

**NATURES WAY FOODS
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2000



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Company no 2896421

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2000

Company registration number: 2896421

Registered office: Park Farm
Chichester Road
Selsey
West Sussex
PO20 9HP

Directors: R A Langmead
D W Langmead

Secretary: D W Langmead

Bankers: National Westminster Bank
5 East Street
Chichester
West Sussex
PO19 1HH

Solicitors: Thomas Eggar Church Adams
East Pallant
Chichester
West Sussex
PO19 1TS

Auditors: Grant Thornton
Registered auditors
Chartered accountants

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2000

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NATURES WAY FOODS LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 2000.

Principal activities

The company is principally engaged in the processing and wholesale distribution of food products.

Business review

There was a loss for the year after taxation amounting to £408,732 (1999: profit £507,724). The directors do not recommend payment of a dividend.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors and their families in the shares of the company as at 31 March 2000 and 1 April 1999, were as follows:

	Ordinary shares	
	31 March 2000	1 April 1999
R A Langmead	75,000	75,000
D W Langmead	75,000	75,000

Directors' responsibilities for the financial statements

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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NATURES WAY FOODS LIMITED

REPORT OF THE DIRECTORS

Year 2000 compliance

The company reviewed its computer systems for the impact of the Year 2000 change, prepared an action plan to address the issue and carried out all necessary measures. All systems have continued to operate properly over the Year 2000 date change and through any roll-over procedures that occurred at a later date.

The issue is complex and no business can guarantee that there will be no Year 2000 problems. As all businesses are dependent on the compliance of their major customers, suppliers and other trading partners, any impact that has occurred on their systems will affect the company's business to a greater or lesser extent.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



D W Langmead
Secretary
25 June 2000

**REPORT OF THE AUDITORS TO THE MEMBERS OF
NATURES WAY FOODS LIMITED**

We have audited the financial statements on pages 4 to 16 which have been prepared under the accounting policies set out on pages 4 to 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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.

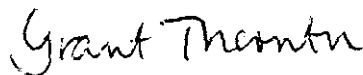
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

25 June 2000

NATURES WAY FOODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold buildings	2%
Leasehold buildings	Over the term of the lease
Plant and machinery	25% (previously 33%)
Motor vehicles	25% (previously 33%)
Fixtures and fittings	25% (previously 33%)

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

CAPITALISATION OF FIXED ASSETS

Engineering tools and office equipment including computer hardware are not capitalised as the useful economic life of such assets is not certain.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

NATURES WAY FOODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

NATURES WAY FOODS LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover	1	18,840,506	14,498,851
Cost of sales		(17,507,257)	(12,909,404)
Gross profit		1,333,249	1,589,447
Administrative expenses		(1,815,798)	(954,464)
Other operating income		6,000	4,676
Operating loss		(476,549)	639,659
Interest receivable		104,225	69,706
Interest payable	2	(235,897)	(17,926)
Loss on ordinary activities before taxation	1	(608,221)	691,439
Tax on loss on ordinary activities	4	199,489	(183,715)
Loss transferred from reserves	12	(408,732)	507,724

There were no recognised gains or losses other than the loss for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

NATURES WAY FOODS LIMITED

BALANCE SHEET AT 31 MARCH 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	5	5,145,936	4,929,344
		<u>5,145,936</u>	<u>4,929,344</u>
Current assets			
Stocks	6	373,405	272,955
Debtors	7	2,718,934	2,500,997
Cash at bank and in hand		250	200
		<u>3,092,589</u>	<u>2,774,152</u>
Creditors: amounts falling due within one year	8	<u>(4,303,486)</u>	<u>(4,049,725)</u>
Net current liabilities		<u>(1,210,897)</u>	<u>(1,275,573)</u>
Total assets less current liabilities		<u>3,935,039</u>	<u>3,653,771</u>
Creditors: amounts falling due after more than one year	9	<u>(2,600,000)</u>	<u>(1,740,000)</u>
Provisions for liabilities and charges	10	<u>(130,000)</u>	<u>(300,000)</u>
		<u>1,205,039</u>	<u>1,613,771</u>
Capital and reserves			
Called up share capital	11	150,000	150,000
Profit and loss account	12	1,055,039	1,463,771
Shareholders' funds	13	<u>1,205,039</u>	<u>1,613,771</u>

The financial statements were approved by the Board of Directors on 25 June 2000.

R A Langmead

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

NATURES WAY FOODS LIMITED**CASH FLOW STATEMENT**

For the year ended 31 March 2000

	Note	2000 £	1999 £
Net cash outflow from operating activities	15	(77,563)	416,644
Returns on investments and servicing of finance	16	(131,672)	51,780
Taxation		77,200	(278,715)
Capital expenditure and financial investment	16	(1,752,223)	(4,454,841)
		<u>(1,884,258)</u>	<u>(4,265,132)</u>
Financing	16	2,160,000	1,472,000
Increase in cash	17	<u>275,742</u>	<u>(2,793,132)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after:	2000 £	1999 £
Auditors' remuneration	8,200	5,100
Depreciation:		
Tangible fixed assets, owned	1,460,159	836,950
Hire of equipment	33,348	40,385
Rental of premises	272,666	130,305
Other operating income includes:		
Rent receivable	6,000	4,676

2 NET INTEREST

	2000 £	1999 £
On bank loans and overdrafts	235,897	-
Other interest payable	-	17,926
	235,897	17,926
Interest receivable	(104,225)	(69,706)
	131,672	(51,780)

DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	2000 £	1999 £
Wages and salaries	3,734,033	1,921,502
Social security costs	324,834	175,590
Other pension costs	21,707	218,867
	4,080,574	2,315,959

The average number of employees of the company during the year were as follows:

	2000 Number	1999 Number
Management and administration	24	17
Other	224	163
	248	180

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

Remuneration in respect of directors was as follows:

2000	1999
£	£

Emoluments	112,580	112,580
Pension contributions to money purchase pension schemes	-	100,000
	<u>112,580</u>	<u>212,580</u>

Only one director received remuneration during the year.

4 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax credit represents:

2000	1999
£	£

UK Corporation tax at 31% (1999: 29.5%)	-	(115,000)
Deferred taxation	(170,000)	300,000
	<u>(170,000)</u>	<u>185,000</u>
Adjustments in respect of prior periods:		
Corporation tax	(29,489)	(1,285)
	<u>(199,489)</u>	<u>183,715</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 April 1999	125,000	75,000	6,880,346	168,633	111,766	7,360,745
Additions	-	26,217	1,662,732	36,948	26,326	1,752,223
	125,000	101,217	8,543,078	205,581	138,092	9,112,968
Disposals	-	-	(222,444)	-	-	(222,444)
At 31 March 2000	125,000	101,217	8,320,634	205,581	138,092	8,890,524
Depreciation						
At 1 April 1999	4,000	-	2,279,033	56,127	92,241	2,431,401
Provided in the year	2,502	2,849	1,401,007	45,838	7,963	1,460,159
	6,502	2,849	3,680,040	101,965	100,204	3,891,560
Eliminated on disposals	-	-	(146,972)	-	-	(146,972)
At 31 March 2000	6,502	2,849	3,533,068	101,965	100,204	3,744,588
Net book amount at 31 March 2000	118,498	98,368	4,787,566	103,616	37,888	5,145,936
Net book amount at 31 March 1999	121,000	75,000	4,601,313	112,506	19,525	4,929,344

6 STOCKS

	2000 £	1999 £
Raw materials	329,606	234,709
Finished goods and goods for resale	43,799	38,246
	373,405	272,955

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

7 DEBTORS

	2000 £	1999 £
Trade debtors	1,356,529	858,066
Other debtors	1,290,403	1,508,123
Taxation recoverable	67,289	115,000
Prepayments and accrued income	4,713	19,808
	<u>2,718,934</u>	<u>2,500,997</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts (see Note 9 below)	2,042,183	1,017,875
Trade creditors	1,087,363	1,527,214
Social security and other taxes	118,656	67,726
Other creditors	6,322	963,121
Accruals and deferred income	1,048,962	473,789
	<u>4,303,486</u>	<u>4,049,725</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank and other loans	2,600,000	1,600,000
Loans from directors	-	140,000
	<u>2,600,000</u>	<u>1,740,000</u>

The bank loan is secured by a fixed and floating charge over the assets of the company, a legal mortgage over the lease at Walnut Tree Farm and a personal guarantee from the Directors.

	2000 £	1999 £
Within one year		
Bank overdraft	2,042,183	1,017,875
After one and within two years		
Directors and other loans	1,300,000	240,000
After two and within five years		
Bank and other loans	1,300,000	1,500,000
	<u>4,642,183</u>	<u>2,757,875</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £	Total £
Provided during the year	130,000	130,000
At 31 March 2000	<u>130,000</u>	<u>130,000</u>
Provision is in respect of accelerated capital allowances.		

11 SHARE CAPITAL

	2000 £	1999 £
Authorised Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

12 RESERVES

	Profit and loss account £
At 1 April 1999	1,463,771
Retained loss for the year	(408,732)
At 31 March 2000	<u>1,055,039</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial year	(408,732)	507,724
Net decrease in shareholders' funds	<u>(408,732)</u>	<u>507,724</u>
Shareholders' funds at 1 April 1999	1,613,771	1,106,047
Shareholders' funds at 31 March 2000	<u>1,205,039</u>	<u>1,613,771</u>

NATURES WAY FOODS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2000

14 PENSIONS**Defined Contribution Scheme**

The company contributes to a group personal pension scheme for the benefit of the employees. The assets of the scheme are administered in a fund independent from those of the company.

15 NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating loss	(476,549)	639,659
Depreciation	1,460,159	836,950
Loss on sale of tangible fixed assets	75,472	-
Increase in stocks	(100,450)	(102,459)
Increase in debtors	(265,648)	(1,684,896)
Decrease in creditors	(770,547)	727,390
Net cash outflow from continuing operating activities	(77,563)	416,644

16 GROSS CASH FLOWS

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	104,225	69,706
Interest paid	(235,897)	(17,926)
	(131,672)	51,780
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,752,223)	(4,454,841)
	(1,752,223)	(4,454,841)
Financing		
Advancement of borrowings	2,160,000	1,472,000

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £	1999 £
(Decrease)/Increase in cash in the year	275,742	(2,793,133)
Cash inflow/(outflow) from financing in the year	(2,160,000)	(1,472,000)
Change in cash reserves and debt resulting from cashflows	(1,884,258)	(4,265,133)
Net debt at 1 April 1999	(2,757,675)	1,507,458
Net funds at 31 March 2000	(4,641,933)	(2,757,675)

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1999 £	Cash flow £	At 31 March 2000 £
Cash in hand and at bank	200	50	250
Overdrafts	(1,017,875)	275,692	(742,183)
Debt	(1,740,000)	(2,160,000)	(3,900,000)
	(2,757,675)	(1,884,258)	(4,641,933)

19 LEASING COMMITMENTS

Operating lease payments amounting to £358,520 (1999: £119,400) are due within one year. The leases to which these amounts relate expire as follows:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	-	-	5,000
In five years or more	358,520	-	114,400	-
	358,520	-	114,400	5,000

20 CAPITAL COMMITMENTS

	2000 £	1999 £
Contracted for but not provided in these statements	83,075	1,339,727

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

21 CONTINGENT ASSETS/LIABILITIES

There were no contingent liabilities at 31 March 2000 or 31 March 1999.

22 RELATED PARTY TRANSACTIONS

In the course of normal operations, the company has contracted at arms length with D W Langmead and other related parties. The aggregate transactions totalled £7,417,090 (1999:£4,343,977), the outstanding balance due by the company at 31 March 2000 was £121,480 (1999 :£31,232) and the outstanding balance due to the company was £486,170 (1999:£224,364.)

In addition to normal operations, the company has an outstanding loan during the year of £1,200,000 (1999:£1,000,000) to Langmead Estates Limited, a company of which D.W.Langmead is a director, all of which was due at the balance sheet date.