

COMPANY NO: 126138

William Ransom & Son plc

Annual Report 2005

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Chairman's Statement

The year ending 31 March 2005 has been good and yet another period of important development for the Group. The generation of a strong underlying financial performance alongside the completion of the planned fundamental reorganisation of our production resources is particularly satisfying.

A great deal was achieved in the year and I am particularly grateful to all of our employees, who have managed the process of change very well. The move of our production base of 158 years and the commissioning of two new sites is an achievement in itself. Together with the completion and integration of our largest acquisition to date, Health Perception, the rationalisation and sale of non-core product lines, and continued organic business development, it is exceptional.

Sales rose to £19.8m (2004: £14.4m), due to the acquisitions made and due to the continued growth at Health Perception. Group operating profit before goodwill amortisation and the provision for bad debt rose to £1.18m (2004: £0.06m). Pending the outcome of discussions with the administrator, a full provision of £0.51m (2004: nil) was made against the net monies owed to the company by its UK sales agent Food Brokers Limited, which went into administration in February 2005. The Group's net debt at the year end was £2.61m (2004: net cash £5.19m), as the proceeds from the previous year's site sale were invested in the acquisition of Health Perception and in new manufacturing and laboratory facilities.

The Board proposes to pay a final dividend of 1.00p, bringing the total dividend to 1.50p, the same as last year. The dividend will be payable on 3 October 2005 to all shareholders on the register on 9 September 2005.

I am pleased to be able to report that all new production processes at both the pharmaceutical manufacturing site in Witham, Essex and the botanical extraction unit in Hitchin, Hertfordshire are now operational. The new facilities, together with their associated laboratories, are impressive and, as efficiency steadily improves, they should allow us to win further new business in an environment of regulatory change in the natural healthcare market.

The performance of our consumer healthcare brands business has been dominated by the growth at Health Perception, whose products were not distributed by Food Brokers and so were not affected by its demise. Consumer healthcare exports were also unaffected and performed well too. The rest of the division's brands suffered in the last two months of the year, despite our rapid move to establish our own direct sales force. This team is now beginning to develop new sales prospects, supported by a full pipeline of new product development which is the result of a lot of work over the last year.

In January 2005, the EU awarded €1.3m to a pan-European consortium of six academic organisations and three Small and Medium-sized Enterprises (SME's) – of which we are the UK's representative - to investigate the possibility of developing standardised extracts of cannabis for treatment of migraine and rheumatoid arthritis. While this is a very early-stage project with no definite commercial outcome, the endorsement of our botanical development capability which it represents is encouraging and the re-establishment of close links with academic institutions in this area is likely to be helpful to us in the future.

Prospects

The prospects for the group are, I believe, very good. Our reorganisation has provided a modern manufacturing base for both botanical extracts and pharmaceuticals, together with new development and analytical laboratories. In a natural healthcare market where pharmaceutical-style regulatory standards are now beginning to be applied, this resource and our phyto-pharmaceutical expertise should provide a competitive advantage to our existing brands portfolio and to further acquisitions, as well as to our contract manufacturing business.

We have a busy manufacturing schedule for botanical extracts and for contract manufacturing, and we anticipate further growth based on the quality of our new facilities. In our consumer healthcare brands, we expect Health Perception to maintain its market-leading position in the high-growth UK glucosamine market. Our other brands should benefit from targeted export growth and from a broad new product development programme supported by our own direct sales force which has already begun to achieve listing success in the major retailers.

Timothy Dye
Chairman
8 June 2005

Operating and Financial Review

Ransom is in the process of transforming itself into a fast-growing and highly profitable natural healthcare company and we believe that we have made substantial progress towards this goal. In a natural healthcare market where regulatory change is set to have a significant impact, our combination of botanical and pharmaceutical expertise will provide an increasingly potent competitive advantage. We are using this specialist expertise to enable us to acquire, develop and grow consumer healthcare brands and also to provide manufacturing and development services to others.

An important part of the transformation of the business has been the creation of a state-of-the-art production and analytical and developmental laboratory base. The establishment of this capability has been a major feat during the course of the year, with the significant disruption involved having, as planned, the greatest financial impact on the second six months. In a complicated move of such specialist activity from its base of 158 years, there were inevitably some unforeseen complications, but it is pleasing that all manufacturing processes have now been commissioned at their new locations and that this has been achieved in conjunction with a strong underlying financial performance.

Consumer Healthcare

The performance of Health Perception since its acquisition in April has been exceptional. Sales growth has been derived from most areas, producing an increase of 27% to £6.8m, so that Health Perception maintained its position as number one brand in the UK's fast-growing glucosamine market. During the course of the year, Health Perception was the first to launch a vegetarian glucosamine product on the UK market. A limited television advertising schedule began in April 2005, for the first time, and subject to it continuing to be successful, the campaign will continue throughout the year.

Radian B's export sales were also strong in the year, as sales to the Middle East increased particularly. The growth follows improved customer support for our overseas agents in part in the form of a further reduction in lead times. We expect the benefits of this to continue to improve sales in the current year. In the UK, Radian B's performance in a competitive market was further affected by the failure in February of Food Brokers, our UK distributor.

Metanium consolidated its position as the UK's number two nappy rash cream in the year and a very active new product development programme for the brand has produced an extended range which has been enthusiastically received by retailers. Our sales team is very optimistic about the prospects for Metanium's accelerated growth in the current year. New product development activity undertaken throughout the year ending 31 March 2005 should benefit most brands in our portfolio, including Pavacol-D, Cariad and various of the Pickles lines, with launches of a total of twenty new products under existing brands over the current twelve month period.

The establishment of our own national account and direct sales team was an important milestone. The growth of Ransom's consumer healthcare business had made the establishment of our own sales force a commercially

attractive option, so plans were well in hand for its formation prior to February. The team is now complete and we believe that the improved direct contact with the market which it brings will benefit our business greatly.

Contract Manufacturing

The key objective of our contract manufacturing business in the year was to ensure that our customers remained in stock of the products which we make for them as we relocated equipment to, and built, a new site of manufacture. This was a particularly complex task in a highly regulated pharmaceutical environment, and where existing operations, including the manufacture of our own branded products, had to continue at the Witham site alongside the doubling in size of the unit to incorporate the business transfer. The planning of the process was meticulous and required great assistance and co-operation from our customers, for which we are extremely grateful. That our objective was met and within the planned timescale is a great credit to all involved.

The new facility and extended laboratories are now fully operational and are already proving to be helpful in winning new contract manufacturing business from existing and new customers. The streamlining of pharmaceutical manufacturing operations was further improved by the divestment in the year of a portfolio of generic low margin, low volume pharmaceutical liquids.

Natural Products

The highly specialist nature of Ransom's natural product business means that its relocation to Bury Mead Road in Hitchin was always going to be complex and in fact it proved more so than we had hoped. The result was a delay in commissioning of some of the product lines, but it is pleasing to be able to report that all production areas are now operational and throughput rates are increasing. Again our staff did an excellent job in difficult circumstances, and it is particularly impressive that the sales budget was met despite our temporarily-restricted manufacturing capability.

The Ransom Natural Products business is now able to focus on its key areas of botanical extracts for the food and drink and pharmaceutical industries, following the successful divestment in the year of the agricultural and cosmetic extracts businesses. This focus is supported by our investments in natural products application and development laboratories and associated staff. We expect this more targeted approach on higher margin, higher growth areas – supported by technical back-up - to benefit sales considerably. The order book is strong.

Our participation in an EU-funded consortium, made up principally of prestigious European academic institutions, to investigate the possibility of developing standardised extracts of cannabis for the treatment of migraine and rheumatoid arthritis will help enhance our botanical development capabilities and also re-establishes some of the company's historic research partnerships. The work complements other confidential research work which we are carrying out for multi-nationals in the use of botanicals in nutraceutical and pharmaceutical products.

Corporate and Social Responsibility and Ethical Investor Statement

The Company has a long history of Corporate Social Responsibility ('CSR') and receives many inquiries from customers, potential employees, local interest groups and investors with regard to its policies and practices in this

area. We have an active policy of supporting local groups and charities. A detailed summary of our stance in the key areas of personnel, community and environment is posted on our website, which investors are urged to visit, at www.williamransom.com. Our Ethical Investor Statement is also posted on the site. Following the Company's recent restructuring, all employees participated in defining a set of company values which, following an off-site day for all employees, have now been adopted across the business.

Financial

Sales of continuing operations rose by 31.8%, to £18.9m (2004: £14.4m). Sales of £6.8m at Health Perception were responsible for this growth and were offset to some extent by a decline in contract manufacturing and extract sales, as these product areas were rationalised and greatly simplified as part of the site move. Exports accounted for 18% of total sales, down from 22% in 2004, reflecting the greater UK bias of Health Perception's business.

Gross profit margins rose to 38.8% (2004: 26.4%) principally due to the greater emphasis within the business on consumer healthcare brands, but also because of improved gross margins in our contract manufacturing business, resulting from the exit from lower margin areas.

Operating profit before goodwill amortisation and the provision for bad debt rose to £1.18m (2004: £0.06m).

Net cash inflow from operating activities was £1.89m (2004: £1.40m). Group stockholdings fell by £0.4m as the temporary loss of production from the move reduced the level of finished goods. Debtors collections improved in the year and overall debtors fell by £0.4m. Partially offsetting this was a fall in creditors from their high level at the end of 2004.

Capital expenditure in the year amounted to £4.11m as the Group invested funds in each of its new manufacturing sites. Proceeds of £0.56m were received from the sale of assets from the old site.

Health Perception UK Ltd was acquired in April 2004 for a total cost of £8.02m. At the time of the acquisition, Health Perception had cash balances of £0.88m, which were also acquired. The acquisition was funded in part by the issue of new shares, which raised net proceeds of £3.68m, and the drawing down of a term loan facility of £1.98m. The deferred cash consideration relating to the acquisition of the J Pickles' brands of £0.06m was paid in the year. Reorganisation costs of £1.66m were paid in the year.

At the end of the year the Group had net debt of £2.61m (2004: net cash £5.19m) and shareholders' funds of £17.49m (2004: £14.51m).

Corporate Governance

Compliance

As an AIM listed Company William Ransom & Son plc is not required to comply with the corporate governance principles contained in the Combined Code, however the Company has regard to these principles and its activities in the area of corporate governance are discussed in the Board's report on corporate governance below.

The Company has not complied with the Code as regards the separation of the roles of Chairman and Chief Executive. The role of Chairman and Chief Executive was combined. The Company recognises that in the long term, as the business continues to expand, the roles of Chairman and Chief Executive will need to be separated.

The Board and The Executive Committee

Biographical details of all directors and the Executive Committee are set out on page xx. The Board considers C J Clark, J S Paterson and W J N Nabarro to be independent non-executive directors.

The seven member Executive Committee comprises the two executive directors, the General Manager of the Consumer Healthcare Division, the Managing Director of Health Perception (UK) Limited, the New Product Development Manager, the Witham Site Manager and the Quality Assurance Manager. The Executive Committee is responsible for day-to-day operational matters and for implementing the strategy set by the Board. It meets every month in a Board-style format. Its functions include deciding pay policy, setting the Company's annual budget and monitoring performance against it and proposing initiatives to the Board designed to meet the Company's strategic objectives. Corporate risks are identified and reviewed at each meeting.

The Board's principal task is to set the Company's strategy, which is devised to deliver optimum value for shareholders. Other matters reserved for decision by the full Board include such issues as the approval of the annual report and accounts, authorisation of all business acquisitions and disposals, sanction of all major capital expenditure, the raising of equity or debt finance, investor relations and environmental policy. A pack of information, including the up-to-date financial position of the Company, is distributed to all Board members at least four days in advance of all Board meetings, which are held monthly.

Procedures are in place to enable directors to take appropriate independent professional advice at the Company's expense if that is necessary for the furtherance of their duties, and they have access to the advice and services of the Company Secretary. The Board is committed to putting a process in place for training new directors in their legal and fiduciary duties if and when it is required.

The Articles of Association require one third of the Board to retire by rotation each year and for those directors appointed during the year to stand for re-election at the following annual general meeting.

Nomination Committee

The Board as a whole undertakes the duties of the nomination committee.

Remuneration Committee

The remuneration committee consists of C J Clark, W J N Nabarro and J S Paterson all of whom are non-executive directors. In determining the policy for the executive directors the committee has given due consideration to the Combined Code. The remuneration packages are designed to attract, retain and motivate executive directors of the required calibre. The committee reviews the appropriateness of all aspects of directors' pay and benefits by taking into account remuneration packages of similar sized companies and having access to relevant remuneration surveys.

Remuneration Report

Directors are paid salaries. In addition the executive directors participate in the Company bonus scheme.

In addition to these bonus arrangements the Company operates an approved share option scheme in which executive directors participate. The Company established a Long Term Incentive Plan ('LTIP') during the year. The executive directors are eligible to participate in the LTIP. The Board believes that in accordance with the best practice provisions this approach aligns the interests of shareholders and executive directors.

Corporate Governance (continued)

The remuneration of the non-executive directors is determined by the Board as a whole, with the exception of the director concerned.

Full details of directors' remuneration, shareholdings, share options and awards under the LTIP are shown on pages 12 to 13 and in note 4 on page 24.

C J Clark does not have a contract for services. The two other non-executive directors have a three year fixed term contract for services. The notice period in both the executive directors' service contracts is one year.

Accountability and Audit

Internal control

The directors are responsible for the Company's system of internal control and for reviewing its effectiveness whilst the role of management is to implement Board policies on risk management and control. It should be recognised that the Company's system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Company's business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Company which has been in place during the year and up to the date of the approval of its annual report. This process is regularly reviewed by the Executive Committee and the Board and accords with the internal control guidance prepared for directors by the Turnbull Committee.

The Company operates a series of controls and the key procedures, which are designed to provide effective internal control, are as follows.

- A clearly defined organisational structure with the appropriate delegation of authority to operational management.
- A comprehensive annual planning and budgeting process, requiring Executive Committee approval, reviewed and revised on a regular basis.
- Management information systems to monitor financial performance and other operating statistics, with a monthly review of actual against budget.
- All aspects of internal control are considered and monitored by the Board of Directors. Where circumstances dictate, procedures are instigated with the support of suitably qualified external assistance for subsequent Board review and action.

The Company does not have an internal audit function. However, the Board periodically reviews the need for such a function. The current conclusion of the Board is that this is not necessary given the scale of activities.

The Board has reviewed the effectiveness of the system of internal control in operation during the year and this process will continue annually.

Audit Committee

The audit committee consists of the Chairman, C J Clark, a non-executive director, and W J N Nabarro, a non-executive director. Its purpose is to consider any matters raised by the external auditors in connection with their work and findings, to review the scope and cost effectiveness of the audit, the independence and objectivity of the external auditors. It meets at least twice a year.

Shareholder Relationships

The objective of the Board is to create increased shareholder value by growing the business in a way that delivers sustainable improvement in earnings over the medium and long term.

The Board regards the annual general meeting as an important opportunity to communicate with private investors in particular. Directors make themselves available to shareholders both before and after the annual general meeting and on an ad hoc basis subject to normal disclosure rules.

Directors' report

The directors have pleasure in submitting herewith the ninety second annual report and the audited financial statements for the year ended 31 March 2005.

Principal activities

The Company's principal activity is the manufacture of pharmaceutical products and the extraction of plant material for the healthcare, food and beverage industries.

Business review and future developments

A review of the development of the Company's business during the year ended 31 March 2005 and of its future prospects is contained in the Chairman's statement on page x.

Profits

The Company made a loss before taxation of £211,000 (2004 £2,674,000 profit). Included in this year's loss were exceptional costs totalling £98,000 and a provision for a bad debt of £514,000. The loss after taxation was £158,000 (2004 £2,953,000 profit).

Total retained profits carried forward at 31 March 2005 amounted to £6,903,000 (2004 £7,597,000).

Dividends

The directors have recommended a final dividend of 1.00p per share (2004 1.00p) payable on 3 October 2005 to shareholders on the register at close of business on 9 September 2005. The total dividend for the year, including the interim dividend of 0.50p per share (2004 0.50p) paid on 10 January 2005, amounts to 1.50p per share (2004 1.50p per share).

Charitable and political contributions

Charitable contributions for the year amounted to £1,000 (2004 £1,000). Political contributions for the year amounted to nil (2004 nil).

Substantial shareholdings

At 24 May 2005 the Company had been informed of the following interests amounting to 3% or more in the ordinary share capital of the Company:

	Number of Shares	Percentage
Britannic Assurance PLC	1,713,636	4.80%
David Andrew Wilkie	3,413,793	9.56%
Ennismore Smaller Companies PLC	1,449,602	4.06%
Ennismore European Smaller Companies Master Hedge Fund	1,339,620	3.75%
Fidelity International Small Cap Fund	2,684,500	7.52%
Jupiter Asset Management Limited	2,033,331	5.69%
Liontrust Intellectual Capital Trust	3,340,872	9.35%
Throgmorton Trust PLC	1,250,000	3.50%

Research and development

The Company has a continuing commitment to the improvement of its existing product range and to the development of new products.

Payment of creditors

The Company's policy for the year to 31 March 2005 and for the next financial year is to use its best endeavours to settle with suppliers in accordance with agreed payment terms. The average number of days credit taken from trade creditors at 31 March 2005 was 50 (2004: 49).

Directors' report (continued)

Directors

The directors who held office during the year are listed on page xx. The beneficial shareholdings of the directors at 31 March 2005 (including wives and infant children) are set out in note 4 to the financial statements.

R D Howard retires by rotation and offers himself for re-election.

C J Clark does not have a contract for services. The two other non-executive directors have a three year fixed term contract for services. The two executive directors have service contracts, which are subject to one year's notice of termination.

Going concern

The directors, having made enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future, and that therefore it is appropriate to continue to prepare financial statements on the going concern basis.

Auditors

The auditors, RSM Robson Rhodes LLP are willing to continue in office and a resolution for their reappointment as auditors to the Company will be proposed at the forthcoming annual general meeting.

By order of the Board

R D Howard
Secretary
8 June 2005

Directors' remuneration report

Introduction

As an AIM listed Company, we are not required to produce a Directors' Remuneration Report in accordance with Schedule 7A of the Companies Act 1985. However, set out below are disclosures relating to Directors' Remuneration divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

As reported elsewhere, the committee consists of:

C J Clark
J S Paterson
W J N Nabarro

The committee advises the Board on the setting of directors' remuneration and uses comparative remuneration surveys for companies of a similar size to arrive at its recommendations.

Remuneration policy

Executive directors' remuneration packages are contained within their service agreements with the Company. They are designed to attract and retain directors capable of managing the Company's ambitious growth plans. The remuneration of the non-executive directors is determined by the Board after comparable research.

The main components of remuneration are as follows:

Basic salary

The salary for each executive director is based on both individual performance and on information from comparative surveys. The annual salary review takes place in May.

Annual Bonus Payments

The directors share proportionately in a bonus scheme devised for all our Hitchin based employees. This is comprised of two main elements. First, the achievement of certain key corporate objectives that are closely linked to Company profitability. In the year to 31 March 2005 these are sales and gross margin targets of £14,142,000 and £3,718,000 respectively excluding the sales and gross margin from Health Perception (UK) Limited. Second, the scheme rewards growth in pre-tax earnings, excluding Health Perception (UK) Limited, by paying a percentage of these earnings into the scheme.

Share Interests and share options

The executive directors have significant interests in the shares of the Company through a combination of direct shareholdings and share options. The share options include a performance element related to total shareholder return. The Board believes that the combination of bonuses and share options linked to both annual results and medium term shareholder returns aligns the interests of shareholders and executive directors.

LTIP

The Company established a LTIP during the year. These are a conditional and deferred gift of shares. They are subject to certain performance conditions related to total shareholder returns over a three year period and then subject to a further holding period of up to three years.

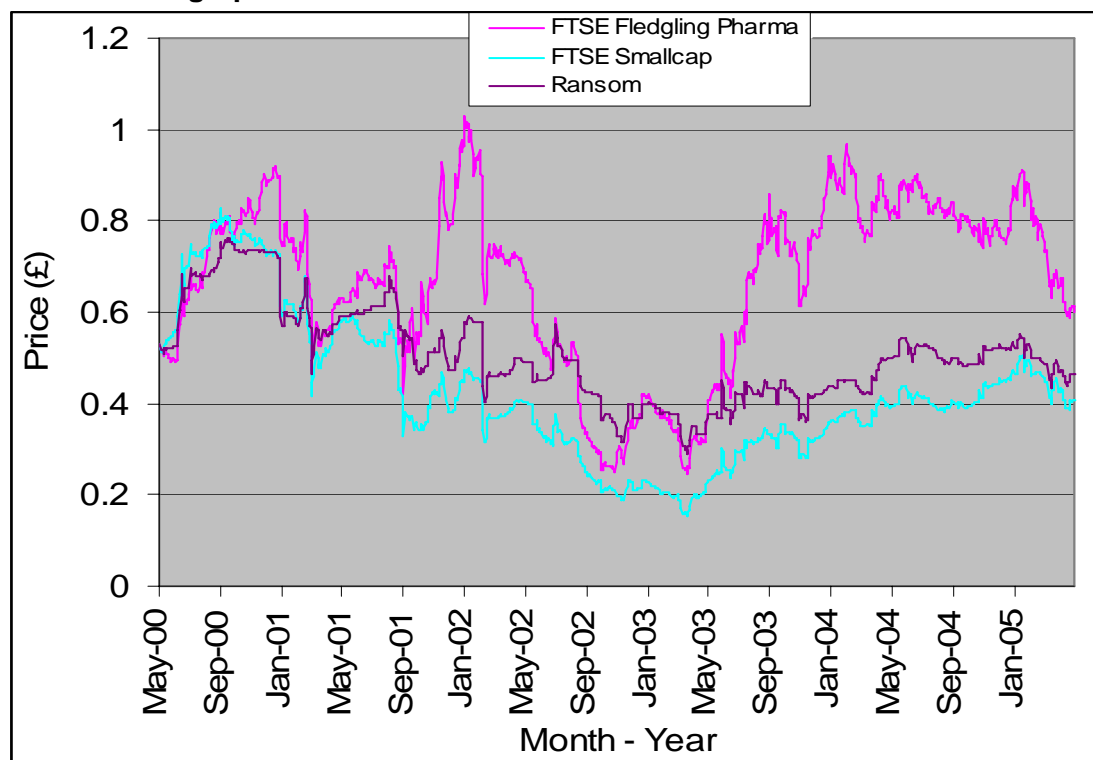
None of the directors' remuneration is pensionable.

Directors' service agreements

It is the Company's policy that all executive directors should have contracts with an indefinite term providing for a maximum of twelve months' notice, details of which are as follows:

T G Dye - effective from 6 September 1999
R D Howard - effective from 25 February 2002

Performance graph



The chart above shows the total shareholder return over the last five years compared to both the FTSE Small Cap and the FTSE Fledgling Pharma & Biotech indices. The Company believes that these two indices are the most appropriate against which to benchmark its performance.

Non- executive directors

The non-executive directors have letters of appointment. The appointment of C J Clark is for an indefinite term, whereas those of W J N Nabarro and J S Paterson expire on 19 September 2006. Their remuneration is determined by the Board and based on surveys of fees paid to non-executives of similar companies.

Audited information

Directors' remuneration

	Basic salary £'000	Bonus £'000	Benefits in kind £'000	2005 total £'000	2004 total £'000
T G Dye (Chairman & Chief Executive)	106	3	-	109	105
R D Howard	105	2	1	108	105
C J Clark	15	-	-	15	14
M Lovell Smith	7	-	-	7	25
J S Paterson	15	-	-	15	9
W J N Nabarro	18	-	-	18	11
Total remuneration	266	5	1	272	269

The executive directors participate in the Company bonus scheme. Bonuses of £ 5,000 are payable for the current year (2004 £4,000).

Share options

Share options are granted to executive directors to reward performance and to align more closely their rewards with the interests of the shareholders. Details of the options in issue are as follows:

Approved executive share option schemes

	2004	Granted during year	2005	Exercise price	Date granted	Date which exercisable	from	Expiry date
R D Howard	100,000	-	100,000	46.00p	03/02	03/05		03/12
R D Howard	-	100,000	100,000	45.00p	04/04	04/07		04/14

Share options are exercisable if the percentage growth in the Company's total shareholder return between the date of grant of the option and any date on or after the third anniversary of the date of grant of the option equals or is greater than the rate of inflation on the same period plus 3% compound.

No options were exercised in the year. No options lapsed during the year.

Unapproved share option schemes

	2004	Granted/ (exercised) during year	2005	Exercise price	Date granted	Date which exercisable	from	Expiry date
T G Dye	450,000	-	450,000	52.5p	04/00	04/03		04/08

No options were granted or exercised during the year. No options lapsed during the year. There are no performance criteria on the unapproved share options.

LTIP

	2004	Granted during year	2005	Date granted	Performance Period	Holding Period
T G Dye	-	70,000	70,000	09/04	3 years to 31/03/07	3 years to 31/03/10
R D Howard	-	70,000	70,000	09/04	3 years to 31/03/07	3 years to 31/03/10

In order for the shares to fully vest at the end of the performance period the percentage growth in total shareholder return must equal or exceed the compound percentage growth in RPI plus 7% per annum.

The share price at 31 March 2005 was 45.0p and during the year the high and low prices were 55.0p and 42.0p.

Approval

This report was approved by the board on 8 June 2005 and signed on its behalf by:

R D Howard
Secretary

Directors' Details

Timothy Dye MA

Chief Executive, age 42. Appointed to the Board in November 1998, appointed Chief Executive on 7 September 1999 and Chairman in September 2001. Prior to joining Ransom, and following an early career as a strategy consultant, he founded and ran businesses in wireless technology and environmental management. He holds an MA in Economics from the University of Cambridge.

Robert Howard FCCA

Finance Director, age 47. Appointed to the Board in February 2002. He acted as a consultant to the Company on its acquisition of the Witham business. Robert has held a number of senior financial posts in manufacturing and service companies including those of Finance Director of the Solartron Group and Finance Director of Precision Instruments Holdings.

Christopher Clark FCIS, BA

Non-executive Director, age 63. Appointed to the Board in December 1998. He is a marketing consultant with Monument Securities and with Lehmann Communications. He is also non-executive chairman of Advance Focus Fund Limited, a quoted investment trust. He is a member of the audit and remuneration committees.

Jacqueline Paterson BA

Non-executive Director, age 43. Appointed to the Board in September 2003. She was until November 2004, Director of Home Products at Marks and Spencer plc, having previously run the Lingerie and Beauty business units, she joined the company in 1999. Prior to joining M&S, she spent 9 years at Boots, where among other senior roles, she was Head of Toiletries at Boots the Chemist. She is a member of the remuneration committee.

William Nabarro

Non-executive Director, age 49. Appointed to the Board in September 2003. He was Vice Chairman of KPMG Corporate Finance until July 2003. Before joining KPMG, he was a director of Hambros Bank, becoming Head of Corporate Finance in 1997. He is a non-executive director of ICAP plc and of Mecom Group plc, Treasurer of the University of Leeds and Deputy Chairman of Jardine Lloyd Thompson UK Limited. He is a member of the audit and remuneration committees.

Executive Committee's Details

Victor Evans B. Pharm., M.R.Pharm.S., age 55.

Victor joined the company in 1988 as Production Manager and was promoted to Production Director in 1989. He is a Qualified Person under EEC Directive 75/319. He qualified as a pharmacist from Bath University in 1972. Prior to joining Ransom, Victor worked at Roche Products for 14 years. He is now the New Product Development Manager for the Group.

Stuart Stephen BSc, MBA, age 46.

Stuart was appointed General Manager of the Consumer Healthcare Division in August 2002. Formerly Sales and Marketing Director, Brands & International Development for Peter Black Healthcare, he was responsible for launching the branded ranges and for selling his division to Chefaro in 2002. He previously worked for 13 years at the Boots Group, where he set up and ran the Boots the Chemist complementary medicines category. Stuart has a science degree and an MBA with a thesis on the European Market for Herbal Medicines.

David Wilkie MBE, age 51.

David Wilkie and his partner Helen Isacs founded Health Perception in 1999. The business was acquired by Ransom in April 2004 by which time it was established as the UK's leading glucosamine brand. David's record as a swimmer is well-known. As well as winning Olympic Gold in the 200m breaststroke in 1976, he broke 5 world records, 16 European records and 30 British records. He graduated in Mass Communications Law from the University of Miami in 1977.

David Hodgson BSc, age 40.

Dave qualified as a Mechanical Engineer from Sunderland Polytechnic in 1985. He joined the pharmaceutical industry in 1987 with Fisons in a Quality Assurance role and remained with them and subsequently Roche Products Ltd until joining Ransom in 1998. Initially based at Ransom's Hitchin site as Pharmaceutical Manufacturing Manager, in 2004 he was promoted to Site Manager, Witham, where he has overseen the doubling of capacity of the operation.

Simon Raybould BSc, age 44

Simon joined William Ransom & Son in 1997 as Quality Control Manager, before moving to the Quality Assurance Department in 2001. In 2004, he was promoted to QA Manager and has overall responsibility for Quality Assurance across the Group. Prior to joining Ransom, Simon worked for Peter Black Healthcare for 12 years initially as a Laboratory Manager, and then as QA manager. He qualified as a Chemist from the University of Cardiff in 1983.

Statement of directors' responsibilities for the financial statements

Company law in the UK requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

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

Company website

The Annual Report is available on the Company's website. The maintenance and integrity of William Ransom & Son plc's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF WILLIAM RANSOM & SON PLC

We have audited the financial statements on pages to

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards. We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

Cambridge, England

Profit and Loss Account

for the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Turnover			
Current year acquisitions		6,766	-
Other continuing operations		12,180	14,380
		<hr/>	<hr/>
Total continuing operations		18,946	14,380
Discontinued operations		825	-
		<hr/>	<hr/>
Group turnover	2	19,771	14,380
Cost of sales		(12,092)	(10,585)
		<hr/>	<hr/>
Gross profit		7,679	3,795
Selling and distribution costs		(4,613)	(2,654)
Administrative expenses		(2,551)	(1,379)
Provision for bad debt	5	(514)	-
		<hr/>	<hr/>
Operating profit / (loss)– continuing			
Current year acquisitions		914	-
Other continuing operations		(470)	(238)
		<hr/>	<hr/>
Total continuing operations		444	(238)
Discontinued operations		(443)	-
		<hr/>	<hr/>
Group operating profit / (loss)	6	1	(238)
Profit on disposal of fixed asset – discontinued operations	7	-	5,017
Costs of fundamental reorganisation– discontinued operations		(98)	(2,017)
		<hr/>	<hr/>
(Loss) / profit after exceptional items		(97)	2,762
Income from investments	8	-	9
Net interest payable	9	(114)	(97)
		<hr/>	<hr/>
(Loss) / profit before taxation		(211)	2,674
Tax on (loss) / profit on ordinary activities	10	53	279
		<hr/>	<hr/>
(Loss) / profit after taxation		(158)	2,953
Dividends on equity shares	11	(536)	(496)
		<hr/>	<hr/>
Transfer (from) / to reserves	25	(694)	2,457
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share:			
Basic	12	(0.46p)	10.97p
Diluted		(0.46p)	10.97p
Excluding exceptional items		0.79p	(1.34p)

Note of historical cost profits and losses

For the year ended 31 March 2005

	2005 £ '000	2004 £ '000
Reported (loss) / profit on ordinary activities before taxation	(211)	2,674
Realisation of property revaluation gains of previous years	-	5
	<hr/>	<hr/>
	(211)	2,679
	<hr/>	<hr/>
Historical cost (loss) / profit for the year retained after taxation and dividends	(211)	2,462
	<hr/>	<hr/>

There were no recognised gains or losses in the year other than those reported above.

Consolidated Balance Sheet

at 31 March 2005

	Note	2005 £ '000	2004 £ '000
Fixed assets			
Intangible assets	13	11,703	5,887
Tangible assets	14	6,251	3,129
		<hr/>	<hr/>
		17,954	9,016
		<hr/>	<hr/>
Current assets			
Stocks	17	3,368	3,161
Debtors	18	2,967	2,804
Cash at bank and in hand		229	5,187
		<hr/>	<hr/>
		6,564	11,152
Creditors: Amounts falling due within one year	19	(5,293)	(3,718)
		<hr/>	<hr/>
Net current assets		1,271	7,434
		<hr/>	<hr/>
Total assets less current liabilities		19,225	16,450
Creditors: Amounts falling due after more than one year	20	(1,514)	-
Provision for liabilities and charges	22	(218)	(1,939)
		<hr/>	<hr/>
Net assets		17,493	14,511
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	23	3,572	2,692
Share premium account	24	7,018	4,222
Profit and loss account	24	6,903	7,597
		<hr/>	<hr/>
Equity shareholders' funds		17,493	14,511
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 8 June 2005 and signed on its behalf by:

T G Dye
Director

R D Howard
Director

Company Balance Sheet

at 31 March 2005

	Note	2005 £ '000	2004 £ '000
Fixed assets			
Intangible assets	13	5,537	5,887
Tangible assets	14	6,061	3,129
Investments	15	8,018	-
		<hr/>	<hr/>
		19,616	9,016
Current assets			
Stocks	17	2,498	3,161
Debtors	18	2,078	2,804
Cash at bank and in hand		-	5,187
		<hr/>	<hr/>
		4,576	11,152
Creditors: Amounts falling due within one year	19	(4,065)	(3,718)
		<hr/>	<hr/>
Net current assets		511	7,434
		<hr/>	<hr/>
Total assets less current liabilities		20,127	16,450
Creditors: Amounts falling due after more than one year	20	(1,488)	-
Provision for liabilities and charges	22	(226)	(1,939)
		<hr/>	<hr/>
Net assets		18,413	14,511
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called up share capital	23	3,572	2,692
Share premium account	24	7,018	4,222
Profit and loss account	24	7,823	7,597
		<hr/>	<hr/>
Equity shareholders' funds		18,413	14,511
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board on 8 June 2005 and signed on its behalf by:

T G Dye
Director

R D Howard
Director

Cash Flow Statement

for the year ended 31 March 2005

	Note	2005 £ '000	2004 £ '000
Net cash inflow from operating activities	26	1,888	1,400
Returns on investment and servicing of finance			
Interest received		42	59
Interest paid		(156)	(156)
		(114)	(97)
Taxation (paid) / received			
UK corporation tax		(242)	2
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(4,105)	(369)
Payments to acquire intangible assets		-	(40)
Receipts from sale of tangible fixed assets		557	8,460
		(3,548)	8,051
Acquisitions and disposals			
Dividend received on liquidation of associate		-	9
Payments to acquire trade		(58)	(767)
Purchase of subsidiary undertaking		(8,018)	-
Cash balances acquired with subsidiary		875	-
Reorganisation of the business		(1,664)	(365)
		(8,865)	(1,123)
Equity dividends paid		(536)	(404)
Cashflow before use of liquid resources and financing		(11,417)	7,829
Management of liquid resources			
Decrease/(increase) in liquid resources		3,000	(3,000)
Financing			
Proceeds from new bank loans		1,984	200
Issue of ordinary share capital		3,749	-
Issue expenses for shares		(73)	(4)
Repayment of bank loans		-	(2,943)
		5,660	(2,747)
(Decrease)/increase in cash	27	(2,757)	2,082

Notes to the financial statements

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain land and buildings.

Basis of Consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at 31 March using acquisition accounting. The results of subsidiary undertakings acquired or disposed of during a financial year are included from, or up to, the effective date of acquisition or disposal.

Goodwill

Positive goodwill is the excess of the cost of an acquired entity over the aggregate of the fair values of that entity's identifiable assets and liabilities. Positive goodwill is shown on the balance sheet as an asset and is amortised evenly over its estimated useful economic life up to a presumed maximum of 20 years. In addition to systematic amortisation, the book value is written down to recoverable amounts when any impairment is identified.

Tangible fixed assets and depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. Where there is evidence of impairment, fixed assets are written down to their recoverable amounts. The principal annual rates used for other assets are:

Plant and machinery	5% to 33%
Motor vehicles	25%

Stocks

Stocks are valued at the lower of cost and estimated net realisable value. Cost is determined on a first-in first-out basis. The cost of finished goods comprises raw material purchase cost, direct labour and manufacturing overheads and packing material costs. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Research and development

Development expenditure incurred on specific projects is carried forward when its recoverability can be foreseen with reasonable certainty, and is amortised on the basis of anticipated sales from the projects. In addition to systematic amortisation, the book value is written down to recoverable amounts when any impairment is identified.

All other research and development expenditure is written off in the year in which it is incurred.

Patents, licences, trademarks and know-how

Expenditures on patents, licences, trademarks and know-how are capitalised when recoverability can be foreseen with reasonable certainty, and are amortised evenly over estimated useful economic lives of 20 years. In addition to systematic amortisation, the book values are written down to their recoverable amounts when any impairment is identified.

Turnover

Turnover comprises amounts invoiced during the year for goods and services supplied to third parties net of value added tax.

Contributions to pension funds

The Company operates defined contribution pension schemes which cover the majority of employees. The assets of the schemes are held separately from those of the Company in an independently administered fund and contributions are charged against profits when payable.

Notes to the financial statements (continued)

1. ACCOUNTING POLICIES (continued)

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS 19 deferred tax is not provided for:

- i) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- ii) gains on the sale of non-monetary assets, where on the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets;
- iii) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction and monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at 31 March. All currency differences are taken to the profit and loss account.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the terms of the lease.

2. TURNOVER

Turnover is attributable to a single class of business in the UK - the manufacture of pharmaceutical products and the extraction of plant material for the healthcare, food and beverage industries. All turnover originates from the UK.

The geographical analysis of turnover by market is as follows:

	2005 £ '000	2004 £ '000
United Kingdom	16,237	11,302
Europe, excluding United Kingdom	1,286	975
Asia	1,808	1,505
Africa	223	456
Australasia	113	89
Americas	104	53
	<hr/>	<hr/>
	19,771	14,380
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

3. STAFF COSTS

Staff costs, including directors (with service contracts):

	2005 £ '000	2004 £ '000
Wages and salaries	4,187	3,961
Social security costs	433	374
Pension costs – defined contribution	136	163
	<hr/>	<hr/>
	4,756	4,498
	<hr/>	<hr/>

The average monthly number of permanent employees during the year was:

	2005 Number	2004 Number
Administration	77	73
Production	94	111
	<hr/>	<hr/>
	171	184
	<hr/>	<hr/>

4. DIRECTORS' SHARE INTERESTS

Those directors serving at the end of the year had interests in the share capital of the Company as follows:

	Ordinary shares of 10p each	
	31 March 2005	31 March 2004
	No	No
T G Dye	849,472	849,472
C J Clark	750,000	687,614
R D Howard	29,623	29,623
J S Paterson	65,000	65,000
W J N Nabarro	30,000	-

The directors' interests in share options are disclosed in the Directors' Remuneration Report.

5. PROVISION FOR BAD DEBT

In February 2005 the Company's UK sales agent went into administration. The Company is in discussions with the administrator and remains hopeful that a significant portion of the debt can be recovered. However, as the administrator has not yet agreed the claim, full provision for the net debt, exclusive of VAT, has been made.

Notes to the financial statements (continued)

6. OPERATING (LOSS) / PROFIT

	2005 £ '000	2004 £ '000
Operating profit/(loss) is stated after charging/(crediting):		
Depreciation of tangible fixed assets	595	544
Amortisation of intangible fixed assets	660	296
Profit on disposal of tangible fixed assets	(15)	(5)
Auditors' remuneration	50	43
Auditors' remuneration – non audit fees	44	6
Research and development costs expensed in the year	106	202
Operating leases – plant & machinery	5	-
Operating leases – land and buildings	361	257
	<u> </u>	<u> </u>

7. EXCEPTIONAL ITEMS

	2005 £ '000	2004 £ '000
Profit on disposal of fixed assets	-	5,017
Costs of fundamental reorganisation	(98)	(2,017)
	<u> </u>	<u> </u>
	(98)	3,000
	<u> </u>	<u> </u>

In December 2003 the sale of the main manufacturing site was announced. The proceeds from that sale funded the extension of the Witham site and the building of a new extraction facility. The move also required a fundamental reorganisation of the Company including materials relocation, redundancy and recruitment costs. The prior year exceptional items resulted in a tax credit of £315,000.

8. INCOME FROM PARTICIPATING INTERESTS

	2005 £ '000	2004 £ '000
Income from shares in associate	-	9
	<u> </u>	<u> </u>

Notes to the financial statements (continued)

9. NET INTEREST PAYABLE

	2005 £ '000	2004 £ '000
Hire purchase interest payable	(2)	-
Bank interest payable	(34)	(12)
Loan interest payable	(120)	(144)
	<hr/>	<hr/>
Interest payable	(156)	(156)
Bank interest receivable	42	59
	<hr/>	<hr/>
	<u>(114)</u>	<u>(97)</u>

Notes to the financial statements (continued)

10. TAX ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES

	2005 £ '000	2004 £ '000
United Kingdom corporation tax:		
Current tax on income for the year 30% (2004 30%)	100	-
	<hr/>	<hr/>
Deferred tax		
Net (reversal)/origination of timing differences	(153)	(279)
	<hr/>	<hr/>
Tax on loss / profit on ordinary activities	(53)	(279)
	<hr/> <hr/>	<hr/> <hr/>
Current tax reconciliation		
(Loss) / profit on ordinary activities before taxation	(211)	2,674
	<hr/> <hr/>	<hr/> <hr/>
Theoretical tax at UK corporation tax rate 30% (2003 30%)	(63)	802
Effects of:		
Capital allowances in excess of depreciation	(105)	(27)
Disallowable expenditure	34	256
Utilisation of tax losses	-	(8)
Loss/(Profit) on disposal of fixed assets in excess of chargeable gain	127	(1,094)
Non taxable investment income	-	(3)
Non taxable income	-	(15)
Non qualifying goodwill amortisation	68	89
Other differences	39	-
	<hr/>	<hr/>
Actual current taxation charge	100	-
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future tax charges

A deferred taxation asset of £105,000 (2004 £105,000) in respect of trading losses has not been recognised as, in accordance with FRS19, deferred tax assets are recognised only to the extent that it is regarded as more likely that they will be recovered in the short term.

11. DIVIDENDS

	2005 £ '000	2004 £ '000
Ordinary shares:		
Interim 0.50p per share (2004 0.50p)	179	139
Final 1.00p per share (2004 1.00p)	357	357
	<hr/>	<hr/>
	536	496
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

12. EARNINGS PER SHARE

	2005	2004
Basic(loss) / earnings per share	(0.46p)	10.97p
Diluted (loss) / earnings per share	(0.46p)	10.97p
Excluding exceptional items	0.79p	(1.34p)

The calculation of earnings per share is based on the loss after taxation of £158,000 (2004 £2,953,000 profit) and on 34,345,108 ordinary shares (2004 26,915,930 ordinary shares), the weighted average number of shares in issue during the year.

The average number of dilutive shares is arrived at by computing the difference between the exercise prices of the share options with the daily average mid-market share price over the year.

Profit / (loss) per share excluding all exceptional items, which are disclosed to reflect the underlying performance of the company, is calculated on a profit of £270,000 (2004 £362,000 loss).

	2005 £ '000	2004 £ '000
(Loss) / Profit after taxation	(158)	2,953
Exceptional items	98	(3,000)
Provision for bad debt	514	-
Tax effect of exceptional items	(184)	(315)
	270	(362)

	2005		2004	
	Number	eps (p)	Number	eps (p)
Average number of shares in issue during the year used in calculation of basic eps.	34,345,108	(0.46)	26,915,930	10.97
Average number of dilutive options	40,146	-	300	-
Total number of shares used in calculation of diluted earnings per share	34,385,254	(0.46)	26,916,230	10.97

Notes to the financial statements (continued)

13. INTANGIBLE ASSETS

Group	Patents, licences, trade marks and know- how £'000	Development costs £'000	Positive goodwill £'000	Total £'000
Cost or valuation				
At 1 April 2004	3,787	36	2,858	6,681
Additions	-	-	6,476	6,476
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	3,787	36	9,334	13,157
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 April 2004	(422)	(36)	(336)	(794)
Charge for year	(224)	-	(436)	(660)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	(646)	(36)	(772)	(1,454)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	3,141	-	8,562	11,703
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	3,365	-	2,522	5,887
	<hr/>	<hr/>	<hr/>	<hr/>

The goodwill arising on the acquisition of Cariad Limited on 21 March 2001, the Witham business on 11 January 2002, Pavacol-D on 31 March 2003, the J Pickles brands on 5 January 2004 and of Health Perception (UK) Limited on 15 April 2004 are being amortised over twenty years. These periods are the directors' estimates of the useful economic life of the goodwill.

Company	Patents, licences, trade marks and know- how £'000	Development costs £'000	Positive goodwill £'000	Total £'000
Cost or valuation				
At 1 April 2004 and 31 March 2005	3,787	36	2,858	6,681
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
At 1 April 2004	(422)	(36)	(336)	(794)
Charge for year	(224)	-	(126)	(350)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	(646)	(36)	(462)	(1,144)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	3,141	0	2,396	5,537
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	3,365	-	2,522	5,887
	<hr/>	<hr/>	<hr/>	<hr/>

Notes to the financial statements (continued)

14. TANGIBLE FIXED ASSETS

Group	Motor Vehicles	Plant and machinery	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000
Cost				
At 1 April 2004	43	6,884	968	7,895
Acquired on acquisition	118	36	-	154
Transfer	-	968	(968)	-
Additions	111	3,994	-	4,105
Disposals	(51)	(3,518)	-	(3,569)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	221	8,364	-	8,585
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2004	(32)	(4,734)	-	(4,766)
Provided in the year	(44)	(551)	-	(595)
Eliminated on disposals	29	2,998	-	3,027
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	(47)	(2,287)	-	(2,334)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	174	6,077	-	6,251
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2004	11	2,150	968	3,129
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Included in the above are assets held under hire purchase contracts as follows:

Asset description	Net book value £	Depreciation charge £
Motor vehicles	109,941	20,086
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

Company	Motor Vehicles	Plant and machinery	Assets under construction	Total
	£ '000	£ '000	£ '000	£ '000
Cost				
At 1 April 2004	43	6,884	968	7,895
Additions	4	4,954	(968)	3,990
Disposals	-	(3,518)	-	(3,518)
	-----	-----	-----	-----
At 31 March 2005	47	8,320	0	8,367
	-----	-----	-----	-----
Depreciation				
At 1 April 2004	(32)	(4,734)	-	(4,766)
Provided in the year	(6)	(532)	-	(538)
Eliminated on disposals	-	2,998	-	2,998
	-----	-----	-----	-----
At 31 March 2004	(38)	(2,268)	0	(2,306)
	-----	-----	-----	-----
Net book value				
At 31 March 2005	9	6,052	0	6,061
	=====	=====	=====	=====
At 31 March 2004	11	2,150	968	3,129
	=====	=====	=====	=====

15. INVESTMENTS

Company	Shares £ '000
Cost and net book value	
At 1 April 2004	-
Acquisition of subsidiary	8,018

At 31 March 2005	8,018

The shares in group undertakings, which are held directly by the company, comprise investments in the following subsidiary undertakings:

Name of company	Holding	Country of incorporation	Principal activity
Health Perception (UK) Limited	100%	England and Wales	Supplier of food supplements

Notes to the financial statements (continued)

16. ACQUISITIONS

Acquisition of Health Perception (UK) Limited

On 15 April 2004 the Company acquired the entire share capital of Health Perception (UK) Limited. The assets and liabilities at acquisition were:

	Book and fair values £'000
Tangible Fixed Assets	146
Stock	651
Debtors	1,016
Cash	875
	<hr/> 2,542
Creditors: amounts due falling within one year	(1,146)
Net current assets	<hr/> 1,396
Total assets less current liabilities	<hr/> 1,542
Positive goodwill	6,476
	<hr/> 8,018
	<hr/> <hr/>
Cash consideration paid	4,325
Shares Issued	3,500
Costs arising on acquisition	193
	<hr/> 8,018
	<hr/> <hr/>

Since acquisition Health Perception (UK) Limited has contributed to Group cash flows as follows:

Net cash inflow from operating activities	1,426
Returns on investments and servicing of finance	9
Taxation paid	(242)
Investing activities	(90)
Dividends paid	(1,749)
	<hr/>
(Decrease) in cash in the period	(646)
	<hr/> <hr/>

Notes to the financial statements (continued)

Acquisition of J Pickles' Brands

On 5 January 2004 the Company acquired the OTC trade brand portfolio of J Pickles Limited. The assets and liabilities at acquisition were:

	Book and fair values £'000
Patents, licences, trademarks and know-how	480
Stock	85
	<hr/> 565
Positive Goodwill	107
	<hr/> 672
Cash consideration paid	606
Costs arising on acquisition	8
	<hr/> 614
Deferred consideration	58
	<hr/> 672

The deferred cash consideration was paid during the current year.

17. STOCKS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials and packaging	1,236	1,552	1,236	1,552
Finished goods	2,132	1,609	1,262	1,609
	<hr/> 3,368	<hr/> 3,161	<hr/> 2,498	<hr/> 3,161

The replacement cost of the above stocks would not be significantly different from the values stated.

18. DEBTORS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	2,707	2,529	1,719	2,529
Inter company balances	-	-	200	-
Other debtors	12	157	-	157
Prepayments and accrued income	248	118	159	118
	<hr/> 2,967	<hr/> 2,804	<hr/> 2,078	<hr/> 2,804

Notes to the financial statements (continued)

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005 £ '000	2004 £ '000	2005 £ '000	2004 £ '000
Net obligations under finance leases and hire purchase contracts	29	-	-	-
Bank loans (Note 21)	1,295	-	1,295	-
Trade creditors	2,574	2,295	1,603	2,295
Corporation Tax	100	-	-	-
Other taxation and social security	126	74	12	74
Deferred consideration	-	58	-	58
Other creditors	114	85	114	85
Accruals and other deferred income	698	849	684	849
Dividends payable	357	357	357	357
	<u>5,293</u>	<u>3,718</u>	<u>4,065</u>	<u>3,718</u>
	=====	=====	=====	=====

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

	Group		Company	
	2005 £ '000	2004 £ '000	2005 £ '000	2004 £ '000
Net obligations under finance leases and hire purchase contracts	26	-	-	-
Bank loan (Note 21)	1,488	-	1,488	-
	<u>1,514</u>	<u>-</u>	<u>1,488</u>	<u>-</u>
	=====	=====	=====	=====

Notes to the financial statements (continued)

21. BORROWINGS ANALYSIS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Due within one year				
Net obligations under finance leases and hire purchase contracts	29	-	-	-
Bank overdraft	799	-	799	-
Bank loan	496	-	496	-
	<u>1,324</u>	<u>-</u>	<u>1,295</u>	<u>-</u>
Due after more than one year				
Net obligations under finance leases and hire purchase contracts	26	-	-	-
Bank loan	1,488	-	1,488	-
	<u>1,514</u>	<u>-</u>	<u>1,488</u>	<u>-</u>
Repayable				
Repayable within one year	1,324	-	1,295	-
Repayable between one and two years	514	-	496	-
Repayable between one and five years	1,000	-	992	-
After 5 years	-	-	-	-
	<u>2,838</u>	<u>-</u>	<u>2,783</u>	<u>-</u>

The bank loan is repayable by instalments with the final payment falling due on 27 May 2009. Interest is charged at 2% above LIBOR. The bank loan was secured by the following: i. Cross debenture and guarantee between the Company and Health Perception (UK) Limited; ii. debenture granting fixed and floating security over all assets of the Company; iii. assignment of life policy. Net obligations under finance leases and hire purchase contracts are secured by a fixed charge on the specific asset to which the agreement relates.

The bank loan balance of £2,000,000 is stated net of £16,000 of costs.

22. PROVISION FOR LIABILITIES AND CHARGES

Group	Deferred taxation £'000	Reorganisation provision £'000	Total £'000
At 1 April 2004	287	1,652	1,939
Transfer (to)/from profit and loss account	(153)	(1,566)	(1,721)
	<u>132</u>	<u>86</u>	<u>218</u>

Notes to the financial statements (continued)

Company	Deferred taxation £'000	Reorganisation provision £'000	Total £'000
At 1 April 2004	287	1,652	1,939
Transfer (to)/from profit and loss account	(147)	(1,566)	(1,713)
	<hr/>	<hr/>	<hr/>
At 31 March 2005	140	86	226
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Deferred taxation:

The amount of deferred tax is as follows:

Group	Amounts provided		Amounts unprovided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Accelerated capital allowances	709	531	-	-
Losses	(571)	(236)	(105)	(105)
Other timing differences	(6)	(8)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	132	287	(105)	(105)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company	Amounts provided		Amounts unprovided	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Accelerated capital allowances	717	531	-	-
Losses	(571)	(236)	(105)	(105)
Other timing differences	(6)	(8)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	140	287	(105)	(105)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

23. SHARE CAPITAL

	2005 £'000	2004 £'000
Authorised		
50,000,000 ordinary shares of 10p each (2004 37,500,000)	5,000	3,750
	<hr/>	<hr/>
Allotted and fully paid		
35,721,349 ordinary shares of 10p each (2004 26,915,930)	3,572	2,692
	<hr/>	<hr/>

Shares issued in the year

On 15 April 2004, 5,357,143 ordinary shares of 10p were issued at a price of 42.0p and a further 3,448,276 were issued at a price of 43.5p. The total share premium arising from these issues amounted to £2,869,458. The purpose of these issues was as partial financing of the acquisition of Health Perception (UK) Limited.

Notes to the financial statements (continued)

Executive share option scheme

Options to subscribe for ordinary shares of 10p each under the Company's executive share option schemes are as follows:

Subscription price	Dates when exercisable	2005	2004
60.25p	March 2001 to February 2007	139,000	146,000
71p-75p	September/October 2003 to September/October 2010	60,000	80,000
69.5p	August 2003 to August 2010	238,138	287,530
46.0p	March 2005 to March 2012	100,000	150,000
40.0p	December 2005 to December 2012	50,000	50,000
41.5p	December 2006 to December 2013	15,000	15,000
45.0p	April 2007 to March 2014	170,000	-

No ordinary shares were allotted to a director on exercise of share options under the executive share option scheme

Unapproved share options scheme

Options to subscribe for ordinary shares of 10p each under the unapproved share option scheme are as follows:

Subscription price	Dates when exercisable	Number of shares	
		2005	2004
52.5p	April 2003 to April 2008	450,000	450,000

24. RESERVES

Group	Share premium account £ '000	Profit and loss account £ '000
At 1 April 2004	4,222	7,597
Premium on shares issued in year	2,869	-
Issue Costs	(73)	-
Loss for the financial year	-	(694)
	7,018	6,903
At 31 March 2005	7,018	6,903
Company	Share premium account £ '000	Profit and loss account £ '000
At 1 April 2004	4,222	7,597
Premium on shares issued in year	2,869	-
Issue Costs	(73)	-
Profit for the financial year	-	226
	7,018	7,823
At 31 March 2005	7,018	7,823

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented in the financial statements.

Notes to the financial statements (continued)

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2005 £'000	2004 £'000
(Loss) / profit for the financial year	(158)	2,953
Dividends	(536)	(496)
Net proceeds of share issue	3,676	172
Shares to be issued	-	(176)
	<hr/>	<hr/>
Increase in shareholders' funds	2,982	2,453
Opening shareholders' funds	14,511	12,058
	<hr/>	<hr/>
Closing shareholders' funds	17,493	14,511
	<hr/> <hr/>	<hr/> <hr/>
 Company	 2005 £'000	 2004 £'000
Profit for the financial year	(987)	2,953
Dividends received	1,749	-
Dividends paid	(536)	(496)
Net proceeds of share issue	3,676	172
Shares to be issued	-	(176)
	<hr/>	<hr/>
Increase in shareholders' funds	3,902	2,453
Opening shareholders' funds	14,511	12,058
	<hr/>	<hr/>
Closing shareholders' funds	18,413	14,511
	<hr/> <hr/>	<hr/> <hr/>

26. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Operating profit /(loss)	1	(238)	(913)	(238)
Depreciation	595	544	538	544
Amortisation and impairment of intangibles	660	296	350	296
Profit on sale of tangible fixed assets	(15)	(5)	(12)	(5)
Decrease in stocks	444	240	663	240
Decrease in debtors	436	536	726	536
(Decrease) / Increase in creditors	(233)	27	(890)	27
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	1,888	1,400	462	1,400
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

27. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Group	2005 £'000	2004 £'000
(Decrease) / increase in cash in the year	(2,757)	2,082
New finance leases and hire purchase contracts	1	-
Cash (inflow)/outflow from (decrease) / increase in liquid resources	(3,000)	3,000
Cash(inflow)/outflow from (increase)/decrease in net debt	(1,984)	2,743
	<hr/>	<hr/>
Change in net debt resulting from cashflows	(7,740)	7,825
Opening net funds / (debt)	5,187	(2,638)
Net debt aacquired with subsidiary undertaking	(56)	-
	<hr/>	<hr/>
Closing net (debt) / funds	(2,609)	5,187
	<hr/> <hr/>	<hr/> <hr/>
Company	2005 £'000	2004 £'000
(Decrease) / increase in cash in the year	(2,986)	2,082
Cash (inflow)/outflow from (decrease) / increase in liquid resources	(3,000)	3,000
Cash(inflow)/outflow from i(ncrease)/decrease in net debt	(1,984)	2,743
	<hr/>	<hr/>
Change in net debt resulting from cashflows	(7,970)	7,825
Opening net debt	5,187	(2,638)
	<hr/>	<hr/>
Closing net (debt) / funds	(2,783)	5,187
	<hr/> <hr/>	<hr/> <hr/>

28. ANALYSIS OF NET DEBT

Group	1 April 2004 £'000	Acquired with subsidiary £'000	Cash Flow £'000	31 March 2005 £'000
Cash at bank and in hand	2,187		(1,958)	229
Liquid resources	3,000	-	(3,000)	-
Bank overdraft			(799)	(799)
	<hr/>	<hr/>	<hr/>	<hr/>
	5,187		(5,757)	(570)
Debt within one year	-	(29)	(496)	(525)
Debt after one year	-	(27)	(1,487)	(1,514)
	<hr/>	<hr/>	<hr/>	<hr/>
Net (debt)/funds	5,187	(56)	(7,740)	(2,609)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

Company	1 April 2004 £'000	Cash Flow £'000	31 March 2005 £'000
Cash at bank and in hand	2,187	(2,187)	-
Liquid resources	3,000	(3,000)	-
Bank overdraft	-	(799)	(799)
	<u>5,187</u>	<u>(5,986)</u>	<u>(799)</u>
Debt within one year	-	(496)	(496)
Debt after one year	-	(1,488)	(1,488)
	<u>-</u>	<u>(1,984)</u>	<u>(1,984)</u>
Net (debt)/funds	<u>5,187</u>	<u>(7,970)</u>	<u>(2,783)</u>

29. COMMITMENTS

	2005 £'000	2004 £'000
Capital commitments		
Contracted for but for which no provision is made in the financial statements	50	2,829
	<u>50</u>	<u>2,829</u>

Leasing commitments

The annual commitments under operating leases are analysed according to the period in which each lease expires, as follows:

	2005 £'000	2004 £'000
Land and buildings - leases expiring within one year	24	48
Land and buildings - leases expiring in one to two years	-	-
Land and buildings - leases expiring after five years	390	360
	<u>414</u>	<u>408</u>

Notes to the financial statements (continued)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's financial instruments comprise borrowings, cash and various items, such as trade debtors, trade creditors etc., that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The Board reviews and agrees policies for managing each risk and they are summarised below.

Operations are financed through a mixture of retained profit and bank borrowings. Treasury policies are agreed by the Board (including currency and interest rate risks).

In the past interest rate risk on the term loan has been hedged through the use of an interest rate swap. However, in the year to 31 March 2005 the Board decided that, having regard to the low level of debt and the relatively stable interest rate environment, the Group was not exposed to a significant level of interest risk and consequently no risk management tools were utilised. This policy will be reviewed should the situation change. Short-term flexibility is achieved by overdraft facilities.

Currency risk is managed by utilisation of a mixture of currency balances in line with the Group's trading profile. The majority of export sales are priced and invoiced in sterling. However, recently certain customers have asked us to invoice in US dollars. In the coming year we expect to eliminate the currency exposures on these sales through forward currency contracts. The Group does not undertake speculative transactions.

As permitted by FRS13, the Company has chosen to exclude short-term debtors and creditors when disclosing details of financial instruments.

Financial assets

The only financial asset, as defined by FRS13, is cash at bank and in hand totalling £229,000 (2004 £5,187,000). The balance is available on demand and subject to a variable interest rate.

The currency profile of the Group's material financial assets at 31 March 2005 was:

	2005	2004
	£ '000	£ '000
Sterling	229	5,187

Short-term debtors and creditors do not include any significant amounts denominated in foreign currencies. The fair value of financial assets is not significantly different from their book value.

Financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2005 was as follows:

	Book value £'000	Fair value £'000
In one year or less on demand	1,324	1,324
In more than one year but no more than five years	1,514	1,514
In more than five years	-	-
Total financial liabilities	2,838	2,838

Notes to the financial statements (continued)

For debt due within one year, the book value approximates to fair value because of the short maturities. Debt due after one year attracts variable interest rates. Therefore the fair value of these also approximate to their book values.

The Group repaid an earlier bank loan last year but the interest rate swap that had been entered into to fix the rate of interest over the life of the loan is still ongoing. The fair value of the interest rate swap at the balance sheet date is nil.

Directors and Officers

Directors	T G Dye MA R D Howard FCCA C J Clark FCIS BA M Lovell Smith MA (resigned 30 September 2004) J S Paterson BA W J N Nabarro	Executive Chairman Finance Director Non-executive Director Non-executive Director Non-executive Director
Secretary	R D Howard FCCA	
Registered office	Alexander House 40A Wilbury Way Hitchin Hertfordshire SG4 0AP	
Registered number	126138	
Telephone	+44 (0) 1462 437615	
Fax	+44 (0) 1462 420528	
Email	info@williamransom.com	
Website	www.williamransom.com	
Auditors	RSM Robson Rhodes LLP Chartered Accountants	
Bankers	Barclays Bank Plc	
Stockbroker and Financial Advisor	Numis Securities Limited	
Public Relations	Buchanan Communications Limited	
Registrars and Transfer Office	Capita Registrars Limited Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA	

Notice of Meeting

NOTICE IS HEREBY GIVEN that the ninety second annual general meeting of the Company will be held at Hitchin Priory, Hitchin, Hertfordshire, SG5 2DW on Friday 16 September 2005, at 3.00pm for the following purposes:

Ordinary business

1. To receive and adopt the financial statements for the year ended 31 March 2005 and the reports of the directors and the auditors thereon.
2. To receive and approve the directors' remuneration report for the year ended 31 March 2005.
3. To approve the dividends on the ordinary shares for the year ended 31 March 2005.
4. To re-elect R D Howard as a director.
5. To elect S Quinn as a director.
6. To elect F Whitcomb as a director.
7. To elect D A Wilkie as a director.
8. To reappoint RSM Robson Rhodes LLP, as the auditors and to authorise the directors to fix their remuneration.

Special business

To consider and, if thought fit, pass the following resolutions of which resolution 10 will be proposed as special resolution and resolution 9 will be proposed as an ordinary resolution.

9. That the Board be and it is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,783,061.80 provided that this authority shall expire on the date of the next annual general meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
10. That subject to the passing of the previous resolution the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment provided that this power shall be limited
 - (a) to the allotment of equity securities in connection with the rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or shares represented by depository receipts or otherwise howsoever); and
 - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £421,676.03 and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board.

R D Howard
Secretary

HITCHIN, HERTFORDSHIRE

8 June 2005

Notice of Meeting (continued)

A member entitled to attend and vote may appoint one or more proxies to attend and, on a poll, vote instead of him.

A proxy need not be a member of the Company.

Proxy forms must be lodged not later than 3:00pm on 14 September 2005.

Notice:

The following documents will be available at the registered office of the Company during normal business hours from the date of this notice until the conclusion of the annual general meeting.

- (a) A statement of all transactions of each director and of their family interests in the share capital of the Company.
- (b) Copies of contracts of service between the directors and the Company.