

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

This document does not constitute a prospectus but comprises an AIM admission document drawn up in accordance with the rules for AIM published by London Stock Exchange plc.

Application will be made for the Enlarged Issued Share Capital to be admitted to trading on AIM. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 8, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (having taken all reasonable care to ensure such is the case), the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

**Your attention is also drawn to the discussion of risks and other factors which should be considered in connection with an investment in the Ordinary Shares, set out in "Risk Factors" in Part II of this document. Notwithstanding this prospective investors should read the whole text of this document.**



*(Incorporated in England and Wales with Company number 5290247)*

**Proposed acquisition of Biocare Limited**  
**Admission to trading on AIM**  
**Notice of Extraordinary General Meeting**  
**and**  
**Placing of 95,238,095 Ordinary Shares at 10.5 pence per share**  
**by**  
**KBC PEEL HUNT LTD**  
**Nominated Adviser and Broker**

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The Placing is conditional, *inter alia*, on Admission taking place on or before 31 August 2005 (or such later date as the Company and KBC Peel Hunt may agree). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Shares and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission.

This document has been approved by KBC Peel Hunt solely for the purposes of the Financial Services and Markets Act 2000. KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as the Company's Nominated Adviser in connection with the proposed admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by KBC Peel Hunt as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). KBC Peel Hunt will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company.

The distribution of this document outside the UK may be restricted by law and therefore persons outside the UK into whose possession this document comes should inform themselves about and observe any restrictions as to the Placing, the Ordinary Shares or the distribution of this document. The Ordinary Shares have not been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Ireland, Australia or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Ireland, Australia, or Japan or to, or for the account or benefit of, US persons or any national, citizen or resident of the United States, Canada, Ireland Australia or Japan. This document does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.

## CONTENTS

	<i>Page</i>
<b>DEFINITIONS</b>	3
<b>PLACING STATISTICS</b>	7
<b>EXPECTED TIMETABLE OF PRINCIPAL EVENTS</b>	7
<b>DIRECTORS AND ADVISERS</b>	8
<b>PART I Letter from the Chairman of NeutraHealth plc</b>	9
<b>PART II Risk Factors</b>	21
<b>PART III Financial information on NeutraHealth plc</b>	23
<b>PART IV Financial information on Biocare Limited</b>	26
<b>PART V Pro forma statement of net assets for the Enlarged Group</b>	41
<b>PART VI Additional information</b>	43
<b>Notice of Extraordinary General Meeting</b>	71

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the entire issued share capital of Biocare pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 5 August 2005 under which the Company has conditionally agreed to acquire the entire issued share capital of Biocare, further details of which are set out in paragraph 11.1 of Part VI of this document
“Acquisition Consultancy Agreement”	the agreement dated 1 February 2005 pursuant to which Sarah Willingham provided assistance to the Company in the formulation of its acquisition strategy and facilitated the fundraising from founder shareholders
“Act”	the Companies Act 1985
“Admission”	admission of the Enlarged Issued Share Capital becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by London Stock Exchange plc
“AIM Rules”	the rules published by London Stock Exchange plc governing admission to, and the operation of, AIM and (where applicable) the Prospectus Rules
“Articles of Association” or “Articles”	the articles of association of the Company
“Biocare”	Biocare Limited a company incorporated in England and Wales with registered number 1948434
“Board” or “Directors”	the directors of the Company whose names are set out on page 8 of this document
“CAGR”	compound annual growth rate
“City Code”	the City Code on Takeovers and Mergers and the Rules Governing Substantial Acquisitions of Shares issued by the Panel on Takeovers and Mergers, from time to time
“Code Compliant Offer”	a partial or tender offer or an agreement or undertaking to accept an offer for part of the ordinary share capital of the Company where the offeror may hold 30 per cent. or more of the voting rights of the Company as a result of the offer
“Company” or “NeutraHealth”	NeutraHealth plc
“Completion”	completion of the conditions of the Acquisition Agreement
“Combined Code”	the code of best practice, including the principles of good governance, titled the “Combined Code on Corporate Governance” published by the Financial Reporting Council in July 2003 and appended to, but not forming part of, the Listing Rules of the UKLA
“Commission”	the Commission of the European Community
“Completion Accounts”	the accounts to be prepared pursuant to the Acquisition Agreement
“Consideration”	the consideration of up to £16.1 million
“Consideration Shares”	9,523,809 new Ordinary Shares to be issued to the Vendors pursuant to the terms of the Acquisition Agreement

“Consultancy Agreements”	the agreements between each of John Stirling and Sharon Stirling and Biocare to be entered into pursuant to the Acquisition Agreement, as the context may require, and “Consultancy Agreement” shall be construed accordingly
“CREST”	the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held or transferred in uncertificated form
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“Cultech”	Cultech Limited, Biocare’s principal supplier
“Cultech Supplier Agreement”	the supplier agreement between Cultech and the Company details of which can be found in paragraph 11.6 of Part VI of this document
“Deferred Consideration”	£1,000,000 payable to the Vendors on the date of the first anniversary of Completion to be satisfied by either the Deferred Consideration Shares or the Loan Notes, at the absolute discretion of the Company
“Deferred Consideration Shares”	such number of NeutraHealth Shares as is equal in value to £1,000,000, calculated by reference to their average market value in the 20 dealing days prior to the date of the first anniversary of Completion
“EIS”	the Enterprise Investment Scheme and related reliefs as detailed in Chapter III, Part VII of Income and Corporation Taxes Act 1988 and in sections 150A to 150C and Schedule 5B and 5BA of the Taxation of Chargeable Gains Act 1992 (as amended)
“Enlarged Group”	the NeutraHealth Group, as enlarged by the Acquisition
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately following the Placing
“EU”	European Union
“Executive Bonus Scheme”	the NeutraHealth executive bonus scheme, having the meaning given in paragraph 5 of Part VI of this document
“Executive Directors”	the executive directors of the Company from time to time
“Existing Ordinary Shares”	the 28,090,002 Ordinary Shares in issue at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 10 a.m. on 30 August 2005 and any adjournment thereof, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use by NeutraHealth Shareholders in connection with the EGM
“FSA”	Financial Services Authority
“FMSA”	the Financial Services and Markets Act 2000
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“Listing Rules”	the listing rules published by the FSA
“Loan Notes”	up to £1,000,000 more particularly described in paragraph 11.5 of Part VI of this document
“London Stock Exchange” or “LSE”	London Stock Exchange plc

“MBA”	a Masters degree in Business Administration
“Net Asset Value”	the value of the net assets of Biocare as at Completion derived from and in accordance with the Completion Accounts
“Net Asset Value Adjustment”	the adjustment to be made to the Consideration upon the ascertainment of the Net Asset Value in accordance with the provisions of the Acquisition Agreement
“New Ordinary Shares”	the Consideration Shares, the Deferred Consideration Shares and the Placing Shares
“NeutraHealth Group” or “Enlarged Group”	the Company and Biocare Limited
“NeutraHealth Shareholders”	holders of Ordinary Shares immediately prior to the Acquisition
“NeutraHealth Share Option Plan”	the unapproved NeutraHealth share option plan having the terms set out in paragraph 4 of Part VI of this document
“Non-Executive Directors”	the non-executive directors of the Company from time to time
“Nutraceutical”	a food or naturally occurring food supplement thought to have a beneficial effect on human health
“Official List”	the Official List of the UKLA (“officially listed” shall be construed accordingly)
“Ordinary Shares”	ordinary shares of 10 pence each in the capital of NeutraHealth
“Original Admission”	admission of NeutraHealth plc to trading on AIM on 18 February 2005
“Original Admission Document”	the admission document in relation to Original Admission dated 18 February 2005
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing by KBC Peel Hunt of the Placing Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 5 August 2005 between the Company (1), the Non-Executive Directors (2), the Executive Director (3), and KBC Peel Hunt (4) relating to the Placing and Admission, further details of which are set out in paragraph 12.2 of Part VI of this document
“Placing Price”	10.5p per Placing Share
“Placing Shares”	the 95,238,095 new Ordinary Shares to be placed pursuant to the Placing
“Probiotic”	a food or supplement containing live bacteria which may have health benefits when ingested
“Product line”	an individual product which may be sold in different quantities eg. Vitamin C 1000mg 30 tablets, Vitamin C 1000mg 60 tablets
“Proposals”	together, the Acquisition, the Placing and the general authority and power to allot new Ordinary Shares for cash
“Prospectus Directive”	Directive 71/2003/EC
“Prospectus Regulations”	Regulation 809/2004 of the Commission
“Prospectus Rules”	the Prospectus Rules issued by the FSA from time to time pursuant to the Prospectus Directive and the Prospectus Regulation

“Resolutions”	the resolutions set out in the notice of EGM set out at the end of this document
“Retail Customers”	consumers who buy products directly from Biocare
“Retail Price Index”	the General Index of Retail Prices (all items excluding mortgages) as published on behalf of HM Government by the Central Statistical Office (or other governmental department or executive agency responsible from time to time for its publication) or if such index ceases to be published or is not published in any month, such alternative index which produces, as nearly as possible, the same result
“Shareholders”	holders of Ordinary Shares in the capital of the Company
“SME”	small and medium sized enterprise
“subsidiary”	as defined in section 736 and 736A of the Act
“Trade Customers”	practitioners and specialist retailers
“Transaction”	the acquisition of Biocare by the Company
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FSA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction
“VCT”	a Venture Capital Trust for the purposes of section 842AA and Schedule 28B of the Income and Corporation Taxes Act 1988
“Vendors”	any or all of the shareholders in Biocare immediately prior to the Acquisition
“VMS”	Vitamin and Mineral Supplements

References to pence and pounds are references to pences and pounds in sterling being the denominated currency of the UK.

## PLACING STATISTICS

Placing Price	10.5p
Total number of Placing Shares to be issued on behalf of the Company	95,238,095
Number of Ordinary Shares in issue immediately following Admission	123,328,097
Market capitalisation following Admission at the Placing Price	£12.9 million
Gross proceeds of the Placing receivable by the Company	£10.0 million
Net proceeds of the Placing receivable by the Company	£8.8 million

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 28 August 2005
<b>Extraordinary General Meeting</b>	<b>10.00 a.m. on 30 August 2005</b>
Completion of the Acquisition, Admission effective and dealings commence in the Existing Ordinary Shares and the Placing Shares on AIM	8.00 a.m. on 31 August 2005
Crediting of uncertificated Placing Shares to CREST accounts	31 August 2005
Despatch of definitive share certificates (where applicable) by	7 September 2005

## DIRECTORS AND ADVISERS

<b>Directors:</b>	<b>Salvatore Martin Gatto</b> ( <i>Chairman</i> ) <b>Michael Hjelm Toxvaerd</b> ( <i>Chief Executive</i> ) <b>Anthony Bruton Meyrick Good</b> ( <i>Non-Executive Director</i> ) <b>Raymond Albert Hill</b> ( <i>Non-Executive Director</i> ) <b>Sir Gulam Kaderbhoy Noon MBE</b> ( <i>Non-Executive Director</i> )  all of
<b>Principal Place of Business:</b>	5 St Johns Lane London EC1M 4BH
<b>Telephone number:</b>	020 7549 1608
<b>Company Secretary:</b>	<b>David John Quinn</b> 6 Caledon Road Beaconsfield Buckinghamshire HP9 2BX
<b>Nominated Adviser and Broker:</b>	<b>KBC Peel Hunt Ltd</b> 111 Old Broad Street London EC2N 1PH
<b>Solicitors to the Company:</b>	<b>Pinsent Masons</b> Dashwood House 69 Old Broad Street London EC2M 1NR
<b>Solicitors to KBC Peel Hunt:</b>	<b>Hunton &amp; Williams</b> Fleetway House, 6th Floor 25 Farringdon Street London EC4A 4AB
<b>Auditors and Reporting accountants:</b>	<b>RSM Robson Rhodes LLP</b> 186 City Road London EC1V 2NU
<b>Principal Bankers:</b>	<b>Adam &amp; Company PLC</b> 22 Charlotte Square Edinburgh EH2 4DF
<b>Registrars:</b>	<b>Capita IRG Plc</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>ISIN:</b>	GB00B062Q126

## PART I

### LETTER FROM THE CHAIRMAN

#### NeutraHealth plc

*Directors:*

Martin Gatto (*Chairman*)  
Michael Toxvaerd (*Chief Executive*)  
Anthony Good (*Non-Executive Director*)  
Raymond Hill (*Non-Executive Director*)  
Sir Gulam Noon, MBE (*Non-Executive Director*)

*Registered Office:*

6 Caledon Road  
Beaconsfield  
Buckinghamshire  
HP9 2BX

5 August 2005

*To NeutraHealth Shareholders and, for information only, to participants in the NeutraHealth Share Option Plan*

Dear Shareholder,

**Proposed acquisition of Biocare, Admission to AIM and Placing of 95,238,095 new Ordinary Shares at 10.5 p per share**

#### **HISTORY AND BACKGROUND**

##### **Introduction**

Your Company was admitted to AIM on 18 February 2005. At that time it raised £1.5 million from a placing of Ordinary Shares to institutional shareholders to add to the £1.26 million raised by the founding shareholders of the Company, including £715,000 from your Directors. Your Directors stated at that time that the purpose of the fundraising and admission to AIM was to establish NeutraHealth as a credible buyer of targeted Nutraceutical companies, to raise funds to be used to identify and carry out due diligence on potential target acquisitions and to provide working capital for the Company's initial operations. Your Directors also stated that they intended to focus on companies that have sales of up to £15 million per annum.

NeutraHealth announced today that it has conditionally agreed to acquire Biocare for a total Consideration of £16.1 million, subject to a Net Asset Value of £1.5 million. NeutraHealth also announced today that it proposes to raise approximately £8.8 million (net of expenses) by issuing 95,238,095 Placing Shares at 10.5p per share. Further details relating to the Placing are set out in the paragraph titled "Details of the Placing and Admission to AIM" below.

The total Consideration of £16.1 million is to be satisfied in three tranches. £14.1 million of the Consideration is payable in cash on Completion and will be funded by the proceeds of the Placing, from existing cash resources in the Company and a new debt facility of £4.0 million. A further £1.0 million will be satisfied by the issue of such number of Consideration Shares as is equal to £1.0 million calculated by reference to the Placing Price. There will be a Net Asset Value Adjustment, calculated on a pound for pound basis in accordance with the Completion Accounts. The remaining £1.0 million will be satisfied through either (i) the issue of such number of Deferred Consideration Shares as is equal to £1.0 million, calculated by reference to the average market value of the Ordinary Shares in the 20 dealing days prior to the date of the first anniversary of Completion or (ii) if the Company elects, in its absolute discretion, the payment of £1.0 million of Loan Notes, on the date of the first anniversary of Completion. The Acquisition Agreement is described further in paragraph 11.1 of Part VI of this document.

The Acquisition constitutes a reverse takeover pursuant to the AIM Rules and is therefore subject to NeutraHealth Shareholder approval which will be sought at the EGM. Application will be made to the London Stock Exchange for admission to trading on AIM of the Existing Ordinary Shares and of the Placing

Shares. Admission is conditional, *inter alia*, on the passing of the Resolutions at the EGM, including a resolution to increase the authorised share capital of NeutraHealth.

The purpose of this document is to set out the principal terms of, and to seek NeutraHealth Shareholder approval for, the Acquisition and the other resolutions set out in the notice convening the EGM at the end of this document and to explain why your Directors believe that the Acquisition is in the best interests of the Company and NeutraHealth Shareholders as a whole. Accordingly I, together with my fellow Directors, intend to vote in favour of the Resolutions at the EGM. In addition to the £715,000 invested at or before Original Admission, your Directors will be investing a further £235,000 at the Placing Price, details of which are set out in paragraph 7 of Part VI of this document.

### **The Market Opportunity**

The Directors consider there is an excellent opportunity to build, initially through acquisitions, a successful group focused on Nutraceutical products with initial emphasis on the distribution of VMS and Probiotic products through retail and other distribution channels.

The Nutraceutical market, consisting of organic foods, functional foods (including Probiotic products), VMS and alternative remedies grew by 110 per cent.<sup>1</sup> from £0.99 billion in 1998 to £2.08 billion in 2002, aided by the development of in-store pharmacies and sections dedicated to health foods in supermarkets. The market is projected to grow by 10-15 per cent. between 2005 and 2007, which the Directors believe is directly linked to the ageing population in the UK. The 35-64 age group, which has shown a greater interest in the potential health benefits of using VMS and Probiotics in their diet, is projected to grow by 11 per cent. from 1998 to 2007<sup>2</sup>.

The UK VMS market was estimated to be worth £390 million<sup>1</sup> in 2002 and consists of a range of more than 4,000 products, including single vitamins, multivitamins, fish oils, garlic, cod liver oil and other minerals. It is believed that 43 per cent.<sup>1</sup> of British adults use VMS products, the majority of whom use them on a daily basis. The Directors estimate this will grow over the next few years as an increasing number of people use VMS and Probiotics as a means of adding supplements to their diet. The main distribution channels for VMS are pharmacies, supermarkets, drugstores, health food stores and mail order.

The British VMS market is fragmented, consisting of a range of SMEs with specialist offerings as well as some mainstream diversified multinationals and other larger specialist manufacturers. Products produced by the SME sector accounted for approximately 56 per cent. of VMS sales in Great Britain in 2003 and the Directors estimate there are over 300 companies in the sector. In the Directors' experience, SMEs in the sector tend to be owner-managed and have either a strong product portfolio with limited distribution or well branded niche products. The Directors believe that a number of owner-managed businesses can be targeted for acquisition by the Company.

The Directors believe the Probiotic market is under-developed with a number of companies beginning to invest in developing product portfolios and that exploitation of this market will lead to further growth over the next few years.

Note 1: From "Health Foods Plus 2003", Key Note Limited, [www.keynote.co.uk](http://www.keynote.co.uk).

Note 2: From "Vitamins and Mineral Supplements, 2003", Mintel, [www.mintel.com](http://www.mintel.com).

## **INFORMATION ON BIOCARE**

### **History**

Biocare was founded in 1985 by John and Sharon Stirling, and began distributing a single nutritional supplement product in 1987. Subsequently the number of products distributed by Biocare increased and Biocare began developing its own nutritional supplement formulations. In 1991 Biocare introduced its first Probiotic product and Biocare has since identified VMS and Probiotics as some of the product groups with potential for future growth. It has particularly focused its research on natural health care products for intestinal health and developing products based on new research into the potential health benefits of fish oils, in addition to VMS products. However Biocare recognised the public was not aware of the potential benefits that these products may provide. This led Biocare to focus on marketing its products to practitioners, who became the early adopters of its products. Over the years, Biocare has developed a diverse portfolio of products, and is now an established distributor of natural healthcare products. Biocare has enjoyed healthy

operating profit margins (calculated before Vendors' emoluments and associated national insurance) and generated strong operating cash flows. Further financial information on Biocare is set out in Part IV of this document. The latest product catalogue was issued to practitioners in September 2004.

## **Business Overview**

Biocare sells its products to both the trade (practitioner and specialist retailers) and retail (consumer) sectors. Biocare's strategy has been to target practitioners during their training and educate them about the features of available products. Biocare has often developed continuing relationships with practitioners following their training, leading to a high level of repeat business from both the practitioners and associated referrals to Retail Customers. The Directors believe retail sales are generally due to referrals from practitioners, as Biocare has never marketed directly to the public.

Biocare's products are categorised into sixteen product groups, as set out in table 1 on page 12. Vitamins and Probiotics are the largest product groups, with approximately 20 per cent. each of 2004 sales across more than 30 products. The majority (over 65 per cent. by number) of Biocare's products have been formulated by John Stirling and the Biocare technical team. In 2004, Biocare's top twenty products generated approximately 50 per cent. of turnover.

The Directors believe that Biocare's product development record is a key strength of the business. Biocare has developed and now sells over 170 natural products, ranging from vitamins and minerals such as Vitamin C and Zinc Citrate to herbal combinations such as Ginseng and Gingko Biloba and various fish oils. Biocare also markets a suite of Probiotic products, such as Bio-Acidophilus which is Biocare's largest selling product and a number of Gastrointestinal products, including FloraGuard. The Directors believe these two product categories are increasingly important product categories for Biocare.

Biocare's premises are located at a leasehold site in Kings Norton, Birmingham where all of the company's 46 employees work.

## **Products**

Biocare introduced 51 new products between 2003 and 2004, 31 of which were launched in 2004. New product sales accounted for approximately 5 per cent. of total sales in 2004 being significantly higher than new sales in the previous year. The Directors believe that the majority of Biocare's recent new products are sold at a higher price per unit than older products in Biocare's portfolio. Biocare reviews and, where appropriate, reformulates and rebrands older products.

The majority of Biocare's product development is undertaken in-house, predominantly by John Stirling and Biocare's five person technical team who also provide technical support for customers and Biocare's sales team. It has a history of developing a number of new products and formulations. The recent focus has been on Probiotics and Gastrointestinals.

The Directors believe launches of Probiotic products by global food producers have led to increased awareness of their potential health benefits, which has led to a strong increase in sales of Biocare's best selling product, Bio-Acidophilus over the last three years. Biocare's recent new products include TravelGuard, a Probiotic complex capsule designed to protect against gastro-intestinal problems when travelling to tropical climates and FloraGuard, a product which is designed to keep an intestinal balance for people with irritable bowels. FloraGuard, which was first sold in 2004, is one of the most successful new products launched by Biocare in the last two years.

FloraGuard is the first product launched using DuoCap™ technology and Travelguard also uses this technology. DuoCap™ technology helps the release of active ingredients of the product at different stages of the digestion process to optimise its effect. It is intended that more products using this and other novel technologies will be released in 2005.

Historically, the majority of Biocare's new product formulations are formulated 'in-house' and Biocare then works jointly with its suppliers to develop a manufacturing process. Products which represented approximately 65 per cent. of the total number of Product lines which are manufactured by Cultech are subject to production restrictions under the terms of the Cultech Supplier Agreement. John Stirling has

entered into a Consultancy Agreement with the Company, pursuant to which he will receive 5 per cent. of the gross profits attributable to any new products developed during the term of the Consultancy Agreement. This Consultancy Agreement is described further in paragraph 11.3 of of Part VI of this document.

### **Table 1 – Product Categories**

<i>Category</i>	<i>Products</i>
Vitamins	Vitamin C, Vitamin B Complex, Vitamin E, Folguard®
Vitasorb®	Vitasorb® Folic Acid, Vitasorb® B12
Minerals	Bio-Manganese, Magnesium EAD2, Zinc Citrate
Nutrisorb®	Nutrisorb® Iron Ascorbate, Nutrisorb® Selenium
Fatty Acids	Microtell CoQ10 Plus, Evening Primrose Oil, DriCelle® Cod Liver Oil
Probiotics	Bio-Acidophilus, Gingerdophilus, Lactobacillus bulgaricus
Gastrointestinals	Micropyl, FloraGuard™, Oregano complex
Enzymes	Lactase Enzyme, Lipozyme, Polyzome Forte
Complexes	MaleForte, Muccolye®, ReCall®, TravelGuard
Antioxidants	MicroCell® Lycopene Plus, NutriGuard Plus
Herbals	Gingko Biloba, Ginseng, Red Clover
Amino Acids	Amino-Plex, Phosphatidyl Serine
Creams	DenTect® Toothpaste, Dermasorb
Functional Foods	NutrMilk® with CLA-Glyceride
PharmaGuard	AquaCell® Lycopene, Intestinal Bowel Supplement, Lactrol
Hibberd	FemForte, Wormwood and Barberry Plus

### **Product Manufacture**

The majority of Biocare's products are manufactured by Cultech, a company 49.5 per cent. owned by John Stirling. The Directors have negotiated a key supplier agreement with Cultech which the Directors believe to be an important component in the future success of Biocare's business. Under the terms of the agreement, which is for a fixed term of five years, the prices of products produced by Cultech are fixed for five years, subject to an increase every two years calculated by reference to the Retail Price Index from the date of the agreement. In 2004 Biocare purchased in excess of 85 per cent. of its supplies from Cultech, at a cost of over £2.5 million. During the first year of the agreement, Biocare must purchase at least 85 per cent. of its total product requirement from Cultech. Thereafter Biocare must purchase at least 70 per cent. of its total product requirement from Cultech during the term. However, Biocare is not obliged to purchase further products from Cultech once it has purchased products from Cultech valued at £3 million in any year. Further details of the Cultech Supplier Agreement can be found in paragraph 11.6 of Part VI of this document.

Products are manufactured by Biocare's suppliers using encapsulation which is preferred because it allows minimal use of excipients. The Natrafill process – filling the capsules with nothing but the active ingredients – is also employed. Tablets are used only for those products which are not suitable in a capsule. Wherever possible, Biocare excludes common allergenic ingredients such as yeasts, artificial colours, artificial flavours, gluten and lactose from its products.

Biocare has successfully launched a number of Probiotic products which are produced using a freeze drying process, which optimises the concentration of the active ingredient of the Probiotic products. A number of Biocare's fish oil products are produced using an emulsification process, which optimises the mix of the products.

### **EU Legislation**

The Vendors have warranted that all of Biocare's current products (except Bio Magnesium and Mag 2:1 Cal) are compliant with proposed EU legislation, the Food Supplements (England) Regulations 2003 (SI2003/1387), due to come into force on 1 August 2005.

Bio Magnesium and Mag 2:1 Cal may not comply with the proposed EU legislation. The Food Standards Agency have circulated informal guidance to the industry, which does not have the force of law, that a pragmatic approach to enforcement of the proposed EU legislation be taken. Nevertheless, should such

legislation come into force and it is thought that these two products do not comply, then the Directors will reformulate such products so that they are compliant with the proposed EU legislation. Sales of these products in their original formulations, represented approximately 2 per cent. of Biocare's revenue in 2004. In the light of the foregoing the Directors therefore do not consider that Biocare's business will be materially affected by the proposed EU legislation.

### **Product Distribution**

Following receipt of manufactured products from its suppliers, Biocare's products are distributed from its warehouse in Birmingham. Orders received before 2.30 p.m. are normally dispatched the same day via post or courier, with orders received after 2.30 p.m. dispatched the following day. Biocare operates its distribution facility, office and warehouse operations at the same premises. Furthermore the warehouse space is currently underutilised and there is therefore space available to Biocare to service increased sales.

### **Route to Market**

Approximately 75 per cent. of Biocare's turnover is generated from Trade Customers, including health food retailers and both nutritionalists and healthcare practitioners, with the balance of approximately 25 per cent. being telephone orders made by the public. Retail prices are typically higher than trade prices, with commissions paid to practitioners who recommend Biocare's products. Products are generally sold via telephone sales through the extensive product catalogue. The majority of orders are received by telephone, and Biocare employs ten telephone sales advisers at the Birmingham premises to process orders.

### **Practitioner Training**

For a number of years Biocare has regularly provided training days to both student practitioners and experienced practitioners. These seminars typically cover new developments in the industry and new product launches. Biocare has found that a large number of practitioners who have attended the training days either recommend or purchase Biocare's products. The Directors intend to continue to provide these training days following Completion, as they believe the training days are an effective marketing tool amongst the practitioner population.

### **Trading record**

The financial information for the three years to 31 December 2004 relating to Biocare set out below has, with the exception of the operating profit before Vendors' emoluments and associated national insurance, been extracted from the accountants' report set out in Part IV of this document and should only be read in conjunction with the full text set out therein. The financial information relating to Biocare for the five months to 31 May 2005 has been extracted from unaudited management information.

	<i>Year to 31 December 2002 (audited) £'000</i>	<i>Year to 31 December 2003 (audited) £'000</i>	<i>Year to 31 December 2004 (audited) £'000</i>	<i>5 months to 31 May 2005 (unaudited) £'000</i>
Turnover	6,658	6,762	7,471	3,223
Adjusted operating profit	1,711	1,860	2,109	925
Operating profit	–	426	118	125
Profit before tax	5	440	125	139

Note 1: Adjusted operating profit is calculated after adding back Vendors' emoluments and associated national insurance of £1,711,000 (2002), £1,434,000 (2003), £1,991,000 (2004) and £799,000 (5 months to 31 May 2005).

Sales grew by 12.2 per cent. from 2002 to 2004, with an increase of 10.5 per cent. from 2003 to 2004. The growth in sales from 2002 to 2004 is due to increases in both like-for-like sales and sales of new products, with 2004 a particularly strong year for successful new product launches. In 2004 sales growth has been strongest in the Vitamins, Probiotics, Fatty Acids, Complexes and Gastrointestinal product groups, which have collectively grown by approximately 20 per cent. from 2002 to 2004. Sales of these five categories represented approximately 70 per cent. of turnover in 2004. Total sales from the other product groups

remained steady from 2002 to 2004. Approximately 75 per cent. of revenue in 2004 was generated by over 70 products, each of which contributed annual turnover in excess of £20,000.

Trade sales have historically accounted for approximately 75 per cent. of total sales. In 2003, Biocare ceased to report these segmental sales figures, but the Directors believe the trends continued in 2004. Biocare is not reliant on any one customer, with its top five customers accounting for less than 20 per cent. of sales in 2004 although this has increased from the level of sales in 2002. Export sales have not historically been a priority for Biocare and accounted for less than 10 per cent. of sales in 2004, which was broadly comparable with the previous two years.

Biocare's average transaction value increased by over 30 per cent. from 2002 to 2004 which the Directors believe is a result of the number of product units per order increasing. Biocare's sales have historically shown little seasonality throughout the year. Gross profit margins have been consistent over the three year period.

The adjusted operating profit (before Vendors' emoluments and associated national insurance) grew in excess of 20 per cent. from 2002 to 2004.

A number of initiatives were also undertaken during 2004 which resulted in Biocare being awarded Investor in People status in 2005. In September 2004 a new product catalogue was introduced. Sales during Q4 2004 were up by approximately 12 per cent. on the equivalent period in 2003, compared to an approximately 9 per cent. increase in sales for Q1 to Q3 2004 when compared to the Q1 to Q3 of 2003. The Directors believe this Q4 increase is partially attributable to the release of the new product catalogue.

## **CURRENT TRADING**

For the five month period ended 31 May 2005, Biocare's sales increased by approximately 3 per cent. against the comparable prior year period. Sales of the top five categories – Vitamins, Probiotics, Fatty Acids, Complexes and Gastrointestinals – have increased by approximately 5 per cent. against the comparable prior year period. This has been driven by an approximately 17 per cent. increase in sales in the Fatty Acids category and approximately 9 per cent. increase in sales in the Complexes category.

Export sales have remained broadly constant as a proportion of total sales, at approximately 9 per cent. of total sales in the first five months of 2005. The Directors believe the split of sales between Trade Customers and Retail Customers has also remained broadly constant.

NeutraHealth has not traded since incorporation.

## **RATIONALE FOR THE ACQUISITION**

Your Directors stated in February 2005 that NeutraHealth was formed to acquire SMEs in sectors of the growing Nutraceutical industry, initially in the VMS and Probiotic sectors. Biocare is a profitable and cash generative business with a strong history of product development with an emphasis on high-end VMS and Probiotic products. Biocare has a strong history of bringing innovative products to the market using a scientific approach.

To date, the Directors believe the majority of Biocare's product sales have been achieved via sales to practitioners or via specialist health food retailers. Your Board believes that although strong in these segments, Biocare has the capability to profitably grow its revenues significantly through the development of its current and new distribution channels using your Board's considerable business experience and contacts in the retail sector.

Your Board believes that the Biocare business and product portfolio provides a solid foundation to grow the Company and remains committed to acquiring additional companies to complement Biocare. As the number of acquired companies grows, your Directors believe that cost savings and efficiencies can be achieved by centralising support functions such as financial management, supply chain management and product development.

## **PRINCIPAL TERMS OF THE BIOCARE ACQUISITION**

Pursuant to the terms of the Acquisition Agreement, the Company has conditionally agreed, subject to, *inter alia*, NeutraHealth Shareholder approval and Admission, to acquire the entire issued share capital of Biocare from the Vendors.

Under the terms of the Acquisition Agreement, the Vendors have agreed to sell the entire issued share capital in Biocare to the Company for a total Consideration of £16.1 million subject to a Net Asset Value of £1.5 million. £14.1 million of the Consideration is payable in cash on Completion and will be funded by the proceeds of the Placing, from existing cash resources in the Company and a new debt facility of £4.0 million. A further £1.0 million will be satisfied by the issue of such number of Consideration Shares as is equal to £1.0 million calculated by reference to the Placing Price. There will also be a Net Asset Value Adjustment, calculated on a pound for pound basis in accordance with the Completion Accounts. The remaining £1.0 million will be satisfied through either (i) the issue of such number of Deferred Consideration Shares as is equal to £1.0 million, calculated by reference to the average market value of the Ordinary Shares in the 20 dealing days prior to the date of the first anniversary of Completion, or (ii) if the Company elects in its absolute discretion, the payment of the Loan Notes on the date of the first anniversary of Completion.

Under the terms of the Acquisition Agreement, the Vendors have given warranties and indemnities in respect of certain business, taxation and other matters subject to agreed limits of liability. Furthermore, the Vendors have agreed that in respect of the Consideration Shares and the Deferred Consideration Shares received by them, they will not sell or otherwise dispose of any interest in them for a period of two years and one year respectively from the relevant dates of allotment as further set out below under the heading "Lock-in agreements".

A summary of the principal terms of the Acquisition Agreement is set out in paragraph 11.1 of Part VI of this document.

The Directors have ensured the Vendors will continue to have a substantial interest in the success of the Enlarged Group via their 49.5 per cent. interest in Cultech (which is subject to the call option further detailed in paragraph 11.2 of Part VI of this document) and, through the Cultech Supplier Agreement described in more detail in paragraph 11.6 of Part VI of this document. John Stirling will also receive 5 per cent. of the gross profit received from any new product formulations he develops following Completion.

## **INFORMATION ON NEUTRAHEALTH**

NeutraHealth was established in November 2004 and was admitted to trading on AIM on 18 February 2005 raising approximately £1.34 million net of expenses (excluding VAT). Since that date NeutraHealth has not traded but its Directors have focused on identifying and then negotiating the acquisition of SMEs in the growing Nutraceutical industry. Biocare is the first of these companies to be acquired, although it is only one of a number that have been actively considered and analysed. The Directors continue to work to identify other suitable acquisition targets, although discussions with such companies have not yet reached a stage where there can be any certainty that NeutraHealth will be able to conclude negotiations and complete an acquisition.

## **PROSPECTS FOR THE ENLARGED GROUP**

The Directors believe there is considerable potential for increasing sales of Biocare's products, initially through the implementation of the strategy described below, and then as part of an enlarged group following further acquisitions by NeutraHealth.

Most orders for Biocare's products are placed via telephone calls to Biocare's call centre. The Directors believe that the development of an internet web site will create a new distribution channel which will lead to increased sales of Biocare's products.

For a number of years Biocare has regularly provided training days to both student and experienced practitioners. These seminars typically cover new developments in the industry and new products from Biocare which may be used to prevent or treat various conditions. During these seminars Biocare has encouraged the practitioners to either recommend or purchase Biocare's products. The Directors intend to

increase focus on providing these training days following Completion, as they believe this is an effective marketing tool amongst the practitioner population as well as an effective way to expand this loyal distribution channel.

Biocare's mail order distribution channel has created a database of more than 135,000 direct customers. It is the Directors' intention to data mine and analyse this database and subsequently introduce frequent direct mail-shot activities to improve the cross selling of new products relating to their past purchases. The Directors believe that historically this distribution channel has not been fully utilised by Biocare.

The Directors believe Biocare has traditionally focussed its sales and marketing efforts of new products to already known channels. The Directors believe that a number of existing products have a broader appeal and therefore the Directors intend to use their extensive experience and contacts within the retail industry to develop sales of Biocare's products through the retail channel.

Biocare is currently working with new technology which the Directors intend to market to a variety of distribution channels in the future.

The Directors believe Biocare has not formally targeted the export market with less than 10 per cent. of sales being sold outside of the UK in 2004, but with the EU directive expected to come into force on the 1 August 2005, which aims to harmonise and standardise regulations across the EU, the Directors intend to focus on major EU markets and other export markets as a source for future growth.

The Enlarged Group will be free from debt from Completion. This means that cash flow generated from existing operations can be used to promote the Biocare product portfolio and develop distribution of Biocare's products through other channels.

Your Board will continue to seek to acquire complementary cash generative, niche focused and potentially high growth SMEs in the growing Nutraceutical industry where it believes that shareholder value will be created. Future acquisitions will be financed through raising debt, the issue of further equity, or via a combination of the two.

## **DIRECTORS AND SENIOR MANAGEMENT**

The Directors of NeutraHealth are:

### **Martin Gatto, 55** (*Chairman*)

Martin has considerable experience as Chief Financial Officer of a number of large public companies, most recently implementing successful turnaround strategies at British Energy Plc, Midland Electricity plc and Somerfield plc. Prior to that he gained international experience as Chief Financial Officer at Hilton International Co where he was also responsible for business development and property. He is a graduate of Brunel University and is a Fellow of the Chartered Institute of Management Accountants. Martin also holds a number of non-executive directorships.

### **Michael Toxvaerd, 30** (*Chief Executive*)

Michael has led high growth SME businesses within a variety of sectors. He was most recently CEO of Danish Electronics Group SEM Holding A/S during a three year period of growth, rapid expansion and industry consolidation. He is also a Non-Executive Director of Danish construction company Eske Huse A/S. Michael recently completed an MBA at Cranfield School of Management, part of Cranfield University.

### **Anthony Good, 72** (*Non-Executive Director*)

Anthony founded the Good Relations Group, which was the first public relations company to be quoted on the London Stock Exchange. He has more recently operated as an independent consultant to Marks & Spencer plc and Scottish & Newcastle plc and was previously a director of Gowrings plc.

**Raymond Hill, 71 (Non-Executive Director)**

Raymond is a director of the British Herbal Medicine Association having previously been Secretary of the organisation. He was also Chairman of the Health Food Institute from 1996 to 2002 and is an Honorary Member of the National Institute of Medicinal Herbalists. Raymond has considerable experience as a health food retailer, distributor and mail order operator. He is a member of the Chartered Institute of Marketing.

**Sir Gulam Kaderbhoy Noon, MBE, 69 (Non-Executive Director)**

Sir Gulam is the founder and Chairman of Noon Products Limited, one of the largest suppliers of Indian food products into Britain's major supermarkets including Sainsburys, Waitrose, Morrisons and Safeway. He currently holds a number of high profile positions in industry and commerce. Sir Gulam is also Chairman and Managing Director of Bombay Halwa Ltd, suppliers of Indian sweets to the aviation catering industry. He is a board member and was formerly President of the London Chamber of Commerce and Industry, was the founder Chairman of the Asian Business Association and is a board member of Transport for London (TFL). Sir Gulam was awarded the 'Best Business Leader' Award at the SAGE Business Awards in 2003.

Michael Toxvaerd has a service agreement with the Company and all of the other directors of the Company have entered into non-executive letters of appointment. Further details of the service contract and the letters of appointment are set out in paragraph 8 of Part VI of this document.

Save for the Company Secretary and as disclosed above, there are no officers or employees of the Company as at the date of this document.

The Nominations Committee has initiated a search for a Group Finance Director, and it is intended that an appointment is made as soon as practicable. In the interim Martin Gatto will act as Finance Director for the Group as necessary. A search has also been initiated for an operational director.

**INTERESTS OF DIRECTORS**

Your Directors have invested a total of £355,000 in the Placing, further information of which is set out in paragraph 7 of Part VI of this document.

On Admission and after the Placing, the interests of your Directors and their associates will be as follows:

<i>Director</i>	<i>Existing Shareholding</i>	<i>Number of Ordinary Shares to be subscribed for</i>	<i>Resultant Shareholding</i>	<i>% Shareholding</i>	<i>Options to acquire Ordinary Shares</i>
Martin Gatto	1,000,000	1,428,571	2,428,571	2.0	6,166,404
Michael Toxvaerd	1	–	1	0.0	12,332,809
Anthony Good	3,000,000	952,380	3,952,380	3.2	–
Raymond Hill	150,000	47,619	197,619	0.2	–
Sir Gulam Noon	3,064,516	1,047,619	4,112,135	3.3	–

**LOCK-IN AGREEMENTS**

**Each of the Directors has agreed not to dispose of any interest in Ordinary Shares at the date of Admission, including Ordinary Shares to be issued from the future exercise of options to acquire such Ordinary Shares, for a period of one year following Admission, save as permitted by the AIM Rules and until 18 February 2007, without the prior written consent of the Company's broker. The Directors have further agreed that they will only sell their shares through the Company's broker at that time for a further period of one year, until 18 February 2008.**

**The Vendors have also undertaken not to dispose of any Consideration Shares allotted to them for a period of two years from allotment. Furthermore, they have undertaken not to dispose of any Deferred Consideration Shares for a period of one year following allotment of such shares.**

**The lock-ins shall not apply in the event of (i) a general offer for the ordinary share capital of the Company in accordance with the City Code, (ii) the acceptance of a Code Compliant Offer, and (iii) the execution of an irrevocable commitment, agreement or undertaking to accept a Code Compliant Offer.**

## **BONUS AND SHARE OPTION SCHEMES**

The Company has established an Executive Bonus Scheme, further details of which are set out in paragraph 5 of Part VI of this document.

The Directors believe that equity incentives are central to the attraction and retention of quality personnel. The Company has therefore created the NeutraHealth Share Option Plan under which options over shares equivalent to a maximum of 15 per cent. of the issued share capital from time to time shall be made available to management and staff. Further details of the NeutraHealth Share Option Plan are set out in paragraph 4 of Part VI of this document.

As stated in the Original Admission Document, your Board regards Michael Toxvaerd as central to the success of the Group. Accordingly he will be granted additional share options conditional on Admission and Completion taking place before 5.00 p.m. on 14 September 2005, so that the level of his option holding is maintained at a number of shares equivalent to 10 per cent. of the Company's issued Ordinary Shares at that time. Additional options will also be granted to Martin Gatto following Admission and Completion so that the level of his option holding is maintained at a number of shares equivalent to 5 per cent. of the Company's issued Ordinary Shares at that time. These additional options will be granted, in both cases, with option prices equal to the Placing Price, 10.5p. The terms of these options are further described in paragraph 4.12 of Part VI of this document.

Following Completion, any future issue of options will depend *inter alia* on further acquisitions being completed. Such options, if any, will be issued at market value and performance conditions will be applied. There is no binding commitment to issue further options to the Chief Executive and the Chairman.

## **INCORPORATION AND AUTHORITY TO ISSUE SHARES**

NeutraHealth was incorporated on 18 November 2004 and admitted to trading on AIM on 18 February 2005. Since its incorporation, the Company has raised a total of approximately £2.8 million through the issue of 28,090,002 Ordinary Shares.

Following Admission and the Placing, the Directors have authority to allot 49,761,905 Ordinary Shares whether for cash or otherwise of which they may allot a maximum of approximately 1.2 per cent. of the Ordinary Shares for cash or otherwise on a non pre-emptive basis. This means that the Directors, following Admission and Placing may allot and issue 1,500,000 new Ordinary Shares for cash or non-cash consideration without further reference to Shareholders (unless required by law or otherwise).

## **DETAILS OF THE PLACING AND ADMISSION TO AIM**

The Company proposes to raise approximately £8.8 million (net of expenses) by issuing 95,238,095 Placing Shares representing in aggregate approximately 77.2 per cent. of the Enlarged Issued Share Capital, at the Placing Price. The net cash proceeds from the Placing will part-fund the costs relating to the Acquisition and Admission of the Enlarged Group, will provide additional working capital some of which will be used to identify and carry out due diligence on further potential acquisition targets.

The Placing Shares have been conditionally placed by KBC Peel Hunt, as agent for the Company, with institutional investors in the UK in accordance with the terms of the Placing Agreement, further details of which are set out in paragraph 12.2 of Part VI of this document. The Placing, which is not underwritten, is conditional, *inter alia*, upon the passing of a resolution to approve the acquisition of Biocare, and upon the admission of the Company's Ordinary Shares to trading on AIM by 31 August 2005, or such later time as KBC Peel Hunt and the Company agree.

Application will be made for the existing Ordinary Shares and the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Issued Share Capital will commence on AIM on 31 August 2005. All Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price, are of the same class and rank *pari passu* with all other Ordinary Shares in issue as at the date of this document and to be issued on Admission through the Placing.

It is expected that the proceeds of the Placing will be received by the Company on or soon after Admission. In the case of placees requesting Placing Shares in uncertificated form, it is expected that the appropriate CREST accounts of placees will be credited with the Placing Shares comprising their Placing participation

with effect from 31 August 2005. In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post within seven days of Admission.

KBC Peel Hunt, as agent for the Company, has conditionally placed 95,238,095 new Ordinary Shares with investors at 10.5p per share.

## **CORPORATE GOVERNANCE**

The Directors support high standards of corporate governance and confirm that following Admission, the Enlarged Group intends (having regard to its size and nature) to comply, so far as it considers practicable and appropriate, with the Combined Code and complies with the corporate governance regimes applicable to a company incorporated in England and Wales. The Company will hold Board meetings at least six times per annum. The Board will be responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

The Directors have established an Audit Committee, Nominations Committee, Remuneration Committee and Technical Committee. The Audit Committee comprises of Sir Gulam Noon, Raymond Hill, Anthony Good and Martin Gatto as chairman, pending the appointment of a further Non-Executive Director with the appropriate financial expertise. The Audit Committee will receive and review reports from management and from the auditors relating to the interim and annual accounts and to the system of internal and financial control.

The Remuneration Committee comprises Anthony Good as chairman, Sir Gulam Noon and Raymond Hill, and determines the terms and conditions of service of Executive Directors, and the Chairman.

The Nominations Committee comprises Sir Gulam Noon as chairman, Raymond Hill, Anthony Good and Martin Gatto, and is responsible for proposing to the Board the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

The Technical Committee comprises Raymond Hill as chairman, and the Executive Directors of the Company, from time to time. It is responsible for the oversight of NeutraHealth's compliance with various industry regulatory frameworks.

The Company has adopted a share dealing code for Directors and relevant employees based on the Model Code for Directors' Dealings as set out in the Listing Rules as far as appropriate for AIM companies and will take proper steps to ensure compliance by the Directors and those employees.

## **CREST**

The Articles of Association of the Company permit the Company to issue shares in uncertificated form in accordance with the Uncertificated Securities Regulations. The Ordinary Shares are eligible for CREST settlement. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the relevant shareholder so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

## **DIVIDEND POLICY**

The Directors consider it unlikely that the Company will pay dividends for the first two years of trading. The Directors do not intend to pay a dividend prior to Completion. Following Completion the Directors will consider the cash requirements of the Company and will, if appropriate, consider paying dividends to Shareholders, subject to the availability of distributable reserves. However, establishing critical mass through acquisition and organic growth will be the priority for the Company in the short term. The main focus of the Company will be on delivering capital growth for Shareholders.

## **UNITED KINGDOM TAXATION**

Further details of the taxation reliefs available are set out in paragraph 16 of Part VI of this document.

## **EXTRAORDINARY GENERAL MEETING**

### **Notice of EGM**

A notice convening an Extraordinary General Meeting of the Company to be held at the offices of KBC Peel Hunt, 111 Old Broad Street, London EC2N 1PH at 10 a.m. on 30 August 2005 is set out at the end of this document.

At this meeting the following resolutions will be proposed as ordinary resolutions:

1. to approve the acquisition of Biocare;
2. to increase the authorised share capital of Biocare;
3. to authorise the Directors to exercise all powers of the Company to allot relevant securities up to a maximum aggregate nominal amount of £14.5 million.

In addition, the following Special Resolution will be proposed, conditional on the passing of resolution 3:

4. to authorise the Directors to allot equity securities (within the meaning of section 94 of that Act) in accordance with section 95 of the Companies Act 1985 pursuant to the authority conferred by resolution 3 above as if section 89(1) of the Act did not apply to the allotment.

All of the resolutions will be interconditional upon each other.

### **Irrevocable undertakings to approve the Resolutions**

The Directors who own 7,214,517 Existing Ordinary Shares representing approximately 25.7 per cent. of the current issued ordinary share capital of the Company have irrevocably undertaken to vote in favour of the Resolutions to be proposed at the EGM in respect of their total holdings.

### **Action to be taken**

A Form of Proxy is enclosed for use by NeutraHealth Shareholders in relation to the Extraordinary General Meeting to be held at 10 a.m. on 30 August 2005. Whether or not NeutraHealth Shareholders intend to be present at the EGM they are asked to complete, sign and return the Form of Proxy to the Company's registrars, as soon as possible, but in any event, so as to arrive no later than 10 a.m. on 28 August 2005. The completion and return of a Form of Proxy will not preclude NeutraHealth Shareholders from attending the EGM and voting in person should they wish to do so. Accordingly, whether or not NeutraHealth Shareholders intend to attend the EGM they are urged to complete and return the Form of Proxy as soon as possible.

### **FURTHER INFORMATION**

**Your attention is drawn to Parts II to VI of this document which provide additional information on the Company and Biocare.**

### **RECOMMENDATION**

**Your Directors, who have been advised by KBC Peel Hunt, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the Directors, KBC Peel Hunt has placed reliance on the Directors' assessments of the Proposals.**

**Accordingly, the Board unanimously recommends that NeutraHealth Shareholders vote in favour of the Resolutions to be proposed at the EGM, as they have undertaken to do in respect of their own beneficial holdings.**

Yours sincerely

**Martin Gatto**

*Chairman*

## **PART II**

### **RISK FACTORS**

The Directors consider the following risks to be the most significant for potential investors in the Company. The following factors do not purport to be a complete list or explanation of all the risk factors involved in investing in NeutraHealth. In particular, the Company's performance may be affected by changes in the market and/or economic conditions in legal, regulatory and tax requirements.

An investment in Ordinary Shares involves a high degree of risk. Accordingly prospective investors in Ordinary Shares should carefully consider all the information in this document and the risks attaching to an investment in the Company, including but not limited to those risks set out below.

#### **AIM**

The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment. Furthermore, an investment in a share that is traded on AIM is likely to carry a higher risk than an investment in a share listed on the Official List.

The market price of the Ordinary Shares may not reflect the underlying value of the assets of the Company. The market in the Ordinary Shares may be illiquid or subject to sudden or large fluctuations and it may be difficult for investors to sell their Ordinary Shares and they may receive less than the amount originally invested.

#### **No trading history**

The Company has not commenced trading and is intended to be the holding company for Biocare and any further acquired businesses.

#### **Barriers to entry and competition**

The Company will initially be dependent upon Biocare as its single operating company. In the future, the Company will be dependent on the ability of the Directors to manage and grow the Biocare business and their ability to identify further suitable Nutraceutical companies or businesses, some of which may be offered for sale in competitive circumstances.

#### **Management and staff**

The success of the Company will be influenced by the recruitment of and retention of high calibre management.

John Stirling has historically been key to the success of Biocare's technical team in developing new product formulations. As part of his Consultancy Agreement, he will receive 5 per cent. of the gross profit attributable to any new product developed during the term of his Consultancy Agreement. Should the term of his Consultancy Agreement not be extended, or should it lapse for any reason, the Directors will initiate a search for a senior research employee.

#### **Requirement for additional capital and capital risk**

The Company may be unable to effect an investment in any further identified opportunities, as a consequence of which, resources might have been expended without reward on investigative work and due diligence. The Company is likely to need to conduct further fundraising exercises in the future in order to develop its business via acquisitions and sustain cash resources.

## **EIS/VCT**

In February 2005, the Inland Revenue gave clearance that the Company should be a qualifying company under the Enterprise Investment Scheme (“EIS”) and Venture Capital Trust (“VCT”) legislation. EIS and VCT clearance has been obtained from the Inland Revenue in relation to the Placing. Neither the Company nor the Company’s advisers give any warranties or undertakings that EIS relief or VCT qualifying status will not be withdrawn. Should the law regarding EIS or VCT change then any reliefs or qualifying status previously obtained may be lost.

If the Company ceases to carry on the business outlined in this document during the three-year period from the last allotment of Ordinary Shares, this could prejudice the qualifying status of the Company under EIS and VCT schemes. This situation will be closely monitored with a view to preserving the Company’s qualifying status but this cannot be guaranteed.

Circumstances may arise where the Directors believe that the interests of the Company are not best served by acting in a way that preserves EIS relief (including Capital Gains Tax) or VCT qualifying status. In such circumstances, the Company cannot undertake to conduct its activities in a way designed to preserve any such relief or status claimed by any shareholder.

If the Company does not employ at least 80 per cent. of the proceeds of an EIS/VCT share issue (and other shares of the same class issued on the same day) for qualifying trading purposes within 12 months of the Company starting its trade, and the remainder within 24 months of this date, EIS shares would cease to be eligible shares and all of EIS tax reliefs of investors would be withdrawn.

In respect of share subscriptions made by a VCT, the funds invested by the VCT would be apportioned pro-rata and its qualifying holding would be equal to the VCT’s funds that had been employed for qualifying trading purposes within the above time limits. Any remaining element of the VCT’s investment would comprise part of its non-qualifying holding.

The value of the Company’s gross assets immediately after the Placing will not exceed the £16 million limit for EIS and VCT investee companies.

The information in this document is based upon current tax law and practice and other legislation and any changes in the legislation or in the levels and bases of, and reliefs from, taxation may affect the value of an investment in the Company.

## **EU legislation**

The Directors are aware that there is proposed EU regulation due to come into force 1 August 2005. If it is implemented in its draft form, the Directors believe there will be minimal impact on the Company.

EU legislation governing the VMS sector may be subject to further review in the future. Any changes in the legislation may adversely impact the sector.

**AN INVESTMENT IN NEUTRAHEALTH MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN INVESTMENTS OF THIS KIND, OR AN APPROPRIATELY QUALIFIED TAXATION ADVISER, PRIOR TO INVESTING.**

## PART III

### FINANCIAL INFORMATION ON NEUTRAHEALTH

Set out below, is the text of a report on the financial information for NeutraHealth for the period ended 31 May 2005 by RSM Robson Rhodes LLP, the reporting accountants.

**RSM! Robson Rhodes**

186 City Road, London EC1V 2NU

5 August 2005

The Directors  
NeutraHealth plc  
6 Caledon Road  
Beaconsfield  
Buckinghamshire  
HP9 2BX

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London  
EC2N 1PH

Dear Sirs

**NEUTRAHEALTH PLC (the “Company”)**

#### **Introduction**

We report on the financial information of the Company set out below. The financial information has been prepared for inclusion in the admission document of the Company dated 5 August 2005 (“the Admission Document”).

#### **Basis of preparation**

The financial information set out below is based on the transactions of the Company from incorporation on 18 November 2004 to 31 May 2005.

#### **Responsibility**

The Directors of the Company are responsible for the contents of the Admission Document in which the report is included. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies appropriate to the entity’s circumstances are, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

## Financial Information

### 1. Profit and loss account

Period from  
18 November 2004  
to 31 May 2005  
£'000

Administrative expenses	(113)
Operating loss	(113)
Interest receivable and similar income	26
Loss before tax	(87)
Tax	—
Loss after tax	(87)

### 2. Balance sheet

As at  
31 May 2005  
£'000

Tangible fixed assets	1
Other debtors	18
Cash at bank and in hand	2,592
	2,610
Creditors due within one year	(38)
Net current assets	2,572
Total assets less current liabilities	2,573
Capital and reserves	
Share capital (Note 3.3)	2,809
Profit and loss account (Notes 3.4)	(236)
	2,573

### 3. Notes

#### 3.1 Introduction

The Company was incorporated on 18 November 2004. The Company has not completed its first accounting period. No statutory financial statements have been prepared, audited or filed with the Registrar of Companies since its incorporation.

#### 3.2 Accounting policies and basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

#### 3.3 Share capital and premium

The total authorised share capital of the company on incorporation was £5,000,000 comprising 50,000,000 ordinary shares of 10 pence each and two subscriber shares of 10 pence each. The two subscriber shares were issued credited as fully paid.

The following further share issues have taken place since incorporation:

- On 25 November 2004, two subscriber shares of 10 pence each were transferred.
- On 16 December 2004, 11,990,000 Ordinary Shares were issued for cash at par.
- On 30 December 2004, 450,000 Ordinary Shares were issued for cash at par.
- On 17 January 2005, 150,000 Ordinary Shares were issued for cash at par.
- On 18 February 2005, 15,000,000 Ordinary Shares were issued for cash at par.

- On 18 February 2005, 500,000 Ordinary Shares were issued credited as fully paid up at a price of 10p per Ordinary Share to Sarah Willingham in compensation for consulting services.

#### 3.4 *Profit and loss account*

Expenses of the share issue on 18 February 2005 amounting to £149,000 have been taken directly to the profit and loss account reserve.

#### **Opinion**

In our opinion, the financial information on the Company gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 May 2005 and of its loss for the period then ended.

Yours faithfully

RSM ROBSON RHODES LLP

## PART IV

### FINANCIAL INFORMATION ON BIOCARE

Set out below, is the text of a report on the financial information for Biocare for the period ended 31 December 2004 by RSM Robson Rhodes LLP, the reporting accountants.

**RSM! Robson Rhodes**

186 City Road, London EC1V 2NU

5 August 2005

The Directors  
NeutraHealth plc  
6 Caledon Road  
Beaconsfield  
Buckinghamshire  
HP9 2BX

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London  
EC2N 1PH

Dear Sirs

**BIOCARE LIMITED (“Biocare” or the “Company”)**

#### **Introduction**

We report on the financial information set out on pages 26 to 40 below. The financial information has been prepared for inclusion in the admission document dated 5 August 2005 (the “Admission Document”) relating to the proposed acquisition by NeutraHealth plc of Biocare and associated placing on the Alternative Investment Market.

The auditors for Biocare for the years ended 31 December 2002, 2003 and 2004 were Jerrom Associates, The Exchange, Haslucks Green Road, Shirley, Solihull, West Midlands, B90 2EL.

#### **Basis of preparation**

The financial information set out in this report is based on the revised audited financial statements of Biocare for the years ended 31 December 2002, 2003 and 2004. This report has been prepared after making such adjustments as we consider necessary.

The financial statements are not consolidated financial statements and accordingly include information about the Company only.

Subsequent to the period end in June 2005, 255,560 ordinary shares of £1 each in Biocare (UK) Limited were acquired by the Company for cash. On the same date, the entire shareholding in Biocare (UK) Limited was sold to J Stirling and S Stirling for £630,000.

In the years ended 31 December 2003 and 31 December 2004 loans to directors have been reclassified, for the purposes of the cashflow statement, from operating activities to financing activities.

In addition, the results for the years ended 31 December 2002 and 31 December 2003 have been adjusted in respect of tax in relation to a directors’ bonus.

In accordance with the accounting policies to be adopted by NeutraHealth plc, commission payments have been reclassified from administrative expenses to cost of sales.

### **Responsibility**

The financial statements are the responsibility of the Directors of Biocare, who approved their issue.

The Directors of NeutraHealth plc are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in this report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies appropriate to the entity's circumstances are consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Biocare as at the dates stated and of its profit/(loss) for the periods then ended.

## 1. Profit and Loss Accounts

The profit and loss accounts of Biocare for the years ended 31 December 2002, 2003 and 2004 are set out below.

		<i>Years ended 31 December</i>		
	<i>Note</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Turnover</b>		6,658	6,762	7,471
Cost of sales		(3,115)	(3,222)	(3,531)
<b>Gross profit</b>		<u>3,543</u>	<u>3,540</u>	<u>3,940</u>
Administrative expenses		(3,544)	(3,114)	(3,822)
Other operating income		<u>1</u>	<u>-</u>	<u>-</u>
<b>Operating profit</b>	4.3	-	426	118
Investment income	4.6	-	-	1
Interest receivable and similar income		16	18	17
Amounts written off investments	4.7	-	-	(5)
Interest payable and similar charges	4.8	(11)	(4)	(6)
<b>Profit on ordinary activities before taxation</b>		<u>5</u>	<u>440</u>	<u>125</u>
Tax on profit on ordinary activities	4.9	(9)	(124)	(29)
<b>(Loss)/profit on ordinary activities after taxation</b>		<u>(4)</u>	<u>316</u>	<u>96</u>
Accumulated profit brought forward		<u>1,379</u>	<u>1,375</u>	<u>1,691</u>
<b>Accumulated profit carried forward</b>		<u>1,375</u>	<u>1,691</u>	<u>1,787</u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

## 2. Balance Sheets

The balance sheets of Biocare as at 31 December 2002, 2003 and 2004 are set out below.

	<i>Note</i>	<i>Years ended 31 December</i>		
		<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>	<i>2004</i> <i>£'000</i>
<b>Fixed assets</b>				
Tangible assets	4.10	237	261	334
Investments	4.11	34	34	32
		<u>271</u>	<u>295</u>	<u>366</u>
<b>Current assets</b>				
Stocks	4.12	400	432	402
Debtors	4.13	1,126	1,206	1,503
Cash at bank and in hand		661	584	605
		<u>2,187</u>	<u>2,222</u>	<u>2,510</u>
<b>Creditors:</b> Amounts falling due within one year	4.14	<u>(1,067)</u>	<u>(811)</u>	<u>(1,069)</u>
<b>Net current assets</b>		<u>1,120</u>	<u>1,411</u>	<u>1,441</u>
<b>Total assets less current liabilities</b>		<u>1,391</u>	<u>1,706</u>	<u>1,807</u>
<b>Provisions for liabilities and charges</b>	4.15	<u>(16)</u>	<u>(15)</u>	<u>(20)</u>
<b>Net assets</b>		<u>1,375</u>	<u>1,691</u>	<u>1,787</u>
<b>Capital and reserves</b>				
Called up share capital	4.17	–	–	–
Other reserves	4.18	–	–	–
Profit and loss account		<u>1,375</u>	<u>1,691</u>	<u>1,787</u>
<b>Shareholders' funds – equity interests</b>	4.19	<u>1,375</u>	<u>1,691</u>	<u>1,787</u>

### 3. Cash Flow Statements

The cash flow statements of Biocare for the years ended 31 December 2002, 2003 and 2004 are set out below.

		<i>Years ended 31 December</i>		
	<i>Note</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Net cash inflow from operating activities</b>	4.20	332	50	186
<b>Returns on investments and servicing of finance</b>				
Interest received		16	18	17
Interest paid		(11)	(4)	(6)
<b>Net cash inflow from returns on investments and servicing of finance</b>		5	14	11
<b>Corporation tax</b>		(61)	(89)	(23)
<b>Capital expenditure</b>				
Payments to acquire tangible fixed assets		(98)	(72)	(139)
Receipts from sale of tangible assets		–	–	3
Payments to acquire investments		(16)	–	(2)
<b>Net cash outflow from capital expenditure</b>		(114)	(72)	(138)
<b>Net cash inflow/(outflow) before financing</b>		162	(97)	36
<b>Financing</b>				
Repayment of long term bank loan		(95)	–	–
Loan to director		–	(47)	(169)
<b>Net cash flow from financing</b>		(95)	(47)	(169)
<b>Increase/(decrease) in cash</b>	4.21/4.22	67	(144)	(133)

#### **4. Notes To The Financial Information**

Notes to the financial information for Biocare for the years ended 31 December 2002, 2003 and 2004 are set out below.

##### **4.1 Accounting Policies**

###### *Accounting convention*

The financial statements are prepared under the historical cost convention.

The financial statements are not consolidated financial statements and accordingly include information about the Company only.

###### *Turnover*

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

###### *Research and development*

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

###### *Tangible fixed assets and depreciation*

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold land & buildings	Over 6 years
Plant and machinery	15 per cent. Reducing balance
Fixtures, fittings and equipment	15 per cent. Reducing balance
Motor vehicles	25 per cent. Reducing balance

###### *Leasing*

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

###### *Investments*

Fixed asset investments are stated at cost less any provision for permanent diminution in value. Dividends are brought into the profit and loss account when received.

###### *Stock and work in progress*

Stock and work in progress are valued at the lower of cost and net realisable value.

###### *Deferred taxation*

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

###### *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

###### *Pensions*

The company operated a money purchase (defined contribution) pension scheme. Contributions payable to this scheme are charged to the profit and loss account in the period to which they relate. These contributions are invested separately from the company's assets. The scheme is currently being closed down.

## 4.2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

## 4.3 Operating Profit

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Operating profit is stated after charging/(crediting)</b>			
Depreciation of tangible assets	43	48	63
Loss on disposal of tangible assets	1	–	1
Research and development	–	–	10
Profit on foreign exchange transactions	(1)	–	–
Operating lease rentals			
– Plant and machinery	–	–	4
Auditors' remuneration	7	10	10
	<u>          </u>	<u>          </u>	<u>          </u>

## 4.4 Directors' Emoluments

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Emoluments for qualifying services	1,621	1,397	1,888
Company contributions to money purchase schemes	23	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
	1,644	1,397	1,888

Emoluments disclosed above include the following amounts paid to the highest paid director:

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Emoluments for qualifying services	<u>          </u>	<u>          </u>	<u>          </u>
	756	637	885

## 4.5 Employees

### *Number of employees*

The average monthly number of employees (including directors) during the year was:

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Administrative	<u>          </u>	<u>          </u>	<u>          </u>
	41	43	43

### *Employment costs*

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	2,189	2,047	2,483
Social security costs	232	228	292
Other pension costs	23	–	–
	<u>          </u>	<u>          </u>	<u>          </u>
	2,444	2,275	2,775

#### 4.6 Investment Income

	<i>Years ended 31 December</i>		
	2002	2003	2004
	£'000	£'000	£'000
Income from fixed asset investments	<u>–</u>	<u>–</u>	<u>1</u>

#### 4.7 Amounts written off Investments

	<i>Years ended 31 December</i>		
	2002	2003	2004
	£'000	£'000	£'000
Amounts written off fixed asset investments: – permanent diminution in value	<u>–</u>	<u>–</u>	<u>5</u>

#### 4.8 Interest Payable

	<i>Years ended 31 December</i>		
	2002	2003	2004
	£'000	£'000	£'000
On bank loans and overdrafts	4	4	6
Other interest	7	–	–
	<u>11</u>	<u>4</u>	<u>6</u>

#### 4.9 Taxation

	<i>Years ended 31 December</i>		
	2002	2003	2004
	£'000	£'000	£'000
<b>Domestic current year tax</b>			
UK corporation tax:			
Current tax on income for the period	(3)	110	24
Adjustments in respect of prior periods	–	15	–
<b>Current tax charge</b>	<u>(3)</u>	<u>125</u>	<u>24</u>
<b>Deferred tax</b>			
Deferred tax charge/(credit) current year	12	(1)	5
Tax on profit on ordinary activities	<u>9</u>	<u>124</u>	<u>29</u>

#### *Factors affecting tax charge for the period*

	<i>Years ended 31 December</i>		
	2002	2003	2004
	£'000	£'000	£'000
Profit on ordinary activities before taxation	<u>5</u>	<u>440</u>	<u>125</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19% (2003: 24%, 2002: 19%)	1	106	24
<b>Effects of</b>			
Non deductible expenses	3	10	5
Depreciation	8	11	12
Capital allowances	(15)	(17)	(17)
Adjustments to previous periods	–	15	–
Current tax charge	<u>(3)</u>	<u>125</u>	<u>24</u>

#### 4.10 Tangible Fixed Assets

	<i>Land and buildings leasehold £'000</i>	<i>Plant, machinery, fixtures, fittings and equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2003	22	440	462
Additions	19	53	72
At 31 December 2003	<u>41</u>	<u>493</u>	<u>534</u>
Additions	43	96	139
Disposals	–	(9)	(9)
At 31 December 2004	<u>84</u>	<u>580</u>	<u>664</u>
<b>Depreciation</b>			
At 1 January 2003	20	205	225
Charge for the period	4	44	48
At 31 December 2003	<u>24</u>	<u>249</u>	<u>273</u>
On disposals	–	(6)	(6)
Charge for the period	11	52	63
At 31 December 2004	<u>35</u>	<u>295</u>	<u>330</u>
<b>Net book value</b>			
At 31 December 2004	<u>49</u>	<u>285</u>	<u>334</u>
At 31 December 2003	<u>17</u>	<u>244</u>	<u>261</u>

#### 4.11 Fixed Asset Investments

	<i>Total</i> £'000	<i>Shares in group undertakings</i> £'000	<i>Listed investments</i> £'000
<b>Cost</b>			
At 1 January 2003	34	–	34
Additions	–	–	–
At 31 December 2003	<u>34</u>	<u>–</u>	<u>34</u>
Additions	3	–	3
At 31 December 2004	<u>37</u>	<u>–</u>	<u>37</u>
<b>Provisions for diminution in value</b>			
At 1 January 2003	–	–	–
Charge for the year	–	–	–
At 31 December 2003	<u>–</u>	<u>–</u>	<u>–</u>
Charge for the year	5	–	5
At 31 December 2004	<u>5</u>	<u>–</u>	<u>5</u>
<b>Net book value</b>			
At 31 December 2004	<u>32</u>	<u>–</u>	<u>32</u>
At 31 December 2003	<u>34</u>	<u>–</u>	<u>34</u>
			<i>Market value</i> £'000
At 31 December 2004			<u>25</u>

#### Holdings of more than 20 per cent.

The company holds more than 20 per cent. of the share capital of the following companies:

<i>Company</i>	<i>Country of registration or incorporation</i>	<i>Shares held</i> <i>Class</i>	<i>%</i>
<b>Subsidiary undertakings</b>			
Biocare (UK) Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of this undertaking was as follows:

	<i>Capital and reserves</i> £'000	<i>Profit for the year</i> £'000
31 December 2004	403	10
31 December 2003	<u>28</u>	<u>12</u>

#### 4.12 Stocks And Work In Progress

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Raw materials and consumables	432	397
Work in progress	–	5
	<u>432</u>	<u>402</u>

#### 4.13 Debtors

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	708	784
Amounts owed by subsidiary undertaking	397	399
Corporation tax	12	12
Other debtors	48	229
Prepayments and accrued income	41	79
	<u>1,206</u>	<u>1,503</u>

#### 4.14 Creditors: Amounts Falling Due Within One Year

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	109	263
Trade creditors	386	424
Amounts owed to related undertakings	93	93
Corporation tax	33	34
Other taxes and social security costs	179	232
Accruals and deferred income	11	23
	<u>811</u>	<u>1,069</u>

Bank loans and overdrafts are secured by a debenture over the assets of the Company.

#### 4.15 Provisions For Liabilities And Charges

	<i>Deferred taxation £'000</i>
At 1 January 2003	16
Profit and loss account	(1)
At 31 December 2003	<u>15</u>
Profit and loss account	5
At 31 December 2004	<u>20</u>

Deferred tax provided in the financial statements is as follows:

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Accelerated capital allowances	<u>15</u>	<u>20</u>

#### 4.16 Pension Costs

Defined contribution:

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contributions payable by the company	<u>23</u>	<u>–</u>	<u>–</u>

#### 4.17 Share Capital

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
<b>Authorised</b>		
5,000 ordinary shares of £1 each	<u>5</u>	<u>5</u>
<b>Allotted, called up and fully paid</b>		
90 ordinary shares of £1 each	<u>–</u>	<u>–</u>

#### 4.18 Other Reserves

	<i>£'000</i>
<b>Capital redemption reserve</b>	
Balance at 31 December 2003 and at 31 December 2004	<u>–</u>

#### 4.19 Reconciliation Of Movements In Shareholders' Funds

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Profit for the financial period	<u>316</u>	<u>96</u>
Net addition to shareholders' funds	316	96
Opening shareholders' funds	<u>1,375</u>	<u>1,691</u>
Closing shareholders' funds	<u>1,691</u>	<u>1,787</u>

#### 4.20 Net Cash Inflow From Operating Activities

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Operating profit	–	426	118
Depreciation of tangible fixed assets	43	48	63
Loss/(profit) on disposal of tangible fixed assets	1	–	1
(Increase)/decrease in stocks	(57)	(32)	30
Decrease/(increase) in debtors	50	(22)	(128)
Increase/(decrease) in creditors	295	(370)	102
	<u>332</u>	<u>50</u>	<u>186</u>

#### 4.21 Reconciliation Of Net Cash Flow To Movement In Net Funds

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Increase/(decrease) in cash</b>	<u>67</u>	<u>(144)</u>	<u>(133)</u>
Cash outflow from decrease in debt	95	–	–
<b>Movement in net funds</b>	162	(144)	(133)
<b>Opening net funds</b>	<u>457</u>	<u>619</u>	<u>475</u>
<b>Closing net funds</b>	<u>619</u>	<u>475</u>	<u>342</u>

#### 4.22 Analysis Of Net Funds

	<i>At 31 December 2002</i>		<i>At 31 December 2003</i>		<i>At</i>
	<i>£'000</i>	<i>Cash</i>	<i>£'000</i>	<i>Cash</i>	<i>31 December</i>
		<i>flow</i>		<i>Flow</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Net cash:</b>					
Cash at bank and in hand	661	(77)	584	21	605
Bank overdraft	<u>(42)</u>	<u>(67)</u>	<u>(109)</u>	<u>(154)</u>	<u>(263)</u>
	619	(144)	475	(133)	342
<b>Net funds</b>	<u>619</u>	<u>(144)</u>	<u>475</u>	<u>(133)</u>	<u>342</u>

#### 4.23 Financial Commitments

At the balance sheet date the group had annual commitments under non-cancellable operating leases as follows:

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
<b>Land and buildings</b>		
Expiry date		
Within one year	–	79
Between two and five years	131	–
In over five years	–	–
	<u>131</u>	<u>79</u>
<b>Other</b>		
Expiry date		
Within one year	–	–
Between two and five years	–	21
In over five years	–	–
	<u>–</u>	<u>21</u>

#### 4.24 Transactions With Directors

The following directors had interest free loans from the Company during the year. The movement on these loans are as follows:

	<i>Years ended 31 December</i>	
	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
<b>Amount outstanding</b>		
J Stirling current account	48	216
S Stirling current account	–	–
	<u>48</u>	<u>216</u>
<b>Maximum in the year</b>		
J Sterling current account	<u>48</u>	<u>216</u>
S Sterling current account	<u>–</u>	<u>50</u>

#### 4.25 Control

The company is under the control of Mr J Stirling and Mrs S Stirling, who own 100 per cent. of the issued share capital of the company.

#### 4.26 Related Party Transactions

The company trades in the normal course of business with its related companies. The directors consider that all the transactions were undertaken under normal commercial terms. Details are as follows:

Cultech Limited is a company of which J Stirling is a director and shareholder, in addition to being a director and shareholder of Biocare Limited.

##### **Cultech Limited**

	<i>Years ended 31 December</i>		
	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Purchases	2,727	2,586	2,740
Sales	<u>37</u>	<u>64</u>	<u>33</u>

At the balance sheet date, the following balances were outstanding in relation to Cultech Limited:

Trade debtor	24	8
Trade creditor	273	234
Amounts owed to related undertakings	<u>2</u>	<u>2</u>

The following related party creditor was outstanding at the balance sheet date:

<b>Biocare International Limited</b>	<u>91</u>	<u>91</u>
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Biocare International Limited is under the control of J Stirling and S Stirling, who own 100 per cent. of the issued share capital.

The following intercompany debtor was outstanding at the year end:

<b>Biocare (UK) Limited</b>	<u>397</u>	<u>399</u>
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Yours faithfully

RSM ROBSON RHODES LLP

## PART V

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

The unaudited pro forma statement of net assets for the Enlarged Group set out below is based on the balance sheet of NeutraHealth as at 31 May 2005, as set out in Part III of this document and has been adjusted for the Acquisition, based on the latest audited balance sheet dated 31 December 2004 of Biocare which is detailed in the Accountant's Report in Part IV of this document, and the proposed Placing.

This unaudited pro forma statement of net assets has been prepared for illustrative purposes only, does not include any adjustment for trading undertaken since the last balance sheet dates set out above, and because of its nature may not give a true reflection of the Group's financial position or results.

	<i>NeutraHealth</i>	<i>Biocare</i>	<i>Adjustments</i>	<i>Pro forma</i>
	<i>At</i>	<i>At</i>		
	<i>31 May</i>	<i>31 December</i>	<i>(Notes)</i>	<i>Enlarged Group</i>
	<i>2005</i>	<i>2004</i>	<i>£'000</i>	<i>£'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Fixed assets				
Intangible assets	–	–	14,313	14,313
Tangible assets	1	334	–	335
Investments	–	32	–	32
	<hr/>	<hr/>		<hr/>
	1	366	14,313	14,680
Stocks	–	402	–	402
Debtors	18	1,503	–	1,521
Cash at bank and in hand	2,592	605	(1,300)	1,897
	<hr/>	<hr/>		<hr/>
	2,610	2,510	(1,300)	3,820
Creditors due within one year	(38)	(1,069)	(300)	(1,407)
	<hr/>	<hr/>		<hr/>
Net current assets	2,572	1,441	(1,600)	2,413
Total assets less current liabilities	2,573	1,807	12,713	17,093
Creditors due after more than one year	–	–	(3,700)	(3,700)
Provisions for liabilities and charges	–	(20)	–	(20)
	<hr/>	<hr/>		<hr/>
Net assets	2,573	1,787	9,013	13,373
	<hr/>	<hr/>		<hr/>

**Notes:**

1. The net assets of NeutraHealth are extracted from the balance sheet at 31 May 2005 contained in Part III of this document.
2. The net assets of Biocare are extracted from the balance sheet at 31 December 2004 contained in Part IV of this document. No adjustment has been made in respect of the disposal of the shares in Biocare (UK) Limited to J Stirling and S Stirling for £630,000 in June 2005.
3. Adjustments on acquisition reflect the cash consideration for the Acquisition of £14.1 million plus £2.0 million of Consideration and Deferred Consideration Shares. No adjustment has been made to the consideration in respect of the Net Asset Value. Goodwill arising on the Acquisition does not take account of any fair value adjustments that may need to be made. Goodwill is calculated as the total cost of the Acquisition of £16.1 million less the net assets of Biocare as at 31 December 2004.
4. The Acquisition is to be part-financed by the issue of ordinary shares in respect of the Placing to the value of £10.0 million (£8.8 million net of expenses) and £4.0 million from the term loan facility. Cash at bank and in hand reflects the net proceeds of the Placing and term loan facility less the initial cash consideration noted above. The term loan facility has been included within creditors due within one year and creditors due after more than one year.
5. The unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

5 August 2005

The Directors  
NeutraHealth plc  
6 Caledon Road  
Beaconsfield  
Buckinghamshire  
HP9 2BX

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London  
EC2N 1PH

Dear Sirs

## **NEUTRAHEALTH PLC (THE “COMPANY”)**

We report on the pro forma statement of net assets set out in Part V of the Admission Document dated 5 August 2005, which has been prepared for illustrative purposes only, to reflect how the acquisition of Biocare Limited and the Placing might have affected the consolidated balance sheet of the Company.

### **Responsibility**

It is the responsibility solely of the Directors of the Company to prepare the pro forma statement of net assets.

It is our responsibility to form an opinion on the pro forma statement of net assets and to report our opinion to you. We do not accept any responsibility for reports previously given by us on any financial information used in the compilation of the pro forma statement of net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Statements of Investments Circular Reporting Standards and the Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the Directors of the Company.

### **Opinion**

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the pro forma statement of net assets.

Yours faithfully

**RSM ROBSON RHODES LLP**

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Directors of the Company, whose names appear on page 8, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and Status of the Company

- 2.1 The Company was incorporated and registered in England and Wales on 18 November 2004 with the name NeutraHealth plc as a public limited company under the Act with registered number 5290247. The Company is domiciled in the United Kingdom.
- 2.2 The principal legislation under which the Company operates is the Act and regulations made thereunder.
- 2.3 The Company was issued with a certificate pursuant to section 117 of the Act (allowing it to carry on business and to exercise its borrowing powers) on 4 February 2005.
- 2.4 The Company's principal activity is that of a general commercial company.
- 2.5 The liability of the members of the Company is limited.
- 2.6 The Company's registered office is located at 6 Caledon Road, Beaconsfield, Buckinghamshire HP9 2BX.
- 2.7 Under the terms of the Acquisition Agreement, Biocare, a company incorporated in England and Wales with registered number 1948434, will become a wholly owned subsidiary of the Company on Completion. Further, pursuant to the Acquisition Agreement, on Completion, the following companies, all of which are incorporated in England and Wales under the Act, will become directly or indirectly wholly owned subsidiaries of NeutraHealth.

<i>Company</i>	<i>Company No.</i>
Acquacell International Limited	(04505073)
BioCare (Holdings) Limited	(04459309)
BioCare 2000 Limited	(03755264)
BioCare Agricultural Supplies Limited	(05025427)
BioCare Clinics Limited	(04464428)
BioCare Dental Supplies Limited	(04582519)
BioCare Diagnostic.com Limited	(04675588)
BioCare Enterprises Limited	(05022912)
BioCare Europe Limited	(04458993)
BioCare Group Limited	(05014671)
BioCare Health & Beauty Limited	(05014458)
BioCare International Limited	(02919204)
BioCare Laboratories Limited	(04441636)
BioCare Lipid Nutrition Limited	(05033399)
BioCare Medicals Limited	(04464431)
BioCare Nutrition Limited	(05014485)
BioCare Pharmaceutical Supplies Limited	(04462955)
BioCare Pharmacies Limited	(05049666)
BioCare Pro-Biotic Fermentation Cultures Limited	(05033400)
BioCare Scientific Limited	(04441792)
BioCare Sports Nutrition Limited	(05000231)

<i>Company</i>	<i>Company No.</i>
BioCare Veterinary Supplies Limited	(04476951)
Biopet Limited	(5022916)
Biovet Limited	(05038033)
Cellguard Limited	(04462559)
Duocap Limited	(04766482)
Duocaps International Limited	(04766453)
Oncovite Limited	(04206985)
Pharmaguard Limited	(03848565)
Travelguard International Limited	(04766454)

### **3. Share Capital of the Company**

- 3.1 At the date of its incorporation, the Company had an authorised share capital of £5,000,000 divided into 50,000,000 ordinary shares of £0.10 each of which two ordinary shares of 10 pence each were issued to the subscribers credited as fully paid.
- 3.2 On 25 November 2004 pursuant to resolutions of the shareholders of the Company new Articles of Association of the Company were adopted.
- 3.3 On 10 December 2004 pursuant to resolutions of the shareholders of the Company:
- 3.3.1 the Directors' authority to allot shares was extended to expire on the fifth anniversary of the passing of the resolution and to cover all unissued shares;
- 3.3.2 the Directors were given power in accordance with section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to the allotment.
- 3.4 On 16 December 2004, 11,990,000 Ordinary Shares were issued for cash at par.
- 3.5 On 30 December 2004, 450,000 Ordinary Shares were issued for cash at par.
- 3.6 On 17 January 2005, 150,000 Ordinary Shares were issued for cash at par.
- 3.7 On 18 February 2005, 15,000,000 Ordinary Shares were issued for cash at par.
- 3.8 On 18 February 2005, 500,000 Ordinary Shares were issued credited as fully paid up at a price of 10p per Ordinary Share, pursuant to the arrangements described in paragraph 9 of this Part VI of this document.
- 3.9 As at the date of this document, the Company has an authorised share capital of £5,000,000 divided into 50,000,000 Ordinary Shares and a fully paid up or credited as fully paid up issued share capital of £2,809,000.20 divided into 28,090,002 Ordinary Shares.
- 3.10 Immediately following the Placing and Admission, the authorised share capital of the Company will be £30,000,000 divided into 300,000,000 Ordinary Shares and the issued share capital will be £12,332,809.70 divided into 123,328,097 Ordinary Shares each fully paid or credited as fully paid.
- 3.11 Immediately following the Placing and Admission, the Directors will have authority pursuant to section 80 of the Act to allot relevant securities up to £4,976,190.50 of the authorised and unissued share capital of the Company.
- 3.12 Save as disclosed in this document, the Directors have no present intention of issuing any part of the authorised but unissued share capital.
- 3.13 The provisions of section 89(1) of the Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and upon Admission will apply to the whole of the authorised but unissued share capital of the Company except to the extent disapplied by the resolutions referred to in paragraph 3.11 above.

- 3.14 Save as disclosed in this document:
- 3.14.1 no unissued share or loan capital of the Company has been issued or is now proposed to be issued, fully or partly paid, either for cash or for consideration other than cash;
  - 3.14.2 there has been no listed or unlisted securities issued by the Company not representing share capital and there are no convertible securities issued by the Company;
  - 3.14.3 no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
  - 3.14.4 there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises; and
  - 3.14.5 no commission, discount, brokerage or other special terms has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.
- 3.15 The Placing Shares that are being issued by the Company under the Placing are being issued at a price of 10.5p per Ordinary Share. The Placing Price is payable in full in cash on application. No applications for Placing Shares have been or will be accepted other than under the terms of the Placing Agreement and the placing letters sent to prospective placees under the Placing. All Placing Shares have been conditionally placed.
- 3.16 None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for Admission.
- 3.17 The Ordinary Shares in issue at the date of this document are in registered form. The Ordinary Shares issued on Admission will be represented by definitive certificates and will be freely transferable in registered form. It is expected that definitive certificates will be despatched by 7 September 2005.
- 3.18 Following the issue of the Consideration Shares and the Placing Shares, the holders of Existing Ordinary Shares will suffer an immediate dilution of 79.0 per cent. to their interest in the Company.

#### **4. NeutraHealth Share Option Plan**

##### *4.1 The NeutraHealth Share Option Plan*

As described in the Original Admission Document, NeutraHealth has established the NeutraHealth Share Option Plan in order to allow selected employees to share in the success of the group and promote motivation and retention. The operation of the NeutraHealth Share Option Plan will be overseen by the Board's Remuneration Committee.

The terms of the NeutraHealth Share Option Plan are set out in summary below.

##### *4.2 Eligibility*

Any employee including an executive Director of the group is eligible to participate in the NeutraHealth Share Option Plan. Options will also be granted to the Non-Executive Chairman on terms equivalent to the NeutraHealth Share Option Plan.

##### *4.3 Grants of options*

Options may be granted at the discretion of the Board. Options may be granted at any time and must be made in accordance with the AIM rules (and must not therefore be made in a close period as defined in the AIM rules).

##### *4.4 The option price*

Unless the Board determines otherwise, the price per share at which Ordinary Shares may be acquired on the exercise of options will be the market value of an Ordinary Share on the date of option grant as determined by the Board, and where Ordinary Shares are to be acquired by subscription, shall not be less than the nominal value of an Ordinary Share. This rule will not apply to the grants of options described in paragraph 4.12 below.

#### 4.5 *Overall limit on the issue of Ordinary Shares*

No option may be granted under the Option Scheme if it would cause the number of new shares issued or issuable pursuant to options or awards granted in the preceding 10 years under any employees' share plan established by the Company to exceed 15 per cent. of the Company's issued Ordinary Share capital at the date of grant. Any options granted prior to the Placing are excluded from this calculation.

#### 4.6 *Individual limit on the value of Ordinary Shares over which options are granted*

The maximum number of Ordinary Shares that may be subject to a grant of options made to any person in any year will be limited to Ordinary Shares with a market value equal to 200 per cent. of a participant's annual basic salary, unless the Board determines that exceptional circumstances justify this limit being exceeded. This limit will not apply to the grants of options described in paragraph 4.12 below.

#### 4.7 *Exercise of options*

An option granted under the NeutraHealth Share Option Plan may be exercised after the second anniversary of the date of grant. Options cannot in any event be exercised after the tenth anniversary of the date of grant.

The Board intends to set performance conditions for all options granted after the Placing.

If an optionholder ceases to hold office or employment with the NeutraHealth Group, all of that individual's options will normally lapse. However, the Board will have discretion to permit individuals to retain their options on leaving. This restriction does not apply to options granted to the Chief Executive and Chairman prior to and including Admission with the exception of the provisions of paragraph 4.12.2.

#### 4.8 *Takeover, reconstruction, winding-up and demerger*

Exercise of options within specified periods is permitted in the event of a takeover of the Company, on a reconstruction of the Company, in the event of a voluntary winding-up, or (at the discretion of the Board) on a demerger. On a demerger, an option may only be exercised to the extent permitted by the Board.

In the circumstances of a takeover, a reconstruction, or a voluntary winding-up or a demerger, an option may normally only be exercised to the extent that any relevant performance conditions have been fulfilled, unless the Board determines otherwise.

#### 4.9 *Rights attaching to Ordinary Shares*

Ordinary Shares issued on the exercise of options will rank equally in all respects with all other Ordinary Shares of the Company for the time being in issue (save as regards any rights attaching to Ordinary Shares by reference to a record date preceding the date of issue).

#### 4.10 *Variation of Share Capital*

In the event of any variation of share capital including a capitalisation issue, a rights issue, a subdivision or consolidation of shares, or a reduction in capital, or in the event of a demerger, payment of a capital dividend or similar event involving the Company, the Board may make such adjustments as it considers appropriate to adjust the number of shares subject to an option, the option price and (if appropriate) the performance conditions.

#### 4.11 *Alteration of the NeutraHealth Share Option Plan*

The Board may alter or add to the NeutraHealth Share Option Plan, but may not make any alteration or addition that is to the advantage of present or future optionholders to the rules concerning eligibility, overall and individual limits on participation, the option price, variation of share capital or the alterations rule itself without the prior approval of the Shareholders of the Company in general meeting, except for minor amendments for the purposes of administration of the NeutraHealth Share

Option Plan or to take account of any changes in legislation or to obtain or maintain favourable tax, exchange, control or regulatory treatment for present or future optionholders or any group company.

#### 4.12 *Grants of options to the Chief Executive and Chairman*

It is intended that both conditional on Admission taking place before 5.00 p.m. on 14 September 2005 and when the Company makes its Transaction, grants of options will be made to the Chief Executive so that the level of his option holding is maintained at a number of shares equivalent to 10 per cent. of the issued Ordinary Share capital after those events. Similarly, options will be granted to the Chairman following Admission so that the level of his option holding is maintained at a number of shares equivalent to 5 per cent. of issued Ordinary Share capital at that time.

The option arrangements for both the Chief Executive and the Chairman were set out in the Original Admission Document in February 2005. The granting of options pursuant to this Placing and the Transaction, details of which are set out below, is completely in accordance with those arrangements. As detailed below, no similar agreements are anticipated following Completion.

The main terms of the options to be granted to the Chief Executive and the Chairman are that:

4.12.1 the option price will be equal to the Placing Price, 10.5p;

4.12.2 should the optionholder cease to hold office or employment with the Group then he may retain the options unless the reason for his leaving is gross misconduct;

4.12.3 no performance conditions will apply to the options;

4.12.4 the terms described above for the NeutraHealth Share Option Plan regarding takeovers, etc will apply to the options; and

4.12.5 the options granted at Admission will count towards the overall limits on the issue of Ordinary Shares. Options granted prior to Admission, ie those granted at Original Admission will not count towards the overall limits on the issue of Ordinary Shares.

Following Completion, any future issue of options will depend *inter alia* on further acquisitions being completed. Such options, if any, will be issued at market value and performance conditions will be applied. There is no binding commitment to issue further options to the Chief Executive and the Chairman.

### **5. Executive Bonus Scheme**

NeutraHealth has established an Executive Bonus Scheme, of which Michael Toxvaerd is currently the only participant, which will become effective following the completion of the Transaction made by the Company. Michael will be eligible to receive a performance related bonus of up to £50,000 per annum, payable pro-rata for the relevant calendar year, subject to exceeding a budget agreed by the Board for the acquired company. The criteria for judging performance above budget will be set by the Remuneration Committee, and will be based upon performance above budgeted operating profit for the Enlarged Group.

### **6. Memorandum and Articles of Association**

6.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.

6.2 The Articles which were adopted on 25 November 2004, *inter alia*, include provisions to the following effect:

#### 6.2.1 *Voting Rights*

Subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a

corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

#### 6.2.2 *Transfer of Shares*

The Ordinary Shares are in registered form and are capable of being held in uncertificated form.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

All transfers of certificated shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors. The instrument of transfer shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any transfer of a certificated share unless the instrument of transfer is:

- (a) duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on the transferor's behalf, the authority of that person so to do;
- (b) in respect of only one class of shares; and
- (c) in favour of not more than four transferees.

#### 6.2.3 *Dividends*

The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company.

There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

#### 6.2.4 *Disclosure of interests in shares*

If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

#### 6.2.5 *Distribution of assets on liquidation*

On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

#### 6.2.6 *Changes in share capital*

Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine, or in the absence of such determination or so far as any such resolution does not make specific provision as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

- (a) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.
- (b) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

#### 6.2.7 *Variation of rights*

Subject to the Act whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

#### 6.2.8 *Directors' interests*

A Director who is in any way, directly or indirectly, interested in a transaction or arrangement with the Company shall, at a meeting of the Directors, declare in accordance with section 317 of the Act the nature of his interest.

- (a) Provided that he has declared his interest in accordance with the above paragraph, a Director may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested and may be a director or other officer or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested. No director so interested shall be accountable to the Company, by reason of his being a Director, for any benefit which he derives from such office or interest or any such transaction or arrangement.
- (b) Any Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (c) A Director shall not vote at a meeting of the Directors in respect of a matter in which he has any material interest otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company unless his interest arises only because the case falls within one or more of the following paragraphs:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or an obligation incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
  - (ii) the giving to a third party of any guarantee, security or indemnity in respect of any debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  - (iii) the subscription by him for shares, debentures or other securities of the Company or any of its subsidiary undertakings or by virtue of his participation in the underwriting or sub-underwriting of an offer of such shares, debentures or other securities for subscription, purchase or exchange;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, whether as an officer or shareholder or otherwise, provided that the shares in which he is interested do not represent one per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of the relevant company;
  - (v) any proposal relating to an arrangement in whole or in part for the benefit of the employees of the Group which does not award to him as such any privilege or advantage not awarded to the employees to whom such arrangement relates; and
  - (vi) any proposal concerning the purchase or maintenance of insurance against any liability which would otherwise attach to all or any of the Directors in respect of any negligence, default, breach of duty or breach of trust in relation to the Company or any subsidiary undertaking.
- (d) Where proposals are under consideration concerning the appointment of two or more Directors to offices or employments with the Company or any company in which the Company is interested the proposals may be divided and considered in relation to each Director separately and (if not otherwise precluded from voting) each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.
- (e) The Company may by ordinary resolution suspend or relax these provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of these provisions.

#### 6.2.9 *Remuneration of Directors*

- (a) The ordinary remuneration of the Directors (other than an executive director) shall be such amount as the Directors shall from time to time determine (provided that unless otherwise approved by the Company in general meeting the aggregate of the ordinary remuneration of such Directors shall not exceed £400,000 per year) to be divided among them in such proportion and manner as the Directors may determine.

The Directors shall also be paid by the Company all travelling, hotel and other expenses as they may incur in attending meetings of the Directors or general meetings or otherwise in connection with the discharge of their duties.

- (b) Any Director who, by request of the Directors, performs special services or goes or resides abroad for any purposes of the Company may be paid such extra remuneration as the Directors may determine.
- (c) The emoluments and benefits of any executive director for his services as such shall be determined by the Directors and may be of any description, including membership of any pension or life assurance scheme for employees or their dependants, or apart from membership of any such scheme, the payment of a pension or other benefits to him or his dependants on or after retirement or death.

#### 6.2.10 *Retirement of Director*

A Director shall be capable of being appointed or reappointed a Director despite having attained the age of 70 or any other age and shall not be required to retire by reason of his having attained any particular age and section 293 of the Act (relating to the appointment and retirement as Directors of persons who are aged 70 or over) shall not apply.

#### 6.2.11 *Board Meeting*

The board of Directors may regulate its proceedings as it thinks fit. A Director may, and the Secretary at the request of a Director shall, call a meeting of the board.

Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

The quorum for business of the board may be fixed by the board and unless so fixed at any other number shall be two.

#### 6.2.12 *General Meetings*

The board of Directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith convene an extraordinary general meeting.

Unless consent to short notice is obtained in accordance with the provision of the Act, an annual general meeting or an extraordinary general meeting shall be called by at least 21 clear days' notice.

Two members present in person or by proxy and entitled to vote upon the business to be transacted at the meeting shall be a quorum.

#### 6.2.13 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital.

The Directors shall restrict the borrowings of the Company and by the exercise of the Company's voting and other rights or powers of control over its subsidiary undertakings secure that they restrict their borrowings so that the aggregate amount at any time outstanding in respect of money borrowed by the Group (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed a sum equal to the greater of two times the adjusted share capital and reserves and £50 million.

### **7. Directors' and other Interests**

7.1 The interests of the Directors and the persons connected (within the meaning of section 346 of the Act) with them (all of which are beneficial save where otherwise stated) in the issued share capital of the Company:

7.1.1 which have been notified by each Director to the Company pursuant to section 324 or 328 of the Act;

7.1.2 which are required to be shown in the register maintained under section 325 of the Act; or

7.1.3 are interests of a connected person (within the meaning of section 346 of the Act) of a Director which would, if the connected person were a director, be required to be disclosed under paragraphs 7.1.1 and 7.1.2 above and the existence of which is known to or could with reasonable diligence be ascertained by that Director,

were as at 4 August 2005 (being the last practicable date prior to the publication of this document) and will be, immediately following Admission and the Placing, as follows:

## Ordinary Shares

	<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
Martin Gatto	1,000,000	3.6	2,428,571	2.0
Michael Toxvaerd	1	0.0	1	0.0
Anthony Good	3,000,000	10.7	3,952,380	3.2
Raymond Hill	150,000	0.5	197,619	0.2
Sir Gulam Noon	3,064,516	10.9	4,112,135	3.3

## Options to acquire Ordinary Shares

	<i>Type of scheme</i>	<i>Date of grant</i>	<i>Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Exercise Dates</i>	
					<i>From</i>	<i>To</i>
Martin Gatto	Unapproved	4/2/05	629,500	10p	4/2/07	4/2/15
Martin Gatto	Unapproved	10/2/05	775,000	10p	18/2/07	18/2/15
Martin Gatto*	Unapproved	31/8/05	4,761,904	10.5p	31/8/07	31/8/15
Michael Toxvaerd	Unapproved	4/2/05	1,259,000	10p	4/2/07	4/2/15
Michael Toxvaerd	Unapproved	10/2/05	1,550,000	10p	18/2/07	18/2/15
Michael Toxvaerd*	Unapproved	31/8/05	9,523,809	10.5p	31/8/07	31/8/15

\*grant conditional upon Admission

- 7.2 Save as set out in this paragraph 7, none of the Directors (nor any person connected with them within the meaning of section 346 of the Act) has or will immediately following Admission have any interest in the share capital of the Company.
- 7.3 As at 4 August 2005 (being the last practicable date period to the publication of this document), insofar as it is known to the Directors, the following persons (in addition to those disclosed in this paragraph 7) will immediately following Admission and Placing be interested in 3 per cent. or more of the Company's issued share capital:

	<i>Number of Ordinary Shares immediately prior to Admission</i>	<i>Percentage of issued ordinary share capital immediately prior to Admission</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued ordinary share capital following Admission</i>
Rathbone Investment Management	–	–	17,100,000	13.9%
Hargreave Hale & Co	1,090,000	3.9%	9,590,000	7.8%
Singer & Friedlander	1,700,000	6.1%	8,700,000	7.1%
Fidelity Investment Services Limited	–	–	7,600,000	6.2%
Artemis Investment Management	2,150,000	7.7%	6,450,000	5.2%
Framlington Investment Management	2,450,000	8.7%	6,450,000	5.2%
RAB Capital plc	–	–	6,100,000	4.9%
Aberdeen Asset Management	–	–	4,800,000	3.9%
Octopus Asset Management	–	–	4,700,000	3.8%
Rensburg Investment Management	–	–	3,800,000	3.1%
UBS Asset Management Limited	–	–	3,800,000	3.1%

The Act requires that where a person has a material holding of shares that represent over 3 per cent. of the Company's nominal share capital, the person must disclose this interest.

- 7.4 Save as set out in paragraph 7, the Directors are not aware of any person who will immediately following Admission, be interested (within the meaning of the Act) directly or indirectly in three per cent. or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- 7.5 None of the Company's major shareholders listed above has voting rights which are different from the other holders of Ordinary Shares.
- 7.6 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by any member of the Company during the current financial year and which remains in any respect outstanding or unperformed.
- 7.7 There are no loans, warranties or guarantees granted or provided by the Company to or for the benefit of any of the Directors which are now outstanding.
- 7.8 There is no arrangement under which any of the Directors has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.
- 7.9 None of the Directors or persons connected with them within the meaning of section 346 of the Act has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## **8. Directors' Service Agreements and Letters of Appointment**

- 8.1 Mr Gatto entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 25 November 2004. His remuneration is £10,000 per annum for approximately 30 days per annum. This will increase to £25,000 per annum on completion of the Transaction by the Company. The appointment is terminable by either party on the giving of six months' written notice.
- 8.2 Mr Toxvaerd entered into a service agreement with the Company on 1 February 2005 which took effect on 16 December 2004. Mr Toxvaerd's basic annual salary is £36,000 per annum which will increase to £75,000 per annum following completion of the Transaction. The service agreement provides for a holiday entitlement of 25 days per annum (plus public holidays). The service agreement is terminable by either party on the giving of six months' notice, until completion of the Transaction. Following completion of the Transaction, the service agreement will be terminable by either party on the giving of twelve months' notice. There are no other arrangements that require disclosure to enable investors to estimate the possible liability of the Company upon early termination of the service agreement.
- 8.3 Mr Good entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration is £nil per annum for approximately one day per month until completion of the Transaction. Following completion of the Transaction, his remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.
- 8.4 Mr Hill entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration is £nil per annum for approximately one day per month until completion of the Transaction. Following completion of the Transaction, his remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.
- 8.5 Sir Gulam Noon entered into a non-executive letter of appointment with the Company on 1 February 2005 which took effect on 30 December 2004. His remuneration is £nil per annum for approximately one day per month until completion of the Transaction. Following completion of the Transaction, his

remuneration will increase to £5,000 per annum. The appointment is terminable by either party on the giving of three months' written notice.

- 8.6 Save as disclosed in this paragraph 8, there are no service agreements, existing or proposed, between any Director and the Company.
- 8.7 Save as disclosed in this paragraph 8, there are no service contracts that provide for benefits upon termination of employment.
- 8.8 The Enlarged Group has 47 employees. 1 employee is based at the principal place of business and 46 are based in Birmingham.
- 8.9 For the financial period ending 31 December 2005, under the current arrangements in force at the date of this document and on the assumption that Completion occurs in the period, it is estimated that the aggregate remuneration and benefits in kind granted to the Directors will be approximately £115,000 excluding bonuses.
- 8.10 The remuneration to the Non-Executive Directors following Completion is believed to be below the market rate for responsibilities of this kind. Their remuneration will be reviewed and brought into line with market rates upon completion of another acquisition.

## **9. Acquisition Consultancy Agreement**

As disclosed in the Original Admission Document, Sarah Willingham entered into a consultancy agreement with the Company on 1 February 2005, pursuant to which she continues to provide services to the Company on an agreed basis. She has assisted in all aspects of the establishment of the Company and in the formulation of the acquisition strategy as well as facilitating the fundraising from the founder shareholders. On Original Admission of NeutraHealth to AIM on 18 February 2005, Sarah was remunerated in the form of £50,000 which was satisfied by the issue of Ordinary Shares, calculated at the placing price on Original Admission. A further cash payment of £150,000 will be made on Completion which is wholly contingent upon Completion taking place. The Acquisition Consultancy Agreement will lapse on Completion.

## **10. Additional Information on the Board**

- 10.1 The Directors currently hold the following directorships (other than of the Company) and have or have held the following directorships within the five years prior to the publication of this document and are currently or have been partners in the following firms within the five years prior to publication of this document:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Martin Gatto <sup>1</sup>	Charterhouse (Bath) Limited Cox & Kings Limited Cox & Kings Travel Limited Luminar plc	Aquila Networks plc Associated Food Holdings Limited Carrefour Limited Carrefour Properties Limited Cee-N-Cee Supermarkets Limited Central Networks West plc Charthill Properties Limited Colemans Limited F J Wallis Limited Fine Fare Limited Fine Fare Properties Limited Food Giant Limited Gardeners Limited Gateway Foodmarkets Limited Gateway Group Limited HLJ Investment Company Limited Hartcliffe Motors (Bristol) Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Martin Gatto (continued)		Headway Construction Company Limited International Stores Limited International Stores Properties Limited Key Markets Limited Keyway Grocers Limited Kwik Save Group Limited Kwik Save Management Limited Kwik Save Services Limited Kwik Save Stores Limited Lennons Group Limited Mac Markets Limited Melias Limited Merchandise Promotions Limited Modern Foodmarkets Limited Norwales Developments Limited Real Estates (Taunton) Limited Somerfield plc Somerfield 24-7 Holdings Limited Somerfield 24-7 Limited Somerfield 24-7 London Limited Somerfield Corporation Limited Somerfield Direct Limited Somerfield Foodmarkets Limited Somerfield Group Limited Somerfield Holdings Limited Somerfield Investments Limited Somerfield Merchant Services Limited Somerfield Property Company Limited Somerfield Quest Limited Somerfield Securities Limited Somerfield Stores Limited Somerfield Twenty Four By Seven Limited Somerfield Twenty-Four Seven Limited Supa Centa Limited Supermarket Direct Limited Taunton Central Investments Limited The Nottingham and Midland Property Company Limited Undercot (Investments) Limited Victor Value Stores Limited Electricity Pensions Limited British Energy Direct Limited British Energy Finance Ltd British Energy Generation (UK) Ltd British Energy Generation Ltd British Energy Investment Ltd British Energy Plc <sup>1</sup> Sage Organic Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Michael Toxvaerd	Aaparken Aps Andelsboligforeningen Aaparken Andelsboligforeningen Kastrupparken I Andelsboligforeningen Kastrupparken II Andelsboligforeningen Kastrupparken III Eske Ejendomsselskab Aps Eskehuse A/S Ildtorn Holding A/S	Cable Systems Aps Electronic House UAB HF Cable Systems Aps SEM Electronics A/S SEM Holding A/S Toxvaerd Holding af 2001 Aps
Anthony Good <sup>2</sup>	Cox & Kings Enterprises Limited Cox & Kings Holdings Limited Cox & Kings Limited Cox & Kings (Shipping) Limited Cox and Kings Special Interest Holidays Limited Cox & Kings Travel Limited Cox & Kings Tours Limited C & K Investments Limited Environmental Journeys Limited Flagship Consulting Limited Flagship Group Limited Forty-Five Queen's Gate Gardens Limited Forty-Five Queen's Gate Gardens Management Limited Good Consultancy Limited Grand Tours Limited One Squared Limited Obento Limited Relish Events Limited Sage Nutritionals Limited Sage Organic Limited The Bolshoi Express Limited The Tranquil Moment Limited	Bonneybond Limited Consultancy Limited First Prospect Plc Fox Presentations Limited Gowrings Plc Legend Consultancy Limited Matrix Communications Miller E. T. Limited Miller Insurance Investments Limited P H (Dawson) Limited Signpost Ventures Limited Win/Win Business Solutions Limited Words Group Limited
Raymond Hill	British Herbal Medicine Association Limited (The) Health Food Institute Limited Lifestyle Dynamics Trust	Health Food Training Limited Sage Organic Limited
Sir Gulam Noon <sup>3</sup>	Birchin Estates Limited Bombay Foods Limited Bombay Halwa Limited Care International UK Casualty Plus Limited Garden Estates Limited London Chamber of Commerce and Industry (The) Obento Limited Olive Tree Educational Trust	Aaronson Noon Limited Britalia Investments Limited Britalia Travel Limited Genr8 Solutions Limited Great Scottish Highland Railways Limited Noon Investments Limited Patisserie. Co. Limited <sup>3</sup> Sage Organic Limited Southall Business Partnership Limited

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Sir Gulam Noon (continued)	Noon Consultancy Limited Noon Products Limited Noon (Restaurants) Limited Noon Group Limited The British Food Trust The Indian Gymkhana Club Trust 2004 The Polygon Residents Association Limited Thornbury Estates Limited WT Foods Limited WT (Holdings) Limited WT Tiger 2 Limited WT Tiger 3 Limited	Softtechnet.com Plc Travel Express International Limited Unity Radio Limited West London Centre Limited West London TEC Charitable Trust West London Training and Enterprise Council

Note 1: Martin Gatto was appointed as a director of British Energy plc on 8 December 2003 and resigned on 16 September 2004. British Energy plc was subject to a Scheme of Arrangement under Section 425 of the Act, which became effective on 14 January 2005.

Note 2: In 1976 Anthony Good was a Director of Jensen Motors Limited which was placed into receivership at that time.

Note 3: Sir Gulam Noon was a director of Patisserie Co. Limited from 5 March 2004 until his resignation on 2 April 2004. The company was placed into administration on 20 December 2004.

10.2 Save as disclosed above, no Director has:

10.2.1 any unspent convictions in relation to indictable offences;

10.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

10.2.3 been a director of any company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which has entered into any company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within 12 months preceding such event;

10.2.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months preceding such event;

10.2.5 owned any asset over which a receiver has been appointed or been a partner of any partnership at the time of or within 12 months preceding receivership of any assets of the partnership; or

10.2.6 been publicly criticised by any statutory or regulatory authority (including recognized professional bodies); or

10.2.7 been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

## 11. Material Contracts

### 11.1 Acquisition Agreement

On 5 August 2005 the Company (1) and John Kenneth Stirling and Sharon Lee Stirling (together the "Vendors") (2) entered into the Acquisition Agreement pursuant to which the Company conditionally agreed to acquire the entire issued share capital of Biocare. The Acquisition is conditional upon the passing of the Resolutions and Admission. The Consideration payable by the Company for the Acquisition is £16,100,000 subject to a Net Asset Value Adjustment. The Vendors have warranted that the Net Asset Value is greater than £1,500,000. If the Net Asset Value, to be calculated by the preparation of the completion accounts, is greater than £1,500,000 on Completion the Company will pay the Vendors the difference on a pound for pound basis, if the Net Asset Value is less than £1,500,000 on Completion the Vendors will pay the Company the difference on a pound for pound basis.

The Consideration is payable as follows (a) £14,100,000 in cash on Completion (b) £1,000,000 subject to the adjustment detailed above, by the allotment of such number of Consideration Shares as is equal to £1,000,000 calculated by reference to the Placing Price on Completion and (c) Deferred Consideration of £1,000,000 on the first anniversary of Completion to be satisfied by either (i) the allotment and issue of such number of Deferred Consideration Shares as is equal to £1,000,000 calculated by reference to the average market value of the Ordinary Shares in the 20 dealing days prior to the date of the first anniversary of Completion; or (ii) if the Company elects, in its absolute discretion, the payment of £1,000,000 in Loan Notes.

The Vendors have given the usual warranties and indemnities in respect of certain business, taxation and other matters subject to agreed limits of liability and indemnities to the Company. The Vendors have provided a specific indemnity in respect of any damages awarded over and above £350,000 in relation to a claim made by Sigma Tau Healthsciences SpA to alleged infringements by Biocare of certain of its patent rights. If the Acquisition is terminated as a result of the NeutraHealth Shareholders not approving the proposed Acquisition, the Company has agreed to make a contribution to the Vendors' costs of up to £200,000 (inclusive of VAT).

#### 11.2 *Call Option*

On Admission the Company (1) and John Kenneth Stirling (2) will enter into a deed for grant of a call option in respect of certain shares in Cultech under which he grants to the Company a call option to buy all of the shares held by him in the share capital of Cultech. The call option may be exercised by the Company during the period beginning on the second anniversary of the date of the deed and ending on the tenth anniversary thereof. In the event of an offer for some or all of the issued share capital of Cultech prior to the second anniversary of the date of this deed this call option shall become immediately exercisable. The price for the shares to be paid by the Company to Mr Stirling shall be the fair value of such shares as agreed between the parties or determined by the auditors of Cultech. The other Cultech shareholders have provided waivers of pre-emption on the transfer and the tag-along provisions in Cultech's articles of association.

#### 11.3 *John Stirling Consultancy Agreement*

On Admission John Kenneth Stirling (1) and Biocare (2) will enter into a consultancy agreement for a period of 12 months from that date. He shall provide general management and advisory services including new product development.

Mr Stirling will receive a fee of £25,000 for these services. He will also receive a Fee (the "Fee") relating to any new product developed during the term of the consultancy which is subsequently added to the Group's (as defined therein) product offering and exploited by the Group. The fee shall be equal to 5 per cent. of the gross profit attributable to such new product and shall be payable for a period of 10 years from the date of commencement of sale of the relevant new product.

If Mr Stirling breaches the restrictive covenants contained in the Acquisition Agreement, he ceases to be entitled to the Fee.

#### 11.4 *Sharon Stirling Consultancy Agreement*

On Admission Sharon Lee Stirling (1) and Biocare (2) will enter into a consultancy agreement for a period of 12 months from that date. Sharon Stirling shall provide general management and advisory services.

Sharon Stirling will receive a fee of £25,000 for these services.

#### 11.5 *Loan Note*

On Admission the Company will execute a Loan Note instrument to create £1,000,000 unsecured Loan Notes 2011. Interest is payable at 3 per cent. above the prime lending rate of Barclays Bank PLC from time to time, payable quarterly in arrears. Unless previously redeemed or purchased, the Company shall redeem the notes on 31 August 2011. The Company or noteholder may redeem, at any

time after the expiry of 6 months from the date of the instrument, the whole or part of the notes in an amount not less than £100,000.

#### 11.6 *Cultech Supplier Agreement*

On Admission Cultech (1) and Biocare (2) will enter into an agreement for the manufacture and supply of various Nutraceutical supplements. During year one of the agreement, Biocare must purchase at least 85 per cent. of its total product requirement from Cultech. Thereafter, Biocare must purchase at least 70 per cent. of its product requirement from Cultech during the term. However, nothing shall oblige Biocare to purchase products from Cultech once it has purchased products from Cultech to the value of £3 million in any year.

There are provisions for price increases every two years not to exceed the Retail Price Index over the same period and further price increases (as negotiated in good faith and agreed between the parties) in the event of variations in the price of raw materials and variations in Biocare's instructions.

The agreement is for a fixed term of 5 years. It may be terminated on material breach or insolvency of either party and by Biocare if there is a change in the majority ownership of the share capital of Cultech. However, any change in the majority ownership of Cultech between its shareholders as identified at the date of the agreement would not constitute a change of control.

All background intellectual property rights ("IPR") at the date of the agreement remains with that party. The foreground IPR relating to the creation of the products by Biocare shall belong to Biocare. The foreground IPR in relation to the process of manufacture and creation of the products by Cultech shall belong to Cultech. However, Cultech has agreed to grant on termination a non-exclusive royalty free licence of its foreground IPR relating to the products and the processes used to manufacture and create the products.

The agreement contains reciprocal full indemnities for any and all claims, demands, liabilities, losses, damages, proceedings, costs and expenses suffered by one party as a result of the breach of the Agreement by the other party, its employees, agents or sub-suppliers, or as a result of any act or omission of the party by its employees, agents or sub-suppliers.

Cultech is not permitted to assign or sub-contract any of its rights or obligations under the Agreement without the prior written consent of Biocare.

#### 11.7 *Consideration Reduction Letter*

On 29 June 2005 John Stirling and Sharon Stirling (the "Vendors") purchased the entire issued share capital of Biocare (UK) Limited, a former subsidiary of Biocare, from Biocare for £630,000 which was left outstanding as an interest free loan. On Completion, the Vendors, the Company, and Biocare will enter into an agreement whereby it was agreed that the interest free loan will be repaid by the Vendors by way of set off from the proceeds of the cash consideration received under the Acquisition Agreement.

#### 11.8 A term loan facility agreement dated 5 August 2005 between (1) the Company and (2) KBC Bank N.V. (the "Bank") (the "Facility Agreement"). The Facility Agreement contains the following terms:

- (a) a 5 year term loan facility in the sum of £4.0 million;
- (b) the term loan facility is to be used to part fund the purchase price of the Acquisition and costs and expenses associated with the Acquisition;
- (c) the Facility Agreement contains certain conditions precedent to drawdown of the term loan facility including that certain warranties given remain true and that no event of default or potential event of default has occurred;
- (d) interest is payable upon the advance at a rate of 2.0 per cent. above LIBOR; and

- (e) the Company has agreed various covenants with the Bank and in addition, restrictions on mergers and acquisitions subject to certain exceptions.

The Company has not entered into any contracts other than in the normal course of business within the two years immediately preceding the date of this document which are or may be material other than those referred to in paragraphs 8, 9, 11 and 12 of this Part VI of this document.

## **12. Placing, Nominated Adviser and Broker Arrangements**

### *12.1 Nominated Adviser and Broker Arrangements*

On 1 February 2005, the Company (1), the Directors (2) and KBC Peel Hunt (3) entered into an engagement letter pursuant to which KBC Peel Hunt has *inter alia* agreed to act as Nominated Adviser and Broker to the Company, under the AIM Rules, in relation to the Original Admission on the terms set out therein. KBC Peel Hunt further undertook to provide its services as Nominated Adviser and Broker to the Company on a continuing basis following Admission in return for an aggregate annual fee of £10,000 per annum (plus VAT where applicable). This annual fee will be increased to £30,000 following Completion. The engagement letter contains certain indemnities by the Company in favour of KBC Peel Hunt. The appointment of KBC Peel Hunt under the engagement letter may be terminated by either party giving not less than 30 days written notice.

On 14 March 2005, the Company, the Directors and KBC Peel Hunt entered into a second engagement letter pursuant to which KBC Peel Hunt has *inter alia* agreed to act as Nominated Adviser and Broker to the Company, under the AIM Rules, in relation to the acquisition of Biocare Limited, the Placing and Admission to AIM of the Enlarged Group.

### *12.2 Placing Agreement*

On 5 August 2005, the Company (1), the Non-Executive Directors (2), the Executive Director (3) and KBC Peel Hunt (4) entered into a placing agreement pursuant to which KBC Peel Hunt has agreed conditionally, *inter alia*, upon Admission (expected to be 31 August 2005, or such later date as the Company and KBC Peel Hunt may agree, being in any event not later than 5.00 p.m. on 14 September 2005) to use its reasonable endeavours to procure Placees (as defined therein) to subscribe for the Placing Shares at the Placing Price. The Placing Agreement contains certain warranties and indemnities by the Company and the Directors in favour of KBC Peel Hunt.

The Directors have agreed under the terms of the Placing not to sell any of their interests in Ordinary Shares for a period of one year from Admission. In addition, from the first anniversary of Admission until 18 February 2007 the Directors have agreed only to dispose of interests in Ordinary Shares with the prior written consent of KBC Peel Hunt. The Directors have further agreed that from 18 February 2007 to 18 February 2008 only to sell their interests in Ordinary Shares through the Company's broker at that time.

Under the Placing Agreement, which is subject to the satisfaction of certain conditions, the Company has agreed to pay KBC Peel Hunt a commission of an amount equal to 3 per cent. of the value of the Placing Price of the total number of Placing Shares subscribed for pursuant to the Placing (exclusive of VAT) payable upon Admission.

## **13. Litigation**

An allegation has been made by an Italian company Sigma Tau Healthsciences SpA ("Sigma"), that Biocare's LIPO-PLEX product (now marketed as "Lipoguard") infringes Sigma's US patent. NeutraHealth understands that Biocare has responded to Sigma denying the infringement on the basis that the process in the patent is invalid due to "prior art" and Biocare does not sell products in the US.

Sigma holds an equivalent European patent. The "prior art" defence referred to above, if valid, applies equally to any patent dispute within the EU.

The Vendors have provided a specific indemnity in respect of any damages awarded over and above £350,000 in relation to a claim made by Sigma Tau Healthsciences SpA to alleged infringements by Biocare of certain of its patent rights.

Save as disclosed in this paragraph 13, the Company is not, or has not been, engaged in any governmental legal or arbitration proceedings and, so far as the Directors are aware, there are no such proceedings pending or threatened against or being brought by the Company, which are having or may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position.

#### **14. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that the Company will have sufficient working capital for its present requirements, that is for at least the next twelve months from the date of Admission.

#### **15. Taxation**

**The comments set out below are based on existing law and what is understood to be current Inland Revenue practice. They are intended as a general guide only and apply only to Shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes (except to the extent that specific reference is made to Shareholders resident outside the United Kingdom), who hold the shares as investments, who are the absolute beneficial owners of those shares, and who are not employees or connected with employees of the Company. Any person who is in any doubt as to their taxation position or who is subject to taxation in any jurisdiction other than the United Kingdom, should consult their own professional advisers immediately.**

##### *15.1 Taxation of Dividends*

Under current United Kingdom law no taxation will be withheld from dividends paid by the Company.

An individual United Kingdom resident Shareholder is generally entitled to a tax credit in respect of the dividend, which he can set off against his total liability to United Kingdom income tax. The amount of the tax credit is equal to 1/9th of the cash dividend. The cash dividend aggregated with the amount of the tax credit (the "gross dividend") will be included in the Shareholder's income for United Kingdom tax purposes and will be treated as the top slice of the Shareholder's income. Thus, a Shareholder receiving a dividend of £90 will be treated as having received income of £100 which has a tax credit of £10 attached to it.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the Schedule F ordinary rate of 10 per cent., against which he can set the tax credit. Such a Shareholder will have no further liability to account for income tax on the dividend.

An individual United Kingdom resident Shareholder who, after taking into account the gross dividend, pays income tax at the higher rate will pay tax on the gross dividend at the Schedule F upper rate of 32.5 per cent. against which he can set the tax credit. Such a Shareholder will have a liability to account for additional tax on the gross dividend, calculated by multiplying the gross dividend by the Schedule F upper rate and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual United Kingdom resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the tax credit will not be entitled to claim repayment of the tax credit attaching to the dividend.

Trustees who are liable to income tax at the rate applicable to trusts (previously 34 per cent. But increased to 40 per cent. with effect from 6 April 2004) will pay tax on the gross dividend at the Schedule F trust rate (previously 25 per cent. but increased to 32.5 per cent. with effect from 6 April 2004) against which they can set the tax credit. To the extent that the tax credit exceeds the trustees'

liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Special taxation provisions apply where trustees of discretionary trusts receive payment of dividends and subsequently make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

A United Kingdom resident corporate Shareholder will not generally be liable to corporation tax on any dividend received.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Whether a non United Kingdom resident Shareholder is entitled to repayment of any part of the tax credit in respect of dividends paid to him, will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. A non United Kingdom resident Shareholder should consult his own professional advisers on the possible application of such provisions, the procedure for claiming repayment and what relief or credit (if any) may be claimed for such tax credit in the jurisdiction in which he is resident.

## 15.2 *Taxation of Chargeable Gains*

A subsequent disposal of Ordinary Shares may result in a liability to United Kingdom taxation of chargeable gains, depending upon individual circumstances.

Shareholders should note that since 6 April 2000 all shares listed on AIM will qualify for “business assets” taper relief provided that the company in which the shares are held is a trading company or the holding company of a trading group. The effect of this relief is to reduce the proportion of any capital gain chargeable to tax for each complete year that the shares are held. Maximum relief is obtained once shares have been held for two years.

Under current United Kingdom law the effect of taper relief is as follows:

<i>Number of years shares held</i>	<i>Percentage of Gain Chargeable</i>	<i>Effect rate when higher rate tax payer (40%)</i>
0-1	100	40
1-2	50	20
More than 2	25	10

Special tax provisions may apply to individuals who are employees or connected with employees of the Company. Such individuals who are in any doubt as to their position should contact their own professional advisers immediately.

## 15.3 *Stamp Duty and Stamp Duty Reserve Tax*

No liability to stamp duty or stamp duty reserve tax should arise on the allotment of New Ordinary Shares under the Placing.

### 15.3.1 *Shares held outside the CREST system*

The conveyance or transfer on sale of the Ordinary Shares will usually be subject to stamp duty on the instrument of transfer, generally at the rate of 0.5 per cent. of the amount or value of the consideration. Stamp duty is charged in multiples of £5. An obligation to account for stamp duty reserve tax (“SDRT”) at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Ordinary Shares is not completed by a duly stamped instrument of transfer before the “accountable date” for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. Payment of the stamp duty will cancel the liability to account for SDRT. It is the purchaser who is in general liable to account for stamp duty or SDRT.

### 15.3.2 *Shares held within the CREST system*

The transfer of the Ordinary Shares in uncertificated form in the CREST system will generally attract a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration. The SDRT is payable on the fourteenth day following the date of the unconditional agreement for the transfer of the Ordinary Shares.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at a higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

## 15.4 *EIS Tax Relief*

The following information provides an outline only of the EIS tax reliefs. It is not an exhaustive summary of EIS and it is strongly recommended that potential investors obtain independent advice from a professional adviser to take into account the effect of the legislation in the context of their particular personal circumstances.

### 15.4.1 *EIS Relief*

EIS relief may be available where a qualifying company issues new shares. The purpose of issuing these shares (and any others issued at the same time) must be to raise money for a qualifying business activity. The EIS shares must be subscribed wholly in cash and be fully paid up at the date of issue. The shares must be held for at least three years after issue or if later three years after the company begins to trade.

The EIS relief has four elements:

(a) *Income tax relief*

The individual's income tax liability for the year of the share issue is reduced by 20 per cent. of the amount subscribed. In effect, up to 20 per cent. of the cost of the investment is paid for by the Inland Revenue.

The minimum investment which is eligible for relief is £500 per company. The maximum subscription on which an individual can claim income tax relief in any one tax year is £200,000. Husbands and wives are taxed independently of each other and the £200,000 limit is available to each of them. This limit has been increased from £150,000 to £200,000 for shares issued after 6 April 2004.

If the Company does not employ at least 80 per cent. of the proceeds of the EIS share issue and other shares of the same class issued on the same day (the "Share Issue") for a qualifying business activity within 12 months of the commencement of the Company's trade, and the remainder within 24 months of this date (the "Relevant Time Limits"), all of the income tax relief of the EIS investors would be clawed back.

(b) *CGT exemption*

If the EIS investor does not dispose of his or her shares for at least three years after the shares were issued or, if later, three years after the company begins to carry on a qualifying trade and the EIS income tax relief has not been withdrawn in the meantime any capital gains realised on the disposal of the shares will be tax free. If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gain on the disposal of EIS shares would not benefit from the capital gains exemption.

(c) *Loss relief*

Tax relief is available where there is a loss on a disposal at any time of shares on which EIS income tax relief (see (a) above) or CGT deferral (see (d) below) has been given.

The amount of the loss (after taking account of any income tax relief initially obtained) can be set against the individual's gains or taxable income in the tax year in which disposal occurs.

(d) *CGT Deferral relief*

To the extent to which a UK resident investor (including individuals and certain trustees) subscribes in cash for qualifying shares, he can claim to defer tax on all or part of a chargeable gain arising on the disposal of any asset. Although there is a limit of £200,000 for income tax relief and the exemption from CGT (see (a) and (b) above), there is no limit on the amount of gain that can be deferred.

The subscription must be made within one year before or three years after the date of the disposal which gives rise to the gain, or the date when a previously deferred gain crystallises. The gain is deferred until there is a chargeable event such as a disposal of the shares or an earlier breach of the EIS rules.

If the proceeds of the Share Issue are not employed for a qualifying business activity within the Relevant Time Limits, any gains deferred would come back into charge.

#### 15.4.2 *"Qualifying Investor" for EIS Income Tax Relief*

EIS income tax relief applies only to individuals and not, for example, companies or trusts.

The individual need not be resident and ordinarily resident in the UK for tax purposes when the shares are issued but he will, of course, need to be liable to UK income tax.

There are certain restrictions affecting the EIS investor which apply throughout the investor's "five-year period". The investor's five-year period is from two years before until three years after the EIS shares are issued, or if later three years after the company begins to carry on a qualifying trade.

The main restriction is that the EIS investor must not be "connected" with the company during the "five-year period" referred to above. The EIS legislation specifies a number of ways in which the investor can become connected with the company, for example:

- (a) If his and his "associates" interest in the company exceeds 30 per cent. (and this includes share capital, loan capital, voting rights or assets on a winding up).
- (b) If he or any of his "associates" is an employee or partner of the company.
- (c) If he or any of his "associates" is a director of a company (although under the EIS, an investor who has not previously been connected with the company or employed in the business can take an active role in its management through becoming a paid director, and receives only reasonable remuneration).

There are various anti-avoidance measures designed to prevent abuse of the EIS. The rules are very complex and are therefore not set out here. In particular, there are measures to deny relief if the investor or his "associates" receive certain payments or value from the company or any person connected with it during the investor's three year qualifying period. Other antiavoidance measures relate to arrangements for a change of control of the company. This is not an exhaustive list of all the anti-avoidance rules, and it is essential that advice is taken at the outset and also before any transactions or arrangements are entered into in the relevant period.

#### 15.4.3 *Qualifying Company*

The company must:

- (a) exist for the purposes of carrying on one or more qualifying trades; or
- (b) be the holding company of a trading group.

Any activities, apart from the qualifying trading activities, must not be significant.

Certain activities are excluded and the trade of the company must not include these activities (to any substantial extent) during the company's three-year qualifying period. What constitutes "substantial" is not defined but the Inland Revenue interprets this as 20 per cent.

There are complex rules governing the identity of the company carrying on the qualifying activity. There are also conditions which must be met in relation to subsidiaries of EIS companies.

The gross assets of the EIS company must not exceed £15 million before the relevant share issue and £16 million afterwards. At least 80 per cent. of the money raised by the EIS company must be used for the purpose of a "qualifying business activity" carried on wholly or mainly in the UK within 12 months of the shares being issued or, where this activity constitutes preparing to carry on a qualifying trade, 12 months after the date trading starts. The remainder of the money raised must be employed within 2 years after the date the shares were issued or the commencement of the trade, if later.

#### 15.4.4 *Eligible Shares*

EIS relief is available where "eligible shares" are issued in order to raise money for a "qualifying business activity". Eligible shares are new ordinary shares with no present or future preferential right to income or to assets in a winding up, and with no present or future right to be redeemed. If eligible shares become ineligible during the investor's holding period (see 16.4.1 above), all EIS reliefs will be lost.

All of the company's shares qualifying for EIS relief must be fully paid up in cash throughout the company's "relevant period". The company's relevant period starts on the date the EIS shares are issued. It ends either three years after that date or, if later, three years after the company starts to trade. New provisions in the Finance Act 2004 provide that individuals who subscribe wholly in cash for qualifying shares will not be prevented from obtaining EIS relief because the company also issues bonus shares of the same class to them on the same day, or because any other subscribers for the company's shares which are of the same share class and which are issued on the same day do not subscribe for them wholly in cash.

A company can become listed within its three year relevant period without loss of EIS reliefs. The company only need be unquoted (which includes trading on AIM) at the time the EIS shares are issued provided that no arrangements exist at that time for the company to cease to be an unquoted company.

#### 15.4.5 *Claims*

The company completes and submits form EIS1 to the Inland Revenue to the specialist section which deals with EIS. Once the Inland Revenue is satisfied that the claim can be accepted it issues a form EIS2 to the company. The EIS2 authorises the company to issue an EIS3 certificate to the EIS investors confirming that they are entitled to the relief. The investor completes a claim on the back of the form EIS3 and sends this to his own Inspector of Taxes who will then give effect to the income tax relief either by adjusting the investor's PAYE code, making a tax repayment or agreeing to offset the relief against outstanding tax liabilities, as appropriate.

The form EIS1 may be submitted by a Company to the Inland Revenue once it has completed four months trading. The form must, however, be submitted no later than two years after the end of the tax year in which the shares were issued or, if the company's four months trading ended after the end of that tax year, no later than two years after the end of that period. The claim for tax reliefs must be made by an investor no later than five years after 31 January following the end of the tax year in which the shares are issued.

## **16. General**

- 16.1 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Enlarged Group since 1 June 2005.
- 16.2 KBC Peel Hunt has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.
- 16.3 The auditors and reporting accountants of the Company are RSM Robson Rhodes LLP. RSM Robson Rhodes LLP is a member of the Institute of Chartered Accountants.
- 16.4 RSM Robson Rhodes LLP has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which it appears and to the inclusion of its reports in this document. RSM Robson Rhodes LLP accepts responsibility for its reports for the purposes of paragraph 1.2 of Annex I of the Prospectus Rules as required by Schedule Two of the AIM Rules. To the best of the knowledge of RSM Robson Rhodes LLP (who have taken all reasonable care to ensure that such is the case) the information contained in its reports is in accordance with the facts and contains no omission likely to affect its import.
- 16.5 Save as disclosed in this document, no person (excluding professional advisers and trade suppliers) has (i) received directly or indirectly from the Company within the 12 months preceding the date of this document or (ii) entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any of the following:
- 16.5.1 fees totalling £10,000 or more; or
  - 16.5.2 securities in the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
  - 16.5.3 any other benefit to a value of £10,000 or more on the date of Admission.
- 16.6 The Company's Nominated Adviser and Broker is KBC Peel Hunt, whose principal place of business is 111 Old Broad Street, London EC2N 1PH.
- 16.7 The accounting reference date of the Company is 31 December.
- 16.8 Save as disclosed in this document, there are no patents, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be of fundamental importance to the Company's business.
- 16.9 Save as disclosed in this document, there have been no significant recent trends concerning the development of the Company's business since 18 November 2004, being the date of its incorporation.
- 16.10 The financial information relating to the Company set out in Part III of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.
- 16.11 The gross proceeds of the Placing are expected to be approximately £10.0 million. The total costs and expenses in relation to Admission and the Placing (including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are payable by the Company and (assuming subscription in full) are estimated to amount to approximately £1.2 million, excluding value added tax.
- 16.12 It is expected that definitive share certificates will be despatched by first class post by 7 September 2005. In respect of uncertificated shares it is expected that shareholders' CREST stock accounts will be credited on 31 August 2005. No temporary documents of title will be issued.
- 16.13 There have been no interruptions and there have been no significant changes to the business of the Company which have or have had a significant effect on the financial position of the Company since incorporation and there are no significant investments in progress by the Company.
- 16.14 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

16.15 The Enlarged Group owns the following trademarks:

<i>TM Number</i>	<i>Mark Text</i>	<i>Type</i>	<i>Date</i>	<i>Status</i>	<i>Classes</i>
1323744	CELL GUARD	WO	12.10.1987	Registered	03
1323745	CELL GUARD	WO	12.10.1987	Registered	05
1325698	NUTRISORB	WO	31.10.1987	Registered	03 05
1332088	OXY-PLEX	WO	15.01.1988	Registered	05
1334420	VITAFORT	WO	05.02.1988	Registered	05
1336070	BIOCARE LINKING BIOTECHNOLOGY WITH NATU+	DW	19.02.1988	Registered	03
1344833	CAPRYCILLIN	WO	19.05.1988	Registered	05
1350932	BIOPAK	WO	06.07.1988	Registered	17 20
1351475	NUTRI-SHAKE	WO	12.07.1988	Registered	32
1366535	IMMUNOGUARD	WO	10.12.1988	Registered	05
1372130	VITASORB	WO	02.02.1989	Registered	05
1376637	MUCCOLYTE	WO	11.03.1989	Registered	05
1405755	MYCOPRYL	WO	21.11.1989	Registered	05
1413465	DRI-PHORM	WO	08.02.1990	Registered	29
1419703	MICROCELL	WO	31.03.1990	Registered	29
1423678	NUTRIMILK	WO	04.05.1990	Registered	29
1486561	LINKING BIOTECHNOLOGY WITH NATURE BIOCA+	DW	27.12.1991	Registered	05
1518022	Nutri-Fruits	WO	05.11.1992	Registered	29
1573279	ENTEROGARDE	WO	26.05.1994	Registered	05
2017352	VITASALT	WO	12.04.1995	Registered	05 30
2025353	BIOFIELD	WO	30.06.1995	Registered	10
2043723	SUCROVITE	WO	07.11.1995	Registered	05 30
2048267	BIOCARE	WO	12.12.1995	Registered	05
2068129	CARDIASALT	WO	09.04.1996	Registered	05 30
2101070	LINKING BIOTECHNOLOGY WITH NATURE	DW	25.05.1996	Registered	03 05
2104668	BIOCARE COLON CARE	WO	09.07.1996	Registered	05
2110130	SUCROGUARD	WO	14.09.1996	Registered	05
2111159	FRUCTOLITE	WO	25.09.1996	Registered	05
2112223	BIOCARE REFRESH	WO	08.10.1996	Registered	05
2132365	CapsCell	WO	10.05.1997	Registered	05
2137728	NUTRIGUARD	WO	02.07.1997	Registered	05
2137743	HEPAGUARD	WO	02.07.1997	Registered	05
2159080	BIOMILK	WO	24.02.1998	Registered	05 29
2162165	BIOCIDIN	WO	25.03.1998	Registered	05
2162495	PARACIDIN	WO	27.03.1998	Registered	05
2162540	ERADICIDIN FORTÉ	WO	28.03.1998	Registered	05
2162546	FOLGUARD	WO	28.03.1998	Registered	05
2163065	BIOCARE DREAM TIME	WO	02.04.1998	Registered	05
2169734	VITAZYMES	WO	17.06.1998	Registered	05
2174362	MICROCELL	WO	08.08.1998	Registered	05
2174363	ENTEROGUARD	WO	08.08.1998	Registered	05
2176427	LINKING BIOSCIENCE WITH NUTRITION	DW	03.09.1998	Registered	03 05
2177026	POLYZYME FORTÉ	WO	11.09.1998	Registered	05
2177102	GLUTENZYME PLUS	WO	11.09.1998	Registered	05
2177595	PROLACTAZYME PLUS	WO	18.09.1998	Registered	05
2177598	RECALL	WO	18.09.1998	Registered	05
2177601	CANDISTATIN	WO	18.09.1998	Registered	05
2177603	HISTAZYME PLUS	WO	18.09.1998	Registered	05

<i>TM Number</i>	<i>Mark Text</i>	<i>Type</i>	<i>Date</i>	<i>Status</i>	<i>Classes</i>
2177605	LIGAZYME PLUS	WO	18.09.1998	Registered	05
2177787	LINKING BIOSCIENCE WITH NATURE	DW	22.09.1998	Registered	03 05
2178944	BioCare LINKING BIOSCIENCE WITH NATURE	DW	06.10.1998	Registered	03 05
2179604	ORALTECT	WO	15.10.1998	Registered	03 05
2179765	DENTECT	WO	16.10.1998	Registered	03
2181875	BIOCARE YEASTGUARD	WO	12.11.1998	Registered	05 10
2183008	CELLULITEN	WO	26.11.1998	Registered	03 05
2189052	PREGNACELLE	WO	17.02.1999	Registered	05
2194476	KIDZVITZ	WO	14.04.1999	Registered	05
2194477	DERMATECT	WO	14.04.1999	Registered	05
2194620	VITZ & MINZ	WO	15.04.1999	Registered	05
2194901	VASCULARGUARD	WO	16.04.1999	Registered	03 05
2195042	NEPHROGUARD	WO	20.04.1999	Registered	05
2196603	BETACARE	WO	08.05.1999	Registered	05
2196606	BIOCARE FEEL-GOOD-FACTORS	WO	08.05.1999	Registered	05
2197498	BIOCARE PLEURAGUARD	WO	18.05.1999	Registered	05
2200232	BIOHAIR	WO	16.06.1999	Registered	03 05
2204566	BIOCARE FOODVITS	WO	31.07.1999	Registered	05
2204567	BIOCARE FOODMINS	WO	31.07.1999	Registered	05
2206258	BIOCARE ADRENOL	WO	18.08.1999	Registered	05
2207241	LACTOCAL	WO	28.08.1999	Registered	05
2213308	FEMFORTE	WO	04.11.1999	Registered	05
2214205	BIOCARE LOOK-GOOD- FACTORS	WO	12.11.1999	Registered	03
2214206	COLONGUARD	WO	12.11.1999	Registered	05
2217553	NUTRI-FLAKES	WO	17.12.1999	Registered	05 30
2221429	CLT-60	WO	05.02.2000	Registered	03 05
2221472	LIPOGUARD	WO	05.02.2000	Registered	05
2224371	ELEOTIN	WO	04.03.2000	Registered	05
2226315	LIPOTECT	WO	18.03.2000	Registered	05
2226318	LIPOCARE	WO	18.03.2000	Registered	05
2226319	LIPOCELL	WO	18.03.2000	Registered	05
2226320	LIPOTONE	WO	18.03.2000	Registered	05
2241901	VITASPREAD	WO	08.08.2000	Registered	29
2244715	BIOCARE LABS	WO	07.09.2000	Registered	42
2244931	CLT-80	WO	07.09.2000	Registered	03 05
2249149	CELLFORTE	WO	17.10.2000	Registered	05
2249152	BIOCARE BIOCELL	WO	17.10.2000	Registered	05
2249153	RESISTOCELL	WO	17.10.2000	Registered	05
2249159	NUTRICELL	WO	17.10.2000	Registered	05
2249228	BIOCARE VITACELL	WO	18.10.2000	Registered	05
2249229	BIOCARE AQUACELL	WO	18.10.2000	Withdrawn	05
2259062	FLIGHTGUARD	WO	25.01.2001	Registered	05
2286047	BIOCARE	WO	20.11.2001	Registered	05 10 42
2288053	BIOCARE DIAGNOSTICS	WO	12.12.2001	Registered	05 10 42
2303151	NUTRISALT	WO	19.06.2002	Registered	05 30
2303260	BIOCARE	WO	20.06.2002	Withdrawn	03 05
2303261	CELLGUARD	WO	20.06.2002	Registered	03 05
2306675	BIOIMMUNE	WO	30.07.2002	Refused	03 05
2308623	FEMGUARD	WO	22.08.2002	Registered	05
2308900	FEMGUARD	WO	23.08.2002	Registered	03

<i>TM Number</i>	<i>Mark Text</i>	<i>Type</i>	<i>Date</i>	<i>Status</i>	<i>Classes</i>
2310033	FLEX 'N' TONE	WO	06.09.2002	Registered	05
2312300	THIOCARE	WO	04.10.2002	Withdrawn	03 05
2314186	DERMAGUARD	WO	26.10.2002	Refused	05
2315137	FEMGUARD	WO	07.11.2002	Registered	05 10
2320052	BICAP	WO	08.01.2003	Registered	05
2323160	CHOCVITS	WO	08.02.2003	Registered	05 30
2324094	VITAMAN	WO	18.02.2003	Registered	05
2327084	NUTRIMILK	WO	20.03.2003	Registered	29
2327297	TRAVELGUARD	WO	22.03.2003	Registered	05
2329035	ACTAVITE	WO	09.04.2003	Refused	05
2329415	MICROSORB	WO	15.04.2003	Registered	05
2329416	AquaCell	WO	15.04.2003	Registered	05
2329873	ULTRASORB	WO	16.04.2003	Registered	03 05
2331188	TRAVELMATE	WO	03.05.2003	Registered	05
2331234	OMEGAGUARD	WO	03.05.2003	Refused	05
2338063	SOLARGUARD	WO	18.07.2003	Registered	03 05
2338073	DORIAN GRAY	WO	18.07.2003	Registered	03
2338077	COMBIZYME	WO	18.07.2003	Refused	05
2338182	KIDZ VITZ & MINZ	WO	19.07.2003	Registered	05
2341378	DORIAN GRAY	WO	22.08.2003	Registered	05
2344796	MICROCELL	WO	01.10.2003	Registered	05 29
2346303	GINGERDOPHILUS	WO	18.10.2003	Registered	05
2349161	CHOCOVITE	WO	19.11.2003	Registered	05
2351475	OPTICARE	WO	17.12.2003	Registered	05
2351476	YEASTGUARD	WO	17.12.2003	Registered	05 10
2351477	OPTIGUARD	WO	17.12.2003	Withdrawn	05
2351478	EYEGUARD	WO	17.12.2003	Registered	05
2352339	LYCOGUARD	WO	27.12.2003	Registered	05
2352982	CARDIOGUARD	WO	09.01.2004	Refused	05
2352983	FLORAGUARD	WO	09.01.2004	Examined	05
2352984	SOLARDERM	WO	09.01.2004	Refused	03 05
2353936	SLUMBERTIME	WO	21.01.2004	Registered	05
2353937	CAPSULETTE	WO	21.01.2004	Refused	05 10
2353938	BIOPET	WO	21.01.2004	Registered	03 05
2353939	JOINTGUARD	WO	21.01.2004	Registered	05
2354044	NUTRIMILK	WO	22.01.2004	Advertised	05
2354239	FLORAVITE	WO	24.01.2004	Refused	05
2354241	OMEGAVITE	WO	24.01.2004	Registered	05 29
2354243	CERVAGYN	WO	24.01.2004	Registered	03 05 10
2354436	DUOCAPS	WO	27.01.2004	Refused	05 29
2354553	NUTRIGENICS	WO	28.01.2004	Registered	03 05
2354557	VITASPREAD	WO	28.01.2004	Registered	05
2354559	VITAGENICS	WO	28.01.2004	Registered	03 05
2354564	VETZ VITZ & MINZ	WO	28.01.2004	Withdrawn	05
2355051	TWINCAPS	WO	04.02.2004	Registered	05
2355064	DuoCap TECHNOLOGY	DW	04.02.2004	Registered	05 29
2355521	OMEGAGUARD	WO	11.02.2004	Registered	29
2356138	PETZ VITZ & MINZ	WO	18.02.2004	Registered	05
2356400	INTRAFRESH	WO	20.02.2004	Registered	03 05 10
2356897	MICRODOPHILUS	WO	26.02.2004	Registered	05
2356898	EURO-VITZ & MINZ	WO	26.02.2004	Refused	05
2357376	INTERBALANCE	WO	03.03.2004	Registered	05 29 32
2357377	FEMCAL	WO	03.03.2004	Registered	29 32

<i>TM Number</i>	<i>Mark Text</i>	<i>Type</i>	<i>Date</i>	<i>Status</i>	<i>Classes</i>
2357383	HYPOCHOL	WO	03.03.2004	Registered	05 29 32
2357782	LACTOZYME	WO	06.03.2004	Registered	05 29
2359233	TRAVELGUARD - DON'T LET HOLIDAY FOOD BU+	WO	24.03.2004	Registered	05
2359438	CALCIMILK	WO	26.03.2004	Registered	05 29
2359440	LIPOZYME	WO	26.03.2004	Registered	05
2361937	WHEATMATE	WO	27.04.2004	Registered	05
2361938	SKOOLDAYZ	WO	27.04.2004	Registered	05
2362750	WHIZZ KIDZ	WO	07.05.2004	Registered	03 05 29
2362753	BIOCARDIO	WO	07.05.2004	Registered	05 29
2364363	LACTEASE	WO	27.05.2004	Advertised	05 29
2364856	HEPAGUARD FORTE	WO	03.06.2004	Registered	05
2368855	CELLGUARD FORTE	WO	22.07.2004	Registered	03 05
2369153	PHYTOMEGA	WO	27.07.2004	Registered	05 29
2372484	OmegaKidz	SW	09.09.2004	Examined	05 29
2375200	MICROFLORAGUARD	WO	07.10.2004	Examined	05
2375201	MICROGUARD	WO	07.10.2004	Examined	05
2375916	MICROCAPS	WO	16.10.2004	Registered	29
2382334	SKOOLDAYZ	WO	19.01.2005	Advertised	03 29
2383071	FibreMilk	WO	28.01.2005	Examined	05 29
2383457	WHIZZ KIDZ	WO	02.02.2005	Advertised	29
2388293	OMEGAKIDZ	WO	31.03.2005	Examined	05 29
2388422	LIPOCHOL	WO	01.04.2005	Awaiting advert	05
2388424	VITACHOL	WO	01.04.2005	Awaiting advert	05 29 32
2388935	PERMATROL	WO	08.04.2005	Awaiting advert	05
2388936	ENTEROPLEX	WO	08.04.2005	Awaiting advert	05
2388937	VYTA-MYNS	WO	08.04.2005	Awaiting advert	05
2388938	KIDZ COMPLETE	WO	08.04.2005	Examined	05
2388939	MALEFORTE	WO	08.04.2005	Awaiting advert	05
2393634	STEROLVITE	WO	04.06.2005	New Application	05

16.16 To the extent that information in this document is sourced from a third party, it has been accurately reproduced and that so far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16.17 The Directors are not aware of any arrangements under which future dividends are waived or agreed to be waived.

16.18 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by KBC Peel Hunt until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 31 August 2005 (or such later date as KBC Peel Hunt and the Company may agree), application monies will be returned to applicants as soon as practicable at their own risk and without interest prior to delivery of the Ordinary Shares. The period within which the Placing applications may be accepted pursuant to the Placing are set out in the Placing Agreement and in the placing letters sent to placees.

## **17. Availability of this document**

Copies of this document will be available free of charge at the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document and for a period of one month from the date of Admission.

Dated 5 August 2005

# NEUTRAHEALTH PLC

*(Incorporated in England and Wales with Registered No. 5290247)*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Company will be held at the offices of KBC Peel Hunt at 111 Old Broad Street, London EC2N 1PH on 30 August 2005 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1, 2 and 3 will be proposed as ordinary resolutions and resolution 4 will be proposed as a special resolution:

### ORDINARY RESOLUTIONS

1. THAT, subject to the passing of resolution 2 below, the acquisition of the entire issued and to be issued share capital of Biocare Limited (the "Acquisition") pursuant to an Agreement dated 5 August 2005 between (1) John Kenneth Stirling and Sharon Lee Stirling and (2) the Company (the "Acquisition Agreement") as summarised in the Admission Document sent to Shareholders dated 5 August 2005 (the "Document") (a copy of which has been produced to the meeting and initialled by the Chairman for the purposes of identification) be and is hereby approved and the Directors be and are hereby authorised to cause the Acquisition Agreement and all matters provided therein or related thereto to be completed, and at their discretion, to amend, waive, vary and/or extend any of the terms of the Acquisition Agreement and/or any other document referred to therein and/or connected therein in whatever way they may consider to be or become necessary and/or desirable (other than to any material extent) and to do and/or produce all such other acts and/or things as they may consider necessary and/or desirable in connection therewith;
2. THAT the share capital of the Company be hereby increased from £5,000,000 to £30,000,000 by the creation of 250,000,000 new ordinary shares of 10p each;
3. THAT, in substitution for all existing authorities, the Directors be hereby generally and unconditionally authorised, in accordance with section 80 Companies Act 1985, to exercise all powers of the Company to allot relevant securities (as defined in that section) up to a maximum aggregate nominal amount of £14.5 million; provided that this authority will expire 15 months after the date on which this resolution is passed or the expiration of the period from the date of such resolution is passed to the date that the next Annual General Meeting of the Company is concluded (whichever occurs first), but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the Directors may allot relevant securities pursuant to such offer or agreement as if this authority had not expired.

### SPECIAL RESOLUTION

4. THAT, subject to and conditional upon the passing of resolution 3, the Directors be hereby given power, in substitution for all existing authorities, in accordance with section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authority conferred by resolution 3 above as if section 89(1) of the Act did not apply to the allotment provided that such power shall be limited to:
  - (A) the allotment of equity securities pursuant to the Acquisition Agreement (as referred to in resolution 1 above);
  - (B) the allotment of equity securities pursuant to the conditional placing as set out in the placing agreement entered into by the Company with KBC Peel Hunt Limited and the Company's Directors; and

- (C) the allotment (otherwise than pursuant to sub-paragraphs (A) and (B) above) up to an aggregate nominal value of £150,000;

and the power hereby conferred shall expire 15 months after the date of passing of this resolution or on the expiration of the period from the date such resolution is passed to the date that the next AGM is held (whichever first occurs) but may be previously revoked or varied by Special Resolution and so that the Company may before such expiry make an offer or agreement which will or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if such power had not expired.

All Resolutions will be interconditional on each other.

By Order of the Board

*Secretary*

*Registered office:*

6 Caledon Road  
Beaconsfield  
Buckinghamshire  
HP9 2BX

5 August 2005

1. A member entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. The proxy need not be a member of the Company.
2. To be effective, the instrument appointing a proxy and any authority under which it is executed (or notarially certified copy of such authority) must be deposited at the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time for holding the Meeting. A form of proxy is enclosed with this notice. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the relevant register of members of the Company at close of business on 28 August 2005 shall be entitled to attend and vote at the Extraordinary General Meeting or, if the Meeting is adjourned, close of business on such date being not more than two days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after close of business on 28 August 2005 shall be disregarded in determining the right of any person to attend or vote at the Meeting.







