

**FOREVER LIVING PRODUCTS (UK)
LIMITED**

Report and Financial Statements

31 December 2004



FOREVER LIVING PRODUCTS (UK) LIMITED

REPORT AND FINANCIAL STATEMENTS 2004

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FOREVER LIVING PRODUCTS (UK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

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 company's strong performance in the last two years continued with an 11% increase in turnover.

Work continued on encouraging new distributors to move through the marketing plan and this has been a success, together with the continuing increase in new distributor sponsorship.

After a strong increase in turnover of literature in 2003, this level has been maintained with a small increase in 2004. However, revenue from sales of tickets has shown a 19% increase which adds to the picture that more people are being trained in the business and developing their business.

The Fast Start box introduced in 2003 has continued to be a great success, as have the other new combination boxes introduced in 2004. The Clean and Lean weight management programs introduced have been promoted heavily and proven to be very successful, further developing a market for distributors to explore.

Continued management of cash flow and ongoing research to find the best returns for the company's money has resulted in another substantial increase in interest receipts.

Continuing control of costs, allied with a further strengthening of the pound versus the dollar in 2004 have helped the company to another record profit year, whilst sales have continued to grow.

The start of 2005 has given has proved strong and provides a good base with which to move forward. Changes in legislation throughout 2005 may have an impact on the company's results for the year, but this is being carefully monitored and other courses of action being taken throughout 2005 should result in another profitable year for the company.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend (2003 - £nil). The results of the company are set out on page 5.

The profit for the year of £1,548,167 (2003 : £1,381,167) 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	
	2004	2003
R G Maughan	10,000	10,000
R Lloyd	-	-

FOREVER LIVING PRODUCTS (UK) LIMITED

DIRECTORS' REPORT

AUDITORS

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

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

A handwritten signature in cursive script, appearing to read 'R Lloyd', written in black ink.

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 2004 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 18. 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.

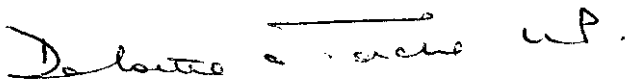
Basis of audit opinion

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 2004 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

6 July 2005.

FOREVER LIVING PRODUCTS (UK) LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2004

	Note	2004 £	2003 £
TURNOVER	2	24,057,473	21,590,848
Cost of sales		<u>(6,059,971)</u>	<u>(5,872,472)</u>
Gross profit		<u>17,997,502</u>	<u>15,718,376</u>
Distribution costs		(12,294,987)	(10,785,687)
Administrative expenses		(3,601,336)	(3,004,801)
Other operating income		<u>23,487</u>	<u>3,347</u>
		<u>(15,872,836)</u>	<u>(13,787,141)</u>
OPERATING PROFIT	4	2,124,666	1,931,235
Bank interest receivable		<u>100,225</u>	<u>47,768</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,224,891	1,979,003
Tax on profit on ordinary activities	5	<u>(676,724)</u>	<u>(597,836)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	13	<u>1,548,167</u>	<u>1,381,167</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 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	6		87,316		110,608
CURRENT ASSETS					
Stocks	7	1,545,156		1,440,547	
Debtors	8	666,463		572,072	
Cash at bank and in hand		5,034,911		3,360,386	
		<u>7,246,530</u>		<u>5,373,005</u>	
CREDITORS: amounts falling due within one year	9	<u>(2,749,767)</u>		<u>(2,447,701)</u>	
NET CURRENT ASSETS			<u>4,496,763</u>		<u>2,925,304</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>4,584,079</u>		<u>3,035,912</u>
CAPITAL AND RESERVES					
Called up share capital	12		10,000		10,000
Profit and loss account	13		<u>4,574,079</u>		<u>3,025,912</u>
EQUITY SHAREHOLDERS' FUNDS	14		<u>4,584,079</u>		<u>3,035,912</u>

These financial statements were approved by the Board of Directors on *5 July 2005*

Signed on behalf of the Board of Directors


R MAUGHAN
Director

FOREVER LIVING PRODUCTS (UK) LIMITED

CASH FLOW STATEMENT
Year ended 31 December 2004

	Note	2004 £	2003 £
Cash inflow from operating activities	15	2,296,391	2,668,217
Return on investment and servicing of finance	16	100,225	47,768
Taxation		(695,621)	(475,991)
Capital expenditure and financial investment	16	(26,470)	(55,716)
Cash inflow before financing		<u>1,674,525</u>	<u>2,184,278</u>
Financing	16	-	(666,667)
Increase in cash in the year		<u><u>1,674,525</u></u>	<u><u>1,517,611</u></u>

	17	2004 £	2003 £
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the year		1,674,525	1,517,611
Cash outflow from decrease in debt and lease financing		-	666,667
Change in net debt resulting from cash flows		1,674,525	2,184,278
Exchange movements on borrowings		-	(45,510)
Movement in net funds in the year		<u>1,674,525</u>	<u>2,138,768</u>
Net funds at 1 January		<u>3,360,386</u>	<u>1,221,618</u>
Net funds at 31 December		<u><u>5,034,911</u></u>	<u><u>3,360,386</u></u>

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

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 2004

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2004	2003
	£	£
Directors' emoluments		
Other emoluments	53,677	57,473
	<u>No</u>	<u>No</u>
Average number of persons employed	<u>62</u>	<u>59</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	1,150,906	1,025,098
Social security costs	102,356	99,862
Other pension costs	59,996	57,953
	<u>1,313,258</u>	<u>1,182,913</u>

4. OPERATING PROFIT

	2004	2003
	£	£
Operating profit is after charging/(crediting):		
Depreciation		
Owned assets	49,762	51,363
Rentals under operating leases		
Other operating leases	337,954	394,882
Hire of plant and machinery	16,525	15,148
Auditors' remuneration		
Audit services	14,750	14,750
Other services	81,835	11,165
Foreign exchange gains	-	(45,510)
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004	2003
	£	£
United Kingdom corporation tax charge at 30% (2003 – 30%) based on the profit for the year	676,775	596,915
Adjustment in respect of prior years	1,206	(759)
	<u>677,981</u>	<u>596,156</u>
Deferred taxation		
Timing differences, origination and reversal	(1,257)	1,680
	<u>676,724</u>	<u>597,836</u>

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

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:

	2004 £	2003 £
Profit on ordinary activities before tax	2,224,891	1,979,003
Tax at 30% (2003 – 30%)	667,467	593,701
Expenses not deductible for tax purposes	8,051	4,894
Capital allowances in excess of depreciation	1,257	(1,680)
Prior period adjustments	1,206	(759)
	677,981	596,156

6. TANGIBLE FIXED ASSETS

	Computers £	Fittings and office equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2003	221,075	306,692	42,370	570,137
Additions	16,372	10,098	-	26,470
	237,447	316,790	42,370	596,607
Accumulated depreciation				
At 1 January 2003	194,220	236,698	28,611	459,529
Charge for the year	16,433	25,924	7,405	49,762
	210,653	262,622	36,016	509,291
Net book value				
At 31 December 2004	26,794	54,168	6,354	87,316
At 31 December 2003	26,855	69,994	13,759	110,608

7. STOCKS

	2004 £	2003 £
Goods for resale	1,545,156	1,440,547

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2004

8. DEBTORS

	2004	2003
Due within one year	£	£
Trade debtors	9,671	13,293
Amounts owed by related parties	314,663	278,058
Deferred tax asset (note 11)	18,176	16,919
Other debtors	323,953	263,802
	666,463	572,072

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Trade creditors	304,494	242,812
Corporation tax	189,275	206,915
Other taxation and social security	71,855	60,986
Amounts owed to related parties (note 10)	586,709	656,535
Accruals and deferred income	1,597,434	1,280,453
	2,749,767	2,447,701

10. 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 Ireland, Forever Living Products Germany, Forever Living Products Spain, Forever Living Products Netherlands, Forever Living Products Hungary, Forever Living Products Sweden, Forever Living Products France, Forever Living Products Portugal, and Forever Living Products Nigeria, all companies in joint control with the company.

	2004	2003
The company owed the following amounts to companies in joint control with it.	£	£
Aloe Vera of America Inc	586,709	656,535
	586,709	656,535

These balances all fall due within one year.

During the year the company purchased goods and services to the value of £5,145,445 (2003 - £4,720,103) from the company named above. In addition, this company provided marketing and product development support to the company. The company occupies premises owned by Mr Maughan, for which £234,000 (2003 - £61,000) rent was charged in the year. During the year, the company sold goods to the value of £171,873 (2003: £118,523) to companies in common ownership.

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

11. DEFERRED TAXATION

	£
Balance at 1 January 2003	16,919
Provision - Current year credit	1,257
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Balance at 31 December 2004 (Note 8)	18,176
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The amounts provided in the accounts are as follows:

	2004	2003
	£	£
Capital allowances in advance of depreciation	(18,176)	(16,919)
	<hr/>	<hr/>

12. CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised, allotted and fully paid 10,000 Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

13. PROFIT AND LOSS ACCOUNT

	£
At 1 January 2003	3,025,912
Profit for the year	1,548,167
	<hr/>
At 31 December 2004	4,574,079
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FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	1,548,167	1,381,167
Opening shareholders' funds	3,035,912	1,654,745
	<u>4,584,079</u>	<u>3,035,912</u>
Closing shareholders' funds	<u>4,584,079</u>	<u>3,035,912</u>

15. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2004	2003
	£	£
Operating profit	2,124,666	1,931,235
Depreciation	49,762	51,363
Profit on sale of fixed assets	-	(2,600)
(Increase)/decrease in stock	(104,609)	218,020
Increase in debtors	(93,134)	(85,161)
Increase in creditors	319,706	509,850
Exchange differences on borrowings	-	45,510
	<u>2,296,391</u>	<u>2,668,217</u>
Net cash inflow from operating activities	<u>2,296,391</u>	<u>2,668,217</u>

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

	2004	2003
	£	£
Net cash inflow from return on investment and servicing of finance		
Interest receivable	100,225	47,768
	<u>100,225</u>	<u>47,768</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(26,470)	(58,316)
Receipt from sale of tangible fixed assets	-	2,600
	<u>(26,470)</u>	<u>(55,716)</u>
Net cash outflow from capital expenditure and financial investment	<u>(26,470)</u>	<u>(55,716)</u>
Net cash outflow from financing		
Repayment of inter company borrowings	-	(666,667)
	<u>-</u>	<u>(666,667)</u>

FOREVER LIVING PRODUCTS (UK) LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 2004

17. ANALYSIS OF NET FUNDS

	At 1 Jan 2004 £	Cash flow £	Exchange differences £	At 31 Dec 2004 £
Cash in hand and at bank	3,360,386	1,674,525	-	5,034,911
	<u>3,360,386</u>	<u>1,674,525</u>	<u>-</u>	<u>5,034,911</u>

18. FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments contracted for but not provided at 31 December 2004 (2003 - £Nil).

Operating lease commitments

At 31 December 2004, the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings	
	2004 £	2003 £
Leases which expire:		
Within one year	243,100	136,720
Within two to five years	317,750	259,241
	<u>560,850</u>	<u>395,961</u>