

**ORGANIC FARM FOODS (SCOTLAND) LTD**  
**FINANCIAL STATEMENTS**  
**31 MARCH 1998**

**Company Registration Number SC093747**

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

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# **ORGANIC FARM FOODS (SCOTLAND) LTD**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 1998**

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# **ORGANIC FARM FOODS (SCOTLAND) LTD**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **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

# **ORGANIC FARM FOODS (SCOTLAND) LTD**

## **THE DIRECTORS' REPORT**

**YEAR ENDED 31 MARCH 1998**

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The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 1998.

### **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 satisfied with the results for the year and are hopeful for continued improvement in future years. The directors do not consider that the "Year 2000" problem will give rise to any material problems to the trading of the company.

### **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 not recommended a dividend.

### **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 accounts of the parent company.

		Number of Shares	
		1998	1997
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 1998

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### 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

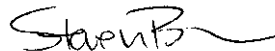
In the opinion of the directors, the company is a close company within the meaning of S.414 Income and Corporation Taxes Act, 1988 (as amended).

### 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 30 October 1998

# **ORGANIC FARM FOODS (SCOTLAND) LTD**

## **AUDITORS' REPORT TO THE SHAREHOLDERS**

**YEAR ENDED 31 MARCH 1998**

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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 company's state of affairs as at 31 March 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

7 Palmerston Place  
Edinburgh  
EH12 5AH



CHARLES BURROWS & CO  
Chartered Accountants  
& Registered Auditors

30 October 1998

# ORGANIC FARM FOODS (SCOTLAND) LTD

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 1998

	Note	1998 £	1997 £
<b>TURNOVER</b>	<b>2</b>	3,661,458	2,487,576
Cost of sales		(3,117,941)	(2,018,998)
<b>GROSS PROFIT</b>		543,517	468,578
Distribution costs		(96,269)	(104,672)
Administrative expenses		(259,850)	(206,508)
Other operating income	<b>3</b>	14,000	14,000
<b>OPERATING PROFIT</b>	<b>4</b>	201,398	171,398
Other interest receivable		1,339	837
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		202,737	172,235
Tax on profit on ordinary activities	<b>7</b>	(62,570)	(47,695)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		140,167	124,540
Balance brought forward		162,223	37,683
Balance carried forward		302,390	162,223

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 1998

	Note	1998		1997
		£	£	£
<b>FIXED ASSETS</b>				
Tangible assets	8	345,917		347,903
<b>CURRENT ASSETS</b>				
Stocks	9	45,584		18,530
Debtors	10	170,456		134,453
Cash at bank and in hand		<u>4,953</u>		<u>24,522</u>
		220,993		177,505
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(205,730)</u>		<u>(293,440)</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>			15,263	(115,935)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>361,180</u>	<u>231,968</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>				
Deferred taxation	12	(16,690)		(13,645)
<b>GOVERNMENT GRANTS</b>	13	<u>(42,000)</u>		<u>(56,000)</u>
		<u>302,490</u>		<u>162,323</u>
<b>CAPITAL AND RESERVES</b>				
Called-up equity share capital	16	100		100
Profit and loss account	17	<u>302,390</u>		<u>162,223</u>
<b>SHAREHOLDERS' FUNDS</b>	18	<u>302,490</u>		<u>162,323</u>

These financial statements were approved by the directors on the 30 October 1998 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 1998

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### 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 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% straight line

Fixtures and fittings 10% 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 as incurred.

#### **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.

### 2. TURNOVER

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

### 3. OTHER OPERATING INCOME

	1998	1997
	£	£
Other operating income	<u>14,000</u>	<u>14,000</u>

# ORGANIC FARM FOODS (SCOTLAND) LTD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

### 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	1998 £	1997 £
Amortisation of government grants	(14,000)	(14,000)
Depreciation	84,131	83,014
Loss on disposal of fixed assets	-	8,496
Auditors' remuneration - as auditors	<u>1,500</u>	<u>900</u>

### 5. PARTICULARS OF EMPLOYEES

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

	1998 No.	1997 No.
Number of production staff	35	22
Number of office and management staff	<u>4</u>	<u>3</u>
	<u>39</u>	<u>25</u>

The aggregate payroll costs of the above were:

	1998 £	1997 £
Wages and salaries	421,612	275,783
Social security costs	<u>32,882</u>	<u>20,606</u>
	<u>454,494</u>	<u>296,389</u>

### 6. DIRECTORS' EMOLUMENTS

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

	1998 £	1997 £
Emoluments receivable	<u>67,650</u>	<u>49,207</u>

# ORGANIC FARM FOODS (SCOTLAND) LTD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

### 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
Corporation tax based on the results for the year at 31% (1997 - 33%)	59,525	34,050
Increase in deferred tax provision (Note 12):		
Capital allowances	3,045	13,645
	<u>62,570</u>	<u>47,695</u>

### 8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
<b>COST</b>			
At 1 April 1997	341,344	116,683	458,027
Additions	70,291	11,854	82,145
<b>At 31 March 1998</b>	<u>411,635</u>	<u>128,537</u>	<u>540,172</u>
<b>DEPRECIATION</b>			
At 1 April 1997	95,041	15,083	110,124
Charge for the year	73,024	11,107	84,131
<b>At 31 March 1998</b>	<u>168,065</u>	<u>26,190</u>	<u>194,255</u>
<b>NET BOOK VALUE</b>			
<b>At 31 March 1998</b>	<u>243,570</u>	<u>102,347</u>	<u>345,917</u>
At 31 March 1997	<u>246,303</u>	<u>101,600</u>	<u>347,903</u>

### 9. STOCKS

	1998 £	1997 £
Finished goods	17,477	14,559
Stock of packaging	28,107	3,971
	<u>45,584</u>	<u>18,530</u>

# ORGANIC FARM FOODS (SCOTLAND) LTD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

### 10. DEBTORS

	1998 £	1997 £
Trade debtors	29,112	28,008
Amounts owed by group undertakings	95,136	56,690
VAT recoverable	45,056	48,656
Other debtors	-	98
Prepayments and accrued income	1,152	1,001
	<u>170,456</u>	<u>134,453</u>

### 11. CREDITORS: Amounts falling due within one year

	1998 £	1997 £
Trade creditors	98,602	183,733
Other creditors including taxation and social security:		
Corporation tax	57,886	34,050
PAYE and social security	<u>20,295</u>	<u>20,322</u>
	78,181	54,372
Accruals and deferred income	<u>28,947</u>	<u>55,335</u>
	<u>205,730</u>	<u>293,440</u>

### 12. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	1998 £	1997 £
Provision brought forward	13,645	-
Increase in provision	<u>3,045</u>	<u>13,645</u>
Provision carried forward	<u>16,690</u>	<u>13,645</u>

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

	1998 £	1997 £
Excess of taxation allowances over depreciation on fixed assets	<u>16,690</u>	<u>13,645</u>

# ORGANIC FARM FOODS (SCOTLAND) LTD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

### 13. GOVERNMENT GRANTS

	1998 £	1997 £
<b>Received and receivable:</b>		
At 1 April 1997	70,000	-
Receivable during year	-	70,000
At 31 March 1998	<u>70,000</u>	<u>70,000</u>
<b>Amortisation:</b>		
At 1 April 1997	14,000	-
Credit to profit and loss account	14,000	14,000
At 31 March 1998	<u>28,000</u>	<u>14,000</u>
Net balance at 31 March 1998	<u>42,000</u>	<u>56,000</u>

### 14. COMMITMENTS UNDER OPERATING LEASES

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 1998 £	1997 £
Operating leases which expire:		
After more than 5 years	<u>25,500</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 £1,627,666 (1997:£915,299) of stock and £262,781 (1997:£274,893) of packaging materials from Organic Farm Foods (Wales) Limited. In addition the company paid £36,000 (1997:£36,000) to Organic Farm Foods (Wales) Limited by way of a management charge. Both companies are related by way of common control of the directors.

Organic Farm Foods (Wales) Limited owed Organic Farm Foods (Scotland) Limited £95,136 at 31 March 1998 (1997:£56,690).

### 16. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

# ORGANIC FARM FOODS (SCOTLAND) LTD

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 1998

### 16. SHARE CAPITAL *(continued)*

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	<u>100</u>	<u>100</u>

### 17. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Balance brought forward	162,223	37,683
Retained profit for the financial year	<u>140,167</u>	<u>124,540</u>
Balance carried forward	<u>302,390</u>	<u>162,223</u>

### 18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	140,167	124,540
Opening shareholders' equity funds	<u>162,323</u>	<u>37,783</u>
Closing shareholders' equity funds	<u>302,490</u>	<u>162,323</u>

### 19. ULTIMATE PARENT COMPANY

The company is a 100% owned subsidiary of Organic Farm Foods (Wales) Limited.