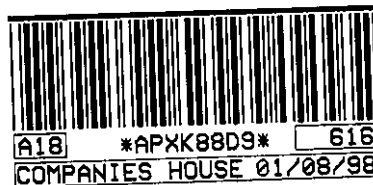


Report and Accounts

Weleda (UK) Limited

31 December 1997



Weleda (UK) Limited

Registered No. 203230

DIRECTORS

D W Frei (Chairman)
R Ballard
R Evans
D Parker
R Kral
I Wiggle

SECRETARY

D Parker

AUDITORS

Ernst & Young
City Gate
Toll House Hill
Nottingham
NG1 5FY

BANKERS

Midland Bank Plc
Bath Street
Ilkeston
Nottinghamshire

SOLICITORS

Chambers & Hind
Bath Street
Ilkeston
Nottinghamshire

REGISTERED OFFICE

Heanor Road
Ilkeston
Derbyshire

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £164,168 (1996 - profit £272,108). The directors do not recommend a dividend on the ordinary shares. Provision has been made for payment of the preference dividend in the future, when sufficient distributable reserves are available. The profit after provision for the preference dividend is £158,468.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year continued to be the manufacture and distribution of medicinal products and high quality toiletries based on the principles of anthroposophical medicines.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the share capital of the company were as follows:

	<i>At 31 December 1997</i>	<i>At 1 January 1997</i>	<i>At 31 December 1997</i>	<i>At 1 January 1997</i>
		<i>Redeemable preference shares of £1 each</i>		<i>Ordinary shares of £1 each</i>
DW Frei (Chairman)	-	-	60	60
D Parker	500	500	308	308
R Evans	500	500	-	-
R Kral	-	-	-	-
I Wiggle	500	500	-	-
R Ballard	-	-	-	-

D Parker, R Kral and I Wiggle retire by rotation and, being eligible, offer themselves for re-election.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

For and on behalf of the board



Director and Secretary

Date 4th March 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They 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.

REPORT OF THE AUDITORS
to the members of Weleda (UK) Limited

We have audited the accounts on pages 5 to 19, which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Nottingham

Date 5 March 1998

Weleda (UK) Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 1997

	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
TURNOVER	2	3,159,357	3,157,560
Cost of sales		831,540	844,120
		<hr/>	<hr/>
		2,327,817	2,313,440
Administration expenses		2,100,305	2,015,551
		<hr/>	<hr/>
OPERATING PROFIT	3	227,512	297,889
Bank interest receivable		2,974	2,995
Interest payable	6	(40,956)	(28,776)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		189,530	272,108
Tax on profit on ordinary activities	7	(25,362)	-
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		164,168	272,108
Dividends	8	(5,700)	(5,700)
		<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR		158,468	266,408
Accumulated deficit brought forward		(191,385)	(457,793)
		<hr/>	<hr/>
ACCUMULATED DEFICIT CARRIED FORWARD	19	(32,917)	(191,385)
		<hr/>	<hr/>

RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit attributable to shareholders of £164,894 in the year ended 31 December 1997 and the profit of £272,108 in the year ended 31 December 1996.

Weleda (UK) Limited

BALANCE SHEET
as at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	9	935,628	690,933
CURRENT ASSETS			
Stocks	11	484,710	481,432
Debtors	12	511,356	580,701
Cash at bank and in hand	13	182,874	104,411
		1,178,940	1,166,544
CREDITORS: amounts falling due within one year	15	782,286	710,136
NET CURRENT ASSETS		396,654	456,408
TOTAL ASSETS LESS CURRENT LIABILITIES		1,332,282	1,147,341
CREDITORS: amounts falling due after more than one year			
Loans	16	544,773	732,513
Obligations under finance leases and hire purchase contracts	17	-	6,213
PROVISIONS FOR LIABILITIES AND CHARGES	20	19,926	-
		767,583	408,615
CAPITAL AND RESERVES			
Called up share capital	18	795,500	595,000
Capital redemption reserve	19	5,000	5,000
Profit and loss account	19	(32,917)	(191,385)
Shareholders' funds:			
Equity		672,583	313,615
Non-equity		95,000	95,000
		767,583	408,615

R. Baller

Director

Date *4th March 1998*

STATEMENT OF CASH FLOWS
for the year ended 31 December 1997

	<i>Notes</i>	<i>1997</i> £	<i>1996</i> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3	275,673	390,799
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(26,330)	(28,776)
Interest received		1,858	2,995
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(24,472)	(25,781)
TAXATION			
UK corporation tax paid		(726)	-
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(334,962)	(128,995)
Receipts from sale of tangible fixed assets		-	10,500
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(334,962)	(118,495)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(84,487)	246,523
FINANCING			
Issue of ordinary share capital	18	200,500	-
Net movement in short term borrowings		100,521	-
Net movement in long term borrowings		(131,857)	(210,304)
Capital element of finance lease rental payments		(6,214)	(6,214)
NET CASH INFLOW FROM FINANCING		162,950	216,518
INCREASE IN CASH AND CASH EQUIVALENTS	13	78,463	30,005

NOTES TO THE ACCOUNTS
at 31 December 1997

1. ACCOUNTING POLICIES

Accounting standards

The accounts are prepared in accordance with applicable accounting standards.

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset over its expected useful life, as follows:

Freehold land and buildings	-	5% on written down value
Plant and equipment	-	20% on written down value
Motor vehicles	-	25% on written down value
Fixtures and fittings	-	10% on written down value

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value, after making due allowance for obsolete and slow-moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS
at 31 December 1997

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover is attributable to one continuing activity, the manufacture and distribution of medicinal products and high quality toiletries based on the principles of anthroposophical medicines.

An analysis of turnover by geographical market is given below:

	1997 £	1996 £
United Kingdom	2,896,705	2,896,019
Other E C Member States	251,938	237,202
Others	10,714	24,339
	<u>3,159,357</u>	<u>3,157,560</u>

3. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1997 £	1996 £
Auditors' remuneration - in capacity as auditors	14,000	10,500
- for other services	5,850	
Depreciation of owned fixed assets	85,495	78,967
Depreciation on assets held under finance leases and hire purchase contracts	4,772	5,965
Profit on exchange	(55,883)	(110,226)
Operating lease rentals - plant and machinery	25,156	24,489
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS
at 31 December 1997

3. OPERATING PROFIT (continued)

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1997 £	1996 £
Operating profit	227,512	297,889
Depreciation of tangible fixed assets	90,267	84,932
Profit on sale of tangible fixed assets	-	(9,500)
(Increase)/decrease in stocks	(3,278)	92,561
Decrease in operating debtors and prepayments	69,345	2,309
(Decrease) in operating creditors and accruals	(52,290)	(77,392)
Exchange gain on cash, liquid resources and loans	(55,883)	-
	<hr/>	<hr/>
Net cash inflow from operating activities	275,673	390,799
	<hr/>	<hr/>

4. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Emoluments	96,431	144,576
Pension contributions	5,499	16,472
	<hr/>	<hr/>
	101,930	161,048
	<hr/>	<hr/>

There are two directors in defined benefit pension schemes.

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	957,939	1,003,381
Social security costs	64,953	60,734
Other pension costs	48,174	41,596
	<hr/>	<hr/>
	1,071,066	1,105,711
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
at 31 December 1997

5. **STAFF COSTS** (continued)

The average weekly number of employees during the year was as follows:

	1997 No.	1996 No.
Office and Management	19	26
Production and Sales	58	52
	<u>77</u>	<u>78</u>

6. **INTEREST PAYABLE**

	1997 £	1996 £
Interest payable to group undertakings	22,814	23,654
Other loan interest	15,690	2,308
Bank interest	886	1,248
Finance charges payable under finance leases and hire purchase contracts	1,566	1,566
	<u>(40,956)</u>	<u>28,776</u>

7. **TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

		1997 £
Corporation tax on profits for the year		4,710
Underprovided in respect of prior years		726
		<u>5,436</u>
Deferred tax - current year (note 20)	15,513	
- prior year (note 20)	4,413	
	<u></u>	<u>19,926</u>
		<u>25,362</u>

Weleda (UK) Limited

NOTES TO THE ACCOUNTS
at 31 December 1997

8. DIVIDENDS

	1997 £	1996 £
Preference 6% - accrued	5,700	5,700

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Motors vehicles</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Assets under the course of construction</i>	<i>Total</i>
Cost or valuation:						
At 1 January 1996	484,010	3,945	907,091	155,176	-	1,550,222
Additions	12,495	7,950	75,689	8,262	230,566	334,962
Disposals	-	-	-	-	-	-
At 31 December 1997	496,505	11,895	982,780	163,438	230,566	1,885,184
Depreciation:						
At 1 January 1996	69,652	3,227	675,014	111,396	-	859,289
Provided during the year	21,343	2,167	61,553	5,204	-	90,267
Disposals	-	-	-	-	-	-
At 31 December 1997	90,995	5,394	736,567	116,600	-	949,556
Net book value:						
At 31 December 1997	405,510	6,501	246,213	46,838	230,566	935,628
At 1 January 1996	414,358	718	232,077	43,780	-	690,933

The net book value of plant and equipment above includes an amount of £19,088 (1996 - £23,860) in respect of assets held under finance leases and hire purchase contracts.

NOTES TO THE ACCOUNTS
at 31 December 1997

9. **TANGIBLE FIXED ASSETS** (continued)

The historical cost of freehold land and buildings is as follows:

At 1 January 1997	702,147
Additions	12,495
	<hr/>
At 31 December 1997	714,642
	<hr/>
Cumulative depreciation based on cost:	
At 1 January 1997	89,911
	<hr/>
At 31 December 1997	125,643
	<hr/>

The freehold land and buildings were valued at their open market value for existing use on 18 May 1994.

10. **INVESTMENTS**

The company owns 30% of the issued share capital of Weleda (Ireland) Limited, a company incorporated in Ireland. The nominal value of shares held is £3,000. The cost of this investment amounting to £3,000 was fully provided against in 1994.

11. **STOCKS**

	1997 £	1996 £
Raw materials and consumables	181,440	172,198
Work in progress	114,623	97,564
Finished goods and goods for resale	188,647	211,670
	<hr/>	<hr/>
	484,710	481,432
	<hr/>	<hr/>

12. **DEBTORS**

	1997 £	1996 £
Trade debtors	455,274	525,462
Amounts due from group undertakings	8,598	9,910
Prepayments and accrued income	47,484	45,329
	<hr/>	<hr/>
	511,356	580,701
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
at 31 December 1997

13. ANALYSIS OF NET DEBT

	<i>Opening</i> £	<i>Cash Flow</i> £	<i>Exchange</i> <i>Movement</i> £	<i>Closing</i> £
Cash	104,411	78,463	-	182,874
(Short term loans)	(402,690)	(100,521)	-	(503,211)
(Finance lease obligations)	(12,428)	6,214	-	(6,214)
(Long term loans)	(732,513)	131,857	55,883	(544,773)
(Debentures/loanstock)	-	-	-	-
Total	<u>(1,043,220)</u>	<u>116,013</u>	<u>55,883</u>	<u>(871,324)</u>

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£
Increase in cash in the period	78,463
Cash outflow from decrease in debt and lease financing	37,550
	<u>116,013</u>
Change in net debt arising from cash flows	55,883
Exchange movement	<u>171,896</u>
Movement in net debt in the period	(1,043,220)
Net debt at 1 January 1996	<u>(871,324)</u>
Net debt at 31 December 1996	<u>(871,324)</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

15. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Amounts due to group undertakings	492,211	385,790
Obligations under finance leases and hire purchase contracts (note 17)	6,214	6,214
Trade creditors	132,308	88,677
Corporation tax payable	4,710	-
Other taxes and social security costs	55,280	104,123
Other creditors	20,607	6,447
Accruals	40,420	87,033
Loan from Camphill Social Fund	6,000	6,000
Loan from Mercury Provident Pension Scheme	5,000	6,000
Loan from Triodos Bank	-	4,900
Arrears of preference dividend	19,536	14,952
	<u>782,286</u>	<u>710,136</u>

The bank overdraft is secured by a fixed charge over the book debts and a floating charge over all other assets of the company. There is a legal mortgage over the factory premises at Heanor Road, Ilkeston and a legal charge over 37 Heanor Road, Ilkeston, Derbyshire.

The preference dividend relates to four years arrears at 31 December 1997.

16. LOANS

	1997 £	1996 £
Wholly repayable within five years:		
Intercompany loans	300,000	300,000
Camphill Social Fund	12,000	18,000
Mercury Provident Pension Scheme	5,000	11,000
Triodos bank	-	4,900
Not wholly repayable within five years:		
Intercompany Swiss Franc loan at 5% per annum, repayable in annual instalments of SFr 103,261 commencing December 1997	262,527	333,099
Intercompany sterling loan at 5% per annum payable in annual instalments of £10,000 commencing December 1996	130,000	150,000
	<u>709,527</u>	<u>816,999</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

16. LOANS (continued)

	1997 £	1996 £
Amounts repayable by instalments:		
Within 5 years	585,770	621,828
After 5 years	123,757	195,171
	<u>709,527</u>	<u>816,999</u>
Amounts repayable other than by instalments	-	-
	<u>709,527</u>	<u>816,999</u>
Included in creditors: amounts falling due within one year	164,754	84,486
	<u>544,773</u>	<u>732,513</u>

The loans from Camphill Social Fund, Mercury Provident Pension Scheme and Triodos Bank are secured by legal charges on the Heanor Road property.

17. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £	1996 £
Amounts payable:		
Within one year	7,780	7,780
In two to five years	-	7,780
	<u>7,780</u>	<u>15,560</u>
Less: finance charges allocated to future periods	1,566	3,133
	<u>6,214</u>	<u>12,427</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 15)	6,214	6,214
Non-current obligations	-	6,213
	<u>6,214</u>	<u>12,427</u>

NOTES TO THE ACCOUNTS
at 31 December 1997

18. SHARE CAPITAL

	1997 £	Authorised 1996 £
Ordinary shares of £1 each	1,400,000	500,000
6% redeemable cumulative preference shares of £1 each	100,000	100,000
	<u>1,500,000</u>	<u>600,000</u>
		<i>Allotted, called up and fully paid</i>
	1997 £	1996 £
Ordinary shares of £1 each	700,500	500,000
6% redeemable cumulative preference shares of £1 each	95,000	95,000
	<u>795,500</u>	<u>595,000</u>

During the year the authorised share capital was increased by £900,000 by the creation of 900,000 ordinary shares of £1 each. Shares were allotted and fully paid as follows:

On 17 December 1997 200,500 ordinary £1 shares were issued fully paid at par to the parent company, Weleda AG to help finance a new building.

Rights of non-equity shares

6% redeemable cumulative preference shares of £1 each

- i) entitle holders, in priority to the ordinary shareholders, to a fixed cumulative preference dividend payable annually in arrears;
- ii) on a return of capital on a winding up, carry the right to repayment of capital in priority to the rights of the ordinary shareholders;
- iii) are redeemable at the company's option at par;
- iv) carry the right to vote at a general meeting of the company only if payment of any dividend on the redeemable cumulative preference shares is more than six months in arrears or if the business of the meeting includes a resolution to vary the rights attaching to the preference shares.

NOTES TO THE ACCOUNTS
at 31 December 1997

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 1996	595,000	5,000	(457,793)	142,207
Profit for the year	-	-	272,108	272,108
Preference dividend	-	-	(5,700)	(5,700)
At 31 December 1996	595,000	5,000	(191,385)	408,615
Profit for the year	-	-	164,168	164,894
Issue of share Capital	200,500	-	-	200,500
Preference dividend	-	-	(5,700)	(5,700)
At 31 December 1997	795,500	5,000	(32,917)	767,583

20. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:

	1997 £	Provided 1996 £	1997 £	Not provided/ (asset) 1996 £
Capital allowances in advance of depreciation	29,940	21,963	-	-
Other timing differences	(10,014)	(15,353)	-	-
	19,926	6,610	-	-
Less: losses carried forward	-	(6,610)	-	(45,407)
	19,926	-	-	(45,407)

21. CAPITAL COMMITMENTS

	1997 £	1996 £
Contracted	99,500	7,590

NOTES TO THE ACCOUNTS
at 31 December 1997

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

23. OTHER FINANCIAL COMMITMENTS

At 31 December 1997 the company had annual commitments under non-cancellable operating leases in respect of plant and machinery as set out below:

	1997 £	1996 £
Operating leases which expire:		
within one year	15,497	11,098
within two to five years	9,260	4,441
	<hr/>	<hr/>
	24,757	15,539
	<hr/>	<hr/>

24. CONTINGENT LIABILITY

The company has indemnified its bankers for the sum of up to £6,050 in respect of VAT and duty deferment bonds.

25. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the Weleda AG group or investees of the group.

26. ULTIMATE HOLDING COMPANY AND LARGEST AND SMALLEST GROUPS

The ultimate parent undertaking is Weleda AG, a company incorporated in Switzerland.

The parent undertaking of the only group of undertakings for which group accounts are drawn up and of which the company is a member is Weleda AG. Copies of Weleda AG's accounts can be obtained from CH-4144 Arlesheim, Switzerland.