

**Neal's Yard Holdings Limited**

**Directors' report and financial  
statements**

Registered number 5471018

28 March 2010

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## Directors' report

The directors present their directors' report and financial statements of Neal's Yard Holdings Limited ("The Company") and its subsidiaries ("The Group") for the year ending 28 March 2010

### Principal Activities

The Company is a holding company and has one trading subsidiary, Neal's Yard (Natural Remedies) Limited. The principal activity of the Group in the year under review was that of manufacture, wholesale and retailing of natural cosmetics, medicines and remedies, provision of therapies and educational courses.

### Business review

During the year, the Group capitalised on the re-building programme undertaken in the past 18 months with further key senior appointments being made which brought new skills and talents to the team. The brand is now considered a "premium" offering able to compete in an ever more crowded market place and Neal's Yard Remedies has become the UK's foremost destination for natural, ethical and organic health and beauty.

Product development was maintained with five new major skincare collections being launched in the year. The Group's products continued to be featured in the top health and beauty publications including Elle, Vogue, Grazia, Marie Claire and Harper's Bazaar and during the year the Group won 36 top industry awards.

The Group opened its first Spa in London and signed a new franchise agreement for the United Arab Emirates with the first store having opened in Dubai in April 2009 and further planned in the near future. Two loss making stores were closed in the year, each with successful closing down sales, which did not impact on our other retail units. The investment in these stores was written off in the prior year.

Despite the adverse economic conditions prevailing throughout the year, the Group achieved year on year sales growth of 19.3%. This sales increase reflected underlying sales growth across the majority of the business combined with expansion in new channels and the benefit of the full year sales of the new shops opened in the prior year. Sales grew despite reduced promotional activity as management focused on improving gross margins which increased to 54.9% from 47.3% in 2009.

The consolidated results for the year are set out in the profit and loss account on page 10 which shows the Group making an operating profit before depreciation, amortisation and interest of £1.4m (2009 loss £3.2m). After depreciation, amortisation and interest, the loss for the year was £196k (2009 loss £6m).

The Group reported previously that as a consequence of the loss in 2009, there existed a deficit in shareholder's funds and that steps were being taken to rectify this situation. During the year, the Company converted £2.8m of its outstanding debt with its principal subsidiary Neal's Yard (Natural Remedies) Ltd, into equity. As a result, the Company acquired 2,801,671 redeemable ordinary shares. Additionally, in June 2010, the Company's shareholders agreed to convert £6.5m of their debt into equity. The Company further agreed to acquire a £3.5m loan from its bankers the proceeds of which were invested in a further £3.5m of equity in Neal's Yard (Natural Remedies) Limited by way of a subscription for ordinary shares. Those proceeds were used to redeem existing loans in the subsidiary company. Overall, Group debt did not change. This investment was completed in June 2010 and is explained in more detail below under Post Balance Sheet events.

Looking forward the Group's multi-channel approach allied to a strong brand and the widespread acceptance of organic and environmental factors in the market place will enable the Business to grow and develop for the long term both in the UK and internationally.

### Key Performance Indicators

As well as profit, the business uses several key performance indicators (KPIs) to measure results.

A key performance indicator for the business is sales growth. In 2010 total turnover grew by 19.3% (2009 13.8%) primarily reflecting underlying sales growth and expansion in new channels and the benefit of the full year sales of the new shops opened in the previous year.

## **Directors' report** *(continued)*

A further key performance indicator is gross margin. In 2010, management substantially reduced the level of promotional activity across the business. This resulted in a significant improvement in gross margin which grew from 47.3% in 2009 to 54.9% in 2010.

Other key performance indicators also improved in the year. Earnings before Interest and Depreciation grew from a loss of £3.2m to a profit of £1.4m representing 8% of turnover (2009 (21%)) and the operating margin increased from (36.2)% to 0.7% as the Group returned to operating profit.

### **Principal risks and uncertainties**

The business involves a series of risks in commercial, operational and financial areas. The directors have adopted a cautious approach to risk in all the principal areas as described below.

Commercial risks presented by the high proportion of retail sales and the highly competitive environment the business operates in are managed through maintaining high levels of customer service and developing and maintaining strong customer relationships as well as by delivering high quality, natural and effective products that meet the needs of our customers. The Group aims to minimise its reliance on its retail base by developing alternative channels most notably its wholesale and international business. During the year retail sales as a percentage of turnover reduced to 54% from 61% in 2009.

Quality control is critical to the operations of the business. Highest industry standards and procedures are in place and opportunities for improvement are taken. The business strives to increase the level of organic content in its products and is reliant on its suppliers to maintain purity and soil association accreditation of its raw materials.

Financial risks include the risk of rises in input prices particularly of organic material impacting margins whilst not being able to fully recover those increases in selling prices. As the business grows, the benefits of economies of scale in reducing unit costs are balanced with the need to acquire organically certified and consistent product from its suppliers in larger quantities. The business sources its raw materials from organic growers all over the world and by working closely with them and providing a long term sustainable market for its growers, volatile price changes can be minimised and volume of product and consistency can be maintained.

A significant proportion of purchases are denominated in Euros and large currency fluctuations could negatively impact the results. This risk is mitigated by using forward contracts on a rolling basis to hedge the currency exposure.

### **Research and development**

The Group seeks to develop new products in the areas of natural cosmetics, medicines and natural remedies and is working on research projects with two Universities to further this aim. The total cost incurred in the year was £218,322 (2009 £230,074).

## Directors' report *(continued)*

### Post Balance Sheet Events

In June 2010, Neal's Yard Holdings Ltd agreed to invest £3.5m by way of subscription for new ordinary shares in Neal's Yard (Natural Remedies) Ltd. The Company took on a £3.5m loan from its bankers to fund the investment. The share issue was completed in June 2010 and the funds generated were used to repay existing long term bank loans in the Company's subsidiary. Overall, there was no increase in Group bank debt.

Holders of £6.5m of loans further agreed to convert the loans into £6.5m of redeemable ordinary shares. Had this occurred at the balance sheet date, the Balance Sheet would have been as follows:

#### Proforma balance sheet

	2010 restated	2010 as reported
	£'000	£'000
<b>Fixed Asset</b>	<b>11,615</b>	<b>11,615</b>
<b>Current assets</b>	<b>6,551</b>	<b>6,551</b>
<b>Creditors' amounts falling due within one year</b>	<b>(6,974)</b>	<b>(13,474)</b>
<b>Net current liabilities</b>	<b>(423)</b>	<b>(6,923)</b>
<b>Creditors' amounts falling due after more than one year</b>	<b>(8,344)</b>	<b>(8,344)</b>
<b>Net assets/(liabilities)</b>	<b>2,848</b>	<b>(3,652)</b>
<b>Capital and reserves</b>		
Called up share capital	11,200	4,700
Profit and loss account	(8,352)	(8,352)
<b>Shareholders' funds/(deficit)</b>	<b>2,848</b>	<b>(3,652)</b>

### Charitable Donations

During the year, the Group donated £2,130 (2009: £Nil) to charitable organisations.

### Proposed dividend

The directors do not recommend the payment of a dividend (2009: £Nil).

### Directors

The directors who held office during the year were as follows:

P Kindersley	
N Ganesh	(appointed 18 April 2009, resigned 31 July 2009)
B Kindersley	
G Hirth	(appointed 12 August 2009, resigned 11 June 2010)
G Rutherford	(appointed 3 March 2010)

## **Directors' report** *(continued)*

### **Employment policies**

The Group encourages employee involvement and consultant and places emphasis on keeping its employees informed of the Group's activities and financial performance

The Group operates a non-discriminatory employment policy. Full and fair consideration is given to applicants for employment from the disabled where they have the appropriate skills and abilities and to the continued employment of staff who become disabled. The Group places particular emphasis on and encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of disabled employees.

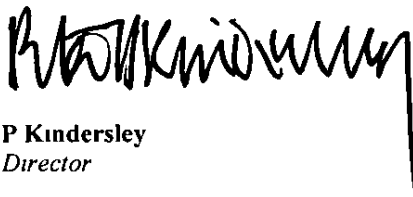
### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### **Auditors**


Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will continue in office.

By order of the board



**P Kindersley**  
*Director*

Neal's Yard (Natural Remedies) Ltd  
Peacemarsh  
Gillingham  
Dorset  
SP8 4EU

 September 2010

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP

100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

## **Independent auditors' report to the members of Neal's Yard Holdings Limited**

We have audited the financial statements of Neal's Yard Holdings Ltd for the year ended 28 March 2010 set out on pages 10 to 28. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' 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.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 March 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**Independent auditors' report to the members of Neal's Yard Holdings Limited**  
*(continued)*

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



**AC Antonius (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*  
100 Temple Street  
Bristol  
BS1 6AG

13 September 2010

**Consolidated Profit and loss account**  
*for the year ended 28 March 2010*

		2010 £'000	2009 £'000
<b>Turnover</b>	2	17,838	14,954
Cost of sales		(8,051)	(7,886)
<b>Gross profit</b>		9,787	7,068
Distribution costs		(4,611)	(4,761)
Administrative expenses		(5,057)	(7,716)
<b>Operating profit/(loss)</b>	3	119	(5,409)
Interest receivable and similar income	6	-	8
Interest payable and similar charges	7	(315)	(610)
<b>(Loss) on ordinary activities before taxation</b>		(196)	(6,011)
Tax on (loss) on ordinary activities	8	(247)	1,430
<b>(Loss) for the financial year</b>		(443)	(4,581)

All results arose from continuing operations

There were no recognised gains or losses for either year other than the results shown above

**Consolidated Balance sheet**  
*at 28 March 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Intangible assets	9	7,126	7,579
Tangible assets	10	4,489	5,141
		<b>11,615</b>	<b>12,720</b>
<b>Current assets</b>			
Stocks	12	2,023	1,708
Debtors	13	3,097	3,305
Cash at bank and in hand		1,431	470
		<b>6,551</b>	<b>5,483</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(13,474)</b>	<b>(13,027)</b>
<b>Net current liabilities</b>		<b>(6,923)</b>	<b>(7,544)</b>
<b>Total assets less current liabilities</b>		<b>4,692</b>	<b>5,176</b>
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(8,344)</b>	<b>(8,385)</b>
<b>Net liabilities</b>		<b>(3,652)</b>	<b>(3,209)</b>
<b>Capital and reserves</b>			
Called up share capital	17	4,700	4,700
Profit and loss account	18	(8,352)	(7,909)
<b>Shareholders' deficit</b>		<b>(3,652)</b>	<b>(3,209)</b>

These financial statements were approved by the board of directors on 9<sup>th</sup> September 2010 and were signed on its behalf by



**P Kindersley**  
*Director*

**Company Balance sheet**  
*at 28 March 2010*

	<i>Note</i>	<b>2010</b>	<b>2009</b>
		<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Investments	11	14,667	11,865
<b>Current assets</b>			
Debtors	13	240	1,901
Cash at bank and in hand		7	7
		<u>247</u>	<u>1,908</u>
<b>Creditors</b> amounts falling due within one year	14	(10,698)	(9,534)
<b>Net current liabilities</b>		<u>(10,451)</u>	<u>(7,626)</u>
<b>Net assets</b>		<u>4,216</u>	<u>4,239</u>
<b>Capital and reserves</b>			
Called up share capital	17	4,700	4,700
Profit and loss account	18	(484)	(461)
<b>Shareholders' funds</b>		<u>4,216</u>	<u>4,239</u>

These financial statements were approved by the board of directors on 9<sup>th</sup> September 2010 and were signed on its behalf by



**P Kindersley**  
*Director*

**Consolidated Cash flow statement**  
*for the year ended 28 March 2010*

	<i>Note</i>	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
<b>Reconciliation of operating loss to net cash flow from operating activities</b>			
Operating profit/(loss)		119	(5,409)
Amortisation of goodwill		453	453
Depreciation of tangible assets		820	895
Impairment of fixed assets		-	894
Profit on disposal of tangible assets		(1)	(1)
Increase in stocks		(315)	(192)
Increase in debtors		(39)	(207)
(Decrease) / Increase in creditors		(220)	472
<b>Net cash inflow/(outflow) from operating activities</b>		<b>817</b>	<b>(3,095)</b>
<b>Cash flow statement</b>			
Cash flow from operating activities		817	(3,095)
Returns on investments and servicing of finance	21	(274)	(561)
Taxation		-	36
Capital expenditure and financial investment	21	(398)	(2,084)
Cash inflow/(outflow) before financing		145	(5,704)
Financing	21	816	5,045
<b>Increase/(decrease) in cash in the year</b>		<b>961</b>	<b>(659)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the year</b>		<b>961</b>	<b>(659)</b>
Cash inflow from increase in debt		(816)	(5,045)
Change in net debt resulting from cash flows		145	(5,704)
New finance leases		-	(51)
Amortisation of borrowing costs		(27)	(6)
<b>Movement in net debt in the year</b>		<b>118</b>	<b>(5,761)</b>
<b>Net debt at the start of the year</b>		<b>(17,051)</b>	<b>(11,290)</b>
<b>Net debt at the end of the year</b>	22	<b>(16,933)</b>	<b>(17,051)</b>

**Reconciliation of movements in shareholders' funds**  
*for the year ended 28 March 2010*

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>(Loss) for the financial year</b>	<b>(443)</b>	<b>(4,581)</b>	<b>(23)</b>	<b>(102)</b>
<b>Opening shareholders' funds/(deficit)</b>	<b>(3,209)</b>	<b>1,372</b>	<b>4,239</b>	<b>4,341</b>
<b>Closing shareholders' funds/(deficit)</b>	<b>(3,652)</b>	<b>(3,209)</b>	<b>4,216</b>	<b>4,239</b>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 28 March 2010

The financial statements are prepared on a going concern basis notwithstanding net liabilities of £3,652,000 which the directors believe to be appropriate for the following reasons. The Group meets its day to day working capital requirements through bank facilities which carry covenants and director and shareholder loans. The Group's ultimate controlling party, Mr P Kindersley has indicated that for at least 12 months from the date of approval of these financial statements and for the foreseeable future, he will continue to make available such funds as are needed by the Group and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment in the event that the Group defaults on its covenants.

As with any Group placing reliance on an individual for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. If the Group were unable to continue to trade adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and current liabilities.

The financial statements for the Group are drawn up to the nearest Sunday to the 31 March, in line with retail industry practice. The year to 28 March 2010 comprises 52 weeks (2009 52 weeks).

The company is exempt under Companies Act 2006 s408 from the requirement to present its own profit and loss account.

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years. Any impairment charge is included within operating profits.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	25 years
Short leasehold	-	life of lease
Plant and equipment	-	5 years
Furniture and equipment	-	5 years
Motor vehicles	-	4 years
Computer equipment	-	3 years

No depreciation is provided on freehold land.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Post-retirement benefits***

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### ***Research and development expenditure***

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For finished goods cost is taken as production cost.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### ***Cash and liquid resources***

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

#### ***Share based payments***

The Group has a share option programme which allows employees to acquire shares in Neal's Yard Holdings Limited. In accordance with FRS 20, the fair value of the options granted have been measured using an option pricing model, taking into account the terms and conditions upon which the options were granted.

The fair value of the options granted should be recognised as an employee expense. However, the Directors deem the charge for 2010 and 2009 to be immaterial, therefore no charge has been recognised in the year ended 28 March 2010 financial statements. See note 23 for further details.

#### ***Turnover***

Turnover is the total amount receivable by the Group for goods supplied and therapy room income and includes royalties and franchise fees, excluding VAT. Turnover is recognised at point of delivery, when all risks and rewards have been transferred to the customer, in accordance with FRS 5.



## Notes (continued)

### 2 Analysis of turnover

	Group	
	2010	2009
	£'000	£'000
<i>By activity</i>		
Retailing	9,578	9,101
Wholesale	6,883	4,559
Therapy rooms	983	920
Royalty and franchise fees	308	287
Education courses and sundry	86	87
	<b>17,838</b>	<b>14,954</b>
	2010	2009
	£'000	£'000
<i>By geographical market</i>		
United Kingdom	15,768	13,058
Asia	1,670	1,652
Europe	74	72
America	283	55
Rest of the World	43	117
	<b>17,838</b>	<b>14,954</b>

### 3 Notes to the profit and loss account

	Group	
	2010	2009
	£'000	£'000
<i>Profit/(loss) on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets		
Owned	668	305
Leased	152	590
Impairment of tangible fixed assets	-	894
Amortisation and impairments of goodwill	453	453
Hire of other assets – operating leases	1,660	1,448
Research and development expenditure	218	230
(Profit) on disposal of tangible fixed assets	(1)	(1)
<i>Remuneration receivable by the auditors and their associates in respect of:</i>		
Audit of financial statements pursuant to legislation	44	32
Other services relating to taxation	6	6

## Notes (continued)

### 4 Remuneration of directors

	2010 £'000	2009 £'000
Directors' emoluments	172	128
Company contributions to money purchase pension schemes	4	6
Compensation for loss of office	21	-
	<u>197</u>	<u>134</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £75,085 (2009 £84,245), and Company pension contributions of £4,375 (2009 £6,318) were made to a money purchase scheme on their behalf

	Number of directors	
	2010	2009
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	<u>1</u>	<u>1</u>

### 5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows

	Number of employees	
	2010	2009
Manufacturing	29	38
Selling and distribution	261	246
Management and distribution	113	112
	<u>403</u>	<u>396</u>

The aggregate payroll costs of these persons were as follows

	Group	
	2010 £'000	2009 £'000
Wages and salaries	5,080	5,215
Social security costs	442	466
Other pension costs	107	148
	<u>5,629</u>	<u>5,829</u>

## Notes (continued)

### 6 Interest receivable and similar income

	Group	
	2010	2009
	£'000	£'000
Interest receivable	-	8

### 7 Interest payable and similar charges

	Group	
	2010	2009
	£'000	£'000
On bank loans	217	449
On other loans	20	53
Finance charges payable in respect of finance leases and hire purchase contracts	78	108
	315	610

### 8 Taxation

#### Analysis of charge/(credit) in year

	Group		
	2010	2009	
	£'000	£'000	£'000
<b>UK corporation tax</b>			
Current tax on income for the year	-	-	
Adjustments in respect of prior years	-	(36)	
Total current tax	-		(36)
<b>Deferred tax (see note 16)</b>			
Origination/reversal of timing differences	247	(1,318)	
Adjustments in respect of prior years	-	(1)	
Effect of tax rate change on opening balance	-	(75)	
Total deferred tax	247		(1,394)
<b>Tax on loss on ordinary activities</b>	247		(1,430)

## Notes (continued)

### 8 Taxation (continued)

#### Factors affecting the tax charge/(credit) for the current year

The current tax charge/(credit) for the year is lower (2009 higher) than the standard rate of corporation tax in the UK (28%, 2009 28%). The differences are explained below

	Group	
	2010	2009
	£'000	£'000
<i>Current tax reconciliation</i>		
(Loss) on ordinary activities before tax	(196)	(6,011)
Current tax at 28% (2009 28%)	(55)	(1,683)
<i>Effects of</i>		
Expenses not deductible for tax purposes	296	583
Depreciation for period in excess of capital allowances	72	73
Other short term timing differences	5	15
Unrelieved tax losses arising in the year	1	1,012
Utilisation of tax losses and other deductions	(319)	-
Adjustments to tax charge in respect of previous years	-	(36)
Total current tax charge/(credit) (see above)	-	(36)

### 9 Intangible fixed assets

	Group
	2010
	£'000
<i>Cost</i>	
At beginning and end of year	9,065
<i>Amortisation</i>	
At beginning and end of year	1,486
Charged in the year	453
At end of year	1,939
<i>Net book value</i>	
At 28 March 2010	7,126
At 29 March 2009	7,579

Intangible fixed assets represents purchased goodwill

## Notes (continued)

### 10 Tangible fixed assets

	Group						
	Freehold land and buildings	Short leasehold	Plant and equipment	Furniture and equipment	Computer equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>							
At beginning of year	3,189	3,781	482	1,126	356	8	8,942
Additions	-	67	24	51	26	-	168
Disposals	-	(614)	-	(10)	-	(8)	(632)
At end of year	3,189	3,234	506	1,167	382	-	8,478
<b>Depreciation</b>							
At beginning of year	492	1,974	205	925	197	8	3,801
Charge for year	122	430	91	86	91	-	820
On disposals	-	(614)	-	(10)	-	(8)	(632)
At end of year	614	1,790	296	1,001	288	-	3,989
<b>Net book value</b>							
At 28 March 2010	2,575	1,444	210	166	94	-	4,489
At 29 March 2009	2,697	1,807	277	201	159	-	5,141

Included in the total net book value of furniture and equipment is £Nil (2009 £29,701) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £29,701 (2009 £37,694).

Included in the total net book value of plant and equipment is £31,450 (2009 £45,027) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £13,577 (2009 £12,727).

Included in the total net book value of short leasehold is £115,505 (2009 £188,455) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £72,950 (2009 £578,044).

Included in the total net book value of computer equipment is £1,019 (2009 £37,371) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £36,353 (2009 £63,776).

## Notes (continued)

### 11 Fixed asset investments

	Company	
	2010	2009
	£'000	£'000
<b>Shares in subsidiary undertakings</b>		
<i>Cost and net book value</i>		
At beginning of year	11,865	11,865
Additions	2,802	-
At end of year	14,667	11,865

The companies in which the Company's interest at the year end is more than 20% are as follows

	Country of incorporation	Principal activity	Class and percentage of shares held
<i>Subsidiary undertakings</i>			
Neal's Yard (Natural Remedies) Limited	England & Wales	Manufacturing, wholesaling and retailing natural cosmetics, medicines and remedies	Ordinary 100%
Neal's Yard Remedies (International) Limited	England & Wales	Dormant	Ordinary 100%
Neal's Yard (Natural Remedies) U S A Inc	USA	Dormant	Ordinary 100%

The 10,000 shares of common stock held by the Group in Neal's Yard (Natural Remedies) U S A Inc, has no par value. The company does not have a direct holding in Neal's Yard (Natural Remedies) USA Inc but is attributed to the company by virtue of its 100% investment in Neal's Yard Remedies Limited.

### 12 Stocks

	Group	
	2010	2009
	£'000	£'000
Raw materials and consumables	947	811
Finished goods and goods for resale	1,076	897
	2,023	1,708

## Notes (continued)

### 13 Debtors

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade debtors	1,391	787	-	-
Other debtors	12	133	-	-
Prepayments and accrued income	359	803	-	-
Amount owed by group undertakings	-	-	240	1,901
Deferred tax asset (note 16)	1,335	1,582	-	-
	<u>3,097</u>	<u>3,305</u>	<u>240</u>	<u>1,901</u>

No amounts are due after more than one year

### 14 Creditors: amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Loans and loan notes	9,981	8,838	9,981	8,838
Obligations under finance leases and hire purchase contracts (see note 15)	39	298	-	-
Trade creditors	1,064	1,501	10	9
Taxation and social security	682	587	16	16
Other creditors	85	-	-	-
Accruals and deferred income	1,623	1,803	691	671
	<u>13,474</u>	<u>13,027</u>	<u>10,698</u>	<u>9,534</u>

Loans and loan notes comprise

Unsecured loans and loan notes of £9,981,000 (2008 £8,838,000) are repayable on demand and bear interest at 1.5% above LIBOR. The holders of loan notes totalling £8,674,627 have waived their right to interest for the years ended 29 March 2009 and 28 March 2010.

## Notes (continued)

### 15 Creditors: amounts falling due after more than one year

	Group	
	2010	2009
	£'000	£'000
Bank and other loans	8,323	8,325
Obligations under finance leases and hire purchase contracts	21	60
	<u>8,344</u>	<u>8,385</u>

#### Analysis of debt

	2010	2009
	£'000	£'000
Bank debt can be analysed as falling due		
In one year or less, or on demand	-	-
Between one and two years	1,800	-
Between two and five years	5,401	8,325
In five years or more	1,122	-
	<u>8,323</u>	<u>8,325</u>

Bank loans of £8,323,000 are secured by a first legal mortgage over the freehold property known as Peacemarsh, Gillingham, Dorset and a first debenture over the assets and undertakings of the Group. Bank loans bear interest at 1.75% above base rate, interest is paid monthly in arrears.

Bank loans are shown net of £Nil (2009 £26,733) of borrowing costs.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2010	2009
	£'000	£'000
Within one year	39	298
In the second to fifth years	21	60
	<u>60</u>	<u>358</u>



## Notes (continued)

### 16 Deferred taxation

	<b>Group Deferred taxation £'000</b>
At beginning of year	1,582
Charge to the profit and loss for the year (note 8)	(247)
<b>At end of year</b>	<b>1,335</b>

The elements of deferred taxation are as follows

	<b>2010 £'000</b>	<b>2009 £'000</b>
Difference between accumulated depreciation and amortisation and capital allowances	402	330
Other timing differences	8	8
Tax losses carried forward	925	1,244
<b>Deferred tax asset</b>	<b>1,335</b>	<b>1,582</b>

Deferred tax has been recognised on capital allowances and is included in debtors (note 13)

#### Company

A deferred tax asset of £218,000 (2009 £211,000) has not been recognised in the Company on the grounds that there is insufficient evidence that the asset will be recovered

### 17 Called up share capital

	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Allotted, issued and fully paid</b>		
4,700,000 ordinary shares of £1 each	4,700	4,700

### 18 Reserves

	<b>Profit and loss account Group £'000</b>	<b>Profit and loss account Company £'000</b>
At beginning of year	(7,909)	(461)
(Loss) for the year	(443)	(23)
<b>At end of year</b>	<b>(8,352)</b>	<b>(484)</b>

## Notes (continued)

### 19 Commitments

Annual commitments under non-cancellable operating leases are as follows

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>Land and Buildings</b>	<b>Land and buildings</b>
	<b>£'000</b>	<b>£'000</b>
Operating leases which expire		
Within one year	185	47
In the second to fifth years inclusive	1,335	1,694
Over five years	40	40
	<b>1,560</b>	<b>1,781</b>

The Group mitigates the foreign exchange risk by making use of foreign exchange foreign contracts. At the year end the Group had a forward contract to purchase 150,000 Euros by 30 April 2010. The fair value of this contract at the year end was £2,800.

### 20 Pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £106,925 (2009 £147,716).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

### 21 Analysis of cash flows

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investment and servicing of finance</b>		
Interest received	-	8
Interest paid	(196)	(461)
Interest element of finance lease rental payments	(78)	(108)
	<b>(274)</b>	<b>(561)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(399)	(2,085)
Sale of tangible fixed assets	1	1
	<b>(398)</b>	<b>(2,084)</b>
<b>Financing</b>		
Movements in loans	1,114	5,574
Capital element of finance lease rental payments	(298)	(529)
	<b>816</b>	<b>5,045</b>

## Notes (continued)

### 22 Analysis of net debt

	At beginning of year	Cash flow	Other non cash Changes	At end of year
	£'000	£'000	£'000	£'000
Cash in hand, at bank	470	961	-	1,431
Debt due after one year	(8,325)	29	(27)	(8,323)
Debt due within one year	(8,838)	(1,143)	-	(9,981)
Finance leases	(358)	298	-	(60)
		(816)		
	(17,051)	145	(27)	(16,933)

### 23 Share based payments

60,400 options were granted during the year ended 29 March 2009, all had an exercise price of £1 and a weighted average contractual life of ten years

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The fair value of the options have been measured using the following inputs and assumptions

	2010	2009
Weighted average share price	£0.25	£0.25
Exercise price	£1.00	£1.00
Expected volatility	30%	30%
Option life	10 years	10 years
Risk free interest rate	0.05%	0.05%

The directors deem the share based payment charge for 2010 and 2009 to be immaterial, therefore no charge has been recognised in the year ended 28 March 2010 and 29 March 2009 financial statements

### 24 Related party disclosures

Mr P Kindersley is a director and sole shareholder of Neal's Yard Remedies (Home) Ltd. During the year the Group sold goods of £1,891,435 (2009 £12,000) and services of £131,903 (2009 Nil) to Neal's Yard Remedies (Home) Ltd and its wholly owned subsidiary NYR Organic Inc on normal commercial terms. The amount due from Neal's Yard Remedies (Home) Ltd and its subsidiary at the year end was £867,952 (2009 £13,469)

Unsecured loans and loan notes of £9,981,000 (2009 £8,838,000) are in favour of P Kindersley and associated persons. Interest charges of £20,000 (2009 £53,000) have been incurred by the Group during the year. This amount is outstanding at the year end.

Mr P Kindersley is the owner of Sheepdrove Farm, operating as The Kindersley Centre. During the year the Group sold goods of £300 (2009 £3,984) to Sheepdrove Farm on normal commercial terms. Sheepdrove Farm supplied goods to the Group for £6,257 (2009 £1,311) on normal commercial terms. There were no amounts outstanding at the year end.

S Winter is a director of Winter Press Ltd. During the year the Group bought goods from Winter Press Ltd of £29,038 (2009 £23,421). The amount due to Winter Press Ltd at the balance sheet date was £20 (2009 £936)

## Notes (continued)

### 25 Post Balance Sheet Events

In June 2010, Neal's Yard Holdings Ltd agreed to invest £3.5m by way of subscription for new ordinary redeemable shares in Neal's Yard (Natural Remedies) Ltd. The Company took on a £3.5m loan from its bankers to fund the investment. The share issue was completed in June 2010 and the funds generated were used to repay existing long term bank loans in the Company's subsidiary. Overall, there was no increase in Group bank debt.

Holders of £6.5m of loan notes further agreed to convert the loans into £6.5m of redeemable ordinary shares. Had this occurred at the balance sheet date, the Balance Sheet would have been as follows:

Proforma balance sheet

	2010 restated £'000	2010 as reported £'000
<b>Fixed asset</b>	<b>11,615</b>	<b>11,615</b>
<b>Current assets</b>	<b>6,551</b>	<b>6,551</b>
<b>Creditors</b> amounts falling due within one year	<b>(6,974)</b>	<b>(13,474)</b>
<b>Net current liabilities</b>	<b>(423)</b>	<b>(6,923)</b>
<b>Creditors</b> amounts falling due after more than one year	<b>(8,344)</b>	<b>(8,344)</b>
<b>Net assets/(liabilities)</b>	<b>2,848</b>	<b>(3,652)</b>
<b>Capital and reserves</b>		
Called up share capital	11,200	4,700
Profit and loss account	(8,352)	(8,352)
<b>Shareholders' funds/(deficit)</b>	<b>2,848</b>	<b>(3,652)</b>