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MARIGOLD HEALTH FOODS LIMITED

DIRECTORS' REPORT

AND

ACCOUNTS

31 MARCH, 1997.

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



REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED  
31 MARCH, 1997.

The Directors present their Report and Audited Accounts for the year ended 31 March 1997.

PRINCIPAL ACTIVITIES

Marketing and Distribution of Vegetarian and Vegan Foods, Drinks, Food Supplements and other Non-Animal Products.

FIXED ASSETS

Movements in fixed assets are shown in Note 2 to the Accounts.

RESULTS

The results for the year are set out in the Trading and Profit and Loss Account on page 9.

DIRECTORS' LOAN

Included in Debtors is a loan to a Director of £24,670, at the year end. Interest at the official rate has been charged on this loan.

DIVIDEND

An interim Dividend of £10.661 per share was declared payable on 30 June 1996. A second interim Dividend of £5.3305 per share was declared payable on 10 February 1997.

DIRECTORS' RESPONSIBILITIES

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss, total recognised gains or losses of the Company for that year. The Directors accept their responsibility to ensure that appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements.

REPORT OF THE DIRECTORS' CONTINUED  
FOR THE YEAR ENDED  
31 MARCH, 1997.

DIRECTORS' RESPONSIBILITIES CONTINUED

The Directors also confirm their responsibility to prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for maintaining adequate records for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

SHARES

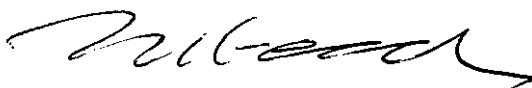
The Directors held throughout the year, all the issued shares of £1 each fully paid, as follows:

D. B. R. Swinstead	1,876 shares
P. J. Tobin	1,876 shares

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a Resolution proposing the re-appointment of Bennett & Co., as Auditors of the Company, will be put to the Members at the Annual General Meeting.

By Order of the Board



.....  
D. B. R Swinstead  
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS  
FOR THE YEAR ENDED  
31 MARCH, 1997.

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the Accounting Policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on pages 1 and 2, 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 of 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 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 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.




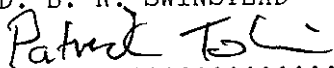
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January 1997

MARIGOLD HEALTH FOODS LIMITED

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BALANCE SHEET 31 MARCH, 1997.

	<u>Note</u>	<u>1997</u>	<u>1996</u>
<u>FIXED ASSETS</u>	2	89,390	77,549
<u>CURRENT ASSETS</u>			
Stock	8	155,799	132,257
Trade and Sundry Debtors	9	180,739	148,534
Payments in Advance	9A	17,769	22,904
Value Added Tax		12,036	9,956
Cash at Banks		60,532	2,599
Cash and Stamps in Hand		<u>1,220</u>	<u>1,083</u>
		428,095	317,333
<u>CURRENT LIABILITIES</u>			
Sundry Creditors		301,393	228,472
Corporation Tax	10/10A	24,243	14,335
Bank Overdraft		<u>-</u>	<u>13,582</u>
		325,636	256,389
<u>NET CURRENT ASSETS</u>		102,459	60,944
		191,849	138,493
<u>SHARE CAPITAL</u>			
Authorised:			
5,000 Shares of £1 each		<u>5,000</u>	<u>5,000</u>
Issued and Fully Paid		3,752	3,752
<u>GENERAL RESERVE</u>		188,097	134,741
 D. B. R. SWINSTEAD )  P. J. TOBIN )			
DIRECTORS			
		191,849	138,493

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED  
31 MARCH, 1997.

	<u>Note</u>	<u>1997</u>	<u>1996</u>
<u>TURNOVER</u>		2,933,168	2,335,899
<u>DIRECT COSTS</u>		2,363,582	1,873,054
<u>GROSS PROFIT</u>		569,586	462,845
 <u>OPERATING COSTS</u>		 423,909	 392,148
<u>NET TRADING PROFIT</u>		145,677	70,697
 <u>OTHER INCOME</u>	 7	 2,133	 1,858
<u>NET PROFIT BEFORE TAXATION</u>		147,810	72,555
<u>TAXATION</u>			
Based on these Accounts		34,244	16,758
Interest		<u>210</u>	<u>229</u>
		34,454	16,987
<u>NET PROFIT AFTER TAXATION</u>		113,356	55,568
<u>APPROPRIATIONS:</u>			
Dividends of £10.661 and £5.3305		60,000	4,277
		53,356	51,291
<u>GENERAL RESERVE 31 MARCH 1996</u>		134,741	83,450
<u>GENERAL RESERVE 31 MARCH, 1997</u>		188,097	134,741

ALL THE ABOVE AMOUNTS RELATE TO CONTINUING ACTIVITIES

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED

31 MARCH, 19971. ACCOUNTING POLICIESa. Accounting Convention

The Accounts are prepared under the historical cost convention.

b. Depreciation

Depreciation is provided as follows:

Leasehold Premises: Amortised over the period of the Lease.

Other Assets: Over estimated life of the assets on a straight line basis.

c. Turnover

Turnover represents the invoices value of goods sold during the year less discounts, exclusive of Value Added Tax.

d. Deferred Taxation

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

e. Cash Flow Statement

The Company has taken advantage of the provisions of Financial Reporting Standard No. 1, and has not prepared a Cash Flow Statement.

2. FIXED ASSETS

	<u>Leasehold Premises</u>	<u>Motor Vans</u>	<u>Equipment</u>	<u>Goodwill &amp; Trade- Marks</u>	<u>Total</u>
Cost 1 April 1996	1,393	73,932	64,314	905	140,544
Additions in 1996/97		21,066	19,657	-	40,723
Disposals		(6,325)	(25,871)	-	(32,196)
Cost 31 March 1997	1,393	88,673	58,100	905	149,071
Depreciation 1 April 1996	692	33,392	28,911	-	62,995
Charged in 1996/97	56	10,124	6,397	-	16,577
On Disposals		(6,325)	(13,566)	-	(19,891)
Depreciation 31 March 1997	748	37,191	21,742	-	59,681
Net Book Values					
31 March 1997	<u>645</u>	<u>51,482</u>	<u>36,358</u>	<u>905</u>	<u>89,390</u>
31 March 1996	<u>701</u>	<u>40,540</u>	<u>35,403</u>	<u>905</u>	<u>77,549</u>

MARIGOLD HEALTH FOODS LIMITED

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NOTES TO THE ACCOUNTS CONTINUED  
FOR THE YEAR ENDED  
31 MARCH, 1997.

<u>3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>1997</u>	<u>1996</u>
This is stated after charging:		
Auditors' Remuneration	2,000	1,500
Depreciation	26,730	12,137
Directors' Remuneration	61,312	106,312
	90,042	119,949
	<u>          </u>	<u>          </u>
Depreciation includes £10,152 in respect of Equipment Written Off and Scrapped		
<u>4. STAFF COSTS AND EMPLOYEES</u> (including Directors)		
Wages and Salaries	249,075	249,765
Social Security Costs	22,266	25,367
Pension Costs	13,726	13,596
	285,067	288,728
	<u>          </u>	<u>          </u>
The average number of employees during the year was:	<u>14</u>	<u>15</u>
<u>5. DIRECTORS' FEES</u>		
Directors received emoluments in the following range:		
20,000 - 30,000	2	-
40,000 - 50,000	-	2
<u>6. TAX ON PROFIT ON ORDINARY ACTIVITIES</u>		
Based on the profit for the year:		
Corporation Tax at 24%	<u>34,243</u>	<u>16,758</u>
<u>7. OTHER INCOME</u>		
Interest on Director's Loan	1,444	1,655
Bank Interest and Sundries	689	203
	2,133	1,858
	<u>          </u>	<u>          </u>



MARIGOLD HEALTH FOODS LIMITED

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NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED

31 MARCH, 1997.

8. STOCK

Stock consists of Vegetarian and Vegan foods, drinks, food supplements and other non-animal products and containers at cost.

<u>9. DEBTORS</u>	<u>1997</u>	<u>1996</u>
Trade Debtors	156,028	127,448
Sundry Debtors	41	267
Director's Loan Account	<u>24,670</u>	<u>20,819</u>
	180,739	148,534
<u>9A. PAYMENTS IN ADVANCE</u>		
Payments	9,609	7,654
Income Tax	<u>8,160</u>	<u>15,250</u>
	17,769	22,904

10. SUNDRY CREDITORS

Due within One Year

Director's Loan Account	6,135	416
Trade Creditors	246,718	179,560
Social Security and Other Taxes	5,797	8,320
Expenses	4,689	6,172
Hire Purchase Creditor	-	11,013
Less: Interest in Advance	-	<u>1,718</u>
		<u>9,295</u>
	263,339	203,763

10A. SUNDRY CREDITORS

Due after One Year:

Hire Purchase Creditors	44,904	29,918
Less: Interest in Advance	<u>6,850</u>	<u>5,209</u>
	38,054	24,709
	301,393	228,472

The Hire Purchase Agreements were in respect of a Motor Van purchased during the year, and two Motor Vans purchased in the previous year. One Agreement was for a period of 3 years and the other for 5 years.