

ORGANIC FARM FOODS (SCOTLAND) LTD
FINANCIAL STATEMENTS
FOR
31 MARCH 2002

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 2002

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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 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 March 2002.

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 of continued 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 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 financial statements of the parent company.

		Number of Shares	
		2002	2001
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 pages 8 to 9, 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.

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).

ORGANIC FARM FOODS (SCOTLAND) LTD

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2002

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 31 July 2002

ORGANIC FARM FOODS (SCOTLAND) LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2002

We have audited the financial statements on pages 6 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

BASIS OF AUDIT 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 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.


ORGANIC FARM FOODS (SCOTLAND) LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(CONTINUED)*

YEAR ENDED 31 MARCH 2002

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 2002 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



CHARLES BURROWS & CO

Chartered Accountants

& Registered Auditors

7 Palmerston Place

Edinburgh

EH12 5AH

31 July 2002

ORGANIC FARM FOODS (SCOTLAND) LTD

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2002

	Note	2002 £	2001 £
TURNOVER	2	2,811,198	2,831,331
Cost of sales		2,385,745	2,458,145
GROSS PROFIT		425,453	373,186
Distribution costs		93,200	101,618
Administrative expenses		307,354	289,110
Other operating income		(8,000)	(18,000)
OPERATING PROFIT	3	32,899	458
Other interest receivable		879	1,589
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		33,778	2,047
Tax on profit on ordinary activities	6	(3,736)	(3,474)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		37,514	5,521
Dividends	7	—	400,000
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		37,514	(394,479)

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 8 to 15 form part of these financial statements.

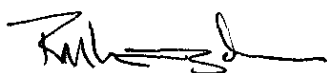
ORGANIC FARM FOODS (SCOTLAND) LTD

BALANCE SHEET

YEAR ENDED 31 MARCH 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	8	204,947	273,994
CURRENT ASSETS			
Stocks	9	58,981	67,165
Debtors	10	237,971	150,130
Cash at bank and in hand		17,202	2,543
		<u>314,154</u>	<u>219,838</u>
CREDITORS: Amounts falling due within one year	11	<u>140,473</u>	<u>128,640</u>
NET CURRENT ASSETS		173,681	91,198
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>378,628</u>	<u>365,192</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	12	15,397	31,475
Government grants	13	—	8,000
		<u>363,231</u>	<u>325,717</u>
CAPITAL AND RESERVES			
Called-up equity share capital	16	100	100
Profit and Loss Account	17	363,131	325,617
SHAREHOLDERS' FUNDS	18	<u>363,231</u>	<u>325,717</u>

These financial statements were approved by the directors on the 31 July 2002 and are signed on their behalf by:



R M KINGDON



P SEGGER

The notes on pages 8 to 15 form part of these financial statements.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

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.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account so as to spread the cost of the pensions over the employees' working lives with the company. All contributions were paid during the year.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

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 principal activity of the company.

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Amortisation of government grants	(8,000)	(18,000)
Depreciation	70,971	81,500
Auditors' remuneration		
- as auditors	<u>1,500</u>	<u>1,500</u>

4. PARTICULARS OF EMPLOYEES

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

	2002	2001
	No.	No.
Number of production staff	38	37
Number of office and management staff	4	4
	<u>42</u>	<u>41</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	409,563	391,811
Social security costs	29,666	30,944
Other pension costs	17,020	18,941
	<u>456,249</u>	<u>441,696</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

5. DIRECTORS' EMOLUMENTS

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

	2002 £	2001 £
Emoluments receivable	<u>50,808</u>	<u>50,000</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation

	2002 £	2001 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 20% (2001 - 20%)	12,342	1,299
Corporation tax	<u>-</u>	<u>212</u>
Total current tax	12,342	1,511
Decrease in deferred tax provision		
Capital allowances	<u>(16,078)</u>	<u>(4,985)</u>
Total deferred tax (note 12)	(16,078)	(4,985)
Tax on loss on ordinary activities	<u>(3,736)</u>	<u>(3,474)</u>

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 20% (2001 - 20%).

Profit on ordinary activities before taxation

	<u>33,778</u>	<u>2,047</u>
Profit/(loss) on ordinary activities by rate of tax	6,756	409
Depreciation for year in excess of capital allowances	5,586	1,314
Adjustments to tax charge in respect of previous periods	<u>-</u>	<u>(212)</u>
Total current tax	<u>12,342</u>	<u>1,511</u>

7. DIVIDENDS

No dividend has been recommended for the year ended 31 March 2002.

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

8. TANGIBLE FIXED ASSETS

	Plant & Machinery £	Fixtures & Fittings £	Total £
COST			
At 1 April 2001	530,154	179,780	709,934
Additions	—	1,924	1,924
At 31 March 2002	<u>530,154</u>	<u>181,704</u>	<u>711,858</u>
DEPRECIATION			
At 1 April 2001	352,766	83,174	435,940
Charge for the year	38,433	32,538	70,971
At 31 March 2002	<u>391,199</u>	<u>115,712</u>	<u>506,911</u>
NET BOOK VALUE			
At 31 March 2002	<u>138,955</u>	<u>65,992</u>	<u>204,947</u>
At 31 March 2001	<u>177,388</u>	<u>96,606</u>	<u>273,994</u>

9. STOCKS

	2002 £	2001 £
Finished goods	14,478	22,699
Stock of packaging	<u>44,503</u>	<u>44,466</u>
	<u>58,981</u>	<u>67,165</u>

10. DEBTORS

	2002 £	2001 £
Trade debtors	31,175	30,575
Amounts owed by group undertakings	164,745	90,365
VAT recoverable	34,595	29,092
Prepayments and accrued income	7,456	98
	<u>237,971</u>	<u>150,130</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

11. CREDITORS: Amounts falling due within one year

	2002 £	2001 £
Trade creditors	112,775	116,998
Other creditors including taxation and social security:		
Corporation tax	12,342	1,299
PAYE and social security	6,527	5,796
	<u>18,869</u>	<u>7,095</u>
Accruals and deferred income	8,829	4,547
	<u>140,473</u>	<u>128,640</u>

12. DEFERRED TAXATION

	2002 £	2001 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	31,475	36,460
Profit and Loss Account movement arising during the year	(16,078)	(4,985)
Provision carried forward	<u>15,397</u>	<u>31,475</u>

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

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	15,397	31,475
	<u>15,397</u>	<u>31,475</u>

13. GOVERNMENT GRANTS

	2002 £	2001 £
Received and receivable:		
At 1 April 2001	90,000	90,000
At 31 March 2002	<u>90,000</u>	<u>90,000</u>
Amortisation:		
At 1 April 2001	82,000	64,000
Credit to profit and loss account	8,000	18,000
At 31 March 2002	<u>90,000</u>	<u>82,000</u>
Net balance at 31 March 2002	<u>-</u>	<u>8,000</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

14. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 2 to 5 years	—	51,900
After more than 5 years	43,640	—
	<u>43,640</u>	<u>51,900</u>

15. RELATED PARTY TRANSACTIONS

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

During the year the company purchased £606,944 (2001:£959,348) of stock and £263,985 (2001:£243,853) of packaging materials from Organic Farm Foods (Wales) Limited. In addition the company has paid £36,000 (2001:£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 £164,745 at 31 March 2002 (2001:£90,365). The company is under the ultimate control of the directors of Organic Farm Foods (Wales) Ltd.

16. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	<u>100</u>	<u>100</u>

17. PROFIT AND LOSS ACCOUNT

	2002	2001
	£	£
Balance brought forward	325,617	720,096
Retained profit/(accumulated loss) for the financial year	<u>37,514</u>	<u>(394,479)</u>
Balance carried forward	<u>363,131</u>	<u>325,617</u>

ORGANIC FARM FOODS (SCOTLAND) LTD

NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2002

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	37,514	5,521
Dividends	—	(400,000)
	<u>37,514</u>	<u>(394,479)</u>
Opening shareholders' equity funds	325,717	720,196
Closing shareholders' equity funds	<u>363,231</u>	<u>325,717</u>

19. 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.