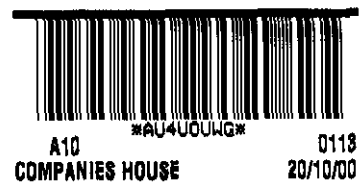


**FOREVER LIVING PRODUCTS (U.K.)
LIMITED**

Report and Financial Statements

31 December 1999

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



REPORT AND FINANCIAL STATEMENTS 1999

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

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

1999 will be noted as a watershed in the UK company's history. It marked both the beginning of the new era of Centres of Excellence under the stewardship of Bob & Dorne Parker and the end of the seven year direction of the company by Dusty Greene, culminating in his promotion to Vice President European Operations.

Investing in a number of properties around the UK mainland has given the Network Marketing Industry a sight of the future strategy here in the UK with the company investing in state of the art computer infrastructure, quality properties and focused trainers. Combining lower inventory costs, greater control of stock and sales information and a resource that our distributors will be proud of, we feel that the future direction of the UK market for Health & Nutrition has been addressed. It represents a statement of long term commitment to a growing market with good future prospects.

Sales in 1999 remained at the levels achieved in 1998 due in part to the company re-organisation. The core business products continue to sell well and the expansion of the Sonya cosmetic range and introduction of supporting literature will assist in this growth area.

Areas for attention in 2000 will be the increased IT developments including e-commerce and increasing use of the Treasury function to support through its strong cash flow position the development of the Icelandic market opened in October and the expansion of the customs warehouse agreement into mainland Europe.

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 5.

The profit for the year of £92,529 (1998 - £551,554) 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:

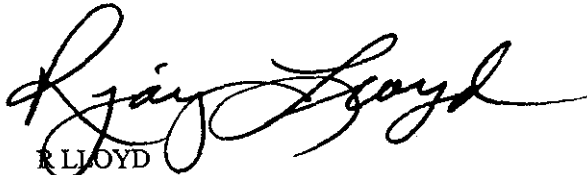
	Ordinary shares of £1 each	
	1999	1998
R G Maughan	10,000	10,000
R Lloyd	-	-

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche 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 cursive script, appearing to read "R. Lloyd".

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

- 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.



AUDITORS' REPORT TO THE MEMBERS OF

FOREVER LIVING PRODUCTS (U.K.) LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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 1999 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

19 October 2000

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1999

	Note	1999 £	1998 £
TURNOVER	2	13,982,178	13,798,645
Cost of sales		(4,127,935)	(3,325,386)
Gross profit		<u>9,854,243</u>	<u>10,473,259</u>
Distribution costs		(7,316,448)	(8,248,448)
Administrative expenses		(2,415,350)	(1,536,831)
Other operating income		7,219	94,155
		<u>(9,724,579)</u>	<u>(9,691,124)</u>
OPERATING PROFIT	4	129,664	782,135
Interest receivable		<u>16,553</u>	<u>25,435</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		146,217	807,570
Tax on profit on ordinary activities	5	<u>(53,688)</u>	<u>(256,016)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	14	<u>92,529</u>	<u>551,554</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.

BALANCE SHEET
31 December 1999

	Note	£	1999 £	£	1998 £
FIXED ASSETS					
Tangible assets	6		182,478		157,934
CURRENT ASSETS					
Stocks	7	1,224,769		1,492,366	
Debtors	8	1,415,582		489,564	
Cash at bank and in hand		912,534		1,712,568	
			<u>3,552,885</u>	<u>3,694,498</u>	
CREDITORS: amounts falling due within one year	9	<u>(2,296,859)</u>		<u>(2,385,342)</u>	
NET CURRENT ASSETS			<u>1,256,026</u>		<u>1,309,156</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,438,504		1,467,090
CREDITORS: amounts falling due after more than one year	10		<u>(930,694)</u>		<u>(1,051,809)</u>
			<u>507,810</u>		<u>415,281</u>
CAPITAL AND RESERVES					
Called up share capital	13		10,000		10,000
Profit and loss account	14		497,810		405,281
EQUITY SHAREHOLDERS' FUNDS	15		<u>507,810</u>		<u>415,281</u>

These financial statements were approved by the Board of Directors on 16 October 2000.

Signed on behalf of the Board of Directors


R MAUGHAN

Director

CASH FLOW STATEMENT
Year ended 31 December 1999

	Note	1999 £	1998 £
Cash flow from operating activities	16	(159,911)	929,352
Return on investment and servicing of finance	17	16,553	25,435
Taxation		(412,867)	(304,990)
Capital expenditure and financial investment	17	(92,793)	(56,510)
Cash (outflow)/ inflow before financing		(649,018)	593,287
Financing	17	(151,016)	(149,754)
(Decrease)/increase in cash in the year		<u>(800,034)</u>	<u>443,533</u>
<hr/>			
Reconciliation of net cash flow to movement in net (debt)/funds	18	1999 £	1998 £
(Decrease)/increase in cash in the year		(800,034)	443,533
Cash outflow from decrease in debt and lease financing		151,016	149,754
Change in net debt resulting from cash flows		(649,018)	593,287
Exchange movements on borrowings		(34,758)	15,627
Movement in net debt in the year		(683,776)	608,914
Net funds/(debt) at 1 January		510,500	(98,414)
Net (debt)/funds at 31 December		<u>(173,276)</u>	<u>510,500</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999**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 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

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.

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.

NOTES TO THE ACCOUNTS

Year ended 31 December 1999

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999	1998
	£	£
Directors' emoluments		
Other emoluments	28,747	22,992
	<u>No.</u>	<u>No.</u>
Average number of persons employed	<u>37</u>	<u>30</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	817,100	570,316
Social security costs	73,899	51,245
Other pension costs	45,741	35,212
	<u>936,740</u>	<u>656,773</u>

4. OPERATING PROFIT

	1999	1998
	£	£
Operating profit is after charging:		
Depreciation		
Owned assets	64,467	56,988
Rentals under operating leases		
Hire of plant and machinery	10,452	7,317
Other operating leases	234,417	92,500
Auditors' remuneration		
Audit services	14,100	13,500
Foreign exchange losses	<u>149,590</u>	<u>14,315</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999	1998
	£	£
United Kingdom corporation tax charge at 30% (1998 - 31%) based on the profit for the year	111,000	323,000
Deferred taxation	<u>(57,064)</u>	<u>(66,984)</u>
	53,936	256,016
Adjustment in respect of prior year:		
Corporation tax	<u>(248)</u>	<u>-</u>
	<u>53,688</u>	<u>256,016</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

6. TANGIBLE FIXED ASSETS

	Computers £	Fittings and office equipment £	Motor vehicles £	Total £
Cost				
At 1 January 1999	84,880	173,723	44,710	303,313
Additions	74,017	19,516	-	93,533
Disposals	(7,550)	(3,743)	-	(11,293)
At 31 December 1999	<u>151,347</u>	<u>189,496</u>	<u>44,710</u>	<u>385,553</u>
Accumulated depreciation				
At 1 January 1999	37,215	75,495	32,669	145,379
Charge for the year	32,492	27,975	4,000	64,467
Disposals	(6,193)	(578)	-	(6,771)
At 31 December 1999	<u>63,514</u>	<u>102,892</u>	<u>36,669</u>	<u>203,075</u>
Net book value				
At 31 December 1999	<u>87,833</u>	<u>86,604</u>	<u>8,041</u>	<u>182,478</u>
At 31 December 1998	<u>47,665</u>	<u>98,228</u>	<u>12,041</u>	<u>157,934</u>

7. STOCKS

	1999 £	1998 £
Goods for resale	<u>1,224,769</u>	<u>1,492,366</u>

8. DEBTORS

	1999 £	1998 £
Due within one year		
Trade debtors	33,420	140,429
Amounts owed by related parties	854,004	177,961
Deferred tax asset (note 12)	118,533	61,469
Other debtors	409,625	109,705
	<u>1,415,582</u>	<u>489,564</u>

At 31 December 1999, there was a loan outstanding of £52,119 (US\$ 84,000) (1998 - £50,487 (US\$ 84,000)) payable by a former officer of the company.

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£	£
Trade creditors	201,083	89,419
Corporation tax	20,885	323,000
Other taxation and social security	39,646	223,049
Amounts owed to related parties (note 11)	1,250,650	764,476
Accruals and deferred income	784,595	985,398
	<u>2,296,859</u>	<u>2,385,342</u>

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

	1999	1998
	£	£
Amounts owed to related parties (note 11)	<u>930,694</u>	<u>1,051,809</u>

11. RELATED PARTY TRANSACTIONS

The company is controlled by Mr R Maughan, the director and principal shareholder.

The balances shown in note 8 were owed by Forever Living Products New Zealand Limited, Forever Living Products Poland, Forever Living Products Germany, Forever Living Products Ireland Limited, Forever Living Products Spain and Forever Living Products Slovakia, all companies in joint control with the company.

	1999	1998
	£	£
The company owed the following amounts to companies in joint control with it.		
Forever Living Products, South Africa	78	78
Forever Living Products, Netherlands	249	-
Aloe Vera of America Inc	1,071,461	614,140
Forever Living Products Asia Limited	1,085,810	1,202,067
Forever Living Products, Iceland	23,746	-
	<u>2,181,344</u>	<u>1,816,285</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.

	1999	1998
	£	£
These related party balances are repayable as follows:		
In one year or less or on demand	1,029,504	554,476
In more than two years but not more than five years	620,463	450,775
After five years	310,231	601,034
	<u>1,960,198</u>	<u>1,606,285</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

11. RELATED PARTY TRANSACTIONS (continued)

During the year the company purchased goods and services to the value of £3,366,991 (1998 - £2,981,764) 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 rent was charged in the year. During the year, the company sold goods to the value of £1,130,021 (1998 - £227,769) to companies in common ownership.

12. PROVISIONS FOR LIABILITIES AND CHARGES

	£
Deferred taxation	
Balance at 1 January 1999	(61,469)
Provision - Current year credit	(57,064)
	<hr/>
Balance at 31 December 1999 (Note 8)	<u>(118,533)</u>

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided 1999 £	Provided 1998 £	Not provided 1999 £	Not provided 1998 £
Capital allowances in advance of depreciation	3,687	1,531	-	-
Other timing differences	(122,220)	(63,000)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>(118,533)</u>	<u>(61,469)</u>	<hr/>	<hr/>

13. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised, allotted and fully paid 10,000 Ordinary shares of £1 each	<hr/> 10,000	<hr/> 10,000

14. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1999	405,281
Profit for the year	92,529
	<hr/>
At 31 December 1999	<u>497,810</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit for the financial year	92,529	551,554
Opening shareholders' funds	415,281	(136,273)
	<u> </u>	<u> </u>
Closing shareholders' funds	507,810	415,281
	<u> </u>	<u> </u>

16. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1999 £	1998 £
Operating profit	129,664	782,135
Depreciation	64,467	56,988
Loss on sale of tangible fixed assets	3,782	9,578
Decrease/(increase) in stock	267,597	(222,556)
Increase in debtors	(868,954)	(179,428)
(Decrease)/increase in creditors	208,775	498,262
Exchange differences on borrowings	34,758	(15,627)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	(159,911)	929,352
	<u> </u>	<u> </u>

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

	1999 £	1998 £
Net cash inflow from return on investment and servicing of finance		
Interest receivable	16,553	25,435
	<u> </u>	<u> </u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(93,533)	(57,227)
Sale of tangible fixed assets	740	717
	<u> </u>	<u> </u>
Net cash outflow for capital expenditure and financial investment	(92,793)	(56,510)
	<u> </u>	<u> </u>
Net cash outflow from financing		
Repayment of inter company borrowings	(151,016)	(149,754)
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

18. ANALYSIS OF NET DEBT

	At 1 Jan 1999 £	Cash flow £	Exchange differences £	At 31 Dec 1999 £
Cash in hand and at bank	1,712,568	(800,034)	-	912,534
Borrowing from related company	(1,202,068)	151,016	(34,758)	(1,085,810)
	<u>510,500</u>	<u>(649,018)</u>	<u>(34,758)</u>	<u>(173,276)</u>

19. FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments contracted for but not provided at 31 December 1999 (1998 - £Nil).

Operating lease commitments

At 31 December 1999, the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings	
	1999 £	1998 £
Leases which expire:		
Within two to five years	292,356	58,100
After five years	61,000	61,000
	<u>353,356</u>	<u>119,100</u>

ADDITIONAL INFORMATION

The additional information on page 16 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.

TRADING ACCOUNT
 Year ended 31 December 1999

	1999	1998
	£	£
TURNOVER	13,982,178	13,798,645
Cost of sales		
Opening stock	1,492,366	1,269,810
Purchases, freight and duty	3,860,338	3,547,942
Closing stock	<u>(1,224,769)</u>	<u>(1,492,366)</u>
	<u>4,127,935</u>	<u>3,325,386</u>
GROSS PROFIT	9,854,243	10,473,259
Distribution costs		
Bonuses	6,206,554	7,157,764
Royalties	197,400	210,000
Motor, travel and entertaining	147,996	104,355
Printing and publicity	739,378	760,351
Warehouse and delivery	<u>25,120</u>	<u>15,978</u>
	7,316,448	8,248,448
Administrative expenses		
Wages, salaries and employment costs	936,740	656,773
Repairs and maintenance	225,076	86,955
Telephones	96,078	31,904
Heat, light and power	17,954	14,599
Rent, rates and insurances	287,515	158,417
Bank charges	151,205	166,855
Legal and professional fees	186,303	178,589
Audit and accountancy	110,823	50,591
Management expenses	146,627	101,649
Depreciation	64,467	56,529
Loss on disposal	3,782	9,578
Loss on exchange	149,590	14,315
Sundry expenses	<u>39,190</u>	<u>10,077</u>
	2,415,350	1,536,831
Other operating income	<u>7,219</u>	<u>94,155</u>
OPERATING PROFIT	<u>129,664</u>	<u>782,135</u>