Company Registration No. 00249879 (England and Wales)

# A Nelson & Co Limited

## Annual report and financial statements for the year ended 31 December 2017

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**A Nelson & Co Limited**

**Company information**

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| | | |
|---|---|---|
| **Directors** | Robert Wilson | |
| | Patrick Wilson | |
| | Claire Ferguson | |
| | Gary McGaghey | (Appointed 8 May 2017) |
| **Company number** | 00249879 | |
| **Registered office** | Nelsons House<br>83 Parkside<br>Wimbledon<br>London<br>SW19 5LP | |
| **Independent auditors** | Saffery Champness LLP<br>71 Queen Victoria Street<br>London<br>EC4V 4BE | |
| **Bankers** | HSBC Bank plc<br>8 Canada Square<br>London<br>E14 5HQ | |

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**A Nelson & Co Limited**

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**A Nelson & Co Limited**

**Strategic report**
**For the year ended 31 December 2017**

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The directors present the strategic report for the year ended 31 December 2017.

**Review of the business**
A Nelson & Co Limited (the 'company') continues to operate predominantly in Europe whilst growing the business in America and a number of export markets.

The company continues to develop and invest in the existing brands whilst extending the product range to compliment its portfolio.

**Principal risks and uncertainties**
The company's principal activity is the manufacture and sale of natural healthcare products. These products can be classified in different ways depending on the market in which they are sold and the local regulations applying in these markets. As the regulatory environment within which the company operates evolves and changes, the company must respond accordingly which may require changes to manufacturing methods, packaging or product content.

The company exports to a number of markets and as such it faces exchange risk from those markets not invoiced in Sterling. The company policy is to regularly monitor FX rates and, where appropriate, to reduce this exposure by the use of financial instruments, principally FX forwards and swaps.

**Development and performance**
As reported in the company's profit and loss account, company revenue has shown an increase of 6% from £47.7m to £50.4m in the current year. Profit after tax has decreased from £16.2m to £4.8m.

**Key performance indicators**
The following key performance indicators are reported:

1) Global sales increased by 6% (2016: increased by 12%) on the previous year.
2) Profit on ordinary activities before taxation decreased to £5.4m (2016: £17.4m).
3) Net Assets have decreased to £5.7m (2016: £8.2m) at 31 December 2017.

On behalf of the board



Robert Wilson
**Director**
12 June 2018

# Directors' report
## For the year ended 31 December 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

### Principal activities
The principal activity of the company continued to be the manufacture and sale of natural healthcare products.

### Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

| | |
|---|---|
| Robert Wilson | |
| Patrick Wilson | |
| Andrew Smith | (Resigned 28 April 2017) |
| Claire Ferguson | |
| Gary McGaghey | (Appointed 8 May 2017) |

### Results and dividends
The results for the year are set out on page 7.

During the year dividends were paid amounting to £7.3m (2016: £15.3m).

### Auditor
Saffery Champness LLP have expressed their willingness to remain in office as auditors of the company.

### Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Robert Wilson
**Director**
12 June 2018

## Directors' responsibilities statement
## For the year ended 31 December 2017

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent auditor's report
## To the members of A Nelson & Co Limited

### Opinion

We have audited the financial statements of A Nelson & Co Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



**Lorenzo Mosca (Senior Statutory Auditor)**
**for and on behalf of Saffery Champness LLP**

25 June 2018

**Chartered Accountants**
**Statutory Auditors**

71 Queen Victoria Street
London
EC4V 4BE

A Nelson & Co Limited

## Income statement
## For the year ended 31 December 2017

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| **Turnover** | **3** | 50,438 | 47,658 |
| Cost of sales | | (13,346) | (12,644) |
| **Gross profit** | | 37,092 | 35,014 |
| Administrative expenses | | (34,862) | (29,266) |
| ***Operating profit*** | **4** | 2,230 | 5,748 |
| Interest receivable and similar income | **8** | 3,469 | 12,001 |
| Interest payable and similar expenses | **9** | (312) | (327) |
| **Profit before taxation** | | 5,387 | 17,422 |
| Tax on profit | **10** | (613) | (1,240) |
| **Profit for the financial year** | | 4,774 | 16,182 |

The Income Statement has been prepared on the basis that all operations are continuing operations.

A Nelson & Co Limited

## Statement of comprehensive income
## For the year ended 31 December 2017

| | 2017<br>£'000 | 2016<br>£'000 |
|---|---|---|
| **Profit for the year** | 4,774 | 16,182 |
| **Other comprehensive income** | | |
| Loss on cash flow hedges arising in the year | (18) | (82) |
| Cash flow hedges gain reclassified to profit or loss | 82 | - |
| **Other comprehensive income for the year** | 64 | (82) |
| **Total comprehensive income for the year** | 4,838 | 16,100 |

A Nelson & Co Limited

## Statement of financial position
## As at 31 December 2017

| | Notes | £'000 | 2017<br>£'000 | £'000 | 2016<br>as restated<br>£'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | **12** | | 4,277 | | 4,540 |
| Investments | **13** | | 4,392 | | 4,392 |
| | | | 8,669 | | 8,932 |
| **Current assets** | | | | | |
| Stocks | **16** | 4,791 | | 3,383 | |
| Debtors | **17** | 19,533 | | 14,759 | |
| Cash at bank and in hand | | 40 | | 2,805 | |
| | | 24,364 | | 20,947 | |
| **Creditors: amounts falling due within one year** | **18** | (27,233) | | (21,617) | |
| **Net current liabilities** | | | (2,869) | | (670) |
| **Total assets less current liabilities** | | | 5,800 | | 8,262 |
| **Provisions for liabilities** | **19** | | (86) | | (86) |
| **Net assets** | | | 5,714 | | 8,176 |
| **Capital and reserves** | | | | | |
| Called up share capital | **22** | | 75 | | 75 |
| Hedging reserve | | | (18) | | (82) |
| Profit and loss reserves | | | 5,657 | | 8,183 |
| **Total equity** | | | 5,714 | | 8,176 |

The financial statements were approved by the board of directors and authorised for issue on 12 June 2018 and are signed on its behalf by:

Robert Wilson
**Director**

**Company Registration No. 00249879**

A Nelson & Co Limited

## Statement of changes in equity
## For the year ended 31 December 2017

| | Notes | Share capital £'000 | Hedging reserve £'000 | Capital redemption reserve £'000 | Profit and loss reserves £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2016** | | 75 | - | 357 | 6,947 | 7,379 |
| **Year ended 31 December 2016:** | | | | | | |
| Profit for the year | | - | - | - | 16,182 | 16,182 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges gains | | - | (82) | - | - | (82) |
| Total comprehensive income for the year | | - | (82) | - | 16,182 | 16,100 |
| Dividends | 11 | - | - | - | (15,303) | (15,303) |
| Transfers | | - | - | - | 357 | 357 |
| Other movements | | - | - | (357) | - | (357) |
| **Balance at 31 December 2016** | | 75 | (82) | - | 8,183 | 8,176 |
| **Year ended 31 December 2017:** | | | | | | |
| Profit for the year | | - | - | - | 4,774 | 4,774 |
| Other comprehensive income: | | | | | | |
| Cash flow hedges gains | | - | (18) | - | - | (18) |
| Cash flow hedges gains reclassified to profit or loss | | - | 82 | - | - | 82 |
| Total comprehensive income for the year | | - | 64 | - | 4,774 | 4,838 |
| Dividends | 11 | - | - | - | (7,300) | (7,300) |
| **Balance at 31 December 2017** | | 75 | (18) | - | 5,657 | 5,714 |

## 1 Accounting policies

### Company information

A Nelson & Co Limited is a private company limited by shares incorporated in England and Wales. The registered office is Nelsons House, 83 Parkside, Wimbledon, London, SW19 5LP.

### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

A Nelson & Co Limited is a wholly owned subsidiary of Nelson and Russell Holdings Limited and the results of A Nelson & Co Limited are included in the consolidated financial statements of Nelson and Russell Holdings Limited which are available from Nelsons House, 83 Parkside, Wimbledon, London, SW19 5LP.

A Nelson & Co Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in accordance with paragraph 1.12 of FRS 102. Exemptions have been taken in relation to:

- Financial instruments;
- Presentation of a cash flow statement;
- Compensation of key management personnel.

### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.3 Turnover

Revenue represents amounts receivable from the sale of healthcare products worldwide, net of value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 1 Accounting policies (continued)

### 1.4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|---|---|
| Leasehold land and buildings | over the period of the lease |
| Plant and machinery | 12½% per annum |
| Fixtures, fittings & equipment | 12½% & 20% per anum |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

### 1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

### 1.6 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

## 1 Accounting policies (continued)

### 1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

### 1.8 Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

### 1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Basic financial assets***

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

***Classification of financial liabilities***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

## 1 Accounting policies (continued)

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

***Other financial liabilities***

Other financial liabilities, including debt instruments that do not meet the definition of a basic financial instrument, are measured at fair value through profit or loss.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

## 1 Accounting policies (continued)

### 1.11 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

***Deferred tax***

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

## 1 Accounting policies (continued)

### 1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

### 1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

### 1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

### 1.17 Restatement of prior period

The comparative balance sheet and associated notes have been restated to reflect the classification of intra group balances from non current to current.

## 2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

***Inventory provisioning***

The company manufactures and sells natural medicines and is subject to changing consumer demands, export/import guidelines and product sell-by dates. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory.

***Recoverability of trade receivables***

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors.

***Hedging of exposure in trade receivables to Foreign Currency Volatility***

The company operates in a number of different, including developing, countries around the world and a number of its trade receivables are therefore denominated in a foreign currency. Management must assess, on a continual basis, its exposure to any Foreign Currency Volatility. Judgement is made as to the level, if any, of hedging instruments needed to reduce this exposure to an acceptable level and protect the business assets. Management uses third party market information, the bank and their own experience to implement standard market hedging instruments in the form of forward contracts.

## 3 Turnover and other revenue

The total turnover of the company has been derived from its principal activity.

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| United Kingdom | 11,268 | 11,177 |
| Europe | 25,949 | 22,736 |
| America | 4,410 | 5,419 |
| Rest of world | 8,811 | 8,326 |
| | 50,438 | 47,658 |

## 4 Operating profit

| Operating profit for the year is stated after charging/(crediting): | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Exchange losses/(gains) | 111 | (1,586) |
| Research and development costs | - | 140 |
| Depreciation of owned tangible fixed assets | 1,506 | 1,437 |
| Profit on disposal of tangible fixed assets | - | (3) |
| Cost of stocks recognised as an expense | 13,235 | 14,230 |
| Operating lease charges | 561 | 539 |

## 5 Auditor's remuneration

| Fees payable to the company's auditor and associates: | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **For audit services** | | |
| Audit of the financial statements of the company | 38 | 38 |
| **For other services** | | |
| All other non-audit services | 1 | 3 |

## 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2017 Number | 2016 Number |
|---|---|---|
| Production | 56 | 56 |
| Sales and administration | 112 | 108 |
| | 168 | 164 |

Their aggregate remuneration comprised:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Wages and salaries | 11,618 | 10,179 |
| Social security costs | 1,041 | 1,160 |
| Pension costs | 431 | 430 |
| | 13,090 | 11,769 |
| Redundancy payments made or committed | 281 | 526 |

## 7 Directors' remuneration

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Remuneration for qualifying services | 2,511 | 2,227 |
| Company pension contributions to defined contribution schemes | 96 | 110 |
| | 2,607 | 2,337 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 3).

## 7 Directors' remuneration (continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Remuneration for qualifying services | 826 | 822 |
| Company pension contributions to defined contribution schemes | - | 10 |

## 8 Interest receivable and similar income

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Interest income** | | |
| Interest receivable from group companies | 261 | 211 |
| **Income from fixed asset investments** | | |
| Income from shares in group undertakings | 3,208 | 11,790 |
| Total income | 3,469 | 12,001 |

## 9 Interest payable and similar expenses

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Interest on bank overdrafts and loans | 11 | 26 |
| Interest payable to group undertakings | 301 | 301 |
| | 312 | 327 |

## 10 Taxation

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits for the current period | 613 | 1,240 |

## 10 Taxation (continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Profit before taxation | 5,387 | 17,422 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%) | 1,037 | 3,484 |
| Tax effect of expenses that are not deductible in determining taxable profit | 50 | 30 |
| Adjustments in respect of prior years | 63 | - |
| Permanent capital allowances in excess of depreciation | 90 | 86 |
| Dividend income | (618) | (2,358) |
| Other tax adjustments | (9) | (2) |
| Taxation charge for the year | 613 | 1,240 |

## 11 Dividends

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Paid during the year | 7,300 | 15,303 |

## 12 Tangible fixed assets

| | Leasehold land and buildings | Plant and machinery | Fixtures, fittings & equipment | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 January 2017 | 830 | 4,948 | 8,618 | 14,396 |
| Additions | 2 | 184 | 1,057 | 1,243 |
| At 31 December 2017 | 832 | 5,132 | 9,675 | 15,639 |
| **Depreciation and impairment** | | | | |
| At 1 January 2017 | 772 | 4,011 | 5,073 | 9,856 |
| Depreciation charged in the year | 5 | 247 | 1,254 | 1,506 |
| At 31 December 2017 | 777 | 4,258 | 6,327 | 11,362 |
| **Carrying amount** | | | | |
| At 31 December 2017 | 55 | 874 | 3,348 | 4,277 |
| At 31 December 2016 | 58 | 937 | 3,545 | 4,540 |

## 13 Fixed asset investments

| | Notes | 2017 £'000 | 2016 £'000 |
|---|---|---|---|
| Investments in subsidiaries | 14 | 4,392 | 4,392 |

## 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 are as follows:

| Name of undertaking | Registered office | Nature of business | Class of shares held | % Held Direct | % Held Indirect |
|---|---|---|---|---|---|
| Nelson Pharmacies Limited | Nelsons House, 83 Parkside, Wimbledon, London, SW19 5LP | Sale of natural healthcare products | Ordinary | 100.00 | |
| Bach Flower Remedies Limited | As above | Licensing of trademarks and distribution agreements | Ordinary | 100.00 | |
| Nelson & Russell Limited | As above | Dormant | Ordinary | 100.00 | |
| Nelsons Aura Limited | As above | Dormant | Ordinary | 100.00 | |
| Nelson Bach (USA) Limited | USA (Massachusetts) | Sale of natural healthcare products | Ordinary | 100.00 | |
| Bach Flower Essences Inc | As above | Dormant | Ordinary | 100.00 | |
| Nelson GmbH | Germany (Hamburg) | Sale of natural healthcare products | Ordinary | 100.00 | |
| Nelson Pharmacies (Ireland) Limited | Grafton Buildings, 34 Grafton Street, Dublin 2 | Dormant | Ordinary | 100.00 | |

## 15 Financial instruments

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| **Carrying amount of financial liabilities** | | |
| Measured at fair value through profit or loss | | |
| - Other financial liabilities | 18 | 82 |

## 16 Stocks

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Raw materials and consumables | 2,026 | 1,946 |
| Finished goods and goods for resale | 2,765 | 1,437 |
| | 4,791 | 3,383 |

## 17 Debtors: amounts falling due within one year

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| Trade debtors | 4,600 | 5,216 |
| Corporation tax recoverable | 744 | - |
| Amounts owed by group undertakings | 12,721 | 8,578 |
| Other debtors | 487 | 389 |
| Prepayments and accrued income | 981 | 576 |
| | 19,533 | 14,759 |

## 18 Creditors: amounts falling due within one year

| | 2017 | 2016 As restated |
|---|---|---|
| | £'000 | £'000 |
| Trade creditors | 2,086 | 2,313 |
| Amounts due to group undertakings | 21,020 | 14,543 |
| Corporation tax | - | 218 |
| Other taxation and social security | 305 | 269 |
| Derivative financial instruments | 18 | 82 |
| Other creditors | 54 | 87 |
| Accruals and deferred income | 3,750 | 4,105 |
| | 27,233 | 21,617 |

## 19 Provisions for liabilities

| | Notes | 2017 | 2016 |
|---|---|---|---|
| | | £'000 | £'000 |
| Deferred tax liabilities | 20 | 86 | 86 |

## 20 Deferred taxation

The following are the major deferred tax liabilities recognised by the company and movements thereon:

| Balances: | Liabilities 2017 £'000 | Liabilities 2016 £'000 |
|---|---|---|
| Accelerated capital allowances | 159 | 159 |
| Other timing differences | (73) | (73) |
| | 86 | 86 |

There were no deferred tax movements in the year.

## 21 Retirement benefit schemes

| Defined contribution schemes | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 431 | 430 |

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

## 22 Share capital

| | 2017 | 2016 |
|---|---|---|
| | £'000 | £'000 |
| **Ordinary share capital** | | |
| **Issued and fully paid** | | |
| 75 Ordinary shares of £1 each | 75 | 75 |
| | 75 | 75 |

The profit and loss account reserve represents the cumulative realised profits or losses net of dividends paid and other adjustments.

The capital redemption reserve represented non-distributable amounts following the repurchase of the company's own shares. In the prior year, following a capital reduction process, the capital redemption reserve was transferred to the profit and loss account.

The hedging reserve represents the movement of fair value gains and losses on forward exchange contracts.

## 23 Financial commitments, guarantees and contingent liabilities

The company has given a Composite Company Unlimited Multilateral Guarantee, together with Nelson & Russell Holdings Limited, Bach Flower Remedies Limited, Spatone Limited, Natural Science.com Limited, Nelsons Pharmacies Limited, Nelson Bach USA Limited and Nelsons GmbH, to HSBC Bank Plc as security for a bank loan and overdraft facility. At 31 December 2017 the total debt amounted £nil (2016: £nil).

In 2016 the ultimate parent company, Nelson & Russell Holdings Limited, entered into a £20,000,000 senior facilities agreement with HSBC Bank Plc. The facility expires in March 2020 and is secured by way of a fixed and floating charge over all the assets of the company in favour of HSBC Bank Plc dated 22 March 2016. At 31 December 2017 the total debt amounted to £11,125,000 (2016: £13,625,000).

During the year the company entered into certain cash flow hedges to sell currency and hedge against its exposure to receipts in Euro and US Dollars. At the balance sheet date the company was committed to sell the following forward foreign exchange contracts in 2018:

€9.5 million at an average rate of 1.13.
$4.8 million at an average rate of 1.35.

## 24 Operating lease commitments

**Lessee**

At 31 December 2017 the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2017 £'000 | 2016 £'000 |
|---|---|---|
| Within one year | 702 | 559 |
| Between two and five years | 1,822 | 1,799 |
| In over five years | 2,567 | 3,029 |
| | 5,091 | 5,387 |

## 25 Related party transactions

During the year the company sold healthcare products amounting to £6,188,308 (2016: £6,635,376) to Laboratoire Famadem, a fellow subsidiary of Nelson and Russell Holdings Limited. Laboratoire Famadem is 49% owned by Mr R N Wilson and Mr P R Wilson. The balance due to the company by Laboratoire Famadem at the year end amounted to £618,599 (2016: £1,841,227).

## 26 Controlling party

The directors regard Nelson & Russell Holdings Limited as the ultimate parent company. The directors consider that Mr R N Wilson and Mr P R Wilson are jointly the controlling party by virtue of their interest in the issued share capital of Nelson & Russell Holdings limited. Nelson & Russell Holdings Limited is the ultimate parent company of the largest and smallest group of undertakings for which group accounts are presented, and has included the company in its group accounts, copies of which may be obtained from the Director, Nelsons House, 83 Parkside, Wimbledon, London, SW19 5LP.