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MARIGOLD HEALTH FOODS LTD

FINANCIAL STATEMENTS

31 MARCH 2005



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MARIGOLD HEALTH FOODS LTD

Company Information

Directors	DBR Swinstead PJ Tobin
Secretary	D B R Swinstead
Registered Number	1300295 (England and Wales)
Registered Office	102 Camley Street London NW1 0PF
Auditors	Nexia Audit Limited Prospect House 2 Athenaeum Road London N20 9YU
Solicitors	Soloman Taylor & Shaw 3 Coach House Yard Hampstead High Street London NW3 1QD
Bankers	Bank of Scotland 14/16 Cockspur Street London SW1Y 5BL

MARIGOLD HEALTH FOODS LIMITED

Contents

	Page
Directors' Report	1 - 2
Auditors' Report	3
Balance Sheet	4
Profit and Loss Account	5
Statement of Recognised Gains and Losses	6
Note of Historical Cost Profits and Losses	6
Cash Flow Statement	7 - 8
Notes to the Financial Statements	9 - 16

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

The Directors present their report and the financial statements for the year ended 31 March 2005.

Principal activities

The Company's principal activity continues to be that of distribution of vegetarian and vegan foods, drinks, nutritional supplements, toiletries and other animal-free products.

Business Review

The financial results for the year and the Company's financial position at the year end are shewn in the attached statements.

Results and dividends

The profit for the year after taxation, amounted to £791,290 (2004 - £509,180) .

Interim dividends per share were paid as follows:

	Ordinary Shares	
	'A'	'B'
15 May 2004	£15.99147	£13.65694
17 August 2004	£15.99147	£13.65694
17 November 2004	£15.99147	£14.65885
14 December 2004	£26.65245	£26.65245
16 February 2005	£15.99147	£14.65885
18 March 2005	£63.96588	£63.96588

The total distribution of dividends for the year has been £566,241(2004 - £282,482). The Directors do not recommend payment of a final dividend.

Directors

The Directors who served during the year and their beneficial interests in the Company's issued share capital were :

	<u>Ordinary A shares of £1 each</u>		<u>Ordinary B shares of £1 each</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
DBR Swinstead	1,876	1,876	-	-
PJ Tobin	-	-	1,876	1,876

The Environment

The Company seeks to build upon the progress so far made towards promoting social and environmental activities as Company policy.

Some good quality food approaching sell-by date is donated to charities. We also donate very substantial quantities of used office paper for recycling and purchase the reconstituted paper for office use - similarly with cartridges. We are planning a review of power and water use aiming to effect economies.

Charitable donations

During the year the Company made charitable donations amounting to £4,750 (2004 - £600).

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2005

Auditors

The Auditors, Nexia Audit Limited, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

Statement of Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

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

This report was approved by the Board on 14 December 2005 and signed on its behalf.



DBR Swinstead
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARIGOLD HEALTH FOODS LTD

We have audited the accounts of Marigold Health Foods Ltd for the year ended 31 March 2005 comprising the Balance Sheet, Profit and Loss Account, Statement of Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Cash Flow Statement and related notes 1 to 23. These accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of Directors responsibilities the company's Directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding Directors remuneration and transactions with the company is not disclosed.

We read the Directors report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

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

Nexia Audit Limited
Chartered Accountants
Registered Auditors

Nexia Audit Limited

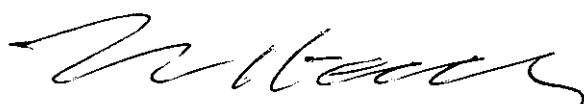
Prospect House
2 Athenaeum Road
Whetstone
London
N20 9YU

Date: 11 January 2006.

BALANCE SHEET
As at 31 March 2005

	Note	£	2005 £	£	2004 £
FIXED ASSETS					
Intangible fixed assets	2		14,105		14,105
Tangible fixed assets	3		1,427,888		972,732
			<u>1,441,993</u>		<u>986,837</u>
CURRENT ASSETS					
Stocks	4	506,970		457,660	
Debtors	5	1,456,757		1,151,257	
Investment	6	283,290		277,639	
Cash at bank and in hand		615,093		310,339	
		<u>2,862,110</u>		<u>2,196,895</u>	
CREDITORS: amounts falling due within one year	7	(1,893,467)		(1,459,425)	
NET CURRENT ASSETS			<u>968,643</u>		<u>737,470</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,410,636</u>		<u>1,724,307</u>
PROVISIONS FOR LIABILITIES AND CHARGES					
	8		<u>(25,043)</u>		<u>(19,951)</u>
NET ASSETS			<u><u>2,385,593</u></u>		<u><u>1,704,356</u></u>
CAPITAL AND RESERVES					
Called up share capital	9		3,752		3,752
Revaluation Reserve	10		703,102		252,584
Retained Profit			1,678,739		1,448,020
MEMBERS' FUNDS	11		<u><u>2,385,593</u></u>		<u><u>1,704,356</u></u>

The financial statements were approved by the board on 14 December 2005 and signed on its behalf.



DBR Swinstead
Director

PJ Tobin
Director



The notes on pages 9 to 16 form part of these financial statements.

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2005

	Note	2005 £	2004 £
TURNOVER	1,12	13,434,737	11,043,165
Prime cost of sales		(10,695,577)	(8,947,485)
GROSS PROFIT		2,739,160	2,095,680
Delivery expenses		(177,726)	(181,270)
Administrative expenses		(1,445,505)	(1,249,589)
OPERATING PROFIT	13	1,115,929	664,821
Interest receivable	16	33,556	31,660
Interest payable	17	(2,410)	(901)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,147,075	695,580
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	18	(355,785)	(186,400)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		791,290	509,180
DIVIDENDS	19	(566,241)	(282,482)
RETAINED PROFIT FOR THE YEAR		225,049	226,698
RETAINED PROFIT BROUGHT FORWARD		1,448,020	1,218,800
Transferred from Revaluation Reserve	10	5,670	2,522
RETAINED PROFIT CARRIED FORWARD		1,678,739	1,448,020

All amounts relate to continuing operations.

The notes on pages 9 to 16 form part of these financial statements.

STATEMENT OF RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2005

	2005	2004
	£	£
Profit for the financial year after taxation	791,290	509,180
Unrealised surplus on revaluation of leasehold property	456,188	-
Unrealised gain on revaluation of investment	-	8,723
Total gains and losses relating to the year	<u><u>1,247,478</u></u>	<u><u>517,903</u></u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2005

	2005	2004
	£	£
Reported profit on ordinary activities before taxation	1,147,075	695,580
Unrealised movement on current asset investment	-	8,723
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	5,670	2,522
Historical cost profit on ordinary activities before taxation	<u><u>1,152,745</u></u>	<u><u>706,825</u></u>
 Historical cost profit for the year retained after taxation	 <u><u>230,719</u></u>	 <u><u>237,943</u></u>

CASH FLOW STATEMENT
For the year ended 31 March 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities (Page 8)		1,089,589	561,267
Returns on investments and servicing of finance	20	31,146	22,036
Taxation		(188,352)	(169,689)
Capital expenditure and financial investment	20	(55,737)	(94,814)
Equity dividends paid		(566,241)	(282,482)
Cash inflow before use of liquid resources and financing		310,405	36,318
Management of liquid resources	20	(5,651)	(82,758)
Increase/(decrease) in cash in the period		<u>304,754</u>	<u>(46,440)</u>

The notes on pages 9 to 16 form part of these financial statements.

CASH FLOW STATEMENT INFORMATION
For the year ended 31 March 2005

	Note	£	2005 £	£	2004 £
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES					
Operating profit			1,115,929		664,821
Depreciation of tangible fixed assets			54,976		44,645
Loss on disposal of tangible fixed assets			1,793		10,053
Increase in debtors			(305,500)		(137,640)
Increase in stocks			(49,310)		(9,192)
Increase/(decrease) in creditors			271,701		(11,420)
Net cash inflow from operating activities			<u>1,089,589</u>		<u>561,267</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
	21				
Increase/(decrease) in cash in the period			304,754		(46,440)
Cash inflow from increase/(decrease) in liquid resources			<u>5,651</u>		<u>(82,758)</u>
Change in net funds resulting from cash flows			310,405		(129,198)
Net funds at 1 April 2004			<u>587,978</u>		<u>717,176</u>
Net funds at 31 March 2005			<u>898,383</u>		<u>587,978</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of Leasehold land and buildings and include the results of the company's operations which are described in the Directors' Report and all of which are continuing.

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax.

1.3 Tangible fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Leasehold buildings	Over the term of the lease
Motor vehicles	Straight line over 6 or 5 years as deemed appropriate
Fixtures & fittings	Straight line over estimated life at variable rates

1.4 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.5 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

1.6 Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

1.7 Deferred taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the Directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

1.8 Pensions

The company contributes to a grouped personal pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The Company's contributions to the scheme for the year are charged to the profit and loss account.

1.9 Goodwill and trade mark

Goodwill and trade mark are stated in the financial statements at cost. The financial statements have departed from the requirement to amortise the assets over a finite period for the overriding intention to shew a true and fair view. The reason for this departure is that in the Directors' opinion the assets are in the financial statements at below their true market value.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

2. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 April 2004	14,105
At 31 March 2005	<u>14,105</u>
Net Book Value	
At 31 March 2005	<u>14,105</u>
At 31 March 2004	<u>14,105</u>

3. TANGIBLE FIXED ASSETS

	Long Leasehold Land & Buildings £	Vans £	Fixtures & Equipment £	Total £
Cost or valuation				
At 1 April 2004	830,462	237,431	150,839	1,218,732
Additions	9,506	42,253	4,584	56,343
Disposals	-	(89,776)	(23,613)	(113,389)
Revaluations	410,032	-	-	410,032
At 31 March 2005	<u>1,250,000</u>	<u>189,908</u>	<u>131,810</u>	<u>1,571,718</u>
Depreciation				
At 1 April 2004	37,808	122,107	86,085	246,000
Charge for year	8,348	32,594	14,034	54,976
On disposals	-	(90,772)	(20,218)	(110,990)
Revaluations	(46,156)	-	-	(46,156)
At 31 March 2005	<u>-</u>	<u>63,929</u>	<u>79,901</u>	<u>143,830</u>
Net Book Value				
At 31 March 2005	<u>1,250,000</u>	<u>125,979</u>	<u>51,909</u>	<u>1,427,888</u>
At 31 March 2004	<u>792,654</u>	<u>115,324</u>	<u>64,754</u>	<u>972,732</u>

The Company's Leasehold Property was valued at 31 March 2005 by CB Richard Ellis Ltd and the resulting surplus of £456,188 was transferred to the Revaluation Reserve.

If Leasehold Property had not been revalued it would have been included at the following historic cost:

	2005 £	2004 £
Cost	576,139	566,633
Cumulative depreciation	(33,628)	(27,958)
Net book amount	<u>542,511</u>	<u>538,675</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

4. STOCKS

	2005 £	2004 £
Sellable goods, at cost	<u>506,970</u>	<u>457,660</u>

5. DEBTORS

	2005 £	2004 £
Due within one year		
Trade debtors	1,327,241	1,030,671
Other debtors	91,474	81,135
Prepayments and accrued income	38,042	39,451
	<u>1,456,757</u>	<u>1,151,257</u>

6. INVESTMENT

This is the cost to date of a holding in the Corporate Bond Fund within Halifax UK Investment Funds Open-ended Investment Company. The market value at 31 March 2005 was £296,563 (2004 - £279,900).

7. CREDITORS:**Amounts falling due within one year**

	2005 £	2004 £
Trade creditors	1,314,514	1,131,151
Corporation tax	346,460	184,119
PAYE/Ni liability	26,395	21,522
Other creditors	158,597	86,767
Accruals and deferred income	47,501	35,866
	<u>1,893,467</u>	<u>1,459,425</u>

8. PROVISION FOR LIABILITIES AND CHARGES

	2005 £	2004 £
Deferred Tax		
At 1 April 2004	19,951	17,301
Charge for the year	5,092	2,650
	<u>25,043</u>	<u>19,951</u>
At 31 March 2005		

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

9. SHARE CAPITAL

	2005 £	2004 £
Authorised		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
 Allotted, called up and fully paid		
1,876 A ordinary shares of £1 each	1,876	1,876
1,876 B ordinary shares of £1 each	1,876	1,876
	<u>3,752</u>	<u>3,752</u>

10. RESERVES

	£
Revaluation Reserve	
At 1 April 2004	252,584
Surplus on Revaluation of Leasehold Property	456,188
Transfer to Retained Profit at 31 March 2005	(5,670)
	<u>703,102</u>

11. MEMBERS' FUNDS

Reconciliation of movements on members' funds		
	2005 £	2004 £
Profit for the year	791,290	509,180
Dividends	(566,241)	(282,482)
	<u>225,049</u>	<u>226,698</u>
Other recognised gains and losses during year	456,188	(8,723)
	<u>681,237</u>	<u>217,975</u>
Opening members' funds	1,704,356	1,486,381
Closing members' funds	<u>2,385,593</u>	<u>1,704,356</u>

12. TURNOVER

The whole of the turnover is attributable to the one principal activity of the Company being distribution of vegetarian and vegan foods, drinks, nutritional supplements, toiletries and other animal-free products.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

13. OPERATING PROFIT

The operating profit is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets		
- owned by the company	54,976	44,645
Audit fees	11,125	12,250
Non-audit services paid to a company associated to the auditors	670	-
Operating lease rentals		
- other	<u>51,222</u>	<u>52,968</u>

14. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2005 £	2004 £
Wages and salaries	941,433	812,220
Social security costs	92,585	78,310
Other pension costs	28,615	23,664
	<u>1,062,633</u>	<u>914,194</u>

The average monthly number of employees, including directors, during the year was as follows:

	2005	2004
Average employees	<u>41</u>	<u>38</u>

15. DIRECTORS' REMUNERATION

	2005 £	2004 £
Aggregate emoluments	13,759	17,518
	<u>13,759</u>	<u>17,518</u>

16. INTEREST RECEIVABLE

	2005 £	2004 £
Interest receivable	<u>33,556</u>	<u>31,660</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

17. INTEREST PAYABLE

	2005 £	2004 £
On directors' accounts	<u>2,410</u>	<u>901</u>

18. TAXATION

	2005 £	2004 £
Current year taxation		
UK Corporation Tax at 30% (2004 - 30%)	349,471	184,119
Transfer to deferred taxation	5,092	2,650
	<u>354,563</u>	<u>186,769</u>
Prior years		
UK corporation tax	1,222	(369)
	<u>355,785</u>	<u>186,400</u>

Factors affecting the tax charge for period

	2005 £	2004 £
Profit on ordinary activities before tax	<u>1,147,075</u>	<u>695,580</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2003: 30%)	<u>344,123</u>	<u>208,674</u>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,460	17
Depreciation charge in excess of capital allowances	3,329	(269)
Marginal relief	(8,441)	(22,144)
Income tax suffered	-	(2,159)
Current tax Charge for period	<u>349,471</u>	<u>184,119</u>

19. DIVIDENDS

	2005 £	2004 £
Ordinary - interim paid	<u>566,241</u>	<u>282,482</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

**20. ANALYSIS OF CASH FLOWS FOR HEADINGS
NETTED IN THE CASH FLOW STATEMENT**

	2005 £	2004 £
Returns on investments and servicing of finance		
Interest received	33,556	22,937
Interest paid	(2,410)	(901)
Net cash inflow for returns on investments and servicing of finance	<u>31,146</u>	<u>22,036</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(56,343)	(96,894)
Sale of tangible fixed assets	606	2,080
Net cash outflow for capital expenditure	<u>(55,737)</u>	<u>(94,814)</u>
Management of liquid resources		
Increase in current asset investment	(5,651)	(82,758)
Net cash outflow for management of liquid resources	<u>(5,651)</u>	<u>(82,758)</u>

21. ANALYSIS OF NET DEBT

	At 1 April 2004 £	Cash flow £	At 31 March 2005 £
Net cash:			
Cash at bank and in hand	<u>310,339</u>	<u>304,754</u>	<u>615,093</u>
Liquid resources:			
Current asset investments	<u>277,639</u>	<u>5,651</u>	<u>283,290</u>
Debt:			
	<u>-</u>	<u>-</u>	<u>-</u>
Net debt	<u>587,978</u>	<u>310,405</u>	<u>898,383</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2005

22. OTHER COMMITMENTS

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2005	2004
	£	£
Expiry date:		
In more than 5 years	<u><u>21,000</u></u>	<u><u>21,000</u></u>

23. TRANSACTIONS WITH A DIRECTOR

During the current year the current account of DBR Swinstead was overdrawn for a maximum period of 25 days. The maximum amount owed by the Director to the Company was £273,428. The account was in credit at the year end.