

SOLGAR VITAMINS LIMITED

REGISTERED COMPANY NUMBER: 2251877

DIRECTOR'S REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER, 1996



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 submits his report and the financial statements for the year ended 30th September, 1996.

RESULTS AND DIVIDENDS

The company made a profit after taxation of £451,260 which results in retained profits of £408,427.

The director does not recommend the payment of a dividend.

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, and thereby controls the company:

	At 30th September, 1996	At 1st October, 1995
	Ordinary shares	
	No.	No.
R H Skolnick		
- A Ordinary shares	1	1
- B Ordinary shares	-	-

AUDITORS

A resolution to re-appoint Edwards as auditors will be put to the members at the 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;
- 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.

20th February 1998

By Order of the Board



**A Skolnick
Secretary**

Edwards

CHARTERED ACCOUNTANTS

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 30th September, 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

20th February, 1998



Edwards
Chartered Accountants
Registered Auditors

SOLGAR VITAMINS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	Notes	1996 £	1995 £
TURNOVER	2	8,163,353	5,724,832
Cost of sales		<u>(6,074,818)</u>	<u>(4,398,116)</u>
GROSS PROFIT		2,088,535	1,326,716
Distribution and selling costs		<u>(1,109,892)</u>	<u>(1,106,193)</u>
Administrative expenses		<u>(577,821)</u>	<u>(425,563)</u>
OPERATING PROFIT/(LOSS)	3	400,822	(205,040)
Interest receivable		58,960	13,530
Interest payable		<u>(105)</u>	<u>(894)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		459,677	(192,404)
Tax on profit/(loss) on ordinary activities	6	<u>(8,417)</u>	<u>(67,932)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		451,260	(260,336)
RETAINED PROFIT BROUGHT FORWARD			
As previously reported		351,617	217,503
Less: Prior year adjustment	21	<u>(394,450)</u>	<u>-</u>
As re-stated: Profit/(deficit)		<u>(42,833)</u>	<u>-</u>
RETAINED PROFIT/(DEFICIT) CARRIED FORWARD		<u>£408,427</u>	<u>£ (42,833)</u>

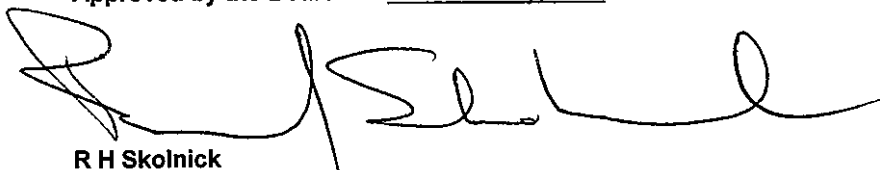
The company has no recognised gains or losses other than the profit for the year.

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

SOLGAR VITAMINS LIMITED
BALANCE SHEET
AS AT 30TH SEPTEMBER, 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	7	181,095	182,670
Investments	8	<u>52,623</u>	<u>52,623</u>
		233,718	235,293
CURRENT ASSETS			
Stocks: Goods for re-sale		612,755	355,701
Debtors	9	1,933,120	1,326,656
Cash at bank and in hand		<u>658,286</u>	<u>668,000</u>
		3,204,161	2,350,357
CREDITORS: Amounts falling due within one year	10	<u>(2,369,489)</u>	<u>(1,842,298)</u>
NET CURRENT ASSETS		<u>834,672</u>	<u>508,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,068,390	743,352
CREDITORS: Amounts falling due after more than one year	11	<u>(659,960)</u>	<u>(786,182)</u>
		<u>£ 408,430</u>	<u>£ (42,830)</u>
CAPITAL AND RESERVES			
Called up share capital	13	3	3
Profit and loss account		<u>408,427</u>	<u>(42,833)</u>
SHAREHOLDERS' FUNDS/DEFICIT	15	<u>£408,430</u>	<u>£(42,830)</u>

Approved by the Board on 20th February, 1998



R H Skolnick
Director

SOLGAR VITAMINS LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	Notes	1996 £	1995 £
CASH FLOW STATEMENT			
NET CASH FLOW FROM OPERATING ACTIVITIES	16	87,769	793,435
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	58,855	12,636
CORPORATION TAX PAID		(87,155)	(34,047)
CAPITAL EXPENDITURE	18	(71,331)	(95,213)
FINANCING	19	<u>2,148</u>	<u>(3,555)</u>
(DECREASE)/INCREASE IN CASH	20	<u>£ (9,714)</u>	<u>£673,256</u>

SOLGAR VITAMINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

1. ACCOUNTING POLICIES

a. Basis of Accounting

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

b. Turnover

Turnover represents sales invoiced net of Value Added Tax, from the company's operations which continued throughout the year.

c. Tangible Fixed Assets

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

d. 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

e. 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.

f. 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.

g. Operating Leases

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

h. 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:

	1996	1995
Accelerated capital allowances	<u>£Nil</u>	<u>£Nil</u>

i. 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 30TH SEPTEMBER, 1996

2. TURNOVER

An analysis of turnover by geographical market is given below:

	1996 £	1995 £
United Kingdom	5,114,071	3,607,395
Europe	2,081,606	1,833,052
Rest of World	<u>967,676</u>	<u>284,385</u>
	<u>£8,163,353</u>	<u>£5,724,832</u>

3. OPERATING PROFIT/(LOSS)

This is stated after charging/(crediting):

Auditors' remuneration:		
- audit fees	6,725	5,724
- non-audit fees	6,087	9,063
Director's remuneration	24,000	24,000
Depreciation:		
- owned assets	69,935	59,449
- assets held under hire purchase contracts	2,465	2,502
Rentals under operating leases:		
- land and buildings	77,200	65,500
- other	937	50
Loss on foreign exchange	41,031	1,768
Loss on disposal of tangible fixed assets	<u>506</u>	<u>6,759</u>

4. INTEREST PAYABLE

Bank interest	105	520
Hire purchase interest	<u>-</u>	<u>374</u>
	<u>£105</u>	<u>£894</u>

5. STAFF COSTS AND DIRECTOR'S REMUNERATION

Wages and salaries	732,332
Social security costs	<u>74,528</u>
	<u>£806,860</u>

The average number of persons employed by the company during the year was:

	Number	Number
Sales and distribution	26	21
Marketing	3	2
Administrative	<u>11</u>	<u>8</u>
	<u>41</u>	<u>31</u>

DIRECTOR'S EMOLUMENTS

Salary	<u>£24,000</u>	<u>£24,000</u>
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SOLGAR VITAMINS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

6. TAXATION

	1996 £	1995 £
Adjustment in respect of prior years	8,417	-
UK Corporation tax at 24.5% (1995: 25%)	-	56,877
Less: relief for overseas taxation	(111,875)	(27,038)
	(103,458)	29,839
Overseas taxation	<u>111,875</u>	<u>38,093</u>
	<u>£ 8,417</u>	<u>£67,932</u>

7. TANGIBLE FIXED ASSETS

	Computer £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 1st October, 1995	89,035	115,891	137,860	342,786
Additions	16,513	12,638	70,911	100,062
Disposals	(15,370)	(7,076)	(15,250)	(37,696)
At 30th September, 1996	<u>90,178</u>	<u>121,453</u>	<u>193,521</u>	<u>405,152</u>
Depreciation				
At 1st October, 1995	40,555	67,832	51,729	160,116
Charge for year	14,096	22,355	35,713	72,164
Eliminated on disposals	(116)	(363)	(7,744)	(8,223)
At 30th September, 1996	<u>54,535</u>	<u>89,824</u>	<u>79,698</u>	<u>224,057</u>
Net book value				
At 30th September, 1996	<u>35,643</u>	<u>31,629</u>	<u>113,823</u>	<u>£181,095</u>
At 30th September, 1995	<u>48,480</u>	<u>48,059</u>	<u>86,131</u>	<u>£182,670</u>

The net book value of motor vehicles held under hire purchase contracts at 30th September, 1996 amounted to £7,395 (1995: £7,506).

SOLGAR VITAMINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

8. FIXED ASSET INVESTMENTS

	1996 £	1995 £
Cost		
At 1st October, 1995 and as at 30th September, 1996	£52,623	£52,623

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

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

The investment is valued by the directors at cost. Group financial statements have not been prepared as the investment is held exclusively for resale.

9. DEBTORS

	1996 £	1995 £
Trade debtors	1,652,928	1,119,943
Amounts due from associate undertakings	179,963	153,773
Other debtors	73,827	19,920
Corporation tax	11,057	-
Prepayments	15,345	33,020
	<u>£1,933,120</u>	<u>£1,326,656</u>

Included in other debtors is £82,585 due after more than one year (1995: £57,457).

10. CREDITORS: Amounts falling due within one year

Trade creditors	1,234,326	1,259,616
Corporation tax	-	67,681
Other taxes and social security costs	70,736	29,463
Other creditors and accruals including import duty	1,061,927	483,311
Obligations under hire purchase contracts	2,500	2,227
	<u>£2,369,489</u>	<u>£1,842,298</u>

11. CREDITORS: Amounts falling due after more than one year

Obligations under hire purchase contracts	1,875	-
Other creditors	658,085	786,182
	<u>£659,960</u>	<u>£786,182</u>

SOLGAR VITAMINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	1996 £	1995 £
12. NET OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS		
Due within one year	2,500	2,292
Due within two to five years	<u>1,875</u>	<u>-</u>
	4,375	2,292
Less: Finance charges allocated to future periods	<u>-</u>	<u>(65)</u>
	<u>£4,375</u>	<u>£2,227</u>
13. SHARE CAPITAL		
	Value	Number
Authorised		
99 A Ordinary shares of £1 each	£99	99
1 B Ordinary share of £1	<u>£ 1</u>	<u>1</u>
	<u>£100</u>	<u>100</u>
Allotted, called up and fully paid		
2 A Ordinary shares of £1 each	£2	2
1 B Ordinary share of £1	<u>£1</u>	<u>1</u>
	<u>£3</u>	<u>3</u>
14. FINANCIAL COMMITMENTS		
At 30th September, 1996 there were the following annual commitments under non-cancellable operating leases:		
	Land and Buildings	
	1996	1995
	£	£
Operating leases which expire:-		
In less than one year	34,132	-
In more than one but less than two years	<u>-</u>	<u>66,500</u>
	<u>£34,132</u>	<u>£66,500</u>
15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	1996	1995
	£	As re-stated £
Profit/(loss) for the financial year	<u>451,260</u>	<u>(260,336)</u>
Net addition to shareholders' funds	451,260	(260,336)
Opening shareholders' funds/(deficit) (Originally £351,617 before deducting prior year adjustment of £394,450 (Note 21)).	<u>(42,830)</u>	<u>217,506</u>
Closing shareholders' funds/(deficit)	<u>£408,430</u>	<u>£ (42,830)</u>

SOLGAR VITAMINS LIMITED
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED 30TH SEPTEMBER, 1996

	1996 £	1995 £
16. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	400,822	(205,040)
Depreciation charges	72,400	61,951
Loss on disposal of tangible fixed assets	506	6,759
Increase in stocks	(257,054)	(48,960)
Increase in debtors	(595,407)	(446,215)
Increase in creditors	<u>466,502</u>	<u>1,424,940</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	£ 87,769	£ 793,435
17. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	58,960	13,530
Interest paid	<u>(105)</u>	<u>(894)</u>
	£58,855	£12,636
18. CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(100,298)	(113,021)
Receipts from sales of tangible fixed assets	<u>28,967</u>	<u>17,808</u>
	£(71,331)	£(95,213)
19. FINANCING		
Finance received	5,000	-
Repayments of hire purchase obligations	<u>(2,852)</u>	<u>(3,555)</u>
	£2,148	£(3,555)
20. ANALYSIS OF CHANGES IN NET DEBT		
	At 1st October, 1995 £	Cash flows £
		At 30th September 1996 £
Cash at bank and in hand	<u>£668,000</u>	<u>£(9,714)</u>
		<u>£658,286</u>
21. PRIOR YEAR ADJUSTMENT		

Due to the re-classification of some of the company's products for import duty purposes, additional duty arises on products received during 1995 and 1996. Some £394,450 of this duty relates to shipments received in the year ended 30th September, 1995 and comparative figures have been adjusted accordingly.