Natraceutical, s.a.

2009

CONSOLIDATED ANNUAL ACCOUNTS

Natraceutical, S.A.
and Companies composing the Natraceutical Group

Notes to the consolidated financial statements for the year ending 31 December 2009

1. Activities of companies composing the Natraceutical Group

The Parent was incorporated on 1 June 1993 and its registered offices are located in Paseo Ruzafa, nº9, 11ª (Valencia). It engages mainly in the provision of financial, accounting and other advisory services and the ownership of shares.

The principal line of business in 2009 of each of the companies composing the Natraceutical Group is specified below:

Company	Activity
Exnama-Extratos Naturais da Amazônia, Ltda.	Preparation and commercialization of caffeine.
Braes Holdings Ltd.	Inactive
Braes Group Ltd.	Inactive
Overseal Natural Ingredients Ltd.	Manufacture of colouring, yeasts, aromas and flavours.
Overseal Color Inc.	Inactive
The Talin Co. Ltd.	Manufacture of sweeteners
Britannia Natural Products Ltd.	Inactive
Obipektin AG	Manufacture of pectins and natural fruit and vegetable extracts in powder form.
Biópolis, S.L.	Development of micro-organisms and cellular metabolytes.
Laboratoires Forté Pharma, SAM	Marketing of pharmacy and parapharmacy nutritional products.
S.A., Laboratoires Forte Pharma Benelux	Marketing of pharmacy and parapharmacy nutritional products.
Forte Services, SAM	Provision of management and administrative services
Forte Pharma Ibérica, S.L.U.	Marketing of pharmacy and parapharmacy nutritional products.
Natraceutical Industrial, S.L.U.	Preparation and marketing of nutraceutical products and other active ingredients, and performance of R+D projects
Natraceutical Canada, Inc	Research into active ingredients of barley
Natraceutical Rusia	Marketing of colouring, yeasts, aromas and flavours
Kingfood Australia, Pty Limited	Manufacture of food supplements.
Naturex SA	Manufacture of natural ingredients.

During 2000, Natraceutical, SA (absorbing company) conducted a merger process with Exvemed, SL (absorbed company) by means of the dissolution without liquidation of the latter. All the information relating to the merger under Article 107 of Law 43/1995 of 27 December on the adaptation of certain tax provisions to the European Community Directives and Regulations is included in the Natraceutical, SA report for 2000. As a result of this merger, Natraceutical, SA acquired ownership of the absorbed company's assets and liabilities, which were entered into the accounts of the absorbing company at the value recognised in the absorbed company's accounts.

On 19 June 2002, the Parent increased capital by 7,464 thousand Euros. This increase was fully subscribed by its shareholder Natra, S.A. through the contribution of the line of business consisting mainly of the preparation of nutraceutical and other active ingredients, thereby concentrating at Natraceutical, S.A. the research and

manufacture of biotechnological products, mainly for use in nutrition and cosmetics. Pursuant to Article 107 of Law 43/1995, of 27 December, adapting certain tax provisions to European Community Directives and Regulations, the information relating to this contribution of a line of business is disclosed in the notes to the 2002 financial statements of Natraceutical, S.A.

On 6 April 2006, Natraceutical Industrial, S.L.U. was incorporated with a share capital of 3 thousand Euros, which was subscribed in full by the Company. On 8 June 2006, the shareholders at the Extraordinary General Meeting of Natraceutical Industrial, S.L.U. resolved to increase share capital by 34,969 thousand Euros. This increase was subscribed in full by Natraceutical, S.A. through the contribution of a line of business. Pursuant to Article 107 of Law 43/1995, of 27 December, adapting certain tax provisions to European Community Directives and Regulations, the information relating to this contribution of a line of business is disclosed in the notes to the 2006 financial statements of Natraceutical, S.A.

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% holding 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 (see Note 27).

As a result of the current economic climate and certain corporate transactions undertaken during the year, the Group generated significant losses during year. Additionally, the accompanying consolidated balance sheet at December 31, 2009 reflects a significant financial imbalance. Faced with this situation, the Parent's directors initiated a refinancing process during the final months of 2009. This process, which is forecast for completion in April 2010, is expected to resolve the mentioned the financial instability (see Note 28.) Furthermore, and given the new Group structure, the Directors consider that the forecast growth and results of the subsidiary Laboratoires Forte Pharma, SAM., will see the generation of profits once more in coming years. Similarly, the operation by means of which a 33.93% shareholding in Naturex SA, was obtained, as explained in the previous paragraph, will, in accordance with the mentioned company's business plans, lead to positive results for the Group. In accordance with the above, the Parent's directors consider that the mentioned circumstances will enable the continuity of the Group's operations and the necessary recovery of the operating profit.

The Parent's directors consider that the 2010 budgets prepared the Group, together with the refinancing process begun by the Parent in 2009, eliminate all doubts about the Group's ability to continue operating and, therefore, about the final recovery of the Group's assets, specifically goodwill and capitalized tax credits.

These companies belong to a larger consolidated group, the Natra Group, which mainly engages in the manufacture, marketing and sale of chemical and food products, the exploitation of agricultural plantations and tropical products, the development, construction and marketing of properties, the purchase, sale and management of securities, the provision of management advisory services to other companies and the management of companies of all kinds. The Parent of this group is Natra, SA. During 2009, the Natra Group initiated a refinancing process aimed at resolving the financial deficit and which is expected to conclude in April 2010. The transactions performed during the year and the balances with the Natra Group are described in Note 18 "Balances and Transactions with Group Companies, Related Companies and Associates".

The Bylaws and other public information regarding the Parent can be consulted in the www.natraceuticalgroup.com web site and in the company's registered offices.

2. Subsidiaries and associates

The Group companies and associates that were fully consolidated or accounted for using the equity method, together with the information related thereto at 31 December 2009, with the exception of the companies which were disposed of on 30 December 2009 and the details of which at the mentioned date are included, are as follows (unless otherwise indicated, the investees are audited by companies pertaining to the Deloitte organization in their respective countries):

	Located	% of Ownership		Carrying Amount of Investment in Thousands of Euros [6]
		Direct	Indirect	
Exnama-Extratos Naturais da Amazônia, Ltda. [7]	Brazil	100%	-	7,114
Overseal Natural Ingredients Ltd. [7]	United Kingdom	100%	-	40,839
Overseal Color Inc. [1] [7]	USA	-	100%	-
The Talin Co. Ltd. [1] [7]	United Kingdom	-	100%	-
Britannia Natural Products Ltd. [1] [7]	United Kingdom	-	100%	-
Obipektin AG [7]	Swiss	100%	-	31,414
Biópolis, S.L. [2] [7]	Valencia	24.99%	-	509
Natraceutical Industrial, S.L.U.	Valencia	100%	-	12,011
Laboratoires Forte Pharma, SAM [3]	Monaco	73.18%	26.82%	58,573
Forte Services, SAM [3]	Monaco	99.9%	0.01%	4,397
Forte Pharma Ibérica, S.L.U. [1]	Barcelona	100%	-	-
S.A. Laboratoires Forté Pharma Benelux [4]	Belgium	-	100%	-
Kingfood Australia, Pty Limited[7]	Australia	100%	-	5,805
Natraceutical Rusia [1] [7]	Russia	-	99%	-
Natraceutical Canada, Inc.[1]	Canada	100%		-
Naturex S.A.[5]	France	31.97%	1.96%	66,575

(1) Unaudited.
(2) Audited by Carlos Flórez Ariño.
(3) Statutory audit performed by SAM Les Réviseurs Associés. Audited for consolidated purposes by Deloitte France.
(4) Audited by Gossens Gossart Joos.
(5) Audited by KPMG S.A. France and AREs X.PERT Audit. The net amount of total investment (including goodwill) in the consolidated accounts represents 35.25% of total assets.
(6) At the Parent.
(7) Company disposed of on 30 December 2009.

Pursuant to the applicable legislation, the Group companies listed in the preceding table are deemed to be subsidiaries, except for Naturex, SA, and Biópolis, SL, which are included in the scope of consolidation as associates since significant influence is exercised over them by the Parent, as evidenced by the fact that the Parent has a representation of over 20% on the Board of Directors.

Changes in the scope of consolidation

In 2008, the Parent disposed of 2.5% of the share capital of Biopolis, Ltd. In 2009, the Parent effected a capital increase at associated company Biopolis SL, resulting in an increased shareholding of 24.99%. This company was accounted for by the equity method in the Natraceutical Group’s consolidated accounts up to December 30, 2009, the date on which the disposal was undertaken as part of the sale of the Functional Ingredients Division to the French company Naturex SA.

As of January 1, 2009, the company was incorporated into the scope of consolidation of Natraceutical Canada Inc., as the mentioned company began the normal development of its operations.

On December 30, 2009, an agreement was signed with the quoted French company Naturex SA, by virtue of which the Natraceutical Group integrated its Functional Ingredients Division (formed by subsidiaries Overseal Natural Ingredients Ltd., Obipektin AG, Natraceutical Russia, Exnama-Extracts Naturais da Amazonia, Ltda., Kingfood Australia, Pty Limited, Overseal Color Inc., The Talin Co. Ltd., Britannia Natural Products Ltd., and the associated company Biopolis, SL, as well as tangible and intangible assets of the subsidiaries Natraceutical Industrial SLU and Natraceutical Canada), into the French group, obtaining in exchange a 35.11% shareholding in the same. Additionally, on the same date, the Parent sold Naturex SA shares to one of the company's shareholders, thus resulting in a direct and indirect shareholding of 33.93% in Naturex SA (see Note 27.) As of the acquisition date, the Group proceeded to account for the mentioned company by the equity method.

The date of the individual financial statements of the subsidiaries included in the scope of consolidation is 31 December 2009, except for the companies which have been integrated into Naturex SA (Obipektin AG, Overseal Natural Ingredients Ltd., Exnama-Extractos Naturais da Amazonia, Kingfood Australia, Pty Limited, Natraceutical Russia, Overseal Color Inc., The Talin Co. Ltd. and Britannia Natural Products Ltd.), in which cases the income statements at December 30, 2009 , the date upon which the agreement was executed, have been incorporated. For this reason, the accompanying 2009 consolidated balance sheet does not incorporate the mentioned companies' individual balance sheets, which have been included in Naturex SA's consolidated balance sheet.

The Group did not include Panadoro Group AG, (up to the date of sale), Braes Holding Ltd., Braes Group Ltd. and Cakefriends Ltd., in these consolidated financial statements, since their non-inclusion was considered irrelevant.

3. Basis of presentation of the consolidated financial statements and basis of consolidation

a) Basis of Presentation

Natraceutical Group's 2009 consolidated financial statements, which were prepared on the basis of the accounting records kept by the Parent and by the other companies composing the Natraceutical Group, were formally prepared by the Parent's Directors at the Board of Directors Meeting held on 25 March 2010.

These consolidated financial statements have been prepared pursuant to the provisions of the International Financial Reporting Standards (IFRS) adopted by the European Union, taking into consideration all the accounting principles and accounting and assessment criteria of compulsory application, in such a manner as to faithfully reflect the assets and the financial situation of Natraceutical, SA and of the companies composing the Natraceutical Group at 31 December 2009 and the results of its operations, changes in equity and consolidated cash flows that have occurred in the Group in the year ended on the mentioned date.

b) Adoption of International Financial Reporting Standards

The Natraceutical Group's consolidated financial statements for the year ended 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRS), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, of 19 July 2002 July, under which all companies governed by the Law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1 January 2005 in conformity with the IFRSs ratified by the European Union. In Spain, the obligation to present consolidated financial statements in accordance with IFRSs as approved in Europe is also regulated in the Final Provision Eleven of Law 62/2003, of 30 December 2003, on tax, administrative and social security measures. The 2008 consolidated financial statements, also prepared in accordance with the International Financial Reporting Standards, were approved by the shareholders at the Annual General Meeting on 18 June 2009.

The principal accounting principles and measurement bases adopted by the Natraceutical Group are presented in Note 4.

The options as permitted by IFRSs and adopted by the Natraceutical Group in the preparation of the consolidated financial statements were as follows:

1. To classify its consolidated balance sheet items as current and non-current.

2. To present the income statement by nature in accordance with internally-established management criteria.

3. To show the changes in all the headings in the consolidated statement of changes in equity.

4. To use the indirect method to prepare the cash flow statement.

5. The primary segments are the lines of business (functional ingredients and nutritional supplements). The secondary segments are structured by geographical zone.

Standards and interpretations effective in 2009

IFRS 8 "Operating Segments", IFRIC 13 "Customer Loyalty Programmes", IFRIC 14 IAS 19 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", IFRIC 16" Hedges of a Net Investment in a Foreign Operation", the revision of IAS 23 "Borrowing Costs" and IAS 1 "Presentation of Financial Statements” and amendments to IFRS 2 "Share-based Payments", of IAS 32 and IAS 1 "Financial Instruments — Puttable Financial Instruments and Obligations arising on Liquidation", of IFRS 7 "Financial Instruments: Disclosures" and IAS 39 and IFRIC 9 "Reassessment of embedded derivatives in reclassifications" are effective for the first time in 2009. The adoption of these new interpretations and amendments did not have any impact on the Group’s consolidated financial statements.

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations which had been published by the IASB but which were yet to enter into effect, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, were as follows:

		Obligatory Application in the Year Beginning On or After
Standards and amendments to standards:		
Revision of IFRS 3	Business Combinations	1 July 2009
Amendment of IAS 27	Changes in Ownership Interest	1 July 2009
Amendment of IAS 39	Eligible Hedged Items	1 July 2009
Amendment of IAS 32	Classification of Rights Issues	1 February 2010
IFRIC 12 (1)	Service Concession Arrangements	1 April 2009
IFRIC 15 (1)	Agreements for Construction of Real Estate	1 January 2010
IFRIC 17 (1)	Distributions of Non-cash Assets to Owners	1 November 2009
IFRIC 18 (1)	Transfers of Assets from Customers	1 November 2009
Not yet adopted by the European Union (2)		
IFRS 9 (1)	Financial Instruments: Classification and Measurement	1 January 2013
Improvements Project 2009	Non-urgent Improvements to IFRS	Miscellaneous (mainly January 1, 2010)
Amendment of IFRS 2	Group Cash-settled Share-based Payment Transactions	1 January 2010
Revision of IAS 24	Related Party Disclosures	1 January 2011
Amendment of IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

(1) Date of obligatory application as approved in the Official Journal of the European Union, which is different from the original IASB date.

(2) Standards and interpretations not yet adopted by the European Union at the date of preparation of these consolidated financial statements.

The directors have assessed the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the consolidated financial statements.

Revision of IFRS 3, Business Combinations and Amendment of IAS 27, Consolidated and Separate Financial Statements.

The revised IFRS 3 and the amendments of IAS 27 represent significant changes in diverse aspects related to the accounting of business combinations that, in general terms, place greater emphasis on the employment of fair value. The more relevant changes include the treatment given to acquisition costs, which are to be transferred to expenses, instead of their current consideration as the greater combination costs; step acquisitions, in which, on the date upon which the purchaser assumes control, the prior ownership interest is to be reassessed at its fair value; or the existence of the option of measuring minority interests in the acquisition at a fair value, as opposed to the current practice of only measuring such interests as a proportional part of the fair value of the acquired net assets.

Given that the standard is to be applied prospectively, the directors do not foresee significant modifications as a result of its introduction.

Amendment of IAS 39, Eligible Hedged Items

This modification to IAS 39 is aimed at clarifying two specific issues in relation to hedge accounting: (a) when inflation may be designated as a hedged risk; and (b) in which cases purchased options may be designated as hedges. According to the amendment, inflation may only be hedged if it is a contractually specified portion of the cash flows to be hedged. Only the intrinsic value, and not the time value, of an option may be used as a hedging instrument.

The directors consider that the entry into force of this amendment will not have a significant effect on the consolidated financial statements since the Group does not have any hedges in any of the situations affected by the amendment.

Amendment of IAS 32 - Classification of Rights Issues.

This amendment relates to the classification of rights issued for the acquisition of shares (rights, options or warrants) denominated in foreign currency. In accordance with this modification, in the event of such rights being destined to the acquisition of a fixed number of shares for a fixed amount, they are considered equity instruments, regardless of the currency in which the fixed amount is designated and provided that other requirements demanded by the standard are met.

The Group has not issued any such instruments and, as such, this amendment will have no impact.

IFRIC 12 Service Concession Arrangements.

Service concessions are agreements by means of which a government or other public sector entity awards contracts for the provision of public services, such as motorways, airports, or water and electricity supply, to private sector operators. Control of the assets remains in public hands. Nevertheless, the private operator is responsible for the construction activities, as well as the management and maintenance of the public infrastructures. IFRIC 12 establishes that the concessionaires must apply the existing IFRS when accounting for the rights and obligations assumed by virtue of such arrangements.

The directors consider that the entry into effect of this interpretation will not significantly affect the consolidated financial statements.

IFRIC 15, Agreements for Construction of Real Estate.

This interpretation encompasses the entry into accounts of income and expenses associated to the construction of real estate, helping to clarify when an agreement for constructing real estate falls within IAS 11, Construction Contracts, and in which cases the analysis would be included within the scope of IAS 18, Income, and in this mode, in accordance with the characteristics of the agreement, when and how the income should be recognised.

The directors consider that the entry into effect of this interpretation will not significantly affect the consolidated financial statements, given the non-existence of agreements relative to the construction of real estate.

IFRIC 17, Distributions of Non-cash Assets to Owners.

This interpretation covers the accountancy treatment given to the distribution of non-cash assets to owners ("dividends in kind"), even though the distribution of assets within the same group or between entities under common control falls outside its scope. The interpretation advocates recognition of the debenture at the fair value of the distributed asset and recognition of any difference with the carrying value of the asset in income.

The directors consider that the entry into effect of this interpretation will not significantly affect the consolidated financial statements, given that the Company already applies criteria consistent with the criteria established in the interpretation.

IFRIC 18 Transfers of Assets from Customers.

This interpretation addresses the entering into accounts of the agreements by virtue of which a company receives assets from a customer in order to facilitate access to supplies (this is usual in the case of electricity, gas or water, for instance) or to provide a service.

The Group does not foresee significant changes in its consolidated statements as a result of the application of this standard.

IFRS 9 Financial Instruments: Classification and measurement.

IFRS 9 is to replace the current classification and measurement part of the current IAS 39. There are very significant differences with regard to the current standard, including the approval of a new classification model based on two single amortized cost and fair value categories, the disappearance of the current "Investments classified as held for maturity" and "Financial Assets available for sale" classifications, impairment tests solely for amortized cost assets and non-bifurcation of derivatives implicit in financial contracts.

At the current date, the future implications to be derived from the application of the standard have yet to be analysed.

Amendments to IFRS 2, Share-based Payments.

This amendment refers to the entry into accounts of share-payment programmes within a group. The main changes involve the incorporation into IFRS 2 of the material dealt with in IFRIC 8 and IFRIC 11, in such a manner that these interpretations will be repealed by virtue of the incorporation of their content into the main body of the standard. A company receiving the services of employees or suppliers must enter the transaction into accounts independently of whether another company within the group is responsible for the settlement or whether the settlement is effected in cash or in shares.

Given the nature of this amendment, no significant impact is expected in the Group's statements.

IAS 24 Revision – Related Party Disclosures.

This revision of IAS 24 deals with the disclosure of related parties in financial statements. There are two basic developments. The first introduces a partial exemption for certain disclosures when the relationship arises from the condition of subsidiarity or when the company in question is related to the State (or equivalent governmental institution). The second is a revision of the definition of a related party, which clarifies relationships that were not previously explicit in the standard.

The impact of this amendment has been analysed and it will not cause any change in the related parties currently defined by the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

This interpretation addresses the accounting treatment from the standpoint of the debtor of the total or partial cancellation of a financial liability through the issue of equity instruments to the corresponding lender. The interpretation is not applicable when the counterparts in question are shareholders or related parties and act as such, nor in the event of the exchange of the debt for equity instruments having been foreseen in the terms of the original contract. In such a case, the issue of equity instruments would be measured at its fair value at the date of the cancellation of the liability, and any difference between this value and the liability's carrying amount is recognized in income.

This interpretation will not suppose a change in the Group's accounting policies, given that accountancy principals consistent with the new IFRIC were applied during similar operations last year.

c) Matters arising from the transition to IFRSs

IFRS 1 establishes certain alternatives, in specific cases, that may be used in the preparation of the financial and accounting information at the date of transition. The alternatives chosen by the Natraceutical Group were as follows:

- At the date of transition, property, plant and equipment were stated at depreciated cost, except for certain plots of land, which were adjusted to fair value, which was used as the deemed cost at that date.
- Goodwill and other assets and liabilities acquired in business combinations that occurred prior to 1 January 2004 were not recalculated retrospectively, pursuant to IFRS 3.
- The cumulative translation differences for all foreign operations were deemed to be zero at the date of transition.

d) Responsibility for information and use of estimates

The information in these consolidated financial statements is the responsibility of the Parent's directors, and the preparation of the same was entrusted to the Finance Department and reviewed by the CEO.

In the Group's consolidated financial statements for 2009 estimates were occasionally made by the Parent's directors in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain assets (Notes 4-e and 4-h).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and obligations to employees (see Note 4-m).
- The useful life of property, plant and equipment and intangible assets (see Notes 4-c and 4-d).
- Provisions (see Note 4-o).
- The measurement of goodwill (see Notes 4-b and 5).
- The risk management and, especially, the liquidity risk (see Note 28).

Although the aforementioned estimates were made on the basis of the best information available at year-end on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. If necessary, changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

e) Basis of consolidation

These consolidated financial statements were prepared on the basis of the accounting records kept by the Parent and by the other Group companies. However, since the accounting policies and measurement bases used in preparing the consolidated financial statements for 2008 (IFRSs) differ from those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and bases used and to make them compliant with International Financial Reporting Standards.

In order to present the various items in the accompanying consolidated financial statements in a homogeneous manner, the measurement standards and principles followed by the Parent have been applied to all the companies included in the scope of consolidation.

”Subsidiaries” are defined as companies over which the Parent has the capacity to exercise control; this capacity arises when the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Control is presumed to exist when the Parent owns directly or indirectly half or more of the voting power of the investee or, if this percentage is lower, when there are agreements with other shareholders of the investee that give the Parent control.

The results of the subsidiaries disposed of during the year are included in the consolidated income statement up to the effective disposal date.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Since 1 January 2004, the date of the Group's transition to IFRSs, on acquisition, the assets and contingent liabilities of a subsidiary have been measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is credited to profit or loss in the period in which the acquisition takes place.

The subsidiaries and information relating thereto are shown in Notes 1 and 2.

“Associates” are companies over which the Parent is in a position to exercise significant influence, but not effective control, usually because it holds -directly or indirectly- 20% or more of the voting power of the investee.

Investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the investee, after taking into account the dividends received therefrom and other equity eliminations (in the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate) less any accumulated impairment losses on the individual investments.

Relevant information on the associate included in the scope of consolidation is disclosed in Notes 1 and 2.

f) Changes in accounting criteria

During 2009, there have been no significant changes in accounting principles with respect to the criteria applied in 2008.

g) Going concern

As indicated in Note 28, the Parent’s Management is currently conducting negotiations to refinance the existing debt and to raise additional financing with its creditor banks.

The Parent’s Directors understand that these negotiations will conclude successfully and, therefore, have prepared the annual accounts applying the principle of going concern.

h) Distribution of the Parent's profits

The proposed distribution of the individual 2009 and 2008 profits, which has been prepared by the Parent's directors and is pending approval by the General Meeting for 2009, amounting to 39,756 thousand Euros (2,383 in 2008), implies the transfer of the year's trading losses to "Retained losses" to be offset by profits in future years.

4. Accounting policies

In accordance with the International Financial reporting Standards (IFRS) as adopted by the European Union, the main accounting policies and measurement bases employed by the Parent in the preparation of the consolidated financial statements were as follows:

a) Functional currency

These consolidated financial statements are presented in euros, since this is the currency in which the most of the Group's transactions are performed. Foreign transactions are recognised in accordance with the policies established in Note 4-t.

b) Goodwill

As indicated in Note 3, the Natraceutical Group did not apply IFRS 3 retrospectively to business combinations that occurred before 1 January 2004. Accordingly, the goodwill arising on the acquisition of Exnama-Extratos Naturais da Amazônia, Ltda., which remained outside the scope of consolidation at 30 December 2009, continues to be carried at the amount at which it had been recognised under Spanish GAAP and was tested for impairment at the date of transition. There are currently no business combinations prior to January 1, 2004.

The goodwill assigned to Exnama-Extratos Naturais da Amazônia, Ltda. arose as a result of the positive difference on consolidation between the cost of the shares of the subsidiary Exnama-Extratos Naturais da Amazônia, Ltda. contributed by Natra, S.A. in 2002, and their underlying carrying amount at the date on which they were included in the Parent's balance sheet. The value of these shares and of the remaining non-monetary assets and liabilities was ratified by Asesoramiento y Valoraciones, S.A., an independent valuer appointed by the Mercantile Registrar of Valencia, as provided for by Article 231 of the Consolidated Spanish Companies Law.

The goodwill arising from the acquisition of Exnama, the Braes Group (Overseal Natural Ingredients Ltd and Obipektin AG), Laboratoires Forte Pharma, S.A.M. and Kingfood Australia, Pty Limited and Naturex SA, represents the excess of the cost of acquisition over the Natraceutical Group's interest in the fair value of the identifiable assets and liabilities of these groups. The identifiable assets and liabilities recognised at the time of acquisition are measured at their fair value at that date. Following the disposal of various investments, as described in Note 27, the goodwill recognised in the accompanying consolidated balance sheet at December 31, 2009 corresponds to Laboratoires Forte Pharma SAM, Forte Pharma Ibérica, S.L. y Naturex S.A.

Goodwill is recognised as an intangible asset under "Goodwill" in the consolidated balance sheet. At the end of each reporting period it is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Net Impairment Losses" in the consolidated income statement.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

When within 12 months after the date of acquisition additional information becomes available that helps to estimate the amounts assigned to identifiable assets and liabilities, these amounts and the amount allocated

to goodwill are adjusted, to the extent that they do not increase the carrying amount of the goodwill to an amount exceeding its recoverable amount. Otherwise, these adjustments to identifiable assets and liabilities are recognised as income or expenses. Where the purchase price of the related investment is variable, i.e. contingent on future events, goodwill is accounted for on the basis of the best estimate with the information available and is adjusted, if appropriate, within the 12 months following the acquisition.

As explained in Note 4-t, goodwill arising in the acquisition of companies with a functional currency other than the euro is translated to euros at the exchange rates prevailing at the balance sheet date. All goodwill held by the Group at December 31, 2009 has its origin in companies whose functional currency is the Euro.

c) *Other intangible assets*

Intangible assets are identifiable non-monetary assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably and objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised, except for those acquired in a business combination, which are recognised as assets at their fair value on the date of acquisition, provided this amount can be determined reliably.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Development activities

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technological knowledge and understanding.

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.

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.

These assets are amortised at an annual rate of between 20% and 33%, once the project has been completed.

The development work performed by the Group is reflected at accumulated cost (external costs plus in-house costs determined on the basis of manufacturing costs allocated using hourly absorption rates similar to those

used for inventory measurement). Development expenditure in 2009 amounted to approximately 455 thousand euros (961 thousand euros in 2008).

Concessions, patents, licences and trademarks

Concessions, patents, licences, trademarks and the like are accounted for at the amounts paid for the acquisition of title to or the right to use these items, or at the expenses incurred in registration of the proprietary rights developed by the companies, and the account balance is amortised on a straight-line basis at an annual rate of between 15% and 20%.

Computer software

Computer software is recognised at the amount paid for the acquisition of title to or the right to use computer programs and is amortised at an annual rate of between 25% and 33%. In-house work on non-current assets is recognised at accumulated cost (external costs plus in-house costs determined on the basis of manufacturing costs allocated using hourly absorption rates).

Other intangible fixed assets.

In “Other intangible fixed assets”, the Group has recognised the amount corresponding to certain expenditure arising from the refinancing operation and the obtaining of additional financing which the Company is currently undertaking (see Note 14). The Company considers that the aforementioned operation will be formalized in April 2010. As of that moment, the expenditure will be recognised as the lessor amount of the debt and the amount of the final expenses resulting from the formalization of the operation will be charged to income using the amortised cost method.

d) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost, less any accumulated depreciation and any recognised impairment losses. Those acquired prior to 1996 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.

As a result of the contribution of a business line by Natra, S.A. in the incorporation of the Parent in 1993, the land contributed was measured at market value, as permitted by Law 29/1991. At 2008 year-end the effect of this revaluation amounted to EUR 353 thousand.

On the date of transition to IFRSs, 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 deemed 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.

The costs of expansion, modernisation, or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised.

Repairs that do not lead to a lengthening of the useful lives and maintenance expenses are charged to income in the year in which they are incurred.

Group work on non-current assets is recognised at accumulated cost (external costs plus in-house costs, determined on the basis of in-house warehouse materials consumption and manufacturing costs allocated using hourly absorption rates similar to those used for inventory measurement). This work amounted to approximately 44 thousand euros in 2009 (371 thousand euros in 2008).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated income statement basically on the basis of the following years of useful life:

	Useful Life
Buildings	15-33
Plant and machinery	8-12
Other fixtures, tools and furniture	5-12
Other items of property, plant and equipment	4-10

Property, plant and equipment in the course of construction basically for production purposes are carried at cost, less any recognised impairment losses. Depreciation of these assets commences when the assets are ready for their intended use.

e) Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. During the year ended December 31, 2009, the Parent's directors identified impairment of Property, plant and equipment and Other intangible assets pertaining to the Group to the amount of 3515 and 730 thousand euros, respectively.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f) Operating Leases

Group as lessee

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased assets remain with the lessor.

Lease expenses are charged to income on a straight-line basis.

The payments derived under operating leases are recognized as expenditure on a straight-line basis during the lease term. The aggregated benefit of the incentives granted by the lessor is recognised on a straight-line basis as a lessor rental expenditure over the lease term.

Any payments made or received upon the contracting of an operating lease are recognised as advance payments received or paid and charged to income over the lease period to the extent to which the benefits obtained from the leased asset are transferred or received.

Group as lessor

Leased assets are recognised at the cost of acquisition in "Property, plant and equipment."

These assets are amortised in accordance with the policies adopted in relation to similar tangible assets for company use and the income from the lease contracts is recognised in income on a straight-line basis.

g) Inventories

“Inventories” in the consolidated balance sheet reflects the assets that the consolidated companies:

- Hold for sale during the ordinary course of their business.
- Are in the process of producing, constructing or developing for that purpose.
- Expect to consume in the production process or in the provision of services.

Inventories are stated at the lower of acquisition or production cost and net realisable value.

The cost of raw materials and other supplies is calculated by using the weighted average cost formula.

On a general basis, the Group measures finished goods and work in progress at average production cost, which includes materials, labour and direct and indirect manufacturing expenses.

The Group assesses the net realisable value of the inventories at year-end and recognises the appropriate loss if the inventories are overstated. When the circumstances that previously caused inventories to be written down no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed.

h) Financial Assets

Financial assets are recognised initially at acquisition cost. The Group classifies its financial assets in three categories:

1. Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity.
2. Originated loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor.
3. Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified as held-to-maturity investments or financial assets at fair value through profit or loss, as defined in IAS 39, paragraphs 9 and 11a.

Held-to-maturity investments and originated loans and receivables are measured at amortised cost, and the interest income is recognised in profit or loss on the basis of the effective interest rate (IRR). The amortised cost is understood to be the initial cost minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees that, because of their nature, can be equated with a rate of interest. For floating interest rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

Available-for-sale financial assets are measured at fair value on the evaluation dates subsequent to the initial acquisition. For non-quoted companies, measurement is perfromed in relation to the acquisition cost, given the lack of suitable information for the calculation of the fair value. Profit and loss arising from changes in the fair value are directly recognised in equity up until the disposal of the asset or until a deterioration in its value is determined. In such cases, the accumulated benefits or losses previously recognised in equity are included in the net income for the period.

In the accompanying consolidated balance sheet, financial assets maturing within no more than 12 months are classified as current assets and those maturing within more than 12 months are classified as non-current assets.

Upon year end, at least, the Group carries out an impairment test on financial assets that are not recognised at fair value. Objective evidence of impairment is considered to exist if the recoverable value of the financial assets is less than the carrying amount. Any such impairment is recognised in the consolidated income statement.

Specifically, and in relation to the corrective valuation adjustments relating to trade and other receivables, the criterion employed by the Group to calculate the corresponding valuation adjustments, if any, is to provision those items in accordance with a breakdown of debt seniority and a prior stratification of the type of debt for which the delay in the recovery exceeds twelve months, or earlier if difficulties in the recoverability are anticipated.

The Group eliminates financial assets upon their expiry or when the rights to the cash flows relative to the corresponding financial asset, together with the risks and profits of ownership, are transferred, as in the case of the transfer of trade receivables in "non-recourse factoring" operations in which the Group retains no significant risk. In this sense, the factored trade receivables have the following characteristics, among others:

- They are receivable rights held against clients previously selected by the Group and by the banks to which the assets are transferred in accordance with their high level of solvency.

- The default risk is assumed by the factor from the moment in which the credit transfer takes place. The factor, in turn, has the authority to freely sell or to transfer the mentioned rights to others, either individually or structurally.

- The risk of default, consisting of late payment by customers, given the recognized solvency of the factored customers and based on past experience and market information at year end, is not significant in relation to the risks transferred, motivating the cancellation of the mentioned financial assets in accordance with IAS 39 "Financial Instruments: recognition and measurement”.

Conversely, the Group does not eliminate financial assets, and recognizes a financial liability for an amount equal to the consideration received in transfers of financial assets under which the risks and rewards of ownership are substantially maintained, such as the discounting of bills or other securities that substantially absorb all of the forecast losses.

The Group has no factoring operations at December 31, 2009, as a consequence of the disposal of certain companies.

i) Equity and financial liabilities

Financial liabilities and equity instruments are classified in accordance with the content and the substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Held-to-maturity financial liabilities are measured at amortised cost using the effective interest method.

Capital instruments issued by the Parent are recognised at the amount received in equity, free of direct issue costs.

Both current and non-current debts are recognised at fair value adjusted for directly attributable transaction costs and, subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

In the event of the renegotiation of existing debt, no substantial change in the financial liability is considered to exist when the lender of the new loan is the same as the lender which granted the initial loan and the current value of the cash flows, including the associated issuance and formalization costs and by using the effective interest method, does not differ by more than 10% of the current value of the original liability's outstanding cash flow calculated using this method.

j) Derivative financial instruments and hedge accounting

The Group's activities expose it mainly to the following financial risks: changes in the foreign exchange rates of the currencies in which it operates and changes in interest rates. To hedge this exposure, the Group uses foreign currency forward contracts and other financial instruments aimed at converting floating interest rates into fixed interest rates. Hedging derivatives are arranged on the basis of the prevailing market conditions, management objectives and the specific features of the factors giving rise to financial risks. Changes in the market value of these financial instruments arising in the course of their useful life are recognised in the consolidated income statement at the same rate as the hedged transactions. Accordingly, the effects of these transactions are allocated to income using the same method as that used to recognise the income and expenses derived from the underlying transaction.

To manage its financial risks, the Group monitors and controls them through a financial risk committee, which analyses the situation in the financial markets, the status of existing transactions and hedges and the decisions that have been taken or that might be taken. The changes in the fair value of the derivative financial instruments that are designated and effective as hedges are recognised as follows:

1. In a fair value hedge, which is a hedge of the exposure to changes in fair value of a recognised asset or liability, changes in the fair value of both the hedging instruments and the hedged items, as far as the type of risk being hedged is concerned, are recognised directly in the consolidated income statement.

2. In cash flow hedges, changes in value arising in the effective portion of the hedging instruments are recognised provisionally in equity. If the cash flow hedge of a firm commitment or forecast transaction results in the recognition of a non-financial asset or a non-financial liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. Conversely, for hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in value relating to the ineffective portion of cash flow hedges and of hedges of a net investment in a foreign operation are recognised directly in the consolidated income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no

longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year. In 2009, all the derivatives transactions failed to comply with the hedge accounting criteria.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

The market value of the various financial instruments is calculated as follows:

1. The market value of the derivatives quoted in an organised market is their market price at year-end.

2. The Group values derivatives that are not traded on an organised market using assumptions based on market conditions at year-end. Specifically, the market value of interest rate swaps is calculated as the value of the swap rate spread adjusted to market interest rates. Forward foreign exchange contracts are measured by discounting the future cash flows calculated on the basis of the forward exchange rates prevailing at year-end.

k) Translation method

The consolidated financial statements were prepared by using the general translation method established in IAS 21 for foreign subsidiaries in countries with a currency other than the euro (closing exchange rate method).

Based on this method, all the items in the financial statements were translated at the exchange rates prevailing at the balance sheet date, except for equity items, which were translated at the historical exchange rates, and income statement items, which were translated at the exchange rates prevailing on the dates the related transactions were performed or at the weighted average exchange rates.

In accordance with IAS 21, application of the closing exchange rate method means that the effect of translating to euros the foreign subsidiaries' balance sheets and income statements denominated in foreign currencies is included under “Equity - Translation Differences” on the liability side of the accompanying consolidated balance sheet.

l) Shares of the Parent

All the shares of the Parent held at 31 December 2009 and 31 December 2008 represented 1.31% and 2.02% of the issued share capital at that date, respectively. They are recognised at acquisition cost and are deducted from equity. Gains or losses arising from the purchase, sale, issue or redemption of the Parent's equity instruments are recognised directly in equity and under no circumstances are they recognised in the consolidated income statement (see Note 12).

m) Retirement benefit obligations

Two foreign subsidiaries have defined benefit retirement obligations to their employees, instrumented through pension plans which have been externalised. One of these companies was excluded from the scope of consolidation at December 30, 2009 (Note 2). The Natraceutical Group recognises the related expense as it accrues over the working life of its employees, on the basis of independent actuarial studies for the calculation of the accrued obligation at year-end. The difference between the constituted provision and the current net value of the obligation reduced by the market value of the plan assets is charged to the income statement at the amount of the aforementioned surplus divided by the average number of years of active work remaining to the employees participating in the plan, provided that the accumulated net amount recognized at the immediately prior year-end exceeds the greater of:

- 10% of the current value of the benefit obligations defined in the plan and,

- 10% of the fair value of any plan assets at that date.

When the market value of the plan assets is higher than the present value of the obligation, the net asset is not recognised in the balance sheet unless it is virtually certain that it will be recovered.

n) Termination benefits

Under the legislation in force in each case, the Spanish consolidated companies and certain of the Group companies domiciled in other countries are required to pay termination benefits to employees terminated without just cause. The Group has recognised a provision for this concept, without a significant impact having been produced in the consolidated financial statements as a result of the disposal of the Functional Ingredients Division, under "Current liabilities - Provisions" in the accompanying consolidated balance sheet.

Provisions for restructuring costs are recognised when the Group has a detailed formal restructuring plan for the restructuring that has been communicated to the affected parties. The Natraceutical Group does not foresee any significant employee terminations and, accordingly, the accompanying consolidated balance sheet does not include any provision in this connection.

o) Provisions

When preparing the financial statements of the consolidated companies, their respective Directors differentiated between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to a loss for the companies, which is certain as to its nature but uncertain as to its amount and/or timing.

- Contingent liabilities: possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the consolidated companies.

Provisions are recognised when it is considered that it is more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, as required by IAS 37. At 31 December 2009, no material provisions or contingent liabilities had been estimated.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

At year-end 2009 and 2008, various legal proceedings and claims brought against the consolidated companies originating from the regular development of their activities were underway. Both the Group's legal advisers and its Directors consider that the conclusion of these proceedings and claims will not produce a material effect on the corresponding consolidated financial statements.

p) Government grants

The Group accounts for the grants it receives as follows:

- Non-refundable grants related to assets. These grants, which are measured at the amount granted, are treated as deferred income and taken to income in proportion to the period depreciation on the assets concerned.

- Grants related to income. These grants are recognised as income under “Other Operating Income” in the consolidated income statement.

The directors consider that the Group has been meeting the requirements for the award of these grants.

q) Revenue and expense recognition

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales of goods are recognised when all the risks and rewards of ownership have been transferred.

Revenue associated with the rendering of services is also recognised by reference to the stage of completion of the transaction at the balance sheet date, provided the outcome of the transaction can be estimated reliably.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's carrying amount.

Income from dividends from investments is recognized when the shareholders rights to receive payment have been established.

Expense recognition

An expense is recognised in the income statement when there is a decrease in the future economic benefits related to a reduction of an asset, or an increase in a liability, which can be measured reliably. This means that an expense is entered simultaneously to the entry of the increase of a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

r) Income tax

Natraceutical, S.A. files consolidated tax returns as the head of Consolidated Tax Group 13/08, which includes the subsidiaries Natraceutical Industrial, S.L.U. and Forté Pharma Ibérica, S.L.U.

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

The expense for Spanish corporation tax and similar taxes applicable to the consolidated foreign companies is recognised in the consolidated income statement, unless it arises from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

Deferred tax assets and liabilities include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Notwithstanding the above:

1. Deferred tax assets are only recognized when it is considered likely that the consolidated companies will obtain sufficient future taxable profits against the which the assets may be charged, and

2. Under no circumstances are deferred taxes arising in the goodwill surfaced as the result of an acquisition recognised.

The deferred tax assets and liabilities recognised are reassessed at each balance sheet date in order to ascertain whether they still exist, and the appropriate adjustments are made on the basis of the findings of the analyses performed.

s) *Earnings per share*

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares of the Parent held by the Group companies.

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

The Group has not undertaken any operations giving rise to a diluted earning per share other than the basic share profits.

t) *Foreign currency transactions*

The functional currency of the Group is the euro. Accordingly, all balances and transactions in currencies other than the euro are deemed to be “foreign currency transactions”.

Transactions in currencies other than the euro are translated to euros at the exchange rates prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing rates or at the hedged exchange rate (see Note 19). Any resulting gains or losses at year-end are recognised in the income statement.

In order to hedge its exposure to certain foreign currency risks, the Group arranges forward contracts and options.

On consolidation, the balances of the financial statements of the consolidated companies whose functional currency is not the euro are translated to euros as explained in Note 4-k.

Goodwill and fair value adjustments arising on the acquisition of a foreign company are treated as assets and liabilities of the foreign company and are translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as euro denominated assets and liabilities.

u) *Consolidated cash flow statement*

The following terms are used in the consolidated cash flow statement, which was prepared using the indirect method, with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

- Operating activities: the principal revenue-producing activities of the consolidated Group companies and other activities that are not investing or financing activities.

- Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.

v) 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 income 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.

w) Non-current assets classified as held for sale and discontinued operations

Non-current assets are classified as held for sale when the decision has been taken to sell the asset and the sale is expected to take place within the next twelve months.

The Group classifies as “Discontinued Operations” the business lines that were sold or disposed of by other means or which meet the criteria to be classified as held for sale, including, where applicable, assets which, together with the business line, form part of the same plan of sale.

At 31 December 2009, no significant asset had been recognised under this heading and no significant business line or segment had been discontinued. However, in 2008 the Parent’s directors agreed to sell certain lines of activity related to cocoa derivatives to a Natra Group company in virtue of the mentioned group’s capacity to optimize the production process and the business of these lines (see Note 21).

5. Goodwill on consolidation

The changes in “Goodwill” in the accompanying consolidated balance sheet in 2009 and 2008 were as follows:

	Thousands of Euros
Balance at 1 January 2008	133,765
Translation differences	(9,638)
Balance at 31 December 2008	**124,127**
Inclusions in scope of consolidation (see Note 2)	22,200
Translation differences associated with the exclusions from the scope of consolidation	9,638
Impairment	(177)
Exclusions from the scope of consolidation (Note 2)	(52,805)
Balance at 31 December 2009	**102,983**

In 2009, the Group proceeded to recognise 177 thousand euros in "Loss from impairment of assets" in the accompanying consolidated income statement.

The detail, by cash-generating unit, of the total goodwill at 31 December 2009 is as follows:

	Thousands of Euros	
	2009	2008
Goodwill of fully consolidated companies:		
Laboratoires Forté Pharma Group	79,191	79,191
Overseal Natural Ingredients Ltd.	-	26,647
Exnama-Extratos Naturais da Amazônia, Ltda.	-	5,690
Obipektin AG	-	6,423
Kingfood Australia, Pty Limited	-	4,584
Forte Pharma Ibérica, S.L.U.	1,592	1,592
Corporate goodwill accounted for using the equity method:		
Naturex SA	22,200	-
	102,983	**124,127**

The recoverable amount was estimated in accordance with the value of the company, which was based on assumptions relating to cash flows, cash flow growth rates and discount rates consistent with those used to calculate the market values.

The projections are prepared for each business unit on the basis of recent performance and include 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 Group Management.

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 period and incorporating a growth rate. The final value of each cash-generating unit at the end of the fifth year did not take a growth rate into account. 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 advisable to do so. The main variables affecting the calculations of the aforementioned projections are as follows:

- The applicable discount rate, taken to be the weighted average cost of capital; the main variables affecting the calculation thereof are the cost of liabilities, the tax rate and the specific risks associated with the assets.

- The growth rate used to extrapolate the projected cash flows of the period covered by the budgets or forecasts. In 2009 and 2008, based on the structure of the businesses, the geographical area in which the various companies operate and their future expectations, the growth rates used ranged approximately from 6% to 20%. The growth rate increased during 2009 as a result of the effect of the economic conditions on the subsidiaries that have allocated the aforementioned goodwill.

- The value in use of each cash-generating unit was 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 2009 and 2008, based on the structure of the businesses, the geographical area in which they operate and their future expectations, the discount rates used ranged were around 9%.

On the basis of the economic and financial estimates and forecasts prepared by the Group's Directors, the projected cash flows attributable to these cash-generating units or groups of units, to which the goodwill has been allocated, will make it possible to recover the carrying amount of the goodwill recognised at 31 December 2009.

6. Other intangible assets

The changes in “Other Intangible Assets” and in the related accumulated amortisation in 2009 and 2008 were as follows:

	Thousands of Euros						
	Balance at 31/12/2008	Inclusions in the scope of consolidation	Additions Or Charges	Disposals	Translation differences	Exclusions from the scope of consolidation (Note 27)	Balance at 31/12/2009
Cost:							
Development activities	7,731	105	1,286	(3,415)	36	(482)	5,261
Intellectual property	1,222	1,480	39	(1,788)	107	-	1,060
Computer software	2,366	-	186	(14)	1	(792)	1,747
Other intangible assets	412	-	234	-	-	(412)	234
Total cost	**11,731**	**1,585**	**1,745**	**(5,217)**	**144**	**(1,686)**	**8,302**
Accumulated amortisation:							
Development activities	(3,866)	-	(1,102)	722	(5)	209	(4,042)
Intellectual property	(705)	(196)	(231)	431	(14)	-	(715)
Computer software	(1,056)	-	(528)	20	(3)	590	(977)
Total accumulated amort.	**(5,627)**	**(196)**	**(1,861)**	**1,173**	**(22)**	**799**	**(5,734)**
Impairment	(107)	-	(730)	-	-	-	(837)
Carrying amount	**5,997**						**1,731**

	Thousands of Euros				
	Balance at 31/12/2007	Additions Or Charges	Disposals	Translation differences	Balance at 31/12/2008
Cost:					
Development activities	5,694	2,087	(20)	(30)	7,731
Intellectual property	2,208	1,587	(2,573)	-	1,222
Computer software	1,490	797	-	79	2,366
Other intangible assets	538	-	-	(126)	412
Total cost	**9,930**	**4,471**	**(2,593)**	**(77)**	**11,731**
Accumulated amortisation:					
Development activities	(2,599)	(1,268)	3	(2)	(3,866)
Intellectual property	(427)	(2,749)	2,471	-	(705)
Computer software	(873)	(341)	-	158	(1,056)
Total accumulated amort.	**(3,899)**	**(4,358)**	**2,474**	**156**	**(5,627)**
Impairment	**(107)**	**-**	**-**	**-**	**(107)**
Carrying amount	**5,924**				**5,997**

The additions to development expenditure relate to projects conducted by the Group as part of its policy to maintain growth rates and competitiveness levels.

Of the net balance of “Development Activities” at 31 December 2009, 1,196 thousand Euros relate to projects that have been completed and are being amortised at the established rate, event though the forecast sales volume has yet to be achieved. The remaining 23 thousand euros relate to projects still at the development stage.

Of the Group’s intangible assets, certain assets, the cost and accumulated amortisation of which amount to 5,357 and 4,511 thousand euros, respectively, had been fully amortised at 31 December 2009 and 31 December 2008, respectively.

In 2008, one of the Company’s projects was successfully completed and was sold, once amortised, to a Natra Group company.

7. Property, plant and equipment

The changes in 2009 and 2008 in “Property, Plant and Equipment” and in the related accumulated depreciation and impairment losses were as follows:

	Thousands of Euros							
	Balance at 31/12/08	Inclusions in the scope of consolidation	Additions or Charges	Disposals or Reductions	Transfers	Translation differences	Exclusions from scope of consolidation (Note 27)	Balance at 31/12/09
Cost:								
Land and buildings	34,739	190	573	(463)	20	322	(29,940)	5,441
Plant and machinery	57,160	78	1,709	(4,512)	386	983	(46,533)	9,271
Other fixtures, tools and furniture	2,891	-	472	(506)	-	37	(772)	2,122
Other intangible assets	1,674	-	22	(3)	378	82	(1,684)	469
Advances and property, plant and equipment in the course of construction	1,808	-	2	(493)	(784)	49	(582)	-
Total cost	**98,272**	**268**	**2,778**	**(5,977)**	**-**	**1,473**	**(79,511)**	**17,303**
Accumulated amortisation:								
Buildings	(14,115)	(24)	(817)	254	-	(64)	13,036	(1,730)
Plant and machinery	(42,341)	(12)	(3,014)	2,058	-	(634)	37,921	(6,022)
Other fixtures, tools and furniture	(1,843)	-	(363)	403	-	(23)	574	(1,252)
Other intangible assets	(1,349)	-	(194)	2	-	(51)	1,255	(337)
Total accumulated amort.	**(59,648)**	**(36)**	**(4,388)**	**2,717**	**-**	**(772)**	**52,786**	**(9,341)**
Impairment	**-**	**-**	**(3,515)**	**-**	**-**	**-**	**-**	**(3,515)**
Carrying amount	**38,624**						**(26,725)**	**4,447**

	Thousands of Euros					
	Balance at 31/12/07	Additions or Charges	Disposals or Reductions	Transfers	Translation Differences	Balance at 31/12/08
Cost:						
Land and buildings	32,171	360	(28)	-	2,236	34,739
Plant and machinery	64,425	1,694	(12,384)	922	2,503	57,160
Other fixtures, tools and furniture	2,941	112	(9)	(139)	(14)	2,891
Advances and property, plant and equipment in the course of construction	2,907	1,550	(1,750)	(783)	(116)	1,808
Other intangible assets	1,767	107	(90)	-	(110)	1,674
Total cost	**104,211**	**3,823**	**(14,261)**	**-**	**4,499**	**98,272**
Accumulated amortisation:						
Buildings	(12,301)	(703)	7	-	(1,118)	(14,115)
Plant and machinery	(41,772)	(3,142)	5,101	-	(2,528)	(42,341)
Other fixtures, tools and furniture	(1,518)	(345)	6	-	14	(1,843)
Other intangible assets	(1,323)	(144)	44	-	74	(1,349)
Total accumulated amort.	**(56,914)**	**(4,334)**	**5,158**	**-**	**(3,558)**	**(59,648)**
Carrying amount	**47,297**					**38,624**

As indicated in Note 4-d, the Group revalued its property, plant and equipment pursuant to Royal Decree-Law 7/1996, of 7 June. The accounts affected by this revaluation under Royal Decree-Law 7/1996, of 7 June, and the net effect thereof on property, plant and equipment at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Land	392	392
Buildings	32	54
	424	**446**

The revaluation increased the depreciation charge for 2009 and 2008 by EUR 22 thousand in each year.

“Property, Plant and Equipment” in the consolidated balance sheet at 31 December 2009 and 31 December 2008 includes fully depreciated items with a cost and accumulated depreciation amounting to approximately 7,296 thousand euros and 36,882 thousand euros, respectively.

At December 31, 2009 and 2008, the Group has permanent investments in property, plant and equipment located in Spain and abroad, as detailed below in terms of net carrying amount:

	Thousands of Euros	
	2009	2008
Spain	3,684	10,559
America	-	25,390
Europe	763	2,317
Oceania	-	358
	4,447	**38,624**

The decrease of property, plant and equipment corresponds to the disposal of subsidiaries (see Note 27).

The effect of the changes in exchange rates in relation to the changes in property, plant and equipment produced in foreign subsidiaries whose functional currency is not the euro during 2009 and 2008 is not significant.

The Group takes out insurance policies to cover the possible risks to which its property, plant and equipment are subject. At 31 December 2009, the carrying amount of the property, plant and equipment was covered in full by these policies.

8. Investments accounted for using the equity method

"Investments Accounted For Using the Equity Method" on the asset side of the accompanying consolidated balance sheets at 31 December 2009 relates in full to the investment in Naturex, SA, (see Notes 1, 2 and 27). In 2008, this heading fully related to the investment in Biopolis, SL.

The changes in 2009 in "Investments Accounted for Using the Equity Method" in the consolidated balance sheet were as follows:

	Thousands of Euros
Balance at beginning of year	663
Inclusions into the scope of consolidation (see Note 2)	48,366
Exclusions from the scope of consolidation (Note 2)	(663)
Balance at end of year	**48,366**

The average price of Naturex SA shares during the last quarter and the price at the closure of 2009 were 28.24 and 27.85 euros per share, respectively.

9. Financial assets, cash and cash equivalents

The financial asset balances included in the accompanying consolidated balance sheets are summarised by nature of the transaction as follows:

	Thousands of Euros Euros			
	2009		2008	
	Non-current	Current	Non-Current	Current
Available-for-sale financial assets	4,682	-	7,599	-
Held-to-maturity investments	268	-	2,066	-
Trade and other receivables	-	18,641	-	37,176
Current tax assets	-	1,866	-	3,505
Cash and cash equivalents	-	1,095	-	34,636
	4,950	**21,602**	**9,665**	**75,317**

Available-for-sale financial assets

“Available-for-Sale Financial Assets” includes the investments in and loans to the following companies not included in the scope of consolidation (see Note 2):

	Thousands of Euros	
	2009	2008
Investments:		
Panadoro Group AG	-	1,500
Braes Holding Ltd.	1,645	2,789
Cakefriends, Ltd.	347	451
Loans:		
Braes Group, Ltd.	2,546	2,546
Cakefriends, Ltd.	144	313
Total	**4,682**	**7,599**

In 2009, the investee Cakefriends performed a capital decrease in order to restore its equity balance. Following this operation, the company performed a capital increase for the same amount in which Natraceutical did not exercise all its voting rights, resulting in a reduction of its shareholding to 12.29%. The aforementioned capital increase was undertaken by means of debt capitalization.

On November 2, 2009, the Parent proceeded to dispose of its interest in the Swiss company Panadoro Group Ltd. The Group had already proceeded to classify this investment as available for sale in previous years as a result of its intention sell the same. The sale, which materialized during the current year, has given rise to a loss of 1254 thousand Euros, which has been recognised in "Income from the disposal of non-current assets" in the accompanying consolidated income statement.

Also, these companies have accounts receivable from and payable to the Group amounting to 4,313 and 171 thousand euros, respectively (2,594 and 6,821 thousand euros in 2008), which are recognised under “Trade and Other Receivables”, “Other Current Financial Assets”, “Trade and Other Payables” and “Other Current Liabilities” in the accompanying consolidated balance sheet at 31 December 2009. These balances are non-interest bearing and have short-term maturity.

The Group proceeded to write-down the amount of 1268 thousand euros under "Loss from impairment of assets" in the accompanying consolidated income statement, corresponding to the financial assets/shares classified as available for sale investments.

Held-to-maturity investments

The balance of “Held-to-Maturity Investments” relates to bonds amounting to 217 thousand Euros and a loan granted to the associate company Biopolis, SL, up to December 30, 2009, when it was sold to Naturex SA for 51 thousand Euros.

Trade and other receivables

The average credit period taken on the sale of goods is 50 days, approximately (approximately 76 days in 2008). The receivables do not earn any interest.

“Trade and Other Receivables” relates, to a significant extent, to receivables held with the Group amounting 9,229 thousand euros (see Note 18). “Trade and Other Receivables” also includes the Group’s accounts receivable from the companies included under “Available-for-Sale Financial Assets” and the trade receivables generated by the Group’s business activity.

“Trade and Other Receivables” is stated net of an allowance for doubtful debts relating to the estimated non-recoverable amounts from the sale of goods. This allowance was determined by reference to past default experience and a specific analysis of each debtor. At December 31, 2009, there are no unprovisioned accounts receivable maturing within more than 12 months. The changes resulting from the deterioration of the receivables during 2009 are as follows:

	Thousands of Euros					
	Balance at 31/12/08	Impairment	Application	Translation differences	Exclusions from scope of consolidation	Balance at 31/12/09
Impairment of receivables	1,022	6,101	(899)	(11)	(202)	6,011

The Group recognised significant deterioration during the period, resulting from the process initiated in the previous year by means of which certain lines of business were discontinued. The mentioned process culminated during the present year with the formalization of the operation described in Note 27. The changes in deterioration during the previous year were not significant.

The Parent’s directors consider the carrying amount of trade and other receivables to be close to the fair value.

Current tax assets

“Current Tax Assets” includes current balances refundable by the tax authorities (see Note 17).

Cash and cash equivalents

"Cash and Cash Equivalents” includes mainly the Group’s cash, a deposit in the account of Riva y García (a company through which the Group purchases and sells its treasury shares).

Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade and bank receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Parent's directors based on past experience and their assessment of the current economic environment.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

10. Other current financial assets

The detail of the balance of "Other Current Financial Assets" in the consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Sundry accounts receivable	42	1,633
Current financial assets	204	1,732
	246	**3,365**

"Current Financial Assets" includes mainly short-term bank deposits that mature in more than three months and earn interest at market rates and short-term finance granted to third parties.

11. Inventories

The detail of inventories at 31 December 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Goods held for resale	24	1,590
Raw materials and supplies	1,551	12,809
Work in progress	203	5,685
Finished goods	4,917	19,133
Impairment	(2,048)	(3,211)
Total	**4,647**	**36,006**

At 31 December 2009, the Group companies have firm purchase commitments amounting to 1,788 thousand euros. At the closure of the year, the Group has no firm sale commitments. The purchase and sale commitments at 31 December, 2008, were 9,440 thousand euros and 15,111 thousand euros, respectively.

The changes in inventory deterioration at 31 December 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Opening balance	(3,211)	(2,417)
Additions	(1,625)	(794)
Applications	188	-
Exclusions from scope of consolidation	2,600	-
Closing Balance	**(2,048)**	**(3,211)**

12. Equity

Share capital

The Parent’s share capital at 31 December 2009 was represented by 328,713,946 fully subscribed and paid ordinary shares of 0.10 euro par value each.

In 2002 the Parent's shares were admitted for listing on the Spanish Stock Market Interconnection System (New Market Segment) on the Madrid, Valencia, Barcelona and Bilbao Stock Exchanges.

At 31 December 2009, Natra, S.A. was the only company with an ownership interest of over 10%, since it owned 50.60% of the Parent's shares.

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.

Revaluation reserve

The tax authorities have reviewed and approved the balance of the “Revaluation Reserve Royal Decree-Law 7/1996, of 7 June” account, which amounts to 437 thousand euros. This balance can be used, free of tax, to offset accounting losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital. From 1 January 2008 the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

Legal reserve

Under the Consolidated Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 December 2009 and 2008, the balance of this reserve amounted to 914 thousand euros.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

Treasury shares

At 31 December 2009, the Parent held 4,291,226 treasury shares, acquired for an average price of approximately 1.14 euros. The par value of the treasury shares represents 1.31% of share capital. The changes in “Treasury Shares” in 2009 and 2008 were as follows:

	Thousands of Euros
Balance at 31 December 2007	9,099
Additions	2,850
Disposals	(4,398)
Balance at 31 December 2008	**7,551**
Disposals	(2,668)
Balance at 31 December 2009	**4,883**

The Parent acquired the treasury shares by virtue of the resolution adopted by the shareholders at the Annual General Meeting of 29 June 2005, which to date has been annually renewed by the General Meeting, authorising the Board of Directors to purchase treasury shares at pre-established minimum and maximum prices, without any specified purpose.

The disposal of treasury shares gave rise to a loss of 1,590 thousand Euros, which was recognised under “Reserves (Retained Earnings)” on the liability side of the accompanying consolidated balance sheet at 31 December 2009.

Other restricted reserves

“Reserves (Retained Earnings)” includes a restricted reserve for the redenomination of share capital to euros, with a balance of 54 euros.

The individual financial statements of the consolidated companies comprising the Group present a combined amount of 915 thousand euros in the concept of legal reserve, thus restricted in nature, at the closure of the years ended on 31 December, 2009 and 2008.

Reserves of fully consolidated companies and companies accounted for using the equity method

The detail, by company, of “Equity - Reserves at Fully Consolidated Companies” is as follows:

Company	Thousands of Euros	
	2009	2008
Laboratoires Forté Pharma, SAM	6,681	1,480
Forte Services, SAM	4,740	5,492
S.A. Laboratoires Forte Pharma, Benelux	(892)	(391)
Forte Pharma Ibérica, S.L.U.	(3,124)	(1,872)
Natraceutical Canada, Inc	(355)	-
Natraceutical Industrial, S.L.U.	(6,720)	(3,581)
Overseal Natural Ingredients Ltd.	-	5,766
Exnama-Extratos Naturais da Amazônia, Ltda.	-	4,037
Obipektin AG	-	1,577
Kingfood Australia Pty Ltd.	-	325
Britannia Natural Products Ltd.	-	3
The Talin Co. Ltd.	-	(18)
Overseal Color Inc.	-	(27)
	330	**12,791**

The decrease of "Reserves at fully consolidated companies accounted for using the equity method" relates mainly to the disposals produced during the year (see Note 27).

The changes in “Reserves at fully consolidated companies accounted for using the equity method” produced during the year relate to the disposal of Biopolis, SL.

Translation differences

The detail, by company, of “Translation Differences” included in "Equity” is as follows:

Company	Thousands of Euros	
	2009	2008
Natraceutical Canada, Inc	(144)	-
Obipektin AG	-	2,288
Exnama-Extratos Naturais da Amazônia, Ltda.	-	1,186
The Talin Co. Ltd.	-	18
Natraceutical Rusia	-	11
Britannia Natural Products Ltd.	-	(2)
Overseal Color Inc.	-	(305)
Kingfood Australia, Pty Limited	-	(1,130)
Overseal Natural Ingredients Ltd.	-	(14,895)
	(144)	**(12,829)**

The decrease in "Translation Differences" relates mainly to the disposals produced during the year (see Note 27).

Management of capital

The main objective of the Natraceutical Group is to maintain an optimum capital structure which guarantees its capacity to continue operating as a going concern and safeguards the return for its shareholders and the profit of equity holders. This policy enables the creation of value for the shareholders to be combined with access to financial markets at a competitive cost in order to cover the needs of both the refinancing of debt and the financing of the plan covering investments which are not covered by the generation of goodwill, in line with the

Group's overall strategy relative to sales growth through the expansion of its operations both in the domestic market and abroad.

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 following table shows the level of financial debt (net financial debt/total liabilities) of the Natraceutical Group at 2009 and 2008 year-end.

	Thousands of Euros	
	2009	2008
Gross financial debt	74,851	118,530
-Non-current bank borrowings	6,707	62,127
- Current bank borrowings	63,754	46,411
- Other non-current financial liabilities	4,390	9,992
Cash and cash equivalents	1,095	34,636
Net financial debt	73,756	83,894
Total liabilities	200,180	307,497
Net financial debt / total liabilities	36.84%	27.28%

The Group's Management Committee, when making decisions on the investments proposed by the various business areas, assesses the cost of capital and the risks associated with each class of capital, which are overseen by its Board of Directors at its regular meetings.

The Board of Directors has adopted a remuneration policy consisting of the creation of value for shareholders through the assessed investments and, accordingly, dividends are not distributed.

13. Long-term provisions

The changes in 2009 and 2008 in "Long-Term Provisions" in the consolidated balance sheets were as follows:

	Thousands of Euros	
	2009	2008
Opening balance	508	1,347
Period provision charged to income:		
Staff costs	383	343
Other	27	(112)
Provisions used:		
Payments to reitered employees and early retirees with a charge to internal provisions	(412)	(435)
Reversal of provisions	-	(742)
Translation differences	1	107
Exclusions from the scope of consolidation	(401)	
Closing Balance	**106**	**508**

The information on the actuarial liabilities and defined benefit plan assets at 31 December 2009 and 2008 is as follows (see Note 4-m):

The present value of the obligations was determined by qualified independent actuaries using the following actuarial techniques:

- Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.

- Actuarial assumptions used: unbiased and mutually compatible. In general, the most significant actuarial assumptions used in the calculations were as follows:

	Retirement Benefits
	2009
Discount rate	3.25%
Mortality tables	PER 2000
Retirement age	64
Salary increase rate	2%

The current service cost recognised in the income statement for long-term defined benefit employee remuneration obligations amounts to 383 thousand euros.

	Thousands of Euros	
	2009	2008
Present value of the obligation	10,372	10,743
Market value of plan assets	(8,710)	(8,702)
	1,662	**2,041**

The difference between the provision and aforementioned measurement corresponds to an amount of 1262 thousand euros which, in conformity with the criteria adopted by the Group, would be classified in accordance with IAS 19 under "Net actuarial gains or losses not recognised in the balance sheet".

These unrecognised losses correspond to the outsourced part of the pension plan. In accordance with IAS 19.92, the Group will proceed to recognise a part of its actuarial gains and losses as income or expense, provided that, at the previous year-end, the recognised accumulated net amount exceeds the greater of:

- 10% of the present value of the defined benefit plan obligations

- and, 10% of the fair value of any plan assets at that date.

The above criteria have been applied consistently in previous years.

As a consequence of the procedure described in Note 27, a subsidiary which had a pension plan assigned to its employees has been excluded from the scope of consolidation. The effect of the difference between the present value of the obligation and the market value of the plan assets and the constituted provision has not been charged to the income statement due to its relative lack of significance in relation to these financial statements.

The plan assets do not include financial instruments issued by the Group or property, plant and equipment owned by the Group.

The main assumptions used in the actuarial studies conducted to determine the provisions required to meet the obligations in question are CPI growth of 2% and a discount rate of 4.25%.

In 2008, virtually all the employees relinquished their rights to the share option plan approved in prior years (see Note 20). As a result, the Parent derecognised the provision made in this connection with a credit to the 2008 income statement.

14. Bank borrowings

The detail, by maturity, of the bank borrowings at 31 December 2009 and 2008, is as follows:

	Thousands of Euros				
	2010	2011	2012	2013	Total
Loans	34,399	2,758	3,645	304	41,106
Credit facilities	16,500	-	-	-	16,500
Import financing	11,434	-	-	-	11,434
Discounted bills and notes	395	-	-	-	395
Unmatured accrued interests	1,026	-	-	-	1,026
Total	**63,754**	**2,758**	**3,645**	**304**	**70,461**

	Thousands of Euros					
2008	2009	2010	2011	2012	2013 and subsequent years	Total
Loans	9,588	17,025	13,222	14,948	16,932	71,715
Credit facilities	19,166	-	-	-	-	19,166
Import financing	16,391	-	-	-	-	16,391
Discounted bills and notes	584	-	-	-	-	584
Unmatured accrued interests	682	-	-	-	-	682
Total	**46,411**	**17,025**	**13,222**	**14,948**	**16,932**	**108,538**

In the detail of "Non-current bank borrowings" and "Current bank borrowings" detailed in the tables above, the Company includes loans and payables held with banks that are considered related companies. The corresponding maturities are as follows:

	Thousands of Euros					
2009	2009	2010	2011	2012	Remainder	Total
Related Party Loans	6,441	2,200	-	-	-	8,641
Credit facilities with related companies	1,000	-	-	-	-	1,000
Import financing held with related companies	1,490	-	-	-	-	1,490
Unmatured accrued interests held with related companies	24	-	-	-	-	24
Total	**8,955**	**2,200**	**-**	**-**	**-**	**11,155**

2008	Thousands of Euros					
	2009	2010	2011	2012	Remainder	Total
Related Party Loans	2,074	2,301	2,301	2,168	1,462	10,306
Credit facilities with related companies	1,016	-	-	-	-	1,016
Import financing held with related companies	1,500	-	-	-	-	1,500
Unmatured accrued interests held with related companies	-	-	-	-	-	-
Total	**4,590**	**2,301**	**2,301**	**2,168**	**1,462**	**12,822**

The amounts of 523 thousand euros and 93 thousand euros recognised in "Finance costs" and "Finance income", respectively, correspond to related banks. In 2008, finance costs amounted to 730 thousand euros.

Foreign currency loans and credits are recognised at their equivalent euro value at each year-end, calculated at the exchange rates prevailing at 31 December 2009. At the mentioned date, these amounts were not material.

At 31 December 2009, the Group companies had been granted credit facilities, import and export financing and commercial note and bill discounting facilities with limits of 17,200 thousand euros (note 28), 14,200 thousand euros and 800 thousand euros, respectively.

“Loans” includes a syndicated loan amounting to 25,061 thousand euros obtained to partially finance the acquisition of Group companies.

In view of the characteristics of the loan granted under the syndicated financing agreement in force at 31 December 2009, the claimability of the loan is subject to compliance with certain clauses relating to specific ratios and aggregates that are customary in transactions of this nature. At 31 December 2009, the Parent’s directors consider that the terms are being complied with. Consequently, the whole of the mentioned loan has been reclassified to short-term. Nevertheless, the Group’s Directors believe that these clauses will be modified by virtue of the ongoing refinancing process (see Note 28.).

The syndicated bank loan is secured by a pledge on the shares of Natraceutical Industrial SLU and Naturex SA (see Note 2). These bank loans are guaranteed by Natraceutical Industrial, S.L.U.

Non-current and current bank borrowings bear floating interest ranging from 1.26% to 6%.

Other disclosures

In 2006, the Group agreed a swap with a bank to cover a stock option plan. Under the mentioned agreement, the Group undertook to buy on maturity 5,896,667 shares, of which 1,740,000 were acquired during 2008. The acquisition price was set at 1.155 euros per share.

As consideration, the bank receives interest on the nominal amount of the transaction, which the Parent recognises as finance costs on an accrual basis. 91 thousand euros were recognised in this connection in the accompanying 2009 consolidated income statement (358 thousand euros in 2008). The Company will collect any paid dividends.

Since the risks inherent to the performance of the share price of the aforementioned treasury shares with respect to the previous price per share and the dividend rights conferred by the shares continue to be retained by the Parent, this transaction was recognised, as a reflection of the rights and obligations held under the agreement, under “Treasury Shares” and “Non-Current Bank Borrowings” in the accompanying consolidated balance sheet.

The Group began 2009 immersed in the process of refinancing its debt and obtaining additional financing from banks. At the date of the preparation of these financial statements, the Parent’s directors consider, in accordance with the progress of the mentioned process, that the process will be successfully concluded in April 2010.

15. Financial Instruments

"Other non-current financial liabilities" in the accompanying consolidated balance sheet presents the amount of 2,814 thousand euros, which correspond to the value of the interest rate derivatives (see Note 16).

The detail, by contractual maturity, of the assets and liabilities relating to derivative financial instruments arranged by the Group and outstanding at 31 December 2009 is as follows:

	Thousands of Euros			
	2011	2012	2013	Total
Cash-flow hedges:				
Interest rate swaps	226	347	2,241	2,814

The hedging instruments mature in the same year in which the cash flows are expected to occur and affect the income statement. The maturity dates were indicated in the table in accordance with the contractual maturities.

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 valuation techniques such as Black & Scholes and variations thereof applied to interest rate underlyings.

Additionally, 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.

The nominal value of the liabilities hedged by interest rate cash flow hedges for the next few years is 34,439 thousand Euros. The nominal value per maturity year is 3600, 5100, 6043 and 19,696 thousand euros for 2011, 2012, 2013 and 2014, respectively.

As a result of the transaction with Naturex SA, signed on 30 December2009, the Group has decided to discontinue its hedging relationships. At the closure of the current year, all the Company's interest rate derivatives are not fully-hedged. Thus, the valuation changes have been charged to income to the amount of 812 thousand eEuros.

In 2008, the Group disposed of certain financial derivatives that qualified as interest rate hedges, had been recognised for 1,194 thousand euros in the balance sheet and matured between 2013 and 2014. The Group recognised a cash inflow of 1,434 thousand euros. Furthermore, the Group acquired hedging financial instruments to replace the disposed derivatives.

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 (liability) of these derivatives at 31 December 2009 was 2,814 thousand euros (2,545 thousand euros in 2008).

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing floating rate interest. The risk arising from changes in interest rates is managed through the arrangement of derivative instruments to hedge the Group's exposure to these risks.

The Parent Group uses hedge transactions 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.

Based on the Company Management's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks.

The Parent's directors, as a result of the transaction described in Note 27 and completed on 30 December 2009, have decided to discontinue the hedging operations as they have ceased to be perfect. Thus, the Group has charged the ineffective part of the hedging to incomes, while the effective part of the hedges is recognised in equity and will be charged to the income statement in accordance with the measurement standard 4 j.

The Group has arranged interest rate derivates contracts for the notional amount of 44,100 thousand euros and a negative fair value of 2814 thousand euros.

The Group carried out a sensitivity analysis on the financial instruments for interest rate changes of +/- 100 basis points in the applicable rates, which would give rise to changes of approximately 940 thousand Euros.

The finance risk structure at 31 December 2008, differentiating between fixed interest risk and floating interest risk and taking into account the derivatives arranged (which complied with all the requisites to be considered hedging derivates), is as follows:

	Thousands of Euros
Protected or fixed interest rate	60,439
Floating interest rate	50,224
Debt	110,663
% Fixed Rate/Total debt	54.61%

For 2008, the Company carried out a sensitivity analysis on the finance instruments for interest rate changes of +/- 100 basic points in the applicable rates, which gave rise to changes of approximately 546 thousand euros.

The sensitivity of the derivatives, at 31 December 2009, will affect equity and profit and loss to the extent of the changes in market conditions.

Also, the Company carried out a sensitivity analysis for the amounts of its floating-rate borrowings (see Note 28).

Analysis of sensitivity to the exchange rate

At the closure of the year, the Group has not recognised any exchange rate derivates.

16. Other financial liabilities and other current liabilities

Other non-current financial liabilities

The detail of "Other Non-Current Financial Liabilities" in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Payables to Group companies (Note 18)	-	6,821
Measurement of financial instruments (Note 15)	2,814	2,545
Other payables	1,576	626
	4,390	**9,992**

"Other Payables" includes guarantees for 134 thousand euros, two loans with former suppliers for 732 thousand Euros, interest-free financing obtained from PROFIT (Programme for the Promotion of Technological Research) for 326 thousand euros, which matures progressively between 2012 and 2018. This loan is measured at its nominal value, which, for the purposes of these consolidated financial statements, does not significantly differ from its valuation by the amortized cost method. Also, 384 thousand euros relate to the amount drawn down against a 2,847 thousand euros loan from IVF (Valencian Institute of Finance) to finance the enlargement of the Parent's production facilities. This loan has periodic maturities between 2009 and 2014 and bears interest at the market rate. The short-term maturities of the IVF loan and the loans held with a former supplier for the amount of 43 and 169 thousand euros, respectively, are recognised under "Other current liabilities" in the accompanying consolidated balance sheet.

Other current liabilities

The detail of "Current Liabilities - Other Current Liabilities" in the accompanying consolidated balance sheets is as follows:

	Thousands of Euros	
	2009	2008
Remuneration payable	1,039	2,404
Payables to Group companies (Note 18)	12,404	18,069
Other current liabilities	1,641	1,998
	15,084	**22,471**

17. Tax matters

For the purposes of corporate income tax, Natraceutical, SA is the parent of a group of companies consisting of Natraceutical Industrial SLU and Forte Pharma Pte Ltd., which are subject to consolidated taxation. The group has been allocated number 0013/08 for this purpose.

a) Reconciliation of book result with taxable income and corporate income tax costs

Corporate income tax is calculated in accordance with the year's net income and expenses, which is obtained through the application of the accounting principles approved by Royal Decree 1514/2007 of 16 November, by virtue of which approval was granted to the General Accounting Plan. The net amount need not necessarily coincide with the tax results, understood as the taxable income.

The reconciliation of the income tax expense resulting from the application of the tax rate in force to the income tax income recognised is as follows (in thousands of Euros):

	Thousands of Euros	
	2009	2008
Profit before tax	(43,912)	4,764
Loss before tax from discontinued operations	-	(4,023)
Non-deductible expenses and non-computable income	21,109	(1,585)
Adjusted accounting profit	(22,803)	(844)
Gross tax calculated at the tax rate in force in each country	(995)	823
Tax losses recognised - continuing operations	-	(621)
Reversal of deferred taxes	-	(952)
	(995)	**(750)**

For income tax purposes, Natraceutical, S.A., Natraceutical Industrial, S.L.U. and Forté Pharma Ibérica, S.L.U. file consolidated tax returns. The group has been allocated number 13/08 for this purpose.

The various consolidated foreign subsidiaries (not included in the Consolidated Tax Group) calculate the income tax expense and the tax charges for the various applicable taxes in conformity with the legislation of, and the tax rates in force in their respective countries.

The tax expense recognised in the consolidated income statement for 2009 amounts to 994 thousand euros. In this sense, although the Group has generated a negative consolidated accounting result, several non-resident subsidiaries have registered profits and have thus recognised the corresponding tax expense.

The adjustments to the accounting profit relate to the recognised non-deductable deterioration for the current year. Such deterioration is derived from the transaction described in Note _27, since the contribution of Naturex SA's assets has, on one hand, given rise the recognition of a higher tax revenue than that recognised for the transferred assets and, on the other hand, the tax reversion of the amortization of the goodwill that emerged as a consequence of the acquisition of certain of the transferred entities.

In this sense, it may be pointed out that the transmission of the investment in Exnama-Extratos Naturais da Amazônia, Ltda., - which was acquired by the entity in 2002 by means of a capital increase in the form of the contribution of a business activity and which was subject to the special taxation regulations as detailed in Title VII, Chapter VIII of the Corporate Income Tax Law, which in turn gave rise to the book appreciation, but not tax appreciation, of the assets, generating in turn a deferral of the Corporate Tax charge -,carried out within the context of the mentioned operation, gave rise to the incorporation into the taxable income base of the tax revenues obtained as a consequence of the transmission (and deferred at the time).

Since consolidated income tax returns are filed, the Parent recognises, where applicable, the amount payable to the tax authorities by the Group. The corresponding receivables and payables are recognised in accordance with the tax bases contributed by each company to the consolidated taxable income and the share of each in the net tax payable, if any.

b) Recognised deferred tax assets and liabilities

The detail of “Deferred Tax Assets” and “Deferred Tax Liabilities” in the accompanying consolidated balance sheets at 31 December 2009 and 2008 is as follows:

	Thousands of Euros			
	Deferred Tax Assets		Deferred Tax Liabilities	
	2009	2008	2009	2008
Asset revaluation	2,283	2,283	289	289
Non-deductible expenses	213	877	-	-
Measurement of financial derivatives (Note 15)	372	763	323	431
Financial goodwill of foreign companies	-	-	-	1,470
Tax loss and tax credit carryforwards	8,301	9,771	-	-
Other	39	39	-	3,824
	11,208	**13,733**	**612**	**6,014**

As a result of the contribution of a line of business in 2006 (described in Note 1), certain assets were revalued for tax purposes, which gave rise to the prepayment of the income tax charge due to differences between the carrying amounts of the assets and their tax bases. For the effects of recognising the mentioned tax revaluation in the investee Natraceutical Industrial, SL, the Group recognised a deferred tax asset for the amount of 2,283 thousand euros as a result of the application of market value to the line of business contributed. Also, as a result of the mentioned operation, the Parent transferred tax credits of 1,098 thousand euros to Natraceutical Industrial, SL, which were recognised in the asset side of the balance.

The disposal of certain of the Group's foreign companies has given rise to the tax reversion of financial goodwill that arose on acquisition. Also, the deferred tax liabilities associated to asset revaluations in the consolidated accounts of the companies disposed of as part of the same process has led to the derecognition of the corresponding deferred tax liabilities.

The Group did not recognise the deferred tax liability arising from the temporary differences associated with retained earnings of subsidiaries, since it considered that it is in a position to control the timing of the reversal of these temporary differences and it is probable that such differences will not reverse in the near future.

c) *Tax incentives applied during the year or pending deduction.*

Current Spanish corporation tax legislation provides certain tax incentives to encourage research and development, protection of the environment, employee training and export activity. The detail of the tax credits aimed at encouraging these activities that can be deducted by the Tax Group under Spanish legislation in future years is as follows:

Year Earned	Activity	Amount (Thousands of euros)	Last Year for Deduction
2001	R&D and technological innovation	50	2016
2002	R&D and technological innovation	16	2017
2003	R&D and technological innovation	355	2018
2004	R&D and technological innovation	387	2019
2005	R&D and technological innovation	212	2020
2006	R&D and technological innovation	176	2021
2007	R&D and technological innovation	401	2022
2008	R&D and technological innovation	220	2018
2001	Export activities	303	2011
2005	Export activities	1,190	2015
2006	Export activities	1,626	2016
2007	Export activities	12	2017
2008	Export activities	6	2018
2003	Employee training	-	2013
2004	Employee training	6	2014
2005	Employee training	6	2015
2006	Employee training	4	2016
2007	Employee training	1	2017
2008	Employee training	1	2018
2004	Reinvestment	69	2019
2005	Reinvestment	3	2020
2006	Reinvestment	1,236	2021

As can be seen, the Group's Spanish Companies recognised deductions 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 deduction was 6541 thousand euros. The reinvestments were made 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 1,308 thousand euros.

Of the total unused tax credits, 3,905 thousand euros relating to the Tax Group described in Note 4-r were recognised under "Deferred Tax Assets" on the asset side of the accompanying balance sheet for 2009.

The detail of the Group's tax loss carryforwards at 31 December 2009 is as follows:

Year Earned	Thousands of Euros	Last Year for Deduction
2006	3.052	2021
2007	9.756	2022
2008	6.399	2023
2009	25.034	2024
	44.241	

Of the 2007 tax losses, EUR 769 thousand relate to a company in the Tax Group pursuant to Spanish legislation prior to its inclusion therein.

Also, the Tax Group also has capitalized tax credits of 4,396 thousand euros corresponding to the tax bases detailed in the table above.

Under current Spanish legislation, the tax loss of a given year can be carried forward for tax purposes for offset against the profits of the tax periods ending in the immediately following 15 years. However, the amount ultimately qualifying for offset, 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.

In February 2008, the tax audit of the following taxes was completed at the Parent: income tax for 1999-2001, VAT of the Parent, and tax withholdings from salary income (professionals and non-residents) for the period from June 2000 to December 2001, and an assessment of 9 thousand euros was issued for all the taxes and periods reviewed.

When entering the aforementioned tax credits into accounts and in the evaluation 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.

d) Years open for review and tax audits.

Except for the periods included in the aforementioned audit, 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.

18. Balances and transactions with Group companies, associates and related companies

The Parent has a current account agreement with its shareholder Natra, S.A., the balance of which is EUR 7,935 thousand. This account, classified under "Trade and Other Payables" does not have any limit or maturity date and bears interest at a rate equal to average annual 90-day Euribor + 1%. The accrued interest amounts to 117 thousand euros. Both amounts are recognised in "Other current liabilities." The current account which Natraceutical Industrial SLU has with Natra Cacao, SL, for 39 thousand euros is also recognised in "Other current liabilities."

The detail of the short-term balances payable to and receivable from Group companies, included the Natra Group companies, included under "Trade and Other Payables" and "Trade and Other Receivables" in the accompanying consolidated balance sheet, is as follows:

Company	Thousands of Euros	
	Accounts Receivable	Accounts Payable
Natra, S.A.	1,679	264
Other companies	7,379	2,986
	9, 058	**3,250**

Also, the Group has receivables from and payables to Natraceutical Group companies that were not included in the scope of consolidation amounting to 171 thousand euros (see Notes 2 and 9) and 4,313 thousand euros, included under "Other current liabilities", respectively, and payables to other related companies amounting to 593 thousand euros, recognised in "Trade and other payables" in the accompanying consolidated balance sheet.

The transactions carried out with Natra Group companies in 2009 and 2008 were as follows:

	Thousands of Euros	
	2009	2008
Income:		
Sales	131	5,266
Sales of projects	-	13,234
Rendering of services	352	3,128
Expenses:		
Purchases	848	357
Other services	682	473
Interest	143	379
Purchase of property, plant and equipment	1,037	-

In 2009, the Group recognised transactions with other related companies amounting to 643 thousand euros in the concept of services, of which 593 thousand euros have been capitalized as the greater value of financial investments.

Additionally, in 2009 the Group recognised 126 thousand euros in "Revenue" with Natraceutical Group companies that have not been incorporated into the scope of consolidation.

The net carrying amount at 31 December 2009 of the tangible fixed assets recognised in the accompanying consolidated balance sheet and contributed in the non-monetary contribution in 2006 (see Note 1) and which remained in the balance at 31 December 2009 relate to tangible fixed assets and amounts to 2,222 thousand euros.

19. Foreign currency transactions

Balances in foreign currencies

The detail of foreign currency transactions with related parties in 2009 is as follows:

	Thousands of Euros
Receivables	739
Payables	7,782

Almost all foreign currency balances relate to Canadian Dollars.

The transactions carried out by the Group companies in 2009 and 2008 in currencies other than the euro were as follows:

	Thousands of Euros	
	2009	2008
Income:		
Sales	60,302	64,461
Other operating income	59	44
Interest	49	611
Expenses:		
Procurements	40,608	30,296
Outside services	15,463	17,491
Staff costs	14,088	13,365
Interest	670	335
Non-current asset additions	1,557	2,014

Most of these transactions were performend in pounds sterling, US dollars and Swiss francs.

20. Income and expenses

Procurements

The detail of "Procurements" on the debit side of the accompanying 2008 and 2007 consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Purchases of goods held for sale, raw materials and other supplies	61,457	54,916
Inventory write-downs (Note 11)	1,437	794
Other external expenses	1,769	2,475
Changes in inventories	(1,673)	3,206
	62,990	**61,391**

Staff costs

The detail of "Staff costs" on the debit side of the accompanying 2009 and 2008 consolidated income statements is as follows:

	Thousands of Euros	
	2009	2008
Wages and salaries	21,040	21,787
Social security costs	4,812	5,180
Termination benefits	636	96
Pension plans	-	254
Other employee benefit costs	966	855
	27,454	**28,172**

The average number of employees at the Group in 2009 and 2008, which includes the companies' average headcount, by category and gender, was as follows:

	Average Number of Employees in 2009		
	Men	Women	Total
Executives	9	6	15
Clerical staff	18	50	68
Manufacturing personnel	163	37	200
Sales personnel	63	90	153
Laboratory staff	15	35	50
Total	**268**	**218**	**486**

	Average Number of Employees in 2008		
	Men	Women	Total
Executives	32	9	41
Clerical staff	25	61	86
Manufacturing personnel	180	29	209
Sales personnel	67	88	155
Laboratory staff	14	34	48
Total	**318**	**221**	**539**

The Group's workforce at 31 December 2009, by category and gender, is as follows:

	Number of Employees at 31 December 2009		
	Men	Women	Total
Executives	6	2	8
Clerical staff	6	10	16
Manufacturing personnel	7	10	17
Sales personnel	42	70	112
Laboratory staff	1	5	6
Total	**62**	**97**	**159**

The workforce at 31 December 2008 does not differ from the average total for the year.

Share-based payments

A share option plan was approved by the Parent's shareholders at the Annual General Meeting held on 29 June 2005. On 3 April 2007, this share option plan was modified due to the capital increase carried out at the Company in 2006. The detail of the beneficiaries and the options assigned in the various periods in which the options can be exercised is as follows:

	Thousands of Euros		
	2010	2012	Total
Directors	955,583	993,805	1,949,388
Executives	758,584	882,076	1,640,660
	1,714,167	**1,875,881**	**3,590,048**

The strike prices of the option for each of the exercise periods are 0.94 and 0.99 euros, respectively.

On 2 November 2008, the first phase of the share option plan expired without any of the plan's beneficiaries having exercised the option.

Also, in 2008 virtually all the beneficiaries of the aforementioned share option plan relinquished it voluntarily and notified the Company of this decision in writing. Consequently, no expenses accrued in relation to this share option plan in 2008 and 2009.

Additionally, by virtue of the power conferred upon it by the Board of Directors, on 21 December 2006 the Nomination and Remuneration Committee approved a second remuneration plan for certain Natraceutical Group executives and employees, the detail being as follows: :

Beneficiaries	Number of Shares		
	2010	2013	Total
Executives and employees	370,000	370,000	740,000

The strike prices set for each of the exercise periods are 2.37 and 2.80 euros, respectively.

The Group considers that the expense arising from this share option plan is not material with respect to the 2009 consolidated financial statements and, accordingly, no amount has been recognised in this connection.

Other operating expenses

The detail of the balance of “Other Operating Expenses” in the accompanying consolidated income statements for 2009 and 2008 is as follows:

	Thousands of Euros	
	2009	2008
Advertising and publicity	13,889	16,592
Other expenses	10,433	8,523
Professional services	6,901	7,600
Utilities	4,338	4,443
Transport expenses	4,229	4,708
Leases	2,820	2,560
Insurance premiums	1,028	751
Repairs and maintenance	394	659
Banking services	138	181
Taxes other than income tax	272	95
Research and development expenditure	388	-
	44,830	**46,112**

The balance of "Independent Professional Services" in the accompanying consolidated income statement includes the fees for financial audit services provided to the various Group companies amounting to 410 thousand euros (347 thousand Euros in 2008), of which 123 thousand euros relate to the principal auditor, (88 thousand euros in 2008), 180 thousand euros to other firms related to the principal auditor (159 thousand euros in 2008) and 107 thousand euros to other auditors (100 thousand euros in 2008.) This account also includes the fees relating to other services provided by the principal auditor amounting to 56 thousand euros. The account also includes fees for services provided by other firms related to the principal auditor amounting to 407 thousand euros, the majority of which has been considered within the costs incurred in the Naturex SA integration operation.

Leases

The most significant operating lease agreement held by the Group as a lessor is the 8-year agreement arranged in 2009 as a result of the sale of the Functional Ingredients Division to the quoted French company Naturex, SA. 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.

At 31 December 2009 and 2008, the Group had arranged the following minimum lease payments with its lessors, based on the agreements currently in force, disregarding any passed-on common expenses, future CPI-linked increases and future contractually-stipulated rent reviews:

Operating Lease Minimum Payments	Thousands of Euros	
	Nominal Amount	
	2009	2008
Within one year	634	774
Within one to five years	505	1,417
After five years	-	127
Total	**1,139**	**2,318**

As a lessee, the Group holds no individually significant contracts.

Finance costs

The finance costs relate mainly to the interest expenses incurred in 2009 and 2008 on the financing obtained.

21. Non-current assets classified as held for sale and discontinued operations

The detail, by nature, of "Loss After Tax from Discontinued Operations" in the accompanying 2008 consolidated income statements (not applicable in 2009) is as follows:

Discontinued Operations	Thousands of Euros
Revenue	4,903
+/- Changes in inventories of finished goods and work in progress	1,515
Procurements	(5,915)
Gross profit	503
Other operating income	90
Staff costs	(919)
Depreciation and amortisation charge	(964)
Changes in operating provisions	-
Other operating expenses	(1,730)
Loss from operations	(3,020)
Finance revenue	3
Finance costs	(207)
Exchange difference (gains and losses)	73
Losses on disposal of non-current assets	(872)
Income tax	-
Loss for the the year from discontinued operations	(4,023)

Also, the net cash flows attributable to operating activities, investing activities and financing activities were as follows:

	Thousands of Euros
	2008
Cash and cash equivalents at beginning of year	240
Cash flows from operating activities	(6,568)
Cash flows from investing activities	7,034
Cash flows from financing activities	(282)

Basic loss per share from discontinued operations for 2008, which coincides with diluted loss per share, was 0.013 euros.

22. Segment reporting

Segment reporting is structured on a primary basis by business segment and on a secondary basis by geographical segment.

The business lines were established on the basis of the Group's organisational structure at 2008 year-end, taking into account, on the one hand, the nature of the products and, on the other, the customer segments at which they are targeted.

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”.

Segment information about these businesses is presented below:

	Thousands of Euros							
	Functional Ingredients		Nutritional Supplements		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Revenue								
External sales	87,897	87,393	46,719	57,849	0	1,393	134,616	146,635
Sales of projects	-	14,384	-	-	-	-		14,384
Other operating income	458	779	409	25	32	-	899	804
Result								
Profit (loss) from operations	(9,904)	10,364	40	5,869	(4,878)	(2,845)	(14,742)	13,388
Results of companies accounted for using the equity method	-	30	-	-	-	-		30
Finance income (*)	-	-	-	-	-	-	527	586
Finance costs (*)	-	-	-	-	-	-	(8,723)	(7,763)
Exchange differences (*)	-	-	-	-	-	-	(377)	(110)
Loss on disposal of non current assets	(12,818)	(992)	4	-	32	-	(12,782)	(992)
Net impairment losses	(7,055)	(375)	-	-	(760)	-	(7,815)	(375)
Profit before tax	-	-	-	-		-	(43,912)	4,764
Income tax	-	-	-	-		-	(995)	750
Loss for the year from discontinued operations	**-**	**(4,023)**	**-**	**-**	**-**	**-**	**-**	**(4,023)**
Balance sheet								
Assets								
Segment assets	27,987	262,103	121,410	44,566	2,417	165	151,814	306,834
Non-current asset additions	2,286	6,962	1,277	1,332	230	-	3,793	8,294
Depreciation and amortisation charge	4,971	8,472	1,156	220	122	-	6,249	8,692
Investments accounted for using the equity method	-	-	-	-	-	-	48,366	663
Total assets							**200,180**	**307,497**
Liabilities								
Segment liabilities	4,295	150,514	21,827	27,176	-	165	26,122	177,856
Corporate liabilities	-	-		-	-	-	174,058	129,641
Total liabilities							**200,180**	**307,497**

(*) Corporate unit results.

The detail of certain of the Group's consolidated balances based on the geographical location of the companies that gave rise to them is as follows:

	Thousands of Euros					
	Revenue		Profit (Loss) before Tax		Total Assets	
	2009	2008	2009	2008	2009	2008
Americas	4,856	3,870	(5,453)	(1,980)	725	6,579
Europe	120,077	147,186	(39,029)	5,270	199,455	297,676
Oceania	9,683	9,963	570	1,474	-	3,242
	134,616	**161,019**	**(43,912)**	**4,764**	**200,180**	**307,497**

23. Contingent liabilities

In 2009 and 2008, the directors of the Natraceutical Group did not identify any material contingent liabilities different to those which may be derived pursuant to Note 27.

24. Remuneration and other benefits of the Directors

The attendance fees, wages and salaries earned in 2008 by the directors of the Parent amounted to 173 thousand euros (193 thousand euros in 2008), which have been recognised in "Other Current Liabilities – Outstanding Salary Payments" on the liabilities side of the accompanying balance sheet. In addition, in 2009 certain directors (all men) discharged executive duties for which they earned 487 thousand euros (713 thousand euros in 2008). At 31 December 2009, there were no advances, pension obligations, life insurance policies or any other obligations relating to current or former Board members.

The detail of the remuneration received by the members of the Board of Directors is as follows:

	Directors' Remuneration	Remuneration - Executive Duties
Natra, S.A.	9	-
BMS Promoción y Desarrollo, S.L.	10	-
Xavier Adserà Gebelli	-	227
José Vicente Pons Andreu	28	-
José Manuel Serra Peris	70	-
Juan Ignacio Egaña Azurmendi	7	-
Alicia Vivanco González	5	-
Ricardo Iglesias Baciana	35	-
Félix Revuelta Fernández	9	-
François Gaydier	-	260
	173	**487**

The Company has entered into a senior executive employment contract with a director, who discharged executive duties, in which it undertakes to pay a bonus, based on the profit for the year and a given financial performance, and certain remuneration in kind. No amount was incurred in 2009 with respect to this bonus. Also, this contract establishes a termination benefit equivalent to one year's salary in the event of removal from his position, without prejudice to the related statutory termination benefits.

The Board of Directors, called on June 18, 2009, approved the resignation of José Vicente Pons Andreu from the post of director and, on June 24, 2009, approved the resignation of Ricardo Iglesias Baciano.

At 31 December 2009, the Board of Directors consists of seven men and one woman (nine men and one woman at 31 December 2008).

Pursuant to Article 127 ter.4 of the Spanish Companies Law, introduced by Law 26/2003, of 17 July, which amended Securities Market Law 24/1988, of 28 July, and the Consolidated Spanish Companies Law, in order to reinforce the transparency of corporations, the members of the Board of Directors informed the Parent that they do not sit on the Boards of Directors of, hold direct or indirect ownership interests in or discharge duties, as independent professionals or as employees, at companies engaging in an activity that is identical, similar or complementary to that which constitutes the company object of the Group companies, except for situations relating to investees of Natra, S.A. or Natraceutical, S.A. The specific functions discharged or positions held are as follows:

Director/Representative	Company	% of Ownership [1]	Position or Functions
Xavier Adserá Gebelli	Natra, S.A.	5.234%	Director
José Vicente Pons Andreu [2]	Biópolis, S.L.	-	-
Juan Ignacio Egaña Azurmendi	Natra, S.A.	0.85%	Director
Manuel Moreno Tarazona	Natra Cacao, S.L.	-	Director/Chairman
	Natra, S.A.	14.604%	Individual representing the Chairman/Director Carafal Investment , S.L.
	Torre Oria, S.L.	-	Individual representing the Director/Chairman Natra, S.A.
	Zahor, S.A.	-	Individual representing the Director Natra, S.A.
	Txocal Belgium, N.V.	-	Individual representing the Director Natra Cacao, S.L.
	Natrajacali, N.V.	-	Individual representing the Director Natra Cacao, S.L.
	Natrazahor Holding France, S.A.S.	-	Individual representing the Director Txocal Oñati, S.L.
	Natrazahor France, S.A.S.	-	Individual representing the director Natrazahor Holding France S.A.S.
	Les Delices D´Ellezelles S.P.R.L.	-	Individual representing the Director Natra Cacao, S.L.
	All Crump, N.V.	-	Individual representing the Director Natra Spread, S.L.
	Natra Spread, S.L.	-	Director acting severally
	Txocal Oñati, S.L.	-	Individual representing the Director/Chairman Natra, S.A.
	Natra Italy, S.L.	-	Sole Director
	Natra Participaciones, S.L.	-	Sole Director
	Cocoatech, S.L.	-	Individual representing the Director/Chairman Natra, S.A.
Natra, S.A.	Torre Oria, S.L.	100%	Director
	Natrazahor, S.A.U.	100%	Director
	All Crump, NV	100%	Director
	Txocal Oñati, S.L.	100%	Director
	Cocoatech, S.L.	100%	Consejero
BMS Promoción y Desarrollo, S.L.	Natra, S.A.	6.798%	Director
José Luís Navarro Fabra	Natra, S.A.	-	Individual representing the Director BMS Promoción y Desarrollo, S.L.

[1] Direct and indirect ownership interest

[2] Held the post of director in 2009.

Director/Representative	Company	% of Ownership(*)	Position or Functions
Félix Revuelta Fernández	Kiluva, S.A.	77.03%	Chairman & CEO
	Housediet, S.L.U.	77.03%	Director acting severally
	Kiluva Diet, S.L.U.	77.03%	Sole Director
	Kiluva Portuguesa, (Nutrição e Dietetica, LDA)	83.46%	Manager
	Naturhouse SP Zoo	77.03%	Director
	Naturhouse SARL	77.03%	Chairman
	Naturhouse SRL	77.03%	Chairman
	Naturhouse GMBH	73.95%	Consejero
	Housediet LLC	66.74%	Chairman
	Zamodiet, S.A.	35.89%	Director
	Zamodiet de Mexico, S.A.	55.89%	Chairman
	Zamoglas, S.A.	18.15%	-
	Gartabo, S.A.	17.59%	Director
	Laboratorios Abad	77.03%	Director acting severally
	Laboratorios Kelp	77.03%	Director acting severally
	Laboratorios Oxy Jeune	77.03%	Director acting severally
	Girofibra	37.74%	-
	Nutraceutical Corp.	4.64%	-
	Corporación Casa Natura	12.58%	-
	Ichem, SP Zoo	27.59%	Director
	Sniace, S.A.	-	Director
Francois Gaydier	Braes Holding Ltd.	-	Director
	Braes Group Ltd.	-	Director
		-	
		-	
		-	
		-	
		-	
	Natraceutical Industrial, S.L.U.	-	Individual representing the Sole Director Natraceutical, S.A.
	Forté Pharma Ibérica, S.L.U.	-	Individual representing the Sole Director Natraceutical Industrial, S.L.U.
	Natraceutical Canadá, Inc	-	Director
	Forté Pharma, S.A.M.	-	Individual representing the Sole Director Natraceutical, S.A.
	Forté Services, S.A.M.	-	Individual representing the Sole Director Natraceutical, S.A.
Alicia Vivanco González	-	-	-
Jose Manuel Serra Peris	-	-	-
Ricardo Iglesias Baciana	-	-	-

(*) Direct and indirect ownership interest

In addition to any indirect investments that the Parent's directors and the individuals representing them might hold in the investees of Natraceutical, S.A., the following directors hold direct ownership interests in Natra, S.A.:

Director	% of Ownership
Xavier Adserá Gebelli	5.234%
BMS Promoción y Desarrollo, S.L.	5.263%
Juan Ignacio Egaña Azurmendi	0.85%
Manuel Moreno Tarazona	14.604%

25. Remuneration of senior executives

In 2009, senior executives were considered to be three individuals (all men), who discharge key management functions and who were appointed as such by the Parent. These senior executives also participate in strategic and tactical decision-making through the Management Committee. In 2008, five individuals (all men) were considered senior executives.

The remuneration earned by senior executives in 2009 amounted to 379 thousand euros (902 thousand euros in 2008) and is classified under "Staff Costs" in the accompanying 2009 consolidated income statement. This amount does not include the emoluments received by the members of Natraceutical, S.A.'s Board of Directors with executive responsibilities (Note 24).

The Company has also entered into a senior executive employment contract with one executive. The contract establishes a termination benefit equivalent to six months' salary, including the related statutory termination benefits.

26. Other disclosures

Information on the environmental

As regards environmental matters, the Group has implemented wastewater and fertilizer treatment systems which enable it to minimise possible impacts on the environment. As a result of the Naturex operation, at 31 December 2009 the Group had no environmental assets of a material amount in Property, Plant and Equipment.

The expenses incurred in 2009 and 2008 in relation to environmental protection and improvement, mostly in connection to wastewater management, amounted to 12 thousand euros and 194 thousand euros, respectively.

The consolidated balance sheet at 31 December 2009 does not include any provision for possible environmental contingencies, since the Parent's 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.

Other salient matters

The Group has terminated the lawsuit in which it was immersed in US for the defence of its patent. The resolution of the dispute has not given rise to any liabilities for the Group, as an agreement was reached between the parties. Nevertheless, the patent and all related assets were sold to the quoted French company Naturex SA on 30 December 2009.

Contribution of the companies to consolidated profit

The detail of the contribution of each of the consolidated companies to consolidated profit, after tax and consolidation adjustments, is as follows:

Company	Thousands of Euros	
	2009	2008
Natraceutical, S.A.	(20,067)	501
Natraceutical, S.L.U.	(18,580)	(3,139)
Exnama-Extratos Naturais da Amazônia, Ltda.	-	(140)
Obipektin, A.G.	-	(159)
Overseal Natural Ingredients, Ltd.	-	1,319
Laboratoires Forté Pharma, S.A.M.	(1,225)	5,201
SA, Laboratoires Forté Pharma Benelux	(1,093)	(501)
Forté Services, SAM	1,640	(752)
Forté Pharma Ibérica, S.L.U.	(1,429)	(1,252)
Kingfood Australia, Pty Limited	-	427
Natraceutical Rusia, Llc.	-	(44)
Natraceutical Canada, Inc.	(4,153)	-
Biópolis, S.L.	-	30
	(44,907)	**1,491**

The detail of the contribution of the companies excluded from the scope of the consolidation (see Note 27), and which are included as greater loss in relation to the Naturex SA operation, is as follows:

Company	Thousands of Euros
	2009
Exnama-Extratos Naturais da Amazônia Ltda.	(1,315)
Obipektin, A.G.	(1,726)
Overseal Natural Ingredients, Ltd.	1,474
Kingfood Australia, Pty Limited	412
Natraceutical Rusia, Llc.	78
	(1,077)

27. Agreement with Naturex SA

On 5 August 2009, the Parent entered into an agreement of intent for an integration operation with Naturex SA, a quoted French company dedicated to the production and marketing of natural ingredients for the food, nutraceutical, pharmaceutical and cosmetic industries and the Natraceutical Group functional ingredients division, with the subsequent signing of the respective binding contract taking place on 30 September 2009.

On 19 November 2009, AMF (Autorité des Marchés Financiers), the French stock market regulator, cleared the operation under the terms agreed between the companies, exempting Natraceutical SA from making a public takeover bid for 100% of Naturex SA's shares as a result of the acquisition of a shareholding exceeding 30% of the French company following the contribution of its assets.

The operation was completed on 30 December 2009, following approval on the same day by a large majority of the Naturex SA Extraordinary General Meeting, and structured by means of a cash capital increase in kind, with the issue of 2,481,960 new shares to be delivered to the Natra and Natraceutical Groups in exchange for their industrial assets and shares. By means of this operation, the Natraceutical Group became the largest shareholder in Naturex SA, with two members on the Board of Directors of the French company. The Group received shares and tangible and intangible assets, 2,234,699 new shares in Naturex SA, representing 35.11% of the capital, and 16% of the voting rights. These shares were admitted to trading on 4 January 2010.

Additionally, the Group received 5 million euros in cash for the assets transferred to Naturex SA, and the payment of an additional variable amount of up to 10 million euros referenced to the audited closure of both

companies' 2009 accounts is pending. The Group also transferred 23 million euros of net financial liabilities to Naturex SA as part of the operation.

As part of the mentioned operation, the Group contributed its investments in Obipektin AG, Overseal Natural Ingredients Ltd., Overseal Color Inc., The Talin Co. Ltd., Britannia Natural Ltd., Exnama-Extracts Naturais da Amazonia Ltda, Kingfood Australia, Pty Limited and Biopolis, SL., as well as certain assets, receiving in consideration 2,234,699 shares in Naturex SA, representing 35.11% of its capital. As a consequence of this operation, the Group recognised a loss of 8,652 thousand euros in "Loss from the disposal of non-current assets" in the accompanying consolidated income statement, arising from the difference between the valuation of the transferred assets and liabilities and the shares and other considerations (indicated in the previous paragraph) received from Naturex SA. The shares were valued in accordance with the contract price established by an independent valuer. Furthermore, the operation included a financial investment of 70,566 thousand euros, including the costs incurred by the Company. This loss is recognised in "Loss from the disposal of non-current assets" in the accompanying consolidated income statement for 2009.

Following the execution of this agreement, Naturex SA, in which the Natraceutical Group holds a significant shareholding, became the global independent leader in speciality natural ingredients. Thus, in the future the Natraceutical group will focus its operational activity on the development of its Nutritional Supplements Division.

As a consequence of this transaction and prior to the execution of the same, the Group proceeded to perform certain transactions that have given rise to a loss amounting to 2,080 thousand euros, recognised in "Loss from impairment of assets." Additionally, the assets related to the Functional Ingredients Division and included in the operation were written-down, giving rise to a loss of 6,755 thousand euros, which is recognised in "Loss from impairment of assets" and "Profit (Loss) from disposal of non-current assets" in the consolidated income statement for 2009, amounting to 4290 thousand euros (see Notes 6, 7 and 9) and 2465 thousand euros, respectively

Subsequent to the execution of the transaction, on 30 December 2009, and pursuant to the agreement established in the binding contract between the parties, the Group completed the sale of 75,329 Naturex SA shares, representing 1.2 % of capital, to SGD, an investment company in which the Naturex SA Chairman maintains a shareholding. The amount of this transaction amounted to two million euros and the Natraceutical Group recognised a loss of 411 thousand euros in "Profit (Loss) from the disposal of non-current assets" in the accompanying income statement for 2009.

Additionally, the difference resulting from the valuation assigned to the investment in and the percentage of Naturex SA's equity corresponding to the Group gave rise to the recognition of goodwill for the mentioned shareholding amounting to 22,200 thousand euros (Note 5). The Directors consider that the mentioned value is recoverable, in accordance with the results of the corresponding impairment test carried out and based on the forecasts for Naturex Group's future development.

At the date of the preparation of these financial statements, there were certain issues arising from the agreements underwritten as part of this operation, the final resolution of which is subject to the outcome of the agreements finally adopted by the parties. In the preparation of these financial statements, the best estimates of the Group's Directors in relation to the final outcome of the mentioned agreements have been taken in account.

28. Risk exposure

The Group manages its capital to ensure the continuation of Group companies as profitable businesses while maximising returns for shareholders through an optimum debt/equity structure.

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 derivatives to hedge certain risks.

Risk management is supervised by the Financial Area and is directly monitored and controlled by management. Apart from monitoring and controlling the risk management implemented by the Finance Area, management meets periodically to analyse the situation of the financial markets and the existing transactions/hedges.

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing floating rate interest. The risk arising from changes in interest rates is managed through the arrangement of derivative instruments to hedge the Group's exposure to these risks.

The Natraceutical Group uses hedging transactions 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.

Based on the Natraceutical Group's estimates and debt structure targets, hedging transactions are carried out by arranging derivatives that mitigate these risks.

The total financial liability is referenced to a floating interest rate. The hedging operations existing at 1 January 2009 have been discontinued.

The Group carried out analyses of the sensitivity of interest rate financial instruments to changes of +/- 1 basis point in the applicable rates, which would give rise to changes of approximately 940 thousand euros.

Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade and bank receivables. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Parent's directors based on past experience and their assessment of the current economic environment.

Liquidity risk

The Natraceutical 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.

This enables the Group to identify the amount and timing of the cash needed and to plan new borrowing requirements.

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.

At 31 December 2009, the undrawn credit facilities amounted to 1,236 thousand euros (Note 14).

The main figures in the consolidated cash budget for 2010, prepared on the basis of the Group's recurring business, are as follows:

Cash Budget 2010	Thousands of Euros
Collections from sales	51,337
Asset acquistions	(1,172)
New borrowings	1,500
Payments due to purchases	(41,760)
Operating expenses	(9,940)
Repayment of loan principal	-
Interest	(3,556)
Taxes (payments and refunds)	5,299
Other, net	(1,481)
Total collections less payments	**227**

Additionally, and as a consequence of the refinancing process, the Group expects to obtain an average 3-year waiver of the current debt and additional funding amounting to 4000 thousand euros. This operation will allow the Group to obtain the necessary financial stability for a period in excess of 18-months.

From the review of the cash budget for 2010 and the sensitivity analyses performed by the Group at 2009 year-end, it may be concluded that the Natraceutical Group will be reasonably able to finance its operations.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international rating agencies.

Foreign currency risk

The Natraceutical Group operates in the international sphere and is therefore exposed to currency risk on the transactions it performs in foreign currencies, particularly the Canadian dollar. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Generally speaking, the transactions that expose the Group to risk are the imports and exports of finished goods and raw materials by Group companies.

In order to manage the foreign currency risks associated with future commercial transactions and recognised assets and liabilities, the Financial Department has established the hedging instruments and transactions commonly used to manage financial risks.

Inflation risk

The Group is not exposed to inflation risks associated to its geographical location as its subsidiaries are not located in countries which suffer inflation risk.

29. Earnings per share

The reconciliation of the weighted average number of ordinary shares at 31 December 2009 and 2008, using the calculation of earnings per share, is as follows:

	Thousands	
	2009	2008
Shares issued at year-end	328,714	328,714
Treasury shares at year-end	4,291	6,628
Average number of treasury shares	5,459	7,729
Average number of shares outstanding	323,255	320,985

Basic earning per share in 2009 and 2008 were determined as follows:

	2009	2008
Net profit (thousands of euros)	(44,907)	1,491
Average number of shares outstanding	323,255	320,985
Basic earning per share (Euros)	(0,139)	0,005

At 31 December 2009 and 2008, the diluted earnings per share coincided with the basic earning per share.

30. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Valencia, 25 March 2010

Natraceutical and Companies composing the Natraceutical Group

Consolidated Directors' Report
for the year ending
31 December 2009

Business performance and situation of the Group

The global economic crisis has presented significant challenges in the markets in which Natraceutical Group operates, inhibiting part of the organic growth designed in the Group's business plan. Additionally, financial uncertainty and credit restriction during the period have prevented the Group from advancing with its non-organic growth strategy. This situation has generated a financial unbalance that has led to the initiation of a refinancing process which is currently pending ratification by the corresponding lending banks. Furthermore, the Group has carried out certain corporate transactions that have involved the disposal of the Ingredients Division and certain intangible assets and property, plant and equipment associated with the mentioned division and the acquisition of a significant investment in a leading French Group, Naturex SA, whose shares are listed on AMF (French stock market).

The effects indicated in the preceding paragraph have been materialized in a reduction of the Group's revenue to 135 million Euros, representing a decrease of 16.40% compared to 2008 and a loss of 44 907 thousand euros.

The Group's average workforce has not been substantially modified in relation to that of the previous year. However, the workforce has been affected, mainly by the corporate operations that have taken place during the period, with the headcount to 327 people, approximately, at year-end.

Environment-related issues are detailed the year's annual report, which accompanies this Directors' Report.

Significant events after the balance sheet date

During the first months of 2010, the Group has continued its refinancing process, which is forecast to conclude during April.

Additionally, the Group continues to negotiate the definitive closure of the corporate operation carried out during the year and described in the accompanying financial statements.

Foreseeable development of the activity

We must be more realistic during 2010 and make greater efforts than in previous years as we are not immune to the development of the economic situation and we are to face harder competition and static consumption. Additionally, we must contemplate the factors derived from the measures adopted by the Group and those currently under development and which are aimed at changing the trend in sales, such as the consolidation of existing markets and the opening of new markets. As a result of these measures, the performance of the Group's operations during the first two months of the year shows a significant change in the trend of operations and income, which has led to a significantly higher degree of compliance with the ambitious budget approved for 2010.

Main risks and uncertainties

The Natraceutical Group carries out its activities in various countries, with different socio-economic environments and regulatory frameworks. In this context, it is exposed to a variety of risks inherent to the businesses and sectors in which it operates.

Generally, the risks regarded by the Natraceutical Group as significant are those capable of compromising the economic profitability of its business, the Group's financial solvency, its corporate reputation and the wellbeing of its employees. The main types of risk identified and managed by the Group are summarised as follows:

- *Material risk: relates to the risk of possible damage to goods belonging to or under the control of the Group.*
- *Third-party liability: relates to liability that might arise, pursuant to current legislation, from personal and material damage as well as harm to third parties as a result of events arising from the activities carried out by the Group.*
- *Loss of profit: relates to losses arising from discontinuation or disruption of business activity or as a consequence of material damage, extraordinary or catastrophic risks or risks attributable to suppliers.*
- *Financial risk: relates to the risk arising from changes in exchange or interest rates or from credit risk affecting the Company's liquidity. Additionally, the Group is immersed in a process of refinancing and obtaining additional borrowing in order to comply with payment obligations over the next three years and to substantiate a sustainable growth in the coming years.*
- *Regulatory risk.*

Research and development activities

The Group continues to undertake research, development and innovation activities in order to create differentiating products in accordance with the strategy that led to the creation of the Group.

Use of financial instruments by the Natraceutical Group

As a result of the conduct of its business activities and operations, the Natraceutical Group is exposed to, inter alia, financial risks such as interest rate and foreign currency risk. Therefore, the Natraceutical Group's Financial Risk Committee identifies, assesses and manages the interest rate and foreign currency risk associated with the transactions of all the Group companies.

The Natraceutical Group and its individual companies are habitually exposed to two types of financial risk:

1. Interest rate risk, derived from borrowing in euros with floating interest rates (due to the potential variation in the cash flow associated with interest payments on the borrowing that are affected by changes in the interest rates).
2. Exchange rate risk, derived from different assets and liabilities valued in currencies other than the euro, originated by trade operations (due to the potential variation of fair value or cash flows valued in foreign currencies that are affected by changes in the exchange rates).

The Natraceutical Group manages the two aforementioned types of risk and any others that may arise by arranging hedges using derivative financial instruments in order to minimise or limit the impact of potential changes in the price of raw materials, interest rates and foreign exchange rates.

Main risks and uncertainties for 2010

Transactions with related parties

Related party transactions are detailed in Note 18 of the accompanying consolidated financial statements.

Acquisition of treasury shares

In 2009, Natraceutical S.A. sold a total of 2.34 million treasury shares, which gave rise to cash proceeds of 1,079 thousand euros.

The Parent has 4.29 million treasury shares at an average cost of 1.14 euros per share.

No subsidiaries hold any shares of or investments in the Parent. The treasury shares are owned by Natraceutical, S.A., the Parent of the Group.

Additional disclosures for the purposes of Article 116 bis of the Spanish Securities Market Law

Pursuant to Article 116 bis of the Spanish Securities Market Law 24/1988, of 28 July, introduced by Law 6/2007, of 12 April, the following information is disclosed:

a) The structure of the share capital, including the securities that are not traded on a regulated Community market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations that they confer and the percentage of share capital that they represent.

   At 31 December 2009, the share capital of Natraceutical, S.A. was represented by 328,713,946 fully subscribed and paid ordinary shares of 0.10 euro par value each.

b) Any restriction on the transferability of securities

   There are no bylaw restrictions on the transferability of the securities representing the Company's share capital.

c) The significant direct or indirect ownership interests in the share capital

   Following is a detail of the holders of significant direct or indirect ownership interests –i.e. of more than 3%- in the share capital of Natraceutical, S.A., of which the Parent is aware, per the information in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2009:

Name of Shareholder	% of Ownership
Natra, S.A.	50.6%
Félix Revuelta Fernández	7.52%
Inversiones Ibersuizas, S.A.	5.00%
Bilbao Bizcaia Kutxa	4.59%
Carafal Investments, S.L.U.	3.74%

d) Any restriction on voting rights

   There are no restrictions on voting rights.

e) Side agreements

   Natraceutical S.A. has entered into side agreements with BMS Promoción y Desarrollo, S.L. and the Lafuente Group.

   These agreements relate to 0.84% and 0.17% of the share capital, respectively.

f) The rules applicable to the appointment and replacement of the members of the managing body and to the amendment of the Parent's Bylaws.

Procedure for appointment, re-election and removal of directors.

The functioning of the Board of Directors is governed by the general rules established for this body in the Spanish Companies Law, the Company bylaws and the implementing regulations included in the Board of Directors' Regulations, which may be consulted on the website www.natraceuticalgroup.com under Information for Shareholders and Investors. This website also includes the full text of the Bylaws.

The Board of Directors' Regulations regulate conflicts of interest, the use of corporate assets and information not in the public domain, the exploitation by directors for their own benefit of business opportunities of which they became aware due to their position, and transactions with directors and significant shareholders.

Procedure for resignation of board members

The directors shall tender their resignation to the Board of Directors, should the latter deem it appropriate, in the following situations:

- When they cease to occupy the executive positions associated with their appointment as directors.

- When they are involved in any of the situations of incompatibility or legal prohibition established in law.

- When they have been seriously reprimanded by the Audit and Compliance Committee for having been in breach of their obligations as directors.

- When their continuation on the Board may jeopardise the interests of the Company or when the reasons why they were appointed cease to exist.

- When they are prosecuted for a purportedly criminal action or when disciplinary action is taken against them by the supervisory authorities for very serious or serious misconduct.

Amendment of the bylaws

The Annual General Meeting, duly called and convened, is the supreme body of the Company and, therefore, it is empowered to adopt any resolutions for which it is competent pursuant to the Law and the Company Bylaws.

g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares

At the Annual General Meeting held on 18 June 2009, the shareholders authorised the Board of Directors to perform derivative acquisitions of treasury shares, either directly or through investees, up to the limits and pursuant to the requirements established in the Spanish Companies Law.

h) Significant agreements that may be modified or terminated in the event of change in control.

There are no significant agreements which could be modified or terminated in the event of change in control.

i) Agreements between the Parent and its directors, executives or employees that provide for termination benefits if the employment relationship ends due to a takeover bid.

There are no agreements of any nature between the Company and its directors, executives or employees that provide for termination benefits on termination of the employment relationship with the Company additional to those described in the accompanying consolidated financial statements.

Authorisation for issue of the consolidated financial statements and directors' report

These consolidated financial statements and directors' report were authorised for issue by the Board of Directors at its Meeting held on 25 March 2010, for submission for approval by the shareholders at the Annual General Meeting. These consolidated financial statements, which consist of the consolidated balance sheet, consolidated income statement, consolidated recognised income statement, consolidated statement on total changes in equity, consolidated cash flow statement and the consolidated report, as well as the consolidated directors' report, have been signed on each page by the Secretary of the Board, and all the directors have signed this last page below:

Xavier Adserà Gebelli
Chairman

José Manuel Serra Peris
Director

BMS Promoción y Desarrollo, S.L.
Represented by
José Luis Navarro Fabra
Director

Natra, S.A.
Represented by
Manuel Moreno Tarazona
Director

Juan Ignacio Egaña Azurmendi
Director

Félix Revuelta Fernández
Director

. Alicia Vivanco González
Director

François Gaydier
Director

. Maria Jose Busutil Santos
Non-Director Secretary