



**FOREVER LIVING PRODUCTS (U.K.)  
LIMITED**

**Report and Financial Statements**

**31 December 1995**



**Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN**

**REPORT AND FINANCIAL STATEMENTS 1995**

<b>CONTENTS</b>	<b>Page</b>
<b>Directors' report</b>	<b>1</b>
<b>Statement of directors' responsibilities</b>	<b>2</b>
<b>Auditors' report</b>	<b>3</b>
<b>Profit and loss account</b>	<b>4</b>
<b>Balance sheet</b>	<b>5</b>
<b>Notes to the accounts</b>	<b>6</b>
<b>Additional information</b>	<b>12</b>



## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

### ACTIVITIES

The principal activity of the company is the marketing of health, nutritional and beauty products. There has been no change in the principal activity of the company during the year.

### REVIEW OF DEVELOPMENTS

In 1995 the combined efforts of the distributors and staff achieved a significant breakthrough in the achievement of The Presidents Club, the attainment of 5,000 cases of sales in any three months of the year. FLP (UK) became the first European country to achieve this, which entitles distributors to benefit from the profit sharing programme generated by the 1996 sales. 1996 sales have already broken through the 6,000 cases a month figure and continue to grow in a sustainable pattern.

A new product introduced in 1995 was the well received Forever Garcinia Plus, part of the dietary range of products in our portfolio.

### DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The results of the company are set out on page 4.

The profit for the year of £240,029 (1994 - deficit of £395,695) has been transferred to reserves.

### FIXED ASSETS

Movements in fixed assets are shown in note 6 to these financial statements.

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the ordinary share capital of the company were as follows:

	Ordinary shares of £1 each	
	1995	1994
R G Maughan	10,000	10,000
R Lloyd	-	-

### AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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

R LLOYD

Secretary

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

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

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



## Chartered Accountants

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## AUDITORS' REPORT TO THE MEMBERS OF FOREVER LIVING PRODUCTS (U.K.) LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the accounting policies set out on page 6.

### Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

23 September 1996,





**PROFIT AND LOSS ACCOUNT**  
Year ended 31 December 1995

	Note	1995 £	1994 £
<b>TURNOVER</b>	2	5,104,124	2,137,662
Cost of sales		<u>(1,192,561)</u>	<u>(668,633)</u>
Gross profit		<u>3,911,563</u>	<u>1,469,029</u>
Distribution costs		(2,982,382)	(1,379,124)
Administrative expenses		(724,143)	(502,822)
Other operating income		<u>34,991</u>	<u>17,222</u>
		<u>(3,671,534)</u>	<u>(1,864,724)</u>
<b>OPERATING PROFIT/(LOSS) BEING PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2, 4	240,029	(395,695)
Tax on profit/(loss) on ordinary activities	5	<u>-</u>	<u>-</u>
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	14	<u>240,029</u>	<u>(395,695)</u>

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.



**BALANCE SHEET**  
**31 December 1995**

	Note	£	1995 £	£	1994 £
<b>FIXED ASSETS</b>					
Tangible assets	6		67,755		67,989
<b>CURRENT ASSETS</b>					
Stocks	7	727,026		245,736	
Debtors	8	367,427		149,710	
Cash at bank and in hand		208,437		190,522	
		<u>1,302,890</u>		<u>585,968</u>	
<b>CREDITORS: amounts falling due within one year</b>	9	<u>(1,211,930)</u>		<u>(900,612)</u>	
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			<u>90,960</u>		<u>(314,644)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			158,715		(246,655)
<b>CREDITORS: amounts falling due after more than one year</b>	10		<u>(1,610,202)</u>		<u>(1,444,861)</u>
			<u>(1,451,487)</u>		<u>(1,691,516)</u>
<b>CAPITAL AND DEFICIENCY</b>					
Called up share capital	13		10,000		10,000
Profit and loss account	14		<u>(1,461,487)</u>		<u>(1,701,516)</u>
<b>EQUITY SHAREHOLDERS FUNDS - DEFICIT</b>	15		<u>(1,451,487)</u>		<u>(1,691,516)</u>

These financial statements were approved by the Board of Directors on *26 August 1996*

Signed on behalf of the Board of Directors

R MAUGHAN

Director

**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995****1. ACCOUNTING POLICIES**

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

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of preparation**

In order to fund its working capital requirements the company is reliant upon loans from other companies in common ownership with it (as described in note 11). The directors of these companies have indicated their continuing intention to support the working capital requirement of the company and the directors have, therefore, adopted the going concern basis in the preparation of these accounts.

**Turnover**

Turnover represents the aggregate of amounts receivable for services and goods supplied in the ordinary course of business, excluding value added tax.

**Tangible fixed assets**

Tangible fixed assets are stated at cost. Depreciation is provided for all fixed assets to write off their cost on a reducing balance at the following rates:

Computers	25%
Vehicles	25%
Fixtures and office equipment	25%

**Stocks**

Stocks are stated at the lower of cost and net realisable value.

**Deferred taxation**

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

**Leases**

Assets held under finance leases and hire purchase contracts and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the profit and loss account as they are incurred.

**2. ANALYSIS OF TURNOVER AND PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

The turnover and profit / (loss) before taxation is entirely attributable to the principal activity and arises in the United Kingdom.





**NOTES TO THE ACCOUNTS**

Year ended 31 December 1995

**3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1995	1994
	£	£
<b>Directors' emoluments</b>		
Other emoluments	13,101	3,535
	<u>No.</u>	<u>No.</u>
<b>Average number of persons employed</b>	<u>17</u>	<u>12</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	236,011	164,487
Social security costs	20,506	13,349
Other pension costs	4,666	5,257
	<u>261,183</u>	<u>183,093</u>

**4. OPERATING PROFIT / (LOSS)**

	1995	1994
	£	£
<b>Operating profit / (loss) is after charging:</b>		
<b>Depreciation</b>		
Owned assets	19,420	11,854
<b>Rentals under operating leases</b>		
Hire of plant and machinery	10,987	7,623
Other operating leases	64,000	72,704
<b>Auditors' remuneration</b>		
Audit services	<u>9,500</u>	<u>9,500</u>

**5. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITIES**

The tax charge on the profit for the year has been eliminated by losses brought forward.

At 31 December 1995, losses of £425,000 (1994: £665,000) were available for offset against future trading profits, subject to agreement with the Inland Revenue.


**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**
**6. TANGIBLE FIXED ASSETS**

	Computers £	Fittings and office equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 1995	32,174	34,391	23,704	90,269
Additions	4,995	14,191	-	19,186
At 31 December 1995	<u>37,169</u>	<u>48,582</u>	<u>23,704</u>	<u>109,455</u>
<b>Accumulated depreciation</b>				
At 1 January 1995	8,890	8,086	5,304	22,280
Charge for the year	6,445	8,375	4,600	19,420
At 31 December 1995	<u>15,335</u>	<u>16,461</u>	<u>9,904</u>	<u>41,700</u>
<b>Net book value</b>				
At 31 December 1995	<u>21,834</u>	<u>32,121</u>	<u>13,800</u>	<u>67,755</u>
At 31 December 1994	<u>23,284</u>	<u>26,305</u>	<u>18,400</u>	<u>67,989</u>

**7. STOCKS**

	1995 £	1994 £
Goods for resale	<u>727,026</u>	<u>245,736</u>

**8. DEBTORS**

	1995 £	1994 £
<b>Due within one year</b>		
Trade debtors	312,446	55,039
Other debtors	54,981	93,171
Prepayments and accrued income	-	1,500
	<u>367,427</u>	<u>149,710</u>

At 31 December 1995, there was a loan outstanding of £54,103 (US\$84,000) (1994 - £53,691: US\$84,000) payable by an officer of the company.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1995	1994
	£	£
Trade creditors	89,838	38,923
Other taxation and social security	40,782	25,689
Amounts owed to related parties (note 11)	723,649	678,590
Accruals and deferred income	350,960	151,038
Obligations under hire purchase contracts (note 12)	6,701	6,372
	<u>1,211,930</u>	<u>900,612</u>

**10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1995	1994
	£	£
Amounts owed to related parties (note 11)	1,610,202	1,438,160
Obligations under hire purchase contracts (note 12)	-	6,701
	<u>1,610,202</u>	<u>1,444,861</u>

**11. CREDITORS: AMOUNTS OWED TO RELATED PARTIES**

The company owed the following amounts to companies controlled by a director, Mr R Maughan. No interest was charged on any of these balances.

	1995	1994
	£	£
Aloe Vera of America Inc	656,316	451,018
Forever Living Products Netherlands BV	67,333	62,694
Forever Living Products Germany GmbH	-	5,083
Forever Living Products Asia Limited	1,610,202	1,597,955
	<u>2,333,851</u>	<u>2,116,750</u>

These balances all fall due within one year with exception of the balance owed to Forever Living Products Asia Limited which is a non interest bearing term loan repayable in instalments.

These related party balances are repayable as follows:

	1995	1994
	£	£
Within one year	723,649	678,590
Within one to two years	161,020	159,796
Within two to five years	483,061	479,386
After five years	966,121	798,978
	<u>2,333,851</u>	<u>2,116,750</u>

The company is dependent on the continuance of this funding in order to continue trading, as it is technically insolvent.



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS**

Obligations under hire purchase contracts include amounts falling due

	1995 £	1994 £
within one year	6,701	6,372
within one to two years	-	6,701
	<u>6,701</u>	<u>13,073</u>

**13. CALLED UP SHARE CAPITAL**

	1995 £	1994 £
Authorised, allotted and fully paid 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

**14. PROFIT AND LOSS ACCOUNT**

	£
At 1 January 1995	(1,701,516)
Loss for the year	<u>240,029</u>
At 31 December 1995	<u>(1,461,487)</u>

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1995 £	1994 £
Profit/(loss) for the financial year	240,029	(395,695)
Opening shareholders' funds	<u>(1,691,516)</u>	<u>(1,295,821)</u>
Closing shareholders' funds	<u>(1,451,487)</u>	<u>(1,691,516)</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 December 1995**

**16. FINANCIAL COMMITMENTS**

	1995 £	1994 £
<b>Capital commitments</b>		
Contracted for but not provided	-	-
Authorised but not yet contracted for	-	-

**Operating lease commitments**

At 31 December 1995, the company was committed to making the following payments during the next year in respect of operating leases.

	<b>Land and buildings</b> £	<b>Other</b> £
Leases which expire:		
Within one year	26,250	5,217
Within two to five years	14,000	-
	<u>40,250</u>	<u>5,217</u>