Grant Thornton



NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2001

Company no 2896421

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2001

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 Enterprise House Isambard Brunel Road Portsmouth

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2001

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REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 2001.

Principal activities

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

Business review

There was a profit for the year after taxation amounting to £766,903 (2000: loss £408,732). The directors do not recommend payment of a dividend (2000: nil).

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 2001 and 1 April 2000, were as follows:

	Ordinary shares	
	31 March 2001	1 April 2000
R A Langmead	**75,000**	75,000
D W Langmead	**75,000**	75,000

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through regular briefings to all departments in the company.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities and our equal opportunities procedures.

In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

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:

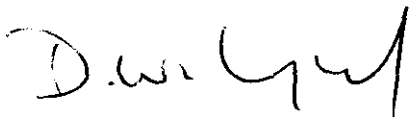
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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.

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
29 June 2001

Grant Thornton

REPORT OF THE AUDITORS TO THE MEMBERS OF

NATURES WAY FOODS LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 2 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 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

PORTSMOUTH
29 June 2001

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	50 years
Leasehold buildings	Over the term of the lease
Plant and machinery	3 - 10 years (previously 4 years)
Motor vehicles	4 years
Fixtures and fittings	3 years (previously 4 years)

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.

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 2001

	Note	2001 £	2000 £
Turnover	1	**24,595,223**	18,840,506
Cost of sales		**(21,280,229)**	(17,507,257)
Gross profit		**3,314,994**	1,333,249
Administrative expenses		**(2,126,050)**	(1,815,798)
Other operating income		**504**	6,000
Operating profit		**1,189,448**	(476,549)
Interest receivable		**85,175**	104,225
Interest payable	2	**(249,482)**	(235,897)
Profit on ordinary activities before taxation	1	**1,025,141**	(608,221)
Tax on profit on ordinary activities	4	**(258,238)**	199,489
Profit transferred to reserves	12	**766,903**	(408,732)

There were no recognised gains or losses other than the profit 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 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	5		**4,334,210**		5,145,936
Current assets					
Stocks	6	**395,208**		373,405	
Debtors	7	**3,466,683**		2,718,934	
Cash at bank and in hand		**250**		250	
		3,862,141		3,092,589	
Creditors: amounts falling due within one year	8	**(3,913,409)**		(4,303,486)	
Net current liabilities			**(51,268)**		(1,210,897)
Total assets less current liabilities			**4,282,942**		3,935,039
Creditors: amounts falling due after more than one year	9		**(2,150,000)**		(2,600,000)
Provisions for liabilities and charges	10		**(161,000)**		(130,000)
			1,971,942		1,205,039
Capital and reserves					
Called up share capital	11		**150,000**		150,000
Profit and loss account	12		**1,821,942**		1,055,039
Shareholders' funds	13		**1,971,942**		1,205,039

The financial statements were approved by the Board of Directors on 29 June 2001.

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 2001

	Note	2001 £	2000 £
Net cash inflow/ (outflow) from operating activities	15	**1,776,279**	(77,563)
Returns on investments and servicing of finance	16	**(164,307)**	(131,672)
Taxation		**(4,193)**	77,200
Capital expenditure and financial investment	16	**(428,253)**	(1,752,223)
		1,179,526	(1,884,258)
Financing	16	**(650,000)**	2,160,000
Increase in cash	17	**529,526**	275,742

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

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	**2001** £	2000 £
Auditors' remuneration:		
Audit services	**8,200**	8,200
Non-audit services	**11,130**	-
Depreciation:		
Tangible fixed assets, owned	**1,242,617**	1,460,159
Hire of equipment	**19,779**	33,348
Rental of premises	**383,083**	272,666
(Profit)/ loss on disposal of fixed assets	**(2,638)**	75,472
Other operating income includes:		
Rent receivable	**504**	6,000

2 NET INTEREST

	2001 £	2000 £
Bank loan interest	**240,259**	235,897
Other interest payable	**9,223**	-
	249,482	235,897
Interest receivable	**(85,175)**	(104,225)
	164,307	131,672

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	**2001** £	2000 £
Wages and salaries	**4,757,543**	3,734,033
Social security costs	**440,357**	324,834
Other pension costs	**69,389**	21,707
	5,267,289	4,080,574

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

	2001 Number	2000 Number
Management and administration	**30**	24
Other	**244**	224
	274	248

Remuneration in respect of directors was as follows:

	2001 £	2000 £
Emoluments	**108,540**	112,580

Only one director received remuneration during the year.

During the year no director (2000: nil) participated in money purchase pension schemes.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2001 £	2000 £
UK Corporation tax at 30% (2000: 29.5%)	**227,238**	-
Deferred taxation	**31,000**	(170,000)
	258,238	(170,000)
Adjustments in respect of prior periods:		
Corporation tax	**-**	(29,489)
	258,238	(199,489)

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 2000	125,000	101,217	8,320,634	205,581	138,092	8,890,524
Additions	-	72,000	386,906	23,979	17,668	500,553
	125,000	173,217	8,707,540	229,560	155,760	9,391,077
Disposals	-	-	-	(205,581)	-	(205,581)
At 31 March 2001	125,000	173,217	8,707,540	23,979	155,760	9,185,496
Depreciation						
At 1 April 2000	6,502	2,849	3,533,068	101,965	100,204	3,744,588
Provided in the year	2,500	11,548	1,164,479	38,950	25,140	1,242,617
	9,002	14,397	4,697,547	140,915	125,344	4,987,205
Eliminated on disposal	-	-	-	(135,919)	-	(135,919)
At 31 March 2001	9,002	14,397	4,697,547	4,996	125,344	4,851,286
Net book amount at 31 March 2001	**115,998**	**158,820**	**4,009,993**	**18,983**	**30,416**	**4,334,210**
Net book amount at 31 March 2000	118,498	98,368	4,787,566	103,616	37,888	5,145,936

6 STOCKS

	2001 £	2000 £
Raw materials	**379,178**	329,606
Finished goods and goods for resale	**16,030**	43,799
	395,208	373,405

7 DEBTORS

	2001 £	2000 £
Trade debtors	**1,955,509**	1,356,529
Other debtors	**1,511,174**	1,290,403
Taxation recoverable	**-**	67,289
Prepayments and accrued income	**-**	4,713
	3,466,683	2,718,934

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts (see Note 9 below)	**1,312,657**	2,042,183
Trade creditors	**1,362,057**	1,087,363
Corporation tax	**155,756**	-
Social security and other taxes	**140,955**	118,656
Other creditors	**-**	6,322
Accruals and deferred income	**941,984**	1,048,962
	3,913,409	4,303,486

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Bank and other loans	**2,150,000**	2,600,000

All liabilities of the company are 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.

	2001 £	2000 £
Within one year		
Bank overdraft	**1,312,657**	2,042,183
After one and within two years		
Bank and other loans	**900,000**	1,300,000
After two and within five years		
Bank and other loans	**1,250,000**	1,300,000
	3,462,657	4,642,183

The bank loan is repayable over 4 years in quarterly installments. Interest on the loan is variable at 1% above the bank's base rate.

10 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 2000	130,000
Provided during the year	31,000
At 31 March 2001	**161,000**

Provision is in respect of accelerated capital allowances.

11 SHARE CAPITAL

	2001 £	2000 £
Authorised		
1,000,000 ordinary shares of £1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
150,000 ordinary shares of £1 each	**150,000**	150,000

12 RESERVES

	Profit and loss account £
At 1 April 2000	1,055,039
Retained profit for the year	766,903
At 31 March 2001	**1,821,942**

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit/ (loss) for the financial year	**766,903**	(408,732)
Net increase/ (decrease) in shareholders' funds	**766,903**	(408,732)
Shareholders' funds at 1 April 2000	**1,205,039**	1,613,771
Shareholders' funds at 31 March 2001	**1,971,942**	1,205,039

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

	2001 £	2000 £
Operating profit/ (loss)	**1,189,448**	(476,549)
Depreciation	**1,242,617**	1,460,159
(Profit)/ loss on sale of tangible fixed assets	**(2,638)**	75,472
Increase in stocks	**(21,803)**	(100,450)
Increase in debtors	**(815,038)**	(265,648)
Increase/ (decrease) in creditors	**183,693**	(770,547)
Net cash inflow/ (outflow) from continuing operating activities	**1,776,279**	(77,563)

16 GROSS CASH FLOWS

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	**85,175**	104,225
Interest paid	**(249,482)**	(235,897)
	(164,307)	(131,672)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(500,553)**	(1,752,223)
Sale of tangible fixed assets	**72,300**	-
	(428,253)	(1,752,223)
Financing		
Repayment of borrowings	**(650,000)**	2,160,000

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £	2000 £
Increase in cash in the year	**529,526**	275,742
Cash inflow/ (outflow) from financing in the year	**650,000**	(2,160,000)
Change in cash reserves and debt resulting from cashflows	**1,179,526**	(1,884,258)
Net debt at 1 April 2000	**(4,641,933)**	(2,757,675)
Net debt at 31 March 2001	**(3,462,407)**	(4,641,933)

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2000 £	Cash flow £	At 31 March 2001 £
Cash in hand and at bank	250	-	**250**
Overdrafts	(742,183)	529,526	**(212,657)**
Debt	(3,900,000)	650,000	**(3,250,000)**
	(4,641,933)	1,179,526	**(3,462,407)**

19 LEASING COMMITMENTS

Operating lease payments amounting to £426,036 (2000: £358,520) are due within one year. The leases to which these amounts relate expire as follows:

	2001		2000	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Between one and five years	**-**	**64,396**	-	-
In five years or more	**361,640**	**-**	358,520	-
	361,640	**64,396**	358,520	-

20 CAPITAL COMMITMENTS

	2001	2000
	£	£
Contracted for but not provided in these statements	**-**	83,075

21 CONTINGENT LIABILITIES

There is a HM Customs duty deferment guarantee of £8,000 in place. There were no other contingent liabilities at 31 March 2001 or 31 March 2000.

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 £8,593,462 (2000: £7,417,090), the outstanding balance due by the company at 31 March 2001 was £148,855 (2000: £121,480) and the outstanding balance due to the company was £583,976 (2000: £486,170). All transactions were made at arms length.

In addition to normal operations, the company has an outstanding loan during the year of £1,200,000 to Langmead Estates Limited, a company of which D.W.Langmead is a director, all of which was due at the balance sheet date. There is interest due at the balance sheet date of £62,029.

23 ULTIMATE PARENT UNDERTAKING/CONTROLLING RELATED PARTY

Mr D W Langmead and Mr R A Langmead are the company's controlling related party by virtue of their joint holding of 100% of the company's shares.