

natraceutical

**Natraceutical, S.A. and subsidiaries
Consolidated Annual Accounts 31
December 2011**

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(Amount in thousands of euros)

Consolidated balance sheet

		On 31 December	
	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	318	631
Intangible assets	7	59,720	71,306
Investments in associates	8	-	78,808
Available-for-sale financial assets	10	-	1,937
Deferred tax assets	21	2,736	2,735
Other non-current financial assets	12	676	1,505
		63,450	156,922
Current assets			
Inventories	13	2,343	5,162
Customers and other receivables	12	6,137	7,765
Available-for-sale financial assets	10	-	44
Financial assets at fair value with changes in profit and loss	14	82,781	-
Current tax assets	12	1,460	2,483
Other current financial assets	12	-	828
Cash and cash equivalents	15	714	1,392
		93,435	17,674
Disposable Group assets classified as held for sale	16	8,492	8,492
		101,927	26,166
Total assets		165,377	183,088

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

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Consolidated balance sheet

	Note	On 31 December	
		2011	2010
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Ordinary stock	17	32,871	32,871
Share premium	17	103,494	103,494
Other reserves	18 b)	(1,207)	2,097
Retained earnings	18 a)	(48,568)	(65,108)
Total equity		86,590	73,354
Liabilities			
Non-current liabilities			
Financing debt	20	10,137	205
Derivative financial instruments	11	525	489
Deferred tax liabilities	21	530	1
Other non-current financial liabilities	20	7,519	7,389
Provisions for other liabilities and expenses	22	169	198
		18,880	8,282
Current liabilities			
Trade and other payables	19	10,444	13,395
Current tax liabilities	19	997	1,195
Financing debt	20	46,657	83,766
Other current financial liabilities	20	1,224	2,501
Provisions for other liabilities and expenses	22	585	595
		59,907	101,452
Total liabilities		78,787	109,734
Total equity and liabilities		165,377	183,088

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

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(Amount in thousands of euros)

Consolidated balance sheet

		Year ended 31 December	
	Note	2011	2010
Continuing operations			
Revenue	23	29,485	38,841
Change in inventory of finished and unfinished products	25	(2,904)	812
Procurements	25	(4,927)	(10,430)
Other operating income	23	285	182
Staff costs	24	(8,467)	(10,423)
Other operating expenses	25	(17,608)	(25,309)
Amortization of fixed assets	6 & 7	(1,197)	(1,386)
Impairment and income from disposal of property, plant and equipment	6 & 7	(11,343)	(11,453)
Operating profit (loss)		(16,676)	(19,166)
Financial income	26	26	1,033
Finance expenses	26	(4,884)	(6,594)
Exchange differences	26	107	689
Impairment losses and income from disposal of financial instruments	26	9,279	(502)
Changes in fair value of financial assets at fair value with changes in profit and loss	26	23,287	-
Net financial expenses		27,815	(5,374)
Equity in profit/loss of associates	8	5,470	5,032
Profit before tax		16,609	(19,508)
Capital gains tax	28	(543)	(3,110)
Profit/loss from continuing operations		16,066	(22,618)
Profit (loss) for the year		16,066	(22,618)
Attributable to:			
Owners of the parent		16,066	(22,618)
Non-controlling interests		-	-
Share earnings from continuing operations attributable to owners of parent (euros per share)			
Basic earnings per share			
- From continuing operations	29	0.05	(0.070)
Diluted earnings per share			
- From continuing operations	29	0.05	(0.070)

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

Natraceutical, S.A. and subsidiaries

(Amount in thousands of euros)

Consolidated statement of comprehensive income

		Year ended 31 December	
	Note	2011	2010
Profit (loss) for the year		16,066	(22,618)
Other comprehensive income:			
Equity in the other comprehensive income of associates	8	(628)	3,229
Sale of associates		(103)	-
Significant loss of influence		(2,500)	-
Cash flow hedges	11	(25)	(45)
Foreign exchange differences		(48)	(646)
Other comprehensive income after tax		(3,304)	2,538
Total comprehensive income for the year		12,762	(20,080)
Attributable to:			
Owners of the parent		12,762	(20,080)
Non-controlling interests		-	-
Total comprehensive income for the year		12,762	(20,080)

The entries that appear in this comprehensive income statement are shown net of tax. The capital gains tax of each of the components of Other comprehensive income is detailed in Note 12.

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

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(Amounts in thousands of euros)

Statement of changes in the consolidated equity

	Attributable to owners of the parent						
	Share capital (Note 17)	Issue premium (Note 17)	Other reserves (Note 18).	Retained earnings (Note 18)	Total	Non-controlling interests	Total equity
Balance on 1 January 2010	32.871	103.494	(441)	(42.337)	93.587	-	93.587
Comprehensive income							
Profit or loss	-	-	-	(22,618)	(22,618)	-	(22,618)
Other comprehensive income							
Cash flow hedges after tax	-	-	(45)	-	(45)	-	(45)
Equity in the other comprehensive income of associates	-	-	3,229	-	3,229	-	3,229
Foreign exchange differences	-	-	(646)	-	(646)	-	(646)
Total other comprehensive income	-	-	2,538	-	2,538	-	2,538
Total comprehensive income	-	-	2,538	(22,618)	(20,080)	-	(20,080)
Operations with owners							
- Other movements				(153)	(153)		(153)
Total operations with owners	-	-	-	(153)	(153)	-	(153)
Balance on 31 December 2010	32,871	103,494	2,097	(65,108)	73,354	-	73,354

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

Statement of changes in the consolidated equity

	Attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Share capital (Note 17)	Issue premium (Note 17)	Other reserves (Note 18).	Retained earnings (Note 18)			
Balance on 1 January 2011	32,871	103,494	2,097	(65,108)	73,354	-	73,354
Comprehensive income							
Profit or loss	-	-	-	16,066	16,066	-	16,066
Other comprehensive income							
Cash flow hedges after tax	-	-	(25)	-	(25)	-	(25)
Equity in the other comprehensive income of associates	-	-	(628)	-	(628)	-	(628)
Sale of associates	-	-	(103)	-	(103)	-	(103)
Exclusions of associates from the scope of consolidation	-	-	(2,500)	-	(2,500)	-	(2,500)
Foreign exchange differences	-	-	(48)	-	(48)	-	(48)
Total other comprehensive income	-	-	(3,304)	-	(3,304)	-	(3,304)
Total comprehensive income	-	-	(3,304)	16,066	12,762	-	12,762
Operations with owners							
- Other movements	-	-	-	474	474	-	474
Total operations with owners	-	-	-	474	474	-	474
Balance on 31 December 2011	32,871	103,494	(1,207)	(48,568)	86,590	-	86,590

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

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(Amounts in thousands of euros)

Natraceutical, S.A. and subsidiaries

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Statement of consolidated cash flow

	Year ended 31 December	
	2011	2010
Cash flows from operating activities		
Pre-tax profit for the year	16,609	(19,508)
Adjustments for:		
– Depreciation of property, plant and equipment (Note 6 and 25)	202	391
– Depreciation of intangible assets (Note 7 and 25)	995	995
– Impairment and income from disposal of property, plant and equipment (Note 25)	11,343	11,453
– Changes in trade provisions	-	81
– Exchange-rate differences (Note 26)	(107)	(689)
– Interest in profit/loss of associates (Note 8)	(5,470)	(5,032)
– Provisions for risks and expenses	-	205
– Finance expenses (Note 26)	4,884	6,594
– Impairment and income from disposal of financial instruments (Note 26)	(9,279)	502
– Changes in fair value of financial assets at fair value with changes in profit and loss (Note 26)	(23,287)	-
– Finance income (Note 26)	(26)	(1,033)
– Other adjustments to income:	(510)	
Changes in working capital (excluding the effects of acquisition and exchange differences in consolidation):		
– Changes in inventories	2,819	(596)
– Change in financial assets	1,023	(582)
– Change in customers and other receivables	1,628	2,542
– Change in other financial liabilities	-	13,524
– Change in suppliers	(2,832)	(12,437)
Cash generated by operations	(2,008)	(3,590)
Interest paid	(5,102)	(1,434)
Net cash generated by operating activities	(7,110)	(5,024)
Cash flows from investing activities		
Acquisitions of property, plant and equipment (Note 6)	(14)	(142)
Acquisitions of intangible assets (Note 7)	(627)	(846)
Disposal of group companies, joint ventures and associates	28,476	-
Acquisition of treasury shares	-	7
Disposal of other financial assets	4,115	
Net cash used in investing activities	31,950	(981)
Cash flows from financing activities		
Lending income	-	81,259

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Loan cancellation payments	(25,518)	(71,883)
Changes in Other non-current financial liabilities	-	(260)
Cancelled derivatives	-	(2,814)
Net cash used in financing activities	(25,518)	6,302
Effect of changes in exchange rates		
Net increase of cash and cash equivalents	(678)	297
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,392	1,095
Cash and cash equivalents at year-end	714	1,392

The notes on pages 9 to 112 form an integral part of these consolidated financial statements.

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Notes to the Consolidated Annual Accounts 2011

1 General information

The parent Natraceutical, S.A. was incorporated on 1 June 1993 and its registered offices are located in Paseo Ruzafa, nº9, 11ª (Valencia, Spain).

It engages mainly in the provision of financial, accounting and other advisory services and the ownership of shares.

The Group has companies located in Monaco, Belgium, Spain, Portugal, United Kingdom and Canada. Its products are marketed mainly in Europe.

100% of the parent's shares are traded on the continuous market.

On December 30, 2009, the parent signed an agreement with the quoted French company Naturex SA, by virtue of which the Natraceutical Group integrated its Functional Ingredients Division into the mentioned French group and obtained a 35.11% interest in the same. Following the execution of this agreement, Naturex SA became the global leader in specialty natural ingredients. Similarly, on the same date, the Parent sold Naturex SA shares, with the Group retaining 33.93% of the same.

The Natraceutical Group belongs to the larger, consolidated Natra Group, whose corporate purpose is the preparation and commercialization of chemical and food products, as well as the operation of agricultural plantations and tropical products, the development, construction and commercialization of property, the sale and administration of shares, management consultancy and the activities corresponding to company management. The Group's parent is Natra, S.A.

These consolidated financial statements were formulated on by the Board of Directors on 28 February 2012. The Directors are to present these consolidated financial statements before the General Shareholders Meeting, which is expected to approve them without change.

2 Summary of main accounting policies

The main accounting policies adopted in the preparation of these consolidated statements are described below. These policies have been applied in a uniform manner for all the years presented, unless otherwise indicated.

2.1 Basis of Presentation

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(Amounts in thousands of euros)

The Group's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and the approved IFRIC interpretations in effect on 31 December 2011.

The consolidated financial statements have been prepared in accordance with the historical cost approach, with the modifications established by the IFRS-EU, by means of which certain financial assets and liabilities are measured at their fair value.

The preparation of financial statements under the IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the application of the Group's accounting policies. Note 4 details the areas involving a higher degree of judgement or complexity or the areas where assumptions and estimates are significant to the consolidated financial statements.

2.1.1 Going concern

As a consequence of the evolution of the sectors of activity in which the Group operates, the harshening of the competitive environment, due mainly to the widespread fall in the consumption of dietary and beauty supplements and, in broad terms, the difficult economic situation, the Group presents a negative EBITDA for the year, which considerably reduces the generation of liquidity, beyond the most pessimistic estimations.

Notwithstanding the above, as a result of the classification of certain investments as current investments (due to the Company's intention to sell them within a year), the attached balance on 31 December 2011 presents a positive operational fund amounting to 33,528 thousand euros (negative on 31 December 2010, amounting to 83,778 thousand euros). Under the obligations established in the syndicated financing operation carried out in April 2010 (see Note 20), the Company must meet a number of covenants which, on the basis of the results obtained by the Group, have not been achieved on 31 December 2011 and 2010. At the end of the previous year, the Company proactively informed the financing banks involved in the above-mentioned operation of the Group's financial situation. At the same time, the Company requested the opportune authorizations and waivers to avoid short-term enforceability and, consequently, to extend during 2011 the short-term classification of the majority of the gross bank-borrowings as a current liability on December 31, 2010. On 29 April 2011, the Company successfully finalized the process of obtaining the authorizations from the banks responsible for granting the syndicated loan, which corroborated once more their financial support, and deferring compliance with the mentioned covenants for a 12-month period, thus leaving the operation's original maturity unaltered. This has enabled the opportune reclassification in the balance sheet as long-term payable and, consequently, its

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classification as a non-current liability during 2011. Thus, on the date of the preparation of these financial statements, the Company is exempt from compliance with the mentioned covenants and, therefore, the bank borrowings are presented with their original maturities. Given the commitment established by means of the syndicated loan detailed in Note 20 to sell part of the Naturex shares during 2012 and to return part of the mentioned loan, the Directors have classified 45,000 thousand euros as short-term debt. Furthermore, the parents' Directors consider that, given the forecast growth, the market value of financial investments that will be made available for sale, and results of the subsidiary Laboratoires Forte Pharma, SAM., the company will see the generation of profits once more in coming years. In the context of the financial investments, the Company's plans contemplate the disposal of assets which are unrelated to its main operating activities and which would represent additional cash income. The most important of these assets is the 20.7% interest which the Group holds in Naturex S.A. on 31 December 2011. In accordance with the above, the Company's Directors estimate that the mentioned circumstances will enable the satisfactory maintenance of the Group's operations. The parent's administrators believe that the budgets prepared up by the Management for 2012, together with the solid financial structure obtained with the syndicated financing that the company completed in 2010, will enable the consolidation/strengthening of the financial situation, the maintenance of the normal development of the operations and a recovery of the necessary profitability of its businesses. All of these factors, together with the liquid assets budget prepared by the management and which includes the estimation of receipts and payments with surplus, removes any doubt about the Group's ability to continue its normal operations and, consequently, about the final recovery of the assets and the liquidation of liabilities through the normal course of the Group's activities.

2.1.1 Comparison of information

The information contained in this report for 2011 is presented for comparative purposes with the information corresponding to 2010.

No reclassifications or adjustments to the amounts reflected in the consolidated financial statements for 2010 were effected during 2011.

2.1.3 Changes in accountancy policies and disclosures

2.1.3.1. Relationship and summary of standards, amendments to standards and interpretations published to date

Compulsory standards, amendments and interpretations for all years beginning January 1, 2011

IAS 24, "Related party disclosures"

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The revised standard clarifies and simplifies the definition of "related-party", eliminating the inconsistencies existing in the previous standard and simplifying its application. Furthermore, it eliminates the requirement for entities related to the public administration to disclose details of all transactions with the public administration and other entities related to the public administration. The early adoption of the partially- or fully-revised standard in relation to reduced disclosures for entities related to the public administration is allowed.

This standard is applicable for financial years beginning as of 1 January 2011.

The application of this standard has not caused a significant impact on these consolidated financial statements.

IAS 32 (Amendment), "Classification of rights issues"

This amendment deals with the classification of rights issues (share rights, options or warrants) denominated in a currency other than the functional currency of the issuer. The amendment indicates that if the issue is effected pro rata to the issuer's shareholders for a fixed amount in any currency, it must be classified as equity, regardless of the currency in which the option price is denominated. Prior to the amendment, such issues had to be classified as derivative financial liabilities.

This amendment to IAS 32 is applicable to financial years beginning as of 1 February 2010.

The application of this standard has no impact on these financial statements, given that the Group has not issued share rights, options or warrants denominated in a currency other than the functional currency.

IFRS 1 (Amendment) "Limited Exemption from Comparative IFRS 7 Disclosures, applicable to first-time adopters of IFRS"

The amendment to IFRS 1 provides first-time adopters of IFRS with the same support during the transition as that received under IFRS by the existing adopters in the amendment of IFRS 7, "Financial instruments: Disclosures", in force since 1 January 2009. The amendment required an increase in the disclosures on the measurement at fair value and on liquidity risk. During the first year of application, the presentation of comparative information was not required. This amendment is applicable for financial years beginning as of 1 July 2010. The Group did not adopt the IFRS for the first time in 2011, and as such this amendment is not applicable.

IFRIC 14 (Amendment), "Prepayments when there is an obligation to maintain a minimum level of funding"

Certain entities that are subject to minimum funding requirements may choose to prepay their contributions to the plan. Under IFRIC 14, it was possible to avoid the

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recognition of an asset for any surplus that may have arisen as a result of such payments. IFRIC 14 was amended to require the recognition of an asset in such circumstances.

This amendment to IFRIC 14 is applicable to financial years beginning as of 1 January 2011.

Given that the Group is not subject to any minimum funding requirement, this amendment is not applicable.

IFRIC 19, "Extinguishing financial liabilities with equity instruments"

IFRIC 19 addresses the reporting by an entity renegotiating the terms of a financial liability and which issues shares for the creditor to extinguish all or part of the financial liability (debt-for-equity swaps).

The interpretation requires recognition of a gain or loss in income when a liability is extinguished through the issuance of instruments relative to the entity's equity. The amount of the gain or loss recognised in the income statement is determined by the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be determined reliably, the fair value of the existing financial liabilities is used to determine the profit or loss and for recognising the equity instruments issued. The interpretation is applied retroactively from the beginning of the oldest comparative period presented.

For purposes of its adoption by the European Union, this interpretation is to be applied no later than the initial date of the first year begun as of June 30, 2010.

The Group does not have equity/debt swaps, and as such the application of this standard does not affect these consolidated financial statements.

Improvements Project 2010

IFRS 1 "First-time adoption of the IFRS"

The improvements project introduces the following clarifications in relation to the IFRS 1:

- A first-time adopter of the IFRS that changes its accounting policies or its use of the IFRS 1 exemptions following the publication of an interim financial report under IAS 34 must explain the changes and include the effects of the same in its opening reconciliations in its first annual financial statements under the IFRS;
- The exemption from using the "attributed cost" that emerges from a remeasurement caused by an event such as a privatisation that occurred

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on or before the IFRS transition date extends to remeasurements that take place during the period covered by the first financial statements compliant with IFRS;

- Entities subject to a tariff regulation are allowed to use the previous carrying amounts under GAAP for property, plant and equipment and intangible assets as an attributed cost on an item per item basis. Entities that make use of this exemption are required to check the impairment of the value of each element under IAS 36 on the transition date.

This amendment is mandatory in all periods beginning as of 1 January 2011.

This standard does not apply to the Group as this is not the first time that it adopts the IFRS.

IFRS 3 "Business combinations"

The improvements project introduces the following clarifications in relation to the IFRS 3:

- Contingent consideration agreements arising from business combinations with acquisition dates prior to the application of IFRS 3 (2008) must be accounted for in accordance with the requirements of the previous IFRS 3 (issued in 2004). In the same way, clarification is given to the fact that the amendments to IFRS 7 "Financial instruments:" Disclosures", IAS 32 "Financial instruments:" Presentation" and IAS 39 "Financial instruments:" Recognition and measurement", which eliminate the exemptions relating to contingent compensations, do not apply to contingent compensation arising from business combinations with acquisition dates prior to the IFRS 3 (2008) application date;
- The option to measure the non-controlling interests at fair value or at the proportionate share of the acquiree's net assets only applies to instruments representing current ownership interests and granting the holders the right to a proportional interest in the net assets in the event of liquidation. The rest of the non-controlling interest's components are measured at fair value unless another measurement basis is required by IFRS;
- The IFRS 3 application guidance applies to all transactions with share-based payments that are part of a business combination, including payment agreements based on voluntarily substituted and non-substituted shares.

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This amendment is mandatory in all periods beginning as of 1 July 2010. The application of this standard has not caused a significant impact on these consolidated financial statements.

IFRS 7 “Financial Instruments: Disclosures”

The amendments include clarifications regarding disclosures on financial instruments, with an emphasis on the interaction between the quantitative and qualitative disclosures on the nature and extent of the risks associated with the financial instruments.

This amendment is mandatory in all periods beginning as of 1 January 2011. The application of this standard has not caused a significant impact on these consolidated financial statements.

IAS 1, “Presentation of financial statements”

This standard clarifies that entities may submit an analysis of the components of the total other comprehensive income by entries in the statement of changes in equity or in the report's notes.

This amendment is mandatory in all periods beginning as of 1 January 2011. The application of this standard has not caused a significant impact on these consolidated financial statements.

IAS 27 “Consolidated and Separate Financial Statements”

This standard clarifies that consequential amendments to IAS 21 "The effects of changes in foreign currency exchange rates", IAS 28 "Investments in associates" and IAS 31 "Interests in joint ventures", resulting from the 2008 revisions to IAS 27 must be applied on a prospective basis.

This amendment is mandatory in all periods beginning as of 1 July 2010. The application of this standard has not caused a significant impact on these consolidated financial statements.

IAS 34 “Interim financial reporting”

This standard places further emphasis on the disclosure principles in IAS 34 in relation to significant events and transactions and the need to update the relevant information from the most recent annual report. Several new developments are

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included in relation to the disclosures of significant events and transactions: the disclosure of impairment losses relating to financial assets, the disclosure on changes in the economic situation or in the business that affect the fair value of the Group's financial assets (measured at fair value or amortised cost), transfers between levels in the fair value hierarchy of fair value, used in measuring the instruments at fair value, and changes in the classification of the Group's financial assets as a result of a change in the purpose or use of such assets.

This amendment is mandatory in all periods beginning as of 1 January 2011.

The Group applies this amendment in the preparation of its interim financial report.

IFRIC 13 "Customer loyalty programmes"

This standard clarifies the meaning of the term "fair value" in the context of the measurement of award credits under customer loyalty programs.

This amendment is mandatory in all periods beginning as of 1 January 2011.

This standard is not applicable to the Group.

2.1.3.2. Standards, amendments and interpretations that may be adopted prior to the financial years beginning after January 1, 2011

At the preparation date of these consolidated annual financial statements, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations listed below and which are of mandatory application as of 2012, although the Group has not adopted them in advance.

IFRS 7 (Amendment) "Financial Instruments: Disclosures - Transfers of financial assets"

The amendment to IFRS 7 requires additional disclosures on risk exposures arising from financial assets transferred to a third party. The inclusion of information on the measurement of risks and benefits undertaken for transactions that have not qualified for the derecognition of financial assets and the identification of the associated financial liabilities is required, and the disclosure of the information on operations that have qualified for the derecognition of financial assets is increased: the income generated in the transaction, the remaining profits and risks and the initial and future accountancy reflection of the same, as well as the estimated fair value of the "continuing involvement" entered in the balance sheet. Among others, this amendment would affect financial asset sales operations, factoring agreements, the securitization of financial assets and securities lending agreements.

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The amendments to IFRS 7 are of mandatory application for all financial years beginning as of 1 July 2011, although their early adoption is permitted.

The Group is analyzing the impact that the implementation of this amendment may have on its consolidated financial statements.

2.1.3.3. Standards, amendments and interpretations of existing standards that have not been adopted by the European Union at the date of this note

Upon the preparation date of these consolidated financial statements, the IASB and IFRS Interpretations Committee had published the standards, amendments and interpretations listed below and which are pending adoption by the European Union.

IFRS 9 "Financial Instruments"

The issuance of IFRS 9 "Financial instruments" in November 2009 represented the first step in the IASB's comprehensive project to replace the IAS 39, "Financial instruments: Recognition and measurement". The IFRS 9 simplifies the entering in accounts of financial assets and introduces new requirements for their classification and measurement. It requires that financial assets that are held mainly for the collection of cash flows, which represent the payment of principal and interest, are measured at amortised cost, while other financial assets, including those held for trading, are measured at fair value. Therefore, only a value impairment model for financial assets entered at amortized cost is required. In October 2010, the IASB updated the content of IFRS 9 to incorporate criteria for the subsequent recognition and measurement of financial liabilities and the financial instrument derecognition criteria. The previous requirements of IAS 39 in these respects have not been amended, except as regards the subsequent registration of financial liabilities designated at fair value with changes in the income statement. For such liabilities, the changes in fair value arising from the consideration of credit risk are entered as income and expenses recognised directly in equity. The amounts entered in equity are not recycled in the income statement, even though they may be reclassified in other equity items. However, if, upon initial recognition of these liabilities, the accounting entry is identified as implying an imbalance with the measurement of the associated financial assets, all the changes in value would be charged to results. For the moment, the current requirements of IAS 39 for hedge accounting and impairment of financial assets remain applicable.

This standard is to apply to the financial years beginning as of January 1, 2015, although its early application is permitted. As of the date of the preparation of these consolidated financial statements, this standard had not been adopted by the European Union. The Group is analyzing the impact that the implementation of this standard may have on its consolidated financial statements.

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The IASB has published an amendment, by virtue of which the effective date of the IFRS 9 "Financial instruments" is deferred to 1 January 2015. Under its original transitory provisions, IFRS 9's effective date was 1 January 2013. Early application of IFRS 9 is still permitted. Likewise, the IASB has extended the finalization calendar for the remaining phases of the project to replace IAS 39 "Financial instruments: "Recognition and measurement" (accounting for impairment losses and accounting of coverage). This amendment stresses the importance of allowing the simultaneous implementation of all phases of the new standard.

It may also be mentioned that the amendment to IFRS 9 introduces changes relative to the comparative information and additional disclosures required following the adoption of the new standard, depending on the date of first application, as indicated below:

If IFRS 9 is applied for financial years beginning on or after 1 January 2012, there is no need to re-express the comparative figures, although the additional disclosures must be included on the date of the first application of the standard.

If IFRS 9 is applied for financial years beginning as of 1 January 2012 and prior to 1 January 2013, a choice must be made between re-expressing the comparative figures and the inclusion of the additional breakdowns on the date of the first application of the standard.

If IFRS 9 is applied for financial years beginning on or after 1 January 2013, there is no need to re-express the comparative figures, although the additional breakdowns must be included on the date of the first application of the standard.

The Group is analyzing the impact that the implementation of this standard may have on its consolidated financial statements.

IAS 12 (Amendment) "Deferred tax: Recovery of underlying assets"

The amendment to IAS 12 offers a practical approach for the measurement of deferred tax assets and liabilities related to property investments measured at fair value, one of the measurement options provided for in IAS 40 "Investment Property". In so far as the measurement of these deferred taxes, the amendment introduces the refutable assumption that the economic profit inherent to the property investments measured at fair value are to be recovered through the property's sale and not through its use. The amendment incorporates the guidance previously included in SIC 21 "Income tax – recovery of revalued non-depreciable assets" into IAS 12, making it clear that its requirements do not apply to property investments measured at fair value.

The application of this amendment is mandatory to all financial years that begin after 1 January, 2012.

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The Group considers that the application of this standard will not cause a significant impact on these consolidated financial statements.

IFRS 1 (Amendment) "Severe hyperinflation and removal of fixed dates for first-time adopters"

The amendments related to severe hyper-inflation provide guidance on first-time presentation, or summarization through the presentation of financial statements prepared under IFRS, following a period during which the entity is unable to meet the IFRS requirement due to its operating currency's being subject to severe hyperinflation.

Regarding the removal of fixed dates in IFRS 1, the standard replaces the references to the date "1 January 2004" with "the IFRS transition date". Therefore, first-time adopters are not required to re-express operations that took place prior to the IFRS transition date.

The application of this amendment is mandatory to all financial years that begin after 1 July 2011.

The application of this standard will have no significant impact on these consolidated financial statements.

IFRS 10 "Consolidated financial statements"

IFRS 10 introduces changes in the concept of control, which remains as the determining factor in whether an entity should be included within the consolidated financial statements. IFRS 10 replaces the guidelines on control and consolidation under IAS 27 "Consolidated and separate financial statements" and eliminates SIC 12 "Consolidation - Special purpose entities" which is repealed.

To ensure that there is control, the confluence of two elements is necessary: power over an entity and variable returns. Power is defined as the ability to direct the activities of the entity that significantly affect the performance of the same. The standard provides extensive application guidance for those cases in which it is difficult to determine the existence control, for example, when an investor holds less than half of the voting rights in an entity. The concept of the unity of the parent and its subsidiaries in relation to the consolidated financial statements, as well as the consolidation procedures, has not undergone changes with respect to the previous IAS 27.

This standard is mandatory for all financial years beginnings as of 1 January 2013. Early application is permitted, provided IFRS 11 "Joint arrangements", IFRS 11 "Disclosure of Interests in Other Entities", IAS 27 (amended in 2011) "Separate financial statements" and IAS 28 (modified in 2011) "Investments in associates and joint ventures" are adopted simultaneously.

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The Group is analyzing the possible impact that the implementation of this standard may have on its consolidated financial statements.

IFRS 11 "Joint agreements"

IFRS 11 provides an accounting treatment for joint arrangements, based on the rights and obligations arising from the agreement, and not on its legal form. The types of joint arrangements are reduced to two: joint operations and joint ventures. Joint operations imply that a participant has direct rights over the assets and obligations arising from the agreement, and thus the proportionate share in the assets, liabilities, income and expenses of the entity in which it has an interest are entered. Joint ventures arise when a participant has a right to the profit or the net assets of the entity in which it participates, and therefore uses the equity method to account for its share in the entity. Interests in joint ventures can no longer be accounted for using the proportionate consolidation method.

The application of this standard is compulsory for all financial years beginning on or after 1 January 2013. The changes in the accountancy treatment required under IFRS 11 are reflected at the beginning of the oldest period presented in the financial statements. The standard contains specific guidance on how to carry out the transition from proportional consolidation to the equity method, and vice versa.

The early application of IFRS 11 is permitted, provided IFRS 10 "Consolidated financial statements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 (amended in 2011) "Separate financial statements" and IAS 28 (modified in 2011) "Investments in associates and joint ventures", are adopted simultaneously.

The Group considers that the application of this standard will not cause a significant impact on these consolidated financial statements.

IFRS 12 "Disclosures of interests in other entities"

IFRS 12 contains the disclosure requirements for entities that report under the new IFRS 10 "Consolidated financial statements" and the new IFRS 11 "Joint agreements". Additionally, it replaces the disclosure requirements previously included in the older IAS 28 "Investments in associated companies" and IAS 31 "Interests in joint ventures". Under IFRS 12, it is necessary to disclose information that permits the users of the financial statements to assess the nature, the risks and the financial effects associated to the entity's interests in subsidiaries, associated companies, joint agreements and unconsolidated structured entities. Among other requirements, information on the following must be disclosed:

- the significant judgements and assumptions a company has made in deciding whether it has control, joint control or significant influence over another entity;

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- The composition of the group, including the interest in non-controlling interests in the group's activities and its cash flows;
- The relating to unconsolidated structured entities, for example agreements which may require the group to provide financial support to the entity;
- The accounting of operations with the non-controlling interests in situations in which the control over the subsidiary is maintained and lost;
- The interests in associated companies and joint agreements (similar to the requirements of IAS 28 above);
- For interests in unconsolidated structured entities: information relative their nature, purpose, size, activities and funding, financial information about the entity (income, assets), information on assets and liabilities recognized in the balance and belonging to these structured entities, maximum losses arising from such interests and the financial support provided to the entity, or the existence of a current intention to provide such support.

This standard is mandatory for all financial statement beginning as of 1 January 2013.

In order to promote the inclusion of the new IFRS 12 disclosures in the financial statements prior to its entry into effect, the standard clarifies that the disclosure of part of the information required under IFRS 12 does not bind the entity to compliance with all the standard's provisions, nor to adopting IFRS 10 "Consolidated financial statements", IFRS 11 "Joint agreements", IAS 27 (amended in 2011) "Separate financial statements" and IAS 28 (modified in 2011) "Investments in associates and joint ventures".

The Group is to analyse the impact that the implementation of this standard may have on its consolidated financial statements.

IAS 27 (Amendment) "Separate financial statements"

The requirements previously contained in IAS 27 regarding the preparation of consolidated financial statements have been included in the new IFRS 10, and as such the former's scope of application is reduced to the accounting of investments in subsidiaries, joint ventures and associated companies in the investing entity's separate financial statements under IFRS, which has not undergone modifications with respect to the previous regulations (i.e., the entering into accounts at cost or fair value according to the requirements of IFRS 9).

The amended IAS 27 is mandatory for all financial years starting as of 1 January 2013.

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Early application is permitted, provided IFRS 10 "Consolidated financial statements", IFRS 11 "Joint agreements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 (modified in 2011) "Investments in associates and joint ventures" are adopted simultaneously.

The Group considers that the application of the amendment to IAS 27 will not cause any impact on these consolidated financial statements.

IAS 28 (Amendment) "Investments in associates and joint ventures"

IAS 28 has been updated to include references to joint ventures, which under the new IFRS 11 "Joint agreements" must be recognized in accounts using the equity method. At the same time, information on the following aspects has been added:

- Accounting treatment of the instruments that provide potential voting rights;
- Measurement of interests in associated companies and joint ventures in the hands of venture capital entities, entities of a mutualistic nature and other similar entities;
- Accounting treatment in the event of reductions in interest in an associate or a joint venture when the equity method remains applicable; and
- Accounting treatment of the provision of a non-monetary asset to an associate or a joint venture in exchange for an interest in the entity's equity.

The amended IAS 28 is mandatory for all financial years starting as of 1 January 2013.

Early application is permitted, provided IFRS 10 "Consolidated financial statements", IFRS 11 "Joint agreements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 (modified in 2011) "Separate financial statements" are adopted simultaneously.

The Group is analyzing the possible impact that the implementation of this standard may have on its consolidated financial statements.

IFRS 13 "Measurement at fair value"

IFRS 13 is the result of the joint project between IASB and FASB (Financial Accounting Standards Board in the United States) which explains how to measure elements at fair value with the aim of improving and expanding the fair value disclosure requirements. This standard does not establish which elements must be measured at fair value nor add new requirements to measure at fair value with respect to existing ones.

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Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an ordered operation between market participants at the measurement date (starting price). It is an assessment based on the expectations of the market, not those of the entity. A hierarchy of three levels is established (as is established in IFRS 7) for the fair value measurements, based on the input types and the measurement techniques used. The new standard's disclosure requirements include the disclosure of the measurement methods employed, the data used in the measurements and any changes in the measurement techniques used.

This standard is mandatory for all financial periods starting as of 1 January 2013. Early application is permitted,

The new standard is to be applied prospectively as of the beginning of the financial period for which it is initially applied. The breakdown requirements do not apply to the comparative information presented for periods prior to the first implementation of the IFRS 13.

The Group is analyzing the possible impact that the implementation of this standard may have on its consolidated financial statements.

IAS 1 (Amendment) "Presentation of financial statements"

This amendment changes the presentation of the Other comprehensive income statement, requiring that the entries included in the other comprehensive income are grouped into two categories, depending on whether they are to be transferred to the income statement or not. Those entries that are not to be transferred to the income statement, such as the remeasurements of property, plant and equipment, are to be presented separately from those which will affect the income statement in the future, such as the gains and losses from cash flow hedges.

As in the previous version of IAS 1, the option of presenting the other comprehensive income entries before taxes is maintained. Entities choosing this option must reflect the tax effect of both groups of entries separately. IAS 1 has also changed the name of the "Comprehensive income statement", which is now called "Statement of profit and loss and other comprehensive income". The possibility of using alternative denominations is maintained.

This amendment is to be applied to all the financial years starting as of 1 July 2012. Early application is permitted.

The Group is analyzing the impact that the implementation of this standard may have on its consolidated financial statements.

IAS 19 (Amendment) "Employee benefits"

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The amendment to IAS 19 significantly changes the recognition and measurement of post employment defined benefit expense and termination benefits, as well as disclosures for all employee benefits. Among others, the following aspects of IAS 19 have been changed:

- Actuarial gains and losses (now called "remeasurements") may only be recognized within the other comprehensive income. The options for deferring actuarial gains and losses by means of the corridor approach and their direct recognition in the income statement are eliminated. Remeasurements that are recognized in the other comprehensive income cannot be transferred to the income statement.
- Past services costs must be recognized in the year in which the plan is amended – deferral of the unconsolidated benefits in a future service period is not permitted. Reductions only occur when the number of employees affected by the plan is significantly reduced. Gains and losses resulting from the reductions are to be recognized in the same manner as the past service costs.
- The annual expense of a funded benefits plan is to include the net income or expense interest, which is to be calculated by applying the discount rate to the net asset or liability for the defined benefits.
- Benefits that require the completion of future services are not to be considered compensation.

The amended IAS 19 is mandatory for all periods beginning after January 1, 2013. Early application is permitted.

The Group is analyzing the impact that the implementation of this standard may have on its consolidated financial statements.

IFRIC 20 "Stripping costs in the production phase of a surface mine"

This interpretation is the result of a request to clarify how and when the costs associated with the stripping of surface mine waste in order to obtain access to mineral deposits are to be entered. IFRIC 20 defines when the mentioned costs are to be recognised as an asset in the balance sheet and how they are to be measured on the initial recognition date and afterwards.

IFRIC 20 is mandatory for all periods beginning after January 1, 2013. Early application is permitted.

The Group estimates that the application of this standard will not affect Group's consolidated annual accounts as the Group has no surface mines.

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IAS 32 (Amendment) and IFRS 7 (Amendment) "Offsetting financial assets and financial liabilities"

In the amendment to IAS 32 "Financial instruments: Presentation", the standard's application guidance is amended to clarify certain of the requirements for offsetting financial assets and financial liabilities in the balance sheet. The amendment does not make changes to the offsetting model existent under IAS 32, which remains applicable when, and only when, an entity currently has the legally-enforceable right to offset the recognised amounts, and the intention to liquidate the net amount or to simultaneously dispose of the asset and cancel the liability. The amendment clarifies that the right to offset must be available today – that is to say, not contingent to a future event. Furthermore, the right must be legally enforceable in the ordinary course of the operations of the counterparts involved in the operation, even in cases of default, insolvency and bankruptcy. The amendment to IAS 32 is mandatory for all periods beginning on or after January 1, 2014, and is to be applied retroactively. Earlier application is permitted.

Given that the requirements for the offsetting of financial assets with financial liabilities remain different to the requirements under US GAAP, IASB simultaneously issued an amendment to IFRS 7 "Financial instruments: Disclosures". The amendment to IFRS 7 requires the disclosure of quantitative information on the recognized financial instruments that have been offset in the balance sheet and on financial instruments subject to master netting arrangements, regardless of whether they have been offset or not in the balance sheet. The amendment to IFRS 7 is mandatory for all periods beginning on or after January 1, 2013 and is to be applied retroactively.

Although the Group does not initially expect the amendments to these standards to have a significant impact on its consolidated financial statements, it will take them into account in the future should there be a change in circumstances that were to lead to the application of the same.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to direct financial and operational policies, which is generally accompanied by an interest greater than half of the voting rights. In assessing whether a Group controls another entity, the existence and the effect of the potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated as of the date on which control is transferred to the Group, and are excluded from the consolidation on the date on which the control ceases.

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The Group uses the acquisition method for the accounting of business combinations. The consideration transferred in relation to the acquisition of a subsidiary corresponds to the fair value of the transferred assets, the liabilities incurred and the equity interest issued by the Group. The transferred consideration also includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition-related costs are recognized as expenses in the periods in which they are incurred. The identifiable assets acquired and the contingent liabilities assumed in a business combination are initially measured at their fair value on the acquisition date. For each business combination, the Group may choose to recognize any non-controlling interest in the acquired entity at the fair value or at the proportional part of the non-controlling interest of the acquired entity's identifiable net assets.

The costs related to the acquisition are recognised as expenses in the period in which they are incurred.

If the business combination takes place by stages, the fair value on the date of acquisition of the interest in the acquired entity's equity previously held by the acquirer is remeasured at fair value on the date of acquisition through the year's profit.

Goodwill is initially measured as the excess of the total of the transferred consideration, and the fair value of the non-controlling interest over the net amount of the identifiable assets acquired and the liabilities assumed. If this amount is less than the fair value of the acquired subsidiary's net assets, the difference is recognised directly as income in the income statement.

Inter-company operations, balances and income and expenses in operations between entities are eliminated. The losses and gains arising from inter-group operations and which are recognised as assets are also eliminated. The subsidiaries' accounting principals have been amended in those cases in which it has been necessary to ensure the uniformity of the policies adopted by the Group.

The detail of Group's subsidiaries on December 31, 2011 and 2010 is as follows:

31 December 2011:

Company name	Reg. office	Interest		Company holding the interest	Consolidation motive	Activity	Auditor
		Net investment amount (thousands of euros)	% nominal				
Laboratoires Forte Pharma, SAM	Monaco	60,685	100%	Natraceutical, S.A. and Forte Services SAM	Full int.	Commercialisation of nutritional products for chemists and drugstores	Pricewaterhouse Coopers (1)

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Forte Services, SAM	Monaco	4,397	100%	Natraceutical, S.A and Natraceutical Industrial, S.L.U.	Full int.	Provision of management and administrative services	Pricewaterhouse Coopers
Forte Pharma Ibérica, S.L.U.	Barcelona	-	100%	Natraceutical, S.A.	Full int.	Commercialisation of nutritional products for chemists and drugstores	Not audited.
S.A.,Laboratoires Forte Pharma, Benelux	Belgium	-	100%	Laboratoires Forte Pharma, SAM	Full int.	Commercialisation of nutritional products for chemists and drugstores	Not audited.
Natraceutical Industrial, S.L.U.	Valencia	13,058	100%	Natraceutical, S.A.	Full int.	Leasing of rustic estates	Not audited.
Natraceutical Canada, Inc.	Canada	-	100%	Natraceutical, S.A.	Full int.	Research into active ingredients of barley	Not audited.

(1) Local audit by Janick Rastello

31 December 2010:

Company name	Reg. office	Interest		Company holding the interest	Consolidat ion motive	Activity	Auditor
		Net investment amount (thousands of euros)	% nominal				
Laboratoires Forte Pharma, SAM	Monaco	71,903	100%	Natraceutical, S.A. and Forte Services SAM	Full int.	Commercialisation of nutritional products for chemists and drugstores	Pricewaterhouse Coopers (1)
Forte Services, SAM	Monaco	4,397	100%	Natraceutical, S.A and Natraceutical Industrial, S.L.U.	Full int.	Provision of management and administrative services	Pricewaterhouse Coopers
Forte Pharma Ibérica, S.L.U.	Barcelona	-	100%	Natraceutical, S.A.	Full int.	Commercialisation of nutritional products for chemists and drugstores	Not audited.
S.A.,Laboratoires Forte Pharma, Benelux	Belgium	-	100%	Laboratoires Forte Pharma, SAM	Full int.	Commercialisation of nutritional products for chemists and drugstores	Not audited.
Natraceutical Industrial, S.L.U.	Valencia	13,058	100%	Natraceutical, S.A.	Full int.	Leasing of rustic estates	Pricewaterhouse Coopers
Natraceutical Canada, Inc.	Canada	-	100%	Natraceutical, S.A.	Full int.	Research into active ingredients of barley	Not audited.

(1) Local audit by Janick Rastello

All the subsidiaries close their financial years on 31 December.

In 2010, the subsidiaries Braes Holdings Ltd and Braes Group Ltd., both located in United Kingdom and directly or indirectly dependent 100% on the parent, were not included in the scope of consolidation due to a lack of significant interest for the true image of the annual consolidated statements (they were inactive and classified as available for sale). During 2011, the parent's directors agreed to the liquidation of both subsidiaries, and as such the investment was derecognised for the amount

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of 1,645 thousand euros, as were the credit balances held with the mentioned companies. The result was a positive impact on the 2011 consolidated income statement of 65 thousand euros, entered in "Impairment and income from disposal of financial instruments".

In 2010, Braes Holdings Ltd., presented a capital of 350 thousand pounds sterling, a share premium of 706 thousand pounds sterling and a loss for 2010 of 28 thousand pounds sterling. For its part, Braes Group Ltd., presented a capital of 927 thousand pounds sterling, reserves of 605 thousand pounds sterling and a loss for 2010 of 87 thousand pounds sterling.

The significant post statement events occurred during 2011 are as follows:

- During 2010, the Group proceeded to classify the assets of its subsidiary Natraceutical Industrial, S.L.U., subject to the framework contract signed with Naturex S.A. (see Note 16) as "Disposable Group assets classified as held for sale", registering them at fair value according to the price established in the agreement, given that at year-end 2010 the parent's directors considered that the IFRS 5 requirements for such a classification were met. The sale was not executed during 2011, although progress was made in the formalization of the agreement, with the lifting of the condition precedent by the entities financing the syndicated loan. Thus, the directors consider that the requirements for this classification have been met without the need to register a change in their measurement.

In relation to the agreement of intent signed in 2010 between Natraceutical, S.A. and the Brazilian company Bio Group Brazil for the development of Forté Pharma in Brazil and a potential acquisition of an interest by Bio Group Brazil in Natraceutical which, at the same time, resulted in the signing of an option by Natra, S.A., on the shareholding interest it held in Natraceutical S.A. and that held by Grupo Natra S.A., in Naturex S.A., dated March 8, 2011, upon the finalization of the first four months for the exercise of the option, Bio Group Brazil informed Natra S.A., of its decision to extend the period for the exercising of the option on the Naturex S.A., shares and to reject the acquisition option contract relative to the shareholding package in Natraceutical S.A., although this decision did not imply the termination of the joint project centred on the commercial development of Forte Pharma in Brazil. Given the country's legal difficulties, the project is currently evolving slower than expected, and more so taking into account that the company requires a major support in the European markets to deal with the crisis in the sector and its impact on the Forte Pharma Group's turnover.

On May 11, 2011, Bio Group Brazil fully executed the option contract in advance, acquiring the Naturex S.A. shares held by certain companies belonging to the Natra Group and which represented 3.87% of the quoted French company.

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Significant events occurred during 2010:

On October 7, 2010, Natraceutical, S.A. signed an agreement of intent with the Brazilian company Bio Group Brazil, 100%-held by Davene, for the development of Forte Pharma (with BGB and Natraceutical holding initial interests of 65% and 35%, respectively) in Brazil and the floating of Natraceutical, S.A., on its stock market. The agreement includes the transfer to Forté Pharma Brazil of the brand's marketing license for the entire South American market. At the same time, BGB formalized a purchase option contract with Natra, S.A., on the 46.86% shareholding held by Natra, S.A., in Natraceutical (154 million shares), and another on the 3.89% stake held by the Natra Group in Naturex S.A. (247,261 shares). Both option agreements were to be implemented within four months, with an extension of four additional months, and provided for partial or total acquisition of the mentioned shareholdings by Davene's subsidiaries at the price of 0.43 euros per share for Natraceutical shares and of 35.3 euros per share for Naturex shares. In the event of the uptaking of the option on Natraceutical S.A. shares, the contract between Natra S.A. and BGB stipulated Davene's obligation to formulate a takeover bid at the same price in the event of the number of shares being equal to or greater than 30% of Natraceutical, S.A.'s share capital.

As a premium for the concession of both purchase options, the Natra Group received the sum of 2.86 million euros, to be increased by a further 2.86 million Euros in the event of BGB's exercising the right to the extend the implementation period established for the option. This second premium, unlike the first premium, would be deducted from the acquisition price.

As a condition precedent to the Natraceutical and Naturex option contracts, Natra S.A. must obtain consent for the mentioned operations from the financial institutions that hold rights on the shares in their condition as secured creditors. In the event of a non-compliance with the condition precedent within a period of one month, the contracts were to be terminated and rendered without effect forthwith.

As an additional agreement to the above, if, following the formalization of the acquisition of an interest in Natraceutical S.A., BGB were to hold a shareholding equal to or greater than 20%, BGB would contribute its shareholding in Forté Pharma Brasil to Natraceutical's capital, resulting in Forté Pharma Brasil becoming a 100%-held subsidiary of the Spanish multinational.

On 10 November 10, Natra, S.A. reported compliance with the requirements of the condition precedent established in the purchase option contracts relative to the Natraceutical, S.A. and Naturex S.A. shares which Natra, S.A. had granted to the Brazilian company Bio Group Brazil, which formalized the start of the option exercise period.

2010 was the first year in which the Group did not incorporate the income statements of the companies transferred to Naturex S.A. as part of the integration of the Natraceutical Group's Functional Ingredients Division into the quoted French Group Naturex S.A. into its consolidated financial statements. Consequently, 2010 was the

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first year in which, through the consolidation by the equity method of the associate Naturex S.A., the Natraceutical Group incorporated the corresponding proportion of the income in accordance with its percentage of interest.

(b) Changes in ownership interests in subsidiaries without changes in control

The Group entered the operations with non-controlling interests that did not give rise to a loss of control as operations with the Group's equity holders. In purchases of non-controlling interests, the difference between the consideration paid and the corresponding proportion of the carrying amount of the subsidiary's net assets is entered in equity. Gains or losses arising from the disposal of non-controlling interests are also recognized in equity.

(c) Disposal of subsidiaries

When the Group ceases to hold control, any retained interest in the entity is remeasured at its fair value on the date on which the control was lost, with the investment's increased carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of the subsequent entering of the retained interest as an associate, joint venture or financial asset. Additionally, any amount previously recognised in other comprehensive income in relation to the entity is accounted for as if the Group had directly sold all the related assets and liabilities. This could mean that the amounts previously recognized in other comprehensive income are reclassified in the income statement.

(d) Associated companies

Associates are all entities over which the Group exercises a significant interest but without the control that is generally accompanied by an interest of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method and are initially recognized at cost. The Group's investment in associates includes the goodwill identified in the acquisition, net of any accumulated impairment loss.

If the ownership of an interest in an associate is reduced but the significant influence retained, only the proportionate share of the amounts previously recognized in other comprehensive income is reclassified in the income statement.

The Group's interest in the losses or gains arising subsequent to the acquisition of its associates is recognised in the income statement, and its interest in the movements subsequent to the acquisition in other equity entries is recognized in other comprehensive income. The accumulated movements subsequent to the acquisition are adjusted against the investment's carrying amount. When the Group's interest in an associate's losses equals or exceeds the interest in the associate, including any uninsured accounts receivable, the Group does not

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recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

The unrealised profits arising from operations between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

The unrealized losses are also eliminated, unless the operation provides evidence of an impairment loss for the transferred asset.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

During 2011, the Group disposed of 577,160 shares in the only associate which was included in the scope of consolidation in 2010, obtaining a profit of 9,559 thousand euros (see note 26) entered under "Impairment and income arising from disposals of financial instruments" in the attached 2011 income statement.

As a result of these significant sales, together with the capital increase carried out on 1 November 2011 in the associate, and in which the Group did not participate, the parent company's directors have decided to exclude Naturex S.A. from the scope of consolidation, as both factors had led to the loss of significant influence over the mentioned associate. This loss of significant influence has arise from the dilution effect caused by the two previous factors, which have given rise to a considerable reduction both of the interest percentage, which fell to 20.7% (33.82% on 31 December 2010) and of the voting rights, which fell to 2.7 % (16% on 31 December 2010). As a result, and given the Group's intentions to dispose of the rest of its interest in the next 12 months, the parent's directors have decided to classify the investment as a financial asset at fair value with changes through profit and loss, registering it at its fair value, i.e., the quoted value at year end 2011. This in turn gave rise to a positive impact in the attached income statement for 2011 of 23,287 thousand euros, reflected under "Changes in fair value of financial assets at fair value with changes in profit and loss" (see note 26).

The detail of the associates on 31 December 2010 is as follows:

31 December 2010:

Company name	Reg. office	Interest		Company holding the interest	Consolidation motive	Activity	Auditor
		Net investment amount (thousands of euros)	% nominal				
Naturex SA	France	78,808	33.82%	Natraceutical, S.A., Natraceutical Industrial, S.L.U and Natraceutical Canadá	Equity method	Manufacture of natural ingredients.	KPMG, S.A. (France) and AREs X.PERT audit

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The only associate in 2010 closed its financial year on 31 December.

The Group did not include the associate Cakefriends Ltd., classified as held for sale and in which the parent held a 12.29% interest on 31 December in its consolidated annual statements for 2010, as it considered that a significant influence was not held. On 26 October 2011, the parent's directors agreed the sale of the parent's interest in the associate Cakefriends Ltd. to the Swiss company Panadoro Group Ltd. The sales contract also included the cancellation of the debit balances which the Group held with the mentioned associate, with the collection right to the same transferred to the purchaser. Consequently, the Group proceeded to derecognise both the interest and the mentioned balances, which resulted in a negative impact on the consolidated income statement for 2011 amounting to 220 thousand euros, reflected under "Impairment and income on disposals of financial instruments", amounting to 212 thousand negative euros (see note 26) and "Other operating expenses-Changes in trade provisions", for the sum of 8 thousand negative euros.

2.3. Changes in accountancy policies

During 2011, there have been no significant changes in accounting principles with respect to the criteria applied in 2010.

2.4. Segment reporting

The information relative to the operating segments is presented in accordance with the internal information provided to the highest authority in decision-making. The Board of Directors, which is responsible for the taking of strategic decisions, has been identified as the highest authority in the taking of decisions and responsible for allocating resources and assessing the performance of the operating segments (see note 5).

2.5. Foreign currency transactions

(a) Functional and presentation currency

The entries included in the each of the Group entities' financial statements are measured using the currency of the main economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency.

(b) Operations and balances

Foreign currency operations are translated into the functional currency using the exchange rates prevailing on the operation dates, or on the measurement dates in the case of entries that have been remeasured. Foreign exchange gains and losses resulting from the liquidation of these operations and the conversion at the closure

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exchange rates of the monetary assets and liabilities denominated in foreign currency are recognised in the income statement, except if they differ in other comprehensive income, such as the qualified cash flow hedges and the qualified net investment hedges.

Exchange rate losses and gains are presented in "Exchange rate differences" in the income statement.

(c) Group entities

The results and financial position of all the Group's entities (none of which employs the currency of a hyperinflationary economy) whose functional currency is different from the presentation currency are translated into the presentation currency as follows:

- (i) The assets and liabilities of each balance sheet presented are converted at the closing rate on the balance sheet date;
- (ii) The income and expenses of each income statement are converted at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates existing on the operation dates, in which case the income and expenses are converted on the operation date);
- (iii) All resulting exchange differences are recognised in the other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and translated at the closing rate. Any exchange rate differences are recognized in equity.

2.6. Property, plant and equipment

Property, plant and equipment are recognized at their acquisition price less accumulated depreciation and the accumulated recognized impairment losses. The cost of the property, plant and equipment includes costs directly attributable to the acquisition of the elements. Those acquired prior to 1996 and which are located in Spanish territory are carried at cost revalued pursuant to Royal Decree-Law 7/1996, of 7 June. This revalued amount was accepted in accordance with IFRS 1, as the reference value at the date of transition.

The revaluation surpluses or net increases in value resulting from revaluation are depreciated over the tax periods in the remaining useful lives of the revalued assets.

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As a result of the contribution of a business line by Natra, S.A. in 1993 as part of the incorporation of the parent, the company's land was measured at market value, as permitted by Law 29/1991. The effect of this revaluation at year-end was not significant.

On the date of transition to IFRS, the Group elected to measure certain plots of land (on which certain Group companies carry on their production activities) at fair value, as provided for in IFRS 1, and used this fair value as the attributed cost at that date. This value was determined on the date of transition on the basis of appraisals undertaken by independent valuers. Subsequent to the transition date, the Group opted to measure these assets in the same manner as its other assets, using the cost model.

Work carried out for property, plant and equipment is recognised at accumulated cost (external costs plus internal costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs applied to hourly rates the same as those used for the measurement of building projects).

Subsequent expansion, modernization, improvement or repair and maintenance costs are included in the carrying amount of the asset or are recognised as a separate asset, as appropriate, only when it is probable that future economic profits associated with the elements will flow to the Group and the cost of the item can be determined reliably. The carrying amount of the replaced part is derecognized. Other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. The amortization of other assets is calculated systematically using the straight-line method to allocate their costs up to the amount of their residual values over their estimated useful lives. Each part of an item of property, plant and equipment that has a significant cost in relation to the total cost of the item is amortized independently. The estimated useful lives are:

- | | |
|---------------------------------------|-------------|
| • Buildings | 15-33 years |
| ▪ Plant and machinery | 8-12 years |
| ▪ Other fixtures, tools and furniture | 5-12 years |
| ▪ Other fixed assets | 4-10 years |

The residual value and the service life of the assets are reviewed and adjusted, if necessary, at each balance sheet date.

When the carrying amount of an asset is greater than its estimated recoverable amount, its carrying amount is reduced immediately to its recoverable amount (Note 2.8).

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Losses and gains from the sale of property, plant and equipment are calculated by comparing the income obtained with the carrying amount, and they are recognised in the income statement in "Impairment and income from the disposal of property, plant and equipment".

2.7. Intangible assets

(a) Goodwill

Goodwill arise through the acquisition of subsidiaries, associates and joint ventures and represent the excess of the transferred consideration over the interest held by the Group in the net fair value of the identifiable net assets, the acquired entity's liabilities and contingent liabilities and the fair value of the non-controlling interest in the acquired entity.

In order to carry out the impairment loss tests, the goodwill acquired in a business combination is assigned to each of the cash generating units, or Groups of cash-generating units, which are expected to benefit from the combination's synergies. Each unit or Group of units to which the goodwill is assigned represents the lowest level within the entity at which the goodwill is managed internally. The goodwill is controlled at the operational segment level.

The goodwill impairment losses are revised annually or more frequently if events or changes in the circumstances indicate a potential impairment loss. The goodwill's carrying amount is compared with the recoverable amount, which is the value in use or the fair value less the sales costs, whichever is the greater. Impairment losses are recognized immediately as an expense, with no subsequent reversal.

(b) Trademarks and licenses

Trademarks and licenses acquired from third-parties are presented at their historical cost. Trademarks and licenses acquired in business combinations are recognized at fair value at the date of acquisition. They have a finite working life and are measured at cost less accumulated depreciation. The amortization is calculated by the straight-line method to allocate the cost of trademarks and licensing during their service life, estimated between 5 and 6 years.

Acquired computer software licences are capitalized according to the costs incurred during their acquisition and during the implementation of the specific programme. These costs are depreciated over their useful lives, which are estimated at between three and five years.

(c) Software

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The costs associated with the maintenance of software are recognized as an expense as they are incurred. Development costs directly attributable to the design and testing of software that are identifiable, unique and likely to be controlled by the Group are recognized as intangible assets, when the following conditions are met:

- The technical feasibility of completing the production of the intangible asset so that it will be available for use or sale;
- The management's intention to complete the intangible asset in question and to use or sell it;
- The entity has the capacity to use or sell the intangible asset;
- The form in which the intangible asset will generate probable future economic benefits can be demonstrated.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

The directly attributable costs, capitalized as part of the software, include the costs of the staff which develop such programmes and an adequate percentage of the overheads.

Costs that do not meet these criteria are recognised as an expense when they are incurred. Expenditure on an intangible asset recognized initially as expenses in the period are not subsequently recognised as intangible assets.

The development costs of software recognised as assets are depreciated over their estimated service lives, which does not exceed four years.

d) Development expenditure

Research is recognised as all original, planned studies undertaken in order to obtain new scientific or technological knowledge.

Development is the application of research findings or other scientific knowledge to a plan or design for the production of new or substantially improved materials, products, methods, processes or systems before the start of commercial production or use.

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The development activities of the Natraceutical Group are internally generated intangible assets. To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the generation of the asset into:

- A research phase: the phase in which the Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits, i.e. expenditure incurred until a prototype is obtained. Therefore, this expenditure is recognised as an expense when it is incurred. Therefore, this expenditure is recognised as an expense when it is incurred.
- A development phase: the more advanced phases of the project, in which the entity can, in some instances, identify an intangible asset and demonstrate that it will generate probable future economic benefits.

Development expenditure is recognised only if all of the following conditions are met:

- An identifiable asset is created.
- It is probable that the asset created will generate future economic benefits.
- The development cost of the asset can be measured reliably.

Such assets are amortized at an annual rate of between 20% and 33%, following the finalisation of the project.

The Group's development work is reflected in the accumulated cost resulting from the addition to the external costs of the internal costs determined in accordance with the manufacturing costs applied in accordance with hourly absorption rates similar to those employed in inventory measurement.

2.8. Losses due to impairment of non-financial assets

Assets having an indefinite service life (e.g., goodwill or intangible assets that are not in a condition to be used) are not subject to amortization and undergo annual loss impairment tests to determine whether it is necessary to enter impairment losses. Assets subject to amortization are subject to loss impairment reviews whenever there is an event or change in circumstances indicating that the carrying amount may not be recoverable. Impairment losses are recognized at the amount by which the asset's carrying amount exceeds recoverable amount of the same. The recoverable amount is an asset's fair value less sale costs or value in use, whichever is the greater. For the purposes of measuring impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash

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flows (cash-generating units). Non-financial asset impairment losses, other than goodwill, are reviewed on all the dates for which financial information is presented, and the possible reversal is analyzed.

2.9. Non-current assets (or disposable Groups) held for sale

Non-current assets (or disposable groups of elements) are classified as assets held for sale when their value is to be recovered mainly through sale, rather than through continued use, provided that the sale is considered highly likely. These assets are measured at the lesser of the carrying amount and the fair value less sale costs.

2.10. Financial Assets

2.10.1. Classification

The Group classifies its financial assets in the following categories: at fair value with changes in profit and loss, loans and receivables and available for sale. The classification depends on the purpose for which financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

(a) Financial assets entered at fair value with changes in profit and loss.

Financial assets at fair value with changes in profit and loss are financial assets held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term. Derivatives are also classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be liquidated in the following twelve months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. They are included in current assets, except for maturities of more than 12 months as of the balance sheet date, which are classified as non-current assets. The Group's loans and receivables mainly comprise the 'Clients and other receivables' and "Cash and cash equivalents" balance entries.

(c) Financial assets available for sale

Available for sale financial assets are non-derivatives that are designated in this category or are not classified in any of the other categories. They are included in

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non-current assets unless they mature within 12 months as of the balance sheet date or the management intends to dispose of the investment in this period.

2.10.2. Recognition and measurement

The usual acquisitions and disposals of investments are recognised at the negotiation date, i.e., the date on which the Group commits to the purchase or the sale of the asset. Investments are initially recognised at fair value plus the operation costs for all financial assets that are not measured at fair value with changes in profit and loss. Financial assets which are measured at fair value with changes in profit and loss are initially recognised at fair value, and the operation costs are charged to the income statement. Financial assets are derecognized in the balance sheet when the rights to receive cash flows from the investments have expired or have been transferred and the Group has substantially transferred all the ownership risks and benefits. Available for sale financial assets and financial assets at fair value with changes in profit and loss are subsequently recognized at fair value. Loans and receivables are recognized at amortised cost, according to the effective interest rate method.

Gains or losses from changes in the fair value in "Financial assets at fair value with changes in profit and loss" are presented in the income statement in "Income and expenses" in the period in which they are originated. Income from dividends relative to financial assets at fair value with changes in profit and loss are recognized in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or deteriorate, the accumulated fair value adjustments recognized in equity are included in the income statement.

The interest of available for sale securities calculated using the effective interest rate method is recognised in the income statement within other income. Dividends from available for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive these payments is established.

2.11. Offsetting of financial instruments

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Financial assets and liabilities are offset and presented at net value in the balance sheet when there is a legally enforceable right to offset the recognised amounts, and the Group intends to liquidate at the net value or to simultaneously realize the asset and cancel liabilities.

2.12. Financial asset impairment losses

(a) Assets at amortised cost

On each balance sheet date, the Group evaluates whether there is objective evidence that a financial asset or a group of financial assets may have suffered impairment losses. A financial asset or a group of financial assets is impaired, and an impairment loss is incurred, if, and only if, there is objective evidence of the impairment as being the result of one or more events that have occurred subsequent to the asset's initial recognition (an "event that causes the loss") and that this event (or events), responsible for causing the loss, have an impact on the future cash flows estimated for the financial asset or group of financial assets that can be estimated reliably.

The criteria used by the Group to determine whether there is objective evidence of an impairment loss include:

- Significant financial difficulty on behalf of the issuer or the obligor;
- Breaches of contractual clauses, such as defaults or delays in the payment of interest or principal;
- The Group, for economic or legal reasons related to financial difficulties of the borrower, grants the borrower concessions or advantages that otherwise would have not been granted;
- It is increasingly likely that the borrower enters a situation of bankruptcy, or any other situation of financial reorganisation, or
- The observable data indicates that there is a decrease susceptible to measurement in the estimated future cash flows for a group of financial assets from the initial recognition, although the decrease is as yet not identifiable with the Group's individual financial assets, including:
 - (i) Adverse changes in the payment conditions of the Group's borrowers, and
 - (ii) National or local economic conditions related with defaults in portfolio assets.

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For the loans and receivables category, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or an investment maintained to maturity has a variable interest rate, the discount rate for the measurement of any impairment loss of the value is the current effective interest rate determined in accordance with the contract. As a practical measure, the Group may estimate the impairment on the basis of the fair value of an instrument using observable market price.

If the amount of the impairment loss decreases in a subsequent period and the decrease can be objectively attributed to an event occurred after the impairment recognition (such as an improvement in the debtor's credit quality), the reversal of the previously recognized impairment is recognised in the consolidated income statement.

(b) Assets classified as available for sale

At the end of each accountancy period, the Group assesses whether there is objective evidence of the impairment of a financial asset or group of financial assets. For debt instruments, the Group uses the criterion (a) explained above. In the case of investments in equity instruments classified as available-for-sale investments, a significant or prolonged decrease in the investment's fair value below its cost is considered as an indicator that the asset is impaired. If such evidence exists for financial assets available for sale, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment of the financial asset previously recognised in income) is eliminated from equity and recognised in the separate consolidated income statement. Impairment losses recognised in the separate consolidated income statement by equity instruments are not reversed in the separate consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event that occurred after the impairment loss was recognized in the income statement, the impairment loss is reversed in the separate consolidated income statement.

2.13. Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the derivatives contract is signed. Subsequent to the initial recognition, they are remeasured at their fair value. The method employed for the recognition of the resulting gain or loss depends on whether the derivative is designated as a hedging tool and, if so, the nature of the item that it hedges. The Group designates certain derivatives as:

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- (a) Hedges covering a particular risk associated with a recognized asset or liability or a highly probable forecasted operation (cash flow hedging);

At the beginning of the operation, the Group documents the relationship between the hedging instrument and the entries covered, as well as the risk management objectives and the strategy for undertaking various hedge operations.

The Group also documents whether, both at the beginning and on an on-going basis, the derivatives that are used in the hedged operations are highly effective for the offsetting of the changes in the cash flows of the hedged entries.

The fair values of certain derivative instruments employed for hedging are disclosed in Note 11. The total amount of a hedging derivative's fair value is classified as a non-current asset or passive if the remaining hedged entry's maturity is greater than 12 months, and a current asset or liability if the remaining hedged entry's maturity is less than 12 months. Trading derivatives are classified as current liabilities or assets.

Cash flow hedges

The effective part of the changes in fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income. The loss or gain relating to the ineffective part is recognized immediately in the income statement.

The amounts accumulated in equity are reclassified to the income statement in the periods in which the hedged entry affects the income (for example, when the planned hedged sale takes place). The loss or gain relative to the effective part of the interest rate swaps covering variable interest loans, entered in other comprehensive income, are recognized in the "Financial income" in the income statement in accordance with the hedged loans' maturities. Nevertheless, when the forecast hedged operation implies the recognition of a non-financial asset (for example, inventories or property, plant and equipment), the previously deferred losses and gains in equity are transferred from equity and included in the initial measurement of the asset's cost. The deferred amounts are definitively recognised in the cost of the sold goods, in the case of inventories, or in amortization, in the case of plant and equipment.

When a hedge instrument expires or is sold, or when the requirements for hedge accounting are not longer met, any gain or loss accumulated in equity up until that time remains in equity and is transferred to income when the scheduled operation is finally recognized in the income statement. When the scheduled operation is no

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longer expected to take place, the gain or loss accumulated in equity is immediately transferred to the income statement.

2.14. Inventories

Inventories are measured at cost or net realisable value, whichever is the lesser. The cost is determined by the weighted average cost method. The cost of finished products and products in progress includes design costs, raw materials, direct labour, other direct costs and manufacturing overheads (based on normal operating capacity), but does not include interest costs. Net realisable value is the estimated sale price in the normal course of business, less the applicable variable sale costs.

2.15. Trade receivables

Trade receivables are amounts owed by customers for the sale of goods or services carried out in the normal course of business. If payment of the debt is expected within a period of one year or less (or in the normal operational cycle, if this is longer), the debts are classified as current assets. Otherwise, they are presented as non-current assets.

Trade receivables are initially recognised at their fair value, and subsequently at the amortised cost according to the effective interest rate method, less the provision for impairment losses.

2.16. Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits in banks and other short-term investments of high liquidity, with an original maturity of three months or less.

2.17. Share capital

Common stock is classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a deduction, net of tax, of the revenue obtained.

When any Group entity acquires shares in the Company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of taxes) is deducted from the equity attributable to the owners of the Company's equity instruments until its cancellation, new issue or disposal. When these shares are subsequently reissued, all the amounts received, net of any of the operations

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directly attributable incremental costs and the corresponding income tax affects, are included in the equity attributable to the owners of Company's equity instruments.

2.18. Accounts payable

Accounts payable are payment obligations for goods or services that have been acquired from suppliers in the ordinary course of business.

Accounts payable are classified as current liabilities if the payments are due in one year or less (or mature in the normal operational cycle, if this is higher). Otherwise, they are presented as non-current liabilities.

Accounts payable are initially recognised at fair value, and subsequently measured at the amortised cost, using the effective interest rate method.

2.19. Financing debt

Financing debts are initially recognised at fair value less the transaction costs incurred. Subsequently, the financing debts are measured at the amortised cost. Any difference between the funds raised (net of the costs necessary for their obtaining) and the reimbursement value is recognised in the income statement during the term of the debt, according to the effective interest rate method.

2.20. Current and deferred tax

Natraceutical, S.A. is taxed under the consolidated tax system as the Group's parent, together with Forte Pharma Ibérica, S.L.U.

The Group's subsidiaries file individual tax returns, in accordance with the tax regulations applicable in each country.

The tax expense for the period comprises current and deferred tax. Taxes are recognised in the income statement, except insofar as they relate to entries recognised in other comprehensive income, or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax expense is calculated on the basis of the laws adopted or about to be adopted on the balance sheet date in the countries in which the Company and its subsidiaries operate and in which the positive tax bases are generated. Management regularly evaluates the positions adopted in tax returns in relation to

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the situations in which the applicable tax regulation is subject to interpretation and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized, in accordance with the liability method, for the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Nevertheless, deferred taxes are not entered if they arise from the initial recognition of an asset or liability in an operation other than a business combination which, at the time of the operation, does not affect the accounting profit nor the tax profit or loss. The deferred tax is determined using tax rates (and laws) that have been adopted or are about to be adopted on the balance sheet date, which are expected to be applicable when the corresponding deferred tax asset is realized or the deferred tax liability is liquidated.

Deferred tax assets are recognized only when it is likely that there will be future tax benefits with which to offset the temporary differences.

Deferred tax on temporary differences arising from investments in subsidiaries and associates is recognized, except for those deferred tax liabilities for which Group can control the reversal date and it is probable that they will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally recognized right to offset current tax assets against current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from the income tax corresponding to the same taxation authority, applicable to the same entity or tax subject, or different entities or tax subjects, who intend to liquidate the net amount of the current tax assets and liabilities.

2.21. Employee benefits

Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate the corresponding employment contracts prior to the standard retirement age or when the employee voluntarily agrees to resign in exchange for this benefit. The Group recognizes these benefits, when there is a demonstrable commitment to cease the current employees in their posts, according to a formal detailed plan that may not be subject to withdrawal. When an offer is made to encourage the voluntary resignation of employees, the termination benefits are measured in accordance with the number of employees expected to accept the offer. Benefits

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that are not to be paid within the twelve months as of the balance sheet date are discounted at their current value.

2.22. Provisions

Provisions are recognized when: the Group has an obligation, whether legal or implied, as a result of past events; it is likely that an outgoing of resources will be necessary to settle the obligation; and the amount has been estimated reliably. Restructuring provisions include sanctions for lease cancellations and severance payments to employees. Provisions for future operating losses are not recognized. When there is a number of similar obligations, the probability of the need for outgoings to settle the obligation is determined by considering each class of obligations as a whole. A provision is recognized even when the probability of an outgoing in relation to any entry included in the same class of obligations is small.

Provisions are measured at the current value of the disbursements considered necessary to settle the obligation using a pre-tax rate that reflects the current market value of the time value of money and the risks specific to the obligation. Increases in the provision arising from the passage of time are recognised as borrowing expenses.

2.23. Revenue recognition

Revenue includes the fair value of the considerations received or to be received for the sale of goods and services in the ordinary course of the Group's activities. Revenue is presented net of tax on the added value, returns, rebates and discounts and following the elimination of intra-group sales.

Revenue is recognised when the income can be reliably measured, it is likely that the entity will receive a future economic benefit and when certain conditions are met for each of the Group's activities described below. The Group bases its estimates on historical results, considering the type of customer, the type of operation and the specific circumstances of each agreement.

(a) Sale of goods - Wholesale

The Group manufactures a wide range of nutritional products, which it markets wholesale to chemists and parapharmacies. The sales of goods are recognized once a Group entity has delivered the products to the wholesaler, the wholesaler manages the product's distribution channel and the sales price and there are no unmet obligations that may affect the products' acceptance by the wholesaler. Delivery does not occur until the product has been sent to the specific location, the risks of obsolescence and losses have been transferred to the wholesaler, and

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when the wholesaler has accepted the products in accordance with the sales contract, the acceptance period has concluded, or the Group has sufficient objective evidence that all the acceptance criteria have been met.

The products are sometimes sold with volume discounts. Customers have the right to return defective products through the wholesale market. Sales are recognized in accordance with the price established in the sales contract, net of the estimated value of the volume discounts and returns at the time of sale. To estimate and provision discounts and returns, the Group relies on its accumulated experience. Volume discounts are measured in accordance with the estimated annual volume of sales. It is assumed that there is no finance component when sales are effected with an average payment term of 60 days, which is in line with market practice.

(b) Interest Income

Interest income is recognized using the effective interest rate method. When a loan or account receivable suffers a loss from impairment, the Group reduces the carrying amount to the recoverable amount, calculated on the basis of estimated future cash flows discounted at the instrument's original effective interest, and continues updating the account receivable as an interest income. Interest income from loans that have suffered losses due to impairment are recognised using the original effective interest rate.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Service provision

Service provisions are recognized by considering the degree of realization of the provision on the balance sheet date, provided that the operation's result can be reliably estimated.

2.24. Leases

Leases in which the lessor retains a significant portion of the ownership risks and rewards are classified as operating leases. The payments corresponding to operating leases (net of any incentives received from the lessor) are charged linearly to the income statement during the lease period.

2.25. Distribution of dividends

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The distribution of dividends to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

2.26. Information on the environment

Property, plant and equipment aimed at minimising environmental impact or improving the environment are measured at acquisition cost. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of these assets are capitalised. Repair, upkeep and maintenance expenses are charged to the consolidated income statement in the year in which they are incurred.

The expenses incurred in connection with environmental activities or the management of the environmental impact of the Group's operations are recognised on an accrual basis, i.e., when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to diverse financial risks: market risks (including exchange rate risk, fair value interest rate risk and price risk), credit risk and liquidity risk.

The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial return. The Group uses derivative financial instruments to hedge certain risks.

Risk management is controlled by the Finance Department and monitored and controlled directly by the Management, which meets periodically to analyse the situation of the financial markets and the existing operations/hedges.

(a) Market risk

(i) Exchange rate risk

The Group mainly operates in European markets, and as such has no significant exposure to exchange risks arising from foreign currency operations.

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The Group has no significant investments in overseas operations whose net assets are exposed to the foreign currency exchange risk.

(ii) Price risk

The Group is exposed to the equity price risk arising from the investments held by the Group and classified in the consolidated balance sheet as financial assets at fair value with changes in profit and loss.

The Group's only investment in instruments relative to the equity of other quoted companies is the 20.7% interest in Naturex S.A. (33.82% on 31 December 2010), which is quoted on the French stock market.

10% increases in the value of the Naturex S.A. share price would give rise to an increase in the Group's net profit amounting to 8,278 thousand euros, while decreases of 10% in its share price would result in a negative impact in the consolidated financial statement of 8,278 thousand euros, tax-free, as the Group maintains an interest of more than 5% in Naturex S.A., which means that it is exempt from taxation.

The Group is not exposed to quoted raw material price risks, due to the nature of its activity and the markets in which it operates.

(iii) Cash flow interest rate risk

The Group interest rate risk arises from financial liabilities. The loans issued at variable rates expose the Group to cash flow interest rate risk. Loans bearing a fixed interest expose the Group to fair value interest rates. The Group's policy is to maintain between approximately 50% and 75% of its borrowed capital in fixed interest rate instruments. During 2010 and 2011, the Group's loans were denominated in euros.

According to the simulations carried out, the impact on the result of a basic interest rate change of 100 points would be a maximum increase in 443 thousand euros (2010: 760 thousand euros) or a deduction of 443 thousand euros (2010: 760 thousand euros), respectively. This simulation is carried out quarterly in order to verify that the maximum potential loss is within the limits established by the Management.

Based on the different scenarios, the Group manages the cash flow interest rate by means of variable to fixed interest rate swaps. These interest rate swaps have the economic effect of converting variable interest borrowed capital to fixed interest. Generally, the Group obtains long-term borrowed capital at variable interest, which it swaps to fixed interest.

(b) Credit risk

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The Group's principal financial assets are trade and other receivables and investments, recognized in the financial statements net of impairment losses, which represent the Group's maximum exposure to credit risk in relation to financial assets, without taking into account the collateral securities or other credit enhancements.

The amounts of the trade and other receivables presented in the balance sheet are net of provisions for doubtful debts, estimated by the Group's management based on past experience and their assessment of the current economic environment.

The credit risk of the liquid equity and derivative financial instruments is limited, given that the counterparties are banks that have been assigned high ratings by international credit rating associations.

(c) Liquidity risk

The Group establishes its cash requirements by drawing up a 12-month cash budget, which is updated quarterly, based on the budget of each Group company.

In this way, treasury requirements, in terms of amount and time, are identified and new plans for meeting financing requirements are developed.

Borrowing requirements arising from investing activities are structured and designed on the basis of the life of the related investment and are usually met through long-term loans, e.g., syndicated loans.

The Management monitors the forecasts for the Group's cash reserves (which comprise the credit availability and the cash and cash equivalents) depending on the expected cash flows.

The following table details an analysis of the Group's financial liabilities to be settled in net, grouped by maturities according to outstanding deadlines on balance sheet date until the due date stipulated in the contract.

	Within one year	1 to 2 years	2 to 5 years	Over 5 years
On 31 December 2011				
Banks (Note 20)	49,414	10,137	-	-
Derivative financial instruments (Note 11)	-	525	-	-
Other financial liabilities	1,224	7,137	289	93
Trade and other accounts payable	10,044	-	-	-

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On 31 December 2010

Banks (Note 20)	83,766	-	205	-
Derivative financial instruments (Note 11)	-	-	489	-
Other financial liabilities	2,501	218	6,943	228
Trade and other accounts payable	13,395	-	-	-

All the derivative financial instruments correspond to hedge ratios and are to be liquidated in 2013.

3.2 Capital risk management

The Natraceutical Group's main objective is the maintaining of an optimal capital structure that guarantees the company's ability to continue as a going concern, which safeguards the yield of its shareholders as well as profits for the holders of net equity instruments. This policy allows for the reconciliation of the creation of value for the shareholders with access to financial markets at a competitive cost to cover the financing of the investments which are not covered by the generation of goodwill. The development of this policy is in line with the Group's strategy on the growth of sales through the expansion of its operations in the domestic and international territories.

The Group's capital structure includes shareholders' equity, which comprises share capital, reserves and retained earnings, and net financial debt, which includes bank borrowings, cash and cash equivalents.

The Group monitors capital on the basis of the borrowing rate. This index is calculated as the net debt divided by the total capital. The net debt is calculated as the total borrowed capital (including the "current and non-current financial debt", "derivative financial instruments" and "other current and non-current financial debt" in the consolidated balance sheet) less cash and cash equivalents. The total capital is calculated as the consolidated balance sheet "equity" plus the net debt.

The following table shows the level of financial debt (net financial debt/total liability) of the Natraceutical Group at the close of the 2011 and 2010 financial years (in thousands of euros).

	2011	2010
Borrowed capital	66,062	94,350
Less: Cash and cash equivalents	(714)	(1,392)
Net debt	65,348	92,958
Total equity	86,590	73,354

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Total capital	151.938	166.312
Leverage ratio	43%	56%

The decrease in the leverage ratio is a consequence, on the one hand, of the increase of the equity arising mainly from the 2011 profit and, on the other, the decrease in net debt derived from the sale of investments in Group companies and associates, which have given rise to exceptional inflows of cash which were used to cancel part of the financial liability.

3.3 Estimation of fair value

On 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments measured in the balance sheet at fair value, which requires the disclosure of the fair value measurements by levels according to the following hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical liabilities and assets.

Level 2: data different to the quoted price included in level 1 that are observable for the asset or liability, both directly (i.e., prices) and indirectly (i.e., derived from prices).

Level 3: data for assets or liabilities that are not based on observable market data (i.e., unobservable).

The fair value of financial instruments traded in active markets is based on a representative average of the quoted prices. A market is considered active when quotation prices are easily and regularly available and easy through a stock market, financial intermediaries, sectorial institution, price service or regulatory body, and those prices reflect current market transactions that occur regularly between parties operating in conditions of mutual independence. The quoted market price used for the financial assets held by the Group is the current purchase price. These instruments are included in Level 1. The instruments included in Level 1 include assets at fair value with changes in profit and loss that correspond to investments in Euronext equity investments (investment in Naturex. See Note 14).

The fair value of financial instruments that are not traded on an active market is determined using measurement techniques. The Group uses a variety of methods and hypotheses that are based on the market conditions on each of the balance sheet dates. Other techniques, such as estimated discounted cash flow estimates, are used to determine the fair value of other financial instruments. This Level 2 category encompasses the hedging derivatives held by the Group.

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4 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

Important accounting estimates and judgements

The Group makes estimates and hypotheses regarding the future. The resulting accounting estimates, by definition, rarely match to the corresponding actual results. The most significant estimations and judgements are explained below:

(a) Estimated goodwill impairment loss

On an annual basis, the Group verifies whether the goodwill has suffered a significant impairment loss, in accordance with the accounting policy detailed in Notes 2.7 and 2.8. The recoverable amounts of the cash generating units (CGU) have been determined using value-in-use calculations. These calculations require the use of estimates (Note 7).

(b) Fair value of derivatives and other financial instruments

The fair value of those financial instruments that are not traded on an active market (e.g., over the counter derivatives) is determined using measurement techniques. The Group used its judgment to select a series of methods and makes assumptions that are based mainly on the market conditions existing at each balance sheet date.

According to the Company's analyses, variations of 10% in the management's estimations would not significantly modify the financial instruments' estimated carrying amount.

(c) Service lives of Plant, property and equipment and Intangibles assets entries

The Group's management determines the estimated service lives and the corresponding charges for depreciation for its plant, property and equipment and intangible assets. This estimate is based on the period during which the Property, plant and equipment and Intangible assets are to generate economic profits. At each closure, the Group reviews the service lives of the Plant, property and equipment and Intangible assets elements, and if the estimates differ from those carried out previously the effect of the change is entered prospectively in the income statement for the financial year as of which the change is made.

5 Segment reporting

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The Management has determined the operating segments based on reports reviewed by the Board of Directors and which are employed for strategic decision-making.

The Board of Directors considers the business from a product point of view.

Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole are attributed to a "Corporate Unit".

The Board of Directors analyses the performance of the operating segments based on the operating result. The interest income and expenses are not allocated to segments, as this type of activity is managed by the central treasury, which is responsible for the Group's cash position.

The Group's financial information disclosed by operating segments for the years ended on 31 December 2011 and 2010 is shown below (in thousands of euros):

On 31 December 2011

	Functional Ingredients	Nutritional complements	Corporate	Total
Total income of the segment	312	29,094	79	29,485
Inter-segment income	-	-	-	-
Income from external customers	312	29,094	79	29,485
Procurements	-	(4,927)	-	(4,927)
Staff costs	-	(7,774)	(693)	(8,467)
Amortization of fixed assets	-	(1,197)	-	(1,197)
Operating profit (loss)	389	(14,864)	(2,201)	(16,676)
Impairment losses and income from disposal of financial instruments	568	-	8,711	9,279
Changes in fair value of financial assets at fair value with changes in profit and loss	1,519	-	21,768	23,287
Profit before tax	2,316	(15,748)	27,878	14,446
Finance expenses	-	-	(4,884)	(4,884)
Finance income	-	-	26	26
Capital gains tax	(529)	(14)	-	(543)
Equity in profit/loss of associates	5,470	-	-	5,470
Total assets	90,617	70,690	4,070	165,377
Recognition of non-current assets	-	641	-	641
Total assets + equity	1,400	10,047	153,930	165,377

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On 31 December 2010:

	Functional Ingredients	Nutritional complements	Corporate	Total
Total income of the segment	643	38,194	4	38,841
Inter-segment income	-	-	-	-
Income from external customers	643	38,194	4	38,841
Procurements	(621)	(9,809)	-	(10,430)
Staff costs	(135)	(9,472)	(816)	(10,423)
Amortization of fixed assets	(128)	(1,258)	-	(1,386)
Operating profit (loss)	(1,158)	(16,478)	(1,530)	(19,166)
Profit before tax	(1,177)	(15,594)	(2,737)	(19,508)
Finance expenses	-	-	(6,594)	(6,594)
Finance income	-	-	1,033	1,033
Capital gains tax	-	(62)	(3,048)	(3,110)
Equity in profit/loss of associates	5,032	-	-	5,032
Total assets	89,233	87,056	6,799	183,088
Recognition of non-current assets	-	988	-	988
Total assets + equity	2,545	11,488	169,055	183,088

During 2011 and 2010, the Group's sales were registered in the following geographic areas:

	Thousands of euros	
	2011	2010
Americas	2	248
Europe	29,483	38,593
	29,485	38,841

The European sales are broken down as follows:

	Thousands of euros	
	2011	2010
France	20,436	25,545
Spain	3,298	3,632
Belgium	3,201	4,144
Remainder	2,548	5,272
	29,483	38,593

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The revenue from external clients is measured in accordance with the same criteria as that applied to the income statement.

Non-current assets other than financial instruments, deferred tax assets, assets corresponding to post-employment benefits and rights derived from insurance contracts attributed by countries are detailed in the following table.

	Thousands of euros	
	2011	2010
Spain	40	84
Belgium	24	20
Monaco	59,974	71,833
	60,038	71,937

6 Property, plant and equipment

Thousands of euros	Land and buildings	Technical facilities and other plant, property and equipment	Total
Balance on 1-1-2010	3,711	736	4,447
Cost	5,441	11,862	17,303
Accrued amortization	(1,730)	(7,611)	(9,341)
Impairment losses	-	(3,515)	(3,515)
Book value	3,711	736	4,447
Recognitions	-	142	142
Transfers to non-current assets held for sale	(2,352)	-	(2,352)
Impairment losses recognised in the period	(1,204)	-	(1,204)
Reversal of impairment losses	-	16	16
Depreciation and amortization expense	(128)	(263)	(391)
Other movements	(27)	-	(27)
Balance on 31-12-2010	-	631	631
Cost	1,204	1,760	2,964
Accrued amortization	-	(1,129)	(1,129)
Impairment losses	(1,204)	-	(1,204)
Book value	-	631	631
Recognitions	-	14	14
Derecognitions	(1,204)	(260)	(1,464)
Amortization of derecognitions	-	135	135
Impairment reversal	1,204	-	1,204
Depreciation and amortization expense	-	(202)	(202)
Balance on 31-12-2011	-	318	318
Cost	-	1,514	1,514
Accrued amortization	-	(1,196)	(1,196)
Book value	-	318	318

In 2010, the land and buildings were reclassified as non-current assets held for sale as a consequence of the signing of a framework agreement with Naturex, S.A., for

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the sale of Natraceutical Industrial S.L.U. (see Note 2.2). Of the reclassified amount, 1,244 thousand euros correspond to land, the remainder to buildings. Note 16 includes further details on the Group disposables held for sale.

During 2011, the parent's directors took the decision to dispense with a rented office in Monaco, which was used by Forté Pharma for the development of its activities. Consequently, the Group has derecognized all the property, plant and equipment related to the office, resulting in a negative impact of 125 thousand euros in the attached income statement for 2011. This amount has been entered in "Impairment and income from the disposal of property, plant and equipment".

Impairment losses

In 2010, an impairment loss corresponding to certain lands and buildings owned by Natraceutical Industrial S.L.U. was entered following the measurement of the company's assets and liabilities at market value, in accordance with the framework contract signed with Naturex S.A. in 2010 (see Note 16).

Updates completed under RD-Law 7/1996 of 7 June

The accumulated net remeasurements at year-end amounted to 402 thousand euros (402 thousand euros on 31 December 2010), as broken down per entry below:

	Thousands of euros	
	2011	2010
Land	392	392
Buildings	10	10
	402	402

These remeasurements had no effect on the depreciation and amortization charge (28 thousand euros in 2010).

The lands and buildings were reclassified in 2010 as non-current assets held for sale, as mentioned in this note, and as such they are not amortized.

Property, plant and equipment located abroad

On 31 December 2011 and 2010, the following investments in property, plant and equipment were held by the Group outside the territory on which the parent has its registered offices:

Thousands of euros	
2011	2010

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Property, plant and equipment	Cost	Accrued amortization	Book value	Cost	Accrued amortization	Book value
Technical facilities and other plant, property and equipment	1,292	(996)	296	1,525	(967)	558
	1,292	(996)	296	1,525	(967)	558

Fully-amortized assets

On 31 December 2011, there is property, plant and equipment with an original cost of 752 thousand euros (2010: 458 thousand euros), fully amortized and still in use.

Assets covered by operating leases

The most significant operating lease agreement held by the Group as a lessor is that arranged in 2009 as a result of the sale of the Functional Ingredients Division to the quoted French company Naturex, SA, and which has a term of eight years. Under the agreement, the lease payments have been established on the basis of market prices and with the following discounts during the first five years: 75% for 2010, 60% for 2011, 45% for 2012, 30% for 2013 and 15% for 2014.

The amount of the "Land and buildings", relating to the above-mentioned contract, presents the following book value:

	Thousands of euros	
	2011	2010
Cost	5,420	5,420
Accrued amortisation on 1 January	(1,864)	(1,736)
Amortization for the period	-	(128)
Impairment	(1,204)	(1,204)
Book value	2,352	2,352

The above-mentioned lands and buildings are classified as non-current assets held for sale on 31 December 2011 and 2010.

The total future minimum payments under non-cancellable operating leases are as follows:

	Thousands of euros	
	2011	2010
Less than one year	128	93
Between one and five years	827	722
More than five years	233	466
	1,188	1,281

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The rental contract which produces the indicated income is expected to be cancelled in 2012 as a result of the framework agreement between Naturex S.A. and Natraceutical, S.A. mentioned in Note 16.

During 2011, the lease of these property, plant and equipment elements has given rise to an annual rental income totalling 96 thousand euros (2010: 58 thousand euros).

Insurance

The Group has taken out several insurance policies to cover the risks to which the property, plant and equipment is subject. The coverage provided by these policies is considered sufficient.

Guarantees

The borrowed capital provided by the Group's banks is guaranteed by land valued at 1,244 thousand euros (2010: 1,244 thousand euros) (see Note 21).

7 Intangible assets

"Intangible assets" includes the consolidated goodwill and other intangible assets, as detailed below:

	Thousands of euros	
	2011	2010
Goodwill on consolidation	59,027	70,245
Other intangible assets	693	1,061
Total	59,720	71,306

Goodwill on consolidation

The changes registered in goodwill are as follows:

	Thousands of euros	
	2011	2010
On 1 January	70,245	80,783
Cost	80,783	80,783
Accumulated impairment losses	(10,538)	-

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Book value	70,245	80,783
Impairment loss adjustments	(11,218)	(10,538)
On 31 December	59,027	70,245

In 2011, the impairment corresponded to the Laboratoires Forte Pharma Group CGU, which is entered in "Impairment and income from the disposal of property, plant and equipment" in the attached consolidated income statement for 2011.

In 2010, the impairment corresponded to the Laboratoires Forte Pharma Group CGU and the Forte Pharma Ibérica, S.L.U. CGU. This loss is entered in "Impairment and income from the disposal of property, plant and equipment" in the attached consolidated income statement for 2010.

A summary of the allocation of the goodwill at the CGU level is shown below:

	Thousands of euros	
	2011	2010
Laboratoires Forté Pharma Group	59,027	70,245
Total	59,027	70,245

The goodwill was allocated to the company that generated the goodwill at the time of its acquisition as a cash-generating unit (CGU) whose cash flows must guarantee the mentioned goodwill.

The recoverable amount of these goodwills has been estimated in accordance with the value in use, which is based on cash flow hypothesis, the growth rates of the same and the discount rates consistent with the rates applied in the calculation of the market values.

The projections are prepared for each cash generating unit on the basis of recent performance and include the Group management's best estimates concerning the future changes in the most significant internal and external economic variables.

The business plans drawn up are reviewed and ultimately approved by the parent's directors.

In order to calculate the value in use of each cash-generating unit, the present value of the cash flows was obtained using financial projections covering a five-year. The cash flows beyond of the five-year period are extrapolated using the estimated growth rates listed below. The growth rates used in the projections are consistent with market circumstances and are adjusted if the market conditions specifically affecting the cash-generating unit or the real business situation make it

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advisable to do so. With regard to the nutritional supplements market, average growth of around the 14.9% (8.9% in 2010) (a rate that does not exceed the expectations for the Company's sector of activity), taking into account the evolution of the market of such products and the development of the Forte Pharma Group. Likewise, an average growth in EBITDA of around 39.5% is expected (35.1% in 2010). During 2011, the company has made great efforts to contain overheads in its nutritional complements CGU with the aim of increasing the EBITDA margin on sales.

The discount rates employed contemplate the specific risks of each cash-generating unit with the objective debt (patterns of leveraged business), the average costs of the liabilities and the market risk premium. These discount rates have been updated this year, resulting in a value of 9.5% (10.5% for 2010), approximately.

The main variables affecting the calculations of the aforementioned projections are as follows:

- The growth rate used to extrapolate the cash flow forecasts of the period covered by the budgets or forecasts of 2% (2% in 2010). In 2011, and based on the structure of the business, the geographical area in which the different companies operate and their future expectations, the average growth rate for the 5-year period employed for sales was 14.9% and 39.5% for EBITDA. This high growth in EBITDA is originated by the type of product. As turnover increases, the overheads remain constant. The margins for the products sold vary between 75% and 80% are applicable.
- The value in use of each cash-generating unit has been calculated as the present value of the cash flows resulting from the financial projections, discounted at rates that take into account the assets' specific risks, the average cost of the liabilities and the Group's target financial structure. In 2011, and based on the structure of the businesses, the geographical area in which they operate and their future expectations, discount rates of around 9.5% were employed (10.5% in 2010).

If the management's estimated EBITDA were 10% lower, the Group would recognize additional impairment amounting to 8,790 thousand euros. If the discount rate were 1% higher, the Group would recognize additional impairment amounting to 7,648 thousand euros. If the growth rate was 10% lower, the Group would recognize additional impairment amounting to 1,255 thousand euros.

The mentioned impairment test revealed an impairment in the goodwill of the Laboratoires Forte Pharma Group amounting to 11,218 thousands euros (1,592 thousand euros for Forte Pharma Ibérica, S.L. and 8,946 thousand euros for Laboratoires Forte Pharma Group in 2010).

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Other intangible assets

The detail of and changes in "Other intangible assets" on 31 December 2011 and 2010 is as follows:

	Development	Patents, licences and trademarks	Software	Other fixed assets	Total
Balance on 1-1-2010					
Cost	5,261	1,060	1,747	234	8,302
Accrued amortization	(4,042)	(715)	(977)	-	(5,734)
Accumulated impairment losses	(342)	(192)	(303)	-	(837)
Book value	877	153	467	234	1,731
Recognitions	377	9	303	157	846
Transfers	237	7	(10)	(234)	-
Derecognitions	(212)	-	1	-	(211)
Depreciation and amortization expense	(578)	(1)	(416)	-	(995)
Other movements	(310)	-	-	-	(310)
Balance on 31-12-2010	391	168	345	157	1,061
Cost	1,699	174	1,316	157	3,346
Accrued amortization	(1,201)	(6)	(971)	-	(2,178)
Impairment losses	(107)	-	-	-	(107)
Book value	391	168	345	157	1,061
Recognitions	326	-	161	140	627
Transfers	74	-	20	(94)	-
Derecognitions	(527)	-	(14)	-	(541)
Amortization of derecognitions	527	-	14	-	541
Depreciation and amortization expense	(517)	(3)	(475)	-	(995)

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Balance on 31-12-2011	274	165	51	203	693
Cost	1,572	174	1,483	203	3,432
Accrued amortization	(1,191)	(9)	(1,432)	-	(2,632)
Impairment losses	(107)	-	-	-	(107)
Book value	274	165	51	203	693

Research and development expenses

The capitalized development expenses relate to the following projects:

	Thousands of euros							
	2011				2010			
	Cost	Accrued amortization	Impairment losses	Book value	Cost	Accrued amortization	Impairment losses	Book value
Scientists salaries	841	(677)	(107)	57	907	(700)	(107)	100
Clinical Trials	731	(514)	-	217	792	(501)	-	291
Total	1,572	(1,191)	(107)	274	1,699	(1,201)	(107)	391

The total expense for research and development recognised as expense in the income statement was 29 thousand euros (2010: 47 thousand euros) (see Note 25).

The additions to development expenses for 2011 and 2010 relate to projects developed by the Group as part of its policy to maintain growth rates and competitiveness levels.

Intangible fixed assets located abroad

On 31 December 2011 and 2010, the Company has the following investments located outside the Spanish territory, or whose rights can only be exercised outside the Spanish territory:

Other fixed assets	203	-	-	Thousands of euros	-	-	156			
Total	3,432	(2,632)	2011	(107)	693	3,336	(2,177)	2010	(107)	1,052
Fixed assets	Cost	Accrued amortization	Impairment losses	Book value	Cost	Accrued amortization	Impairment losses	Book value		
Development	1,572	(1,191)		274	1,699	(1,201)		(107)		391
Concessions, patents, licences and similar	174	(9)		165	165	(5)		-		160
Software	1,483	(1,432)		51	1,316	(971)		-		345

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Fully amortised intangible fixed assets

On 31 December, 2011, the Group had intangible fixed assets, still in use and fully-amortized, with a net book value of 1,546 thousand euros (2010: 571 thousand euros).

Insurance

The Group has taken out several insurance policies to cover the risks to which the intangible assets are subject. The coverage provided by these policies is considered sufficient.

8 Investments in associates

On 31 December 2011, the Group present no associates within its scope of consolidation (see Notes 2.2d) and 14).

"Investments in associates" on the asset side of the accompanying consolidated balance sheet on 31st December 2010 relates in full to the investment in Naturex, SA, (see Notes 2.2d)).

The changes in "Investments in associates" during 2011 and 2010 are as follows:

	2011	2010
On 1 January	78,808	70,566
Interest in (loss)/profit	5,444	5,013
Exchange differences	(828)	2,991
Sales of interests	(21,967)	-
Exclusions from the scope of consolidation	(59,494)	-
Dividends	200	238
Significant loss of influence	(2,163)	-
On 31 December	-	78,808

On 3 October 2011, Naturex SA announced a capital increase of 49.3 million euros by means of the subscription of preferential acquisition rights. At the time of this announcement, Natraceutical, S.A. held 1,995,002 shares in Naturex S.A. (31.07% of the company), for which it received the same amount of preferential subscription rights. The Natraceutical Group did not subscribe to the capital increase and proceeded to execute the sale of its rights for the net sum of 3.18 million euros.

On 21 October, 2011, Naturex S.A. published data relating to the closure of the capital increase, announcing the issue of 1,283,840 new ordinary shares. Following the capital increase, Naturex S.A.'s shares outstanding were fixed at 7,705,580, of

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(Amounts in thousands of euros)

which 6,318,272 are common stock and 1,387,308 are preferential (without voting rights).

On 28 October 2011, Natraceutical, S.A. formalized the sale 400,000 common stock shares in Naturex S.A. to SGD, an investment vehicle in which Naturex, S.A. chair J. Dikansky holds an interest. The operation amounted to 20.16 million euros. Following the capital increase and the sale of the above-mentioned shares, Natraceutical, S.A.'s shareholding in Naturex S.A. is 20.7%, consisting of 1.595.002 shares (207,694 common stock and 1,387,308 preferential). Consequently, Natraceutical, S.A.'s voting rights in Naturex S.A. are fixed at 2.7%. In turn, SGD and J. Dikansky hold 21.0% and 25.3% of the company's capital and voting rights, respectively.

The reduction of Natraceutical, S.A.'s voting rights in Naturex S.A. to less than 5% has given rise to the termination of the partners agreement between Natraceutical, S.A. and SGD and, consequently, the termination of the concert party held by both in Naturex S.A. through the mentioned Shareholders' Agreement.

During 2011, the Group disposed of 577,160 shares in the only associate which was included in the scope of consolidation in 2010, obtaining a profit of 9,559 thousand euros (see note 26) entered under "Impairment and income arising from disposals of financial instruments" in the attached 2011 income statement.

As a result of these significant sales, together with the capital increase carried out in the mentioned associate and in which the Group did not participate, the parent's directors have ceased to consolidate Naturex S.A. using the equity method, as both factors have led to the loss of significant influence over the mentioned associate. This loss of significant influence has arise from the dilution effect caused by the two previous factors, which have given rise to a considerable reduction both of the interest percentage, which fell to 20.7% and of the voting rights, which fell to 2.7 %. As a result, and given the Group's intentions to dispose of the rest of its interest in the next 12 months, the parent's directors have decided to classify the investment as a financial asset at fair value with changes through profit and loss, registering it at its fair value, i.e., the quoted value at year end 2011. This in turn gave rise to a positive impact in the attached income statement for 2011 of 23,287 thousand euros, reflected under "Changes in fair value of financial assets at fair value with changes in profit and loss" (see note 26).

On 31 December 2010, the data relative to Naturex S.A.'s only associate (which is quoted on the French stock market as a result of its incorporation in France) was as follows:

Millions of euros	2010
Total assets	358.1
Total liabilities	189.3
Revenue	226.3

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Profit (loss) for the year 14.8

The average quoted prices of Naturex SA shares during the last quarter of 2010 and the quoted price at the closure of 2010 were 42.34 euros and 40.20 euros per share, respectively.

9 Financial instruments by category and credit quality

9a Financial instruments by category

The book value of each of the financial instrument categories is as follows:

	Loans and receivables	Assets at fair value through profit and loss	Hedge derivatives	Available for sale	Total
31 December 2011					
Assets on the balance sheet					
Assets at fair value with changes in profit and loss (Note 14)	-	82,781	-	-	82,781
Trade and other receivables (Note 12)	6,813	-	-	-	6,813
Cash and cash equivalents (Note 15)	714	-	-	-	714
Total	7,527	82,781	-	-	90,308

	Liabilities entered at fair value with changes in profit and loss.	Hedge derivatives	Other financial liabilities at amortised cost	Total
31 December 2011				
Liabilities on the balance sheet				
Loans (Note 20)	-	-	56,794	56,794
Derivative financial instruments (Note 11)	-	525	-	525
Other financial liabilities (Note 20)	-	-	8,743	8,743
Trade and other payables (Note 19)	-	-	10,444	10,444
Total	-	525	75,981	76,506

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	Loans and receivables	Assets at fair value through profit and loss	Hedge derivatives	Available for sale	Total
31 December 2010					
Assets on the balance sheet					
Financial assets available for sale (Note 10)	-	-	-	1,981	1,981
Customer and other receivables (Note 12)	10,098	-	-	-	10,098
Cash and cash equivalents (Note 15)	1,392	-	-	-	1,392
Total	11,490	-	-	1,981	13,471

	Liabilities entered at fair value with changes in profit and loss.	Hedge derivatives	Other financial liabilities at amortised cost	Total
31 December 2010				
Liabilities on the balance sheet				
Loans (Note 20)	-	-	83,971	83,971
Derivative financial instruments (Note 11)	-	489	-	489
Other financial liabilities (Note 20)	-	-	9,890	9,890
Trade and other payables (Note 19)	-	-	13,395	13,395
Total	-	489	107,256	107,745

9b Credit quality of financial assets

The credit quality of unmatured financial assets that have not suffered impairment losses can be measured according to the rating granted by external agencies or through the historical record of bad loans.

The credit quality of unmatured financial assets that have not suffered impairment losses is measured internally by the Group.

In relation to the Client and Other financial assets balances which have no specific credit rating, the Group considers that there are no significant impairment risks, based on its historical experience and the analysis carried out by the risk departments of the different companies.

The fair values do not differ significantly from the nominal values.

10 Available-for-sale financial assets

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(Amounts in thousands of euros)

"Available-for-sale financial assets" on 31 December 2010 reflects the interests and loans in the following companies, which are not included in the scope of consolidation:

Thousands of euros		
	2011	2010
a) Long term:		
Ownership interests:		
Braes Holdings Ltd.	-	1,645
Cakefriends Ltd.	-	187
Loans:		
Cakefriends Ltd.	-	105
b) Short-term:		
Loans:		
Cakefriends Ltd.	-	44
Total	-	1,981

On 26 October 2011, the parent's directors agreed the sale of the parent's interest in the associate Cakefriends Ltd. to the Swiss company Panadoro Group Ltd., which at the time of the disposal represented 12.29% of the associate's capital. The sales contract also included the cancellation of the debit balances which the Group held with the mentioned associate, with the collection right to the same being transferred to the purchaser. Consequently, the Group proceeded to derecognise both the interest and the mentioned balances, which resulted in a negative impact on the consolidated income statement for 2011 amounting to 220 thousand euros, reflected under "Impairment and income on disposals of financial instruments", amounting to 212 thousand negative euros (see note 26) and "Other operating expenses-Changes in trade provisions", for the sum of 8 thousand negative euros.

In 2010, the subsidiaries Braes Holdings Ltd and Braes Group Ltd., both located in United Kingdom and directly or indirectly 100%-dependent on the parent, were not included in the scope of consolidation due to a lack of significant interest for the true image of the annual consolidated statements (they were inactive and classified as available for sale). During 2011, the parent's directors agreed to the liquidation of both subsidiaries, and as such the investment was derecognised, for the amount of 1,645 thousand euros, as were the credit balances held with the mentioned companies. The result was a positive impact on the 2011 consolidated income statement of 65 thousand euros, entered in "Impairment and income from disposal of financial instruments".

The changes in Available-for-sale financial assets are summarized below:

Thousands of euros	
2011	2010

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Opening balance	1,981	4,682
Exchange differences	59	27
Recognitions	3	44
Derecognitions	(1,910)	(2,546)
Gains/(losses) in the income statement	(133)	(226)
Closing Balance	-	1,981
Non-current part	-	1,937
Current part	-	44

The available-for-sale financial assets were mainly denominated in euros.

11 Derivative financial instruments

	2011		2010	
	Assets	Liabilities	Assets	Liabilities
	s		s	
Interest rate swaps-cash flow hedges	-	525	-	489
Total	-	525	-	489
Less non-current part:				
Interest rate swaps-cash flow hedges	-	525	-	489
	-	525	-	489
Current part	-	-	-	-

Interest rate swaps

"Derivative financial instruments" in the accompanying consolidated balance sheet presents the amount of 525 thousand euros (489 thousand euros on 31 December 2010), which correspond to the measurement of the interest rate derivatives.

The Group determines the fair value of interest rate derivatives (fixed-rate swaps or IRSs and variations thereof) by discounting cash flows on the basis of the implicit Euro interest rate calculated on the basis of market conditions at the measurement date. The Group also uses the implicit volatility of the market to determine the fair value of options or IRSs that contain options, employing measurement techniques such as Black & Scholes and variations thereof applied to interest rate underlyings.

The Group undertakes interest rate hedging transactions in accordance with its risk management policy. The purpose of these transactions is to mitigate the effect that changes in interest rates could have on the future cash flows of credit facilities and loans tied to floating interest rates.

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The nominal value of the liabilities hedged by interest rate cash flow hedges for the coming years is 38,965 thousand euros (38,965 thousand euros on 31 December 2010), with maturity in 2013.

As a consequence of the refinancing process completed in April 2010, the syndicated loan held by the Group up to the mentioned date and the derivatives linked to the same were cancelled. Thus, the amount corresponding to derivative measurement changes recognized in equity was transferred to the 2010 income statement, resulting in a negative impact of 424 thousand euros. Furthermore, as part of the mentioned refinancing process a derivative was contracted to cover interest rate changes for 50% of the nominal amount of the new syndicated loans. As a consequence of the partial amortizations of the principal, 70.34% of the syndicated loan was covered by this derivative. The amount recognised in equity as financial hedge instruments corresponds to the measurement of the mentioned derivatives, net of taxes.

On 31 December, 2011 and 2010, the variable reference interest rate that affects most of the debt is the EURIBOR.

The Group has signed financial interest rate swap contracts with various banks to cover the possible risk of increases in the debts' reference rates, as shown below.

2011

			Amount		Fair Value (in Thousands of euros)
	Classification	Rate	Contracted (Thousands of euros)	Maturity	Liability
IRS	Interest-rate hedges	Variable to fixed	2,176	19/04/2013	(29)
IRS	Interest-rate hedges	Variable to fixed	20,064	19/04/2013	(270)
IRS	Interest-rate hedges	Variable to fixed	7,260	19/04/2013	(98)
IRS	Interest-rate hedges	Variable to fixed	3,565	19/04/2013	(48)
IRS	Interest-rate hedges	Variable to fixed	5,900	19/04/2013	(80)

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(Amounts in thousands of euros)

Non-current total	38,965	(525)
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2010

			Amount		Fair Value (in Thousands of euros)
	Classification	Rate	Contracted (Thousands of euros)	Maturity	Liability
IRS	Interest-rate hedges	Variable to fixed	2,176	19/04/2013	(27)
IRS	Interest-rate hedges	Variable to fixed	20,064	19/04/2013	(252)
IRS	Interest-rate hedges	Variable to fixed	7,260	19/04/2013	(91)
IRS	Interest-rate hedges	Variable to fixed	3,565	19/04/2013	(45)
IRS	Interest-rate hedges	Variable to fixed	5,900	19/04/2013	(74)
Non-current total			38,965		(489)

Analysis of sensitivity to the interest rate

The changes in the fair value of the interest rate derivatives arranged by the Group depend on the changes in the long term euro interest rate curve. The fair value of these financial derivative liabilities on 31 December, 2011 is 525 thousand euros (489 thousand euros on 31 December 2010). The parent uses hedge operations to manage its exposure to interest rate fluctuations. The aim of interest rate risk management is to achieve a balanced debt structure that makes it possible to minimise the cost of the debt over several years whilst maintaining reduced income statement volatility. The derivative instruments arranged are assigned to specific borrowings and are adjusted on the basis of the timeframe and amount thereof.

The Group carried out a sensitivity analysis on the financial instruments for interest rate changes of +/- 100 base points in the applicable rates, which would give rise to changes in the range of 398 – 389 thousand euros.

For 2010, the Company carried out a sensitivity analysis on the finance instruments for interest rate changes of +/- 100 base points in the applicable rates, which gave rise to changes of approximately 760 thousand euros.

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(Amounts in thousands of euros)

The finance risk structure on 31 December 2011 and 2010, differentiating between fixed interest risk and floating interest risk and taking into account the derivatives arranged (which meet all the requisites to be considered as hedging derivatives), is as follows:

31 December 2011	Thousands of euros
Protected or fixed interest rate	38,965
Floating interest rate	16,428
Debt	55,393
% Fixed Rate/Total debt	70.34%

31 December 2010	Thousands of euros
Protected or fixed interest rate	38,965
Floating interest rate	38,965
Debt	77,930
% Fixed Rate/Total debt	50%

The sensitivity of the derivatives on 31 December, 2011 and 2010, will affect equity and income in so far as there are changes in the market conditions.

Customers and other receivables

	Thousands of euros	
	2011	2010
Long-term loans and receivables:		
- Loans to associates	-	51
- Other financial assets	676	1,454
Total	676	1,505
Short-term loans and receivables:		
- Loans to associates (Note 31)	-	800
- Other financial assets	-	28
- Clients and debtors	7,974	13,543
- Clients, group companies and associates	6	732
- Provision for impairment loss	(1,843)	(6,510)
- Current tax assets	1,460	2,483
Total	7,597	11,076
	8,273	12,581

The detail of Other current and non-current financial assets on 31 December 2011 and 2010 is as follows:

Thousands of euros

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

	2011	2010
Non-current financial assets:		
Syndicated refinancing process expenses	491	1,223
Deposits and bonds	134	196
Credit with related parties	51	51
Other investments	-	35
Total non-current financial assets	676	1.505
Current financial assets		
Deposits and bonds	-	28
Credit with related parties	-	800
Total current financial assets	-	828
Total financial assets	676	2,333

The detail of Current tax assets on 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
VAT receivable	1,151	2,185
Deductions and payments on account receivable	29	-
Corporate income tax receivable	280	298
Total current tax assets	1,460	2,483

The fair values do not differ significantly from the nominal values.

The matured customer receivables less than six months old are not considered to have suffered impairment. On 31 December, 2011, accounts receivable amounting to 1,966 thousand euros (2,252 thousand euros on 31 December 2010) had matured, although there was no corresponding impairment loss. The detail of Matured receivable accounts by periods on 31 December 2011 and 2010 is as follows:

	2011	2010
Up to 3 months	696	761
Between 3 and 6 months	1,270	1,491
More than 6 months	-	-
Total	1,966	2,252

During 2011, a provision for the impairment of client receivables amounting to 148 thousand euros was created (2010: 499 thousand euros).

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(Amounts in thousands of euros)

The book values of the loans and receivable entries are denominated in the following currencies:

	Thousands of euros	
	2011	2010
Euro	8,273	11,781
Swiss franc	-	800
Total	8,273	12,581

The changes in the Group's Client and other receivables impairment provision were as follows:

	2011	2010
On 1 January	6,510	6,011
Accounts receivable impairment provision	148	499
Accounts receivable impairment appropriation	(4,815)	-
On 31 December	1,843	6,510

The recognition and reversal of the client receivables impairment adjustments have been included in "Other operating expenses" in the consolidated income statement for 2011 and 2010. The amounts charged to the impairment account are usually derecognized when there are no expectations of recovering further cash, together with the cancellation of the receivable account.

There are no assets that have suffered impairment in the other accounts included in Clients and other receivables.

13. Inventories

	2011	2010
Sales personnel	-	1
Raw materials and other procurements	1,117	1,845
Unfinished products	34	29
Finished products	2,615	5,416
Impairment	(1,423)	(2,129)
On 31 December	2,343	5,162

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(Amounts in thousands of euros)

The Group has contracted several insurance policies to cover the risks to which the inventories are subject. The coverage provided by these policies is considered sufficient.

On 31 December 2011, the Group holds firm finished product sales commitments amounting to 6,212 thousand euros and holds no firm purchase commitments. On 31 December 2010, the Group held firm sales commitments amounting to 6,217 thousand euros and held no firm purchase commitments.

14. Financial assets at fair value with changes in profit and loss

	2011	2010
Quoted securities - held for trading		
— Equity securities - France	82,781	-
	82,781	-

The fair value of all equity securities is based on the current purchase price in an active market.

The amount corresponds fully to the investment in Naturex S.A. (see Note 8).

The average quoted prices of Naturex SA shares during the last quarter of 2011 and the quoted price at the closure of 2011 were 50.2 euros and 51.9 euros per share, respectively.

The investment is entered at the quoted price at closure 2011.

The changes in section of the 2011 balance sheet are as follows:

	Thousands of euros
	2011
Opening balance	-
Recognitions (Change in fair value)	23,287
Transfers of interests in associates	59,494
Closing Balance	82,781
Less: Non-current part	-
Current part	82,781

15. Cash and cash equivalents

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	2011	2010
Cash and banks	714	1,392
Cash and cash equivalents	714	1,392

16. Non-current assets held for sale and discontinued operations

During 2010, the Group proceeded to classify the assets of Natraceutical Industrial, S.L.U., subject to the framework contract signed with Naturex S.A.(see Note 2.2a) as "Assets classified as held for sale", registering them at market value according to the price established in the agreement, given that at year-end the IFRS 5 requirements for such a classification were met.

These assets included mainly land and buildings and other financial assets. The impact of measuring these assets at fair value was a loss in the consolidated financial statements for 2010 of 1589 thousand euros, entered in "Impairment and income from the disposal of financial instruments".

During December 2011, Natraceutical S.A. and Naturex S.A. made progress on the formalization of the sale after obtaining authorization from the banks involved in the syndicated operation. The sum of the operation amounted to 8.5 million euros, payable on 30 June 2017. This operation is subject to the compliance of certain conditions.

The Group expects to implement the framework contract at the beginning of 2012, which is why these assets are still classified on 31 December 2011 as held for sale and measured at the value established in the agreement, given that the parent's directors consider that they continue to fulfil the requirements of IFRS 5 for this classification.

On 31 December 2011 and 2010, and given the conditions of the agreement signed, there are no liabilities which must be classified as held of sale.

17. Share capital and share premium

The parent's share capital on 31 December 2011 and 2010 is composed of 328,713,946 fully-subscribed and paid-in common shares of 0.10 euro par value each.

In 2002, the parent's shares were quoted on the Stock Exchange Linking Service within the New Market Section on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges.

On 31 December 2011, Natra, S.A. is the only company with an ownership interest of more than 10%, by virtue of its holding 46.86% of the parent's shares (46.86%

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(Amounts in thousands of euros)

on 31 December 2010). On 31 December, 2011, the companies with an interest of at least 3% in the parent's share capital are as follows:

Name or corporate name of shareholder	% of Interest
NATRA, S.A.	46.860%
FÉLIX REVUELTA FERNÁNDEZ	7.664%
INVERSIONES IBERSUIZAS, S.A.	5.000%
KUTXABANK, S.A.	4.588%
CARAFAL INVESTMENT, S.L.	3.736%
HISPANICA DE CALDERERIA, S.A.L.	3.026%

On 31 December 2010, the shareholders with an interest of at least 3% are:

Name or corporate name of shareholder	% of Interest
NATRA, S.A.	46.860%
FÉLIX REVUELTA FERNÁNDEZ	7.541%
INVERSIONES IBERSUIZAS, S.A.	5.000%
KUTXABANK, S.A.	4.588%
CARAFAL INVESTMENT, S.L.	3.736%
HISPANICA DE CALDERERIA, S.A.L.	3.026%

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

No dividends were distributed 2011 or 2010.

Share premium

The Consolidated Spanish Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

Distribution of the Parent's profits

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(Amounts in thousands of euros)

The proposed distribution of the individual 2011 and 2010 profits, which has been prepared by the parent's Directors and is pending approval by the General Shareholders Meeting for 2011, amounting to (3,136) thousand euros ((10,805) in 2010), implies the transfer of the year's trading losses to 'Profit (loss) from previous years' to be offset by profits in future years.

Limitations to the distribution of dividends.

The Company may not distribute dividends until such time as the requirements are established in the syndicated financing contract explained in Note 22 a) are met:

- The net debt/EBITDA ration, following the distribution of dividends, is less than 3.5 x EBITDA,
- At least 20% of the total of the ordinary financing has been amortized.

Furthermore, the company may not adopt agreements determining the distribution of dividends on account.

The dividends received from an investee which is not a guarantor in the syndicated loan must be dedicated to the cancellation of the loan.

18. Retained earnings and other reserves

a) Retained earnings

On 1 January, 2010	(42,337)
Loss for the year	(22,618)
Other	(153)
On 31 December, 2010	(65,108)
On 1 January, 2011	(65,108)
Profit for the year	16,066
Other movements	474
On 31 December, 2011	(48,568)

Treasury shares

On 31 December 2011 and 2010, the Company held 4,305,677 treasury shares, acquired at an average price of approximately 1.14 euros. The par value of the treasury shares represents 1.31% of share capital on 31 December 2011 and

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2010The parent acquired the treasury shares by virtue of the agreement adopted by the Ordinary General Shareholders Meeting of 29 June 2005, which to date has been annually renewed by the General Shareholders Meeting, authorising the Board of Directors to purchase treasury shares at pre-established minimum and maximum prices.

In 2010, the Group acquired 14,451 treasury shares valued at 7 million euros.

The changes occurred in 2011 and 2010 are as follows:

	2011		2010	
	Cost (Thousands of Euros)	Nº of shares	Cost (Thousands of Euros)	Nº of shares
Balance at beginning of year	4,890	4,305,677	4,883	4,291,226
Additions	-	-	7	14,451
Balance at end of year	4,890	4,305,677	4,890	4,305,677

b) Other reserves

On 1 January, 2010	(441)
Cash flow hedges after tax	(45)
Translation differences	(646)
Interest in associates' comprehensive income	3,229
On 31 December, 2010	2,097
On 1 January, 2011	2,097
Cash flow hedges after tax	(25)
Translation differences	(48)
Sale of associates	(103)
Interest in associates' comprehensive income	(628)
Exclusions from the scope of consolidation	(2,500)
On 31 December, 2011	(1,207)

19. Trade and other payables

	Thousands of euros	
	2011	2010
Short-term debits and payables		
- Trade and other payables	8,492	11,997
- Suppliers which are group companies or associates	1,234	1,224
- Remunerations payable	718	174

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(Amounts in thousands of euros)

- Current tax liabilities	997	1,195
Total	11,441	14,590

The detail of Current tax liabilities on 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
VAT payable	161	870
Personal Income Tax payable	187	142
Social Security payable	649	183
Total current tax assets	997	1.195

The fair value of the amount corresponding to trade and other payables is similar to its book value, given the insignificant effect of the discount.

The book value of the Group's debts is denominated in euros.

19.1. Supplier payment terms

The detail of the payments for trade operations carried out during the year by the Group's Spanish companies and pending payment upon closure in relation to the maximum payment terms permitted under Law 15, 2010, is as follows:

	Payments made and outstanding on the balance sheet date	
	2011	
	Thousands of euros	%
Payments made during the year within the maximum legal term	4,609	84%
Remainder	879	16%
Total payments during year	5,488	100%
Average payment term – exceeded (days)	20 days	
Outstanding balance at closure exceeding the legal maximum	679	

There are outstanding payments with a deferral date of more than 85 days amounting to 679 thousand euros at year-end 2011 (654 thousand euros in 2010).

20. Financing debt

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(Amounts in thousands of euros)

	2011	2010
Non-current		
Bank borrowings	10,137	205
Other financial liabilities	7,519	7,389
	17,656	7,594
	2011	2010
Current		
Bank borrowings	45,000	77,791
Otras deudas con entidades de crédito	1,138	3,933
Unmatured accrued interest	519	2,042
Other financial liabilities	1,224	2,501
	47,881	86,267

(a) Bank borrowings

Both non-current and current "Bank borrowings" in the attached balance sheets on 31 December 2011 and 2010 reflect the loans and payables held by the Group with banks considered related parties for the following amounts:

	2011	2010
Non-current		
Related-party loans	1,593	-
	1,593	-
Current		
Related-party loans	6,791	11,850
Other related-party loans	-	-
Unmatured accrued interests	91	311
	6,882	12,161

The amount of the undrawn credit lines on 31 December 2011 and 2010 is 0 and 1,074 thousand euros, respectively.

During 2011, the Group effected the early repayment of 22,537 thousand euros corresponding to the syndicated loan, using the liquidity generated by the sale of Naturex S.A. sales (see Note 14).

On 15 April, 2010, Natraceutical, S.A. reached an agreement with the company's 23 lending banks to refinance the debt existing up to that moment. The effective starting date of this syndicated financing was 19 April, 2010. The total amount of refinanced debt amounted to 77.9 million euros. This syndicated financing was structured in a single tranche with a single contractual maturity (bullet) at three years (19 April 2013). With this design, the Natraceutical Group was able to access the financial support necessary to consolidate the development of Forté Pharma as a reference brand in Europe in the field of nutritional supplements, as well as to

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(Amounts in thousands of euros)

enhance the value of the merger of its Ingredients Division with French company Naturex S.A., carried out in late 2009.

The following acted as director entities of the refinancing: Banco de Sabadell, Banco de Valencia, Caixa d'Estalvis de Catalunya, Caja de Ahorros de Galicia, Caja de Ahorros del Mediterráneo y Caja de Ahorros de Valencia, Castellón y Alicante, Bancaja, with the latter acting as the Agent for the operation.

The guarantees granted in the mentioned syndicated financing are as follows:

- Pledging of all of shares in quoted French company Naturex S.A.
- Pledging of all the shares representing its capital which parent company owns as treasury stock.
- Mortgage on Natraceutical Industrial, S.L.U.'s lands, which have a book value of 1,244 thousand euros.

Security on the credit rights in favour of Natraceutical Industrial, S.L.U. arising from the lease contract underwritten on 30 December, 2009, between the aforementioned subsidiary, as the lessor, and the Spanish company "Xerutan, S.L." (now Naturex Spain, S.L.), as the lessee.

- Security on any credit rights derived in favour of Natraceutical, S.A. from the cash receipts and payments account opened in Bancaja;
- Security on any credit rights derived in favour of Natraceutical, S.A. from the amortization suspense account opened in Bancaja;

Security on any credit rights that may arise in favour of Natraceutical from the escrow account opened with the French bank "CIC Lyonnaise de Banque, S.A.", under the contract underwritten on 30 December 2009 between the above-mentioned Bank, Naturex S.A. and Natraceutical, S.A.

The Management believes that the Company will be capable of promptly meeting all the contractual obligations arising from the loans.

Under the obligations established in the syndicated financing operation carried out in April 2010, the Company must meet a number of covenants which, on the basis of the results obtained by the Group, have not been achieved on 31 December 2011 and 2010. At the end of the previous year, the Company proactively informed the financing banks involved in the above-mentioned operation of the Group's financial situation. At the same time, the Company requested the opportune authorizations and waivers to avoid short-term enforceability and, consequently, to extend during 2011 the short-term classification of the majority of the gross bank-borrowings as a current liability on December 31, 2010. On 29 April 2011, the Company successfully finalized the process of obtaining the authorizations from the banks responsible for granting the syndicated loan, which corroborated once more their financial support, and deferring compliance with the mentioned covenants for a 12-month period, thus leaving the operation's original maturity unaltered. This has enabled

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(Amounts in thousands of euros)

the opportune reclassification in the balance sheet as long-term payable and, consequently, its classification as a non-current liability during 2011. Thus, on the date of the preparation of these financial statements, the Company is exempt from compliance with the mentioned covenants and, therefore, the bank borrowings are presented with their original maturities. Given the commitment established by means of the syndicated loan to sell part of the Naturex shares during 2012 and to return part of the mentioned loan, the directors have classified 45,000 thousand euros as short-term debt.

The syndicated loan has annual average coupons at 4.80% in 2011 (3.75% in 2010).

The fair value of the current borrowed capital is approximately the same its book value, as the impact from the application of the discount is not significant.

The amounts of the Group's borrowed capital are denominated in euros.

(b) Other financial liabilities

The breakdown of "Other financial liabilities" in the accompanying consolidated balance sheets on 31 December 2011 and 2010 is as follows:

	Thousands of euros	
	2011	2010
Non-current:		
Payables to Group companies (Note 31)	6,928	6,577
Other liabilities	591	812
	7,519	7,389
Current:		
Payables to Group companies (Note 31)	1,007	2,327
Other liabilities	217	174
	1,224	2,501

The maturities of these "Other financial liabilities" are as follows:

Maturity	2011	2010
	Thousands of euros	
2011	-	2,501
2012	1,224	221
2013	7,137	6,786
2014	157	157
2015	66	66
2016 and following years	159	159
Total	8,743	9,890

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The amount of the non-current liabilities held with Group companies corresponds to a loan granted by Natra, S.A., with maturity on 30 September 2013. The loan is subject to interest at 6.49% (3.75% in 2010).

“Other non-current liabilities” includes guarantees for 76 thousand euros (96 thousand euros on 31 December 2010), a loan with a former supplier for 235 thousand euros (390 thousand euros on 31 December 2010) and a loan obtained from PROFIT (Programme for the Promotion of Technological Research) for the amount of 280 thousand euros (326 thousand euros on 31 December 2010), which does not accrue interest and which has maturities between 2013 and 2018. This loan is valued at its nominal value, which does not significantly differ from its measurement by the amortized cost method.

The amount of the current liabilities held with Group companies on 31 December 2011 corresponds to a current account which the Group holds with Natra, S.A., for 1,007 thousand euros (571 thousand euros in 2010). The interest rate is 6.49% (5.56% in 2010).

“Other current liabilities” includes guarantees amounting to 19 thousand euros (19 thousand euros in 2010), the part of a loan with a former supplier with maturity in the coming year and amounting to 151 thousand euros (160 thousand euros in 2010) and the part of the loan with PROFIT with maturity in 2012 and amounting to 47 thousand euros (0 thousand euros in 2010).

21. Deferred tax

The analysis of the deferred tax assets and liabilities entered in the balance is as follows:

	2011	2010
Deferred tax assets:		
Non-deductible expenses	269	278
Financial derivatives measurement	157	147
Tax loss and tax credit carryforwards	1,880	1,880
Other	430	430
	2,736	2,735
Deferred tax liabilities:		
Remeasurement of assets	529	-
Financial derivatives measurement	-	-
Tax loss and tax credit carryforwards	1	1
	530	1
Deferred tax assets and liabilities (net)	2,206	2,734

The changes in deferred tax assets and liabilities during the year are as follows:

	2011	2010
On 1 January	2,734	10,596

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Transfers	-	(5,094)
Charge in income statement (Note 28)	(538)	(3,111)
Tax charged/paid in relation with other comprehensive income components (Note 28)	10	343
On 31 December	2,206	2,734

In 2011, "Charges in income statement" mainly includes the deferred tax, amounting to 529 thousand euros, generated by the change in the measurement of the financial assets at fair value with changes in profit and loss (See Note 14).

The changes in paid deferred tax, related to components in Other comprehensive income, have arisen as a consequence of the changes in the value of the financial derivatives.

In 2010, credits for negative tax bases and deductions amounting to 3,048 thousand euros which the Group had entered in its balance were cancelled.

Additionally, upon closure of 2011 the Group has assets and liabilities for the following amounts and which have not been entered in the balance sheet:

	Maturity	Profit and Loss
Assets from deductible temporary differences		
Provisions for contingencies and non-deductible expenses		1,006
Impairment of receivables		750
Portfolio impairments		4,735
Deductions 2005	2015	1,190
Deductions 2006	2016	2,863
Deductions 2007	2018	6
Tax bases 2007	2025	2,175
Tax bases 2008	2026	868
Tax bases 2009	2027	6,392
Tax bases 2010	2028	1,800
Tax bases 2011	2029	5,303
Total assets from unentered deferred tax		27,087
Liabilities from deductible temporary differences		
Tax amortization of goodwill		66
Total liabilities from unentered deferred tax		66

Tax incentives applied during the year or pending deduction.

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Current Spanish corporation tax legislation provides certain tax incentives to encourage research and development, protection of the environment, employee training and export activity.

The deductions to stimulate these activities, pending their application by the tax Group in coming years in accordance with the Spanish legislation, are as follows:

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Year of generation	Amount	Year of maturity
2006	1	2016
2007	0	2017
2008	1	2018
TOTAL	2	

The Spanish societies have generated the following tax credits for reinvestment in previous years:

nts Year of generation of tax credit	Amount of Tax Credit	Income subject to Tax Credit	Year of maturity
2006	1,236	6,178	2016
Total	1,236	6,178	

The Group's Spanish Companies recognised tax credits for the reinvestment of extraordinary profits derived from the transfer of company property, plant and equipment, pursuant to Article 42 of the RDL 4 / 2004, by virtue of which approval was granted to TRLIS. The total profit covered by the mentioned tax credit was 6,178 thousand euros. The amount obtained in the transfer of the property, plant and equipment was reinvested in 2004 - 2007 in equity investments in other companies and in property, plant and equipment and intangible assets. The accumulated unused reinvestment tax credit amounted to 1,236 thousand euros.

In 2011, the Group has not entered any tax credits derived from the tax Group's tax bases. On 31 December, 2011, the Group has tax loss carryforwards to be offset by negative tax bases, generated in accordance with the following detail:

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(Amounts in thousands of euros)

Year of generation	Amount	Year of maturity
2007	9,627	2025
2008	5,065	2026
2009	21,307	2027
2010	6,002	2028
2011	17,677	2029
TOTAL	59,678	

Under current Spanish legislation, the tax loss of a given year can be carried forward for tax purposes for offsetting against the profits of the tax periods ending in the immediately following 18 years. However, the amount ultimately qualifying for offsetting, as well as the unused tax credits, might be modified as a result of review by the tax authorities of the years in which the losses arose.

When entering the Group's current capitalized tax credits into accounts and in the measurement of their recoverability within the legally established periods, the parent's Directors have considered the forecasts for the generation of sufficient profits, based on the established business plans, as well as other income from activities other than the normal operation of the company and planned for the coming years.

22. Provisions for other liabilities and expenses

The changes in the current provisions for 2011 and 2010 are as follows:

2011

	Staff provision	Provision for payments based on equity instruments	Total
On 1 January 2011	561	34	595
Charge / (credit) to the income statement:			
— Additional provisions	227	268	495
— Unused amounts reversed	(505)	-	(505)
On 31 December 2011	283	302	585

2010

	Provision for
--	---------------

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	Staff provision	payments based on equity instruments	Total
On 1 January 2010	362	120	482
Charge / (credit) to the income statement:			
— Additional provisions	225	32	257
— Unused amounts reversed	(26)	(118)	(144)
On 31 December 2010	561	34	595

The analysis of the total of these provisions is as follows:

	2011	2010
Non-current	169	198
Current	585	595
	754	793

The most significant provisions correspond to the advertising material used to promote the Forte Pharma Group nutritional products in chemists and parapharmacies.

Contingent liabilities

The company's directors consider that there are no significant contingent liabilities on 31 December 2011 and 2010.

23. Revenue and other operating income

	2011	2010
Sales	29,406	38,837
Service provision	79	4
Total revenue	29,485	38,841
Other income	285	182
Total other operating Income	285	182

24. Employee remuneration expenses

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(Amounts in thousands of euros)

	Thousands of euros	
	2011	2010
Wages and salaries	6,357	7,669
Social Security	2,100	2,624
Pension contributions	-	92
Termination benefits	-	29
Other social charges	10	9
Total	8,467	10,423

The average number of employees during the fully-consolidated companies' tax years, distributed by category, is as follows:

	2011	2010
Executives	5	8
Administrative staff	30	36
Manufacturing	12	15
Sales personnel	73	85
Laboratory	6	7
	126	151

Likewise, the distribution by gender of the fully-consolidated companies' employees at year-end is as follows:

	2011			2010		
	Men	Women	Total	Men	Women	Total
Executives	2	3	5	5	3	8
Administrative staff	9	21	30	12	24	36
Manufacturing	6	6	12	8	7	15
Sales personnel	25	48	73	31	54	85
Laboratory	1	5	6	1	6	7
	43	83	126	57	94	151

On 31 December 2011 and 2010, the Group has no employees with disabilities.

25. Itemized expenses

The itemized composition of the operating expenses in the attached consolidated income statements for 2011 and 2010, is as follows:

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	Thousands of euros	
	2011	2010
Change in inventory of finished and unfinished products	2,904	(812)
Procurements	4,927	10,430
Advertising and publicity	8,907	12,034
Professional services	3,571	7,824
Leases	1,392	1,610
Other expenses	1,213	995
Transport	959	1,232
Banking services	712	68
Insurance premiums	217	461
Utilities	123	193
Taxes	102	74
Research and development expenditure	29	47
Repairs and maintenance	8	44
Change in operating provisions	375	727
Other operating expenses	17,608	25,309
Depreciation of property, plant and equipment (see Note 6)	202	391
Depreciation of intangible assets (Note 7)	995	995
Total amortization of fixed assets	1,197	1,386
Goodwill impairment (see Note 7)	11,218	10,538
Impairment of property, plant and equipment (see Note 6)	125	915
Total impairment and income from the disposal of property, plant and equipment	11,343	11,453

26. Financial income and expenses

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(Amounts in thousands of euros)

	Thousands of euros	
	2011	2010
Finance income		
Negotiable securities and other financial instruments		
- Group companies and associates	-	4
- Third parties	26	
Total	26	4
Financial expenses:		
Debt with group companies and associates	(560)	(373)
Debt with third parties	(4,176)	(4,768)
Due to the updating of provisions	-	-
Total	(4,736)	(5,141)
Changes in fair value of finance instruments		
- Derivative financial instruments (Note 11)	(148)	(424)
Total	(148)	(424)
Exchange differences	107	689
Impairment losses and income from disposal of financial instruments		
Impairment and losses	(215)	(502)
Income from disposals and others	9,494	-
Changes in value of available-for-sale financial assets	23,287	-
Total	32,566	(502)
Finance income	27,815	(5,374)

The breakdown of Impairment and income from disposal of financial instruments is as follows:

	Euros	
	2011	2010
Impairment losses:		
- Ownership interests	(68)	821
- Loans	(147)	(1,323)
	(215)	(502)
Income from disposals and others:		
- Changes in value of financial assets at fair value with changes in profit and loss	23,287	-
- Disposal of interest in Group companies and associates	9,494	-
	32,781	-

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The income from the impairment of interests in 2011 corresponds to a loss amounting to 133 thousand euros arising from the impairment of the interest in the associate Cakefriends Ltd., registered during the year up until the moment of its sale, and an income of 65 thousand euros resulting from the liquidation of the Braes Group subsidiaries (see Note 10).

The impairment of receivables arose from the derecognition of the debit balances held by the Group with Cakefriends Ltd., which were cancelled in the sales contract of October 2011 (see Note 10).

The positive income for 2011 arising from the change in the fair value of financial assets at fair value with changes in profit and loss is the result of the measurement of the interest in Naturex S.A. at the quoted value at year-end (see Note 14).

The positive result for 2011 corresponding to the Disposals of interests in Group companies and associates was generated by the sale of Naturex S.A. shares, which gave rise to a profit of 9,559 thousand euros (see Note 14) and the sale of the associate Cakefriends Ltd., which gave rise to a negative impact of 65 thousand euros (see Note 10).

27. Foreign currency transactions

The amounts of the transactions carried out in foreign currency are as follows:

	Thousands of euros	
	2011	2010
Purchases	-	(69)
Sales	2	-
Services received	(21)	(124)
Services provided	22	72
Finance income	23	3
Finance expenses	(1)	(67)
Staff costs	-	(63)
	25	(248)

The foreign currency transactions were carried out in Canadian dollars, U.S. dollars and British pounds.

28. Capital gains tax

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(Amounts in thousands of euros)

In relation to the payment of Capital Gains Tax, Natraceutical, S.A. is taxed as the parent of the consolidated tax group number 0013/08 together with Forte Pharma Ibérica, S.L.

	2011	2010
Current tax:		
Current tax on the profits for the year	4	4
Total current tax	4	4
Deferred tax (note 21):		
Tax credit reversal	-	3,106
Other deferred taxes.	539	-
Deferred tax total	539	3,106
Capital gains tax	543	3,110

The reconciliation of the expense for the corporate income tax resulting from the application of the current tax rate and the expense recorded for the mentioned tax is as follows:

	Thousands of euros
	2011
Consolidated profit before tax	16,609
Non-deductible expenses and non-computable income:	
Of the individual companies	(13,653)
Of the consolidation adjustments	-
Adjusted financial profit continuing operations	2,956
Financial result before taxes discontinued operations	-
Gross tax calculated at the tax rate in force in each country	(286)
Compensation for unused tax loss carryforwards	282
Deferred tax assets and liabilities	(539)
Tax credit reversal	-
Expense/(income) accrued by corporate income tax	(543)

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The positive adjustments effected to the accounting profit in 2011 are mainly derived from the different impairments of the interests in group companies and the impairment of the entered credit which are not considered deductible during the current year. (7,422 thousand euros and 2,500 thousand euros, respectively).

Additionally, the adjustments resulting in a decrease of the year's accounting profit arise from the exemption applicable to the dividends received from the non-resident entities and the sale of interests in non-resident entities (189 thousand euros and 12,000 thousand euros, respectively).

Additionally, a positive adjustment effected during 2009 and 2010 has been reversed, giving rise to a decrease in the tax base of 10,000 thousand euros in 2011, as well as other provision that were not deductible in previous years.

The consolidated subsidiaries calculate the corporate income tax expense, as well as the resulting applicable quotas, in accordance with the corresponding legislation and effective tax rates in each country.

The deferred assets entered in 2011 correspond to the differed tax generated by the change in the measurement of the financial assets at fair value with changes in profit and loss (Note 21).

The reversal of deferred taxes in 2010 refers to the tax credits that were derecognized in the Natraceutical S.A. and Forte Pharma Ibérica balance for 3,048 and 90 thousand euros, respectively.

Except for the periods that have already been inspected, the consolidated companies have the last four years open for review for all taxes applicable to them (five for income tax). The directors do not expect any material additional liabilities to arise for the Group as a result of a possible inspection of the open years.

29. Share earnings

The reconciliation of the weighted average number of common shares on 31 December 2011 and 2010, using the calculation of share earnings, is as follows:

	Thousands of shares	
	2011	2010
Shares issued at year-end	328,714	328,714
Treasury shares at year-end	4,306	4,306
Average number of treasury shares	4,306	4,292
Average number of outstanding shares	324,408	324,422

a) Basic

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(Amounts in thousands of euros)

The basis earnings per share are calculated by dividing the profit attributable to the Company's equity holders by the weighted average number of outstanding common shares during the year, excluding the treasury shares acquired by the Company (Note 17).

	Thousands of euros	
	2011	2010
Net profit (Euros)	16,066	(22,618)
Average number of outstanding shares	324,408	324,422
Basic per share profit (Euros)	0.050	(0.070)

b) Diluted

The diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to reflect the conversion of all the potentially dilutive common shares.

On 31 December 2011 and 2010, the diluted earnings per share matched the basic earnings per share.

No dividends were distributed in 2011 or 2010.

30. Commitments

a) Fixed asset purchase commitments

On 31 December 2011 and 2010, the Group has no firm commitments to purchase property, plant and equipment.

b) Operating lease commitments

The Group leases various offices, warehouses and vehicles, mainly under non-cancellable operating lease contracts.

The total future minimum payments under non-cancellable operating leases are as follows:

Thousands of euros	2011	2010
Less than 1 year	353	676
Between 1 to 5 years	31	680

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More than 5 years	-	-
Total	384	1.356

31. Related-party transactions

In addition to Natra Group companies, the Group's "related parties" are considered to include the "key personnel" of the Company Management (members of the Board of Directors and the Senior Executives, together with their immediate family members) and the companies over which the key Management personnel hold control or exert a significant influence.

The conditions of the operations with related parties are equivalent to those governing operations carried out in market conditions, and the corresponding remunerations have been assigned in kind. This Note does not detail the operations between the Company and its subsidiaries which form part of the company's standard trade, since their purpose and conditions have already been eliminated during the consolidation process.

The Group's parent is Natra, S.A.

The operations carried out between related parties during 2011 and 2010 are indicated below:

(a) Sale of goods or services

	2011	2010
Sale of goods:		
- Associates (Naturex Spain, S.L.)	214	407
- Group companies (Natra Cacao, S.L.)	-	85
Total sale of goods	214	492
Service provision		
- Parent	80	-
- Associates (Naturex, S.A.)	3	110
- Associates (Naturex Spain, S.L.)	112	149
- Other group companies	2	-
Total service provision	197	259
Total	411	751

(b) Purchase of goods and services

	2011	2010
Purchase of goods:		
- Group companies (Natra Cacao, S.L.)	-	364
Total purchases of goods	-	364
Service procurement:		
- Parent	564	491
- Associates (Naturex Spain, S.L.)	16	236
- Other Group companies	-	13

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- Total service procurement	580	740
Total	580	1,104

(c) Remuneration

	2011	2010
- Parent	6	-
- Directors	17	-
-		
Total	23	-

(d) Finance expenses

	2011	2010
- Parent	560	307
- Directors (Bilbao Bizkaia Kutxa)	232	181
- Other related parties (Banco CAM S.A.)	375	309
- Group Companies	-	76
-		
Total	1,167	873

(e) Finance income

	2011	2010
- Group Companies	4	4
-		
Total	4	4

Other operations, which do not effect the income statement, carried out by the Group in 2011 and 2010 with related parties, distinguished between major shareholders, members of the Board of Directors and Company executives, and other related parties, are shown below. The conditions of the operations with related parties are equivalent to those governing operations carried out in market conditions.

(f) Funding received

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

	2011	2010
-- Parent	-	6,339
-- Directors (Bilbao Bizkaia Kutxa)	-	4,530
-- Other related parties (Banco CAM S.A.)	-	7,320
Total	-	18,189

(g) Funding returned

	2011	2010
-- Directors (Bilbao Bizkaia Kutxa)	1,310	4,163
-- Other related parties (Banco CAM S.A.)	2,117	5,744
Total	3,427	9,907

(h) Collection of dividends

	2011	2010
Collection of dividends:		
- Associates (Naturex, S.A.)	200	238
Total	200	238

Balances with related parties at closure

	Thousands of euros	
	2011	2010
Related party accounts receivable:		
- Parent (note 12)	6	1
- Group companies (notes 10 and 12)	-	290
- Associates (note 12)	-	641
- Loans with associates (note 12)	-	800
- Other Related Parties	306	
Total	312	1.732

	Thousands of euros	
	2011	2010
Related party accounts payable:		
- Immediate parent (note 19 and 20)	(9,169)	(7,760)
- Associates (note 19 and 20)	-	(253)
- Group companies (notes 19 and 20)	-	(2,115)
- Directors (Bilbao Bizkaia Kutxa)(note 20)	(3,240)	(4,649)
- Other related parties (Banco CAM S.A.) (note 20)	(5,235)	(7,512)

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

Total	(17,644)	(22,289)
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The third-party receivables arise from sales operations and have maturities of 90 days as of the date of sale. The receivables are not insured and do not accrue interest.

The third-party payables arise from purchase operations and have maturities of 90 days as of the date of purchase. The payables do not accrue interest.

32. Events after the balance sheet date

No significant events have taken place after 31 December 2011.

33. Accounts auditors fees

The fees corresponding to the audit services and other services provided to the Group's different companies are as follows:

Audit company	2011 Auditing of Accounts
PricewaterhouseCoopers Auditores, SL	121
	121

Audit company	2010 Auditing of Accounts
PricewaterhouseCoopers Auditores, SL	92
	92

The fees corresponding to the services other than the accounts auditing provided by other companies which employ the PricewaterhouseCoopers brand name during 2011 amounted to 57 thousand euros, (2010: 185 thousand euros).

34. Board member and senior management remuneration

In 2011, the amount payable to the members of the Board of Directors amounted to 473 thousand euros (2010: 607 thousand euros), broken down into concepts and amounts as follows:

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	Thousands of euros	
	2011	2010
Salaries	405	496
Per diems	68	111
Total	473	607

On 31 December 2011, there were no advances, commitments for pensions, life insurance policies or any other obligations relating to current or former Board members.

On 31 December 2011, the Board of Directors consists of 5 men and 2 women (5 men and 1 woman on 31 December 2010).

In its meeting of 17 February 2011, the Board of Directors accepted the resignation as Director of Alicia Vicanco González, who occupied the post on the designation of the shareholder Bilbao Bizkaia Kutxa, and who proposed as a substitute María Teresa Lozano Jiménez, who was appointed during the meeting as a new director of the company until the celebration of the following General Shareholders Meeting, which must ratify the appointment.

In its meeting of 31 March 2011, the Board of Directors agreed to accept the resignation as Chairman of Natraceutical S.A. of Francisco Xavier Aderá Gebelli, and the resignation as independent director of Jose Manuel Serra Peris. In response to these vacancies in the governing the body, during the same meeting the Board of Directors approved the appointment by co-option of Abraham Eric Bendelac as a member of the same. Thus, the new Board of Directors unanimously agreed to appointment of the Natra S.A. director as the company's new non-executive Chairman, represented by Manuel Moreno Tarazona. Similarly, during the same meeting the Board of Directors agreed to appoint Félix Revuelta Fernández as Vice-Chairman of the governing body.

The General Shareholders Meeting held on 23 June 2011 agreed to maintain the number of members of the Board of Directors at seven, and to appoint María Teresa Lozano Jiménez, Abraham Eric Bendelac and CK corporación Kutxa-Kutxa Korporazioa, S.L.U. as directors for a term of five years.

Article 229 of the Companies Law, approved by Royal Legislative Decree 1/2010, 2 July, imposes on directors the duty to inform the Board of Directors and, in its default, to the other directors or, when applicable, the sole administrator, and the General Shareholders Meeting, of any situation of direct or indirect conflict that they may have in relation to the interests of the company. Directors in such a situation must abstain from intervening in the agreements or decisions relative to the operation to which the conflict refers.

Likewise, the directors must inform of any direct or indirect interest held by themselves or by related parties in the capital of other companies dedicated to identical, similar or complementary activities to those of the Company, as well as any posts or functions that they hold or perform in the same,.

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In relation to this point, the following information has been provided to the company by the directors who, during the year, were members of the Boards of Directors of the following companies:

Director/Related Person	Company with the same, similar or complementary activity	Post in the company	Interest Number of shares/percentage
Manuel Moreno Tarazona	Natra, S.A.	Individual representing the Director Carafal Investment , S.L.	14.36%
	Torre Oria, S.L.U.	Individual representing the Director/Chairperson Natra, S.A.	-
	Txocal Oñati, S.L.U.	Individual representing the Director/Chairperson Natra, S.A.	-
	Natra Cacao, S.L.U.	Director/Chairman	-
	Natrizahor, S.A.U.	Individual representing the Board of Natra, S.A.	-
	Natrajacali NV	Individual representing the Director Natra Cacao, S.L.U.	-
	Txocal Belgium NV	Individual representing the Director Natra Cacao, S.L.U.	-
	Les Delices D'Ellezelles SPRL	Individual representing the Director Natra Cacao, S.L.U.	-
	All Crump NV	Individual representing the Director Natra Spread, S.L.U.	-
	Natra Spread, S.L.U.	Joint Director	-
	Natra Italy, S.L.	Sole Administrator	-
	Natrizahor Holding France SAS	Individual representing the Director Txocal Oñati, S.L.	-
	Natrizahor France SAS	Person representing the Board of Natrizahor Holding France SAS	-

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

	Natra Participaciones, S.L.U.	Sole Administrator	-
	Cocoatech, S.L.U.	Individual representing the Director/Chairperson Natra, S.A.	-
José Luis Navarro Fabra	Natra, S.A.	Individual representing the Director BMS Promoción y Desarrollo, S.L.	6.680%
BMS Promoción y Desarrollo, S.L.	Natra, S.A.	Director	6.680%
Félix Revuelta Fernández	Kiluva, S.A.	Chairman & CEO	79.33%
	Housediet, S.L.U.	Joint Director	79.33%
	Kiluva Diet, S.L.U.	Sole Administrator	79.33%
	Kiluva Portuguesa, (Nutrição e Dietetica, LDA)	Manager	79.33%
	Naturhouse SP Zoo	Director	79.33%
	Naturhouse SARL	Chairman	79.33%
	NATURHOUSE SRL	Chairman	79.33%
	Naturhouse Gmbh	Director	79.33%
	Housediet Llc	Chairman	68.73%
	Zamodiet, S.A.	Director	36.90%
	Zamodiet de Mexico, S.A.	Chairman	57.56%
	Zamoglas, S.A.	*No post held	18.69%
	Gartabo, S.A.	Director	18.12%
	Laboratorios Abad	Joint Director	79.33%
	Laboratorios Oxy Jeune	Joint Director	79.33%
	Girofibra	*No post held	38.87%
	Nutraceutical Corp.	*No post held	1.46%
	Ichem, SP Zoo	Director	28.41%
François Gaydier	Natraceutical Industrial, S.L.U.	Individual representing the Sole Director Natraceutical, S.A.	-
	Forte Pharma Ibérica, S.L.U.	Individual representing the Sole Director Natraceutical, S.A.	-
	Forté Pharma, SAM	Individual representing the Director Natraceutical, S.A.	-

Natraceutical, S.A. and subsidiaries

(Amounts in thousands of euros)

	Forté Pharma, SAM	Individual representing the Director Natraceutical, S.A.	-
Abraham Eric Bendelac	Laboratoires Forte Pharma, SAM	Director	-
	Forté Pharma, SAM	Director	-

The remuneration of the senior management during 2011 amounted to 150 thousand euros (358 thousand euros in 2010). The senior management in 2011 and 2010 consisted of one man, who left the company in 2011.

35. Information on the environment

On 31 December 2011 and 2010, the Group had no environmental assets of a material amount in Property, Plant and Equipment.

During 2011 and 2010, the Group has not incurred any expenses related to environmental protection and improvement.

The consolidated balance sheet on 31 December 2011 and 2010 does not include any provision for possible environmental contingencies, since the directors consider that there are no contingencies of this nature. Additionally, the Group has taken out insurance policies to cover possible involuntary contingencies that might arise as a result of the impact of its normal business activities on the environment.