pre exceptional items operating expenses rose by 19%, to £13.5m (2007: £11.3m). This increase resulted from investment to launch Alateris and to establish a new sales team to market Alateris directly to general practitioners. The company also increased its marketing and trade investment to support other products in the portfolio. Overall operating expenses rose by 85% to £21.5m (2007: £11.6m) mainly as a result of the £4.4m goodwill impairment and £3.1m reorganisation costs.

The group recorded an overall loss before tax in the year of £8.4m. These financial statements also include prior year adjustments in respect of the corporation tax liability for the year ended 31 March 2006 and of the deferred tax charge for the year ended 31 March 2007, as previously reported in the interim results for the six months ended 30 September 2007. During the year the company has been successful in agreeing the utilisation of unclaimed tax losses relating to a previously acquired business which have reduced the overall tax cost in both the current and prior periods.

The adjusted basic loss per share, excluding the impact of exceptional and restructuring costs was 0.39p (2007: earnings 3.28p). The overall loss per share was 8.72p (2007: earnings 3.05p).

Stock values at 31 March 2008 include a provision against the carrying value of lines that are currently being discontinued. Debtor days were held to 64 days (2007: 72 days) whilst trade creditor days were 75 (2007: 68 days). Capital expenditure in the year amounted to £0.4m.

Net cash outflow from operating activities was £0.8m (2007: inflow £4.4m). As a result of the reduced level of financial performance and the one-off costs noted above, the group's banking facilities came under pressure in the final quarter of the year. The company was able to successfully re-negotiate these facilities resulting in an increase in its available overdraft and deferral of repayments due on its term loan. At the end of the year the Group had net debt of £6.7m (2007: £4.6m).

In June 2008 the company breached its banking covenants. Since then the company has maintained an ongoing dialogue with its lending bankers and has operated within its banking facilities. The company has agreed a plan with its bankers to restructure its business and to reduce overall debt levels. This plan involves the reduction of working capital tied up in the business, particularly stock, and the disposal of a number of non core assets. The sale of Pavacol-D and Radian B was completed in August 2008 and December 2008 respectively. As an outcome of the above divestments and working capital improvements, the company has managed to reduce its borrowing facilities by £2.75m since March 08 with its lending bank.

Capital Management

The primary objective of the group's capital management strategy is currently to ensure that it maintains adequate banking facilities in order to support its business and to deliver the turnaround plan. The group intends to reinstate the payment of dividends to shareholders as soon as circumstances allow.

Corporate and Social Responsibility and Ethical Investor Statement

The company has a long history of Corporate Social Responsibility and receives many inquiries from customers, potential employees, local interest groups and investors with regard to its policies and practices in this area. A detailed summary of our stance in the key areas of personnel, community and environment is posted on our website, which interested parties are urged to visit, at www.williamransom.com. Our Ethical Investor Statement is also posted on the site. Through a process in which all employees participated, the company has defined a set of company values which have been adopted across the business.



Corporate Governance

Compliance

As an AIM-listed company, William Ransom & Son plc is not required to comply with the corporate governance principles contained in the Combined Code. However the company has regard to these principles and its activities in the area of corporate governance are discussed in the board's report on corporate governance below.

During the year the roles of chairman and chief executive were separated, resulting in the appointment of David Suddens as Non-executive Chairman.

The board

Biographical details of all directors are set out on page 21. The board considers David Suddens and Tim Bridge to be independent non-executive directors. Following the departure of Chris Clark on 31 December 2007, Tim Bridge was appointed as the Senior independent Non-executive Director.

The executive directors are responsible for day-to-day operational matters and for implementing the strategy set by the board. They meet with the senior management team every two weeks in a board-style format. The functions of these meetings include formulation of remuneration policy for approval by the Remuneration Committee, setting the group's annual budget and monitoring performance against it, and proposing initiatives to the board designed to meet the company's strategic objectives. Corporate risks are identified and reviewed on a regular basis.

The board's principal task is to set the corporate strategy, which is devised to deliver optimum value for shareholders. Other matters reserved for decision by the full board include the approval of the annual report and accounts, authorisation of all business acquisitions and disposals, approval of the annual budget, sanction of all major capital expenditure, the raising of equity or debt finance, investor relations and environmental policy. A pack of information, including the up-to-date financial position of the group, is distributed to all directors in advance of all board meetings, which are held at least six times per year. The board has approved delegated authority limits for executive directors and the senior management team, designed to provide the appropriate levels of control over expenditure within the business.

Procedures are in place to enable directors to take appropriate independent professional advice at the company's expense if that is necessary for the furtherance of their duties, and they have access to the advice and services of the company secretary. The board is committed to putting a process in place for training

new directors in their legal and fiduciary duties if and when it is required.

The Articles of Association require one third of the board to retire by rotation each year and for those directors appointed during the year to stand for re-election at the following annual general meeting.

Nomination committee

The nomination committee consists of the non-executive directors, David Suddens (Chairman) and Tim Bridge. The committee is responsible for the identification and nomination of suitable candidates to fill vacancies on the board. It also has a remit to review and manage the succession process for executive directors.

Remuneration committee

The remuneration committee consists of the non-executive directors, Tim Bridge (Chairman) and David Suddens. The committee is responsible for establishing and monitoring policy regarding senior management remuneration and incentivisation. In determining the policy for executive directors, the committee has given due consideration to the Combined Code. Remuneration packages are designed to attract, retain and motivate executive directors of the required calibre. The committee reviews the appropriateness of all aspects of directors' pay and benefits by taking into account remuneration packages of similar-sized companies and having access to relevant remuneration surveys.

Audit committee

The audit committee consists of the non-executive directors David Suddens (Chairman) and Tim Bridge. Its purpose is to consider any matters raised by the external auditors in connection with their work and findings, to review the scope and cost effectiveness of the audit and the independence and objectivity of the external auditors. During the year under review the committee met on two occasions and all members of the committee, as constituted at the date of the meeting, were present.

Internal control

The directors are responsible for the company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement board policies on risk management and control. It should be recognised that the company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the company's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

Corporate Governance

(continued)

There is an on-going process for identifying, evaluating and managing the significant risks faced by the company which has been in place during the year and up to the date of the approval of the annual report. This process is regularly reviewed by the senior management team and by the board and accords with the internal control guidance prepared for directors by the Turnbull Committee. The board has initiated a review of the company's risk management procedures and documentation to ensure that they are properly aligned with its operations following the business restructuring announced in December 2007.

The company operates a series of controls and the key procedures, which are designed to provide effective internal control, are as follows:

- A clearly-defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive annual planning and budgeting process undertaken by senior management and requiring board approval.
- Management information systems to monitor financial performance and other operating statistics, with a monthly review of actual against budgeted performance across all divisions.

All aspects of internal control are considered and monitored by the board. The group does not have an internal audit function. The board periodically reviews the need for such a function but has currently concluded that it is not necessary, given the current scale of activities.

The board has reviewed the effectiveness of the system of internal control in operation during the year and up to the date of this report. This process will continue annually.

Shareholder relationships

The objective of the board is to create increased shareholder value by growing the business in a way that delivers sustainable improvement in earnings over the medium and long term.

The board regards the annual general meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders both before and after the annual general meeting and on an ad hoc basis subject to normal disclosure rules.



Directors' Report

The directors submit herewith the ninety-fifth annual report and the audited financial statements for the year ended 31 March 2008. During the year the group adopted International Financial Reporting Standards ('IFRS') and these are the first set of annual results to be presented under those standards.

Principal activities

The group's principal activity is the supply of branded medicines, vitamins and food supplements, the manufacture of pharmaceutical products and the extraction of plant material for the healthcare, food and beverage industries. During the year the company established a collaboration with MDY Healthcare plc (AIM: MDY) to sell consumer healthcare products directly to consumers.

During the year the company operated through three divisions, covering its natural plant extract business, pharmaceutical contract manufacturing and its consumer healthcare sales and marketing business. A commentary on the performance of each of these divisions is contained in the Operating and Financial Review. Since the year end steps have been taken to integrate the natural plant extract and consumer businesses into a single unit, with the pharmaceutical contract manufacturing business continuing to be managed on a stand alone basis, pending its disposal.

Key performance indicators ('KPI')

	Note	2008	2007
Year on year sales growth %	1	(3.8)%	12.3%
Gross margin %	2	39.6%	42.4%
Operating margin %	3	1.2%	11.3%
Return on capital employed %	4	1.0%	9.6%

Notes to KPIs

1. Year-on-year sales growth is calculated as the percentage increase in turnover from continuing operations compared to that achieved in the previous year. Source data is taken from the audited financial statements. This measure is designed to highlight success in delivering the company's growth strategy.

2. Gross margin is calculated as the gross profit achieved in the year as a percentage of turnover from continuing operations. Source data is taken from the audited financial statements. This measure is designed to highlight the group's ability to maximise its return generated from sales, a key driver in maximising operating profit.
3. Operating margin is calculated as the profit from continuing operations before interest, tax as a percentage of turnover. Source data is taken from the audited financial statements. This measure is designed to highlight the group's ability to maximise profit available for distribution to shareholders.
4. Return on capital employed is calculated as the profit from continuing operations before interest tax as a percentage of shareholders' funds plus interest bearing long term liabilities. Source data is taken from the audited financial statements. This measure is designed to highlight the generation of overall shareholder value.

The above KPIs have been computed based on the underlying operations of the business, excluding the exceptional costs arising from the suspension of the Manufacturer's Licence at Witham and the fundamental re-structuring of the business undertaken during the year. The results were adversely impacted by the loss of revenues and profitability which resulted from the company's inability to supply product to market from its Witham facility during the year. Following the restructuring of the business and the adoption of its new strategy, the company will establish a more comprehensive suite of KPIs covering both financial and non-financial indicators, together with benchmarks based on peer group performance. The company will report more fully on both the benchmarks established for the business and performance against these targets in its next published financial statements.

Business review and future developments

A review of the development of the Group's business during the year ended 31 March 2008 and of its future prospects is contained in the Operating and Financial Review on pages 8 to 10.

Directors' Report

(continued)

Results for the year

The group loss before and after taxation is set out in the table below.

	2008	2007
	£'000	£'000
(Loss) / profit before tax and restructuring costs	(248)	3,679
Non-recurring costs	(8,125)	(269)
(Loss) / profit before tax	(8,373)	3,410
Taxation	1,009	81
(Loss) / profit after tax	(7,364)	2,576

Total retained losses carried forward at 31 March 2008 amounted to £673,000 (2007: earnings £7,672,000), this includes an impairment of £4,445,000 (2007: £nil).

Restatement of the previous reported numbers and prior year adjustment

During the year the group determined that the corporation tax charge for the year ended 31 March 2006 had been incorrectly calculated. Following voluntary disclosure to HM Revenue and Customs, revised computations have now been prepared and submitted. The correction of the error arising in the prior period has been excluded from the income statement for the current year and an appropriate prior year adjustment, totalling £250,000 has been booked in these financial statements.

Dividends

The directors do not recommend payment of a final dividend in respect of the year ended 31 March 2008.

Principal risks and uncertainties facing the group

As reported elsewhere, the group has put in place a substantial restructuring of its operations and management during the year, designed to better address the current challenges faced by the business, particularly within its consumer healthcare division. Following the breach of its banking covenants in June 2008, the company has been working in close co-operation with its lending bank to deliver a turnaround plan for the business. A key part of this plan is to dispose of non-core assets and use the proceeds to reduce bank debt.

During the year the company's Manufacturer's Licence for its Witham manufacturing facility was suspended. This suspension resulted in the loss of revenue and profit for the business during the year. The longer term impact of the suspension on the contract manufacturing customer base and its impact on the future profitability of the

Witham operation is impossible to predict. In particular any decisions taken by customers to dual source product in order to lessen their exposure to the Witham facility would result in reduced revenues in the medium term. As previously reported, the company is looking to dispose of this facility in the near future.

The group's sales of its own consumer healthcare products, and its manufacture of them for third parties, means that it is exposed to general retail market conditions where they may apply to the natural healthcare market. The continued development of export markets has reduced reliance on UK retail sales growth. Business within the recently established export markets continues to consist of a small number of significant orders and has yet to reach levels where recurring business can be forecast with certainty. Within the UK market the group remains exposed to the declining independent health food trade and to a small number of major multiple and grocery outlets, where changes to the basis of trade and decisions to list or de-list products can have a significant impact on the revenues of the business, its profitability and its cash flow generation. The group is seeking to minimise these risks by continuing to grow its export business, by establishing new channels to market in the United Kingdom including its direct to consumer collaboration and by managing its relationships with retail chains more effectively. It is also continuing to invest heavily in both the development of its consumer brands and in supporting products in store.

The company sources the majority of its consumer healthcare products from third party manufacturers. Following the establishment of a central procurement and planning function this year, steps are being taken to formalise these third party relationships into strategic supply agreements in order to provide protection against unforeseen interruptions to the supply chain and to provide a framework within which to better manage working capital.

Financial instruments

The company's financial instruments comprise borrowings, cash and various items of a working capital nature, such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the group's operations. It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are price risk, foreign currency risk, credit risk, liquidity risk and interest rate risk. The board reviews and agrees policies for managing each risk and they are summarised below.

Directors' Report

(continued)

Price risk

The group has no significant exposure to securities price risk, as it holds no listed equity investments.

Foreign currency risk

Currency risk is managed by utilisation of a mixture of currency balances in line with the group's trading profile. Approximately 14% of revenue is in US dollars or in Euros. Currency exposure on these sales is reduced through purchasing materials in Euros and through forward currency contracts. The group does not undertake speculative transactions.

Credit risk

The group's principal financial assets are bank balances, cash, and trade debtors, which represent the group's maximum exposure to credit risk in relation to financial assets.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. Where export customers are granted credit terms, credit insurance of some, or all of the balances is generally sought. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by management based on prior experience and their assessment of the current economic environment.

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

Liquidity risk

The group's policy has been to ensure continuity of funding through acquiring an element of the group's fixed assets under finance leases, and arranging funding for operations via medium-term loans and additional revolving credit facilities to aid short-term flexibility. Since 31 March 2008 the company has taken various actions to improve its working capital position to align with its revolving credit facilities headroom.

Cash flow interest rate risk

The interest rate on the bank overdraft is at market rate and the group's policy is to keep the overdraft within defined limits such that a significant change in interest rates would not have a material impact on cash flows. During the year the company re-negotiated its banking facilities to accommodate the short term increase in costs arising from the re-structuring of the business.

The board has carefully considered the interest rate risk on the term loan and concluded that it was appropriate to cover some, but not all of the interest rate risk by entering into an interest rate hedge designed to fix the interest rate exposure on a portion of the term loan.

Charitable and political contributions

Charitable and political contributions for the year amounted to £nil (2007: £nil).

Substantial shareholdings

At 16 December 2008, the company had been informed of the following interests amounting to 3% or more in the ordinary share capital of the company:

	Number of Shares	Percentage
S Quinn	11,806,929	14.0%
F Whitcomb	11,806,929	14.0%
Aviva investors	11,493,713	13.6%
Rock Nominees Limited	2,659,337	3.2%

Research and development

The group has a continuing commitment to the improvement of its existing product range and to the development of new products and during the year launched its own range of Tea Tree oil based products.

Payment of creditors

The group's policy for the year to 31 March 2008 and for the next financial year is to use its best endeavours to settle with suppliers in accordance with agreed payment terms. The average number of days credit taken from trade creditors at 31 March 2008 was 75 (2007: 68 days).

Directors' Report

(continued)

Directors

The directors who held office during the year are listed below:

D Suddens	
T Bridge	
T Dye	(resigned 31 January 2008)
C Clark	(resigned 31 December 2007)
I Miscampbell	(resigned 24 October 2008)
S Quinn	(resigned 31 December 2007)
F Whitcomb	(resigned 31 December 2007)
D Wilkie	(resigned 31 December 2007)

D Suddens was elected Non-executive Chairman on 19 October 2007. On 19 December 2007, the group announced a re-structuring of the business and the board, as a result of which C Clark, S Quinn, F Whitcomb and D Wilkie left the group on 31 December 2007. T Dye stepped down as Chief Executive and left the group on 31 January 2008.

Subsequent to the year end, on 6 May 2008, I Harrison was appointed as Chief Executive. I Miscampbell stepped down from the board and left the company on 24 October 2008.

Biographies for each of the current directors are given on page 21. The beneficial shareholdings of the directors at 31 March 2008 are set out in note 3 to the company financial statements.

In accordance with the articles, I Harrison who was appointed to the board after the last annual general meeting will offer himself for re-appointment to the board at the annual general meeting. T Bridge will retire by rotation and will also offer himself for re-appointment to the board.

Each of the executive directors has a service contract, which is subject to a maximum of one year's notice of termination. Each of the non-executive directors has been appointed for an initial period of three years, subject to a six month notice period.

Disclosure of information to auditors

At the date of making this report each of the current directors, as set out above, confirm the following:

1. so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and

2. each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Going concern

The financial statements have been prepared on a going concern basis. As reported in Note 2 to the accounts, the company is in the process of implementing a turnaround plan with the support of its lending bankers, Barclays Bank plc. At the date of this report the company's overdraft and loan facilities are repayable on demand following the breach of the company's banking covenants as at 30 June 2008. The company has subsequently breached its banking covenants as at 30 September 2008. The company's lending bankers have subsequently waived all rights in relation to the September 2008 breach.

The directors estimate that it is likely that the company will breach its banking covenants at 31 December 2008. The possible future breach has been discussed with the company's lending bank.

A key part of the turnaround plan requires the disposal of assets which are not core to the business going forwards. The company is making good progress in delivering these asset disposals and the board believes that it will successfully conclude the re-negotiation of the company's banking facilities now that the main parts of the disposal program have been completed. Continued working capital improvements and non-core asset disposals are required to meet the requirements of the lenders and to trade as a going concern going forward. In light of the above actions and the actions described elsewhere in the operating and financial review and note 2 to the financial statements, the directors consider it appropriate to adopt a going concern basis in preparing the accounts.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors of the group will be proposed at the forthcoming annual general meeting.

By order of the Board

I Harrison

Secretary
22 December 2008

Directors' Remuneration Report

Introduction

As an AIM-listed company, William Ransom & Son plc is not required to produce a Directors' Remuneration Report in accordance with part 15 of the Companies Act 2006 (Accounts and Reports). However, set out below are disclosures relating to the remuneration of directors divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

As reported elsewhere, the committee consists of:

T Bridge	(Chairman)
D Suddens	

The committee advises the board on the setting of directors' remuneration and uses comparative remuneration surveys for companies of a similar size to arrive at its recommendations.

Remuneration policy

Executive directors' remuneration packages are contained within their service agreements with the company. They are designed to attract and retain directors capable of managing the company's growth plans. Each service agreement is for an indefinite period and is subject to a maximum notice period of 12 months. The remuneration of the non-executive directors is determined by the board after comparable research. No director participates in any decision concerning his or her remuneration package.

The main components of remuneration are as follows:

Basic salary

The salary for each executive director is based on both individual performance and on information from comparative surveys. The annual salary review takes place in May each year.

Annual bonus payments

Executive directors participated in an annual bonus scheme for the year to 31 March 2008. Under the scheme, bonus payments were only awarded to directors who serve for the full year. Bonuses were awarded for above-budget corporate performance and for the achievement of clearly measurable personal objectives. In order for any bonus payments to be earned, the group is required to achieve a level of profitability in excess of market expectations. In the light of the underperformance of the business in the year and the resultant re-structuring, no bonus was awarded to I Miscampbell, the remaining executive director at 31 March 2008.

A revised scheme has been approved for the current year to incentivise the executive directors. Bonuses will be awarded solely on the basis of the delivery of a level of profitability in the current year in excess of a threshold set by the committee and are subject to an upper limit established in each director's service agreement.

Share interests and share options

Executive directors have interests in the shares of the company through a combination of direct shareholdings and share options. The share options include a performance element related to total shareholder return or growth in earnings per share.

The board believes that the combination of bonuses and share options linked to both annual results and medium term shareholder returns properly aligns the interests of shareholders and executive directors. It is the board's intention to award additional grants of share options to executive directors on approval of changes to the current option scheme rules.

Long term incentive plan ('LTIP')

The Company has an LTIP, which provides for a conditional and deferred gift of shares, subject to the achievement of performance conditions related to total shareholder returns or growth in earnings per share over a three year period from the date of grant. It is the board's intention to award additional grants of shares under the LTIP scheme to executive directors.

Pensions

During the year ended 31 March 2008, none of the directors' remuneration was pensionable. Subsequent to the year end the committee has approved changes to provide for a contributory pension scheme for executive directors. The scheme will provide for contributions to a maximum of 20% of pensionable remuneration to be paid by the company provided that the executive director has paid at least 10% of pensionable remuneration into the scheme.

Directors' Remuneration Report

(continued)

Performance graph



The chart above shows the performance of the company's share price since May 2004 compared to both the FTSE Small Cap and the FTSE Fledgling Pharma & Biotec indices up to the date that the shares were suspended. The company believes that these two indices are the most appropriate against which to benchmark its performance and that the period since March 2004 is an appropriate period over which to assess long term performance, given the changes in the structure of the group which have occurred in that time.

The share price at 31 March 2008 was 11p and during the year the high and low prices were 50p and 8.75p.

Non- executive directors

The non-executive directors have each been appointed for an initial period of three years under a fixed term contract, incorporating a notice period of six months. Their remuneration is determined by the board as a whole and is based on surveys of fees paid to non-executive directors of similar companies.

Directors' Remuneration Report

(continued)

Audited information

Directors' remuneration

	Basic Salary £'000	Bonus £'000	Benefits In kind £'000	Comp. for Loss of Office £'000	2008 £'000	2007 £'000
D Suddens	29	-	-	-	29	2
T Bridge	21	-	-	-	21	20
C Clark	15	-	-	-	15	20
T Dye	155	-	-	185	340	185
R Howard	-	-	-	-	-	329
I Miscampbell	162	-	1	-	163	14
S Quinn	121	-	-	-	121	162
F Whitcomb	121	-	-	-	121	162
D Wilkie	121	-	-	95	216	162
Total remuneration	745	-	1	280	1,026	1,056

The executive directors participate in the company bonus scheme. No bonuses were payable for the year ended 31 March 2008 (2007: £nil) because the performance criteria for the scheme were not met.

Share options

Share options are granted to executive directors to reward performance and to align more closely their rewards with the interests of the shareholders. Details of the options in issue to directors are as follows:

Approved executive share option scheme

	2007	Granted / (lapsed) during year	2008	Exercise price	Date from which exercisable	Expiry date
I Miscampbell	238,095	-	238,095	40.0p	15/03/10	14/03/17

Options granted to I Miscampbell were exercisable subject to a performance criterion requiring the average annual compound increase in the company's earnings per share over the 3 years ending 31 March 2010 to exceed 5%. No options held by directors were exercised in the year and no options lapsed during the year. The options held by I Miscampbell lapsed on his departure from the company on 24 October 2008.

Directors' Remuneration Report

(continued)

Unapproved share option scheme

	2007	Granted / (lapsed) during year	2008	Exercise price	Date from which exercisable	Expiry date
T Dye	450,000	(450,000)	-	52.5p	11/04/03	10/04/08
I Miscampbell	61,905	-	61,905	40.0p	15/03/10	14/03/17

No options held by directors were exercised during the year. Options held by T Dye lapsed on 31 January 2008 following his departure from the company. Options held by I Miscampbell were exercisable subject to a performance criterion requiring the average annual compound increase in the company's earnings per share over the 3 years ending 31 March 2010 to exceed 5%. These options lapsed on his departure from the company on 24 October 2008.

Long term incentive plan

	2007	Granted / (lapsed) during year	2008	Performance Period	Holding Period
I Miscampbell	70,000	-	70,000	3 years to 31/03/10	3 years to 31/03/13

The LTIP shares held by I Miscampbell were subject to a performance criterion. In order for the shares to vest fully at the end of the performance period the percentage growth in total shareholder return must equal or exceed the compound percentage growth in RPI plus 7% p.a. The grant of LTIP shares to I Miscampbell lapsed on 24 October 2008 on his departure from the company.

Approval

This report was approved by the board on 22 December 2008 and signed on its behalf by:

I Harrison
Secretary

Directors' Details

Executive directors



Ivor Harrison

Chief Executive, age 43. Appointed to the board in May 2008. Prior to joining the Company, Ivor had, between 2004 and 2007, previously held the position of Managing Director at Maximuscle Limited. Under his stewardship, Maximuscle Limited

significantly increased both its revenue and profits, providing for a platform to conduct a successful exit for its private equity owners. This was achieved through effective repositioning of the brand, the development of a strong management team and disciplined cost control. Prior to holding this position, Ivor had been the Group Marketing Director at Premier Foods and served on the Board of Cott Beverages Limited. In addition, he has held positions as a management consultant at Gemini Consulting, having started his career at Unilever. Ivor holds an MA and an MBA.

Non-executive directors



David Suddens

Non-executive Chairman, age 61. Appointed to the board in March 2007 and as Non-executive Chairman in October 2007. He is Chairman of the audit and nomination committees and is a member of the remuneration committee. In addition to this, David

also holds the position of Chief Executive of Griggs Group Limited, licensee to the Dr Martens footwear brand. The change that he oversaw at Griggs was subsequently voted Turnaround of the Year in 2005 by the Institute for Turnaround. Previously David held a variety of Chief Executive posts both in marketing and manufacturing organisations in the UK and Europe, including group chief executive of Dollfus Mieg & Cie, France's largest textile group and thereafter the role of chief executive for the UK publicly listed company, William Baird Plc. He has an MA and an MBA and is a member of the Institute for Turnaround.



Tim Bridge

Senior Independent Non-executive Director, age 59. Appointed to the board in April 2006. Tim was chief executive of Greene King plc from 1994 to 2005 and has been chairman since then. He is also a non-executive director of Weatherbys Ventures Ltd.

He is Chairman of the remuneration committee and is a member of the audit and nomination committees.

Statement of Directors' Responsibilities for the Financial Statements

The directors are responsible for preparing the annual report and the group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare group financial statements for each financial year which present fairly the financial position of the group and the financial performance and cash flows of the group for that year. In preparing those group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and performance; and
- state that the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Company website

The Annual Report is available on the company's website. The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent auditors' report to the members of William Ransom & Son plc

We have audited the group and parent company financial statements (the "Financial Statements") of William Ransom & Son plc for the year ended 31 March 2008 which comprise the group Income Statement, the group Statement of Recognised Income and Expense, the group and parent company Balance Sheets, the group Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as being audited.

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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the Financial Statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes the specific information presented in the Operating and Financial Review that is cross referred from the business review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises only the Director's Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Independent auditors' report to the members of William Ransom & Son plc

(continued)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the group financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Emphasis of matter – going concern

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that the financial statements are prepared on a going concern basis, which is dependent on the delivery of the company's turnaround plan, and the subsequent completion of the company's bank re-financing plans, as more fully described in the note. The company is currently progressing in line with its commitments within the turnaround plan and the lenders are continuing to support the company but there can be no certainty that the plan will be successfully delivered or that banking facilities will ultimately be available to the company on commercially acceptable terms. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability to continue as a going concern. The financial statements do not include the adjustment that would result if the company was unable to continue as a going concern.

Ernst & Young LLP

Registered auditor
Luton, England
22 December 2008

Notes:

1. The maintenance and integrity of the William Ransom & Son plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Group Income Statement

for the year ended 31 March 2008

	Notes	2008 Before exceptional items £'000	2008 Exceptional items £'000	2008 Total £'000	2007 Before exceptional items £'000	2007 Exceptional items £'000	2007 Total Restated £'000
Revenue	4	35,124	-	35,124	36,515	-	36,515
Cost of sales		(21,210)	(140)	(21,350)	(21,043)	-	(21,043)
Gross profit		13,914	(140)	13,774	15,472	-	15,472
Selling and distribution costs		(9,743)	(237)	(9,980)	(8,007)	-	(8,007)
Other Administrative expenses		(3,764)	(4,650)	(8,414)	(3,333)	(269)	(3,602)
Reorganisation expenses		-	(3,098)	(3,098)	-	-	-
Total administrative expenses	15	(3,764)	(7,748)	(11,512)	(3,333)	(269)	(3,602)
Operating (loss) / profit	4,5	407	(8,125)	(7,718)	4,132	(269)	3,863
Finance revenue	8	14	-	14	1	-	1
Finance costs	9	(669)	-	(669)	(454)	-	(454)
(Loss) / profit before taxation		(248)	(8,125)	(8,373)	3,679	(269)	3,410
Taxation credit / (expense)	10	(84)	1,093	1,009	(915)	81	(834)
(Loss) / profit attributable to equity holders of the parent		(332)	(7,032)	(7,364)	2,764	(188)	2,576
(Loss) / earnings per share:	11						
Basic earnings per share		(0.39p)		(8.72p)	3.28p		3.05p
Diluted earnings per share		(0.39p)		(8.72p)	3.27p		3.04p

The exceptional items are described more fully in note 6.

Statement of Recognised Income and Expense

for the year ended 31 March 2008

	2008 £'000	2007 £'000
(Loss) / profit from continuing operations attributable to equity holders of the parent	(7,364)	2,576
Revaluation gain on tangible fixed assets	185	-
Deferred tax on revaluation gain	(52)	-
Exchange adjustment on foreign currency retranslation	36	7
Share based payment	-	2
Net gain not recognised in the income statement	169	9
Total recognised income and expense for the year	(7,195)	2,585

Consolidated Group Balance Sheet

at 31 March 2008

	Notes	2008 £'000	2007 £'000 Restated
Non-current assets			
Property, plant and equipment	13	5,457	5,994
Investment property	14	185	-
Investment in associates	16	-	-
Intangible assets			
Software	15	14	32
Goodwill	15	22,193	26,638
Other acquired intangible assets	15	2,993	3,558
		30,842	36,222
Current assets			
Inventories	17	6,736	6,975
Trade and other receivables	18	6,593	7,669
Cash and cash equivalents	19	1,024	1,104
		14,353	15,748
Total assets	4	45,195	51,970
Current liabilities			
Trade and other payables	20	5,759	6,227
Current tax liabilities		246	1,332
Obligations under finance leases	21	51	56
Bank overdraft and loans	21	2,704	1,539
Provisions	24	876	20
		9,636	9,174
Net current assets		4,717	6,574
Non-current liabilities			
Bank loans	21	4,929	4,046
Deferred tax liabilities	22	492	583
Obligations under finance leases	21	65	68
Interest rate swap	21	53	-
		5,539	4,697
Total liabilities	4	15,175	13,871
Net assets		30,020	38,099
Equity			
Share capital	27	8,443	8,433
Share premium reserve	29	22,013	21,978
Revaluation reserve	29	185	-
Share based payment reserve	29	7	7
Translation reserve	29	45	9
Retained earnings / (losses)	29	(673)	7,672
Equity attributable to equity holders of the parent		30,020	38,099

Consolidated Group Cash Flow Statement

for the year ended 31 March 2008

	Notes	2008 £'000	2007 £'000 Restated
(Loss) / profit for the year		(7,364)	2,576
Adjustments for:			
Depreciation on property, plant and equipment	13	952	1,024
Share-based payment expense		-	2
Amortisation of intangible assets	15	50	18
Impairment of goodwill and intangible asset	15	5,013	-
Taxation (income)/expense	10	(1,009)	834
Net finance costs		655	453
Operating cash flows before movements in working capital		(1,703)	4,907
Decrease / (increase) in inventories		239	(5)
Decrease / (increase) in receivables		1,076	(53)
(Decrease) / increase in trade and other payables		(544)	271
Increase in provisions		856	-
Net movement in working capital		1,627	213
Cash (consumed) / generated by operations		(76)	5,120
Taxation paid		(196)	(299)
Interest paid		(513)	(426)
Interest element of finance lease rental payments		(7)	(11)
Interest received		14	1
Net cash from operating activities		(778)	4,385
Investing activities			
Purchase of property, plant and equipment		(443)	(796)
Disposal of property, plant and equipment		28	21
Purchase of intangible assets		(35)	-
Investment in subsidiary undertaking		-	(48)
Net cash used in investing activities		(450)	(823)
Financing activities			
Proceeds from bank loans		1,000	-
Repayment of bank loans		(500)	(1,000)
Dividends paid	12	(929)	(1,349)
Proceeds from issue of shares		45	-
Capital element of finance lease rental payments		3	(65)
Net cash from financing activities		(381)	(2,414)
Net (decrease) / increase in cash and cash equivalents		(1,609)	1,148
Net foreign exchange difference		(36)	-
		(1,645)	1,148
Cash and cash equivalents at the beginning of the year		698	(450)
Cash and cash equivalents at the end of the year	19	(947)	698

Notes to the financial statements

for the year ended 31 March 2008

1. Corporate information

The consolidated financial statements of William Ransom & Son plc ("the Company") for the year ended 31 March 2008 were authorised for issue in accordance with a resolution passed by the directors on 22 December 2008. William Ransom & Son plc is a limited company incorporated and domiciled in England and Wales. The company's ordinary shares are traded on the Alternative Investment Market (AIM), part of the London Stock Exchange.

The principal activity of the group is the supply of branded medicines, vitamins and food supplements, the manufacture of pharmaceutical products and the extraction of plant material for the healthcare, food and beverage industries.

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and derivative financial instruments which have been measured at fair value. The preparation of the financial statements requires the directors to make judgments, accounting estimates and assumptions that affect the application of policies and the reported amount of assets and liabilities, income and expenses.

The group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

Fundamental uncertainty

As a result of the downturn in trading levels, the temporary suspension of the company's Manufacturer's Licence, which has since been reinstated and the significant costs incurred in restructuring the business, the company breached its banking covenants in June 2008. Since then the company has been working closely with its lending bankers, Barclays Bank plc, to agree and implement a turnaround plan, developed after the completion of a strategic review by the Chief Executive, Ivor Harrison.

At the date of this report the company's overdraft and loan facilities are repayable on demand following the breach of the company's banking covenants as at 30 June 2008. The company has subsequently breached its banking covenants as at 30 September 2008. The company's lending bank has subsequently waived all rights in relation to September 2008 breach.

The directors estimate that it is likely that the company will breach its banking covenants for December 2008. The possible future breach has been discussed with the company's lending bank.

A key element of the plan is the disposal of assets which are not core to the company's operations in the future, with the disposal proceeds being used to reduce the overall level of bank debt, various other actions are being taken in order to improve the working capital position of the company. Pending completion of the asset disposal process and the agreement of new facilities, the company's term loan and overdraft facilities remain repayable on demand. The directors believe, based on their discussions with the company's lenders, who have also provided a letter of support that sufficient facilities will be forthcoming if the business continues to perform in line with the management turnaround plan agreed with the company's lenders.

Since June 2008 the company has been engaged in a process to dispose of manufacturing assets and brands, in line with the agreed plan. The first brand to be sold was Pavacol-D, in August 2008 and Radian B was sold in December 2008. The above disposals and working capital improvements enabled the company to reduce its borrowing facilities by £2.75m.

The directors have also prepared forecasts for the business for the period to March 2010 on the basis of the above asset disposals and residual future disposals. These forecasts reflect the best estimates which the company can make concerning the impact of general consumer confidence in the healthcare sector and the company's specific exposure to different sales channels within the business.

Following discussions with the company's lending bank and based on the company's financial performance to date and the financial performance shown by the company's forecasts, the directors believe that there is a reasonable prospect that the company will be able to agree new banking facilities with its lending bank in the near future. Stability and the retention of key personnel is fundamental to the implementation of the plan and to the company's recovery.

Notes to the financial statements

for the year ended 31 March 2008

2. Basis of preparation (continued)

The directors have therefore identified and considered the following uncertainties:

- whether the company will be able to agree facilities going forward
- whether the company will be able to meet its turnaround plan
- whether the company will be able to improve the performance of non profitable divisions in accordance with the above turnaround plan
- whether the company will be able to divest of further non core assets required to meet its turnaround plan.

Further more on 26 November 2008 former directors and shareholders of the company exercised their right to convene a general meeting of the company to consider and, if thought fit, pass resolutions to remove the current board. A general meeting will be held on 13 January 2009 in accordance with the above requisition

All of the above factors give rise to a material uncertainty which may cast significant doubt upon the ability of the company to continue as a going concern.

Having carefully considered these uncertainties the directors are satisfied that the cash flow forecasts have been properly prepared and demonstrate that the company can meet its liabilities as they fall due in line with the proposed debt structure for the foreseeable future. On this basis they believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustment to the balance sheet intangible or tangible fixed assets, the reclassification of long term liabilities or provision for further liabilities that may be required should the company be unable to agree new facilities with its bankers. If this were the case then the going concern basis of accounting may not be appropriate.

Statement of compliance

The annual report and accounts have been prepared using accounting policies consistent with International Financial Reporting Standards ('IFRS'), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 1985 that apply to companies reporting under IFRS. This annual report is the first to be prepared under IFRS.

Basis of consolidation

For all periods up to and including the year ended 31 March 2007, the group prepared its financial statements in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). UK GAAP differs in a number of areas from IFRS. In preparing the group's annual report and accounts for the year ended 31 March 2008, the directors have amended certain accounting, valuation and consolidation methods applied in the UK GAAP financial statements. The comparative figures in respect of 2007 were restated to reflect these adjustments and are documented in the group's interim financial statements for the six months ended 30 September 2007.

The effect of transition from UK GAAP to IFRS on the group's profit, net assets and cash flows are provided in the numerical reconciliations and narrative statements in note 35 to the consolidated financial statements.

All entities for which the group has the power to govern the financial and operating policies are considered to be subsidiaries. Subsidiaries are fully consolidated from the date on which control is established by the group. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The interests of minority shareholders are stated at the minority's proportion of the fair values of the recognised assets and liabilities. Any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Entities for which the group does not have the power to govern the financial and operating policies, but where the group does exercise significant influence, are considered to be associates. Associates are accounted for in accordance with IAS 28 *Investments in Associates* using the equity method. The financial statements recognise the group's share of the net assets of the associate and its share of the profits generated by the associate. Where the associate sustains losses and the group's proportion of those losses is higher than its original investment, such excess losses are held in a memorandum account rather than being charged to the income statement.

Notes to the financial statements

for the year ended 31 March 2008

2. Basis of preparation (continued)

Changes in accounting policy and disclosure

The accounting policies adopted are consistent with those of the previous year except as set out below. During the year the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC') have issued the following standards and interpretations, which are relevant to the group's financial statements, with an effective date relating to the accounting periods starting on or after the effective dates referred to below:

International Accounting Standards (IAS/IFRS)	Issue date	Effective date
IFRS 2 <i>Share-based Payment (revised)</i>	January 2008	1 January 2009
IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	May 2008	1 July 2009
IFRS 8 <i>Operating Segments</i>	November 2006	1 January 2009
IAS 1 <i>Presentation of Financial Statements (revised)</i>	September 2007	1 January 2009
IAS 16 <i>Property, Plant and Equipment (revised)</i>	May 2008	1 January 2009
IAS 19 <i>Employee Benefits (revised)</i>	May 2008	1 January 2009
IAS 23 <i>Borrowing Costs (revised)</i>	March 2007	1 January 2009
IAS 27 <i>Consolidated and Separate Financial Statements</i>	May 2008	1 January 2009
IAS 28 <i>Investment in Associates</i>	May 2008	1 January 2009
IAS 32 <i>Financial Instruments</i>	May 2008	1 January 2009
IAS 36 <i>Impairment of Assets</i>	May 2008	1 January 2009
IAS 38 <i>Intangible Assets</i>	May 2008	1 January 2009
IAS 40 <i>Investment Property</i>	May 2008	1 January 2009
IFRIC		
IFRIC 10 <i>Interim Financial Reporting and Impairment</i>	July 2006	1 November 2007
IFRIC 13 <i>Customer Loyalty Programmes</i>	June 2007	1 July 2008
IFRIC 14 <i>The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	July 2007	1 January 2008

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial adoption.

Upon adoption of IFRS 7 *Financial Instruments Disclosures*, the group has to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the group is required to disclose the fair value of its financial instruments and its risk exposure in greater detail. The directors do not anticipate any effect on reported income or net assets.

Significant accounting judgments, estimates and assumptions

The preparation of the group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability at a future date.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

Notes to the financial statements

for the year ended 31 March 2008

2. Basis of preparation (continued)

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 15.

b. Share-based payments

The group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date on which they are granted. Estimating fair value requires the determination of the most appropriate valuation model for a grant of equity instruments. This is dependent on the terms and conditions of the grant. It also requires determination of the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used in determining the fair value of share-based payments are disclosed in note 28.

c. Provisions

The group measures the cost of corporate restructuring using third party estimates of future liabilities. Due to the uncertainty of these liabilities such estimates are subject to significant uncertainty. The corporate restructuring liability at 31 March 2008 is £525,000 (2007: £20,000).

3. Accounting policies

Foreign currencies

The results of overseas subsidiaries have been translated into sterling using the following method. The income statement has been translated at the average rates for the respective periods. The total equity has been translated at the relevant period end rates. On consolidation, the assets and liabilities of the group's overseas operations, including goodwill and fair value adjustments arising on the acquisition of a foreign entity, are translated at the relevant period end exchange rates. Exchange differences arising are recognised directly in the group's translation reserve.

The principal exchange rates used were as follows:

	US\$	Euro
Average for the year ended 31 March 2007	1.949	1.472
Closing rate at 31 March 2007	1.962	1.475
Average for the year ended 31 March 2008	1.998	1.434
Closing rate at 31 March 2008	1.987	1.254

Other transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date. All differences are taken to the income statement except for differences in monetary assets and liabilities that form part of the group's net investment in a foreign operation.

Investment in an associate

The group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post acquisition changes in the group share of net assets of the associate. Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill arising on acquisition of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Notes to the financial statements

for the year ended 31 March 2008

3. Accounting policies (continued)

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The group has taken advantage of the transition provisions of IFRS 3 *Business Combinations*. Goodwill arising on acquisitions prior to 1 April 2006 was amortised in previous periods and was carried in the balance sheet at cost less accumulated amortisation. Such goodwill is now carried in the balance sheet at the amortised value less any subsequent provision for impairment.

Intangible assets - finite useful life

Patents, licences, and trademarks are accounted for at cost. Where such items have a finite useful life they are carried at cost less accumulated amortisation.

Other intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of assets over their estimated useful lives as follows:

Computer software	3-5 years
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Intangible assets - indefinite useful life

Intangible assets that have an indefinite useful life, including trademarks are not subject to amortisation and are tested annually for impairment and whenever events or circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to amortisation are tested for impairment when events or a change in circumstance indicates that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is determined as the higher of the asset's fair value less costs incurred on disposal, and the value of the asset in use. For the purpose of assessing impairments, assets are grouped at the lowest levels for which there are identifiable cash flows (cash generating units).

The cost of intangible assets acquired in a business combination is the fair value of the assets at the date of acquisition.

Research and development

Research and development expenditure is recognised as an expense in the period in which it is incurred unless it meets the criteria for capitalisation under IAS 38 *Intangible Assets*.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise.

Property plant and equipment

All property other than investment property, plant and equipment is shown at cost less subsequent depreciation and impairment. Cost includes all expenditure which is attributable to the acquisition of the items. Depreciation on assets is calculated using the straight-line method to reduce the carrying value of each asset to its residual value over its estimated useful life, as follows:

Buildings	25 years
Plant and machinery	3 to 20 years
Motor vehicles	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment annually or if events or changes in circumstances indicate the carrying value may not be recoverable. Where adjustments are required these are made prospectively.

Notes to the financial statements

for the year ended 31 March 2008

3. Accounting policies (continued)

An item of property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of an asset is included in the income statement in the period of de-recognition.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception date, of whether the fulfilment of the arrangement is dependant on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Assets held under finance leases, which transfer to the group substantially all of the risks and benefits of ownership are depreciated over their expected useful lives on the same basis as owned assets. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly through the income statement as borrowing costs. Leases where the lessor retains a significant proportion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. The cost of raw materials, consumables and goods for resale is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises raw material purchase cost, direct labour and manufacturing overheads and packing material costs, recovered using the group's standard costing model, based on a normal level of activity, excluding borrowing costs. Net realisable value is based on the expected sales price less all estimated costs to completion and disposal.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less a provision for irrecoverable amounts. Provision is made when there is evidence that the group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand. For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date. The actual tax paid on profits is determined based on tax laws and regulations that differ across the jurisdictions in which the group operates. Assumptions are made in applying the laws to the taxable profits in any given period. Where the eventual tax paid or reclaimed is different to the amounts originally estimated, the difference will be charged or credited to the income statement in the period in which it is determined.

Full provision is made for deferred tax on temporary differences resulting from the carrying value of an asset or liability and its tax base. Deferred tax assets are recognised to the extent that it is probable that the deferred tax asset will be recovered in the future. Assumptions are made as to the recoverability of tax assets especially as to whether there will be sufficient future taxable profits in the same jurisdictions to fully utilise losses in future years.

Derivative financial instruments

The group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with foreign currency and interest rate fluctuations. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. While these are economic hedges, hedge accounting is not applied.

Trade and other payables

Trade and other payables are stated at amortised cost.

Notes to the financial statements

for the year ended 31 March 2008

3. Accounting policies (continued)

Vacations, holidays and other short term compensated absences

Accumulating compensated absences are those that are carried forward and can be used in future periods if the current period's entitlement is not used in full. The group has measured the expected cost of providing for accumulating compensated absences at the amount that it expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. The same principle has been applied at all reporting dates.

Pension obligations

The group operates defined contribution pension schemes which cover the majority of employees. The group has no further payment obligations once the contribution has been made. Contributions are accounted for as an employee benefit and are charged to the income statement when they are contractually due. The assets of the scheme are held separately from those of the group in independently administered funds.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Share based payments

Share based incentive arrangements are provided to management and certain employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted or the effective date of adoption of IFRS 2 *Share-based Payments*. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award. Fair value is determined using the Black-Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired, management's best estimate of the achievement or otherwise of non-market conditions, and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement with a corresponding entry in equity. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the date of cancellation or settlement is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Revenue recognition

Revenue comprises amounts invoiced for the sale of goods to customers outside the group less an appropriate deduction for actual and expected returns and discounts and is stated net of Value Added Tax and other sales taxes or duty.

Revenue comprises sales to third parties at invoiced amounts, with the majority of sales being priced 'ex-works'. Amounts billed to customers for shipping and handling is classed as revenue where the group is responsible for carriage, insurance and freight. All shipping and handling costs incurred by the group are recognised as operating costs.

Notes to the financial statements

for the year ended 31 March 2008

3. Accounting policies (continued)

Revenue is recognised on individual sales where persuasive evidence exists indicating that all of the following criteria have been met:

- the significant risks and rewards of ownership of the product have been transferred to the buyer
- neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods has been retained
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the sale will flow to the group
- the costs incurred or to be incurred regarding the sale can be measured reliably.

These conditions are satisfied when title passes to the customer. Where the group delivers on a cost, insurance and freight basis, revenue is recognised when the product is delivered to the destination specified by the customer, which is typically the destination port or the customer's premises.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and when all related conditions have been met, usually on submission of a valid claim for payment. Government grants of a revenue nature are credited to the income statement so as to match them with the expenditure to which they relate.

Finance costs

Borrowings are recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing liabilities are subsequently remeasured at amortised cost using the effective interest rate.

Exceptional items

The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, to facilitate comparison with prior periods and a better understanding of trends in financial performance.

Financial risk management

The group holds financial instruments to finance its operations and to manage the currency and interest rate risks that arise from these operations. It is the group's policy that no speculative trading in financial instruments shall be undertaken. The group finances its operations through a combination of equity, and debt. The main risks arising from the group's financial instruments are liquidity risk, foreign currency risk, interest rate risk, credit and price risk. The group's approach to managing these risks is set out in the Directors' Report on pages 13 to 16.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the group becomes party to the related contracts and are measured initially at the fair value of consideration received, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Notes to the financial statements

for the year ended 31 March 2008

4. Segmental information

For management purposes the group is currently organised into three operating divisions and a corporate head office. The three operating divisions are:

Consumer Healthcare	Operations located in UK, Ireland and Italy.	Sale of consumer branded healthcare products.
Pharmaceutical	Operations located in the UK	Manufacture of the group's own MHRA licensed products and licensed pharmaceutical and over-the-counter products for third parties.
Natural Products	Operations located in the UK	Manufacture of botanical extracts used as ingredients by the Pharmaceutical division and sold to third parties. Such extracts are used both as active pharmaceutical ingredients and as nutraceuticals.

These divisions reflect the group's management and internal reporting structure during the year under review.

Notes to the financial statements

for the year ended 31 March 2008

4. Segmental information (continued)

	2008 £'000	2007 £'000 Restated
Primary segment		
Third Party Revenue		
Consumer Healthcare	27,371	27,550
Pharmaceutical	4,705	5,728
Natural Products	3,048	3,237
Group revenue	35,124	36,515
Inter-segment revenues		
Consumer Healthcare	-	-
Pharmaceutical	2,107	527
Natural Products	455	207
Eliminations	(2,562)	(734)
Inter-segment revenue	-	-
Operating (loss) / profit		
Consumer Healthcare	(3,584)	4,780
Pharmaceutical	(1,283)	126
Natural Products	202	529
Corporate head office	(3,053)	(1,572)
Group operating (loss) / profit	(7,718)	3,863
Total assets		
Consumer Healthcare	35,738	42,084
Pharmaceutical	4,750	4,974
Natural Products	4,247	4,406
Corporate head office	460	506
Group total assets	45,195	51,970
Total liabilities		
Consumer Healthcare	3,774	5,475
Pharmaceutical	983	1,060
Natural Products	552	600
Corporate head office	9,866	6,736
Group total liabilities	15,175	13,871

Notes to the financial statements

for the year ended 31 March 2008

4. Segmental information (continued)

	2008 £'000	2007 £'000 Restated
Property, plant and equipment		
Consumer Healthcare	110	354
Pharmaceutical	316	386
Natural Products	10	74
Corporate head office	7	12
Total property, plant and equipment additions	443	826
Intangible asset additions		
Consumer Healthcare	-	600
Corporate head office	35	-
Total intangible asset additions	35	600
Depreciation		
Consumer Healthcare	156	173
Pharmaceutical	408	432
Natural Products	286	286
Corporate head office	102	133
Total depreciation	952	1,024
Amortisation		
Consumer Healthcare	38	6
Corporate head office	12	12
Total amortisation	50	18
Secondary segment		
Revenue		
United Kingdom	25,693	28,444
Europe, excluding United Kingdom	4,232	3,800
Asia and Middle East	3,888	3,127
Africa	96	388
Australasia	483	359
Americas	732	397
Group revenue	35,124	36,515

Notes to the financial statements

for the year ended 31 March 2008

4. Segmental information (continued)

	2008 £'000	2007 £'000 Restated
Total assets		
United Kingdom	44,242	50,843
Europe excluding United Kingdom	953	1,127
Group total assets	45,195	51,970
Total liabilities		
United Kingdom	14,680	13,495
Europe excluding United Kingdom	495	376
Group total liabilities	15,175	13,871
Property, plant and equipment additions		
United Kingdom	391	822
Europe excluding United Kingdom	52	4
Total property, plant and equipment additions	443	826
Intangible asset additions		
United Kingdom	35	600
Depreciation		
United Kingdom	937	1,016
Europe excluding United Kingdom	15	8
Total depreciation	952	1,024
Amortisation		
United Kingdom	47	12
Europe excluding United Kingdom	3	6
Total amortisation	50	18

The group does not actively manage its business on a geographical basis and accordingly does not analyse operating profit on that basis.

5. Operating (loss) / profit and auditors' remuneration

5a. Operating (loss) / profit

	2008 £'000	2007 £'000
Operating profit is state after charging/ (crediting):		
Depreciation of property, plant and equipment	952	1,024
Amortisation of intangible assets	50	18
Impairment of intangible assets	4,445	-
Research and development costs expensed in the year	8	23
Operating leases – plant & machinery	172	71
Operating leases – land & buildings	667	567

Notes to the financial statements

for the year ended 31 March 2008

5b. Auditors' remuneration

The group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the group.

	2008 £'000	2007 £'000
Group: audit of the financial statements	40	42
Company: audit of the financial statements	20	20
	60	62
Other fees to auditors		
Taxation services	34	18
Other assurance services	25	-
	119	80

6. Exceptional items

The group has incurred exceptional costs in the year associated with the loss of the Manufacturer's Licence at the Witham facility and with the fundamental restructuring of the business. These costs are analysed as follows:

	2008 £'000	2007 £'000
Recognised in loss attributable to equity holders of the parent:		
Licence impairment - Alateris	568	-
Inventory provisions	1,088	-
Restructuring – closure of sites	254	-
Goodwill impairment	4,445	-
Corporate and other restructuring	1,433	269
Manufacturing licence loss	337	-
Tax impact of exceptional items	(1,093)	(81)
	7,032	188

Licence impairment

As part of the strategic review undertaken by the group after the year end, the board negotiated an exit from the contract to distribute Alateris in the United Kingdom. As a consequence, these financial statements reflect the full exit costs, including the impairment of the licence and the write off of stock.

Inventory provisions

Having concluded the strategic review of product lines, the directors implemented a policy of reducing the number of products sold by the consumer healthcare division in order to focus the efforts and resources of the group on its core profitable stock lines. A specific provision has been established against individual stock lines which have been discontinued, to write those lines down to their estimated realisable value and to provide for the Alateris stock following the decision to discontinue distribution of the product.

Restructuring – closure of sites

The group closed its Sandhurst warehouse and office in December 2007 and announced the closure of its Cardiff office in March 2008. This has allowed the group to simplify its operation and to develop a centralised organisation based at its Hitchin head office. Costs associated with the closures relate to redundancy of personnel and termination of the premises leases.

Corporate and other restructuring

As part of the fundamental restructuring of the business, costs have been incurred in restructuring the board, in the provision of interim management resource and in recruiting the new management team.

Notes to the financial statements

for the year ended 31 March 2008

6. Exceptional items (continued)

Restructuring – closure of sites

The group closed its Sandhurst warehouse and office in December 2007 and announced the closure of its Cardiff office in March 2008. This has allowed the group to simplify its operation and to develop a centralised organisation based at its Hitchin head office. Costs associated with the closures relate to redundancy of personnel and termination of the premises leases.

Corporate and other restructuring

As part of the fundamental restructuring of the business, costs have been incurred in restructuring the board, in the provision of interim management resource and in recruiting the new management team.

Goodwill impairment

After carefully estimating the carrying value of the goodwill at the balance sheet date, the book value was identified as being impaired. Consequently the book value of the goodwill was reduced by £4.4m to reflect the carrying value as at the balance sheet date as more fully disclosed in note 15.

Manufacturing licence loss

The group has incurred specific costs in relation to the loss of the Manufacturer's Licence at Witham. These costs include the costs of disposing of inventory, legal and consultancy costs incurred in dealing with the MHRA and provision for the costs of the product recall incurred by a customer.

7. Staff costs and directors' emoluments

Staff costs for the group were as follows:

	2008 £'000	2007 £'000
Wages and salaries	5,890	5,947
Social security costs	621	589
Pension costs – defined contribution	147	157
Compensation for loss of office	280	198
Cost of employee share scheme	-	7
	6,938	6,898

The average monthly number of employees was as follows:

	2008 No.	2007 No.
Administration	113	118
Production	105	108
	218	226

Directors' remuneration is disclosed in the Directors' Remuneration Report on Page 17.

8. Finance revenue

	2008 £'000	2007 £'000
Bank interest receivable	14	1

Notes to the financial statements

for the year ended 31 March 2008

9. Finance costs

	2008 £'000	2007 £'000
Bank loans and overdrafts	601	426
Amortisation of loan cost	8	17
Hire purchase interest payable	7	11
Unrealised loss on interest rate swap	53	-
Total finance costs	669	454

10. Taxation

The major components of taxation income/(expense) are:

	2008 £'000	2007 £'000 Restated
Current taxation:		
UK corporation tax credit / (charge)	831	(1,034)
Foreign tax	(30)	(19)
Current taxation credit / (charge)	801	(1,053)
Adjustments in respect of current taxation of previous year	86	147
<i>Deferred tax:</i>		
Relating to origination and reversal of temporary differences	122	72
Taxation credit / (expense) reported in the income statement	1,009	(834)
Deferred taxation related to items charged or credited directly to equity:		
Net gain on retranslation of overseas assets	22	-
Net gain on revaluation of land and buildings	(52)	-
Taxation credit / (expense) reported in equity	979	(834)

Notes to the financial statements

for the year ended 31 March 2008

10. Taxation (continued)

Total taxation reconciliation:

The taxation expense in the income statement for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2007: 30%). The differences are reconciled below:

	2008 £'000	2007 £'000 Restated
Accounting (loss) / profit before income tax	(8,373)	3,410
At the UK statutory income tax rate of 30% (2007:30%)	(2,512)	1,023
Expenses not deductible for tax purposes	1,410	1
Adjustments for differences on overseas earnings	(29)	(27)
Unrecognised tax losses	147	-
Tax overprovided in previous years	(86)	(147)
Impact of reduction in future tax rate	(31)	-
Prior year adjustment to deferred tax	96	26
Other differences	(5)	(42)
Total tax (income) / expense reported in the consolidated income statement	(1,009)	834

The financial statements include a prior year adjustment in respect of the tax liability for the year ended 31 March 2006. As a result of resubmission of computations to HM Revenue and Customs for that year, the group has an additional liability for corporation tax of £250,000, which has been provided for within opening reserves. As a consequence of the resubmission, the group should have been reclassified as a Large Company for tax purposes with effect from April 2005. Payments should therefore have been made for the year ended 31 March 2007 under the quarterly instalment regime. The delay in settling the tax liabilities for each of the years ended 31 March 2006 and 2007 has resulted in an interest charge for late payment. The results for the year ended 31 March 2008 contain a provision of £100,000 in this regard.

Change in Corporation Tax Rate

The UK corporation tax rate decreased from 30% to 28% from 1 April 2008. The deferred taxation balance as disclosed in note 22 has been adjusted in the current year to reflect this change.

Notes to the financial statements

for the year ended 31 March 2008

11. Earnings per share

The calculation of earnings per share is based on the profit on ordinary activities after taxation and the weighted average number of ordinary shares of the company.

	2008 No.	2007 No.
Weighted average number of shares:		
For basic earnings per share	84,410,207	84,335,207
Outstanding share options	-	265,833
For diluted earnings per share	84,410,207	84,601,040
	£'000	£'000 Restated
(Loss) / profit attributable to equity holders before exceptional items	(332)	2,764
Exceptional items	(7,032)	(188)
	(7,364)	2,576
	p	P
Earnings per share		
Basic (loss) / earnings per share	(8.72)	3.05
Diluted (loss) / earnings per share	(8.72)	3.04
Adjusted earnings per share		
Basic (loss) / earnings per share	(0.39)	3.28
Diluted (loss) / earnings per share	(0.39)	3.27

The above table shows overall earnings per share, and the earnings per share adjusted to exclude the impact of exceptional costs in the year under review.

12. Dividends

The Company paid a final dividend of 1.1p per share in respect of the year ended 31 March 2007, on 2 October 2007.

	2008 £'000	2007 £'000
Equity dividends on ordinary shares declared and paid during the year:		
Final dividend paid 1.1p per share (2007: 1.1p)	929	928
Interim dividend paid 0.0p per share (2007: 0.50p)	-	421
	929	1,349

Notes to the financial statements

for the year ended 31 March 2008

13. Property, plant and equipment

	Land and Buildings £'000	Plant and Equipment £'000	Total £'000
Cost or Valuation:		14	1
At 1 April 2006	-	9,426	9,426
Additions	-	826	826
Disposals	-	(162)	(162)
At 31 March 2007 and 1 April 2007	-	10,090	10,090
Additions	-	443	443
Revaluation	185	-	185
Disposals	-	(313)	(313)
Transfer to investment property	(185)	-	(185)
At 31 March 2008	-	10,220	10,220
Depreciation and impairment:			
At 1 April 2006	-	(3,213)	(3,213)
Provided in the year	-	(1,024)	(1,024)
Eliminated on disposals	-	141	141
At 31 March 2007 and 1 April 2007	-	(4,096)	(4,096)
Provided in the year	-	(952)	(952)
Eliminated on disposals	-	285	285
At 31 March 2008	-	(4,763)	(4,763)
Net book value:			
At 31 March 2008	-	5,457	5,457
At 31 March 2007	-	5,994	5,994
At 1 April 2006	-	6,213	6,213

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 March 2008 was £122,000 (2007: £84,000). Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

14. Investment property

Current taxation reconciliation:

The taxation expense in the income statement for the year is different from the standard rate of corporation tax in the United Kingdom of 30% (2007: 30%). The differences are reconciled below:

	2008 £'000	2007 £'000
Fair value	185	-

As a result of the closure of a retail unit on 31 July 2007, the company has reviewed the treatment adopted in respect of the unit and has concluded that it should be classified as an investment property. Prior to this reclassification, the unit was revalued due to capital appreciation as a fixed asset within freehold land and property. When an owner occupier property is transferred to investments any difference between fair value and the carrying amount is recorded in equity and not the income statement.

The fair value of the property has been arrived at on the basis of a final offer from a third party received on November 2008, in line with third party valuation. The group has pledged all investment property by way of a debenture granting fixed and floating security over all assets of the group as security for the group's banking facilities.

Notes to the financial statements

for the year ended 31 March 2008

15. Intangible assets

	Development Costs £'000	Patents and licences £'000	Goodwill £'000	Software £'000	Total £'000
Cost:					
At 1 April 2006	36	3,782	28,562	179	32,559
Additions	-	600	-	-	600
Adjustment to goodwill	-	-	48	-	48
At 31 March 2007 and 1 April 2007	36	4,382	28,610	179	33,207
Additions	-	35	-	-	35
At 31 March 2008	36	4,417	28,610	179	33,242
Depreciation and impairment:					
At 1 April 2006	(36)	(824)	(1,972)	(129)	(2,961)
Amortisation during the year	-	-	-	(18)	(18)
At 31 March 2007 and 1 April 2007	(36)	(824)	(1,972)	(147)	(2,979)
Amortisation during the year	-	(32)	-	(18)	(50)
Impairment during the year	-	(568)	(4,445)	-	(5,013)
At 31 March 2008	(36)	(1,424)	(6,417)	(165)	(8,042)
Net book value:					
At 31 March 2008	-	2,993	22,193	14	25,200
At 31 March 2007	-	3,558	26,638	32	30,228
At 1 April 2006	-	2,958	26,590	50	29,598

Patents and licenses consist of intangible assets acquired through business combinations. These intangibles are valued using the cost model at **£25,296,000 (2007: £36,128,000, 2006: £36,080,000)**. With the exception of the Alateris license these assets have indefinite useful lives, as they relate to the group's marketed brands. Licenses have been granted for a minimum of 10 years with the option of renewal based on whether the Group meets performance targets during the initial term. Because similar licenses have been successfully renewed in the past, the Group has concluded that these assets have an indefinite useful life. The full cost of the Alateris license has been provided for in these financial statements as a result of the decision to terminate the license agreement taken shortly after the year end.

After carefully estimating the carrying value of the goodwill at the balance sheet date, the book value was identified as being impaired. Consequently the book value of the goodwill was reduced by £4.4m to reflect the carrying value as at the balance sheet date. The directors have re-evaluated the financial assumptions used and the present value of the cash flow of the cash generating unit.

With effect from 1 April 2006, the date of transition to IFRS, goodwill was no longer amortised but is now subject to annual impairment testing. Value in use is calculated as the net present value of the projected risk-adjusted cash flows of the cash generating unit to which goodwill is allocated. The cash flow projections are based on business plans approved by management which cover a period of 10 years. The discount rate applied may vary depending on the risk profile of the asset being valued but is 12.0% (2007: 7.2%) which is the Group's average pre-tax discount rate derived from a capital asset pricing model.

The directors are of the view that the business plan should reflect 10 years forecast due to the following reasons:

1. The sales and margins can be reasonably estimated and forecasted as there is constant demand for these products
2. Costs of sales can be reliably estimated due to long term agreements with limited number of suppliers
3. The business model based on 10 years period which is the license period.

Notes to the financial statements

for the year ended 31 March 2008

15. Intangible assets (continued)

The key assumptions for the value in use calculations are those regarding the launch dates of products employing these technologies, their long term growth rates, the discount rate used and the period over which the cash flows are projected. The assumptions made reflect past experience, market research and expectations of future market trends.

Impairment of goodwill and intangibles with indefinite lives

Goodwill acquired through business combinations and patents and licenses have been allocated for impairment testing purposes to the consumer healthcare cash generating unit, which is also a reportable segment. This represents the lowest level in the group at which goodwill is monitored for internal management purposes.

The recoverable amount of the consumer healthcare unit has been determined based on a value in use calculation using cash flow projections over a period of ten years based on financial forecast approved by the board for the initial two-year period. The discount rate applied to cash flow projections is 12.0% (2007: 7.2%) and cash flows beyond the two-year forecast are extrapolated using a declining growth rate from 5% to 1% (2007: 2%).

a. Key assumptions used in value in use calculations

The calculation of value in use for the healthcare division unit is most sensitive to the following assumptions:

- gross margin
- discount rates
- growth rate used to extrapolate cash flows beyond the forecast period.

Gross margins are based on average values achieved in the two years preceding the start of the budget period. These are increased during the long term forecast period as a result of efficiencies achieved during the forecast period.

Discount rates reflect management's estimate of which is the Group's average pre-tax discount rate derived from a capital asset pricing model adjusted to current market conditions.

Growth rate estimates are based on published industry research and management expectation that the healthcare division will increase its product distribution to existing and new customers.

b. Sensitivity to changes in assumptions

There are reasonable possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. These are discussed below.

- gross margin assumptions – a reduction of 1% in projected gross margin during the forecast period would result in a further impairment charge of £1.1 million
- discount rates – an increase of 1% in the assumed discount rate during the projections period would result in a further impairment charge of £1million
- growth rate assumptions – a reduction of 1% in the forecasted growth rate during the projection period will result in a further impairment charge of £1.5million. .

Notes to the financial statements

for the year ended 31 March 2008

16. Investments

The table below provides details of all group undertakings.

Directly and indirectly owned:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of Business
Health Perception (UK) Limited	Ordinary shares	100%	Non-trading
Optima Health (Ireland) Limited	Ordinary shares	100%	Distribution of healthcare products
Optima Italia s.r.l.	Ordinary shares	98%	Distribution of healthcare products
Optima Healthcare Limited	Ordinary shares	100%	Non-trading
Optima Health and Nutrition Limited	Ordinary shares	100%	Non-trading
Arheumacare Limited	Ordinary shares	100%	Non-trading
Amerigo Limited	Ordinary shares	100%	Non-trading
Menolife Limited	Ordinary shares	100%	Non-trading
Kordel Limited	Ordinary shares	100%	Non-trading

Associate:

Trust William Limited	Ordinary shares	50% voting rights and 20% shares held	Distribution of healthcare products
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All of the above are incorporated in the United Kingdom, with the exception of Optima Health (Ireland) Limited, which is incorporated in Ireland and Optima Italia s.r.l, which is incorporated in Italy.

During the year ended 31 March 2008 the group's associate company made a loss of £310,000 of which the group's share was £62,000. The group has therefore provided in full for its cost of investment in the associate company of £200. The balance of the losses attributable to the group are held in a memorandum account and are not reflected in these financial statements.

The directors believe that the above investment should be reflected as an investment in associate company due to the fact that the directors are not involved in the management of the company. As of the date of the accounts, the company is in a minority position as there is only one board member representing the company

17. Inventories

	2008 £'000	2007 £'000
Raw materials	2,894	2,623
Finished goods and goods for resale	3,842	4,352
	6,736	6,975

Notes to the financial statements

for the year ended 31 March 2008

18. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	6,127	7,206
Prepayments and accrued income	383	371
Other debtors	83	92
	6,593	7,669

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

At 31 March 2008, trade receivables with a nominal value of £142,000 (2007: £127,000) were impaired and were fully provided for. The maximum exposure to credit risk is the carrying amount.

All provisions for impairment were specific in the year under review. Movements in the provision for impairment of receivables were as follows:

Individually impaired:	2008 £'000	2007 £'000
At 1 April	127	502
Charge for the year	11	38
Utilised	-	(413)
Amount recovered in the year	-	80
Impairment losses recognised	139	-
Impairment loss reversed	(1)	(80)
Amount written off as uncollectable	(134)	-
At 31 March	142	127

Trade receivables excluding impaired balances are analysed as follows:

	Total	Not yet due	<30 days	30-60 days	Overdue 60-90 days	90 – 120 days	> 120 days
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2008	6,127	4,303	852	305	79	271	317
2007	7,206	5,050	1,199	546	123	128	160

19. Cash and short-term deposits

	2008 £'000	2007 £'000
Cash at bank and in hand	1,024	1,104

At 31 March 2008, the group had available £971,000 (2007: £2,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met. The company banks with Barclays Bank plc, which has a 'AA' counterparty credit risk rating.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	2008 £'000	2007 £'000
Cash at bank and in hand	1,024	1,104
Bank overdraft	(1,971)	(406)
	(947)	698

Notes to the financial statements

for the year ended 31 March 2008

20. Trade and other payables (current)

	2008 £'000	2007 £'000
Trade payables	4,132	4,608
Other payables	1,549	1,617
Interest payable	78	2
	5,759	6,227

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of six months. Interest payable is normally settled quarterly throughout the financial year.

21. Financial liabilities

	2008 £'000	2007 £'000
Current:		
Bank overdraft	1,971	406
Current obligations under finance leases and hire purchase contracts	51	56
Current instalments due on bank loans	733	1,133
	2,755	1,595
Non-Current:		
Non-current obligations under finance leases and hire purchase contracts	65	68
Interest rate swap	53	-
Non-current instalments due on bank loans	4,929	4,046
	5,047	4,114
Bank loans:		
Bank loan:	5,662	5,179

The bank overdraft is secured by a floating charge over the group's assets. The bank loan is repayable by instalments with the final payment falling due on 31 March 2014. Interest is currently charged at 2.5% above 3 month LIBOR. During the year the company maintained a 5.57% fixed rate LIBOR swap to hedge approximately 15% of the interest rate exposure on the term loan. This swap featured an amortising profile to match the profile of the original loan facility and expires in December 2008. A further LIBOR swap was taken out in June 2007. This swap provides a 6.19% fixed rate to hedge the interest rate exposure on a further £2 million of the term loan for the period until it expires in June 2010.

The bank loan is secured by a cross debenture and guarantee between the company, Health Perception (UK) Limited, Optima Healthcare Limited and Optima Health Limited and by a debenture granting fixed and floating security over all assets of the company.

Net obligations under finance leases and hire purchase contracts are secured by a fixed charge on the specific asset to which the agreement relates.

Notes to the financial statements

for the year ended 31 March 2008

22. Deferred income tax

The deferred tax included in the financial statements is as follows:

	Consolidated balance sheet		Consolidated income statement	
	2008 £'000	2007 £'000 Restated	2008 £'000	2007 £'000 Restated
Deferred income tax:				
Accelerated depreciation for tax purposes	682	713	(32)	15
Revaluations of investment properties to fair value	52	-	-	-
Other short term timing differences	(220)	(130)	(90)	(87)
Exchange reserve movement on revaluation of overseas losses	22	-	-	-
Deferred income tax	492	583	(122)	(72)

The deferred tax position at 31 March 2007 has been restated by £308,000 to reflect temporary differences on certain intangible assets owned by the group. The impact of this adjustment is shown in the Reconciliation of Equity for the year ended 31 March 2007 contained in note 35. At 31 March 2008 the group had unprovided deferred tax losses of £148,000.

23. Commitments and contingencies

Leases:

The group has entered into commercial leases on certain properties, motor vehicles and items of machinery. Only the property lease agreements contain an option for renewal, with such options being exercisable three to six months before the expiry of the lease term at rentals based on market prices at the time of exercise. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases at 31 March are as follows:

	2008 £'000	2007 £'000
Not later than one year	534	543
After one year but not more than five years	1,771	1,854
After five years	3,572	3,983
	5,877	6,380

Capital commitments

At 31 March 2008, the group had commitments of £216,000 (2007: £28,000) principally relating to the acquisition of new machinery.

Product recall

The company has received a claim from a customer for the cost of recalling product as a result of the suspension of the Manufacturer's totalling £230,000. Subsequent to the year end the group agreed to settle this claim in full.

Notes to the financial statements

for the year ended 31 March 2008

24. Provisions

	2008 £'000	2007 £'000
Onerous leases on closure of sites	60	-
Provision for tax penalties	100	-
Corporate restructuring	525	20
Provision for claim in respect of product recall	191	-
	876	20

Onerous leases on closure of sites

The provision reflects the amounts outstanding to the next break point on the lease or the expiry date of the lease.

Tax penalties

Following a resubmission of its tax computations, the group should have been classified as a Large Company for tax purposes with effect from April 2006. As a consequence, payments should have been made for the year ended 31 March 2007 under the quarterly instalment regime. Pending finalisation of the tax computations for all outstanding periods up to and including 31 March 2008, the group is carrying a provision of £100,000 against any potential penalties levied by HM Revenue and Customs.

Corporate restructuring

This provision reflects the cost of residual restructuring of the business committed to before 31 March 2008.

Product recall

A provision has been established by the company for the estimated cost associated with a claim from a customer relating to a product recall which resulted from the temporary suspension of the company's Manufacturer's License for its facility in Witham, Essex.

25. Financial instruments

An explanation of the group's financial instrument risk management objectives, policies and strategies are set out in the discussion of treasury policies and strategies on pages 14 to 15.

Interest rate maturity profile of financial assets and liabilities

The following table sets out the carrying amount, by maturity of the group's financial instruments that are exposed to interest rate risk.

31 March 2008

	<1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	>5 years £'000	Total £'000
Fixed rate:							
Obligations under finance leases and hire purchase contracts	(51)	(42)	(23)	-	-	-	(116)
Interest rate swaps	-	(53)	-	-	-	-	(53)
	(51)	(95)	(23)	-	-	-	(169)
Floating rate:							
Cash	1,024	-	-	-	-	-	1,024
Bank overdraft	(1,971)	-	-	-	-	-	(1,971)
Bank loan	(750)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(5,750)
	(1,697)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(6,697)

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25. Financial instruments (continued)

31 March 2007

	<1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	4-5 years £'000	>5 years £'000	Total £'000
Fixed rate:							
Obligations under finance leases and hire purchase contracts	(56)	(43)	(25)	-	-	-	(124)
Interest rate swaps	-	-	-	-	-	-	-
	(56)	(43)	(25)	-	-	-	(124)
Floating rate:							
Cash	1,104	-	-	-	-	-	1,104
Bank overdraft	(406)	-	-	-	-	-	(406)
Bank loan	(1,250)	(1,000)	(1,000)	(1,000)	(1,000)	-	(5,250)
	(552)	(1,000)	(1,000)	(1,000)	(1,000)	-	(4,552)

Interest on financial instruments, which are classified as floating rate, is re-priced at intervals of less than one year. Interest on financial instruments, which are classified as fixed rate, is fixed until maturity of the instrument.

Interest rate risk

The group borrows at fixed and floating rates of interest as set out above. For each 1% increase in interest rates the group would incur an additional £161,000 of interest expense over the life of the term loan.

Foreign currency risk

The group does not have a material exposure to foreign currency risk.

Liquidity risk

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments.

	On demand £'000	< 3 months £'000	3-12 months £'000	1-5 years £'000	>5 years £'000	Total £'000
31 March 2008:						
Bank overdraft	1,971	-	-	-	-	1,971
Interest bearing loan	-	-	750	4,000	1,000	5,750
Trade and other payables	2,581	1,544	7	-	-	4,132
Obligations under leases	-	134	400	1,771	3,572	5,877
	4,552	1,678	1,157	5,771	4,572	17,730
31 March 2007:						
Bank overdraft	406	-	-	-	-	406
Interest bearing loan	-	250	1,000	3,675	325	5,250
Trade and other payables	2,588	1,691	329	-	-	4,608
Obligations under leases	-	136	407	1,854	3,983	6,380
	2,994	2,077	1,736	5,529	4,308	16,644

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26. Fair value of financial assets and financial liabilities

	Book Value		Fair Value	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Financial Assets:				
Cash	1,024	1,104	1,024	1,104
Available-for-sale investments	185	-	185	-
Financial Liabilities:				
Bank overdraft	1,971	406	1,971	406
Bank loan	5,662	5,179	5,662	5,179
Interest rate swap	53	-	53	-
Obligations under finance leases and hire purchase contracts	116	124	116	124

27. Authorised and issued share capital

	2008 £'000	2007 £'000
Authorised:		
112,250,000 ordinary shares of 10p each	11,225	11,225
Allotted and fully paid:		
84,435,207 (2007: 84,335,207) ordinary shares of 10p each	8,443	8,433

During the year 100,000 shares were issued following the exercise of an option by a former director.

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on page 10 in the Group Operation and Financial Review.

28. Share based payments

The group operates a number of share option schemes. Options are granted with a fixed exercise price equal to the market price at the date of grant. The contractual life of options granted under the schemes is typically 10 years. Granted options become exercisable on the third anniversary of the date of grant, subject to performance criteria. For options issued prior to March 2007, the performance criterion was for growth in total shareholder return to have exceeded the rate of inflation plus 3% per annum on a compound basis at the time of exercise. For options granted since March 2007, the performance criterion was for growth in earnings per share to exceed 5% per annum on a compound basis over the vesting period. Exercise of an option is subject to continued employment unless specific dispensation is given by the remuneration committee.

Options were valued using the Black-Scholes option pricing model amended to account for dividend yield. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations were as follows:

Vesting period	3 years
Expected volatility	7.6%
Option life	10 years
Expected life	7 years
Risk free rate	5.0%
Expected dividends expressed as a dividend yield	3.5%

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28. Share based payments (continued)

The above assumptions apply to grants made in previous periods. The expected volatility is based on the historic volatility of the company's share price for the year ended 31 March 2007. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on ten year UK government gilts applicable at the time of option grant.

There were no new grants of options in the year ended 31 March 2008. Fair values derived using these assumptions are as follows:

Grant date	Share price at grant date	Exercise price	No. of shares under option	Fair value per option
December 2003	41.5p	41.5p	15,000	4.4p
April 2004	45.0p	45.0p	135,000	4.8p
March 2007	42.0p	40.0p	300,000	5.4p

A reconciliation of option movements over the year to 31 March 2008 is given below:

	2008 No.	2008 Weighted average price p	2007 No.	2007 Weighted average price p
Outstanding at 1 April	1,116,284	49.4	915,500	53.5
Granted	-	-	300,000	40.0
Exercised	(100,000)	45.0	-	-
Lapsed	(565,000)	51.1	(99,216)	58.4
Outstanding at 31 March	451,284	48.4	1,116,284	49.4
Exercisable at 31 March	151,284	65.1	681,284	54.5

Notes to the financial statements

for the year ended 31 March 2008

29. Reconciliation of movements in equity

	Share Capital £'000	Share Premium £'000	Re- valuation Reserve £'000	Share based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2006	8,433	21,978	-	5	2	6,445	36,863
Retained profit for the year ended 31 March 2007	-	-	-	-	-	1,277	1,277
Share based payment	-	-	-	2	-	-	2
Unrealised exchange difference	-	-	-	-	7	-	7
Dividends	-	-	-	-	-	(1,349)	(1,349)
Restatement of deferred tax charge	-	-	-	-	-	(308)	(308)
Effect of IFRS translation	-	-	-	-	-	1,607	1,607
Balance at 31 March 2007	8,433	21,978	-	7	9	7,672	38,099
Retained loss for the year ended 31 March 2008	-	-	-	-	-	(7,364)	(7,364)
Unrealised exchange difference	-	-	-	-	36	-	36
Dividends	-	-	-	-	-	(929)	(929)
Revaluation of investment property	-	-	185	-	-	-	185
Deferred tax on property revaluation	-	-	-	-	-	(52)	(52)
Proceeds on issue of share capital	10	35	-	-	-	-	45
Balance at 31 March 2008	8,443	22,013	185	7	45	(673)	30,020

Revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that they relate to an increase on the same asset previously recognised in equity.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign subsidiaries.

Notes to the financial statements

for the year ended 31 March 2008

30. Analysis of net debt

	1 April 2007 £'000	Cash flow £'000	Exchange differences £'000	Non-cash movements £'000	31 March 2008 £'000
Cash and cash equivalents	1,104	(110)	30	-	1,024
Loans	(5,179)	(500)	-	17	(5,662)
Bank overdrafts	(406)	(1,524)	(41)	-	(1,971)
Finance leases	(124)	(42)	-	50	(116)
Net debt	(4,605)	(2,176)	(11)	67	(6,725)

	1 April 2007 £'000	Cash flow £'000	Exchange differences £'000	Non-cash movements £'000	31 March 2007 £'000
Cash and cash equivalents	2,220	(1,116)	-	-	1,104
Loans	(6,162)	1,000	-	(17)	(5,179)
Bank overdrafts	(2,670)	2,264	-	-	(406)
Finance leases	(159)	65	-	(30)	(124)
Net debt	(6,771)	2,213	-	(47)	(4,605)

31. Pensions and other post-retirement benefits

The Group operates a number of defined contribution pension schemes. The total contributions for the year were £147,000 (2007: £157,000) of which £ 5,000 (2007: £nil) was outstanding at 31 March.

32. Subsequent events

Subsequent to the year end the group reclassified its manufacturing facility in Whitam, Essex, reported as the Pharmaceutical segment in note 4, together with certain brands, reported within the Consumer Healthcare segment in note 4, as assets held for sale under IFRS 5, following the adoption of the group's turnaround plan.

The Group launched the first licensed glucosamine product, Alateris® for the treatment of osteoarthritis in the UK market. This product was licensed from Navamedic ASA (Oslo: NAVA). Following the product's launch, the National Institute for Health and Clinical Excellence issued guidance which did not support the prescription of glucosamine. As a result of the slower than expected uptake of the product, and in line with the company's revised strategy to focus on the natural over the counter (OTC) and consumer product sector, the board negotiated an exit from this arrangement after the financial year end, thereby avoiding the need to acquire significant additional amounts of stock. The total cost before tax of exiting this contract was £1.1m.

On 30 June 2008 the company breached its banking covenants and as a result the company's overdraft and loan facilities are repayable on demand. The company has subsequently breached its banking covenants as at 30 September 2008. The company's lending bankers have subsequently waived all rights in relation to the September 2008 breach.

On 15 August 2008 the company sold its Pavacol-D brand for a total consideration of £0.66 million composed of £0.6 million for the brand and £60,000 for stock.

On 5 December 2008 the company sold its Radian B brand for a total consideration of £3.4 million composed of £2.5 million for the brand and £0.9 million for stock and receivables. £1.2 million of the consideration is held in escrow and will be released subject to agreed terms and conditions. Subsequent to the transaction the company reduced its borrowing facilities by £2 million.

33. Other related party transactions

Other than inter-company transactions and the remuneration of directors, which is disclosed in the Directors' Remuneration Report, there were no significant transactions with related parties during the year.

Notes to the financial statements

for the year ended 31 March 2008

34. Compensation of key management personnel (including directors)

	2008 £'000	2007 £'000
Short-term employee benefits	680	835
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	280	179
Share based payments	-	-
	960	1,014

35. Impact of first time adoption of IFRS and IAS

Application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*

The group's consolidated financial statements for the year ended 31 March 2008 are the first annual consolidated financial statements that comply with IFRS. These consolidated financial statements have been prepared on the basis set out in note 2 and in accordance with the accounting policies set out in note 3.

The following disclosures reconcile historical UK GAAP financial information to the information reported under IFRS. The last financial statements under UK GAAP were for the year ended 31 March 2007 and the date of transition to IFRS was therefore 1 April 2006. The group has prepared its opening balance sheet at that date.

IFRS 1 provides for a number of optional exceptions which can be adopted during the transition period. The most significant of these are set out below, together with a description in each case of whether an exception has been adopted by the group.

Business combinations

The group has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that took place before 31 March 2006. As a result, in the opening balance sheet, goodwill arising from past business combinations, which amounted to £26,590,000 remains as stated under UK GAAP at 31 March 2006.

Cumulative translation differences

The group has elected not to set the previously accumulated translation differences to zero at the translation date of 1 April 2006 for its foreign operations. As a result the gain or loss on a subsequent disposal of any foreign operation will include translation differences that arise both before and after 31 March 2006.

Share-based payments

The group has taken advantage of the exemption in IFRS 1 in respect of equity-settled transactions so as to apply IFRS 2 *Share Based Payments* only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

Cost of property, plant and equipment, investment properties and certain intangible assets

The consolidated financial statements have been prepared on the historical cost basis except as modified for investment properties which have been measured at fair value.

Restatement of the previous reported numbers and prior year adjustment

During the year the group determined that the corporation tax charge for the year ended 31 March 2006 had been incorrectly calculated. Following voluntary disclosure to HM Revenue and Customs, revised computations have now been prepared and submitted. The correction of the error arising in the prior period has been excluded from the income statement for the current year and an appropriate prior year adjustment, totalling £250,000 has been booked in these financial statements.

The effect on earnings per share of this prior period adjustment is to reduce earnings per share by 0.3 pence.

Notes to the financial statements

for the year ended 31 March 2008

35. Impact of first time adoption of IFRS and IAS (continued)

Reconciliation of equity at 1 April 2006	UK GAAP at 1 April 2006 £'000	Correction previous reported UK GAAP £'000	Reclassified Under IFRS £'000	Remeasured Under IFRS £'000	IFRS At 1 April 2006 £'000
Non-current assets					
Property, plant and equipment	6,263	-	(50)	-	6,213
Investment property	-	-	-	-	-
Intangible assets					
Software	-	-	50	-	50
Goodwill	26,590	-	-	-	26,590
Other acquired intangible assets	2,958	-	-	-	2,958
	35,811	-	-	-	35,811
Current assets					
Inventories	6,970	-	-	-	6,970
Trade and other receivables	7,616	-	-	-	7,616
Cash and cash equivalents	2,220	-	-	-	2,220
	16,806	-	-	-	16,806
Total assets	52,617	-	-	-	52,617
Current liabilities					
Trade and other payables	4,360	-	-	-	4,360
Current tax liabilities	489	250	-	-	739
Obligations under finance leases	52	-	-	-	52
Bank overdraft and loans	3,656	-	-	-	3,656
Provisions	964	-	-	58	1,022
	9,521	250	-	58	9,829
Net current assets	7,285	(250)	-	(58)	6,977
Non-current liabilities					
Bank loans	5,176	-	-	-	5,176
Deferred tax liabilities	659	-	-	(17)	642
Obligations under finance leases	107	-	-	-	107
	5,942	-	-	(17)	5,925
Total liabilities	15,463	250	-	41	15,754
Net assets	37,154	(250)	-	(41)	36,863
Equity					
Share capital	8,433	-	-	-	8,433
Share premium reserve	21,978	-	-	-	21,978
Revaluation reserve	-	-	-	-	-
Share based payment reserve	-	-	-	5	5
Translation reserve	2	-	-	-	2
Retained earnings	6,743	(250)	(2)	(46)	6,445
Equity attributable to equity holders of the parent	37,156	(250)	(2)	(41)	36,863
Minority interests	(2)	-	2	-	-
Total equity	37,154	(250)	-	(41)	36,863

Notes to the financial statements

for the year ended 31 March 2008

35. Impact of first time adoption of IFRS and IAS (continued)

Notes to the reconciliation of equity at 1 April 2006

Prior year restatement of accounts

During the year a review of the tax computations previously submitted for the year ended 31 March 2006 was undertaken. This highlighted a number of administrative errors which have now been corrected. Revised computations have been submitted to HM Revenue and Customs, showing an under declaration of tax in respect of the year ended 31 March 2006 of £250,000. This additional sum has been treated as a prior year adjustment in these financial statements.

Reclassification under IFRS

The following reclassifications have been made on adoption of IFRS:

- Software classification; application software, which can be run independently from any specific hardware configuration, is included within other intangibles under IFRS. Under the previous UK GAAP treatment such assets were included in tangible assets. On adoption of IFRS, a re-classification is therefore required of £50,000 in this regard. Total net assets are not affected by this adjustment.
- Minority interests; these arise from the holdings of directors in the group's Italian subsidiary, which is currently a loss making entity. The minority interest in the accumulated losses is not therefore separately disclosed.

Remeasurement under IFRS

The following remeasurements have been made on adoption of IFRS:

- Holiday pay; it is accepted practice under IFRS to provide for the cost of holidays to which staff are entitled at the balance sheet date, but which have not yet been taken. This has resulted in the recognition of an accrual for holiday pay of £58,000 on adoption of IFRS.
- Deferred tax; the recording of the holiday pay accrual of £58,000 resulted in a reduction in the deferred tax liability of £17,000.
- Share based payments; on adoption of IFRS, the cost of equity settled remuneration is charged to the share based payment reserve. At 1 April 2006 a credit to the share based payment reserve of £5,000 was required in this regard, with a corresponding charge being made in the income statement.

Notes to the financial statements

for the year ended 31 March 2008

35. Impact of first time adoption of IFRS and IAS (continued)

Reconciliation of equity at 31 March 2007	UK GAAP at 31 March 2007 £'000	Correction previous reported UK GAAP £'000	Reclassified Under IFRS £'000	Remeasured Under IFRS £'000	IFRS At 31 March 2007 £'000
Non-current assets					
Property, plant and equipment	6,026	-	(32)	-	5,994
Investment property	-	-	-	-	-
Intangible assets					
Software	-	-	32	-	32
Goodwill	25,208	-	-	1,430	26,638
Other acquired intangible assets	3,374	-	-	184	3,558
	34,608	-	-	1,614	36,222
Current assets					
Inventories	6,975	-	-	-	6,975
Trade and other receivables	7,669	-	-	-	7,669
Cash and cash equivalents	1,104	-	-	-	1,104
	15,748	-	-	-	15,748
Total assets	50,356	-	-	1,614	51,970
Current liabilities					
Trade and other payables	4,608	-	1,619	-	6,227
Current tax liabilities	1,082	250	-	-	1,332
Obligations under finance leases	56	-	-	-	56
Bank overdraft and loans	1,539	-	-	-	1,539
Provisions	1,587	-	(1,626)	59	20
	8,872	250	(7)	59	9,174
Net current assets	6,876	(250)	7	(59)	6,574
Non-current liabilities					
Bank loans	4,046	-	-	-	4,046
Deferred tax liabilities	281	308	-	(6)	583
Obligations under finance leases	68	-	-	-	68
	4,395	308	-	(6)	4,697
Total liabilities	13,267	558	(7)	53	13,871
Net assets	37,089	(558)	7	1,561	38,099
Equity					
Share capital	8,433	-	-	-	8,433
Share premium reserve	21,978	-	-	-	21,978
Revaluation reserve	-	-	-	-	-
Share based payment reserve	-	-	7	-	7
Translation reserve	9	-	-	-	9
Retained earnings	6,669	(558)	-	1,561	7,672
Total equity	37,089	(558)	7	1,561	38,099

Notes to the financial statements

for the year ended 31 March 2008

35. Impact of first time adoption of IFRS and IAS (continued)

Notes to the reconciliation of equity at 31 March 2007

Prior year restatement of accounts

During the year a review of the tax computations previously submitted for the year ended 31 March 2006 was undertaken. This highlighted a number of administrative errors which have now been corrected. Revised computations have been submitted to HM Revenue and Customs, showing an under declaration of tax in respect of the year ended 31 March 2006 of £250,000. This additional sum has been treated as a prior year adjustment in these financial statements.

The deferred tax computation completed for the year ended 31 March 2007 did not take account of the temporary differences arising on the amortisation of certain intangible assets for which the company is eligible for capital allowances. An adjustment of £308,000 has been provided for with a corresponding charge recorded in the income statement.

The effect on earnings per share of this prior period adjustment is to reduce earnings per share by 0.4 pence.

Reclassification under IFRS

The following reclassifications have been made on adoption of IFRS:

- Software classification; application software, which can be run independently from any specific hardware configuration, is included within other intangibles under IFRS. Under the previous UK GAAP treatment such assets were included in tangible assets. On adoption of IFRS, a re-classification is therefore required of £32,000 in this regard. Total net assets are not affected by this adjustment.
- Share based payments; at 31 March 2007 the company adopted FRS 20 *Share based payments*. A provision of £7,000 was included in current liabilities in this regard. On adoption of IFRS this provision has been transferred to the share based payment reserve.
- Provisions; a total of £1,619,000 of accruals previously recorded under provisions and accruals have been reclassified to trade and other payables.

Remeasurement under IFRS

The following remeasurements have been made on adoption of IFRS:

- Intangible assets; under IFRS reporting, intangible assets have been segregated into goodwill arising from acquisitions and other intangible assets, which principally comprise patents and trademarks. Amortisation charged during the year ended 31 March 2007 of £1,614,000 has been reversed on adoption of IFRS following the completion of impairment reviews on the carrying value of intangible assets.
- Holiday pay; it is accepted practice under IFRS to provide for the cost of holidays to which staff are entitled at the balance sheet date, but which have not yet been taken. This has resulted in the recognition of an additional accrual for holiday pay of £1,000 in the year and a provision in this regard of £59,000 at 31 March 2007.
- Deferred tax; the above remeasurements have resulted in an adjustment to deferred tax in respect of temporary differences of £6,000.

Notes to the financial statements

for the year ended 31 March 2008

35. Impact of first time adoption of IFRS and IAS (continued)

Reconciliation of profit for the year ended 31 March 2007

	UK GAAP At 31 March 2007 £'000	Correction previous reported UK GAAP £'000	Reclassified Under IFRS £'000	Remeasured Under IFRS £'000	IFRS At 31 March 2007 £'000
Revenue	36,515	-	-	-	36,515
Cost of sales	(21,043)	-	-	-	(21,043)
Gross profit	15,472	-	-	-	15,472
Selling and distribution costs	(8,007)	-	-	-	(8,007)
Administrative expenses	(5,220)	-	-	1,618	(3,602)
Operating profit	2,245	-	-	1,618	3,863
Finance costs	(453)	-	-	-	(453)
Profit before taxation	1,792	-	-	1,618	3,410
Tax expense	(515)	(308)	-	(11)	(834)
Profit from continuing operations attributable to equity holders of the parent	1,277	(308)	-	1,607	2,576

Notes to the reconciliation of profit for the year ended 31 March 2007

Prior year restatement of accounts

The deferred tax computation completed for the year ended 31 March 2007 did not take account of the temporary differences arising on the amortisation of certain intangible assets for which the company is eligible for capital allowances. A charge of £308,000 has been included in the income statement.

Remeasurement under IFRS

The following remeasurements have been made on adoption of IFRS:

- Amortisation charged during the year ended 31 March 2007 has been reversed on adoption of IFRS following the completion of impairment reviews on the carrying value of intangible assets. The income statement reflects a credit in the year of £1,614,000 in this regard.
- Holiday pay; it is accepted practice under IFRS to provide for the cost of holidays to which staff are entitled at the balance sheet date, but which they have not yet taken. An additional charge of £1,000 has been made in the income statement in this regard in respect of the year ended 31 March 2007.
- Share based payments; the charge for the year ended 31 March 2007 in respect of share based payments was £7,000. This was originally booked as a provision and has now been reclassified to the share based payment reserve. In addition, an allowance was made in the six months ended 30 September 2006 of £5,000. As this provision was no longer required it has been released through the income statement during the year.
- Deferred tax; the above remeasurements have resulted in an adjustment to deferred tax in respect of temporary differences of £11,000.

Company Accounts

for the year ended 31 March 2008

Prepared in accordance with UK GAAP



Company Balance Sheet

at 31 March 2008

	Note	2008 £'000	2007 £'000
Fixed assets			
Intangible assets	4	26,362	28,537
Tangible assets	5	5,413	6,011
Investments	6	5,101	5,101
Investment property	7	185	-
		37,061	39,649
Current assets			
Stocks	8	6,246	6,637
Debtors	9	6,735	7,825
Cash at bank and in hand	14	693	929
		13,674	15,391
Creditors: amounts falling due within one year	10	(13,835)	(13,631)
Net current assets		(161)	1,760
Total assets less current liabilities		36,739	41,409
Creditors: amounts falling due after more than one year	11	(4,974)	(4,114)
Provision for liabilities and charges	15	(534)	(712)
Net assets		31,392	36,583
Capital and reserves			
Called up share capital	16	8,443	8,433
Share premium account	18	22,013	21,978
Profit and loss account	18	744	6,165
Revaluation reserve	18	185	-
Share based payment reserve	18	7	7
Equity shareholders' funds		31,392	36,583

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies

Basis of preparation

Unless otherwise stated, the financial statements of the parent company are prepared under the historical cost convention modified to include the revaluation of investment properties and are prepared in accordance with applicable accounting standards.

No profit and loss account is presented by the company as permitted by Section 230 of the Companies Act 1985 and the company has taken advantage of the exemption provided in FRS 1 *Cash Flow Statements* not to present a cash flow statement.

The company has also taken advantage of the exemption in paragraph 2d of *FRS 29 Financial Instruments: Disclosures* and has not disclosed information required by paragraphs 51 to 95 of that standard, as the group's consolidated financial statements, in which the company is included, provide equivalent disclosures for the Group under *IFRS 7 Financial Instrument Disclosures*.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate fair values of that entity's identifiable assets and liabilities. Positive goodwill is shown on the balance sheet as an asset and is amortised evenly over its estimated useful economic life, up to a presumed maximum of 20 years. In addition to systematic amortisation, the book value is written down to recoverable amounts when any impairment is identified.

Investment properties

Investment properties are accounted for in accordance with *SSAP19 Investment Properties*. The investment property is revalued annually. The surplus or deficit on revaluation is transferred to the revaluation reserve unless a deficit below original cost, or its reversal, on an individual investment property is expected to be permanent, in which case it is recognised in the profit and loss account for the year.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of tangible assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amounts. The principal annual rates of depreciation used are:

Plant and machinery	5% to 33%
Motor vehicles	25%

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of finished goods comprises raw material purchase cost, direct labour and manufacturing overheads and packing material costs, recovered using the company's standard costing model. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Research and development

Development expenditure is written off in the year in which it is incurred.

Patents, licenses, trademarks and know-how

Expenditure on 'patents, licenses, trademarks and know-how' is capitalised when recoverability can be foreseen with reasonable certainty, and is amortised evenly over its estimated useful economic life of a maximum of 20 years. In addition to systematic amortisation, the book value is written down to its recoverable amount when any impairment is identified.

When healthcare brands are acquired, the company capitalises an appropriate amount into 'patents, licenses, trademarks and know-how', to the extent that the value can be measured reliably on initial recognition. The amount so capitalised is based upon the amounts set out as relating to 'patents, licenses, trademarks and know-how', in the sale and purchase agreement signed with the vendor. The remaining amount not relating to tangible assets (such as fixed assets and stock) is included within goodwill.

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Contributions to pension funds

The company operates defined contribution pension schemes which cover the majority of employees. The assets of the schemes are held separately from those of the company in independently administered funds and contributions are charged to the profit and loss account when payable.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19 *Deferred Taxation*. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered.

In accordance with FRS 19 deferred tax is not provided for in respect of:

- gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets;
- fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction and monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at 31 March. All currency differences are taken to the profit and loss account.

Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at the lower of their original invoiced value and the recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Leased assets

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

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Incentives, including rent-free periods provided to the company to induce it to enter into leasing arrangements, are carried forward and written off in the profit and loss account over the life of the relevant lease.

Loan arrangement fees

Costs associated with the arrangement of term loan facilities are carried forward and are written off in the profit and loss account over the term of the relevant loan.

Notes to the financial statements

for the year ended 31 March 2008

1. Accounting policies (continued)

Share based payments

The company operates a number of share option schemes. The remuneration committee can grant either approved or unapproved options over shares in the company. Options are granted with a fixed exercise price equal to the market price at the date of grant. The contractual life of options granted under the scheme is typically 10 years. Options become exercisable on the third anniversary of the date of grant, subject to the achievement of performance criteria. Exercise of an option is subject to continued employment unless specific dispensation is given by the remuneration committee.

2. Staff Costs

	2008 £'000	2007 £'000
Wages and salaries	5,795	5,734
Social security costs	601	577
Pension costs – defined contribution	147	157
Compensation for loss of office	280	198
Cost of employee share scheme	-	7
	6,823	6,673

The average monthly number of employees was as follows:

	2008 No.	2007 No.
Administration	110	112
Production	102	108
	212	220

3. Directors' share interests

At 31 March 2008, directors held beneficial interests in the share capital of the company as follows:

Ordinary shares of 10p each at 31 March	2008 No.	2007 No.
D Suddens	20,000	-
I Miscampbell	200,000	-

The directors' interests in share options are disclosed in the Directors' Remuneration Report.

Notes to the financial statements

for the year ended 31 March 2008

4. Intangible assets

	Development Costs £'000	Patents and licences £'000	Goodwill £'000	Total £'000
Cost:				
At 1 April 2007	36	4,382	28,562	32,980
Additions	-	35	-	35
At 31 March 2008	36	4,417	28,562	33,015
Depreciation and impairment:				
At 1 April 2007	(36)	(1,008)	(3,399)	(4,443)
Amortisation during the year	-	(216)	(1,426)	(1,642)
Impairment during the year	-	(568)	-	(568)
At 31 March 2008	(36)	(1,792)	(4,825)	(6,653)
Net book value:				
At 31 March 2008	-	2,625	23,737	26,362
At 31 March 2007	-	3,374	25,163	28,537

5. Tangible assets

	Freehold Property £'000	Motor Vehicles £'000	Plant and Machinery £'000	Total £'000
Cost:				
At 1 April 2007	-	167	10,057	10,224
Additions	-	-	380	380
Disposals	-	(110)	(170)	(280)
Revaluation	250	-	-	250
Transfer to investment property	(250)	-	-	(250)
At 31 March 2008	-	57	10,267	10,324
Depreciation:				
At 1 April 2007	-	(69)	(4,144)	(4,213)
Provided in the year	-	(45)	(903)	(948)
Eliminated on disposals	-	82	168	250
At 31 March 2008	-	(32)	(4,879)	(4,911)
Net book value:				
At 31 March 2008	-	25	5,388	5,413
At 31 March 2007	-	98	5,913	6,011

6. Investments

	Shares in subsidiary undertakings £'000
Cost and net book value:	
At 1 April 2007	5,101
Addition	-
At 31 March 2008	5,101

During the year the company invested £200 in an associate company Trust William Limited.

Notes to the financial statements

for the year ended 31 March 2008

6. Investments (continued)

The shares in the group undertakings, which are held directly by the company comprise:

Directly owned:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Health Perception (UK) Limited	Ordinary shares	100%	Non-trading
Optima Health (Ireland) Limited	Ordinary shares	100%	Distribution of healthcare products
Optima Italia s.r.l.	Ordinary shares	98%	Distribution of healthcare products
Optima Healthcare Limited	Ordinary shares	100%	Non-trading
Arheumacare Limited	Ordinary shares	100%	Non-trading
Kordel Limited	Ordinary shares	100%	Non-trading

Associate:

Trust William Limited	Ordinary shares	50% voting rights and 20% shares held	Distribution of healthcare products
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All of the above are incorporated in the United Kingdom, with the exception of Optima Health (Ireland) Limited, which is incorporated in Ireland and Optima Italia s.r.l, which is incorporated in Italy.

During the year ended 31 March 2008 the company's associate company made a loss of £310,000 of which the company's share was £62,000. The company has therefore provided in full for its cost of investment in the associate company of £200. The balance of the losses attributable to the company are held in a memorandum account and are not reflected in these financial statements.

7. Investment property

Ordinary shares of 10p each at 31 March	2008 £'000	2007 £'000
Fair value	185	-

As a result of the closure of a retail unit on 31 July 2007, the company has reviewed the treatment adopted in respect of the unit and has concluded that it should be classified as an investment property. Prior to this reclassification, the unit was revalued due to capital appreciation as a fixed asset within freehold land and property. When an owner occupier property is transferred to investments any difference between fair value and the carrying amount is recorded in equity and not the income statement.

The fair value of the property has been arrived at on the basis of a final offer from a third party received in November 2008, in line with third party valuation. The group has pledged all investment property by way of a debenture granting fixed and floating security over all assets of the group as security for the group's banking facilities.

8. Stock

	2008 £'000	2007 £'000
Raw materials	2,894	2,623
Finished goods and goods for resale	3,352	4,014
	6,246	6,637

Notes to the financial statements

for the year ended 31 March 2008

9. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	5,212	6,640
Amounts owed by group undertakings	1,123	796
Other debtors	34	46
Prepayments and accrued income	366	343
	6,735	7,825

Trade receivables are non-interest bearing and are generally on 30-90 day terms. At 31 March 2008, trade receivables, with a nominal value of £116,000 (2007: £127,000) were impaired and fully provided for.

10. Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Bank overdraft	1,712	174
Current instalment due on loans	733	1,133
Obligations under finance leases and hire purchase contracts	37	56
Trade creditors	3,985	4,484
Amounts owed to group undertakings	4,955	4,947
Corporation tax	197	1,300
Other taxes and social security costs	316	839
Accruals	1,900	698
	13,835	13,631

11. Creditors: amounts falling due after more than one year

	2008 £'000	2007 £'000
Loans	4,929	4,046
Obligations under finance leases and hire purchase contracts	45	68
	4,974	4,114

12. Loans

Included within creditors are loans which are repayable as follows:

	2008 £'000	2007 £'000
Wholly repayable within five years	4,664	5,179
Not wholly repayable within five years	998	-
	5,662	5,179

The bank loan is repayable by installments with the final payment falling due on 31 March 2014. Interest is currently charged at 2.5% above 3 month LIBOR. The bank loan is secured by a cross debenture and guarantee between the company, Health Perception (UK) Limited, Optima Healthcare Limited and Optima Health Limited and by a debenture granting fixed and floating security over all assets of the company.

Notes to the financial statements

for the year ended 31 March 2008

12. Loans (continued)

Under UK GAAP, the initial costs of establishing the loan facility are being amortised over the original six year life of the loan. The bank loan balance of £5,750,000 (2007: £5,250,000) is stated net of £88,000 (2007: £71,000) in this regard.

Net obligations under finance leases and hire purchase contracts are secured by a fixed charge on the specific asset to which the agreement relates.

13. Obligations under leases and hire purchase contracts

The annual lease commitments under operating leases are analysed according to the period in which each lease expires as follows:

	2008 £'000	2007 £'000
Property		
Amounts payable:		
Leases expiring in one year	29	-
Leases expiring between one and two years	23	-
Leases expiring between two and three years	-	24
Leases expiring after 5 years	577	577
	629	601
Motor vehicles, plant and equipment		
Amounts payable:		
Leases expiring in one year	19	4
Leases expiring between one and two years	58	31
Leases expiring between two and three years	29	8
Leases expiring between four and five years	14	62
Leases expiring after 5 years	4	-
	124	105

14. Financial instruments and risk management

The company's financial instruments comprise borrowings, cash and various working capital items like trade debtors, and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. It is, and has been throughout the year under review, the company's policy not to trade in such financial instruments.

The main risks arising from the company's financial instruments are interest rate risk and foreign currency risk. The board reviews and agrees policies for managing each risk.

During the year the company maintained a 5.57% fixed rate LIBOR swap to hedge approximately 15% of the interest rate exposure on the term loan. This swap featured an amortising profile to match the profile of the original loan facility and expires in December 2008. A further LIBOR swap was taken out in June 2007. This swap provides a 6.19% fixed rate to hedge the interest rate exposure on a further £2 million of the term loan for the period until it expires in June 2010. Short term flexibility is achieved by overdraft facilities.

Currency risk is managed by utilisation of a mixture of currency balances in line with the company's trading profile. Forward contracts are also used to reduce the company's exposure to currency risk where appropriate. The company does not undertake speculative transactions.

Notes to the financial statements

for the year ended 31 March 2008

14. Financial instruments and risk management (continued)

There were no forward contracts in place at 31 March 2008. As permitted by FRS 26 *Financial Instruments*, the Company has chosen to exclude short-term debtors and creditors when disclosing details of financial instruments other than for the currency disclosures.

The only asset, as defined by FRS 26 *Financial Instruments*, is cash at bank and in hand totalling £693,000. The balance is available on demand and interest earned on the balance is netted off against interest payable on overdraft balances.

The currency profile of the company's material financial assets at 31 March 2008 was as follows:

	2008 £'000	2007 £'000
Sterling	594	563
Euro	73	168
Swedish Krona	-	14
Australian Dollars	-	31
US Dollars	26	153
	693	929

Short-term debtors and creditors do not include any significant amounts denominated in foreign currencies. The fair value of financial assets is not significantly different from their book value.

The maturity profile of the Company's financial liabilities at 31 March 2008 was as follows:

	2008 £'000	2007 £'000
Borrowing Analysis		
Due within one year		
Net obligations under finance leases and hire purchase contracts	37	56
Bank overdraft	1,712	174
Bank Loan	733	1,133
	2,482	1,363
Due after more than one year		
Net obligations under finance lease and hire purchase contracts	45	68
Bank Loan	4,929	4,046
	4,974	4,114
Repayable		
Within one year	2,482	1,363
Between one and two years	1,015	1,208
Between three and five years	2,961	2,906
After five years	998	-
	7,456	5,477

Loan interest is payable at 2.5% above LIBOR (2007:1.5%) on the balance of the loan facility not covered by the interest swap arrangements described above. Overdraft interest is payable at 2.25% above the bank base rate (2007:1.25%).

The majority of the company's debt attracts variable interest rates and therefore the fair values of the associated liabilities approximate to their book values.

Notes to the financial statements

for the year ended 31 March 2008

15. Provision for liabilities

Deferred taxation

	2008 £'000	2007 £'000
At 1 April	712	697
Transfer to the profit and loss account	(178)	15
At 31 March	534	712

The amount of provided and unprovided deferred tax is as follows:

	Amounts provided		Amounts unprovided	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Accelerated capital allowances	681	713	-	-
Losses	-	-	(148)	(52)
Other timing differences	(147)	(1)	-	-
	534	712	(148)	(52)

16. Share capital

	2008 £'000	2007 £'000
Authorised:		
112,250,000 ordinary shares of 10p each	11,225	11,225
Allotted called up and fully paid:		
84,435,207 (2007: 84,335,207) ordinary shares of 10p each	8,443	8,443

During the year 100,000 shares were issued following the exercise of an option by a former director.

17. Share based payments

The company operates a number of share option schemes. Options are granted with a fixed exercise price equal to the market price at the date of grant. The contractual life of options granted under the schemes is typically 10 years. Granted options become exercisable on the third anniversary of the date of grant, subject to performance criteria. For options issued prior to March 2007, the performance criterion was for growth in total shareholder return to have exceeded the rate of inflation plus 3% per annum on a compound basis at the time of exercise. For options granted since March 2007, the performance criterion was for growth in earnings per share to exceed 5% per annum on a compound basis over the vesting period. Exercise of an option is subject to continued employment unless specific dispensation is given by the remuneration committee.

Options were valued using the Black-Scholes option pricing model amended to account for dividend yield. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations were as follows:

Vesting period	3 years
Expected volatility	7.6%
Option life	10 years
Expected life	7 years
Risk free rate	5.0%
Expected dividends expressed as a dividend yield	3.5%

Notes to the financial statements

for the year ended 31 March 2008

17. Share based payments (continued)

The above assumptions apply to grants made in previous periods. The expected volatility is based on the historic volatility of the company's share price for the year ended 31 March 2007. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on ten year UK government gilts applicable at the time of option grant. There were no new grants of options in the year ended 31 March 2008. Fair values derived using these assumptions are as follows:

Grant date	Share price at grant date	Exercise price	No. of shares under option	Fair value per option
December 2003	41.5p	41.5p	15,000	4.4p
April 2004	45.0p	45.0p	135,000	4.8p
March 2007	42.0p	40.0p	300,000	5.4p

A reconciliation of option movements over the year to 31 March 2008 is given below:

	2008 No.	2008 Weighted average price p	2007 No.	2007 Weighted average price p
Outstanding at 1 April	1,116,284	49.4	915,500	53.5
Granted	-	-	300,000	40.0
Exercised	(100,000)	45.0	-	-
Lapsed	(565,000)	51.1	(99,216)	58.4
Outstanding at 31 March	451,284	48.4	1,116,284	49.4
Exercisable at 31 March	151,284	65.1	681,284	54.5

18. Reserves

	Share Capital £'000	Share Premium £'000	Reval'n Reserve £'000	Share based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2006	8,433	21,978	-	5	6,575	36,991
Retained profit for the year ended 31 March 2007	-	-	-	-	939	939
Dividends	-	-	-	-	(1,349)	(1,349)
Share based payment	-	-	-	2	-	2
Balance at 31 March and 1 April 2007	8,433	21,978	-	7	6,165	36,583
Retained loss for the year ended 31 March 2008	-	-	-	-	(4,492)	(4,492)
Dividends	-	-	-	-	(929)	(929)
Property revaluation	-	-	185	-	-	185
Proceeds on issue of share capital	10	35	-	-	-	45
Balance at 31 March 2008	8,443	22,013	185	7	744	31,392

Notes to the financial statements

for the year ended 31 March 2008

19. Reconciliation of movements in shareholders' funds

	2008 £'000	2007 £'000
(Loss) / profit for the financial year	(4,492)	1,247
Dividends	(929)	(1,349)
Net proceeds of share issue	45	-
Revaluation Reserve	185	-
Prior year adjustments	-	(308)
Share-based payment	-	2
Decrease in shareholders' funds	(5,191)	(408)
Opening shareholders' funds	36,583	36,991
Closing shareholders' fund	31,392	36,583

20. Capital commitments

At 31 March 2008, the company had commitments of £216,000 (2007: £28,000) principally relating to the acquisition of new machinery.

21. Auditors' remuneration

The company paid £20,000 (2007: £20,000) in respect of the audit of the financial statements of the company.

22. Loss attributable to members of the parent company

The loss dealt with in the financial statements of the parent company is £7,364,000. (2007: profit of £2,576,000).

Directors, Officers and Advisors

Directors	D Suddens	Non-executive Chairman
	I Harrison	Chief Executive
	T Bridge	Senior independent Non-executive Director
Secretary	I Harrison	
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Bankers	Barclays Bank plc	
Stockbroker and Nominated Advisor	Numis Securities Limited	
Public Relations	Buchanan Communications Limited	
Registrars and Transfer Office	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA	



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