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ORGANIC FARM FOODS (SCOTLAND) LTD
FINANCIAL STATEMENTS
FOR
31 MARCH 2001

Company Registration Number SC093747



CHARLES BURROWS & CO
Chartered Accountants & Registered Auditors
7 Palmerston Place
Edinburgh
EH12 5AH

ORGANIC FARM FOODS (SCOTLAND) LTD

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

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ORGANIC FARM FOODS (SCOTLAND) LTD

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	R M Kingdon P Segger
Company secretary	S Brown
Registered office	49 Queen Street Edinburgh EH2 3NH
Auditors	Charles Burrows & Co Chartered Accountants & Registered Auditors 7 Palmerston Place Edinburgh EH12 5AH
Bankers	Bank of Scotland 50 Hopetoun Street Bathgate EH48 4EU

ORGANIC FARM FOODS (SCOTLAND) LTD

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2001

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the processing, packaging, distribution and marketing of organic foodstuffs.

The directors are disappointed with the results for the year but are hopeful of an improvement in the coming year

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2001 £	2000 £
Dividends paid on ordinary shares	400,000	-

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

R M Kingdon
P Segger

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

		Number of Shares	
		2001	2000
R M Kingdon	A Ordinary shares of £1	10,000	10,000
P Segger	A Ordinary shares of £1	69,600	69,600
	B Ordinary shares of £0.25	100,000	100,000

DIRECTORS' RESPONSIBILITIES

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

ORGANIC FARM FOODS (SCOTLAND) LTD

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2001

DIRECTORS' RESPONSIBILITIES *(continued)*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are 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.

CLOSE COMPANY PROVISIONS

In the opinion of the directors, the company is a close company within the meaning of S.414 Income and Corporation Taxes Act, 1988 (as amended).

AUDITORS

A resolution to re-appoint Charles Burrows & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
49 Queen Street
Edinburgh
EH2 3NH

Signed by order of the directors



S BROWN
Company Secretary

Approved by the directors on 21 August 2001

ORGANIC FARM FOODS (SCOTLAND) LTD

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2001

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 2 to 3, 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 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 the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

7 Palmerston Place
Edinburgh
EH12 5AH

21 August 2001



CHARLES BURROWS & CO
Chartered Accountants
& Registered Auditors

ORGANIC FARM FOODS (SCOTLAND) LTD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2001

	Note	2001 £	2000 £
TURNOVER	2	2,831,331	4,073,639
Cost of sales		2,458,145	3,393,619
GROSS PROFIT		373,186	680,020
Distribution costs		101,618	82,681
Administrative expenses		289,110	288,031
Other operating income		(18,000)	(18,000)
OPERATING PROFIT	3	458	327,308
Other interest receivable		1,589	1,836
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,047	329,144
Tax on profit on ordinary activities	6	3,474	(96,495)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		5,521	232,649
Dividends	7	400,000	-
(LOSS)/RETAINED PROFIT FOR THE FINANCIAL YEAR		(394,479)	232,649
Balance brought forward		720,096	487,447
Balance carried forward		325,617	720,096

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 7 to 12 form part of these financial statements.

ORGANIC FARM FOODS (SCOTLAND) LTD

BALANCE SHEET

31 MARCH 2001

	Note	2001	2000
		£	£
FIXED ASSETS			
Tangible assets	8	273,994	262,307
CURRENT ASSETS			
Stocks	9	67,165	61,241
Debtors	10	150,130	649,489
Cash at bank and in hand		2,543	24,994
		<u>219,838</u>	<u>735,724</u>
CREDITORS: Amounts falling due within one year	11	<u>(128,640)</u>	<u>(215,375)</u>
NET CURRENT ASSETS		<u>91,198</u>	<u>520,349</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>365,192</u>	<u>782,656</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	(31,475)	(36,460)
Government grants	13	(8,000)	(26,000)
		<u>325,717</u>	<u>720,196</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	100	100
Profit and Loss Account		<u>325,617</u>	<u>720,096</u>
SHAREHOLDERS' FUNDS	17	<u>325,717</u>	<u>720,196</u>

These financial statements were approved by the directors on the 21 August 2001 and are signed on their behalf by:



R M KINGDON



P SEGGER

The notes on pages 7 to 12 form part of these financial statements.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

1. ACCOUNTING POLICIES

Basis of accounting

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

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cashflow statement.

Turnover

The turnover shown in the Profit and Loss Account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and machinery 20%, 25% and 33% straight line

Fixtures and fittings 10% and 33% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Provision is made, under the liability method, to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may arise.

Deferred government grants

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2001	2000
	£	£
Amortisation of government grants	(18,000)	(18,000)
Depreciation	81,500	69,430
Auditors' remuneration		
- as auditors	1,500	1,500

4. PARTICULARS OF EMPLOYEES

The average monthly number of staff employed by the company during the financial year amounted to:

	2001	2000
	No.	No.
Number of production staff	37	38
Number of office and management staff	4	4
	41	42

The aggregate payroll costs of the above were:

	2001	2000
	£	£
Wages and salaries	410,752	499,984
Social security costs	30,944	33,788
	441,696	533,772

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2001	2000
	£	£
Emoluments receivable	50,000	67,500

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
In respect of the year:		
Corporation Tax based on the results for the year at 20% (2000 - 30%)	1,299	90,245
Decrease in deferred tax provision (Note 12):		
Capital allowances	(4,985)	-
	<u>(3,686)</u>	<u>90,245</u>
Adjustment in respect of previous years:		
Corporation Tax	212	6,250
	<u>(3,474)</u>	<u>96,495</u>

7. DIVIDENDS

The following dividends have been paid in respect of the year:

	2001 £	2000 £
Dividend paid on ordinary shares	<u>400,000</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
COST			
At 1 April 2000	472,727	144,020	616,747
Additions	57,427	35,760	93,187
At 31 March 2001	<u>530,154</u>	<u>179,780</u>	<u>709,934</u>
DEPRECIATION			
At 1 April 2000	296,957	57,483	354,440
Charge for the year	55,809	25,691	81,500
At 31 March 2001	<u>352,766</u>	<u>83,174</u>	<u>435,940</u>
NET BOOK VALUE			
At 31 March 2001	<u>177,388</u>	<u>96,606</u>	<u>273,994</u>
At 31 March 2000	<u>175,770</u>	<u>86,537</u>	<u>262,307</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

9. STOCKS

	2001	2000
	£	£
Finished goods	22,699	12,551
Stock of packaging	44,466	48,690
	<u>67,165</u>	<u>61,241</u>

10. DEBTORS

	2001	2000
	£	£
Trade debtors	30,575	38,025
Amounts owed by group undertakings	90,365	577,081
VAT recoverable	29,092	33,231
Prepayments and accrued income	98	1,152
	<u>150,130</u>	<u>649,489</u>

11. CREDITORS: Amounts falling due within one year

	2001	2000
	£	£
Trade creditors	116,998	98,032
Other creditors including taxation		
Corporation Tax	1,299	90,245
PAYE and social security	<u>5,796</u>	<u>11,498</u>
	7,095	101,743
Accruals and deferred income	4,547	15,600
	<u>128,640</u>	<u>215,375</u>

12. DEFERRED TAXATION

	2001	2000
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	36,460	36,460
Decrease in provision	(4,985)	-
Provision carried forward	<u>31,475</u>	<u>36,460</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2001	2000
	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>31,475</u>	<u>36,460</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

13. GOVERNMENT GRANTS

	2001 £	2000 £
Received and receivable:		
At 1 April 2000	90,000	90,000
At 31 March 2001	<u>90,000</u>	<u>90,000</u>
Amortisation:		
At 1 April 2000	64,000	46,000
Credit to profit and loss account	<u>18,000</u>	<u>18,000</u>
At 31 March 2001	<u>82,000</u>	<u>64,000</u>
Net balance at 31 March 2001	<u>8,000</u>	<u>26,000</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2001 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 2001 £	2000 £
Operating leases which expire:		
Within 2 to 5 years	51,900	-
After more than 5 years	<u>-</u>	<u>25,500</u>
	<u>51,900</u>	<u>25,500</u>

15. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Organic Farm Foods (Wales) Limited.

During the year the company purchased £959,348 (2000:£1,571,396) of stock and £243,853 (2000:£236,692) of packaging materials from Organic Farm Foods (Wales) Limited. In addition the company has paid £36,000 (2000:£36,000) to Organic Farm Foods (Wales) Limited by way of a management charge. Organic Farm Foods (Wales) Limited owed Organic Farm Foods (Scotland) Limited £90,365 at 31 March 2001 (2000:£577,081). The company is under the ultimate control of the directors of Organic Farm Foods (Wales) Ltd.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2001

16. SHARE CAPITAL

Authorised share capital:

	2001	2000
	£	£
100 Ordinary shares of £1.00 each	100	100

Allotted, called up and fully paid:

	2001	2000
	£	£
Ordinary share capital	100	100

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Profit for the financial year	5,521	232,649
Dividends	(400,000)	-
	(394,479)	232,649
Opening shareholders' equity funds	720,196	487,547
Closing shareholders' equity funds	325,717	720,196

18. ULTIMATE PARENT COMPANY

The company is a 100% owned subsidiary of Organic Farm Foods (Wales) Limited. Consolidated accounts can be obtained by the public at Unit 25, Llambod Industrial Estate, Tregaron Road, Lampeter.