

MARIGOLD HEALTH FOODS LIMITED

DIRECTORS' REPORT

and

FINANCIAL STATEMENTS

31 MARCH 1999



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MARIGOLD HEALTH FOODS LIMITED

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MARIGOLD HEALTH FOODS LIMITED

COMPANY INFORMATION
for the Year Ended 31 March 1999

DIRECTORS: Mr D B R Swinstead
Mr P J Tobin

SECRETARY: Mr D B R Swinstead

REGISTERED OFFICE: 102 Camley Street
London
NW1 0PF

REGISTERED NUMBER: 1300295 (England and Wales)

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

BANKERS: Bank of Scotland
14/16 Cockspur Street
London SW1 5BL

SOLICITORS: Solomon Taylor & Shaw
3 Coach House Yard
Hampstead High Street
London NW3 1QD

MARIGOLD HEALTH FOODS LIMITED

REPORT OF THE DIRECTORS for the Year Ended 31 March 1999

The directors present their report with the financial statements of the company for the year ended 31 March 1999.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of marketing and distribution of vegetarian and vegan foods, drinks, food supplements and other animal-free products.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

Interim dividends per share were paid as follows:

£5.33	- 15 May 1998
£10.66	- 11 November 1998
£5.33	- 1 March 1999
<hr/>	
£21.32	
<hr/>	

The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 March 1999 will be £80,000.

FIXED ASSETS

During the year the company purchased the leasehold interest in 102 Camley Street, London NW1 0PF. In connection with this acquisition the company's bank, The Bank of Scotland made a secured loan of £350,000 to the company.

DIRECTORS

The directors during the year under review were:

Mr D B R Swinstead
Mr P J Tobin

The beneficial interests of the directors holding office on 31 March 1999 in the issued share capital of the company were as follows:

	31.3.99	1.4.98
Ordinary shares £1 shares		
Mr D B R Swinstead	1,876	1,876
Mr P J Tobin	1,876	1,876

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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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.

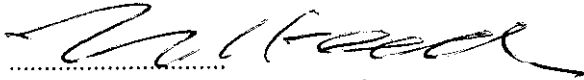
MARIGOLD HEALTH FOODS LIMITED

REPORT OF THE DIRECTORS
for the Year Ended 31 March 1999

AUDITORS

The auditors, Bennett & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

A handwritten signature in dark ink, appearing to read 'D B R Swinstead', written over a dotted line.

Mr D B R Swinstead - DIRECTOR

Dated:

MARIGOLD HEALTH FOODS LIMITED

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

We have audited the financial statements on pages five to fifteen which have been prepared under the historical cost convention and the accounting policies set out on page ten.

Respective responsibilities of directors and auditors

As described on page two the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

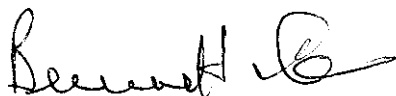
Basis of opinion

We conducted our audit in accordance with 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 financial statements. 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 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 state of the company's affairs as at 31 March 1999 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

Dated: 9/3/2000

MARIGOLD HEALTH FOODS LIMITED

PROFIT AND LOSS ACCOUNT
for the Year Ended 31 March 1999

	Notes	31.3.99		31.3.98	
		£	£	£	£
TURNOVER			4,729,505		3,616,681
Cost of sales			3,779,030		2,928,630
GROSS PROFIT			950,475		688,051
Distribution costs		397,181		283,845	
Administrative expenses		237,859		206,656	
			635,040		490,501
			315,435		197,550
Other operating income			102		-
OPERATING PROFIT	3		315,537		197,550
Interest receivable and similar income			8,736		5,474
			324,273		203,024
Interest payable and similar charges	4		11,066		3,873
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			313,207		199,151
Tax on profit on ordinary activities	5		64,829		39,709
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			248,378		159,442
Dividends	6		80,000		80,000
			168,378		79,442
Retained profit brought forward			267,539		188,097
RETAINED PROFIT CARRIED FORWARD			<u>£435,917</u>		<u>£267,539</u>

CONTINUING OPERATIONS

The company added to its operations during the year by acquiring an organic-product distribution entity for £13,200. This forms the make-up of the additions to goodwill in the year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

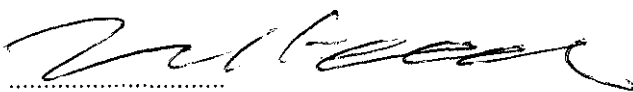
MARIGOLD HEALTH FOODS LIMITED

BALANCE SHEET

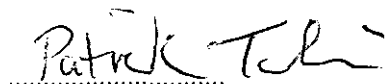
31 March 1999

		31.3.99		31.3.98	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	7		14,105		905
Tangible assets	8		666,638		116,286
			<u>680,743</u>		<u>117,191</u>
CURRENT ASSETS:					
Stocks	9	222,836		169,844	
Debtors	10	460,966		299,373	
Cash at bank and in hand		65,145		116,655	
		<u>748,947</u>		<u>585,872</u>	
CREDITORS: Amounts falling due within one year	11	642,197		406,493	
NET CURRENT ASSETS:			<u>106,750</u>		<u>179,379</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			787,493		296,570
CREDITORS: Amounts falling due after more than one year	12		347,824		25,279
			<u>£439,669</u>		<u>£271,291</u>
CAPITAL AND RESERVES:					
Called up share capital	15		3,752		3,752
Profit and loss account			435,917		267,539
Shareholders' funds	17		<u>£439,669</u>		<u>£271,291</u>

ON BEHALF OF THE BOARD:



Mr D B R Swinstead - DIRECTOR



Mr P J Tobin - DIRECTOR

Approved by the Board on 8 MARCH 2000

The notes form part of these financial statements

MARIGOLD HEALTH FOODS LIMITED

CASH FLOW STATEMENT
for the Year Ended 31 March 1999

	Notes	31.3.99		31.3.98	
		£	£	£	£
Net cash inflow from operating activities	1		327,058		194,745
Returns on investments and servicing of finance	2		(2,330)		1,601
Taxation			(29,009)		(39,921)
Capital expenditure	2		(593,113)		(11,365)
Equity dividends paid			(80,000)		(80,000)
			<u>(377,394)</u>		<u>65,060</u>
Financing	2		325,884		(10,157)
(Decrease)/Increase in cash in the period			<u>£(51,510)</u>		<u>£54,903</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period			(51,510)		54,903
Cash outflow from decrease in debt and lease financing			<u>26,509</u>		<u>25,074</u>
Change in net funds resulting from cash flows			(25,001)		79,977
Hire purchase additions			-		(38,113)
Movement in net funds in the period			<u>(25,001)</u>		<u>41,864</u>
Net funds at 1 April 1998			<u>65,562</u>		<u>23,698</u>
Net funds at 31 March 1999			<u>£40,561</u>		<u>£65,562</u>

The notes form part of these financial statements

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 1999

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

	31.3.99 £	31.3.98 £
Operating profit	315,537	197,550
Depreciation charges	30,072	21,381
Loss on sale of fixed assets	-	297
Profit on sale of fixed assets	(511)	-
Increase in stocks	(52,992)	(14,045)
Increase in debtors	(166,921)	(103,015)
Increase in creditors	201,873	92,577
Net cash inflow from operating activities	<u>327,058</u>	<u>194,745</u>

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

	31.3.99 £	31.3.98 £
Returns on investments and servicing of finance		
Interest received	8,736	5,474
Interest paid	(7,370)	(665)
Interest element of hire purchase payments	<u>(3,696)</u>	<u>(3,208)</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u>(2,330)</u>	<u>1,601</u>
Capital expenditure		
Purchase of intangible fixed assets	(13,200)	-
Purchase of tangible fixed assets	(580,424)	(11,365)
Sale of tangible fixed assets	511	-
Net cash outflow for capital expenditure	<u>(593,113)</u>	<u>(11,365)</u>
Financing		
New loan taken out in year	350,000	-
Capital element - HP repayment	(26,509)	(13,039)
Amount introduced by directors	5,328	2,882
Amount withdrawn by directors	<u>(2,935)</u>	<u>-</u>
Net cash inflow/(outflow) from financing	<u>325,884</u>	<u>(10,157)</u>

The notes form part of these financial statements

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 1999**

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.4.98 £	Cash flow £	At 31.3.99 £
Net cash:			
Cash at bank and in hand	116,655	(51,510)	65,145
	<u>116,655</u>	<u>(51,510)</u>	<u>65,145</u>
Debt:			
Hire purchase	(51,093)	26,509	(24,584)
	<u>(51,093)</u>	<u>26,509</u>	<u>(24,584)</u>
Total	<u>65,562</u>	<u>(25,001)</u>	<u>40,561</u>
Analysed in Balance Sheet			
Cash at bank and in hand	116,655		65,145
Hire purchase			
within one year	(25,814)		(17,038)
after one year	(25,279)		(7,546)
	<u>65,562</u>		<u>40,561</u>

The notes form part of these financial statements

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1999

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Goodwill and Trademark

Goodwill and Trademark, including goodwill arising from the acquisition of the rights to market milk product during the year are stated in the financial statements below their recoverable amount. For the financial statements to show a true and fair view these assets have not been amortised.

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
Motor vehicles	- Straight line over 6 years
Equipment	- Straight line over the life of the asset

Stocks

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

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

2. STAFF COSTS

	31.3.99	31.3.98
	£	£
Wages and salaries	376,873	279,997
Social security costs	33,733	26,784
Other pension costs	7,782	7,963
	<hr/>	<hr/>
	418,388	314,744
	<hr/>	<hr/>

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1999

2. STAFF COSTS - continued

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

31.3.99	31.3.98
---------	---------

Administration and marketing

19	14
<u> </u>	<u> </u>

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

31.3.99	31.3.98
---------	---------

Depreciation - owned assets

£	£
---	---

(Profit)/Loss on disposal of fixed assets

30,072	21,381
--------	--------

Auditors' remuneration

(511)	297
-------	-----

4,500	2,000
<u> </u>	<u> </u>

Directors' emoluments

32,218	32,279
<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

31.3.99	31.3.98
---------	---------

Bank interest

£	£
---	---

Director's loan interest

7,036	-
-------	---

Hire purchase interest

334	665
-----	-----

3,696	3,208
<u> </u>	<u> </u>

11,066	3,873
<u> </u>	<u> </u>

5. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

31.3.99	31.3.98
---------	---------

UK corporation tax

£	£
---	---

Underprovision in respect
of previous year

64,519	39,709
--------	--------

310	-
-----	---

64,829	39,709
<u> </u>	<u> </u>

UK corporation tax has been charged at 31% (1998 - 21%).

6. DIVIDENDS

31.3.99	31.3.98
---------	---------

Equity shares:

£	£
---	---

Dividend

80,000	80,000
<u> </u>	<u> </u>

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1999

7. INTANGIBLE FIXED ASSETS

	Goodwill and Trademark
	£
COST:	
At 1 April 1998	905
Additions	13,200
	<hr/>
At 31 March 1999	14,105
	<hr/>
NET BOOK VALUE:	
At 31 March 1999	14,105
	<hr/>
At 31 March 1998	905
	<hr/>

8. TANGIBLE FIXED ASSETS

	Leasehold property	Motor vehicles	Equipment	Totals
	£	£	£	£
COST:				
At 1 April 1998	1,393	119,611	64,480	185,484
Additions	531,604	17,236	31,584	580,424
Disposals	-	(14,525)	-	(14,525)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	532,997	122,322	96,064	751,383
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION:				
At 1 April 1998	804	40,295	28,099	69,198
Charge for year	1,292	19,566	9,214	30,072
Eliminated on disposals	-	(14,525)	-	(14,525)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1999	2,096	45,336	37,313	84,745
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE:				
At 31 March 1999	530,901	76,986	58,751	666,638
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 1998	589	79,316	36,381	116,286
	<hr/>	<hr/>	<hr/>	<hr/>

These assets includes both owned and hire purchased assets.

9. STOCKS

	31.3.99	31.3.98
	£	£
Stock	222,836	169,844
	<hr/>	<hr/>

MARIGOLD HEALTH FOODS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1999**

**10. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.3.99 £	31.3.98 £
Value added tax	33,476	11,435
Trade debtors	381,969	244,683
Prepayments	20,169	12,575
Corporation tax debtor	8,160	8,160
Directors' current accounts	17,192	22,520
	<u>460,966</u>	<u>299,373</u>

**11. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	31.3.99 £	31.3.98 £
Bank loans and overdrafts (see note 13)	9,722	-
Hire purchase contracts (see note 14)	17,038	25,814
Trade creditors	522,158	326,855
Other creditors	9,966	-
Directors' current accounts	3,932	6,867
Social security & other taxes	9,076	8,695
Taxation	44,851	19,031
ACT payable	15,000	5,000
Accrued expenses	10,454	14,231
	<u>642,197</u>	<u>406,493</u>

**12. CREDITORS: AMOUNTS FALLING
DUE AFTER MORE THAN ONE YEAR**

	31.3.99 £	31.3.98 £
Bank loans (see note 13)	340,278	-
Hire purchase contracts (see note 14)	7,546	25,279
	<u>347,824</u>	<u>25,279</u>

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1999

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.3.99 £	31.3.98 £
Amounts falling due within one year or on demand:		
Bank loans	<u>9,722</u>	<u>-</u>
Amounts falling due between one and two years:		
Bank loans	<u>29,167</u>	<u>-</u>
Amounts falling due between two and five years:		
Bank loans	<u>87,500</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>223,611</u>	<u>-</u>

The bank loan of £350,000 is secured by way of a fixed and floating charges over the undertaking and all property and assets present and future including goodwill, bookdebts and uncalled capital.

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts 31.3.99 £	31.3.98 £
Gross obligations repayable:		
Within one year	19,702	29,456
Between one and five years	<u>8,933</u>	<u>28,845</u>
	<u>28,635</u>	<u>58,301</u>
Finance charges repayable:		
Within one year	2,664	3,642
Between one and five years	<u>1,387</u>	<u>3,566</u>
	<u>4,051</u>	<u>7,208</u>
Net obligations repayable:		
Within one year	17,038	25,814
Between one and five years	<u>7,546</u>	<u>25,279</u>
	<u>24,584</u>	<u>51,093</u>

MARIGOLD HEALTH FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1999

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued

The following payments are committed to be paid within one year:

		Land and buildings operating leases	
		31.3.99	31.3.98
		£	£
Expiring:			
Within one year		21,000	16,208
Between one and five years		84,000	-
		<u>105,000</u>	<u>16,208</u>

15. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal	31.3.99	31.3.98
		value:	£	£
5,000	Ordinary shares	£1	<u>5,000</u>	<u>5,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal	31.3.99	31.3.98
		value:	£	£
3,752	Ordinary shares	£1	<u>3,752</u>	<u>3,752</u>

16. TRANSACTIONS WITH DIRECTORS

Included in the debtors is a loan to a director, Mr D Swinstead of £17,192 at the year end. Interest at the official rate has been charged on this loan

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.3.99	31.3.98
	£	£
Profit for the financial year	248,378	159,442
Dividends	<u>(80,000)</u>	<u>(80,000)</u>
NET ADDITION TO SHAREHOLDERS' FUNDS	168,378	79,442
Opening shareholders' funds	<u>271,291</u>	<u>191,849</u>
CLOSING SHAREHOLDERS' FUNDS	<u>439,669</u>	<u>271,291</u>
Equity interests	<u>439,669</u>	<u>271,291</u>

18. COMPARATIVES

Some of last years figures have been restated to allow for changes to current accounting issues.

MARIGOLD HEALTH FOODS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT

for the Year Ended 31 March 1999

	31.3.99		31.3.98	
	£	£	£	£
Sales		4,729,505		3,616,681
Prime Cost of Sales		<u>3,779,030</u>		<u>2,928,630</u>
Gross Profit		950,475		688,051
Interest receivable		8,736		5,474
Rent receivable		102		-
		<u>959,313</u>		<u>693,525</u>
Establishment Expenses				
Rent, rates and service charge	38,160		22,118	
Electricity and gas	5,875		3,032	
Insurance	6,353		4,830	
Property maintenance	3,080		-	
	<u>53,468</u>		<u>29,980</u>	
Marketing Expenses				
Directors' salaries	32,218		32,279	
Director's pension provision	7,782		7,721	
Director's pension	-		242	
	<u>40,000</u>		<u>40,242</u>	
Staff salaries	344,655		247,718	
National insurance	33,733		26,784	
	<u>418,388</u>		<u>314,744</u>	
Delivery expenses	51,628		34,924	
	<u>470,016</u>		<u>349,668</u>	
General Expenses				
Exhibitions	3,112		5,275	
Publicity	2,023		765	
Price list	5,906		4,432	
Trade subscriptions	4,275		2,431	
Computer software and installation	17,826		38,476	
Postage	2,882		1,810	
Telephone	6,235		3,895	
Stationery and office supplies	5,705		4,354	
Equipment repairs	3,369		-	
Warehouse expenses	8,495		3,108	
Bad debts	4,814		12,105	
Doubtful debts provision	2,032		(2,772)	
Sundry expenses	5,928		8,994	
	<u>72,602</u>		<u>82,873</u>	
Financial Expenses				
Hire purchase interest	3,696		3,208	
Bank charges and interest	5,135		4,302	
Sundry interest	7,128		665	
Audit fee	4,500		2,000	
	<u>20,459</u>		<u>10,175</u>	
Depreciation and amortisation	<u>29,561</u>		<u>21,678</u>	
		<u>646,106</u>		<u>494,374</u>
Net Profit		<u><u>313,207</u></u>		<u><u>199,151</u></u>