



Hiver 2010



**The « Santé Verte Group »**

## **Memorandum of presentation**

(Should be read in conjunction with the documents presented in the restricted access website)

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This brief memorandum is intended to present the main features of the group « Santé Verte ». It is intended exclusively for parties who have expressed a strong interest in the eventual acquisition of the group.

The memo is to be read in conjunction with other information available on the following website:

**<http://santeverte.khepri.biz/>**

Access to this website is restricted strictly to interested parties who have been approved by the owners and consultants of the “Santé Verte Group”. An access code will be subsequently communicated to each interested party.

Where appropriate, the narrative below indicates the name of the file to be located in the website.

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## **Santé Verte**

### **Memorandum of presentation** (all figures in K Euros)

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#### **1 – The legal structure of the Group:**

Natural Distribution (Holdings) Ltd (“Natural Distribution”) is the parent company of a UK based group incorporated in the UK which is 100% owned by the Estienne family.

Natural Distribution itself has two wholly owned subsidiaries:

- Santé Verte Ltd,
- Wisdom of Nature Ltd,

These two companies are also incorporated in the UK.

The Head Office as well as the warehouses for all three companies is located in Ashford, Kent. This town is the first station on the Paris-London Eurostar route, being 2 hours from Paris, and one hour from London. It is also 10 minutes drive to the Channel Tunnel.

#### **2 - Brief history:**

In 1987 Mr Jean Estienne, a physiotherapist experienced in botanics and his entrepreneur wife, Mrs Maryse Estienne, set up their first venture in France in health food supplements by the acquisition of the distributorship of Natures Plus, a leading American brand in nutritional supplements. They set up a sales force to supply health food stores (currently 10 sales representatives)

Thereafter other distribution agreements with well known brands were added to the group's portfolio of brands.

Initially, growth of the group was held back by the lack of clear regulations with the French authorities who would either tolerate or prohibit the sale of products in an arbitrary way, resulting in distributors and manufacturers (of what was then a new category of products) becoming involved in court cases with uncertain outcomes.

In 1998 Mrs Estienne decided to relocate the group's operations to the United Kingdom where commercial practice was more consistent and where requests to sell products were answered rapidly, thereby allowing the group to react quickly and bring its products to market both promptly and without undue interference.

This is the primary reason for Mme Estienne to reallocate the group's operations to the UK and to give her group UK status. At the same time the UK offers other significant fiscal, employment and social advantages.

#### **3 – Activities of the group:**

The Group is specialised in the development and the marketing of nutritional supplements, mostly in France, through 3 sales channels:

- pharmacies,
- health food outlets (“Dietetique”)
- para-pharmacies.

#### 4 – Brands and products of the group:

NOM DE LA LIGNE DE PRODUITS	Société Groupe			Canal			Exploitation en tant que ...			CA 2009 Euros	MB 2009 Euros	MB % CA
	Santé Verte	Wisdom of Nature		Mag. Diététiques	Pharmacie	Export	Propriétaire	Distributeur	Licencié			
		France	Angleterre									
	✓	✓		✓		✓	✓			€000	€000	
Diet Horizon	✓	✓		✓		✓				2039	1033	51%
Sante Verte	✓	✓			✓	✓	✓			4457	2601	58%
Jason	✓			✓				✓		156	96	62%
Lily of the Desert	✓	✓		✓		✓		✓		1512	871	58%
Natures Plus	✓			✓				✓		4749	2601	55%
New Chapter		✓	✓	✓				✓		1886	896	48%
Sanotint	✓					✓		✓		564	221	39%
Sirop Vital	✓							✓		156	82	53%
Divers	✓							✓		41	16	39%
										15560	8417	54%

This chart shows:

- the list of brands distributed by the group,
- the subsidiary responsible for distribution of each brand,
- where the business is located,
- the relationship of the group with each brand (owner, distributor),
- 2009 sales in Euros (thousands) by brand,
- 2009 gross margin in Euros (thousands) by brand.

For further information on each brand and product, the reader should visit the following web sites:

- o Natural-distribution .com,
- o Sante-verte.com,
- o Diet-horizon.com,
- o Naturesplus.com.

Please refer to <http://santeverte.khepri.biz/> : chapter “Brands and Products”

#### 5 – Group Sales

Groupe ND en K€	2006	2007	2008	2009	2010
Chiffre d'affaires	10 225	11 363	13 320	15 535	19 372
<b>Evolution</b>	nd	<b>11.1%</b>	<b>17.2%</b>	<b>16.6%</b>	<b>24.7%</b>
PR des ventes	4 625	4 948	5 963	7 200	8 655
Marge Brute	5 600	6 415	7 357	8 335	10 717
MB% CA	54.8%	56.5%	55.2%	53.7%	55.3%

The success of the brands in France is due to the high quality of products, and the know-how and energy of the founders of the group which has resulted in strong consumer demand and, in turn, rapid and consistent growth in turnover over this period.

In 2007, when the group was one of the top suppliers of health food outlets with a sales force of about 10 representatives, Mme Estienne decided to:

- accelerate the development of the group's own brands and products,
- introduce its in-house brands into the pharmaceutical channel. The brand of Santé Verte was created, with its dedicated **pharmaceutical sales force of 16 exclusive reps** at today's date.

#### Recent growth:

As shown clearly in the above table, the growth of the group has been consistently strong over the recent years and can be explained by 2 factors:

- The successful introduction of the ranges in pharmacies, and the establishment of a professional pharmaceutical sales force.
- Exceptional positioning of the products in terms of “value for money” (see comments in §5 below about the level of gross margin and marketing expenditure).



Consequently, the majority of the group's turnover is now generated by in-house brands to which it is proprietor of the intellectual knowledge and know-how. These in-house brands are forecast to continue to account for an ever-increasing proportion of sales in the future.

### Best sellers

The reader will find the best-selling items of the group under the following headings in <http://santeverte.khepri.biz/> : chapter "Sales":

- Top 5 Diet 2009,
- Top 50 Pharma 2009.

## 6 – Cost of sales and gross margins

NOM DE LA LIGNE DE PRODUITS	Marges brutes en % CA					TOTAL
	Mag. Diététiques	Pharmacie	Wisdom France	Wisdom Angleterre	Export	
Diet Horizon	51%			50%	36%	51%
Sante Verte		60%		50%	33%	58%
Jason	62%					62%
Lily of the Desert	69%			50%	30%	58%
Natures Plus	55%					55%
New Chapter			49%	45%		47%
Sanotint	40%				28%	39%
Sirop Vital	55%				25%	52%
<b>TOTAL</b>	<b>55%</b>	<b>60%</b>	<b>49%</b>	<b>46%</b>	<b>30%</b>	<b>55%</b>

### Comments:

- (1) The overall level of gross margin at 55% may seem lower than the average of the trade in France which is usually around 70%. However, this should be considered as part of the group's unique strength.

The group's management believe that the most effective way to establish strong consumer loyalty is to ensure best "value for money". In other words, the formulations of its products are of the highest quality, while the price at which its products are sold should be no more than the cost of the competing products of inferior quality. In this way strong customer loyalty is established. As a result, the differential of 15% in gross margin between Santé Verte and its competitors is given to consumers in the quality of the products and the attached consumer benefits but is fully compensated by lower expenditure elsewhere.

Consequently, Santé Verte Group has little need to advertise heavily, whereas its competitors dissipate about 20% to 25% of their sales in marketing expenditure. In fact Santé Verte spends no more than 5% to 10% in marketing expenditure as the accounts show (also due to maintaining control of all marketing activities in-house)

- (2) It should be noted that Santé Verte is not involved in the manufacture of its in-house products, but maintains strong partnerships with specialised manufacturers in France to ensure protection and confidentiality of its formulations. In this way it has the greatest input of value-added to its activities.

## 7 – Distribution of products:

Distribution of products is organised as follows:

- finished products are delivered in the Ashford Warehouse,
- they are controlled and stored in the same warehouse,
- where appropriate, products are relabelled for export markets or prepared for special sales promotions.

Orders from pharmacies, para-pharmacies and health food outlets are transmitted electronically from each sales representative to the head-office. In this way customer orders are invoiced and despatched within 24 hours of receipt. When requested by the customer, the group's policy is to ensure delivery to the customer within 48 hours of receipt of an order.

Once the order has been checked by the sales administrators, it is processed by the warehouse:

- each customer order is picked, checked and packed safely into parcels,
- preparation of a detailed invoice,
- the invoice is then inserted to the customer's parcel,
- customer parcels are then collected by an express transport company which is responsible for end delivery to clients.

About 200 individual orders are received and processed everyday from the Ashford Warehouse.

Breakdown of distribution expenses for 2009:

Logistique 2009	Diet	Pharma	Export	Total
- GLS	€ 128			€128
- TNT	€ 85			€85
- Exapag		€ 119		€119
- Norbert Dentressangle (part)	€ 22	€ 44		€66
- Autres transporteurs			€ 20	€20
Frais de Livraison global	€ 235	€ 163	€ 20	€ 418
Personnel entrepot	€ 174	€ 86	€ 10	€270
	€ 409	€ 249	€ 30	€ 688



View of the Warehouse in Ashford UK which is presently being extended.

## 8 – Sales force expenses

Figures for 2009 are shown hereunder :

Force de Vente 2009	Détail	Total
- Dietetique	€1 066	
Damien Martinez	€166	€1 232
- Pharmacies		€1 373
- Export		€72
<b>Total</b>		<b>€2 677</b>

## 9 – Marketing expenditure:

2009 marketing expenses breakdown across 3 sales channels :

Depenses Marketing 2009	Diet	Pharma	Export	Total
- Leaflets et prospectus	€45	€54	€0	€99
- Commissions (RFA)	€27	€0	€0	€27
- Formation et promotion	€136	€328	€0	€464
- Salaires Marketing et R&D	€161	€82	€0	€243
- Marketing et salons	€190	€185	€9	€384
<b>Totaux</b>	<b>€559</b>	<b>€649</b>	<b>€9</b>	<b>€1 217</b>

## 10 – Contribution by brand

DIETETIQUE France								
Noms des gammes	Diet Horizon	Jason	Lily	Natures Plus	Sanotint	Sirop Vital	Autres	Total
Chiffre d'affaires 2009 en K€	€ 2 002	€ 156	€ 1 046	€ 4 749	€ 552	€ 141	€ 30	€ 8 676
PRI	€ 980	€ 60	€ 321	€ 2 148	€ 334	€ 63	€ 18	€ 3 924
Marge brute	€ 1 022	€ 96	€ 725	€ 2 601	€ 218	€ 78	€ 12	€ 4 752
MB % CA	51.0%	61.5%	69.3%	54.8%	39.5%	55.3%	40.0%	54.8%
Logistique	€ 94	€ 7	€ 49	€ 224	€ 26	€ 7	€ 1	€ 409
Coût force de vente								€1 232
Depenses marketing								€559
Contribution à FG et EBIT								€ 2 558

PHARMACIES France			
Sante Verte	Nature et Soins	Total	
€ 4 555	€ 154	€ 4 709	
€ 1 700	€ 57	€ 1 757	
€ 2 455	€ 97	€ 2 552	
59.4%	63.0%	59.2%	
		€ 249	
		€1 373	
		€649	
		€ 281	

EXPORT						
Sante Verte	Lily	Sanotint	Sirop Vital	Autres	Total	
€132	€310	€12	€16	€5	€ 475	
€88	€219	€9	€12	€3	€ 331	
€44	€91	€3	€4	€2	€ 144	
33.3%	29.4%	28.3%	25.0%	40.0%	30.4%	
					€ 30	
					€72	
					€9	
					€ 33	

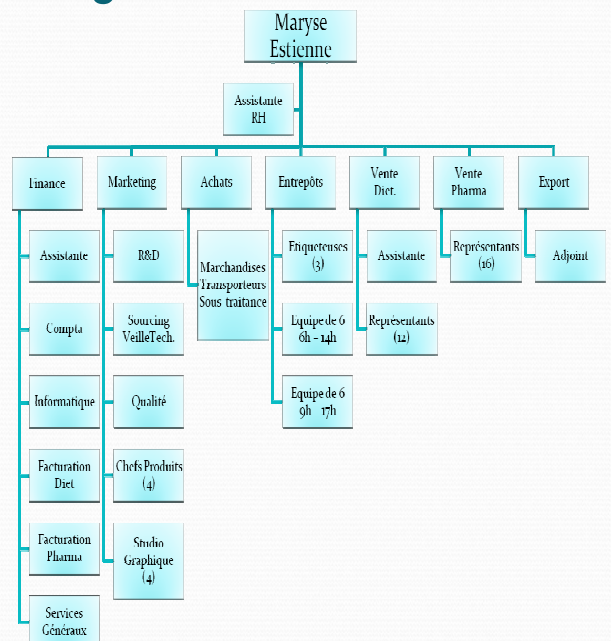
## 11 – Human resources:

Group headcount is 86, comprising

	employés	cadres
Management		4
Finances	3	1
Marketing	7	1
Informatique	2	
Achat/logistique et contrôle qualité	1	2
Recherche et développement	3	1
Equipes de ventes	34	3
Facturation	6	1
Manutentionnaires (entrepôts)	16	1
<b>Total</b>	<b>72</b>	<b>14</b>

Apart from sales reps, each of which is allocated a specific sales territory in France all other staff are based at the premises of Sante Verte at Ashford. They are subject to UK taxation and employment legislation

## Organisation Santé verte



## 12 – 3 years consolidated P&Ls :

The original accounts are to be found in the restricted access website  
<http://santeverte.khepri.biz/> : chapter “Financials”.

CONSOLIDATED P&Ls OF THE SANTE VERTE GROUP				000 £			
	2006	2007	2008		2006	2007	2008
Sales	6 500	7 338	10 051		9 547	11 311	13 383
Export sales	322	319	309		473	492	411
Distribution Income	18	21	18		26	32	24
Discounts Allowed	-21	-23	-29		-31	-36	-38
Agency Commission (Homburger)	24	12	11		35	19	15
Rent receivable	0	0	0		0	0	0
Management charges receivable	0	0	0		0	0	0
<b>TURNOVER</b>	<b>6 842</b>	<b>7 667</b>	<b>10 360</b>		<b>10 050</b>	<b>11 818</b>	<b>13 794</b>
<b>COST OF SALES</b>					<b>2006</b>	<b>2007</b>	<b>2008</b>
Purchases (adjusted for stock)	2 655	2 809	3 915		3 900	4 330	5 213
Freight, duty and handling costs	360	378	569		528	583	758
Labels and boxes	0	126	126		0	185	168
Total Cost of sales	3 015	3 314	4 611		4 428	5 108	6 139
<b>GROSS MARGIN</b>	<b>3 827</b>	<b>4 353</b>	<b>5 749</b>		<b>5 622</b>	<b>6 710</b>	<b>7 655</b>
<b>SALES AND DISTRIBUTION COSTS</b>					<b>2006</b>	<b>2007</b>	<b>2008</b>
Carriage and postage out	208	214	293		305	330	391
Packaging costs	19	22	32		28	34	43
Sales staff (France)	1 160	1 049	1 459		1 705	1 617	1 942
Sales staff (UK)	154	306	293		227	471	390
Warehouse staff	0	145	247		0	223	329
Leaflets and catalogues	101	62	72		148	96	96
Sales commission	242	231	299		356	356	399
Sales Promotion & Demonstrations	109	152	287		160	235	382
total sales & distr. Costs	1 993	2 180	2 983		2 928	3 361	3 972
<b>OPERATING MARGIN</b>	<b>1 834</b>	<b>2 173</b>	<b>2 767</b>		<b>2 694</b>	<b>3 349</b>	<b>3 684</b>
<b>CENTRAL COSTS &amp; OVERHEADS</b>					<b>2006</b>	<b>2007</b>	<b>2008</b>
Salaries & Wages	674	492	520		990	742	692
Management Charges	0	0	0		0	0	0
Temp staff, recruitment & training	40	11	49		58	16	65
Travel and Subsistence	87	111	138		128	171	184
Motor Expenses	37	25	11		55	39	15
Telephone Charges	48	54	44		71	83	58
Advertising, PR and Exhibitions	278	386	347		409	595	462
Entertainment	17	23	40		25	36	53
Printing and Stationery	51	49	36		75	76	48
Postage	20	17	26		29	26	35
Subscriptions	8	5	5		11	8	6
Computer Expenses	8	15	27		12	23	36
General Expenses	3	5	8		4	8	10
Repairs and Renewals	21	23	15		31	35	20
Insurance	23	29	22		34	44	30
Rent and rates	85	77	52		125	119	69
Light and heat	21	28	7		31	43	10
Premises maintenance	0	8	10		0	13	13
Equipment hire	0	15	25		0	24	33
Bank Interest and charges	162	153	149		238	236	199
Professional fees	112	121	108		164	186	143
Audit and Accountancy	9	30	24		13	46	32
Depreciation	38	32	39		56	50	52
Bad Debt	4	45	37		6	69	49
Loss/(gain) on exchange conversion	-20	-10	-58		-29	-16	-77
<b>TOTAL CENTRAL COSTS</b>	<b>1 725</b>	<b>1 735</b>	<b>1 680</b>		<b>2 534</b>	<b>2 674</b>	<b>2 237</b>
<b>NET PROFIT/(LOSS) BEFORE TAX</b>	<b>109</b>	<b>438</b>	<b>1 087</b>		<b>160</b>	<b>675</b>	<b>1 447</b>
<b>CORPORATION TAX PROVISION</b>	<b>13</b>	<b>99</b>	<b>295</b>		<b>20</b>	<b>153</b>	<b>392</b>
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>95</b>	<b>338</b>	<b>792</b>		<b>140</b>	<b>522</b>	<b>1 054</b>
Euros/Pound sterling =					1.4689	1.5414	1.33149



See original accounts on Web site, file :

CONSOLIDATED BALANCE SHEETS OF THE SANTE VERTE GROUP	000 £			000 €		
	2006	2007	2008	2006	2007	2008
<b>COMPTES D'IMMOBILISATIONS</b>						
Equipment et outillage	21	23	59	32	33	71
Equipment de bureau	104	92	123	156	128	147
Immobilisation	1155	1155	1155	1724	1602	1380
Investissements	0	0	0	0	0	0
total comptes d'immobilisations	1281	1271	1338	1911	1762	1598
<b>ACTIF CIRCULANT</b>						
Stocks	537	692	799	804	960	954
Creanciers Clients	897	990	1583	1339	1372	1890
Comptes courants associés	0	0	0	0	0	0
Paiements d'avance	51	34	49	75	48	58
Autres creanciers	252	199	334	376	276	399
Comptes en banques	31	67	251	47	93	300
ACTIF CIRCULANT GLOBAL	1768	1982	3015	2637	2748	3601
<b>DETTES DE MOINS DE 12 MOIS</b>						
Fournisseurs	-581	-500	-892	-867	-693	-1065
Charges previsionelles	-52	-197	-286	-77	-273	-341
Decouvert	-39	-80	-94	-59	-110	-112
Bank advances (ligne d'escompte)	0	-632	-456	0	-876	-544
Mortgage	-59	-86	-83	-89	-120	-99
Intercompany balances	0	0	0	0	0	0
Securité sociale et TVA	-106	-107	-180	-159	-148	-215
Autres dettes	-982	-155	-50	-1466	-215	-60
Impots sur les benefices	-13	-92	-295	-20	-128	-352
DETTES GLOBALES	-1834	-1848	-2335	-2736	-2563	-2788
<b>ACTIF CIRCULANT NET</b>	-66	134	680	-98	186	812
<b>DETTES DE PLUS DE 12 MOIS</b>	-834	-785	-714	-1245	-1088	-852
<b>ACTIF NET</b>	<b>381</b>	<b>620</b>	<b>1304</b>	<b>568</b>	<b>860</b>	<b>1558</b>
<b>CAPITAUX</b>						
Actions	10	10	10	15	14	12
Reserves consolidation	6	6	6	9	9	7
Reserves libres	365	604	1288	544	838	1538
Euros to 1 Pound sterling =				1.4920	1.3864	1.1942

#### 14 – Fiscal Year 2010 overall operating budget in perspective :

The figures shown here may present slight discrepancies with the figures of § 11 above.

This is due to the analytical approach which may introduce slight differences in the figures.

However the overall approach is consistent and gives a fair view of the evolution and a good basis for projections and evaluations of the Group.

Exploit Groupe ND en K€	2006	2007	2008	2009	2010
Chiffre d'affaires	10225	11363	13320	15535	18692
PR des ventes	4625	4948	5963	7200	8411
Marge Brute	5600	6415	7357	8335	10281
MB % CA	54.8%	56.5%	55.2%	53.7%	55.0%
logistique	573	609	727	789	955
Force vente	2603	2416	2727	3231	4015
Marketing	693	979	970	1163	1478
Salaires siège	570	623	617	780	861
AACE siège	957	1129	964	939	1040
Amort	62	114	97	87	86
Autres	-44	-15	-67	-38	46
total charges	5413	5856	6034	6651	8481
<b>EBIT</b>	<b>187</b>	<b>559</b>	<b>1323</b>	<b>1684</b>	<b>1800</b>
<b>EBIT%CA</b>	<b>1.8%</b>	<b>4.9%</b>	<b>9.9%</b>	<b>10.8%</b>	<b>9.6%</b>