

MARIGOLD HEALTH FOODS LIMITED

FINANCIAL STATEMENTS

31 MARCH 2003



CONTENT OF THE FINANCIAL STATEMENTS

	Page
Company Information	1
Directors' Report	2
Auditors' Report	4
Balance Sheet	6
Profit and Loss Account	7
Notes to the Financial Statements	8
Cash Flow Statement	13
Notes to the Cash Flow Statement	14
Trading Statement	16

MARIGOLD HEALTH FOODS LIMITED

COMPANY INFORMATION

DIRECTORS	D B R Swinstead P J Tobin
SECRETARY	D B R Swinstead
REGISTERED OFFICE	102 Camley Street London NW1 0PF
REGISTERED NUMBER	1300295 (England and Wales)
BANKERS	Bank of Scotland 14/16 Cockspur Street London SW1Y 5BL
AUDITORS	Bennett & Co. Registered Auditors 16/18 Upland Road London SE22 9GG
SOLICITORS	Solomon Taylor & Shaw 3 Coach House Yard Hampstead High Street London NW3 1QD

DIRECTORS' REPORT
for the Year ended 31 March 2003

The Directors present their report and the financial statements of the Company for the year ended 31 March 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company, continued throughout the year, was the marketing and distribution of vegetarian and vegan foods, drinks, nutritional supplements and other animal-free products.

BUSINESS REVIEW

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

DIVIDENDS

By a Special Resolution dated 30 October 2002 the issued share capital was divided into 'A' and 'B' Ordinary shares. These shares rank pari passu in all respects excepting that the Directors may declare a separate dividend in respect of each type of share.

Interim dividends per share were paid as follows:

Ordinary Shares	£10.6610	15 May 2002
Ordinary Shares	£10.6610	15 August 2002
'A' Ordinary Shares	£13.4373}	15 November 2002
'B' Ordinary Shares	£10.6610}	
'A' Ordinary Shares	£42.6439}	
'B' Ordinary Shares	£42.6439}	
'A' Ordinary Shares	£13.43727}	15 February 2003
'B' Ordinary Shares	£10.66100}	

The total distribution of dividends for the year has been £330,417. The Directors do not recommend payment of a final dividend.

DIRECTORS

The Directors during the year under review were DBR Swinstead and PJ Tobin. Their beneficial interest in the issued share capital of the Company throughout the year was:

	1/4/02 - 29/10/02	30/10/02 - 31/3/03
DBR Swinstead	1,876 Ordinary Shares of £1	1,876 'A' Ordinary Shares of £1
PJ Tobin	1,876 Ordinary Shares of £1	1,876 'B' Ordinary Shares of £1

THE ENVIRONMENT

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

Much 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 £1,575

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 judgments and estimates that are reasonable and prudent;
- 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.

ON BEHALF OF THE BOARD



DBR Swinstead
Company Secretary

20 October 2003

**REPORT OF THE INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF MARIGOLD HEALTH FOODS LIMITED**

We have audited the Financial Statements of MARIGOLD HEALTH FOODS LIMITED for the year ended 31 March 2003 on pages six to fifteen. These Financial Statements have been prepared under the historical cost convention 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 on page three the Company's Directors are responsible for the preparation of Financial Statements in accordance with applicable law and United Kingdom Accounting Standards.

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

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

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

BASIC OF AUDIT OPINION

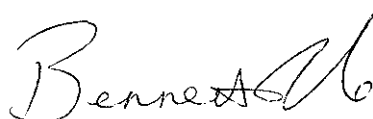
We conducted our audit in accordance with United Kingdom Auditing Standards issued by Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

OPINION

In our opinion the financial statements give a true and fair view of the Company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bennett & Co
Registered Auditors
16/18 Upland Road
Dulwich
London
SE22 9GG

A handwritten signature in dark ink, appearing to read 'Bennett & Co', is written over the printed name of the auditors.

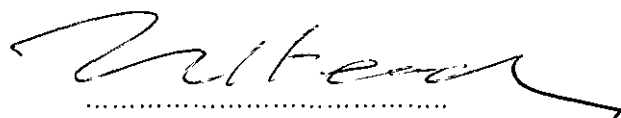
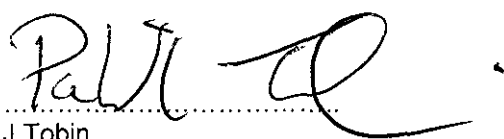
Dated:23 Dec 2003

MARIGOLD HEALTH FOODS LIMITED

BALANCE SHEET
31 March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Intangible assets	2	14,105	14,105
Tangible assets	3	<u>932,616</u>	<u>933,298</u>
		<u>946,721</u>	<u>947,403</u>
CURRENT ASSETS			
Stock	4	448,468	365,817
Debtors	5	1,013,617	1,078,832
Investment	6	194,881	-
Cash at bank and in hand		<u>356,779</u>	<u>207,736</u>
		<u>2,013,745</u>	<u>1,652,385</u>
CREDITORS: Amounts falling due within one year	7	<u>(1,456,784)</u>	<u>(1,225,310)</u>
NET CURRENT ASSETS		<u>556,961</u>	<u>427,075</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,503,682	1,374,478
PROVISION FOR DEFERRED TAXATION	8	<u>(17,301)</u>	<u>-</u>
		<u>1,486,381</u>	<u>1,374,478</u>
CAPITAL AND RESERVES			
Issued Share Capital	9	3,752	3,752
Revaluation Reserve	10	263,829	263,829
Retained Profits		<u>1,218,800</u>	<u>1,106,897</u>
SHAREHOLDERS' FUNDS	11	<u>1,486,381</u>	<u>1,374,478</u>

ON BEHALF OF THE BOARD


DBR Swinstead
Director

P J Tobin
Director

MARIGOLD HEALTH FOODS LIMITED

PROFIT AND LOSS ACCOUNT
for the Year ended 31 March 2003

		2003	2002
	Notes	£	£
SALES		10,062,916	9,357,385
Prime Cost of Sales		<u>8,115,671</u>	<u>7,633,380</u>
GROSS PROFIT		1,947,245	1,724,005
Operating Costs		<u>1,327,076</u>	<u>1,288,410</u>
OPERATING PROFIT		620,169	435,595
Interest & Rent Receivable		<u>14,099</u>	<u>17,922</u>
		634,268	453,517
Interest & Bank Charges Payable		<u>3,805</u>	<u>26,577</u>
NET PROFIT BEFORE TAXATION		630,463	426,940
Corporation Tax based on this Account	15	187,359	108,778
Interest on Corp Tax Charge		784	1,175
Profit after Taxation		<u>442,320</u>	<u>316,987</u>
Dividends	16	<u>330,417</u>	<u>160,000</u>
		111,903	156,987
Retained Profits 31 March 2002		1,106,897	949,910
Retained Profits 31 March 2003		<u>1,218,800</u>	<u>1,106,897</u>

NOTES TO THE FINANCIAL STATEMENTS
for the Year ended 31 March 2003

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by revaluation of the Leasehold Property.

Sales

Sales represent the invoiced value of goods sold during the year, less cash discounts, exclusive of Value Added Tax.

Tangible fixed assets

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

Leasehold Property	- Over the term of the lease
Vans	- Straight line over 6 or 5 years as deemed appropriate
Equipment	- At variable rates on straight line over estimated life

Stock

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

Goodwill and Trade Mark

Goodwill and Trade Mark are stated in the financial statement at cost. The financial statement has departed from the requirement to amortise Goodwill and Trade Mark over a finite period for the overriding purpose of shewing a true and fair view.

The reason for this departure is that in the Directors' opinion the assets are in the financial statement at below their true market value.

Foreign currencies

Transactions in foreign currencies are expressed in sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Pensions

The Company operates a defined contribution pension scheme for a Director. The Company introduced a voluntary grouped personal pension scheme from 1 July 1999 for staff qualified by length of service. The assets of the schemes are held separately from those of the Company in independently administered funds. The Company's contributions to both schemes are charged in the profit and loss account.

2 INTANGIBLE FIXED ASSETS

Goodwill and Trade Mark	2003	2002
	£	£
Cost	<u>14,105</u>	<u>14,105</u>

3 TANGIBLE FIXED ASSETS

	LEASEHOLD PROPERTY £	VANS £	EQUIPMENT £	TOTAL £
COST OR VALUATION				
at 1 April 2002	817,257	176,611	135,706	1,129,574
Additions	15,629	17,500	11,621	44,750
Disposals	-	-	-	-
at 31 March 2003	<u>832,886</u>	<u>194,111</u>	<u>147,327</u>	<u>1,174,324</u>
DEPRECIATION				
at 1 April 2002	21,861	102,275	72,141	196,277
Charge for Year	8,011	24,757	12,663	45,431
Eliminated on Disposals	-	-	-	-
at 31 March 2003	<u>29,872</u>	<u>127,032</u>	<u>84,804</u>	<u>241,708</u>
NET BOOK VALUES				
at 31 March 2003	<u>803,014</u>	<u>67,079</u>	<u>62,523</u>	<u>932,616</u>
at 31 March 2002	<u>795,396</u>	<u>74,336</u>	<u>63,565</u>	<u>933,297</u>

The company's leasehold property was valued as at 31 March 2000 by Insignia Richard Ellis Ltd and the resulting surplus of £263,829 was transferred to Revaluation Reserve.

If leasehold property had not been revalued it would have been included at the following historic costs:

	2003 £	2002 £
Historic Cost	553,428	536,171
Aggregate depreciation	<u>22,509</u>	<u>14,498</u>
	<u>530,919</u>	<u>521,673</u>

4 STOCK

	2003 £	2002 £
Stock	<u>448,468</u>	<u>365,817</u>

5 DEBTORS**Amounts Falling Due Within One Year**

	2003	2002
	£	£
Trade Debtors	892,557	981,187
Value Added Tax	53,198	48,488
Prepayments	36,278	23,233
Staff loans	28,289	23,072
Corporation Tax	2,851	2,852
Income Tax	444	-
	<u>1,013,617</u>	<u>1,078,832</u>

6 INVESTMENT

This is the market value of a holding in the Corporate Bond Fund within Halifax UK Investment Funds Open-Ended Investment Company

7 CREDITORS**Amounts Falling Due Within One Year**

	2003	2002
	£	£
Trade Creditors	1,222,544	998,124
Accrued expenses	27,616	57,111
PAYE & NIC	17,719	16,202
Directors' current accounts	18,847	45,674
Taxation	170,058	108,199
	<u>1,456,784</u>	<u>1,225,310</u>

8 PROVISION FOR DEFERRED TAXATION

	2003	2002
	£	£
Deferred Taxation	<u>17,301</u>	<u>-</u>

This provision is made up of accelerated capital allowances.

The Company has applied FRS 19 'Deferred Taxation' for the first time in these financial statements. As a result, the accounting policy for deferred taxation has been changed and full provision has been made for timing differences arising from accelerated capital allowances. The application of the new policy has not resulted in any material changes to figures reported in previous financial statements and therefore no prior year adjustment has been made.

9 ISSUED SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal	2003	2002
		value	£	£
5,000	Ordinary shares	£1	<u>5,000</u>	<u>5,000</u>
Issued fully paid:				
Number:	Class:	Nominal	2003	2002
		value	£	£
3,752	Ordinary shares	£1	<u>3,752</u>	<u>3,752</u>

10 REVALUATION RESERVE

	2003	2002
	£	£
Revaluation reserve	<u>263,829</u>	<u>263,829</u>

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	442,320	316,987
Dividends	<u>330,417</u>	<u>160,000</u>
Net addition to shareholders' funds	111,903	156,987
Opening shareholders' funds	1,374,478	1,217,491
Closing shareholders' funds	<u>1,486,381</u>	<u>1,374,478</u>

12 PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£	£
This is stated after charging		
Directors' Remuneration	39,584	50,000
Audit Fee	7,500	7,500
Depreciation & Amortisation	45,431	53,313
Loss on Disposal of Fixed Assets	<u>-</u>	<u>2,997</u>

13 STAFF AND DIRECTORS' COSTS

	2003	2002
	£	£
Salaries	739,512	707,984
National Insurance	64,869	62,269
Pension Costs	<u>28,787</u>	<u>24,478</u>
	<u>833,168</u>	<u>794,731</u>

The average number of employees during the year was:

35 30

14 INTEREST PAYABLE

	2003	2002
	£	£
Bank Interest	-	23,039
Directors' account interest	1,598	448
Hire purchase interest	<u>-</u>	<u>5</u>
	<u>1,598</u>	<u>23,492</u>

15 TAXATION

	2003 £	2002 £
Corporation tax charge on the profit on ordinary activities for the year was	170,058	108,199
Deferred Taxation	<u>17,301</u>	<u>-</u>
	<u>187,359</u>	<u>108,778</u>

UK Corporation Tax has been charged at 30% (2002 - 30%)

16 DIVIDENDS

	2003 £	2002 £
Ordinary Shares	<u>330,417</u>	<u>160,000</u>

17 OBLIGATION UNDER LEASE OF LAND AND BUILDINGS

	2003 £	2002 £
Within one year	21,000	21,000
Over one year and within five years	<u>84,000</u>	<u>84,000</u>
	<u>105,000</u>	<u>105,000</u>

18 TRANSACTIONS WITH DIRECTORS

The current account balances of D B R Swinstead and P J Tobin are included in creditors at year end.

19 RELATED PARTY DISCLOSURES

There are no related party disclosures other than those already reported under transactions with Directors.

20 CONTROL OF THE COMPANY

The Company is jointly controlled by its two Directors and Members, D B R Swinstead and P J Tobin.

CASH FLOW STATEMENT
for the Year ended 31 March 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	1	682,579	350,265
Returns on investments and servicing of finance	2	12,472	(6,951)
Taxation		(171,841)	(132,305)
Capital expenditure	2	(44,750)	(49,024)
Dividends paid		<u>(330,417)</u> 149,043	<u>(160,000)</u> 1,985
Financing	2	<u>-</u>	<u>(264,552)</u>
Increase/(Decrease) in cash in the period		<u>149,043</u>	<u>(262,567)</u>
Reconciliation of net cash flow to movement in net funds			
		£	£
Increase/(Decrease) in cash in the period	3	149,043	(262,567)
Cash outflow from decrease in debt and lease financing		-	508
Change in net funds resulting from cash flows		<u>149,043</u>	<u>(262,059)</u>
Movement in net funds in the period		149,043	(262,059)
Net funds at 1 April 2002		<u>207,736</u>	<u>469,795</u>
Net funds at 31 March 2003		<u>356,779</u>	<u>207,736</u>

NOTES TO THE CASH FLOW STATEMENT
for the Year ended 31 March 2003

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit	617,993	433,891
Depreciation charges	45,431	53,313
Loss on sale of fixed assets	-	2,997
Increase in stocks	(82,651)	(22,497)
Decrease in debtors	65,214	(155,409)
Investment	(194,881)	-
Increase in creditors	231,473	37,970
Net cash inflow from operating activities	<u>682,579</u>	<u>350,265</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2003	2002
	£	£
Returns on Investments and serving of finance		
Interest received	14,070	16,541
Interest paid	(1,598)	(23,487)
Interest element of hire purchase	-	(5)
Net Cash inflow for returns on investment and servicing of finance	<u>12,472</u>	<u>(6,951)</u>
Capital expenditure		
Purchase of tangible fixed assets	(44,750)	(49,144)
Sale of tangible fixed assets	-	120
Net Cash outflow for capital expenditure	<u>(44,750)</u>	<u>(49,024)</u>
Financing		
Loan repayments in year	-	(275,741)
Capital elements - HP repayment	-	(508)
Repayment on director's loan	-	(7,939)
Amount withdrawn by director	-	19,636
Net cash outflow from financing	<u>-</u>	<u>(264,552)</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	2003 £	Cash Inflow £	2002 £
Total Net Cash			
Cash at bank and in hand	<u>356,779</u>	<u>149,043</u>	<u>207,736</u>

Analysed in Balance Sheet

Cash at bank and in hand	<u>356,779</u>	<u>207,736</u>
--------------------------	----------------	----------------

MARIGOLD HEALTH FOODS LIMITED

Trading Statement

for the Year ended 31 March 2003

	2003 £	2002 £
Sales	10,062,916	9,357,385
Prime Cost of Sales	<u>8,115,671</u>	<u>7,633,380</u>
GROSS PROFIT	1,947,245	1,724,005
Interest Receivable	14,070	16,541
Rent Receivable	<u>29</u>	<u>1,381</u>
	1,961,344	1,741,927
Establishment Expenses		
Rent and Rates	52,464	51,960
Electricity, Gas & Water	12,472	11,961
Insurance	11,971	8,677
Property Maintenance	<u>-</u>	<u>30,266</u>
	76,907	102,864
Marketing Expenses		
Directors' Salaries	32,102	42,518
Director's Pension Provision	<u>7,482</u>	<u>7,482</u>
	39,584	50,000
Staff Salaries	707,410	665,466
National Insurance	64,869	62,269
Staff Pensions Provision	<u>21,305</u>	<u>16,996</u>
	833,168	794,731
Delivery Expenses	<u>175,134</u>	<u>178,412</u>
	1,008,302	973,143
Administration Expenses		
Promotion	9,805	11,236
Exhibition	3,586	4,007
Design	8,474	693
Price Lists	7,924	6,493
Trade Subscriptions	8,402	8,586
Computer Software	47,574	14,639
Postage	2,404	2,372
Telephone	9,928	12,863
Stationery and Office Supplies	9,227	8,034
Equipment Repairs	15,644	10,440
Warehouse Expenses	13,846	9,634
Bad Debts	11,094	30,569
Doubtful Debts Provision	3,855	2,204
Personnel Issues Adviser	25,811	15,028
Sundry Expenses	<u>11,362</u>	<u>11,796</u>
	188,936	148,593
Financial Expenses		
Interest Payable	1,598	23,492
Bank Charges	2,207	3,085
Audit Fee	<u>7,500</u>	<u>7,500</u>
	11,305	34,077
Depreciation and Amortisation	<u>45,431</u>	<u>53,313</u>
Loss on disposal Fixed Assets	-	2,997
	1,330,881	1,314,987
NET PROFIT	630,463	426,940