

**SOLGAR VITAMINS LIMITED**

**REGISTERED COMPANY NUMBER: 2251877**

**DIRECTOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 1997**



**SOLGAR VITAMINS LIMITED**

**REGISTERED COMPANY NUMBER: 2251877**

**Director**  
R H Skolnick

**Secretary and Registered Office**  
A Skolnick  
15 Station Road  
St Ives  
Cambridgeshire  
PE17 4BH

**REPORT OF THE DIRECTOR**

The director presents his report and the financial statements for the year ended 30 September 1997.

**RESULTS AND DIVIDENDS**

The company made a profit after taxation of £455,714, which results in retained profits of £864,141.

The director does not recommend the payment of a dividend.

**YEAR 2000**

As discussed at length in the media, many computers and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the year 2000. Our business depends on a computerised accounting system to prepare the accounts and record the transactions. In addition, we could be affected by the systems used by our suppliers and customers. As a result we could be at risk if other parties do not deal adequately with the year 2000 issue.

The directors have assessed the risks to our business resulting from the change to the year 2000. The computer software used by the company was purchased recently and is guaranteed to be year 2000 compliant and so no costs are envisaged in this respect.

**ACTIVITIES AND BUSINESS REVIEW**

The company's principal activity during the year was the wholesale distribution and sale of health products. The trend of increasing turnover is expected to be sustained for the foreseeable future.

**DIRECTOR AND HIS INTEREST**

The director who held office during the year under review was as named above. The director has the following interest in the share capital of the company.

	At 30 September 1997	At 1 October 1996
	Ordinary shares	
	No	No
R H Skolnick		
- A Ordinary shares	1	1
- B Ordinary shares	-	-

**AUDITORS**

In accordance with Section 382 of the Companies Act 1985, a resolution for the re-appointment of Edwards as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

**SOLGAR VITAMINS LIMITED**  
**REPORT OF THE DIRECTOR - CONTINUED**

**DIRECTOR'S RESPONSIBILITIES**

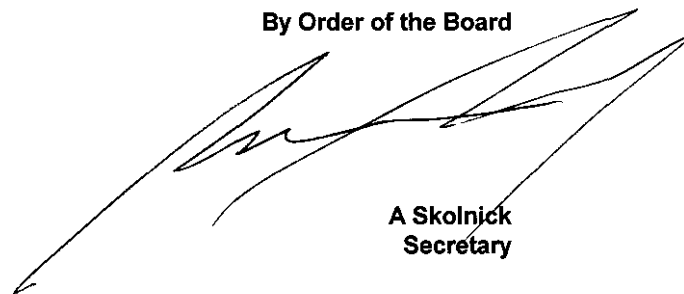
Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act, 1985. The director is 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.

27<sup>th</sup> October, 1999

By Order of the Board



**A Skolnick**  
**Secretary**

# ***Edwards***

15 Station Road  
St Ives  
Cambridgeshire  
PE17 4BH

Tel (01480) 498161  
Fax (01480) 468538

## **AUDITORS' REPORT TO THE MEMBERS OF SOLGAR VITAMINS LIMITED**

We have audited the financial statements on pages four to twelve, which have been prepared under the historical cost convention.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITORS**

As described on page two the company's director is 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 director 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 preparation 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 30 September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

27<sup>th</sup> October, 1998



**Edwards  
Reporting Accountants  
Registered Auditors**

**SOLGAR VITAMINS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Notes	1997 £	1996 £
<b>TURNOVER</b>	2	6,736,902	8,163,353
Cost of sales		(3,946,583)	(6,074,818)
<b>GROSS PROFIT</b>		2,790,319	2,088,535
Distribution and selling costs		(1,258,082)	(1,109,892)
Administrative expenses		(861,826)	(577,821)
<b>OPERATING PROFIT</b>	3	670,411	400,822
Interest receivable		46,744	58,960
Interest payable		-	(105)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		717,155	459,677
Tax on profit on ordinary activities	6	(261,441)	(8,417)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		455,714	451,260
<b>RETAINED PROFIT BROUGHT FORWARD</b>			
As previously reported		408,427	351,617
Less : Prior year adjustment	22	-	(394,450)
As re-stated : Profit/(deficit)		408,427	(42,833)
<b>RETAINED PROFIT CARRIED FORWARD</b>		£ 864,141	£ 408,427

The company has no recognised gains or losses other than the profit for the year.

The reconciliation of movements in shareholders' funds is shown in note 15 to the accounts.


## SOLGAR VITAMINS LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 1997

	Notes	£	1997 £	£	1996 £
<b>FIXED ASSETS</b>					
Tangible assets	7		323,812		181,095
Investments	8		99,647		52,623
			<u>423,459</u>		<u>233,718</u>
<b>CURRENT ASSETS</b>					
Stocks : Goods for re-sale		491,358		612,755	
Debtors	9	2,453,594		1,933,120	
Cash at bank and in hand		422,358		658,286	
		<u>3,367,310</u>		<u>3,204,161</u>	
<b>CREDITORS: Amounts falling due within one year</b>	10	(2,338,408)		(2,369,489)	
<b>NET CURRENT ASSETS</b>			<u>1,028,902</u>		<u>834,672</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,452,361		1,068,390
<b>CREDITORS: Amounts falling due after more than one year</b>	11		(588,220)		(695,960)
			<u>£ 864,141</u>		<u>£ 408,320</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	13		3		3
Profit and loss account			864,141		408,427
<b>SHAREHOLDERS' FUNDS</b>	15		<u>£ 864,144</u>		<u>£ 408,430</u>

These financial statements were approved by the board of directors on 27<sup>th</sup> October 1997 and were signed on its behalf by:



R H Skolnick  
Director

**SOLGAR VITAMINS LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	Notes	1997 £	1996 £
<b>CASH FLOW STATEMENT</b>			
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	16	131,154	87,769
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	17	46,744	58,855
<b>CORPORATION TAX PAID</b>		(147,150)	(87,155)
<b>CAPITAL EXPENDITURE</b>	18	(266,050)	(71,331)
<b>FINANCING</b>	19	(626)	2,148
<b>(DECREASE)/INCREASE IN CASH</b>	19	<u>£ (235,928)</u>	<u>£ (9,714)</u>

**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

**1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

**Basis of Preparation**

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

**Turnover**

Turnover represents sales invoiced net of Value Added Tax.

**Tangible Fixed Assets**

*Tangible fixed assets acquired by the company have been capitalised at cost.*

**Depreciation**

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost less estimated residual value over the estimated useful life as follows:

Computer	- 20% per annum on cost
Equipment	- 20% per annum on cost
Motor vehicles	- 25% per annum on the reducing balance basis

**Leased assets**

Assets, which have been funded through leases, are recorded as tangible fixed assets and are depreciated over their estimated useful lives. Future lease obligations, net of finance charges are included in creditors. Rentals payable are apportioned between finance element, which is charged to the profit and loss account, and the capital element, which reduces outstanding lease obligations. All other leases are operating leases and the rental charges are taken to profit and loss account over the life of the lease.

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase cost plus the cost incurred in bringing each product to its present location or condition. Net realisable value is based on estimated selling price and further costs expected to be incurred to completion, sale and distribution.

**Finance Leases and Hire Purchase Contracts**

Assets held under finance leases and hire purchase contracts are capitalised as tangible fixed assets and depreciated in accordance with the policies outlined above. Lease obligations are included as creditors, with the interest being charged against profit over the period of the lease.

**Operating Leases**

Rentals under operating leases are charged against profit as they are incurred.

**Deferred Taxation**

No provision has been made for deferred taxation, as, in the opinion of the director, such provision is unlikely to be required in the foreseeable future. If deferred taxation had been provided on the liability basis it would have amounted to:

	1997	1996
Accelerated capital allowances	£ Nil	£ Nil
	<hr/>	<hr/>

**Foreign Currency Translation**

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs. Assets and liabilities denominated in foreign currencies, which are not to be settled at a contracted rate, are translated at the balance sheet date at the rate prevailing on that day. Those assets and liabilities, which are to be settled at a contracted rate, are translated at the balance sheet date at the contracted rate. All currency adjustments are taken to the profit and loss account.



**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

<b>2</b>	<b>TURNOVER</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	An analysis of turnover by geographical market is given below:		
	United Kingdom	5,346,503	5,114,071
	Rest of World	1,390,399	3,049,282
		<hr/>	<hr/>
		£6,736,902	£8,163,353
		<hr/>	<hr/>
<b>3</b>	<b>OPERATING PROFIT</b>		
	This is stated after charging/(crediting):		
	Auditors' remuneration:		
	- audit fees	3,000	6,725
	- non-audit fees	11,383	6,087
	Director's remuneration	24,833	24,000
	Depreciation:		
	- owned assets	75,960	69,935
	- assets held under hire purchase contracts	1,848	2,465
	Rentals under operating leases:		
	- land and buildings	82,207	77,200
	- other	1,414	937
	(Profit)/loss on foreign exchange	61,452	41,031
	Loss on disposal of tangible fixed assets	6,647	506
		<hr/>	<hr/>
<b>4</b>	<b>INTEREST PAYABLE</b>		
	Bank interest	-	-
	Hire purchase interest	-	105
		<hr/>	<hr/>
	£	-	£ 2,138
		<hr/>	<hr/>
<b>5</b>	<b>STAFF COSTS AND DIRECTOR'S REMUNERATION</b>		
	Wages and salaries	655,510	732,332
	Social security costs	63,858	74,528
		<hr/>	<hr/>
	£	719,368	£ 806,860
		<hr/>	<hr/>
	The average number of persons employed by the company during the year was:		
		<b>Number</b>	<b>Number</b>
	Sales and distribution	25	26
	Marketing	4	3
	Administrative	14	11
		<hr/>	<hr/>
		43	40
		<hr/>	<hr/>
	<b>DIRECTOR'S EMOLUMENTS</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	Salary	£ 24,833	£ 24,000
		<hr/>	<hr/>

**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

6

TAXATION

1997  
£

1996  
£

Adjustment in respect of prior years  
UK Corporation tax at 24.5% (1996: 25%)

267,541

8,417

Overseas taxation

(15,100)

111,875

£ 261,441

£ 8,417

7

TANGIBLE FIXED ASSETS

Computer  
£

Plant  
and  
equipment  
£

Motor  
vehicles  
£

Total  
£

Cost

At 1 October 1996

90,187

121,453

193,521

405,152

Additions

27,509

115,314

123,227

266,050

Disposals

(22,006)

(77,372)

(75,249)

(174,627)

At 30 September 1997

95,681

159,395

241,499

496,575

Depreciation

At 1 October 1996

54,535

89,824

79,698

224,057

Charge for year

15,312

20,586

41,910

77,808

Eliminated on disposals

(21,959)

(69,666)

(37,477)

(129,102)

At 30 September 1997

47,888

40,744

84,131

172,763

Net book value

At 30 September 1997

£ 47,793

£ 118,651

£ 157,368

£ 323,812

At 30 September 1996

£ 35,643

£ 31,629

£ 113,823

£ 181,095

The net book value of motor vehicles held under hire purchase contracts at 30 September 1997 amounted to £Nil (1996 : £7,395).

**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

<b>8</b>	<b>FIXED ASSET INVESTMENTS</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	<b>Cost</b>		
	At 1 October 1996	52,623	52,623
	Additional investment	47,024	-
		<hr/>	<hr/>
	At 30 September 1997	£ 99,647	£ 52,623
		<hr/>	<hr/>

*The investment is in the following company, registered in Spain.*

<b>Name</b>	<b>Nature of Business</b>	<b>Class</b>	<b>Shares Held</b>
Solgar España SA	Vitamin and Herbal Supplement Retail	1 Peseta Ordinary Share	50%

For the year ended 30 September 1997, Solgar España SA had aggregate capital and reserves of £93,100.

<b>9</b>	<b>DEBTORS</b>	<b>1997</b>	<b>1996</b>
		<b>£</b>	<b>£</b>
	Trade debtors	2,319,455	1,652,928
	Amounts due from associate undertakings	-	179,963
	Other debtors	88,151	73,827
	Corporation tax	-	11,057
	Prepayments	45,988	15,345
		<hr/>	<hr/>
		£2,453,594	£1,933,120
		<hr/>	<hr/>

Included in other debtors is £nil due after more than one year (1996: £82,585).

<b>10</b>	<b>CREDITORS: Amounts falling due within one year</b>		
	Trade creditors	1,176,633	1,234,326
	Corporation tax	115,921	-
	Other taxes and social security costs	108,202	70,736
	Other creditors and accruals including import duty	935,778	1,061,927
	Obligations under hire purchase contracts	1,874	2,500
		<hr/>	<hr/>
		£2,338,408	£2,369,489
		<hr/>	<hr/>

<b>11</b>	<b>CREDITORS: Amounts falling due after more than one year</b>		
	Obligations under hire purchase contracts	-	1,875
	Other creditors	588,220	658,085
		<hr/>	<hr/>
		£ 588,220	£ 659,960
		<hr/>	<hr/>

**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

<b>12</b>	<b>NET OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS</b>	<b>1997 £</b>	<b>1996 £</b>
	Due within one year	1,875	2,500
	Due within two to five years	-	1,875
		<hr/>	<hr/>
		1,875	4,375
	Less: Finance charges allocated to future periods	-	-
		<hr/>	<hr/>
		<b>£ 1,875</b>	<b>£ 4,375</b>
		<hr/>	<hr/>
<b>13</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised</b>		
	99 A Ordinary shares of £1 each	99	99
	1 B Ordinary share of £1	1	1
		<hr/>	<hr/>
		<b>£ 100</b>	<b>£ 100</b>
		<hr/>	<hr/>
	<b>Allotted, called up and fully paid</b>		
	2 A Ordinary shares of £1 each	2	2
	1 B Ordinary share of £1	1	1
		<hr/>	<hr/>
		<b>£ 3</b>	<b>£ 3</b>
		<hr/>	<hr/>
<b>14</b>	<b>FINANCIAL COMMITMENTS</b>		
	At 30 September 1997 there were the following annual commitments under non-cancellable operating leases:		
		<b>Land and Buildings</b>	
		<b>1997 £</b>	<b>1996 £</b>
	<b>Operating leases which expire:-</b>		
	In under one year	-	34,132
	In one to two years	150,000	-
		<hr/>	<hr/>
		<b>£ 150,000</b>	<b>£ 34,132</b>
		<hr/>	<hr/>
<b>15</b>	<b>RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS</b>		
	Profit for the financial year	524,046	451,260
		<hr/>	<hr/>
	Net addition to shareholders' funds	524,046	451,260
	Opening shareholders' funds	408,430	(42,830)
		<hr/>	<hr/>
	Closing shareholders' funds	<b>£ 932,476</b>	<b>£ 408,430</b>
		<hr/>	<hr/>

**SOLGAR VITAMINS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
**FOR THE YEAR ENDED 30 SEPTEMBER 1997**

**16 CONTROLLING PARTY**

The ultimate controlling party is A Skolnick.

**17 RECONCILIATION OF OPERATING PROFIT TO  
NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Operating profit/(loss)	738,743	400,822
Depreciation charges	77,808	72,400
Loss on disposal of tangible fixed assets	717	506
Decrease/(increase) in stocks	53,102	(257,054)
Increase in debtors	(520,474)	(595,407)
(Decrease)/increase in creditors	(218,742)	466,502
	<hr/>	<hr/>
	<b>£ 131,154</b>	<b>£ 87,769</b>
	<hr/>	<hr/>

**18 RETURNS ON INVESTMENTS AND SERVICING  
OF FINANCE**

Interest received	46,744	58,960
Interest paid	-	(105)
	<hr/>	<hr/>
	<b>£ 46,744</b>	<b>£ 58,855</b>
	<hr/>	<hr/>

**19 CAPITAL EXPENDITURE**

Payments to acquire tangible fixed assets	(266,050)	(100,298)
Receipts from sales of tangible fixed assets	36,125	28,967
	<hr/>	<hr/>
	<b>£ (229,925)</b>	<b>£ (71,331)</b>
	<hr/>	<hr/>

**20 FINANCING**

Finance received	-	5,000
Repayments of hire purchase obligations	(2,500)	(2,852)
	<hr/>	<hr/>
	<b>£ (2,500)</b>	<b>£ 2,148</b>
	<hr/>	<hr/>

**21 ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 1 October 1996</b>	<b>Cash flows</b>	<b>At 30 September 1997</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash at bank and in hand	£ 658,286	£ (235,928)	£ 422,358
	<hr/>	<hr/>	<hr/>

**22 PRIOR YEAR ADJUSTMENT**

Due to the re-classification of some of the company's products from exempt to chargeable for import duty purposes, an assessment has been received since the year end for import duty payable on products received in the UK during 1995 and 1996. Some £394,450 of this duty relates to shipments received in the year ended 30 September 1995 and comparative figures have been adjusted accordingly.