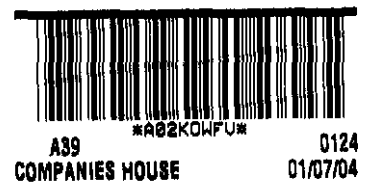


**FOREVER LIVING PRODUCTS (UK)
LIMITED**

Report and Financial Statements

31 December 2003



FOREVER LIVING PRODUCTS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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

The healthy end to 2002 continued throughout 2003 with the company recording an increase in turnover of 21%.

Distributor sponsorship continued to be very healthy with a further increase on the figures for 2002, but what was also encouraging was the increase in distributors moving through the marketing plan and developing a business.

Sales of support items such as literature continue to be very strong, with literature turnover increasing by over 27% to over £750,000. This is mainly thanks to a 19% increase in video and CD sales, items introduced in 2002.

More items than usual were launched in 2003, with the introduction of a fragrance for men and women, Echinacea, Multi Maca and Calcium, all of which are proving to be very popular. Also introduced in 2003 was a new combination box containing the company's most popular selling items, which has proven to be very successful.

New products already lined up for 2004 promise to further compliment the company's extensive product range.

The strength of the company's cash flow in 2003 also resulted in the long term loan being paid off two years ahead of schedule. Prudent use of deposits has also resulted in very strong interest receipts for the year.

The budgetary control procedures put in place at the end of 2002 have also proved successful as the company has been able to control its cost base, whilst sales have grown strongly. Together with the strength of the pound versus the US dollar, the company has recorded record profits.

The first two months of 2004 also give considerable cause for optimism. Growth of 15% over the first two months of 2003 give a good base to move forward throughout the rest of the year.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2002 - £nil). The results of the company are set out on page 5.

The profit for the year of £1,381,167 (2002 : £1,032,159) has been transferred to reserves.

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	
	2003	2002
R G Maughan	10,000	10,000
R Lloyd	-	-

DIRECTORS' REPORT

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989.

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

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

A handwritten signature in black ink, appearing to read 'R Lloyd', with a long horizontal flourish extending to the right.

R LLOYD
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company 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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FOREVER LIVING PRODUCTS (UK) LIMITED

We have audited the financial statements of Forever Living Products (UK) Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

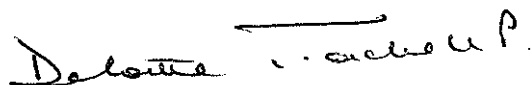
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

28 June 2004

FOREVER LIVING PRODUCTS (UK) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	2	21,590,848	17,835,030
Cost of sales		<u>(5,872,472)</u>	<u>(4,994,935)</u>
Gross profit		<u>15,718,376</u>	<u>12,840,095</u>
Distribution costs		(10,785,687)	(8,684,645)
Administrative expenses		(3,004,801)	(2,717,401)
Other operating income		3,347	2,000
		<u>(13,787,141)</u>	<u>(11,400,046)</u>
OPERATING PROFIT	4	1,931,235	1,440,049
Interest receivable		<u>47,768</u>	<u>14,159</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,979,003	1,454,208
Tax on profit on ordinary activities	5	<u>(597,836)</u>	<u>(422,049)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	14	<u>1,381,167</u>	<u>1,032,159</u>

All activities derive from continuing operations.

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

FOREVER LIVING PRODUCTS (UK) LIMITED

BALANCE SHEET
31 December 2003

	Note	£	2003 £	£	2002 £
FIXED ASSETS					
Tangible assets	6		110,608		103,655
CURRENT ASSETS					
Stocks	7	1,440,547		1,658,567	
Debtors	8	572,072		488,591	
Cash at bank and in hand		3,360,386		1,842,775	
			<u>5,373,005</u>	<u>3,989,933</u>	
CREDITORS: amounts falling due within one year	9	<u>(2,447,701)</u>		<u>(1,972,976)</u>	
NET CURRENT ASSETS			<u>2,925,304</u>		<u>2,016,957</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,035,912</u>		<u>2,120,612</u>
CREDITORS: amounts falling due after more than one year	10		<u>-</u>		<u>(465,867)</u>
			<u>3,035,912</u>		<u>1,654,745</u>
CAPITAL AND RESERVES					
Called up share capital	13		10,000		10,000
Profit and loss account	14		<u>3,025,912</u>		<u>1,644,745</u>
EQUITY SHAREHOLDERS' FUNDS	15		<u>3,035,912</u>		<u>1,654,745</u>

These financial statements were approved by the Board of Directors on *2 April 2004*

Signed on behalf of the Board of Directors


R MAUGHAN

Director

FOREVER LIVING PRODUCTS (UK) LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2003

	Note	2003 £	2002 £
Cash inflow from operating activities	16	2,668,217	422,582
Return on investment and servicing of finance	17	47,768	14,159
Taxation		(475,991)	(67,440)
Capital expenditure and financial investment	17	(55,716)	(36,209)
Cash inflow before financing		<u>2,184,278</u>	<u>333,092</u>
Financing	17	(666,667)	(163,988)
Increase in cash in the year		<u><u>1,517,611</u></u>	<u><u>169,104</u></u>

	18	2003 £	2002 £
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		1,517,611	169,104
Cash outflow from decrease in debt and lease financing		<u>666,667</u>	<u>163,988</u>
Change in net debt resulting from cash flows		2,184,278	333,092
Exchange movements on borrowings		<u>(45,510)</u>	<u>73,725</u>
Movement in net funds in the year		2,138,768	406,817
Net funds at 1 January		<u>1,221,618</u>	<u>814,801</u>
Net funds at 31 December		<u><u>3,360,386</u></u>	<u><u>1,221,618</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

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.

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 over the following periods:

Computers	3 years straight line
Fixtures and office equipment	5 years straight line
Vehicles	4 years straight line

Stocks

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

Deferred taxation

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

Leases

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

Pensions

The company operates a money purchase scheme for the benefit of its employees. The company's contributions to this scheme are shown in Note 3.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. ANALYSIS OF TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2003

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003	2002
	£	£
Directors' emoluments		
Other emoluments	57,473	62,602
	<u>No</u>	<u>No</u>
Average number of persons employed	<u>59</u>	<u>55</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,025,098	989,644
Social security costs	99,862	78,185
Other pension costs	57,953	56,837
	<u>1,182,913</u>	<u>1,124,666</u>

4. OPERATING PROFIT

	2003	2002
	£	£
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	51,363	65,046
Rentals under operating leases		
Other operating leases	394,882	355,518
Hire of plant and machinery	15,148	19,754
Auditors' remuneration		
Audit services	14,750	14,500
Foreign exchange losses/(gains)	<u>(45,510)</u>	<u>(69,231)</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£	£
United Kingdom corporation tax charge at 30% (2002 – 30%) based on the profit for the year	596,915	233,000
Adjustment in respect of prior years	<u>(759)</u>	<u>(17,213)</u>
	596,156	215,787
Deferred taxation		
Timing differences, origination and reversal	<u>1,680</u>	<u>206,262</u>
	<u>597,836</u>	<u>422,049</u>

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

Factors affecting the tax charge for the year:

The current tax charge varies from the standard rate of UK corporation tax due to the following factors:

	2003	2002
	£	£
Profit on ordinary activities before tax	1,979,003	1,454,208
Tax at 30% (2002 – 30%)	593,701	436,262
Expenses not deductible for tax purposes	4,894	2,240
Capital allowances in excess of depreciation	(1,680)	3,341
Utilisation of tax losses	-	(39,441)
Movement in short term timing differences	-	(170,162)
Marginal relief	-	760
Prior period adjustments	(759)	(17,213)
	596,156	215,787

6. TANGIBLE FIXED ASSETS

	Computers	Fittings and office equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2002	197,057	276,669	66,405	540,131
Additions	24,018	30,023	4,275	58,316
Disposals	-	-	(28,310)	(28,310)
At 31 December 2003	221,075	306,692	42,370	570,137
Accumulated depreciation				
At 1 January 2002	179,290	210,234	46,952	436,476
Charge for the year	14,930	26,464	9,969	51,363
Disposals	-	-	(28,310)	(28,310)
At 31 December 2003	194,220	236,698	28,611	459,529
Net book value				
At 31 December 2003	26,855	69,994	13,759	110,608
At 31 December 2002	17,767	66,435	19,453	103,655

7. STOCKS

	2003	2002
	£	£
Goods for resale	1,440,547	1,658,567
	1,440,547	1,658,567

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

8. DEBTORS

	2003	2002
	£	£
Due within one year		
Trade debtors	13,293	7,758
Amounts owed by related parties	278,058	248,987
Deferred tax asset (note 12)	16,919	18,599
Other debtors	263,802	213,247
	<u>572,072</u>	<u>488,591</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£	£
Trade creditors	242,812	280,546
Corporation tax	206,915	86,750
Other taxation and social security	60,986	50,270
Amounts owed to related parties (note 11)	656,535	493,746
Accruals and deferred income	1,280,453	1,061,664
	<u>2,447,701</u>	<u>1,972,976</u>

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

	2003	2002
	£	£
Amounts owed to related parties (note 11)	-	465,867
	<u>-</u>	<u>465,867</u>

11. RELATED PARTY TRANSACTIONS

The ultimate controlling party is Mr R Maughan, the director and principal shareholder.

The balances shown in note 8 were owed by Forever Living Products Iceland, Forever Living Products Germany, Forever Living Products Israel, Forever Living Products Cyprus, Forever Living Products Spain, Forever Living Products Netherlands, Forever Living Products Scandinavia, Forever Living Products Baltics, Forever Living Products Hungary, Forever Living Products Brazil and Forever Living Products Greece, all companies in joint control with the company.

	2003	2002
	£	£
The company owed the following amounts to companies in joint control with it.		
Aloe Vera of America Inc	656,535	315,733
Forever Living Products Asia Limited	-	621,157
Forever Living.com	-	22,723
	<u>656,535</u>	<u>959,613</u>

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2003

11. RELATED PARTY TRANSACTIONS (continued)

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.

	2003	2002
	£	£
These related party balances are repayable as follows:		
In one year or less or on demand	656,535	493,746
In more than two years but not more than five years	-	465,867
	<u>656,535</u>	<u>959,613</u>

During the year the company purchased goods and services to the value of £4,720,103 (2002 - £3,606,686) from the companies named above. In addition, certain of these companies provided marketing and product development support to the company. The company occupies premises owned by Mr Maughan, for which £61,000 (2002 - £61,000) rent was charged in the year. During the year, the company sold goods to the value of £118,523 (2002: £64,805) to companies in common ownership.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 January 2003	18,599
Provision - Current year charge	(1,680)
	<u>16,919</u>

The amounts provided in the accounts are as follows:

	2003	2002
	£	£
Capital allowances in advance of depreciation	(16,919)	(18,599)
	<u>(16,919)</u>	<u>(18,599)</u>

13. CALLED UP SHARE CAPITAL

	2003	2002
	£	£
Authorised, allotted and fully paid 10,000 Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

14. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2003	1,644,745
Profit for the year	1,381,167
	<u>3,025,912</u>
At 31 December 2003	<u>3,025,912</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	1,381,167	1,032,159
Opening shareholders' funds	<u>1,654,745</u>	<u>622,586</u>
Closing shareholders' funds	<u><u>3,035,912</u></u>	<u><u>1,654,745</u></u>

16. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2003	2002
	£	£
Operating profit	1,931,235	1,440,049
Depreciation	51,363	65,046
Profit on sale of fixed assets	(2,600)	-
Decrease/(increase) in stock	218,020	(278,095)
(Increase)/decrease in debtors	(85,161)	177,642
Increase/(decrease) in creditors	509,850	(908,335)
Exchange differences on borrowings	45,510	(73,725)
Net cash inflow from operating activities	<u><u>2,668,217</u></u>	<u><u>422,582</u></u>

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003	2002
	£	£
Net cash inflow from return on investment and servicing of finance		
Interest receivable	<u>47,768</u>	<u>14,159</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(58,316)	(36,209)
Receipt from sale of tangible fixed assets	<u>2,600</u>	<u>-</u>
Net cash outflow from capital expenditure and financial investment	<u><u>(55,716)</u></u>	<u><u>(36,209)</u></u>
Net cash outflow from financing		
Repayment of inter company borrowings	<u><u>(666,667)</u></u>	<u><u>(163,988)</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2003

18. ANALYSIS OF NET FUNDS

	At 1 Jan 2003 £	Cash flow £	Exchange differences £	At 31 Dec 2003 £
Cash in hand and at bank	1,842,775	1,517,611	-	3,360,386
Borrowing from related company	(621,157)	666,667	(45,510)	-
	<u>1,221,618</u>	<u>2,184,278</u>	<u>(45,510)</u>	<u>3,360,386</u>

19. FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments contracted for but not provided at 31 December 2003 (2002 - £Nil).

Operating lease commitments

At 31 December 2003, the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings 2003 £	2002 £
Leases which expire:		
Within one year	136,720	112,733
Within two to five years	259,241	239,775
	<u>395,961</u>	<u>352,508</u>