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MARIGOLD HEALTH FOODS LIMITED

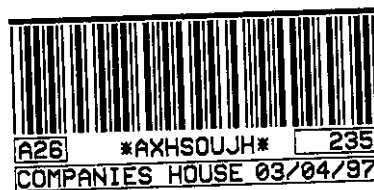
DIRECTORS' REPORT

AND

ACCOUNTS

31 MARCH 1996

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



REPORT OF THE DIRECTORS
FOR THE YEAR ENDED
31 MARCH 1996

The Directors present their Report and Audited Accounts for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES

Marketing and distribution of vegetarian and vegan foods and 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.

DIRECTOR'S LOAN

Included in Debtors is a loan to a Director of £20,819 at the year end. Interest at the official rate has been charged on this loan.

DIVIDENDS

An interim dividend of £1.14 per share was declared payable on 31 December 1995. The Directors do not recommend a further dividend in respect of the year.

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 confirm 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.

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REPORT OF THE DIRECTORS CONTINUED
FOR THE YEAR ENDED
31 MARCH 1996

DIRECTORS' RESPONSIBILITIES CONTINUED

The Directors also confirm their responsibility to 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 maintaining adequate records for safeguarding the assets of the Company and for taking reasonable steps to prevent and detect fraud and other irregularities.

SHARES

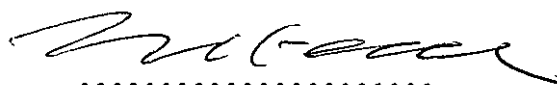
The Directors and their shareholdings throughout the year were:

	<u>31 March 1996</u>	<u>31 March 1995</u>
	<u>£1 Ordinary Shares</u>	<u>£1 Ordinary Shares</u>
D. B. R. Swinstead	1,876	1,876
P. J. Tobin	1,876	1,876

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



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D. B. R. Swinstead
Secretary

AUDITORS REPORT TO THE SHAREHOLDERS
FOR THE YEAR ENDED
31st MARCH, 1996.

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 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in 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.

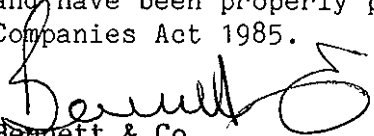
BASIS OF OPINION

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 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 31st March, 1996, and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

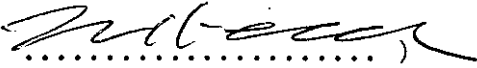
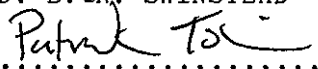

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February 1997

MARIGOLD HEALTH FOODS LIMITED

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BALANCE SHEET 31 MARCH 1996.

	<u>Note</u>	<u>1996</u>	<u>1995</u>
<u>FIXED ASSETS</u>	2	77,549	44,327
<u>CURRENT ASSETS</u>			
Stock	8	132,257	115,000
Trade and Sundry Debtors	9	148,534	116,040
Payments in Advance	9A	22,904	22,915
Value Added Tax		9,956	7,735
Cash at Bank		2,599	2,507
Cash and Stamps in Hand		<u>1,083</u>	<u>707</u>
		317,333	264,904
<u>CURRENT LIABILITIES</u>			
Sundry Creditors	10/10A	228,472	204,699
Corporation Tax		14,335	10,116
Bank Overdraft		<u>13,582</u>	<u>7,214</u>
		256,389	222,029
<u>NET CURRENT ASSETS</u>		<u>60,944</u>	<u>42,875</u>
		138,493	87,202
<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>		134,741	83,450
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="width: 40%;">  D. B. R. SWINSTEAD)  P. J. TOBIN) </div> <div style="width: 10%; text-align: center;">) DIRECTORS))) </div> </div>			
		<u>138,493</u>	<u>87,202</u>

MARIGOLD HEALTH FOODS LIMITED

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED

31 MARCH 1996

	<u>1996</u>	<u>1995</u>
<u>TURNOVER</u>	2,335,899	1,858,785
<u>DIRECT COSTS</u>	1,873,054	1,493,588
<u>GROSS PROFIT</u>	462,845	365,197
<u>OPERATING COSTS</u>	392,148	342,243
<u>NET TRADING PROFIT</u>	70,697	22,954
<u>OTHER INCOME</u> (Note 7)	1,858	4,152
<u>NET PROFIT BEFORE TAXATION</u>	72,555	27,106
<u>TAXATION</u>		
Based on these Accounts	16,758	7,682
Interest	229	1,797
Prior Year Adjustment	-	(727)
	<u>16,987</u>	<u>8,752</u>
<u>NET PROFIT AFTER TAXATION</u>	55,568	18,354
<u>APPRIATIONS:</u>		
Dividend at £1.14 per Share	4,277	30,000
	51,291	(11,646)
<u>GENERAL RESERVE 31 MARCH 1995</u>	83,450	95,096
<u>GENERAL RESERVE 31 MARCH 1996</u>	<u>134,741</u>	<u>83,450</u>

ALL THE ABOVE AMOUNTS RELATE TO CONTINUING ACTIVITIES

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 19961. 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 straight line basis.

c. Turnover

Turnover represents the invoiced value of the goods and services 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 and Trade- Marks</u>	<u>Total</u>
Cost 1 April 1995	1,393	44,268	60,407	905	106,973
Additions in 1995/96		41,364	4,159	-	45,523
Disposals		(11,700)	(252)		(11,952)
Cost at 31 March 1996	1,393	73,932	64,314	905	140,544
Depreciation at 1 April 1995	636	39,593	22,417	-	62,646
Charged in 1995/96	56	5,430	6,651	-	12,137
On Disposals	-	(11,631)	(157)	-	(11,788)
Depreciation at 31 March 1996	692	33,392	28,911	-	62,995
Net Book Values					
31 March 1996	701	40,540	35,403	905	77,549
31 March 1995	757	4,675	37,990	905	44,327

MARIGOLD HEALTH FOODS LIMITED

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NOTES TO THE ACCOUNTS CONTINUED

FOR THE YEAR ENDED

31 MARCH 1996

<u>3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>1996</u>	<u>1995</u>
This is stated after charging:		
Auditors' Remuneration	1,500	1,500
Depreciation	12,137	12,107
Directors' Emoluments	<u>106,312</u>	<u>90,312</u>
	<u>119,949</u>	<u>103,919</u>
 <u>4. STAFF COSTS AND EMPLOYEES (including Directors)</u>		
Wages and Salaries	249,765	204,710
Social Security Costs	25,367	18,970
Pension Costs	<u>13,596</u>	<u>13,556</u>
	<u>288,728</u>	<u>237,236</u>
 The average number of employees during the year was:	<u>15</u>	<u>12</u>
 <u>5. DIRECTORS' FEES</u>		
Directors received emoluments in the following range:		
40,000 - 50,000	<u>2</u>	<u>2</u>
 <u>6. TAX ON PROFIT ON ORDINARY ACTIVITIES</u>		
Based on the profit for the year:		
U. K. Corporation Tax at 25%	<u>16,758</u>	<u>7,682</u>
 <u>7. OTHER INCOME</u>		
Interest on Director's Loan	1,655	3,612
Bank Interest and Sundries	<u>203</u>	<u>540</u>
	<u>1,858</u>	<u>4,152</u>

NOTES TO THE ACCOUNTS CONTINUED
FOR THE YEAR ENDED
31 MARCH 1996

8. STOCK

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

9. DEBTORS

	<u>1996</u>	<u>1995</u>
Trade Debtors	127,448	92,961
Sundry Debtors	267	-
Director's Loan Account	<u>20,819</u>	<u>23,079</u>
	<u>148,534</u>	<u>116,040</u>

9A. PAYMENTS IN ADVANCE

Prepayments	7,654	7,665
Income Tax	<u>15,250</u>	<u>15,250</u>
	<u>22,904</u>	<u>22,915</u>

10. SUNDRY CREDITORS

Due within One Year:

Director's Loan Account	416	10,784
Trade Creditors	179,560	172,025
Social Security and Other Taxes	8,320	7,907
Expenses	6,172	13,983
Hire Purchase Creditor	11,013	
Less: Interest in Advance	<u>1,718</u>	
	<u>9,295</u>	-
	<u>203,763</u>	<u>204,699</u>

10A. SUNDRY CREDITORS

Due after One Year:

Hire Purchase Creditor	29,918	
Less: Interest in Advance	<u>5,209</u>	
	<u>24,709</u>	
	<u>228,472</u>	

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

MARIGOLD HEALTH FOODS LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 1996

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	<u>1996</u>	<u>1995</u>
<u>SALES</u>	2,335,899	1,858,785
<u>COST OF SALES</u>	<u>1,873,054</u>	<u>1,493,588</u>
<u>GROSS PROFIT</u>	462,845	365,197
Goods Storage Fees	-	285
Interest Received	<u>1,858</u>	<u>3,867</u>
	464,703	369,349
<u>ESTABLISHMENT EXPENSES</u>		
Rent, Rates and Service Charge	23,450	23,899
Repairs	-	273
Telephone	3,874	3,604
Light, Heat and Power	3,749	2,720
Insurance	<u>5,171</u>	<u>5,466</u>
	36,244	35,962
<u>MARKETING EXPENSES</u>		
Directors' Salaries	92,716	76,756
Director's Pension	6,312	6,312
Director's Pension Provision	<u>7,284</u>	<u>7,244</u>
	106,312	90,312
Staff Salaries	157,049	127,954
National Insurance	<u>25,367</u>	<u>18,970</u>
	288,728	237,236
Delivery Expenses	<u>29,182</u>	<u>26,409</u>
	317,910	263,645
<u>GENERAL EXPENSES</u>		
Design	-	661
Exhibitions	3,589	2,143
Publicity	1,381	4,735
Postage	2,270	1,405
Stationery and Equipment Maintenance	3,820	2,360
Price Lists	1,876	2,275
Trade Subscriptions	1,728	1,552
Bad Debts	100	1,225
Bad Debt Provision	-	426
Sundry Expenses	<u>3,831</u>	<u>6,399</u>
	18,595	23,181
<u>FINANCIAL EXPENSES</u>		
Sundry Interest	1,023	117
Bank Charges and Interest	4,739	5,731
Audit Fee	<u>1,500</u>	<u>1,500</u>
	7,262	7,348
<u>DEPRECIATION AND AMORTISATION</u>	<u>12,137</u>	<u>12,107</u>
	392,148	342,243
<u>TRADING PROFIT</u>	<u>72,555</u>	<u>27,106</u>