

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2002



NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company registration number: 2896421

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

Directors: Mr R A Langmead
Mr D W Langmead

Secretary: Mr D W Langmead

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

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

Auditors: Grant Thornton
Registered auditors
Chartered accountants

NATURES WAY FOODS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2002

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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 2002.

Principal activities

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

Business review

There was a profit for the year of £1,793,234 (2001: profit £766,904) The directors do not recommend payment of a dividend (2001: nil).

The business continues to enjoy a very healthy rate of growth, with turnover up 32% on the previous year. In the latter half of the year we launched an expansion of the production facility at the Selsey site in anticipation of this trend continuing into 2002/03. This has been funded, in part, by the increased profit retained in the business, and enables us to maintain our 100% commitment to customer service. This project is now complete, and the new lines in operation.

In October 2001, the Company acquired Passion Café Foods Limited, to extend its product range capability, whilst capitalising on its core business strengths.

Directors

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

The interests of the directors in the shares of the company as at 1 April 2001 and 31 March 2002 were as follows:

	Ordinary shares	
	31 March 2002	1 April 2001
Mr R A Langmead	750,000	75,000
Mr D W Langmead	750,000	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 the group and of the profit or loss of the group 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, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee involvement

The group 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 group.

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

NATURES WAY FOODS LIMITED

REPORT OF THE DIRECTORS

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.

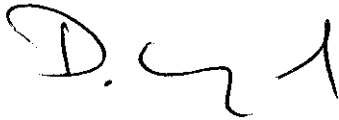
In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the company may continue.

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

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
15 July 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

NATURES WAY FOODS LIMITED

We have audited the financial statements of Natures Way Foods Limited for the year ended 31 March 2002 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 group'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 affairs of the company and the group as at 31 March 2002 and the profit of the group 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
15 July 2002

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 group have remained unchanged from the previous period and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertaking (see note 10) drawn up to 31 March 2002. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful life of 5 years as shown in note 8.

TURNOVER

Turnover is the total amount receivable by the group 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 economic lives. The rates generally applicable are:

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

INVESTMENTS

Investments are included at cost.

STOCKS

Stocks are stated at the lower of cost and net realisable value on a first in first out basis.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

NATURES WAY FOODS LIMITED

PRINCIPAL ACCOUNTING POLICIES

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

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.

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.

NATURES WAY FOODS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 March 2002

	Note	2002 £	2002 £	2001 £	2001 £
Turnover	1				
Continuing operations		32,570,329		24,595,223	
Acquisitions		414,472		-	
			32,984,801		24,595,223
Cost of sales	2		(27,115,671)		(21,280,228)
Gross profit			5,869,130		3,314,995
Operating charges	2		(3,313,262)		(2,125,546)
Operating profit					
Continuing operations		2,696,609		1,189,449	
Acquisitions		(140,741)		-	
			2,555,868		1,189,449
Other interest receivable and similar income			59,542		85,175
Interest payable and similar charges	3		(105,990)		(249,482)
Profit on ordinary activities before taxation	1		2,509,420		1,025,142
Tax on profit on ordinary activities	5		(716,186)		(258,238)
Profit for the financial year transferred to reserves	19		1,793,234		766,904

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

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

NATURES WAY FOODS LIMITED

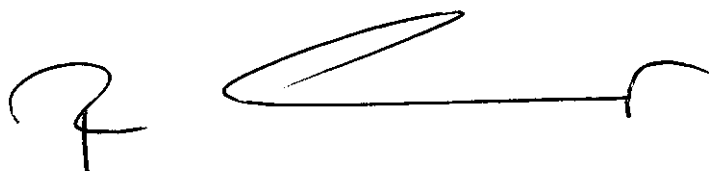
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Intangible assets					
Goodwill	8		201,243		-
Tangible assets	9		9,475,373		4,334,210
			<u>9,676,616</u>		<u>4,334,210</u>
Current assets					
Stock	11	410,448		395,208	
Debtors	12	3,451,778		3,466,683	
Cash at bank and in hand		731,950		250	
		<u>4,594,176</u>		<u>3,862,141</u>	
Creditors: amounts falling due within one year	13	<u>(6,469,312)</u>		<u>(3,913,408)</u>	
Net current liabilities			<u>(1,875,136)</u>		<u>(51,267)</u>
Total assets less current liabilities			<u>7,801,480</u>		<u>4,282,943</u>
Creditors: amounts falling due after more than one year	14		<u>(3,752,971)</u>		<u>(2,150,000)</u>
Provisions for liabilities and charges	16		<u>(283,333)</u>		<u>(161,000)</u>
			<u>3,765,176</u>		<u>1,971,943</u>
Capital and reserves					
Called up share capital	18		150,000		150,000
Profit and loss account	19		3,615,176		1,821,943
Shareholders' funds	20		<u>3,765,176</u>		<u>1,971,943</u>

The financial statements were approved by the Board of Directors on 15 July 2002.

R A Langmead

Director



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

NATURES WAY FOODS LIMITED

BALANCE SHEET AT 31 MARCH 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	9		9,254,832		4,334,210
Investments	10		11		-
			<u>9,254,843</u>		<u>4,334,210</u>
Current assets					
Stock	11	386,257		395,208	
Debtors	12	3,621,278		3,466,683	
Cash at bank and in hand		717,529		250	
		<u>4,725,064</u>		<u>3,862,141</u>	
Creditors: amounts falling due within one year	13	<u>(6,067,356)</u>		<u>(3,913,409)</u>	
Net current liabilities			<u>(1,342,292)</u>		<u>(51,268)</u>
Total assets less current liabilities			<u>7,912,551</u>		<u>4,282,942</u>
Creditors: amounts falling due after more than one year	14		(3,750,731)		(2,150,000)
Provisions for liabilities and charges	16		<u>(283,333)</u>		<u>(161,000)</u>
			<u>3,878,487</u>		<u>1,971,942</u>
Capital and reserves					
Called up share capital	18		150,000		150,000
Profit and loss account	19		3,728,487		1,821,942
Shareholders' funds			<u>3,878,487</u>		<u>1,971,942</u>

The financial statements were approved by the Board of Directors on 15 July 2002.

R A Langmead

Director



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

NATURES WAY FOODS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	21	5,256,161	1,776,279
Returns on investments and servicing of finance			
Interest received		59,542	85,175
Interest paid		(94,077)	(249,482)
Finance lease interest paid		(11,913)	-
Net cash outflow from returns on investments and servicing of finance		(46,448)	(164,307)
Taxation		(195,632)	(4,193)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6,464,231)	(500,553)
Sale of tangible fixed assets		221,885	72,300
Net cash outflow from capital expenditure and financial investment		(6,242,346)	(428,253)
Acquisitions and disposals			
Purchase of subsidiary undertaking		(11)	-
Net cash/overdrafts acquired with subsidiary		(17,552)	-
Net cash outflow from acquisitions and disposals		(17,563)	-
Financing			
Repayment of borrowings		(1,101,093)	(650,000)
Capital element of finance lease rentals		3,291,278	-
Net cash inflow from financing		2,190,185	(650,000)
Increase in cash	22	944,357	529,526

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 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation are attributable to the following classes of continuing business:

	2002 £	Turnover 2001 £
Wholesale salad products	32,570,329	24,595,223
Catering products	414,472	-
	<u>32,984,801</u>	<u>24,595,223</u>

The profit on ordinary activities is stated after:

	2002 £	2001 £
Auditors' remuneration:		
Audit services	17,770	8,200
Non-audit services	46,287	11,130
Depreciation and amortisation:		
Goodwill	18,295	-
Tangible fixed assets, owned	1,221,247	1,242,617
Tangible fixed assets, held under finance leases and hire purchase contracts	1,189	-
Hire of plant and machinery	28,611	19,779
Other operating lease rentals	<u>393,076</u>	<u>383,083</u>

2 COST OF SALES

	2002 £	2001 £
Cost of sales	<u>27,115,671</u>	<u>21,280,228</u>

The amount shown for continuing operations include the following in respect of acquisitions:

	2002 £
Cost of sales	<u>356,944</u>
Other operating income and charges:	
Administrative expenses	<u>198,269</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
On bank loans and overdrafts	89,757	240,259
Finance charges in respect of finance leases	11,913	-
Other interest payable and similar charges	4,320	9,223
	<u>105,990</u>	<u>249,482</u>

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2002 £	2001 £
Wages and salaries	6,044,569	4,757,542
Social security costs	536,854	440,357
Other pension costs	202,908	69,389
	<u>6,784,331</u>	<u>5,267,288</u>

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

	2002 Number	2001 Number
Management and administration	45	30
Other	258	244
	<u>303</u>	<u>274</u>

Remuneration in respect of directors was as follows:

	2002 £	2001 £
Emoluments	111,420	108,540
Pension contributions to money purchase pension schemes	100,000	-
	<u>211,420</u>	<u>108,540</u>

During the year 1 director (2001: nil) participated in money purchase pension schemes.

Only one director received remuneration during the year and thus the above figures are also those for the highest paid director.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2002 £	2001 £
UK Corporation tax at 30% (2001: 29.5%)	553,977	227,238
Deferred taxation	122,333	31,000
	<u>676,310</u>	<u>258,238</u>
Adjustments in respect of prior periods:		
Corporation tax	39,876	-
	<u>716,186</u>	<u>258,238</u>

6 TAXATION RECONCILIATION

	Group £
Profit on ordinary activities before taxation	2,509,420
Profit on ordinary activities multiplied by higher rate of UK corporation tax	752,826
Expenses not deducted for taxation purposes	28,306
Capital allowances for the period in excess of depreciation	(227,155)
UK corporation tax payable	<u>553,977</u>

7 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the year includes a profit of £1,906,545 (2001: profit of £766,903) which is dealt with in the financial statements of the company.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

8 INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
Additions	219,538
At 31 March 2002	219,538
Amortisation	
Charge for the year	18,295
At 31 March 2002	18,295
Net book amount at 31 March 2002	201,243
Net book amount at 31 March 2001	-

The goodwill on consolidation above relates to the following:

	Date of acquisition	Period of amortisation	Group £	Company £
Acquired during the year:				
Passion Cafe Foods Limited	October 2001	5 years	185,087	-
Passion Cafe Foods Limited	March 2002	5 years	34,451	-

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

9 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation							
At 1 April							
2001	125,000	185,461	8,707,540	50,624	164,257	4,031	9,236,913
Additions	-	3,555,995	2,568,463	-	347,796	6,173	6,478,427
	125,000	3,741,456	11,276,003	50,624	512,053	10,204	15,715,340
Disposals	(125,000)	(12,244)	-	(23,979)	-	-	(161,223)
At 31 March 2002	-	3,729,212	11,276,003	26,645	512,053	10,204	15,554,117
Deprecia- tion							
At 1 April							
2001	9,002	18,378	4,697,547	26,147	129,293	2,227	4,882,594
Charged for the year	385	13,590	1,104,950	11,988	90,586	937	1,222,436
	9,387	31,968	5,802,497	38,135	219,879	3,164	6,105,030
Eliminated on disposals	(9,387)	(5,409)	-	(11,490)	-	-	(26,286)
At 31 March 2002	-	26,559	5,802,497	26,645	219,879	3,164	6,078,744
Net book amount at 31 March 2002	-	3,702,653	5,473,506	-	292,174	7,040	9,475,373
Net book amount at 31 March 2001	115,998	167,083	4,009,993	24,477	34,964	1,804	4,354,319

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Motor expenses £	Fixtures and fittings £	Total £
Cost or valuation						
At 1 April 2001	125,000	173,217	8,707,540	23,979	155,759	9,185,495
Additions	-	3,513,711	2,568,463	-	177,625	6,259,799
	125,000	3,686,928	11,276,003	23,979	333,384	15,445,294
Disposals	(125,000)	-	-	(23,979)	-	(148,979)
At 31 March 2002	-	3,686,928	11,276,003	-	333,384	15,296,315
Depreciation						
At 1 April 2001	9,002	14,397	4,697,547	4,996	125,344	4,851,286
Charge for the year	385	11,548	1,104,950	6,494	87,697	1,211,074
	9,387	25,945	5,802,497	11,490	213,041	6,062,360
Eliminated on disposals	(9,387)	-	-	(11,490)	-	(20,877)
At 31 March 2002	-	25,945	5,802,497	-	213,041	6,041,483
Net book amount at 31 March 2002	-	3,660,983	5,473,506	-	120,343	9,254,832
Net book amount at 31 March 2001	115,998	158,820	4,009,993	18,983	30,415	4,334,209

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

Group	Plant and machinery £	Leasehold land and buildings £
Net book amount at 31 March 2002	2,094,149	1,131,792
Net book amount at 31 March 2001	-	-
Depreciation provided in the year	1,189	-

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company	Plant and machinery £	Leasehold land and buildings £
Net book amount at 31 March 2002	<u>2,094,149</u>	<u>1,131,792</u>
Net book amount at 31 March 2001	<u>-</u>	<u>-</u>
Depreciation provided in the year	<u>1,189</u>	<u>-</u>

10 FIXED ASSETS INVESTMENTS

Company	Shares in group under- takings £
Cost or valuation	
Additions	<u>11</u>
At 31 March 2002	<u>11</u>
Net book amount at 31 March 2002	<u>11</u>
Net book amount at 31 March 2001	<u>-</u>

At 31 March 2002 the group and company held more than 10% of a class of the allotted equity share capital of the following:

Name of undertaking	Country of registration	Class of share capital held	Proportion held by		Nature of business
			Parent company	Group	
Subsidiary undertakings:					
Passion Cafe Foods Limited	England and Wales	Ordinary	100%	100%	Catering

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

11 STOCKS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Raw materials and consumable stores	388,493	379,178	364,302	379,178
Finished goods and goods for resale	21,955	16,030	21,955	16,030
	<u>410,448</u>	<u>395,208</u>	<u>386,257</u>	<u>395,208</u>

12 DEBTORS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Trade debtors	2,510,111	1,955,509	2,331,314	1,955,509
Amounts owed by group undertakings	-	-	400,430	-
Other debtors	916,120	1,511,174	889,534	1,511,174
Loans to directors	22,612	-	-	-
Prepayments and accrued income	2,935	-	-	-
	<u>3,451,778</u>	<u>3,466,683</u>	<u>3,621,278</u>	<u>3,466,683</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	Group 2001 £	2002 £	Company 2001 £
Bank loans and overdrafts	675,000	1,312,657	675,000	1,312,657
Trade creditors	1,115,503	1,362,057	975,066	1,362,057
Corporation tax	553,977	155,756	553,977	155,756
Social security and other taxes	185,041	140,954	172,486	140,955
Other creditors	116,114	-	-	-
Accruals	2,802,843	941,984	2,669,993	941,984
Amounts due under finance leases	1,020,834	-	1,020,834	-
	<u>6,469,312</u>	<u>3,913,408</u>	<u>6,067,356</u>	<u>3,913,409</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	Group 2001 £	2002 £	Company 2001 £
Bank loans and overdrafts	1,477,240	2,150,000	1,475,000	2,150,000
Amounts due under finance leases	2,275,731	-	2,275,731	-
	<u>3,752,971</u>	<u>2,150,000</u>	<u>3,750,731</u>	<u>2,150,000</u>

Bank loans and overdraft

All liabilities of the company are secured by a fixed and floating charge over the current and future assets of the company and a personal guarantee from the directors.

15 BORROWINGS

Borrowings are repayable as follows:

	2002 £	Group 2001 £	2002 £	Company 2001 £
Within one year				
Bank and other borrowings	675,000	1,312,657	675,000	1,312,657
Finance leases	1,020,834	-	1,020,834	-
After one and within two years				
Bank and other borrowings	902,240	900,000	900,000	900,000
Finance leases	576,333	-	576,333	-
After two and within five years				
Bank and other borrowings	575,000	1,250,000	575,000	1,250,000
Finance leases	1,699,398	-	1,699,398	-
	<u>5,448,805</u>	<u>3,462,657</u>	<u>5,446,565</u>	<u>3,462,657</u>

16 PROVISION FOR LIABILITIES AND CHARGES

Group	Deferred taxation £
At 1 April 2001	161,000
Provided during the year	122,333
At 31 March 2002	<u>283,333</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company	Deferred taxation £
At 1 April 2001	161,000
Provided during the year	122,333
At 31 March 2002	<u>283,333</u>

17 DEFERRED TAXATION

The deferred taxation provision relates to accelerated capital allowances.

18 SHARE CAPITAL

	2002 £	2001 £
Authorised		
1,000,000 ordinary shares of £1 each	-	1,000,000
100,000,000 ordinary shares of £0.01 each	<u>1,000,000</u>	-
	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
150,000 ordinary shares of £1 each	-	150,000
15,000,000 ordinary shares of £0.01 each	<u>150,000</u>	-
	<u>150,000</u>	<u>150,000</u>

On 2 April 2001 the company subdivided the issued and unissued ordinary share capital of £1 into ordinary shares of £0.01 each.

19 RESERVES

Group	Profit and loss account £
At 1 April 2001	1,821,942
Retained profit for the year	1,793,234
At 31 March 2002	<u>3,615,176</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

Company	Profit and loss account £
At 1 April 2001	1,821,942
Retained profit for the year	1,906,545
At 31 March 2002	<u>3,728,487</u>

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	1,793,234	766,904
Shareholders' funds at 1 April 2001	<u>1,971,942</u>	<u>1,205,039</u>
Shareholders' funds at 31 March 2002	<u>3,765,176</u>	<u>1,971,943</u>

21 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	2,555,868	1,189,449
Depreciation and amortisation	1,240,731	1,242,617
Profit on sale of tangible fixed assets	(86,948)	(2,638)
Increase in stocks	(6,745)	(21,803)
Decrease in debtors	93,285	(815,038)
Increase in creditors	1,459,970	183,692
Net cash inflow from continuing operating activities	<u>5,256,161</u>	<u>1,776,279</u>

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Increase in cash in the year	944,357	529,526
Cash outflow from financing in the year	1,101,093	650,000
Cash inflow from finance leases in the year	<u>(3,291,278)</u>	<u>-</u>
Change in net debt resulting from cashflows	<u>(1,245,828)</u>	<u>1,179,526</u>
Loans, finance leases and current asset investments acquired with subsidiary	(8,620)	-
Movement in net debt in the year	<u>(1,254,448)</u>	<u>1,179,526</u>
Net debt at 1 April 2001	<u>(3,462,407)</u>	<u>(4,641,933)</u>
Net debt at 31 March 2002	<u>(4,716,855)</u>	<u>(3,462,407)</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

23 GROSS CASH FLOWS

	2002 £	2001 £
Returns on investment and servicing of finance		
Interest received	59,542	85,175
Interest paid	(94,077)	(249,482)
Finance lease interest paid	(11,913)	-
	<u>(46,448)</u>	<u>(164,307)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(6,464,231)	(500,553)
Sale of tangible fixed assets	221,885	72,300
	<u>(6,242,346)</u>	<u>(428,253)</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	(11)	-
Net overdrafts acquired with subsidiary	(17,552)	-
Purchase of investments	-	-
Sale of investments	-	-
	<u>(17,563)</u>	<u>-</u>
Financing		
Repayment of borrowings	(1,101,093)	(650,000)
Capital element of finance lease rentals	3,291,278	-
	<u>2,190,185</u>	<u>(650,000)</u>

24 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2001 £	Cashflow £	Acquisition £	At 31 March 2002 £
Cash in hand and at bank	250	731,700	-	731,950
Overdrafts	(212,657)	212,657	-	-
Debt	(3,250,000)	1,101,093	(3,333)	(2,152,240)
Finance leases	-	(3,291,278)	(5,287)	(3,296,565)
	<u>(3,462,407)</u>	<u>(1,245,828)</u>	<u>(8,620)</u>	<u>(4,716,855)</u>

25 ACQUISITIONS

In October 2001 the company acquired 90 ordinary shares of £1 in Passion Cafe Foods Limited, being 90% of its nominal share capital, for consideration of £1 in cash. Additionally in March 2002 the company acquired the remaining 10 ordinary shares of £1 in Passion Cafe Foods Limited, being 10% of its nominal share capital, for consideration of £10 in cash. Goodwill arising on the acquisition of Passion Cafe Foods Limited has been capitalised. The purchase of Passion Cafe Foods Limited has been accounted for under the acquisition method of accounting.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

The loss after taxation of Passion Cafe Foods Limited for the period from 31 January 2001, the beginning of the subsidiary's financial year to the date of acquisition in October 2001 was £13,929. The loss after taxation for the year ended 30 January 2001 was £191,823.

The summarised profit and loss account and statement of total recognised gains and losses of Passion Cafe Foods Limited for the period from 31 January 2001, the beginning of the subsidiary's financial year, to the date of acquisition was as follows:

	Period ended 31 October 2001 £
Turnover	305,958
Operating loss	(4,835)
Interest and similar charges	9,192
Loss before taxation	(14,027)
Taxation	-
Loss after taxation	(14,027)

The loss after taxation for the year ended 30 January 2001 was £191,823.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

The assets and liabilities of Passion Cafe Foods Limited acquired in October 2001 were as follows:

	Book value & fair value £
Fixed assets:	
Tangible	14,228
Current assets:	
Stocks	8,495
Debtors	78,380
Bank and cash	17,552
Total assets	118,655
	Book value & fair value £
Creditors:	
Bank loans	3,333
Trade creditors	52,523
Other creditors	252,098
Finance leases	5,287
Accruals	11,066
Total liabilities	324,307
Net assets	(205,652)
Satisfied by:	
Cash	1

In March 2002 the group acquired a further 10 ordinary shares of £1 in Passion Cafe Foods Limited, being 10% of its nominal share capital, for a consideration of £10 satisfied by cash. Goodwill arising on the acquisition of Passion Cafe Foods Limited has been capitalised. The purchase of Passion Cafe Foods Limited has been accounted for under the acquisitions method of accounting.

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

The assets and liabilities of Passion Cafe Foods Limited acquired in March 2002 were as follows:

	Book value & fair value £
Fixed assets:	
Tangible	220,541
Current assets:	
Stocks	24,191
Debtors	226,939
Bank and cash	14,421
	<u>486,092</u>
	Book value & fair value £
Creditors:	
Trade creditors	140,436
Other creditors	261,465
Amounts owed to group undertakings	426,254
	<u>828,155</u>
Total liabilities	
Net assets	<u>(342,063)</u>
Satisfied by:	
Cash	<u>10</u>

26 PENSIONS

Defined Contribution Scheme

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

The pension cost charge for the year was £202,908 (2001: £69,389).

27 CAPITAL COMMITMENTS

	2002 £	Group 2001 £	2002 £	Company 2001 £
Contracted for but not provided in these financial statements	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>

NATURES WAY FOODS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2002

28 LEASING COMMITMENTS

Operating lease payments amounting to £467,395 (2001: £426,036) are due within one year. The leases to which these amounts relate expire as follows:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Between one and five years	-	48,694	-	64,396
In five years or more	418,701	-	361,640	-
	<u>418,701</u>	<u>48,694</u>	<u>361,640</u>	<u>64,396</u>

29 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2002 or 31 March 2001.

30 TRANSACTIONS WITH DIRECTORS

During the year Natures Way Foods Limited sold goods totalling £6,601,653 and purchased raw materials and professional services totalling £5,027,270 from companies owned or partly owned by David Langmead, director of Natures Way Foods Limited. At the year end Natures Way Foods Limited owed these companies £54,144 and was owed £750,170 by them. Additionally there was a loan to Langmead Estates Limited (a company owned by David Langmead) of £1,200,000 brought forward at 1 April 2001 which was repaid during the year. Interest due during the year was £119,391 and there is interest due at the balance sheet date of £3,562.

All transactions were at arms length.

31 CONTROLLING RELATED PARTY

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