SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
July 1, 1998

THE HAIN FOOD GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	0-22818	22-3240619
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

50 Charles Lindbergh Boulevard Uniondale, New York	11553
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (516) 237-6200

Item 7. Financial Statements and Exhibits.

The Hain Food Group, Inc. (the "Company") hereby amends its Current Report on Form 8-K dated July 1, 1998 (filed with the Securities and Exchange Commission on July 14, 1998) to provide the financial statements of businesses acquired and the pro forma financial information omitted from that report pursuant to Item 7 of Form 8-K.

(a) Financial statements of business acquired.

(i) The financial statements of (a) AMI Operating Inc. ("AOI") for each of the years in the three year period ended July 31, 1997, (b) of Dana Alexander Inc. ("Terra") for each of the years in the two year period ended December 31, 1996 and for the period from January 1, 1997 to July 31, 1997 and (c) of Garden of Eatin' ("GOE") for the period from January 1, 1997 through December 23, 1997, (ii) the related reports of independent accountants and (iii) the unaudited financial statements (a) of AOI for the nine months ended April 30, 1998 and April 30, 1997, (b) of Terra for the nine months ended April 30, 1998 and April 30, 1997 and (c) of GOE for the period from December 24, 1997 to March 31, 1998 and the three months ended March 31, 1997 are included in pages F-3 through F-62.

(b) Pro forma financial information.

The unaudited pro forma condensed combined balance sheet of the Company as of March 31, 1998, the unaudited pro forma condensed statements of income for the year ended June 30, 1997 and the nine months ended March 31, 1998 and the unaudited Combined Condensed Balance Sheet of the Acquired Companies and the unaudited Historical Combining Statements of Income of the Acquired Companies for the fiscal year ended July 31, 1997 are included in pages F-63 through F-70.

(c) Exhibits.

(2.1) Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Arrowhead Mills, Inc. dated April 24, 1998. (Incorporated by reference to Annex A to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(2.2) Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Garden of Eatin', Inc. dated April 24, 1998. (Incorporated by reference to Annex B to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(2.3) First Amendment to Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Arrowhead Mills, Inc. dated June 25, 1998. (Incorporated by reference to Exhibit 2.6 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(2.4) First Amendment to Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Garden of Eatin', Inc. dated June 25, 1998. (Incorporated by reference to Exhibit 2.5 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(2.5) Voting Agreement and Irrevocable Proxy between The Hain Food Group, Inc. and Alexander Dzieduszycki, The George Dana Sinkler, Jr. Revocable Living Trust and TSG2 L.P. dated April 24, 1998 (Incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(2.6) Voting Agreement and Irrevocable Proxy between The Hain Food Group, Inc. and TSG2 L.P. and Al H. Jacobson dated April 24, 1998 (Incorporated by reference to Exhibit 2.4 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).

(23.1) Consent of McGinty & Associates, Independent Auditors.

(23.2) Consent of Katz & Bloom, LLC, Independent Auditors.

(23.3) Consent of McGladrey & Pullen, LLP, Independent Auditors.

*(99.1) Press release of the Company dated July 1, 1998.

*Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

THE HAIN FOOD GROUP, INC.

Dated: July 23, 1998

By: /s/ Jack Kaufman

Jack Kaufman
Chief Financial Officer

INDEX TO FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS OF AMI OPERATING, INC. FOR THE FISCAL YEAR ENDED JULY 31, 1997 (AUDITED) AND THE NINE MONTHS ENDED APRIL 30, 1998 AND 1997 (UNAUDITED)

FINANCIAL STATEMENTS OF AMI OPERATING, INC. FOR THE FISCAL YEARS ENDED JULY 31, 1996 AND 1995(AUDITED)

FINANCIAL STATEMENTS OF DANA ALEXANDER, INC. AS OF JULY 31, 1997 AND FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH JULY 31, 1997 (AUDITED) AND THE NINE MONTHS ENDED APRIL 30, 1998 AND 1997 (UNAUDITED)

FINANCIAL STATEMENTS OF DANA ALEXANDER, INC. FOR THE FISCAL YEARS ENDED DECEMBER 31, 1996 AND 1995 (AUDITED)

FINANCIAL STATEMENTS OF GARDEN OF EATIN', INC. AS OF DECEMBER 23, 1997 (AUDITED) AND FOR THE PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 23, 1997 (UNAUDITED) AND FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995 (UNAUDITED) AND THE PERIOD FROM DECEMBER 24, 1997 THROUGH MARCH 31, 1998 (UNAUDITED) AND THE THREE MONTHS ENDED MARCH 31, 1997 (UNAUDITED)

PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION (UNAUDITED)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
AMI Operating, Inc. and Subsidiaries
Hereford, Texas

We have audited the accompanying consolidated balance sheet of AMI Operating, Inc. and Subsidiaries (collectively, "Arrowhead") as of July 31, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of Arrowhead's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMI Operating, Inc. and Subsidiaries as of July 31, 1997 and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

McGladrey & Pullen, LLP

Anaheim, California
May 27, 1998

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	JULY 31, 1997	APRIL 30, 1998
		(UNAUDITED)
ASSETS (Note 5)		
Current Assets		
Cash	$ --	$ 69,000
Accounts receivable, net of allowance for doubtful accounts 1997 $256,000; 1998 $338,000(Notes 2 and 6)	2,245,000	2,026,000
Other receivables	223,000	12,000
Inventories (Notes 3 and 6)	4,759,000	4,187,000
Prepaid expenses	98,000	203,000
Deferred taxes (Note 8)	290,000	290,000
Total current assets	7,615,000	6,787,000
Property, Plant and Equipment, net (Notes 4 and 6)	3,855,000	3,731,000
Package Design Costs, net of accumulated amortization 1997 $590,000; 1998 $837,000	865,000	746,000
Other Assets	44,000	44,000
	$ 12,379,000	$ 11,308,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Checks in excess of bank balance	$ 258,000	$ --
Note payable (Note 5)	2,000,000	--
Current maturities of long-term debt (Note 6)	418,000	--
Accounts payable	1,186,000	1,334,000
Accrued expenses	510,000	727,000
Income taxes payable	450,000	175,000
Total current liabilities	4,822,000	2,236,000
Long-Term Debt, less current maturities, 1998 amount payable to stockholder (Note 6)	1,399,000	3,018,000
Deferred Taxes (Note 8)	415,000	415,000
Commitments and Contingencies (Notes 3, 7 and 9)		
Stockholders' Equity (Note 10)		
Preferred stock, par value $.01 per share; authorized 2,000,000 shares; issued and outstanding none	--	--
Common stock, par value $1.00 per share; authorized 10,000,000 shares; issued and outstanding 1,000 shares	1,000	1,000
Additional paid-in capital	2,376,000	2,376,000
Retained earnings	3,366,000	3,262,000
	5,743,000	5,639,000
	$ 12,379,000	$ 11,308,000

See Notes to Consolidated Financial Statements.

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	JULY 31, 1997	NINE MONTHS ENDED APRIL 30, 1997 (UNAUDITED)	NINE MONTHS ENDED APRIL 30, 1998 (UNAUDITED)
Net Sales (Note 2)	$ 25,977,000	$ 19,646,000	$ 21,201,000
Cost of Sales	19,436,000	14,628,000	15,500,000
Gross profit	6,541,000	5,018,000	5,701,000
Management Fee to Stockholder	240,000	180,000	180,000
Selling, General and Administrative Expenses	4,547,000	3,076,000	3,489,000
Operating income	1,754,000	1,762,000	2,032,000
Interest Expense	394,000	280,000	256,000
Income before income taxes	1,360,000	1,482,000	1,776,000
Provision for Income Taxes (Note 8)	570,000	622,000	746,000
Net income	$ 790,000	$ 860,000	1,030,000
Basic and diluted earnings per share	$ 790	$ 860	$ 1,030
Weighted average number of common shares outstanding	1,000	1,000	1,000

See Notes to Consolidated Financial Statements.

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance, July 31, 1996	$ 1,000	$ 2,094,000	$ 2,576,000	$ 4,671,000
Shares of parent company common stock issued as payment of accounts payable	--	105,000	--	105,000
Shares of parent company common stock for services	--	177,000	--	177,000
Net income	--	--	790,000	790,000
Balance, July 31, 1997	1,000	2,376,000	3,366,000	5,743,000
Dividends on common stock $1,134/share (unaudited)	--	--	(1,134,000)	(1,134,000)
Net income (unaudited)	--	--	1,030,000	1,030,000
Balance, April 30, 1998 (unaudited)	$ 1,000	$ 2,376,000	$ 3,262,000	$ 5,639.000

See Notes to Consolidated Financial Statements.

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

	JULY 31, 1997	NINE MONTHS ENDED APRIL 30, 1997	NINE MONTHS ENDED APRIL 30, 1998
		(UNAUDITED)	(UNAUDITED)
Cash Flows from Operating Activities			
Cash received from customers	$24,916,000	$ 18,436,000	$ 21,631,000
Income tax refunds received	50,000	23,000	--
Cash paid to suppliers and employees	(23,590,000)	(17,469,000)	(17,730,000)
Interest paid	(410,000)	(299,000)	(196,000)
Income taxes paid	(103,000)		(1,021,000)
Net cash provided by operating activities	863,000	691,000	2,684,000
Cash Flows from Investing Activities			
Proceeds from sale of equipment	35,000	7,000	--
Purchase of property, plant and equipment	(566,000)	(386,000)	(295,000)
Capitalized package design costs	(163,000)	(140,000)	(128,000)
Net cash (used in) investing activities	(694,000)	(519,000)	(423,000)
Cash Flows from Financing Activities			
Decrease in checks in excess of bank balance	(167,000)	(386,000)	(258,000)
Net payments on revolving credit agreement	(306,000)	(300,000)	(2,000,000)
Proceeds from long-term borrowings	1,229,000	800,000	3,232,000
Principal payments on long-term borrowings	(950,000)	(311,000)	(2,032,000)
Cash dividends paid	--	--	(1,134,000)
Net cash (used in) financing activities	(194,000)	(197,000)	(2,192,000)
Net increase (decrease) in cash	(25,000)	(25,000)	69,000
Cash			
Beginning of period	25,000	25,000	--
End of period	$ --	$ --	$ 69,000
Reconciliation of Net Income to Net Cash Provided by Operating Activities			
Net income	$ 790,000	$ 860,000	$ 1,030,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	531,000	386,000	419,000
Amortization	273,000	201,000	247,000
Gain on sale of equipment	(27,000)	(2,000)	--
Bad debts	58,000	42,000	59,000
Common stock issued for services	177,000	--	--
Deferred taxes	(72,000)	(38,000)	--
Change in assets and liabilities:			
(Increase) decrease in:			
Receivables	(1,199,000)	(1,252,000)	371,000
Inventories	(128,000)	10,000	572,000
Prepaid expenses	(11,000)	(93,000)	(106,000)
Increase (decrease) in:			
Accounts payable and accrued expenses	(89,000)	(60,000)	367,000
Income taxes payable	560,000	637,000	(275,000)
Net cash provided by operating activities	$ 863,000	$ 691,000	$ 2,684,000
Supplemental Schedule of Noncash Investing and Financing Activities			
Parent company common stock issued as payment for accounts payable	$ 105,000	$ --	$ --
Offset of note receivable against related note payable	$ 168,000	$ 168,000	$ --

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION RELATING TO THE INTERIM PERIODS APRIL 30, 1998 AND 1997 IS UNAUDITED

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

AMI Operating, Inc. ("Arrowhead"), formally known as Arrowhead Mills, Inc., manufactures and distributes organic foods and pastas throughout the United States on credit terms that Arrowhead establishes for individual customers. The Arrowhead's customers are primarily wholesale distributors. Arrowhead's customers take certain unauthorized credits upon payment. Arrowhead rebills the customer for the amount of the credit. The allowance for doubtful accounts at July 31, 1997 includes a specific allowance for these items of approximately $187,000. At July 31, 1997, these receivables totaled approximately $280,000. Arrowhead operates under compliance with specific sections of the Food, Drug and Cosmetic Act of 1938 and the Good Manufacturing Practices Act of 1967 and subsequent revisions.

On November 17, 1997, Arrowhead's stockholders exchanged all of their stock in Arrowhead with a newly formed holding company which is using the name Arrowhead Mills, Inc. All stock and earnings per share information is presented as if this transaction occurred at the beginning of the earliest period presented.

UNAUDITED INTERIM FINANCIAL INFORMATION:

The unaudited interim financial information presented herein as of April 30, 1998 and for the periods ended April 30, 1997 and 1998 reflects all adjustments which are, in the opinion of management, necessary for a fair presentation for the periods presented. Such adjustments are of a normal recurring nature. The financial information is not intended to be a complete presentation in accordance with generally accepted accounting principles. Interim financial results are not necessarily indicative of the results Arrowhead will incur during its fiscal year.

A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES IS AS FOLLOWS:

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include accounts of AMI Operating, Inc. and its wholly-owned subsidiaries, DNF Acquisition Company, Deboles Nutritional Foods, Inc. and Deaf Smith Farms, Inc., collectively referred to as Arrowhead. All significant intercompany balances have been eliminated in consolidation.

CASH CONCENTRATION:

At July 31, 1997, Arrowhead had approximately $292,000 on deposit in a single financial institution. Deposits in excess of $100,000 are not insured by the FDIC.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
INVENTORIES:

Inventories are stated at the lower of cost (first-in, first-out method) or market.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives as follows:

	YEARS
Buildings and improvements	15-40
Machinery and equipment	5-20
Office furniture	5-10
Vehicles	3-5

PACKAGE DESIGN COSTS:

Arrowhead capitalizes costs incurred for the design of its packaging. These costs are amortized over the estimated life of the packaging of five years.

LONG-LIVED ASSETS:

Arrowhead evaluates long-lived assets for impairment under Financial Accounting Standards Board (FASB) Statement No. 121, "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF". Under those rules, long-term and intangible assets are evaluated for possible impairment when events or circumstances indicate the carrying amount of those assets may not be recoverable. Recoverability is assessed based on the gross undiscounted estimated future cash flows before interest charges. If an impairment is indicated, the amount would be determined by comparing the estimated fair value to the carrying value of the asset being evaluated. In the absence of quoted market prices, fair value is estimated by using the projected cash flows discounted at a rate commensurate with the risks involved.

ADVERTISING:

Arrowhead expenses the production costs of advertising the first time the advertising takes place. Advertising expense was approximately $150,000 during the year ended July 31, 1997. There is no prepaid advertising as of July 31, 1997.

INCOME TAXES:

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
EARNINGS PER SHARE:

Earnings per share are computed for all periods presented in accordance with FASB Statement No. 128, "Earnings Per Share," using the weighted average number of common shares outstanding during the respective periods.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

In 1997, Arrowhead adopted FASB Statement No. 107, "DISCLOSURES ABOUT FAIR VALUES OF FINANCIAL INSTRUMENTS". The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH AND CASH EQUIVALENTS: The carrying amount approximates fair value because of the short maturity of those instruments.

NOTES PAYABLE AND LONG-TERM DEBT: The carrying amount approximates fair value because the interest rate fluctuates with the lending banks' prime rate.

NOTE 2. MAJOR CUSTOMERS

Arrowhead had net sales to two customers in fiscal year 1997 that individually accounted for more than 10% of Arrowhead's net sales. Net sales to these customers were approximately $2,801,000 and $2,659,000 and net trade receivables from these customers were $167,820 and $265,000, respectively. For the nine months ended April 30, 1998 net sales to these customers were $2,340,000 and $2,447,000 and as of April 30, 1998 trade receivables were $157,000 and $297,000 respectively.

NOTE 3. INVENTORIES AND COMMITMENTS

	JULY 31, 1997	APRIL 30, 1998 (UNAUDITED)
Raw materials	$2,419,000	$ 2,072,000
Finished goods	904,000	996,000
Resale products	659,000	567,000
Packaging	777,000	552,000
	$4,759,000	$ 4,187,000

Arrowhead had fixed price commitments as of July 31, 1997 to purchase approximately $850,000 of grains and other commodities through May 1998, to be used in production. Arrowhead has not purchased any futures or option contracts.

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

Land	$ 117,000
Buildings and improvements	2,557,000
Machinery and equipment	4,597,000
Office furniture	85,000
Vehicles	579,000
Construction in progress	37,000
	7,972,000
Less accumulated depreciation	4,117,000
	$3,855,000

NOTE 5. NOTE PAYABLE

At July 31, 1997, Arrowhead had a $2,000,000 revolving line of credit with a bank. The line was collateralized by substantially all of the assets of Arrowhead. The agreement bore interest at prime rate (8.5% at July 31, 1997) plus 1% and matured in February 1998. The agreement was personally guaranteed by a stockholder/officer of Arrowhead and contained nonfinancial covenants. Total borrowings on the revolving line of credit were $2,000,000 as of July 31, 1997.

NOTE 6. LONG-TERM DEBT

Long-term debt at July 31, 1997 consists of the following:

Note payable to bank, secured by deed of trust and equipment, payable in monthly installments of $21,000, including interest at prime rate plus .5%, through November 2000. The note contains a financial covenant on cash flow coverage	$ 711,000
Note payable to bank, secured by accounts receivable and inventory, payable in monthly installments of $17,000, including interest at prime rate plus 1% through August 2001	687,000
Note payable to bank, secured by certain equipment, payable in monthly installments of $9,000, including interest at prime rate plus 1% through April 2002	411,000
Various others	8,000
	1,817,000
Less current maturities	418,000
	$1,399,000

The aggregate amount of long-term debt maturing in future years are as follows: 1998 $418,000; 1999 $453,000; 2000 $494,000; 2001 $363,000; and 2002 $89,000.

NOTE 6. LONG-TERM DEBT (CONTINUED)
UNAUDITED INTERIM INFORMATION:

On November 17, 1997, Arrowhead's parent borrowed $21,000,000 and repaid all of Arrowhead's notes payable and long-term debt totaling $3,232,000. Arrowhead has recorded a payable to its parent as long-term debt.

NOTE 7. EMPLOYEE BENEFIT PLAN

Arrowhead has a qualified 401(k) employee benefit plan for substantially all employees who have met the minimum age and service requirements. Each participant is able to defer a maximum of 15% of their annual compensation or $10,000, whichever is less, subject to any restrictions imposed by ERISA requirements. Arrowhead contributes an amount equal to 50% of each employee's contribution up to the first 5% of the employee's weekly compensation. Additionally, Arrowhead may make discretionary contributions. During fiscal year 1997, Arrowhead did not make any discretionary contributions. Arrowhead's total matching contributions to the Plan for fiscal year 1997 were approximately $33,000.

NOTE 8. INCOME TAXES

The provision for income taxes consist of the following:

Current	$ 642,000
Deferred	(72,000)
	$ 570,000

A reconciliation of income tax expense to the amount computed by applying statutory income tax rates to earnings before income taxes:

Federal income tax	$ 476,000
State income tax, net of federal benefit	82,000
Nondeductible expenses	9,000
Other	3,000
	$ 570,000

Significant components of Arrowhead's deferred tax assets and liabilities as of July 31, 1997 are as follows:

Deferred Tax Assets	
Allowance for doubtful accounts	$ 102,000
Compensation	150,000
Inventory	38,000
Total deferred tax assets	290,000
Deferred Tax Liabilities	
property, plant and equipment	(415,000)
	$(125,000)

NOTE 8. INCOME TAXES (CONTINUED)

The components giving rise to the net deferred tax assets (liabilities) described above, have been included in the accompanying consolidated balance sheet as of July 31, 1997 as follows:

Current assets	$ 290,000
Noncurrent (liabilities)	(415,000)
	$(125,000)

NOTE 9. CONTINGENCIES

Arrowhead is self-insured for certain workers compensation and medical claims. Arrowhead is insured for claims over $20,000 per employee per year up to $1,000,000 aggregate per employee and $3,000,000 aggregate for Arrowhead.

Arrowhead is in the process of discovery relating to an employee lawsuit. No dollar damages have been claimed. Management believes the outcome of this suit will not have a material effect on the financial statements.

NOTE 10. SUBSEQUENT EVENT (UNAUDITED)

On April 24, 1998, Arrowhead's parent, Arrowhead Mills, Inc. ("AMI"), signed an agreement and plan of merger whereby AMI agreed to exchange 100% of AMI's common stock for a combination of cash and common stock of the Hain Food Group, Inc., a public company. This transaction closed on July 1, 1998. These financial statements do not include any adjustments which may be required as a result of this transaction.

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors
AMI Operating, Inc. and Subsidiaries
Hereford, Texas 79045

We have audited the accompanying consolidated balance sheet of AMI Operating, Inc. and Subsidiaries (collectively, "Arrowhead") as of July 31, 1996, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended July 31, 1996 and 1995. These consolidated financial statements are the responsibility of Arrowhead's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AMI Operating, Inc. and Subsidiaries at July 31, 1996, and the results of their operations and cash flows for the years ended July 31, 1996 and 1995, in conformity with generally accepted accounting principles.

McGinty & Associates, P.C.
October 4, 1996
Except for Note 10, as to
which the date is June 1, 1998

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

JULY 31, 1996

ASSETS

Current assets:	
Cash	$ 25,273
Accounts receivable:	
Trade, net of $243,068 allowance for doubtful accounts--Notes 1 and 7	1,321,549
Income tax refund receivable	139,234
Employees	956
Advances to suppliers	5,235
Note receivable	167,758
Inventories--Notes 1 and 2:	
Resale products	530,858
Finished goods	1,356,383
Raw materials	2,094,493
Packaging	649,241
Prepaid expenses	86,153
Deferred tax asset	13,947
	6,391,080
Property, plant and equipment--Note 1:	
Land	117,679
Buildings	2,496,598
Machinery and equipment	4,224,859
Vehicles	584,692
Furniture	83,838
	7,507,666
Accumulated depreciation	3,725,700
	3,781,966
Construction in progress	45,626
	3,827,592
Other assets:	
Intangibles--Notes 1 and 8	975,677
Other	43,180
	1,018,857
	$11,237,529

See Accompanying "Notes to Consolidated Financial Statements"

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

JULY 31, 1996

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Notes payable--Note 3	$2,430,001
Current maturities of long-term debt	871,968
Trade accounts payable	1,185,134
Bank overdraft	425,183
Other payables and accrued expenses	677,098
Income taxes payable	28,635
	5,618,019
Long-term liabilities:	
Long-term debt, net of current maturities--Note 5	710,003
Deferred income taxes	210,829
Other	27,000
	947,832
	6,565,851
Stockholders' equity:	
Common stock, par value $1.00 per share; authorized 10,000,000 shares; issued and outstanding 1,000 shares	1,000
Additional paid-in capital	2,094,304
Retained earnings	2,576,374
	4,671,678
	$11,237,529

See Accompanying "Notes to Consolidated Financial Statements"

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED JULY 31, 1996 AND 1995

	1996	1995
Net sales	$ 24,628,185	$ 22,425,781
Cost of goods sold	18,322,754	15,843,926
Gross profit	6,305,431	6,581,855
Management fee to stockholder	177,015	85,000
Selling, administrative and general expenses	5,881,937	8,667,793
Income (loss) from operations	246,479	(2,170,938)
Other income (expense):		
Interest income	3,478	9,350
Interest expense	(325,981)	(273,013)
Total other income (expense)	(322,503)	(263,663)
(Loss) before income taxes	(76,024)	(2,434,601)
Income taxes	122,019	409,799
Net loss	$ (198,043)	$ (2,844,400)
Basic and diluted loss per share	$ (198)	$ (2,844)
Weighted average number of common shares outstanding	1,000	1,000

See Accompanying "Notes to Consolidated Financial Statements"

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JULY 31, 1996 AND 1995

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
Balance, July 31, 1994	$ 1,000	$ 2,005,774	$ 5,618,817	$ 7,625,591
Net loss, 1995	--	--	(2,844,400)	(2,844,400)
Balance, July 31, 1995	1,000	2,005,774	2,774,417	4,781,191
Issuable 2,951 shares of parent company common stock for services	--	88,530	--	88,530
Net loss, 1996	--	--	(198,043)	(198,043)
Balance July 31, 1996	$ 1,000	$ 2,094,304	$ 2,576,374	$ 4,671,678

See Accompanying "Notes to Consolidated Financial Statements"

AMI OPERATING, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JULY 31, 1996 AND 1995

	1996	1995
Cash flows from operating activities:		
Cash received from customers	$ 25,075,654	$ 22,416,995
Interest received	3,478	6,790
Income tax refunds received	103,865	--
Cash paid to suppliers and employees	(23,939,858)	(20,994,457)
Interest paid	(360,618)	(283,682)
Income taxes paid	(542,090)	(317,657)
Cash provided by operations	340,431	827,989
Cash flows from investing activities:		
Proceeds from sale of property	870,764	--
Repayment of advances to officer	--	29,955
Purchase of land	(2,950)	(12,500)
Payments for buildings and improvements	(49,269)	(26,080)
Payments to related party for buildings and improvements	(802,264)	--
Purchase of equipment	(626,252)	(591,732)
Payments for trademarks	--	(2,938)
Payments for package design costs	(592,265)	(246,466)
Cash (used for) investing activities	(1,202,236)	(849,761)
Cash flows from financing activities:		
Proceeds from borrowings	3,300,000	400,000
Proceeds from sale of stock	107,886	--
Repayment of borrowings	(2,718,757)	(454,476)
Dividends Paid	--	(244,104)
Cash provided by (used for) financing activities	689,129	(298,580)
Net decrease in cash	(172,676)	(320,352)
Cash, beginning of year	197,949	518,301
Cash, end of year	$ 25,273	$ 197,949

See Accompanying "Notes to Consolidated Financial Statements"

AMI OPERATING, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 1996 AND 1995

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF BUSINESS:

AMI Operating, Inc. ("Arrowhead") formerly known as Arrowhead Mills, Inc., manufactures and distributes organic foods and pastas primarily throughout the United States on credit terms that Arrowhead establishes for individual customers. Arrowhead's customers are primarily wholesale distributors. Arrowhead operates under compliance with specific sections of the Food, Drug and Cosmetic Act of 1938 and the Good Manufacturing Practices Act of 1967 and subsequent revisions.

On November 17, 1997, Arrowhead's stockholders exchanged all of their stock in Arrowhead with a newly formed holding company which is using the name Arrowhead Mills, Inc. All stock and earnings per share information is presented as if this transaction occurred at the beginning of the earliest period presented.

PRINCIPLES OF CONSOLIDATION:

The accompanying consolidated financial statements include the accounts of Arrowhead and all of its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The allowance for doubtful accounts is based on a historical ratio of net account charge-offs to trade accounts receivable outstanding at year end, supplemented by additional allowances based on management's evaluation of open account balances and cash discounts offered at the end of the period.

INVENTORIES:

Inventories are stated at the lower of cost, determined by the first-in, first-out method (FIFO), or market. Obsolete, slow-moving and damaged merchandise is valued at estimated net realizable value.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost. Property additions and improvements are charged to the property accounts while maintenance and repairs, which do not materially improve or prolong assets lives, are charged against earnings. Related costs and accumulated depreciation are removed from their respective accounts upon disposal of properties, and any gain or loss on disposition is credited or charged to earnings.

Arrowhead uses the straight-line methods of depreciation. Estimated useful lives for buildings range from 15 to 40 years, and estimated useful lives for machinery and equipment range from 5 to 20 years.

Contract construction costs are accumulated during periods of construction. These expenditures are depreciated over the estimated useful lives of the assets when the assets are placed in service.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)
DEFERRED INCOME TAXES:

Deferred income taxes are provided on timing differences between financial statement and income tax reporting. A deferred tax asset has also been recognized for the timing differences relating to a non-compete agreement.

NET INCOME PER SHARE:

Net income per share is computed for all periods presented in accordance with FASB Statement No. 128, "Earnings per Share," based on the weighted average number of shares outstanding during the period.

OTHER ASSETS:

Intangibles are carried at cost, net of accumulated amortization. Trademarks and organization costs are amortized using the straight-line method over periods of five to forty years. Package design costs are amortized using the straight-line method over periods of five years.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, Arrowhead considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING:

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when the advertising first takes place. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. The advertising expense for 1996 was $463,533 ($489,829 in 1995). There is no prepaid or capitalized direct-response advertising at July 31, 1996.

NOTE 2. INVENTORIES:

The inventories used in determining cost of sales for the years ended July 31, are as follows:

1995	$4,355,071
1996	4,630,975

NOTE 2. INVENTORIES: (CONTINUED)

An evaluation reserve of $152,948 was charged against inventories at July 31, 1996. This amount results from adjustments to market value relating to bulk grain inventories.

NOTE 3. NOTES PAYABLE:

Notes payable at July 31, 1996 consist of the following:

Revolving notes payable to bank, with a maximum credit limit of $2,500,000, $500,000 due August 1996 with the balance due January 1997 plus interest payable quarterly at 1% above the prime rate which was 9.25% on July 31, 1996,(9.75% in 1995) secured by accounts receivable and inventory....................	$2,300,001
7.0% demand note payable to stockholder, partially secured......	30,000
Note payable to TSG2 L.P., Arrowhead's controlling stockholder, due on demand with interest due monthly at 1.0% above the prime rate which was 9.25% on July 31, 1996, unsecured................	100,000
	$2,430,001

The provisions of the revolving note payable places restrictions on stock repurchases, fixed asset purchases, indebtedness created and dividends.

NOTE 4. PROFIT SHARING PLAN:

Arrowhead adopted a defined contribution profit sharing plan effective August 1, 1984 which covers substantially all employees. The eligibility requirements under the plan are 21 years of age or one year of service. The annual contribution to the plan is discretionary and determined by the board of directors. A contribution has been accrued in the amount of $15,000 for 1996 and $35,000 for 1995.

NOTE 5. LONG-TERM DEBT, NET OF CURRENT MATURITIES:

Long-term debt, net of current maturities at July 31, 1996 consists of the following:

Note payable to bank, payable in monthly installments of $20,983, including interest at 1/2% above prime, which was 8.75% at July 31, 1996, through November 2000, secured by a deed of trust and equipment	$ 889,948
Note payable to former employee, payable in quarterly installments of $4,000 plus interest at 6.8%, through January 1998, unsecured	24,000
13% notes payable to former subsidiary stockholders, interest only payments due quarterly, with principal due April 1997, unsecured	627,002
8% note payable to former subsidiary stockholder, payable in bi-weekly installments of $2,346, including interest, through April 1997, unsecured	41,021
	1,581,971
Less current maturities	871,968
	$ 710,003

Following are maturities of long-term debt for each of the next five years and in the aggregate:

	YEAR ENDED JULY 31,
1997	$ 871,968
1998	196,337
1999	214,223
2000	233,737
2001	65,706
	$ 1,581,971

NOTE 6. TRANSACTIONS WITH RELATED PARTIES AND CONCENTRATION:

Arrowhead paid $255,553 to companies controlled by stockholders or directors for products or services in 1996 ($471,815 in 1995). Arrowhead also incurred $907,264 to a company controlled by a stockholder/director for the construction of a new warehouse in 1996. At July 31, 1996, amounts due these companies included in trade accounts payable were $114,399.

Arrowhead sells a substantial portion of its products to one unrelated customer. During 1996 sales to that customer aggregated $6,192,366 ($5,048,210 in 1995). At July 31, 1996, amounts due from that customer included in trade accounts receivable were $276,375.

NOTE 7. ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The activity in the allowance for doubtful accounts during the year ended July 31, 1996 is summarized as follows:

Balance, beginning of year	$ 123,001
Add: Amounts charged to operations	168,206
	291,207
Less: Charge-offs, net of recoveries:	
Charge-offs	48,227
Recoveries	(88)
Net charge-offs	48,139
Balance, end of year	$ 243,068

NOTE 8. INTANGIBLES:

Intangibles at July 31, 1996 are as follows:

Package design costs	$1,246,884
Trademarks	43,718
Organization Costs	2,000
	1,292,602
Less accumulated amortization	(316,925)
	$ 975,677

Amortization expense for 1996 was $165,893 ($176,007 in 1995).

NOTE 9. SUPPLEMENTAL CASH FLOW INFORMATION:

The following is a reconciliation of net loss to net cash provided by operations:

	1996	1995
Net loss	$ (198,043)	$ (2,844,400)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation	464,836	436,208
Amortization	165,893	176,007
Stock issued for services	88,530	--
Provision for losses on accounts receivable	168,206	42,590
Write-down of goodwill	--	3,647,076
(Gain) Loss on sale of assets	(203,659)	--
Transfers of vehicles as wages	13,386	14,003
Changes in assets and liabilities:		
Decrease (increase) in trade accounts receivable	(115,113)	(9,086)
Decrease (increase) in other receivables	(281,262)	(53,168)
Decrease (increase) in inventories	(275,905)	(1,250,194)
Decrease (increase) in prepaid expenses	20,476	(13,696)
Decrease (increase) in other assets	31,385	--
Increase (decrease) in trade payables and bank overdraft	651,257	288,354
Increase (decrease) in income taxes payable	(158,829)	201,986
Increase (decrease) in other payables and accrued expenses	(159,258)	134,378
Increase (decrease) in retirement plan and bonuses payable	178,059	120,687
Increase (decrease) in deferred taxes payable	(49,528)	(62,756)
Total adjustments	538,474	3,672,389
Net cash provided by operations	$ 340,431	$ 827,989

NOTE 9. SUPPLEMENTAL CASH FLOW INFORMATION: (CONTINUED)

Cash for the year ended July 31, 1996 and 1995 consisted of checking and petty cash accounts in the amount of $25,273 and $197,949, respectively.

NOTE 10. SIGNIFICANT STOCK TRANSACTIONS:

On September 18, 1995 Arrowhead acquired DNF Acquisition Co. in a business combination accounted for in a manner similar to a pooling of interests. DNF Acquisition Co. is the sole stockholder of DeBoles Nutritional Foods, Inc., which manufactures and sells natural pastas. DNF Acquisition Co. became a wholly owned subsidiary of Arrowhead through the exchange of 154,917 shares of Arrowhead's common stock for all of the stock of DNF Acquisition Co. The accompanying financial statements for 1995 have been restated to give effect to the combination. For all periods presented, DNF Acquisition Co. and its wholly owned subsidiary, DeBoles Nutritional Foods, Inc., were under common control with Arrowhead.

On April 24, 1998, Arrowhead's parent Arrowhead Mills, Inc. ("AMI") signed, an agreement and plan of merger whereby AMI agreed to exchange 100% of AMI's common stock for cash and common stock in The Hain Food Group, Inc., a public company.

NOTE 11. INCOME TAXES:

Income tax expense for the years ended July 31, 1996 and 1995 is comprised of the following:

	1996	1995
Current provision--federal	$ 194,892	$ 428,128
Current provision--state	51,651	44,428
Deferred provision--federal	(124,524)	(62,625)
Deferred provision--state	--	(132)
	$ 122,019	$ 409,799

A reconciliation of income tax expense to the amount computed by applying statutory income tax rates to earnings before income taxes for the years ended July 31, 1996 and 1995 is as follows:

	1996	1995
Federal income tax	$ (25,848)	$ (827,764)
State income tax, net of federal benefit	(4,561)	(146,076)
Nondeductible expenses	36,327	1,432,669
Taxable income not recorded on books	155,345	--
Deductions not recorded on books	(35,938)	(14,612)
Other	(3,306)	(34,418)
	$ 122,019	$ 409,799

NOTE 11. INCOME TAXES: (CONTINUED)

Significant components of Arrowhead's deferred tax assets and liabilities as of July 31, 1996 are as follows:

Deferred tax asset-non-compete agreement	$ 13,947
Deferred tax liabilities-property, plant and equipment	(210,829)
	$(196,882)

The components giving rise to the net deferred liability described above, have been included in the accompanying consolidated balance sheet as of July 31, 1996 as follows:

Current assets	$ 13,947
Noncurrent liabilities	(210,829)
	$(196,882)

NOTE 12. GOODWILL WRITE-DOWN:

During the year ended July 31, 1995, management determined that due to a significant decline in sales, the value originally assigned to goodwill relating to a previous acquisition was permanently impaired. This decline resulted mainly from reduced orders from one of Arrowhead's former major customers. Arrowhead believes that the significantly reduced orders from this former customer, as well as increased competition in the market place, has caused this impairment. Accordingly, Arrowhead has charged selling, administrative and general expenses for $3,647,076 for goodwill write-down.

NOTE 13. SUBSIDIARY YEAR END:

The accompanying consolidated financial statements include the accounts of AMI Operating, Inc. and its subsidiaries at July 31, 1996 and for the year then ended. For the year ended July 31, 1995 the subsidiaries' results from operations and cash flows include the period January 1, 1995 through September 17, 1995, which represents the acquisition date as described in Note 10. Intercompany transactions and balances have been eliminated in consolidation.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dana Alexander, Inc.
Brooklyn, New York

We have audited the accompanying balance sheet of Dana Alexander, Inc. ("Terra") as of July 31, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the seven month period from January 1, 1997 through July 31, 1997. These financial statements are the responsibility of Terra's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dana Alexander, Inc. as of July 31, 1997 and the results of its operations and its cash flows for the seven months then ended in conformity with generally accepted accounting principles.

McGladrey & Pullen, LLP

Anaheim, California
May 22, 1998

DANA ALEXANDER, INC.

BALANCE SHEETS

	PRE ACQUISITION JULY 31, 1997	POST ACQUISITION APRIL 30, 1998
		(UNAUDITED)
ASSETS (Note 5)		
Current Assets		
Cash	$ 67,000	$ 70,000
Accounts receivable, net of allowance for doubtful accounts 1997 $57,000; 1998 $77,000 (Note 2)	1,220,000	1,392,000
Other receivables	55,000	40,000
Inventories (Note 3)	711,000	887,000
Prepaid expenses	259,000	285,000
Total current assets	2,312,000	2,674,000
Equipment and Leasehold Improvements, net (Note 4)	873,000	965,000
Package Design Costs, net of accumulated amortization 1997 $38,000; 1998 $74,000 (unaudited)	166,000	130,000
Intangible Assets, net of accumulated amortization 1997 $4,000; 1998 $131,000 (unaudited)	41,000	10,584,000
Debt Issue Costs, net	--	416,000
Other Assets	29,000	47,000
	$ 3,421,000	$ 14,816,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Line of credit (Note 5)	$ 275,000	$ 1,640,000
Current maturities of long-term debt (Note 5)	36,000	645,000
Due to parent company	--	191,000
Trade accounts payable	674,000	767,000
Accrued expenses	500,000	615,000
Income taxes payable	161,000	--
Deferred taxes (Note 6)	20,000	20,000
Total current liabilities	1,666,000	3,878,000
Long-Term Debt, less current maturities (Note 5)	53,000	14,803,000
Commitments and Contingencies (Notes 5 and 7)		
Stockholders' Equity (Deficit) (Note 8)		
Common stock, no par value ; authorized 400 shares; issued and outstanding 218.18 shares	1,000	1,000
Additional paid-in capital	209,000	4,822,000
Excess of consideration paid over consideration received	--	(8,855,000)
Retained earnings, April 30, 1998 since November 17, 1997	1,492,000	167,000
	1,702,000	(3,865,000)
	$ 3,421,000	$ 14,816,000

See Notes to Financial Statements.

DANA ALEXANDER, INC.

STATEMENTS OF INCOME

	PRE ACQUISITION			POST ACQUISITION
	SEVEN MONTHS ENDED JULY 31, 1997	NINE MONTHS ENDED APRIL 30, 1997	PERIOD FROM AUGUST 1, 1997 THROUGH NOVEMBER 17, 1997	PERIOD FROM NOVEMBER 18, 1997 THROUGH APRIL 30, 1998
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Net Sales (Note 2)	$7,765,000	$ 9,331,000	$ 3,937,000	$ 7,288,000
Cost of Sales	4,360,000	5,290,000	2,287,000	4,339,000
GROSS PROFIT	3,405,000	4,041,000	1,650,000	2,949,000
Selling, general and administrative expenses (Note 7)	2,195,000	2,887,000	1,296,000	1,774,000
Amortization of goodwill	--	--	--	125,000
Officer bonuses	70,000	170,000	220,000	--
Management fee to stockholder	105,000	225,000	40,000	--
OPERATING INCOME	1,035,000	759,000	94,000	1,050,000
Interest Expense	30,000	16,000	8,000	630,000
Income before income taxes	1,005,000	743,000	86,000	420,000
Provision for Income Taxes (Note 6)	483,000	344,000	44,000	253,000
NET INCOME	$ 522,000	$ 399,000	$ 42,000	$ 167,000
Earnings per share	$ 2,392.52	$ 1,828.77	$ 192.50	$ 765.42
Weighted-average number of common shares outstanding	218.18	218.18	218.18	218.18

See Notes to Financial Statements.

DANA ALEXANDER, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL (NOTE 8)	EXCESS OF CONSIDERATION PAID OVER CONSIDERATION CONTRIBUTED	RETAINED EARNINGS (NOTE 8)	TOTAL
Pre Acquisition					
Balance, December 31, 1996	$ 1,000	$ 209,000	$ --	$ 970,000	$ 1,180,000
Net income	--	--	--	522,000	522,000
Balance, July 31, 1997	1,000	209,000	--	1,492,000	1,702,000
Net income (unaudited)	--	--	--	42,000	42,000
Balance, November 17 1997 (unaudited)	1,000	209,000	--	1,534,000	1,744,000
Post Acquisition					
Eliminate capital accounts upon acquisition of Terra (unaudited)	--	(210,000)	--	(1,534,000)	(1,744,000)
Paid-in capital recorded upon acquisition of Terra (unaudited)	--	6,580,000	--	--	6,580,000
Contribution of capital (unaudited)	--	323,000	--	--	323,000
Consideration paid (unaudited)	--	(2,080,000)	(8,855,000)	--	(10,935,000)
Net income (unaudited)	--	--	--	167,000	167,000
Balance, April 30, 1998 (unaudited)	$ 1,000	$ 4,822,000	$ (8,855,000)	$ 167,000	$ (3,865,000)

See Notes to Financial Statements.

DANA ALEXANDER, INC.

STATEMENTS OF CASH FLOW

	PRE ACQUISITION			POST ACQUISITION
	PERIOD FROM JANUARY 1, 1997 THROUGH JULY 31,1997	NINE MONTHS ENDED APRIL 30, 1997	PERIOD FROM AUGUST 1, 1997 THROUGH NOVEMBER 17, 1997	PERIOD FROM NOVEMBER 18, 1997 THROUGH APRIL 30, 1998
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Cash Provided by Operating Activities				
Net income	$ 522,000	$ 399,000	$ 42,000	$ 167,000
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	122,000	169,000	98,000	280,000
Allocated expense paid by parent	--	--	--	200,000
Deferred taxes	20,000	--	--	--
Change in assets and liabilities:				
(Increase) decrease in:				
Receivables	(168,000)	(117,000)	(173,000)	38,000
Inventories	(189,000)	(225,000)	(14,000)	(162,000)
Prepaid expenses and other assets	(44,000)	(124,000)	19,000	(80,000)
Increase (decrease) in:				
Accounts payable and accrued expenses	27,000	95,000	311,000	(103,000)
Income taxes payable	(231,000)	(257,000)	83,000	(244,000)
Net cash provided by operating activities	59,000	(60,000)	366,000	96,000
Cash Flows from Investing Activities				
Purchase of equipment	(220,000)	(453,000)	(139,000)	(153,000)
Acquisition of Terra (Note 8)	--	--	--	6,000
Capitalized package design costs	(10,000)	(20,000)	--	--
Net cash (used in) investing activities	(230,000)	(473,000)	(139,000)	(147,000)
Cash Flows from Financing Activities				
Increase (decrease) in checks in excess of bank balance	(17,000)	--	--	--
Net borrowings (payments) on revolving credit agreement	275,000	600,000	(275,000)	--
Payments on long-term borrowings	--	--	(89,000)	--
Principal payments on long-term borrowings	(26,000)	(277,000)	--	--
Change in parent company debt	--	--	76,000	115,000
Net cash provided by (used in) financing activities	232,000	323,000	(288,000)	115,000
Net increase (decrease) in cash	61,000	(210,000)	(61,000)	64,000
Cash				
Beginning of period	6,000	241,000	67,000	6,000
End of period	$ 67,000	$ 31,000	$ 6,000	$ 70,000

See Notes to Financial Statements.

DANA ALEXANDER INC.
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	July 31, 1997	April 30, 1998 (unaudited)
Cash paid during the periods ending		
Interest	$ 30,000	$486,000
Income taxes	$697,000	$257,000

SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES

During the nine month period ended April 30, 1998, Terra's parent company made a $123,000 payment on Terra's long-term debt.

DANA ALEXANDER, INC.

NOTES TO FINANCIAL STATEMENTS

(INFORMATION RELATING TO THE INTERIM ARE UNAUDITED)

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

Terra, a wholly-owned subsidiary of Arrowhead Mills, Inc. ("AMI"), manufactures and distributes specialty potato chips and other vegetable chips to gourmet food shops, wholesale clubs and other distributors throughout the United States on credit terms that Terra establishes for individual customers. Terra operates under compliance with specific sections of the Food, Drug and Cosmetic Act of 1938 and the Good Manufacturing Practices Act of 1967 and subsequent revisions. Terra changed its accounting year end to July 31 to be consistent with its parent company. The July 31, 1997 period is seven months.

UNAUDITED INTERIM FINANCIAL INFORMATION:

The unaudited interim financial information presented herein as of April 30, 1998 and for the periods ended April 30, 1998, April 30, 1997 and November 17, 1997 reflects all adjustments which are, in the opinion of management, necessary for a fair presentation for the periods presented. Such adjustments are of a normal recurring nature. The financial information is not intended to be a complete presentation in accordance with generally accepted accounting principles. Interim financial results are not necessarily indicative of the results Terra will incur during its fiscal year.

BASIS OF PRESENTATION:

AMI acquired 100% of Terra on November 17, 1997. Accordingly, the excess purchase price over book value is recorded on Terra financial statements as of the acquisition date. The accompanying statements of income, stockholders' equity and cash flows for the periods captioned as "Pre Acquisition" represent when Terra was not owned by AMI, while the period captioned as "Post Acquisition" represents Terra after it was acquired by AMI.

A SUMMARY OF TERRA'S SIGNIFICANT ACCOUNTING POLICIES IS AS FOLLOWS:

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH CONCENTRATION:

At July 31, 1997, Terra had approximately $394,000 on deposit in a single financial institution. Deposits in excess of $100,000 are not insured by the FDIC.

INVENTORIES:

Inventories are stated at the lower of cost (first-in, first-out method) or market.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EQUIPMENT AND LEASEHOLD IMPROVEMENTS:

Equipment and leasehold improvements are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives as follows.

	YEARS
Machinery and equipment	5-10
Office furniture	5
Vehicles	5
Leasehold improvements	3-10

PACKAGE DESIGN COSTS:

Terra capitalizes costs incurred for the design of its packaging. These costs are amortized over the estimated life of the packaging not to exceed five years.

INTANGIBLE ASSETS:

Intangible assets consist primarily of goodwill which is amortized over forty years using the straight line method.

DEBT ISSUE COST:

Debt issue costs are the portion of costs incurred by the parent company relating to the debt recorded in Terra's financial statements. These costs are amortized over the life of the debt agreement using a method that approximates the interest method.

LONG-LIVED ASSETS:

On January 1, 1996, Terra adopted Financial Accounting Standards Board (FASB) Statement No. 121. "ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS TO BE DISPOSED OF". Under those rules, long-term and intangible assets are evaluated for possible impairment when events or circumstances indicate the carrying amount of those assets may not be recoverable. Recoverability is assessed based on the gross undiscounted estimated future cash flows before interest charges. If an impairment is indicated, the amount would be determined by comparing the estimated fair value to the carrying value of the asset being evaluated. In the absence of quoted market prices, fair value is estimated by using the projected cash flows discounted at a rate commensurate with the risks involved.

ADVERTISING:

Terra expenses the production costs of advertising the first time the advertising takes place. Advertising expense was approximately $136,000 during the seven months ended July 31, 1997. Prepaid advertising as of July 31, 1997 totaled $6,000.

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
INCOME TAXES:

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

EARNINGS PER SHARE:

Earnings per share are computed using the weighted average number of common shares outstanding during the respective periods. There are no potentially dilutive securities.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

In 1997, Terra adopted FASB Statement No. 107, DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH AND CASH EQUIVALENTS: The carrying amount approximates fair value because of the short maturity of those instruments.

LINE OF CREDIT AND LONG-TERM DEBT: The carrying amount approximates fair value because the interest rate fluctuates with the lending banks' prime rate or LIBOR.

NOTE 2. MAJOR CUSTOMER

Terra had net sales to one customer for the seven months ended July 31, 1997 that individually accounted for more than 10% of Terra's net sales. Net sales to this customer were approximately $2,200,000 for the seven months ended July 31, 1997 and net trade receivables at July 31, 1997 was $150,000. Sales to this customer for the nine months ended April 30, 1997 were $2,500,000, for the period ended November 17, 1997 were $603,000 and for the period ended April 30, 1998 were $1,182,000. Trade receivables from this customer at April 30, 1998 were $107,000.

NOTE 3. INVENTORIES

	JULY 31, 1997	APRIL 30, 1998
		(UNAUDITED)
Raw materials	$ 88,000	$ 124,000
Finished goods	131,000	238,000
Packaging	492,000	525,000
	$ 711,000	$ 887,000

NOTE 4. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	JULY 31, 1997
Machinery and equipment	$ 867,000
Office furniture	105,000
Vehicles	31,000
Leasehold improvements	362,000
	1,365,000
Less accumulated depreciation	492,000
	$ 873,000

NOTE 5. NOTES PAYABLE

At July 31, 1997, Terra had a line of credit with a bank for $1,500,000 at prime plus 0.5%, secured by all assets of Terra and expiring on June 30, 1998. Terra also has a term agreement with a bank which requires $1,800 per month principal payments plus interest at prime plus 1% and is due June 2,000 and other term debt totaling $24,000. The aggregate amount of long-term debt maturing in future years are as follows: 1998 $36,000; 1999 $32,000 and 2,000 $21,000. These notes were repaid in connection with the acquisition discussed in Note 8 (unaudited).

UNAUDITED INTERIM INFORMATION:

In connection with the transaction discussed in Note 8, AMI entered into a credit agreement with a bank to finance the acquisition and repay existing debt. The agreement includes the following terms. The facility provides for a $6,000,000 revolving line of credit, including letters of credit up to $1,000,000, with interest at the bank's base rate plus 1% to 1.75% (10% at February 28, 1997) or LIBOR plus 2% to 2.75% (8.125% at February 28, 1997) depending on certain financial conditions through October 2003. The amount outstanding at February 28, 1998 is $2,000,000. There are two term facilities: Series A, $12,000,000 with the same interest terms as the revolver, and quarterly principal payments of $125,000 due beginning January 1998, and increasing each anniversary to $812,500 per quarter in 2003 when the series will be fully paid; Series B $7,000,000 with interest at the bank's base rate plus 2% (10% at February 28, 1997) or LIBOR plus 3% (8.625% at February 28, 1997), principal payments are due quarterly at $25,000 per quarter beginning January 1998 through 2003 and four quarterly payments of $1,600,000 each in 2004. All assets of Terra are pledged as collateral on the loans. The agreement provides for certain financial covenants to be maintained.

NOTE 5. NOTES PAYABLE (CONTINUED)

The scheduled maturities of principal maturities on the above term facilities are as follows:

YEAR ENDED JULY 31,	
1998	$ 450,000
1999	1,163,000
2000	1,725,000
2001	2,225,000
2002	2,912,000
Thereafter	10,525,000
	$ 19,000,000

As part of the acquisition discussed in Note 8, Terra has been allocated $17,211,000 of the debt proceeds and has reflected these amounts as debt on its balance sheet.

NOTE 6. INCOME TAXES

The provision for income taxes for the seven months ended July 31, 1997 consist of the following:

Current	$ 463,000
Deferred	20,000
	$ 483,000

A reconciliation of income tax expense to the amount computed by applying statutory income tax rates to earnings before income taxes:

Federal income tax	$ 352,000
State income tax, net of federal benefit	121,000
Other	10,000
	$ 483,000

Significant components of Terra's deferred tax assets and liabilities as of July 31, 1997 are as follows:

Deferred Taxes	
Deferred tax liability, receivables	$ 50,000
Deferred tax asset, other	(30,000)
Net deferred tax liability	$ 20,000

NOTE 7. RENT COMMITMENTS, RENT EXPENSE AND CONTINGENCY

Terra leases its facilities under three operating lease agreements. Rent expense for the seven months ended July 31, 1997 was $119,000. Future rent commitments are as follows: 1998 $206,000; 1999 $157,000; and 2,000 $47,000.

NOTE 7. RENT COMMITMENTS, RENT EXPENSE AND CONTINGENCY (CONTINUED)

Terra is in the process of discovery relating to an employee lawsuit. The employee claims damages of $800,000. Management believes the outcome of this suit will not have a material effect on the financial statements.

NOTE 8. SUBSEQUENT EVENTS (UNAUDITED)

On November 17, 1997 Terra was acquired by AMI, which is under common control with Terra. As a result of the combination of the two entities under common control, the portion of the acquisition price in excess of book value of Terra which was controlled by the majority owner has been recorded as a reduction in stockholders' equity. The portion of the purchase price in excess of book value relating to the minority stockholders has been recorded as a purchase. Also, since Terra was acquired 100% by this majority stockholder through a step transaction, Terra applied push-down accounting upon this acquisition. Accordingly, the assets of Terra have been revalued as of the acquisition date and the total excess purchase price of $10,670,000 has been recorded on Terra's balance sheet. The portion of the step acquisition that was funded by debt which is collateralized by Terra assets is recorded as a liability, and the remainder has been recorded as paid-in capital. The supplemental cash flow information relating to this transaction is as follows:

Working capital deficit assumed, net of cash acquired..........	$ 1,915,000
Long-term assets, including intangible assets acquired.........	(12,265,000)
Long-term debt incurred related to acquisition.................	14,711,000
Paid-in capital..	6,580,000
Consideration paid to majority stockholder.....................	(10,935,000)
Cash acquired on acquisition...................................	$ 6,000

On April 24, 1998, AMI signed an agreement and plan of merger whereby AMI agreed to exchange 100% of AMI's stock for a combination of cash and common stock of The Hain Food Group, Inc., a public company. This transaction closed on July 1, 1998. These financial statements do not include any adjustments which may be required as a result of this transaction.

NOTE 9. PRIOR PERIOD INTERIM INFORMATION (UNAUDITED)

Selected financial information for the seven months ended July 31, 1996 are as follows: net sales $5,338,000; gross profit $2,625,000; provision for income taxes $384,000; net income $565,000; and earnings per share of $2.59.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Dana Alexander Inc.
Brooklyn, New York

We have audited the accompanying balance sheets of Dana Alexander Inc. ("Terra") as of December 31, 1996 and December 31, 1995 and the related statements of operations and retained earnings, common stock, additional paid in capital and cash flows for the years then ended. These financial statements are the responsibility of Terra's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dana Alexander Inc. as of December 31, 1996 and December 31, 1995 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Katz & Bloom, LLC
Roslyn Heights, New York
March 19, 1997
June 2, 1997 as to Note L

DANA ALEXANDER INC.

BALANCE SHEET

	DECEMBER 31, 1996	DECEMBER 31, 1995
ASSETS		
Current Assets:		
Cash in bank	$ 6,379	$ 126,261
Accounts receivable-trade-less allowances for doubtful accounts and accrued credits of $121 479 in 1996 and $39 300 in 1995 (Note G)	956,444	641,927
Accounts receivable-other	45,104	1,612
Inventory (Notes A, B and G)	521,746	296,417
Prepaid expenses (Note C)	200,560	49,847
Note receivable (Notes D and G)	55,000	--
Total Current Assets	1,785,233	1,116,064
Property, Plant and Equipment--		
At cost (Notes A, E and G)	1,327,070	907,943
Less-accumulated depreciation and amortization	402,966	339,325
Net Property, Plant and Equipment	924,104	568,618
Other Assets:		
Deposits	28,242	36,412
Intangible assets-net of accumulated amortization of $7 610 in 1996 and $3 530 in 1995 (Note A)	48,653	52,733
Long-term note receivable (Notes D and G)	50,000	--
Other	15,000	1,452
Deferred income taxes (Notes A and F)	--	24,000
Total Other Assets	141,895	114,597
Total	$ 2,851,232	$ 1,799,279
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Bank overdraft	$ 16,906	$ --
Accounts payable	789,472	511,476
Current maturity-notes payable (Notes G and L)	38,555	50,883
Current maturity-equipment leases payable	2,016	25,420
Accrued liabilities (Note H)	354,558	101,427
Income taxes payable (Notes A and F)	391,801	206,310
Total Current Liabilities	1,593,308	895,516
Long-Term Liabilities:		
Deferred taxes payable (Notes A and F)	3,000	--
Notes payable-less current maturity (Notes G and L)	74,218	114,788
Equipment leases payable-less current maturity	--	38,366
Notes payable-stockholders (Note G)	--	338,000
Total Long-Term Liabilities	77,218	491,154
Commitments and Contingencies (Note I)	--	--
Stockholders' Equity:		
Common stock--authorized 400 shares no par value-issued and outstanding 218.18 shares	1,145	1,145
Additional paid in capital	209,437	209,437
Retained earnings	970,124	202,027
Total Stockholders' Equity	1,180,706	412,609
Total	$ 2,851,232	$ 1,799,279

The accompanying notes are an integral part of these financial statements.

DANA ALEXANDER INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Net sales	$ 10,493,160	$ 5,604,337
Cost of sales	5,643,285	3,221,380
Gross profit	4,849,875	2,382,957
Other income	192,332	7,896
Selling and administrative expenses	3,227,645	1,925,592
Officers' bonus	200,000	50,000
Management fees to stockholder	245,000	75,000
Income before interest and taxes on income	1,369,562	340,261
Interest expense	46,465	65,434
Income before taxes on income	1,323,097	274,827
Taxes on income (Notes A and F)	555,000	191,000
Net income	768,097	83,827
Retained earnings--beginning	202,027	118,200
Retained earnings--end	$ 970,124	$ 202,027
Basic and dliuted earnings per common share	$ 3,520	$ 393
Weighted average number common shares	218.18	213.30

The accompanying notes are an integral part of these financial statements.

DANA ALEXANDER INC.

STATEMENT OF COMMON STOCK

YEAR ENDED DECEMBER 31, 1996

	SHARES	AMOUNT
January 1, 1996 and December 31, 1996 (No change during the year)	218.18	$ 1,145

YEAR ENDED DECEMBER 31, 1995

	SHARES	AMOUNT
Common stock--January 1, 1995	200.00	$ 1,050
Stated value--sale of 122.18 shares common stock issued in connection with the merger of Dana Alexander Holding Company, Inc. and DA Acquisition, Inc. with and into Dana Alexander Inc. Neither Dana Alexander Holding Company, Inc. nor DA Acquisition, Inc. had any operating history	122.18	641
	322.18	1,691
Acquisition of 104 shares common stock to be permanently retired in connection with the merger of Dana Alexander Holding Company, Inc. and DA Acquisition, Inc. with and into Dana Alexander Inc	(104.00)	(546)
Common stock--December 31, 1995	218.18	$ 1,145

STATEMENT OF ADDITIONAL PAID IN CAPITAL

	YEAR ENDED DECEMBER 31,	
	1996	1995
Additional paid in capital--beginning of year	$ 209,437	$ 124,950
Officers' loans contributed to capital	--	44,582
Excess of proceeds of sale of 18.18 shares common stock over stated value	--	39,905
Additional paid in capital--end of year	$ 209,437	$ 209,437

The accompanying notes are an integral part of these financial statements.

DANA ALEXANDER INC.

STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31, 1996	1995
Cash Flows From Operating Activities:		
Net income	$ 768,097	$ 83,827
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	155,653	138,136
Allowance for doubtful accounts	69,837	12,600
Accrued interest on stockholders' loans	--	21,148
Loss on retirement of fixed assets	16,406	7,250
Gain on sale of fixed assets	(9,302)	(3,100)
Gain on sale on local distribution rights	(172,000)	--
Changes in assets and liabilities:		
Accounts receivable (net)	(384,354)	(235,477)
Accounts receivable-other	(43,492)	30,188
Accrued interest-notes receivable	(2,406)	--
Prepaid expenses	(150,713)	(9,120)
Inventory	(225,329)	(70,706)
Deferred income taxes	24,000	(24,000)
Other assets	1,452	--
Bank overdraft	16,906	--
Accounts payable	168,590	215,096
Accrued liabilities	253,131	(30,932)
Income taxes payable	185,491	205,135
Deferred income taxes payable	3,000	--
Net cash provided by operating activities	674,967	340,045
Cash Flows Used In Investing Activities:		
Purchase of fixed assets	(473,807)	(236,790)
Proceeds from sale of local distribution rights	69,406	--
Deposit payments	(10,300)	(7,125)
Proceeds from sale of fixed assets	54,050	3,100
Refunds of deposits	18,470	--
Intangible asset expenditures	--	(14,584)
Net cash used in investing activities	(342,181)	(255,399)
Cash Flows From Financing Activities:		
Payments-loans from stockholders	(338,000)	--
Payments on long and short term debt	(52,898)	(700,083)
Payments on capital leases	(61,770)	(25,126)
Proceeds from sale of common stock	--	40,000
Proceeds from long term borrowing in connection with stock sale	--	260,000
Loans from stockholders	--	78,000
Due to stockholders	--	(195)
Proceeds from long term borrowing	--	348,000
Net cash (used in) provided by financing activities	(452,668)	596
Net (decrease) increase in cash	(119,882)	85,242
Cash and cash equivalents-beginning of year	126,261	41,019
Cash and cash equivalents-end of year	$ 6,379	$ 126,261

The accompanying notes are an integral part of these financial statements.

DANA ALEXANDER INC.

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	1996	1995
Cash paid during the year ended December 31,		
Interest	$ 67,696	$ 43,463
Income taxes	$ 369,509	$ 8,240

SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES

In connection with the sale of the local route distribution rights (Note D) Terra received a $172,000 note from the purchaser. During 1996 Terra received a principal payment of $69,406 on the note.

SUPPLEMENTAL DISCLOSURE OF NON CASH FINANCING ACTIVITIES

In connection with the transfer of a majority interest of the common stock of Dana Alexander Inc. in 1995 by its two principal stockholders, Dana Alexander Inc. merged with two newly created corporations. As a result of this merger, Terra assumed a liability to the principal stockholders (prior to the merger) in the amount of $260,000. In addition, loans from these two stockholders totaling $44,582 were contributed to Terra as additional paid in capital.

DANA ALEXANDER INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

NOTE A--SUMMARY OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

ACTIVITIES:

Terra was incorporated in the State of New York on March 7, 1989 and derives its revenue from the sale of "Terra Chips" and "Yukon Gold" potato and other vegetable chips primarily to gourmet food shops, wholesale clubs and distributors, including one customer that accounted for approximately 32% of Terra's sales in 1996 and two customers that accounted for approximately 22% of Terra's sales in 1995. Credit is granted to customers in the ordinary course of business.

INVENTORY:

Inventory is stated at cost or market, whichever is lower and consists of uncooked vegetables, finished goods and supplies.

FIXED ASSETS--DEPRECIATION:

Fixed assets are recorded at cost and includes equipment under capital lease. Costs of maintenance and repairs are charged to expense as incurred. Depreciation is provided for on the straight-line method over the following estimated useful lives: machinery and equipment 5 years; vehicles 5 years; and leasehold improvements shorter of lease term or asset useful life.

INCOME TAXES:

Income taxes are accounted for in accordance with SFAS 109 "Accounting for Income Taxes". Deferred income taxes are provided for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

TRADEMARKS:

Costs incurred in the registration and acquisition of trademarks and trademark rights (intangible assets) are capitalized and are amortized over the useful life of the assets.

NOTE B--INVENTORY

Inventory consists of:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Packaging film	$ 302,396	$ 149,811
Finished goods	121,049	68,693
Other supplies	71,834	27,307
Raw materials	26,467	50,606
Total	$ 521,746	$ 296,417

NOTE C--PREPAID EXPENSES

Prepaid expenses consist of:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Market development costs	$ 105,167	$ --
Other	46,661	15,719
Advertising	34,070	--
Insurance	14,662	28,452
Employee benefits	--	5,676
	$ 200,560	$ 49,847

NOTE D--NOTE RECEIVABLE

On January 1, 1996 Terra sold the rights to distribute its products in the Metropolitan New York City area. The agreement, as revised, calls for the following remaining payments plus interest at 9% per annum.

January 1, 1997	52,594
January 1, 1998	50,000
	$ 102,594

NOTE E--FIXED ASSETS

The major classes of fixed assets are:

	DECEMBER 31, 1996	DECEMBER 31, 1995
Production equipment	$ 863,476	$ 472,507
Leasehold improvements	347,211	273,054
Office furniture and equipment	85,354	48,539
Transportation equipment	31,029	113,843
Total	$ 1,327,070	$ 907,943

Depreciation and amortization of fixed and intangible assets amounted to $155,653 for the year ended December 31, 1996 and $138,136 for the year ended December 31, 1995. Depreciation is computed on the straight-line method.

At December 31, 1996, $22,489 of equipment owned by Terra was held for use in the manufacturing facility of a co-packer of Terra's products. At December 31, 1996, printing plates costing $166,936 were held at the premises by the vendor who produces Terra's packaging film.

During 1996 Terra retired from service several older equipment items. Terra adjusted the equipment's carrying value to its net realizable value on sale. Accordingly, a charge to income of $16,406 was recorded in 1996.

NOTE F--INCOME TAXES

The provision for income taxes is as follows:

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Current:		
Federal	$ 394,483	$ 154,000
State and local	133,517	61,000
Deferred--net	27,000	(24,000)
	$ 555,000	$ 191,000

A reconciliation of income tax expense to the amount computed by applying statutory income tax rates to earnings before income taxes:

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Federal income tax	$ 450,000	$ 94,000
State income tax, net of federal benefit	105,000	33,000
Additional tax due to change in tax status	--	64,000
	$ 555,000	$ 191,000

Significant components of Terra's deferred tax assets and liabilities are as follows:

	YEAR ENDED DECEMBER 31, 1996	YEAR ENDED DECEMBER 31, 1995
Deferred tax assets--		
property, plant and equipment	$ 25,000	$ 19,000
reserve for doubtful accounts	14,000	5,000
	39,000	24,000
Deferred tax liabilities--installment note receivable	(42,000)	--
	$ (3,000)	$ 24,000

NOTE G--NOTES PAYABLE

Terra maintains a line of credit with a bank that provides for borrowing up to $1,000,000 and bears interest at one half of one percent over the bank's prime rate. At December 31, 1996 there were no borrowing's under the line of credit.

Terra also has an installment loan with the bank that is payable in monthly installments of $1,800 plus interest at 1% per annum above the bank's prime rate.

NOTE G--NOTES PAYABLE (CONTINUED)

The loan is secured by all inventory, machinery and equipment not pledged elsewhere, accounts receivable, notes receivable, intangibles and the guarantees of two of Terra's principal stockholders. The loan matures on July 1, 2000.

In March 1993, Terra entered into a $125,000 loan agreement with the New York State Urban Development Corporation (UDC). The agreement provides for working capital and machinery and equipment term loans with maturities of four and six years respectively. The loans call for monthly payments of $920 and $1,170 including interest at 1% per annum until March 1994. The payments increase to $962 and $1,262 monthly including interest at 4% per annum starting in April 1994. The loans are secured by the machinery and equipment purchased with the loan proceeds, the assignment of life insurance policies on two stockholders and the personal guarantee of the two of the principal stockholders. The loan agreement also contains restrictions on the payment of dividends, ability to incur additional financial obligations, sale of stock, sale of assets, ability to merge or consolidate with any other company and require Terra to maintain certain minimum financial ratios.

The notes bear interest at rates from 4% per annum to 9.5% per annum and mature as follows:

1997	$ 41,676
1998	36,730
1999	25,383
2000	12,600
	$ 116,389
Less amounts representing interest	1,601
Present value of minimum notes payable payments	$ 114,788

NOTE H--ACCRUED LIABILITIES

Accrued liabilities consist of:

	DECEMBER 31,	
	1996	1995
Packaging set-up costs	$ 90,936	$ --
Payroll	76,877	40,039
Miscellaneous	69,373	42,790
Freight	40,547	--
Brokers fees	30,706	12,000
Advertising	30,000	--
Professional fees	16,119	6,598
	$ 354,558	$ 101,427

NOTE I--COMMITMENTS AND CONTINGENCIES

(a) Terra occupies premises under leases that expire in December 1996 and December 1999. The leases call for annual payments of $204,600 in 1997 plus escalation and Terra has the right to renew one of the leases for two one year periods at annual rent of $93,600 and $97,800.

(b) In connection with the sale of their stock in 1995, Terra's President and Vice President received three year employment agreements at a specified base salary. The agreements terminate upon the death or disability of the employee.

(c) Terra and one of its stockholder-officers are defendants in a discrimination lawsuit brought by a former employee. The plaintiff seeks compensatory and punitive damages in an unspecified amount. In March 1997 the Court dismissed the complaint in its entirety against the stock-holder-officer. Terra believes that the remaining claims are without merit and intends to vigorously defend the action. It is the opinion of management that the outcome of this matter will not materially affect Terra's financial position.

NOTE J--RELATED PARTY TRANSACTIONS

Included in other expenses are management fees paid to the following related parties:

Officer bonuses paid to two of Terra's principal shareholders aggregated $200,000 for the year ended December 31, 1996 and $50,000 in the year ended December 31, 1995.

Management fees of $245,000 for the year ended December 31, 1996 and $75,000 for the year ended December 31, 1995 were paid to an affiliate of Terra's principal shareholder.

During 1995 expense reimbursements aggregating $20,697 were paid to Terra's principal shareholder.

Interest expense to two of Terra's shareholders aggregated $26,641 for the year ended December 31, 1996 and $21,148 for the year ended December 31, 1995.

NOTE K--RECLASSIFICATION

Certain items in the 1995 financial statements have been reclassified to agree with their 1996 presentation.

NOTE L. SUBSEQUENT EVENTS

During the five months ended May 31, 1997, Terra, under its line of credit with the bank borrowed at various times $900,000 and repaid $275,000.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Garden of Eatin', Inc.
Hollywood, California

We have audited the accompanying balance sheet of Garden of Eatin', Inc. ("GOE") as of December 23, 1997, and the related statements of operations, stockholders' equity and cash flows for the period from January 1, 1997 through December 23, 1997. These financial statements are the responsibility of GOE's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Garden of Eatin', Inc. as of December 23, 1997 and the results of its operations and its cash flows for the period from January 1, 1997 through December 23, 1997 in conformity with generally accepted accounting principles.

McGladrey & Pullen, LLP

Anaheim, California
May 8, 1998

GARDEN OF EATIN', INC.

BALANCE SHEETS

	DECEMBER 23, 1997	DECEMBER 31, 1996	MARCH 31, 1998
		(UNAUDITED)	(UNAUDITED)
ASSETS (Note 5)			
Current Assets			
Cash and cash equivalents	$ 92,000	$ 37,000	$ 322,000
Accounts receivable, net of allowance for doubtful accounts 1997 $100,000; 1996 $82,000; 1998 $106,000 (Note 2)	1,391,000	1,489,000	1,419,000
Receivable from stockholder	500,000	--	--
Inventories (Notes 2 and 3)	152,000	279,000	180,000
Prepaid expenses	45,000	50,000	24,000
Deferred taxes (Note 8)	223,000	67,000	223,000
TOTAL CURRENT ASSETS	2,403,000	1,922,000	2,168,000
Furniture, Fixtures and Equipment, net (Note 4)	230,000	136,000	269,000
Package Design Costs, net of accumulated amortization 1997 $233,000; 1996 $231,000; 1998 $235,000	77,000	64,000	118,000
Insurance Contract (Note 5)	--	490,000	--
Other Assets	22,000	24,000	7,000
	$2,732,000	$2,636,000	$ 2,562,000
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Current maturity of capital lease obligation (Note 6)	$ 8,000	$ --	$ 7,000
Trade accounts payable	598,000	1,069,000	886,000
Accrued payroll	306,000	87,000	26,000
Other accrued expenses	90,000	92,000	122,000
Due to stockholder	--	160,000	--
Accrued expenses to stockholder	420,000	--	--
Income taxes payable	145,000	17,000	231,000
TOTAL CURRENT LIABILITIES	1,567,000	1,425,000	1,272,000
Capital lease obligation, less current maturity (Note 6)	94,000	--	91,000
Note Payable (Note 5)	--	490,000	--
Deferred Taxes (Note 8)	16,000	7,000	16,000
Commitments and Contingencies (Notes 2, 3, 7 and 10)			
Stockholders' Equity			
Common stock, authorized 100,000 shares; issued and outstanding 20,000 shares	436,000	16,000	436,000
Retained earnings	619,000	698,000	747,000
	1,055,000	714,000	1,183,000
	$2,732,000	$2,636,000	$ 2,562,000

See Notes to Financial Statements.

GARDEN OF EATIN', INC.

STATEMENTS OF OPERATIONS

	PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 23, 1997	YEAR ENDING DECEMBER 31, 1996	YEAR ENDING DECEMBER 31, 1995	PERIOD FROM DECEMBER 24, 1997 THROUGH MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Net Sales (Note 2)	$ 13,616,000	$ 13,588,000	$ 11,923,000	$3,496,000	$ 3,183,000
Cost of Sales (Note 2)	9,465,000	9,843,000	8,917,000	2,409,000	2,225,000
GROSS PROFIT	4,151,000	3,745,000	3,006,000	1,087,000	958,000
Operating Expenses					
Management fees to stockholder	420,000	--	--	62,000	--
Reimbursement of finder's fee	80,000	--	--	--	--
Compensation to terminated employees	674,000	641,000	463,000	--	122,000
Selling, general and administrative (Notes 4 and 7)	2,913,000	2,698,000	2,220,000	799,000	733,000
	4,087,000	3,339,000	2,683,000	861,000	855,000
OPERATING INCOME	64,000	406,000	323,000	226,000	103,000
Financial Income (Expense)					
Interest income	10,000	9,000	2,000	4,000	1,000
Interest expense	(70,000)	(115,000)	(119,000)	(16,000)	(23,000)
INCOME BEFORE INCOME TAXES	4,000	300,000	206,000	214,000	81,000
Provision for Income Taxes (Note 8)	83,000	87,000	67,000	86,000	32,000
NET INCOME (LOSS)	$ (79,000)	$ 213,000	$ 139,000	$ 128,000	$ 49,000
Earnings (loss) per share	$ 3.95	$ 10.65	$ 6.95	$ 6.40	$ 2.45
Weighted-average shares outstanding	20,000	20,000	20,000	20,000	20,000

See Notes to Financial Statements.

GARDEN OF EATIN', INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	RETAINED EARNINGS
Balance, December 31, 1994 (unaudited)	$ 16,000	$ 346,000
Net income (unaudited)	--	139,000
Balance, December 31, 1995 (unaudited)	16,000	485,000
Net income (unaudited)	--	213,000
Balance, December 31, 1996 (unaudited)	16,000	698,000
Capital contribution	420,000	--
Net (loss)	--	(79,000)
Balance, December 23, 1997	436,000	619,000
Net income (unaudited)	--	128,000
Balance, March 31, 1998 (unaudited)	$ 436,000	$ 747,000

See Notes to Financial Statements.

GARDEN OF EATIN', INC.

STATEMENTS OF CASH FLOWS

	PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 23, 1997	YEAR ENDING DECEMBER 31, 1996	YEAR ENDING DECEMBER 31, 1995	PERIOD FROM DECEMBER 24, 1997 THROUGH MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
Cash Flows from Operating Activities					
Cash received from customers.................	$ 13,634,000	$13,502,000	$11,687,000	$ 3,468,000	$ 3,281,000
Cash paid to suppliers and employees.................	(13,107,000)	(13,058,000)	(11,285,000)	(3,546,000)	(3,125,000)
Interest paid...............	(60,000)	(115,000)	(118,000)	(16,000)	(23,000)
Income taxes paid...........	(101,000)	(52,000)	(85,000)	--	--
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..........	366,000	277,000	199,000	(94,000)	133,000
Cash Flows from Investing Activities					
Purchase of equipment.......	(69,000)	(25,000)	(57,000)	(48,000)	(38,000)
Capitalized package design costs.....................	(74,000)	(23,000)	(77,000)	(44,000)	(5,000)
NET CASH (USED IN) INVESTING ACTIVITIES..........	(143,000)	(48,000)	(134,000)	(92,000)	(43,000)
Cash Flows from Financing Activities					
Increase in checks in excess of bank balance...........	--	--	--	--	--
Capital contribution........				420,000	--
Change in amounts due to stockholder...............	(160,000)	(122,000)	(58,000)	--	(33,000)
Principal payments on capital lease obligation................	(8,000)	(99,000)	(66,000)	(4,000)	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES..........	(168,000)	(221,000)	(124,000)	416,000	(33,000)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.........	55,000	8,000	(59,000)	230,000	57,000
Cash and Cash Equivalents					
Beginning of period.........	37,000	29,000	88,000	92,000	37,000
End of period..............	$ 92,000	$ 37,000	$ 29,000	$ 322,000	$ 94,000

GARDEN OF EATIN', INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

	PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 23, 1997	YEAR ENDING DECEMBER 31, 1996	YEAR ENDING DECEMBER 31, 1995	PERIOD FROM DECEMBER 24, 1997 THROUGH MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
		(UNAUDITED)	(UNAUDITED)	(UNAUDITED)	(UNAUDITED)
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					
Net income (loss)...........	$ (79,000)	$ 213,000	$ 139,000	$ 128,000	$ 49,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization............	101,000	136,000	130,000	13,000	16,000
Provision for doubtful accounts................	42,000	101,000	16,000	6,000	15,000
Loss on disposal of equipment...............	45,000	--	--	--	28,000
Deferred taxes............	(147,000)	--	--	--	--
Change in assets and liabilities:					
(Increase) decrease in:					
Receivables.............	(24,000)	(187,000)	(252,000)	46,000	83,000
Inventories.............	127,000	(55,000)	(56,000)	(28,000)	36,000
Prepaid expenses and other assets..........	7,000	14,000	5,000	35,000	(47,000)
Increase (decrease) in:					
Income taxes payable....	128,000	45,000	(12,000)	86,000	32,000
Accounts payable and accrued expenses......	166,000	10,000	229,000	(380,000)	(79,000)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES..........	$ 366,000	$ 277,000	$ 199,000	$ (94,000)	$ 133,000

See Notes to Financial Statements.

GARDEN OF EATIN', INC.

NOTES TO FINANCIAL STATEMENTS

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS:

GOE manufactures and distributes organic foods throughout the United States. GOE's customers are primarily wholesale distributors. GOE operates under compliance with specific sections of the Food, Drug and Cosmetic Act of 1938 and the Good Manufacturing Practices Act of 1967 and subsequent revisions.

On December 23, 1997, GOE's sole stockholder sold 11,000 shares of GOE stock to a third party. The sole stockholder is obligated to sell an additional 4,000 shares.

UNAUDITED INTERIM FINANCIAL INFORMATION:

The interim financial information presented herein as of and for the periods ended March 31, 1998 and 1997 reflects all adjustments which are, in the opinion of management, necessary for a fair presentation for the periods presented. Such adjustments are of a normal recurring nature. The financial information is not intended to be a complete presentation in accordance with generally accepted accounting principles. Interim financial results are not necessarily indicative of results GOE will incur during its fiscal year.

A SUMMARY OF GOE'S SIGNIFICANT ACCOUNTING POLICIES IS AS FOLLOWS:

USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CASH CONCENTRATION:

At December 23, 1997, GOE had approximately $350,000 on deposit in a single financial institution. Deposits in excess of $100,000 are not insured by the FDIC.

INVENTORIES:

Inventories are stated at the lower of cost (first-in, first-out method) or market.

FURNITURE, FIXTURES AND EQUIPMENT:

Furniture, fixtures and equipment are recorded at cost. Depreciation is provided using straight-line methods over the estimated useful lives of the assets ranging from three to seven years.

PACKAGE DESIGN COSTS:

GOE capitalizes costs incurred for the design of its packaging. These costs are amortized over the estimated life of the packaging not to exceed three years.

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-LIVED ASSETS:

GOE evaluates long-lived assets for impairment under Financial Accounting Standards Board (FASB) Statement No. 121, "Accounting for the Impairment of Long-Lived Assets to Be Disposed Of." Under those rules, long-term and intangible assets are evaluated for possible impairment when events or circumstances indicate the carrying amount of those assets may not be recoverable. Recoverability is assessed based on the gross undiscounted estimated future cash flows before interest charges. If an impairment is indicated, the amount would be determined by comparing the estimated fair value to the carrying value of the asset being evaluated. In the absence of quoted market prices, fair value is estimated by using the projected cash flows discounted at a rate commensurate with the risks involved.

ADVERTISING:

GOE expenses the production costs of advertising the first time the advertising takes place. Advertising expense was approximately $115,000 during the period ended December 23, 1997 (the "Period") and $137,000 and $104,000 for the years ended December 31, 1996 and 1995. There is no prepaid advertising as of December 23, 1997.

INCOME TAXES:

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

EARNINGS PER SHARE:

In February 1997, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share" (EPS). SFAS No. 128 requires dual presentation of basic EPS and diluted EPS on the face of all income statements issued after December 15, 1997 for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options or other dilutive securities. The Company has no potentially dilutive securities.

FAIR VALUE OF FINANCIAL INSTRUMENTS:

In 1997, GOE adopted FASB Statement No. 107, "Disclosures about Fair Value of Financial Instruments." The carrying amount of accounts receivable and accounting payable approximates its fair value.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS: The carrying amount approximates fair value because of the short maturity of those instruments.

NOTES PAYABLE: The carrying amount approximates fair value because the interest rate fluctuates with the lending banks' prime rate.

NOTE 2. CONCENTRATIONS

GOE had net sales to two customers in the Period ending December 23, 1997 that individually accounted for more than 10% of GOE's net sales. Net sales to these customers during this period were approximately $1,617,000 and $1,315,000, respectively; and net trade receivables from these customers as of December 23, 1997 were approximately $45,000 and $232,000, respectively. Net sales to these customers were $1,568,000 and $1,345,000 during the year ended December 31, 1996 and $1,462,000 and $1,415,000 during the year ended December 31, 1995.

GOE outsources all of its manufacturing to third party processors. As part of its agreement with its primary manufacturer, GOE supplied various raw materials used in production of its products totaling approximately $2,809,000 during the Period. GOE purchased approximately $8,607,000 of the total manufactured goods sold by GOE during the Period from this supplier.

NOTE 3. INVENTORIES

	DECEMBER 23, 1997	DECEMBER 31, 1996	MARCH 31, 1998
Raw materials	$ 68,000	$ 103,000	$ 84,000
Finished goods	30,000	100,000	54,000
Packaging	54,000	76,000	42,000
	$ 152,000	$ 279,000	$ 180,000

At December 23, 1997, GOE had fixed price commitments as of December 23, 1997 to purchase approximately $1,900,000 of raw materials to be used in production. GOE has not purchased any futures or option contracts.

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 4. FURNITURE, FIXTURES AND EQUIPMENT

The components of furniture, fixtures and equipment are as follows:

	DECEMBER 23, 1997	DECEMBER 31, 1996
Leasehold improvements	$ --	$ 52,000
Machinery and equipment	33,000	33,000
Office equipment	315,000	180,000
Furniture and fixtures	48,000	48,000
	396,000	313,000
Less accumulated depreciation	166,000	177,000
	$ 230,000	$ 136,000

Included in office equipment, at December 23, 1997, is $110,000 of assets acquired under a capital lease. There is no accumulated depreciation on these assets as of December 23, 1997 as the equipment was not placed into service until 1998 (Note 6).

NOTE 5. NOTE PAYABLE

GOE has a $250,000 revolving line of credit with a bank. The line is collateralized by substantially all of the assets of GOE. The agreement bears interest at the bank's reference rate (8.5% at December 23, 1997) plus 1% and matures in June 1998. There were no borrowings on the revolving line of credit as of December 23, 1997.

At December 31, 1996, GOE had a note payable to its stockholder which had been used to fund leveraged split dollar life insurance policies on certain eligible employees of GOE. The stockholder of GOE was the beneficiary of the policies and made the required annual premium payments on the policies. There is no fixed repayment schedule on the principal balance of the note. Interest expense paid by GOE for the years ended December 1997, 1996 and 1995 was $50,000, $89,000 and $38,000, respectively. During 1997, the insurance contract was transferred to the stockholder in settlement of this note payable.

NOTE 6. CAPITAL LEASE OBLIGATION

Capital lease obligation at December 23, 1997 consists of the following:

YEAR ENDING DECEMBER 31,	MINIMUM LEASE PAYMENT	LESS AMOUNT REPRESENTING INTEREST	PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS
1998	$ 51,000	$ 43,000	$ 8,000
1999	51,000	28,000	23,000
2000	51,000	18,000	33,000
2001	44,000	6,000	38,000
	$ 197,000	$ 95,000	$ 102,000

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 7. EMPLOYEE BENEFIT PLANS

PROFIT SHARING PLAN AND 401(K) PLAN:

GOE has a qualified 401(k) employee benefit plan for substantially all employees who have met the minimum age and service requirements. Each participant is able to defer a maximum of 15% of their annual compensation, subject to any restrictions. GOE contributes an amount equal to 25% of each employee's contribution up to the first 4% of the employee's weekly compensation. Additionally, GOE may make discretionary contributions.

MONEY PURCHASE PENSION PLAN:

GOE has a money purchase pension plan for all employees who have met the service requirements. GOE contributes up to 7% of the participants compensation up to $150,000 per year.

During 1997, 1996 and 1995, GOE made contributions to these plans totaling $130,000, $148,000 and $131,000, respectively.

NOTE 8. INCOME TAXES

The provision for income taxes consist of the following:

	1997	1996	1995
Current	$ 230,000	$ 87,000	$ 67,000
Deferred	(147,000)	--	--
	$ 83,000	$ 87,000	$ 67,000

A reconciliation of income tax expense to the amount computed by applying statutory income tax rates to income before income taxes:

	1997	1996	1995
Federal income tax	$ 1,000	$ 102,000	$ 70,000
Nondeductible expenses	82,000	--	--
Other	--	(15,000)	(3,000)
	$ 83,000	$ 87,000	$ 67,000

State income taxes have been offset by various credits available. Significant components of GOE's deferred tax assets and liabilities are as follows:

	1997	1996
Deferred Tax Assets		
Allowance for doubtful accounts	$ 40,000	$ 33,000
Accrued expenses	176,000	34,000
Contributions carryforward	7,000	--
Total deferred tax assets	223,000	67,000
Deferred Tax Liabilities, property, plant and equipment	(16,000)	(7,000)
	$ 207,000	$ 60,000

INFORMATION WITH RESPECT TO THE PERIODS ENDED DECEMBER 31,1996 AND 1995 AND THE PERIODS ENDED MARCH 31, 1997 AND 1998 IS UNAUDITED

NOTE 8. INCOME TAXES (CONTINUED)

The components giving rise to the net deferred assets (liabilities) described above, have been included in the accompanying balance sheets as follows:

	1997	1996
Current assets	$ 223,000	$ 67,000
Noncurrent (liabilities)	(16,000)	(7,000)
	$ 207,000	$ 60,000

There is no valuation allowance on deferred taxes as management believes it is more likely than not that the assets will be realized.

NOTE 9. STATEMENTS OF CASH FLOW INFORMATION

	PERIOD FROM JANUARY 1, 1997 THROUGH DECEMBER 23, 1997
Supplemental Schedule of Noncash Investing and Financing Activities Equipment acquired under capital lease obligation	$ 110,000
Transfer of life insurance contracts in settlement of related party note payable	$ 490,000
Stock subscription	$ 420,000

NOTE 10. RENT EXPENSE

GOE leases its facilities on a month-to-month basis. Monthly rent is approximately $20,000 and rent expense totaled $240,000, $230,000 and $216,000 for 1997, 1996 and 1995, respectively.

NOTE 11. SUBSEQUENT EVENT

On April 24, 1998, GOE's signed an agreement and plan of merger whereby GOE agreed to exchange 100% of GOE's common stock for a combination of cash and common stock in The Hain Food Group, Inc., a public company. This transaction closed on July 1, 1998. These financial statements do not include any adjustments which may be required as a result of this transaction.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements are presented to give effect to the Merger and the resulting acquisition of Arrowhead, Terra and GOE (collecitvely, the "Acquired Companies") under the purchase method of accounting. The income statements for the period ended June 30, 1997 and nine months ended March 31, 1998 assume that the Merger and the related acquisition of the Acquired companies had been consummated on July 1, 1997. The balance sheet assumes that the Merger had been consummated on March 31, 1998. The balance sheets of the Acquired Companies included in the unaudited pro forma condensed combined balance sheet are as of April 30, 1998 with respect to Arrowhead and Terra. Hain management anticipates that it will be able to achieve significant cost synergies and savings as a result of the Merger. However, in accordance with the rules for presentation of pro forma financial information, no effect to such cost savings has been included herein. The pro forma financial statements are not necessarily indicative of the results of operations or the financial position which would have occurred had the Merger been consummated at such times, nor are they necessarily indicative of future results of operations or financial position. The unaudited pro forma combined financial statements should be read in conjunction with the historical consolidated financial statements of Hain and Westbrae, including the notes thereto, incorporated by reference herein and the financial statements of the Acquired Companies, including the notes thereto.

PRO FORMA CONDENSED COMBINED BALANCE SHEET

(IN THOUSANDS)

MARCH 31, 1998

(UNAUDITED)

	HISTORICAL		PRO FORMA	
	HAIN	ACQUIRED COMPANIES	ADJUSTMENTS	COMBINED
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 295	$ 461	$ (461)(1)	$ 295
Trade accounts receivable, net	12,926	4,889		17,815
Inventories	12,291	5,254		17,545
Receivables-sales of equipment	175	--		175
Other current assets	1,750	1,025		2,775
TOTAL CURRENT ASSETS	27,437	11,629	(461)	38,605
Property, plant and equipment, net	873	4,965	(2,465)(2) (10,584)(3)	3,373
Goodwill and other intangible assets, net	52,697	10,584	72,636 (4) (1,348)(5)	125,333
Unamortized financing costs and other assets	3,809	1,508	600 (6)	4,569
TOTAL ASSETS	$ 84,816	$ 28,686	$ 58,378	$ 171,880
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	$ 8,460	$ 4,668	250 (10)	$ 13,378
Current portion of revolving credit	3,500	--	(461)(1)	3,039
Current portion of senior term loan	1,310	--		1,310
Current portion of other long-term debt	195	2,292	(2,292)(7)	195
Income taxes payable	1,753	426		2,179
TOTAL CURRENT LIABILITIES	15,218	7,386	(2,503)	20,101
LONG-TERM DEBT, LESS CURRENT PORTION:				
Senior credit facility	8,195	--	42,000(8)	50,195
Subordinated debentures	7,447	--		7,447
Other	172	17,912	(17,912)(7)	172
TOTAL LONG-TERM DEBT	15,814	17,912	24,088	57,814
OTHER LIABILITIES	1,442	--		1,442
DEFERRED INCOME TAXES	552	431	--	983
TOTAL LIABILITIES	33,026	25,729	21,585	80,340
STOCKHOLDERS' EQUITY:				
Preferred stock	--	--	--	--
Common stock	116	438	(438)(9) 17 (10)	133
Additional paid in capital	44,032	7,198	(7,198)(9) 39,733 (10)	83,765
Retained earnings	7,917	(4,679)	4,679 (9)	7,917
Treasury stock	(275)	--	--	(275)
TOTAL STOCKHOLDERS' EQUITY	51,790	2,957	36,793	91,540
TOTAL LIABILITIES AND EQUITY	$ 84,816	$ 28,686	$ 58,378	$ 171,880

See notes to unaudited pro forma financial statements.

PRO FORMA CONDENSED STATEMENT OF INCOME

FOR THE YEAR ENDED JUNE 30, 1997

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS.

(UNAUDITED)

	HISTORICAL		WESTBRAE PRO FORMA	PRO FORMA FOR ACQUISITION OF WESTBRAE NATURAL, INC.	ACQUIRED	PRO FORMA	
	HAIN	WESTBRAE	ADJUSTMENTS		COMPANIES	ADJUSTMENTS	COMBINED
Net sales	$ 65,353	$ 32,894	--	$ 98,247	$ 52,889	--	$ 151,136
Cost of Sales	40,781	20,019	--	60,800	37,031		97,831
Gross Profit	24,572	12,875	--	37,447	15,858	--	53,305
Management fees to stockholder					510	(510)(1)	--
Selling, general and administrative expenses	19,651	10,809	$ (1,143)(1)	29,317	10,587	--	39,904
Depreciation of property and equipment	178	94	--	272	1,128	(564)(2)	836
Amortization of goodwill and other intangible assets	740	213	(213)(2) 543(3)	1,283	--	1,807(4)	3,090
	20,569	11,116	(813)	30,872	12,225	733	43,830
Operating income	4,003	1,759	813	6,575	3,633	(733)	9,475
Interest expense	1,639	213	1,786(4)	3,638	534	(534)(5) 1,640(6)	5,278
Amortization of deferred financing costs	509	0	(18)(5)	491	--	--	491
	2,148	213	1,768	4,129	534	1,106	5,769
Income before income taxes	1,855	1,546	(955)	2,446	3,099	(1,839)	3,706
Provision for income taxes	786	206	35(6)	1,027	1,347	(743)(7)	1,631
Net income	$ 1,069	$ 1,340	$ (990)	$ 1,419	$ 1,752	$ (1,096)	$ 2,075
Net income per common share:							
Diluted	$ 0.12			$ 0.16			$ 0.19
Basic	0.12			0.16			0.20
Common equivalent shares:							
Diluted	8,993			8,993			10,709
Basic	8,694			8,694			10,410

PRO FORMA CONDENSED STATEMENT OF INCOME

FOR THE NINE MONTHS ENDED MARCH 31, 1998

AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS.

(UNAUDITED)

	HISTORICAL		WESTBRAE	PRO FORMA FOR ACQUISITION		PRO FORMA	
	HAIN	WESTBRAE	PRO FORMA ADJUSTMENTS	OF WESTBRAE NATURAL, INC.	ACQUIRED COMPANIES	ADJUSTMENTS	COMBINED
Net sales	$ 73,224	$ 10,639	--	$ 83,863	$ 42,312	--	$ 126,175
Cost of Sales	43,604	6,246	--	49,850	28,119	--	77,969
Gross Profit	29,620	4,393	--	34,013	14,193	--	48,206
Management fees to stockholder					682	$ (682)(1)	--
Selling, general and administrative expenses	21,364	3,652	$ (286)(1)	24,730	9,132	--	33,862
Depreciation of property and equipment	183	2	--	185	873	(437)(2)	621
Amortization of goodwill and other intangible assets	927	54	(54)(2) 136(3)	1,063	372	(372)(3) 1,355(4)	2,418
Operating income	7,146	685	204	8,035	3,134	136	11,305
Interest expense	1,706	34	443(4)	2,183	908	(908)(5) 1,776 (6)	3,959
Amortization of deferred financing costs	396	--	(5)(5)	391	--	--	391
Income before income taxes	5,044	651	(234)	5,461	2,226	(732)	6,955
Provision for income taxes	2,118	99	78(6)	2,295	1,073	(308)(7)	3,060
Net income	$ 2,926	$ 552	$ (312)	$ 3,166	$ 1,153	$ (424)	$ 3,895
Net income per common share:							
Diluted	$ 0.26			$ 0.28			$ 0.30
Basic	$ 0.30			$ 0.32			$ 0.34
Common equivalent shares:							
Diluted	11,352			11,352			13,068
Basic	9,862			9,862			11,578

PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
(UNAUDITED)

NOTES -- WESTBRAE ACQUISITION:

GENERAL

On October 14, 1997, the Company completed the acquisition of Westbrae Natural, Inc. ("Westbrae") in a transaction that has been accounted for as a purchase. The cost of the acquisition (including closing costs) and the repayment of the Company's existing Credit Facility with IBJ Schroder bank and Trust Company ("IBJ") and the repayment of Westbrae debt was funded by the New Credit Facility with IBJ providing for a $30 million senior term loan and a $10 million revolving credit facility.

Details of the pro forma adjustments relating to the acquisition and the financing are set forth below.

PRO FORMA STATEMENT OF INCOME ADJUSTMENTS:

(1) Adjustment to give effect to the reduction of certain costs and expenses associated with the elimination of the principal corporate offices of Westbrae.

(2) Elimination of Westbrae historical amortization of goodwill.

(3) Goodwill amortization with respect to goodwill acquired in the acquisition of Westbrae.

(4) Increase in interest costs resulting from the financing of the Westbrae acquisition.

(5) Adjustment of amortization of financing costs resulting from the New Credit Facility.

(6) Adjustment to historical provision for income taxes to eliminate the effect of net operating loss carryforwards utilized by Westbrae and to adjust income taxes to the expected effective tax rate following acquisition.

NOTES -- ACQUIRED COMPANIES:

GENERAL

On April 24, 1998, Hain executed the Merger Agreement whereby it agreed to acquire all of the outstanding capital stock of AMI and GOE. AMI is a holding company whose two operating subsidiaries are Arrowhead and Terra. DeBoles is a wholly owned subsidiary of Arrowhead. This transaction closed on July 1, 1998.

The consideration paid for the Acquired Companies was $80 million, less the assumption of $20 million of debt. The pro forma financial statements give effect to the $40 million of merger consideration paid through the issuance of Hain Common Stock. Hain borrowed $40 million from its bank to fund the balance of the purchase price and to repay $20 million of existing debt of the Acquired Companies.

Details of the pro forma adjustments are set forth below.

PRO FORMA BALANCE SHEET ADJUSTMENTS:

(1) Cash of acquired companies utilized to pay down revolving credit.

(2) Adjustment of book amount of property, plant and equipment of acquired companies to estimated fair value at date of acquisition.

(3) Elimination of goodwill of acquired companies at date of acquisition.

(4) Excess of the cost of acquisition of the acquired companies over the fair value of the net tangible assets at date of acquisition.

(5) Elimination of unamortized financing expenses and deferred charges of the acquired companies.

(6) Estimated financing costs to be incurred in connection with the financing of the cash portion of the purchase price of the acquired companies.

(7) Debt of acquired companies at date of acquisition to be paid off with proceeds of new Senior Term Loan financing.

(8) Proceeds of a new Senior Term Loan to be used to finance the cash portion of the purchase price of the acquired companies and to repay existing debt of the acquired companies.

(9) Elimination of equity accounts of acquired companies at date of acquisition.

(10) Portion of purchase price of acquired companies to be paid by the issuance of 1.716 million shares of Hain Common Stock (based on an average fair market value of approximately $23 per share).

PRO FORMA STATEMENT OF INCOME ADJUSTMENTS:

(1) Elimination of management fees that will not be applicable following the acquisition.

(2) Adjustment of depreciation expense based on revaluation of fixed assets of the Acquired Companies.

(3) Elimination of historical goodwill amortization of the Acquired Companies.

(4) Goodwill amortization arising from the acquisition of the Acquired Companies.

(5) Elimination of historical interest expense of the Acquired Companies.

(6) Adjustment of historical interest expense to reflect the additional long-term debt and that will be incurred in connection with the acquisition of the Acquired Companies.

(7) Adjustment of income taxes to give effect to the pro forma pretax adjustments, and to adjust for the expected effective income tax rate following acquisition.

PRO FORMA FINANCIAL STATEMENT INFORMATION:

The following unaudited combining balance sheet combines the balance sheets of the acquired companies as of the date of their latest interim financial statements included herewith.

COMBINING CONDENSED BALANCE SHEETS OF THE ACQUIRED COMPANIES

(AMOUNTS IN THOUSANDS)

(UNAUDITED)

	ARROWHEAD April 30, 1998	TERRA April 30, 1998	GOE March 31, 1998	COMBINED
Assets:				
Current Assets:				
Cash	$ 69	$ 70	$ 322	$ 461
Accounts receivable, net	2,038	1,432	1,419	4,889
Inventories	4,187	887	180	5,254
Other current assets	493	285	247	1,025
Total current assets	6,787	2,674	2,168	11,629
Property, plant & equipment, net	3,731	965	269	4,965
Intangibles, net of accumulated amortization	--	10,584	--	10,584
Other assets	790	593	125	1,508
Total assets	$ 11,308	$ 14,816	$ 2,562	$ 28,686
Liabilities and Stockholders' Equity Current Liabilities:				
Accounts payable and accrued expenses	$ 2,061	$ 1,573	$ 1,034	$ 4,668
Current portion of long-term debt	--	2,285	7	2,292
Income taxes payable	175	20	231	426
Total current liabilities	2,236	3,878	1,272	7,386
Long-term debt, less current portion	3,018	14,803	91	17,912
Deferred income taxes	415		16	431
	5,669	18,681	1,379	25,729
Stockholders' Equity:				
Common stock	1	1	436	438
Paid in Capital	2,376	4,822	--	7,198
Retained earnings/(deficit)(1)	3,262	(8,688)	747	(4,679)
Total stockholders' equity	5,639	(3,865)	1,183	2,957
	$ 11,308	$ 14,816	$ 2,562	$ 28,686

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(1) Retained earnings has been reduced by the excess of consideration paid over consideration received, amounting to $8,855. See the financial statements of Terra, and the notes thereto, included elsewhere herein.

HISTORICAL COMBINING STATEMENTS OF INCOME OF THE ACQUIRED COMPANIES

FOR THE FISCAL YEAR ENDED JULY 31, 1997

(UNAUDITED)

The following unaudited combining statement of income combines the results of operations of the acquired companies for the fiscal year ended July 31, 1997. The fiscal years of Terra and GOE previously ended on dates other than July 31; consequently the amounts shown below for those companies have been recast to conform with the fiscal year end of Arrowhead which substantially conform to the fiscal year end of Hain, which is June 30.

	ARROWHEAD	TERRA	GOE	COMBINED
Net sales	$ 25,977	$ 12,911	$ 14,001	$ 52,889
Cost of sales	19,436	7,487	10,108	37,031
Gross profit	6,541	5,424	3,893	15,858
Management fees	240	270	--	510
Selling, general and administrative expenses	4,547	3,748	3,420	11,715
Operating income	1,754	1,406	473	3,633
Interest expense, net	394	42	98	534
Income before income taxes	1,360	1,364	375	3,099
Provision for income taxes	570	641	136	1,347
Net income	$ 790	$ 723	$ 239	1,752

EXHIBIT INDEX

Number	Description
(2.1)	Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Arrowhead Mills, Inc. dated April 24, 1998. (Incorporated by reference to Annex A to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).
(2.2)	Agreement and Plan of Merger by and between The Hain Food Group, Inc. and Garden of Eatin', Inc. dated April 24, 1998. (Incorporated by reference to Annex B to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).
(2.3)	First Amendment to Agreement and Plan of Merger by and between The Hain Food Group, Inc and Arrowhead Mills, Inc. dated June 25, 1998. (Incorporated by reference to Exhibit 2.6 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).
(2.4)	First Amendment to Agreement and Plan of Merger by and between The Hain Food Group, Inc and Garden of Eatin', Inc. dated June 25, 1998. (Incorporated by reference to Exhibit 2.5 to the Company's Registration Statement on Forms S-4/S-3, File No. 333-56319).
(2.5)	Voting Agreement and Irrevocable Proxy between The Hain Food Group, Inc. and Alexander Dzieduszycki, The George Dana Sinkler, Jr. Revocable Living Trust and TSG2 L.P. dated April 24, 1998 (Incorporated by reference to Exhibit 2.3 to the Company's Registration Statement on Form S-4/S-3, File No. 333-56319).
(2.6)	Voting Agreement and Irrevocable Proxy between The Hain Food Group, Inc. and TSG2 L.P. and Al H. Jacobson dated April 24, 1998 (Incorporated by reference to Exhibit 2.4 to the Company's Registration Statement on Form S-4/S-3, File No. 333-56319).
(23.1)	Consent of McGinty & Associates, Independent Auditors.
(23.2)	Consent of Katz & Bloom, LLC, Independent Auditors.
(23.3)	Consent of McGladrey & Pullen, LLP, Independent Auditors.
*(99.1)	Press release of the Company dated July 1, 1998.

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* Previously filed.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation of our report, relating to the consolidated financial statements of Arrowhead Mills, Inc., dated October 4, 1996, except for Note 10, as to which the date is June 1, 1998, for the years ended July 31, 1996 and 1995 included in this Form 8-K/A and incorporated by reference in the previously filed Registration Statement of the Hain Food Group, Inc. on Form S-4/S-3 (No. 333-57343) and incorporated by reference in the Registration Statement of the Hain Food Group, Inc. on Form S-3 filed on or about July 20, 1998.

July 20, 1998

/s/ McGinty & Associates
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McGinty & Associates

Exhibit 23.2

Consent of Independent Auditors

We hereby consent to the incorporation of our report, relating to the financial statements of Dana Alexander, Inc. dated March 19, 1997 except for Note L, as to which date is June 2, 1997, for the years ended December 31, 1996 and 1995 included in this Form 8-K/A and incorporated by reference in the previously filed Registration Statement of The Hain Food Group, Inc. on Form S-4/S-3 (No. 333-57343) and incorporated by reference in the Registration Statement of the Hain Food Group, Inc. on Form S-3 filed on or about July 20, 1998.

July 20, 1998

/s/ Katz & Bloom, LLC

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Katz & Bloom, LLC

EXHIBIT 23.3

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation of our reports, relating to the consolidated financial statements of AMI Operating, Inc., and subsidiaries dated May 27, 1998 and the financial statements of Dana Alexander, Inc., dated May 22, 1998 and the financial statements of Garden of Eatin', Inc., dated May 8, 1998, included in the Form 8-K/A dated July 23, 1998 and incorporated by reference in the previously filed Registration Statement of The Hain Food Group, Inc. on Form S03/S-3 (No. 333-57343) and icnorproated by reference in the Registration Statement of the Hain Food Group, Inc. on Form S-3 filed on or about July 22, 1998.

July 20, 1998

/s/ McGladrey & Pullen, LLP

McGladrey & Pullen

Anaheim, California