

M W ENCAP LIMITED
ANNUAL REPORT
YEAR ENDED 30 APRIL 2000



PKF

M W ENCAP LIMITED

COMPANY INFORMATION

Directors	W J Bowtle G W Dowler E I Pruchniewicz L Aikman G D Tovey
Secretary	B Clarke
Company Number	2886521
Registered Office	4 Dunlop Square Deans SW Industrial Estate Livingston West Lothian EH54 8SB
Auditors	PKF Pannell House 6 Queen Street LEEDS LS1 2TW

M W ENCAP LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
AUDITORS' REPORT	3
PROFIT AND LOSS ACCOUNT	4
BALANCE SHEET	5
NOTES TO THE FINANCIAL STATEMENTS	6

M W ENCAP LIMITED
DIRECTORS' REPORT
YEAR ENDED 30 APRIL 2000

The directors submit their report and the financial statements for the year ended 30 April 2000.

Results and dividends

The profit for the year, after taxation, amounted to **£77,496** (1999 - £195,210).

The directors do not recommend the payment of a dividend.

Principal activity and review of business

The principal activity of the company during the year was that of encapsulation of pharmaceutical and health supplements. The directors are satisfied with the results for the year and look to the future with cautious optimism.

Directors

The directors who served during the year and their interests in the share capital of the parent undertaking at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	Ordinary £1 shares	
	2000	1999
W J Bowtle	-	-
G W Dowler	35,566	35,566
E I Pruchniewicz	6,212	6,212
L Aikman	-	-
G D Tovey	-	-

No rights to subscribe for shares in the company were granted or exercised during the year.

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

On behalf of the board


Director

G W Dowler

14 December 2000

M W ENCAP LIMITED
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 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
M W ENCAP LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 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, 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 affairs of the company as at 30 April 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PKF

Leeds

Registered Auditors

15 December 2000

M W ENCAP LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 APRIL 2000

	Notes	2000 £	1999 £
TURNOVER	2	1,529,948	1,360,142
Change in stocks of finished goods and work in progress		(78,139)	167,814
Raw materials		(334,206)	(172,063)
Staff costs	5	(565,496)	(570,399)
Depreciation and amortisation		(156,437)	(142,824)
Other operating charges		(274,362)	(369,204)
OPERATING PROFIT		121,308	273,466
Interest receivable and similar items		844	1,521
Interest payable and similar items	6	(14,299)	(23,651)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	107,853	251,336
TAXATION	7	(30,357)	(56,126)
PROFIT FOR THE FINANCIAL YEAR		77,496	195,210

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

M W ENCAP LIMITED
BALANCE SHEET
30 APRIL 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible	8	576,903	663,895
CURRENT ASSETS			
Stocks	9	161,650	229,377
Debtors	10	447,770	107,141
Cash at bank and in hand		5,801	65,930
		<u>615,221</u>	<u>402,448</u>
CREDITORS: amounts falling due within one year	11	<u>(843,285)</u>	<u>(742,420)</u>
NET CURRENT LIABILITIES		<u>(228,064)</u>	<u>(339,972)</u>
TOTAL ASSETS			
LESS CURRENT LIABILITIES		348,839	323,923
CREDITORS: amounts falling due after more than one year	12	(34,889)	(78,861)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(38,746)	(47,354)
NET ASSETS		<u>275,204</u>	<u>197,708</u>
CAPITAL AND RESERVES			
Called up share capital	15	301,000	301,000
Profit and loss account	16	(25,796)	(103,292)
SHAREHOLDERS' FUNDS	17	<u>275,204</u>	<u>197,708</u>

The financial statements were approved by the board on 14 December 2000



Director

G W Dowler

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the straight line basis:

Leasehold land & buildings	Life of the lease
Plant, machinery, fixtures, fittings & office equipment	10% -50%
Motor vehicles	25 %

(d) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(f) 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

(h) Pensions

The company provides individual pension benefits for the directors and senior employees on a money-purchase basis. Contributions are charged against profit in the period in which they are paid. The nature of the arrangement is that there is no contractual liability to guarantee a particular rate of benefit and therefore no underfunding can arise.

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

2 TURNOVER

Turnover is analysed by geographical market as follows:

	2000 £	1999 £
United Kingdom	896,689	683,440
European Union	445,330	483,989
Other	187,929	192,713
Total	<u>1,529,948</u>	<u>1,360,142</u>

3 PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit/ (loss) on ordinary activities before taxation is stated after charging:

	2000 £	1999 £
Depreciation of tangible fixed assets:		
- owned by the company	100,924	94,384
- held under finance lease or hire purchase contracts	55,513	52,899
Audit fees	5,880	5,730
Staff costs	565,496	570,399
Loss/(profit) on disposal of fixed assets	<u>1,951</u>	<u>(4,460)</u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2000 £	1999 £
Directors' emoluments	110,254	100,534
Contributions to money purchase pension schemes	<u>10,837</u>	<u>9,279</u>

The numbers of directors who were members of company pension schemes were:

	No	No
Money purchase schemes	<u>2</u>	<u>2</u>

The number of directors who received shares or became entitled to receive shares under long term incentive schemes was NIL (1999 - NIL).

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	2000	1999
	£	£
Wages and salaries	494,285	498,756
Social security costs	46,663	45,591
Other pension costs	24,548	26,052
	<u>565,496</u>	<u>570,399</u>

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

	No.	No.
Production	13	14
Selling	1	2
Administration	7	7
	<u>21</u>	<u>23</u>

6 INTEREST PAYABLE AND SIMILAR ITEMS

	2000	1999
	£	£
Bank loans and overdrafts	1,652	6,507
Other loans	4,846	4,648
Finance charges under finance lease and hire purchase contracts	7,801	12,496
	<u>14,299</u>	<u>23,651</u>

7 TAXATION

	2000	1999
	£	£
Current year taxation		
UK corporation tax at 30% (1999 - 31%)	37,203	12,772
Transfer (from)/to deferred taxation	(8,608)	43,354
	<u>28,595</u>	<u>56,126</u>
Adjustments in respect of prior periods		
Corporation tax	1,762	-
	<u>30,357</u>	<u>56,126</u>

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

8 TANGIBLE FIXED ASSETS

	Short leasehold £	Plant & equipment £	Motor vehicles £	Total £
Cost				
At 1 May 1999	102,945	957,304	57,737	1,117,986
Additions	1,448	79,214	9,616	90,278
Disposals	-	(39,114)	(25,587)	(64,701)
At 30 April 2000	104,393	997,404	41,766	1,143,563
Depreciation				
At 1 May 1999	43,832	383,307	26,952	454,091
Charge for year	16,312	127,573	12,552	156,437
On disposals	-	(39,114)	(4,754)	(43,868)
At 30 April 2000	60,144	471,766	34,750	566,660
Net book amount				
At 30 April 2000	44,249	525,638	7,016	576,903
At 30 April 1999	59,113	573,997	30,785	663,895

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2000 £	1999 £
Plant & equipment	314,893	262,021
Motor vehicles	7,016	30,785
	321,909	292,806

9 STOCKS

	2000 £	1999 £
Raw materials	54,039	43,627
Work in progress	-	27,500
Finished goods	107,611	158,250
	161,650	229,377

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

10 DEBTORS

	2000 £	1999 £
Due within one year		
Trade debtors	424,629	92,134
Other debtors	16,677	800
Prepayments & accrued income	6,464	14,207
	<u>447,770</u>	<u>107,141</u>

11 CREDITORS:

Amounts falling due within one year

	2000 £	1999 £
Payments received on account	10,314	36,406
Trade creditors	81,437	40,343
Amounts owed to group undertakings	488,400	513,400
Corporation tax	37,203	12,772
Other tax and social security	24,159	22,097
Net obligations under finance lease and hire purchase contracts (note 13)	67,382	89,591
Other creditors	71,677	-
Accruals and deferred income	62,713	27,811
	<u>843,285</u>	<u>742,420</u>

The bank overdraft is secured by an unscheduled mortgage debenture dated 5 October 1994.

12 CREDITORS:

Amounts falling due after more than one year

	2000 £	1999 £
Net obligations under finance lease and hire purchase contracts (note 13)	34,889	78,861
	<u>34,889</u>	<u>78,861</u>

13 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	2000 £	1999 £
Within one year	67,382	89,591
Between one and five years	34,889	78,861
	<u>102,271</u>	<u>168,452</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 May 1999	47,354
Credited to profit and loss	(8,608)
At 30 April 2000	<u>38,746</u>

Deferred taxation relates to accelerated capital allowances.

15 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No.	£
At 1 May 1999 and 30 April 2000 Ordinary shares of £1 each	<u>301,000</u>	<u>301,000</u>	<u>301,000</u>

16 RESERVES

Profit and loss account	£
At 1 May 1999	(103,292)
Profit for the year	77,496
At 30 April 2000	<u>(25,796)</u>

17 SHAREHOLDERS' FUNDS

	2000 £	1999 £
Shareholders' funds at 1 May 1999	197,708	2,498
Profit for the year	77,496	195,210
Shareholders' funds at 30 April 2000	<u>275,204</u>	<u>197,708</u>

M W ENCAP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 APRIL 2000

18 OTHER COMMITMENTS

At 30 April 2000 the company had annual commitments under operating leases as follows:

	Land and buildings	
	2000	1999
	£	£
Expiry date:		
In more than 5 years	55,000	55,000

19 CONTINGENT LIABILITIES

As at 30 April 2000 the company had a contingent liability in respect of claims for faulty goods whose precise value was uncertain but expected to be in the region of **£60,000**. This is expected to be at least partially offset by an insurance claim.

20 TRANSACTIONS WITH RELATED PARTIES

During the year the company sold goods to MW Creative Limited for **£7,180** (1999 - NIL).

During the year the company paid MW Packaging Limited **£52,092** (1999 - NIL) and MW Creative Limited **£17,561** (1999 - £31,093) in respect of management and consultancy services provided.

The company has made interest payments to its parent company, MW Encap (Holdings) Limited, during the year amounting to **£4,846** (1999 - £4,648) in respect of a loan with a balance outstanding at the year end of **£488,400** (1999 - £513,400).

At the year end MW Creative Limited owed **£8,828** (1999 - NIL) and was due **£NIL** (1999 - £441) and MW Packaging Limited was owed **£42,582** (1999 - NIL).

The company purchased and sold motor vehicles from and to MW Encap Limited for **£9,616** and **£18,882** respectively.

G W Dowler, a director and shareholder of M W Encap Limited, is the controlling party of MW Packaging Limited and MW Creative Limited at the balance sheet date. E I Pruchniewicz, a director of MW Encap Limited, is also a director of MW Creative Limited.

21 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year is shown in note 5.

22 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The immediate and ultimate parent undertaking is M W Encap (Holdings) Limited, a company incorporated in Great Britain. M W Encap (Holdings) Limited is controlled by G W Dowler.