Neal's Yard Holdings Limited

Annual Report and Financial Statements

Registered number 5471018

30 September 2022

Contents

Corporate Information

Directors

P Kindersley
B Kindersley
H Treuille
J Kindersley

Company Secretarial

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

Auditors

BDO LLP,
Arcadia House,
Maritime Walk,
Ocean Village,
Southampton,
SO14 3TL

Bankers

Barclays Bank PLC,
Bridgewater House,
Counterslip,
Finzels Reach,
Bristol,
BS1 6BX

Registered Office

Neal's Yard (Natural Remedies) Limited
15 Neal's Yard
London
WC2H 9DP

Strategic Report

Neal's Yard Holdings Limited is a holding company. The Group is a manufacturer, wholesaler and retailer of organic natural health and beauty products including natural skincare, cosmetics and natural remedies. It also provides therapy and treatment rooms within its retail premises and runs educational courses.

Business Review

Turnover showed a decrease of 7.8% in the year, which was predominantly driven by a reduction in our wholesale and retail sales. Wholesale sales were down £1.7m (9.8%) to £16.0m (2021: £17.7m) largely due to a reduction is sales in our direct sales business. We saw a decline in Retail sales of £2.1m (7.9%) to £24.5m (2021: £26.5m), was due to a reduction in footfall and slow return to the highstreet post covid period, along with the impact of store closures.

We continued to invest in our digital channels both domestically and internationally. This investment saw significant revenue growth in our new international markets. In the UK our direct to consumer and indirect (via online partners) digital revenues continued to grow building upon significant growth in the prior year.

Gross Profit margin remains consistent at 54%. This was due to the shift in channel sales mix. There continued to be cost pressures across the supply chain, but these continue to be managed by the company. Distribution costs increased by 4.0% when compared with the prior period as a proportion of revenue due to the increase in our direct-to-consumer sales.

Net Assets decreased by £5.5m to £0.1m (2021: £5.6m). This was due to £4.2m amortization and impairment losses charged in year to reflect the reduced trading levels of UK subsidiaries, Neal's Yard (Natural Remedies) Limited and Neal's Yard Remedies Home Limited, following management's value in use assessment of future cashflows under FRS102. As a result of the same review, a full impairment of the investment in UK Subsidiaries has been charged in year £18.8m to £0m (2021: £18.8m).

The directors are proud of our sustainability credentials. Since we opened our doors in Covent Garden in 1981 we have been dedicated to trading sustainably and ethically and treating people fairly, whether they are suppliers, customers or staff members. From having the first certified beauty products by the Soil Association, to marking our 15th anniversary of becoming the UK's first CarbonNeutral® high street retailer, we continue to pioneer ways of supporting people and our planet.

Full results for the period are set out in the Profit and Loss account.

Key Performance Indicators

The business uses several key performance indicators (KPIs) to measure results:

- Total sales decreased by 7.8% 2021: decreased by 7% against the comparable previous 12 months
- Gross margin for the business remains at 54% overall (2021: 54%).
- Loss before tax increased by £4.5m to a loss of £5.6m.
- EBITDA* (non-GAAP measure) for the period was £(3.5)m (2021: £0.7m).
- EBITDA* (non-GAAP measure) as a percentage of turnover for the period was (8)% (2021: 1.6%).
- Cash at the period end was £1.9m (2021: £2.6m).

*Earnings before interest, tax, depreciation and amortisation ('EBITDA') is calculated as operating profit add depreciation and amortisation.

Outlook for 2022-2023

In the initial half of 2022/23, our primary focus was on the reconstruction of E-commerce platform, ensuring operational stability, and reinstating customer loyalty disrupted during our prior association with a third-party provider. A concerted effort was made to secure robust sales, particularly during the pivotal holiday season.

Strategic Report (continued)

Outlook for 2022-2023 (continued)

The competitive landscape, marked by intense promotional activities, prompted us to strategically respond with our own promotional initiatives. Despite maintaining strong top-line sales, challenges like escalating cost of goods and heightened rents necessitated a reassessment of our strategic trajectory.
The latter half of the year witnessed a change in leadership and the implementation of three pivotal strategic actions: a substantial reduction in SKUs (a notable 47% decrease), a scaling back of promotional activities (up to 60%), and the closure of unprofitable stores. Early indicators show positive outcomes from each of these actions, fortifying the business for enhanced resilience and sustainable growth.

As of the preparation of these statements, our flagship retail store in Neal's Yard, Covent Garden has achieved an annual revenue of £1 million, signalling a return to pre-pandemic sales, and consumer confidence, and a 20% increase from 2022.
Given the global landscape and associated concerns, our company has diversified its operations and identified cost-saving measures in the supply chain and across the business to better navigate fluctuations in costs, whilst maintaining our ethical integrity.
Our ongoing efforts to streamline stock, refine operations, and optimize cost of goods are well underway. Additionally, the initiation of a new ERP system aims at driving efficiency improvements. In line with our environmental mission and strategy, a de-cartoning project has successfully saved 4 tonnes of cardboard, whilst contributing significantly to cost savings.
Diversity, Equity, and Inclusion (DE&I) continue to be integral components of our business strategy, reflecting our commitment to fostering an inclusive and equitable workplace.
It's important to highlight that the directors have actively pursued a strategy to reset and rebalance the business in a sustainable and gradual manner. Throughout this process, they have remained committed to upholding ethical business practices that resonate with the company's core values and purpose. This strategic approach is designed to not only to foster growth but also to ensure a sustainable future, maintaining the ethical principles that define the essence of the business.

Principal risks and uncertainties

The business is exposed to commercial, operational, and financial risks. The Directors have adopted a prudent approach to risk in all the principal areas as described below.

Commercial risks to the business are mitigated through maintaining a range of high quality products and through the high quality customer service given to our customers. Commercial risk is also managed through the multi-channel and international strategy operated by the Company, that provides a broad business base and additional resilience to the Company.

Quality control is critical to the operations of the business. High industry standards and procedures are in place and opportunities for improvement are taken. The business continues to increase the level of organic materials in its products. The Company works closely and regularly with its suppliers to monitor quality and to obtain external accreditation of its products and its suppliers, for example with the Soil Association.

The global supply chain challenges have reduced from the levels seen during the pandemic. The close links we have with all our supply chain partners has given us a huge advantage through this period, along with an increased stock holding and active procurement policy.

In the latter half of the FY23 the company has started to see the impact of inflationary pressure on input costs, largely due to war in Ukraine. This was particularly evident in the cost of our packaging componentry. We are expecting further increases in the coming months and are mitigating these by accelerating our continuous process of reviewing all packaging. This exercise was already in progress as part of our ongoing strategic goal to reduce our carbon footprint. We have already taken action to mitigate these increases by implementing a price increase and will continue to review this during the coming year.

Due to the specialist nature of some of the organic ingredients there are risks relating to the availability of these items and future rises in prices not being able to be fully recovered against 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 and lack of future availability can be minimised, and volume of product and consistency can be maintained.

Strategic Report (continued)

Principal risks and uncertainties (continued)

An immaterial proportion of purchases are denominated in Euros, but any large currency fluctuations would have a material impact the results. Foreign exchange gain was £81,000 in FY22 of which £65,000 was accounted in September 2023 due to the fluctuation in foreign exchange in that period. This risk is mitigated through offsetting against sales received in Euros and in US Dollars. We continue to review this position and if appropriate we would consider the use of forward purchasing to reduce the currency exposure.

Research and development

The Company continues to develop new products in the areas of organic natural health and beauty. It continues to actively assess market opportunities in this sector, using the extensive natural product knowledge of its experienced Research and Development team to bring innovative and efficacious new products to the market through its research and development programme.

The total research and development costs incurred during the period were £155,000 (2021: £180,000) of which £nil (2020: £nil) was capitalised.

Section 172 Statement

Section 172 statement of the Companies Act 2006 requires directors to take into consideration the interest of stakeholders and other matters in their decision making. The directors continue to have regard to the interest of the Company's employees, customers, and other stakeholders, along with the impact of our activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the directors consider what is most likely to promote the success of the company for its members in the long term. We explain below how the board engages stakeholders:

- The board meets monthly with papers circulated in advance. This enables the directors to fully understand the performance and position of the company when making decisions of strategic importance. When the board is approving decisions, the requirements of section 172 are considered and the potential outcome of the decisions, including the impact on relevant stakeholder groups.
- The board regularly reviews the company's principal stakeholders and how it engages with them. This is achieved through information provided by the executive team and by direct engagement with stakeholders themselves.
- The board has enhanced its methods of engagement with the workforce and board updates are provided to all employees at regular intervals.
- The board aim to attract and retain high quality employees, providing them with the right tools, development, and information to be effective in their roles.
- The board aims to work responsibly with all stakeholders, including suppliers.
- The Company works alongside suppliers to foster close working relationships.
- The Company brings high quality and environment friendly beauty and health products to our customers.
- Feedback gathered through the customer experience, is measured, and reviewed.
- The Company engages with investors in the company giving them a full understanding of the business including the strategy, growth potential and risks in the business as well as the overall performance of the business.

Strategic Report (continued)

By order of the Board

BKindersley
Signed: 12/10/2023

B Kindersley
Director

__________ 2023

Neal's Yard Holdings Limited
15 Neal's Yard,
Covent Garden,
London,
WC2H 9DP

Directors' Report

The Directors present their Directors' Report and Financial Statements of Neal's Yard Holdings Limited for the year ended 30 September 2022. The comparative figures are for the 12 months ended 30 September 2021.

Directors

The Directors who held office during the period and subsequently were as follows:

- P Kindersley
- B Kindersley
- H Treuille
- J Kindersley

Proposed dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

Employees

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

The Group operates an equal opportunity employment policy, free of discrimination. Full and fair consideration is given to applicants for employment from disabled persons where they have the appropriate aptitudes and abilities and to the continued employment of staff who become disabled. The Group encourages the continuous development and training of its employees and, wherever possible, the retraining of employees who become disabled for other positions within the Group appropriate to their aptitudes and abilities.

Research and development

The research and development policy has been included in the body of the Strategic Report.

Political contributions

The Company and the Group made no political donations or incurred any disclosable political expenditure during the period.

Going concern review

The Company is a holding entity and as such the going concern is dependent on the Group therefore the going concern assessment was performed as part of the Group's assessment The group prepares detailed consolidated forecasts which comprise a fully integrated Profit and Loss, Balance Sheet and Cash Flow, built up using the individual costings that each part the group produces and latest volume forecasts.

Despite the fact that the Group has been loss making, the directors believe that the Group will be able to meet its liabilities as they fall due in the foreseeable future being for a period of 12 months from the date of approval of these financial statements.

Looking to the future, the Group has performed a going concern review, going out until September 2025. The Directors consider that the main risks impacting going concern to be the Group's subsidiaries compliance with covenants, their available funding and liquidity over the forecast period.

The Group's base case cash flow forecasts indicate that they will, in aggregate, generate positive cash flows, however, will in certain months be in a negative cash position which is as a result of an aggregate funding requirement of circa £2 million due to the shortfall in cash over the 12 month period. The stressed forecast, which is based on a plausible down-side scenario in which revenue is decreased by 5% and removal of savings in overheads of £0.4 million, indicate that in aggregate that could potentially result in a shortfall of cash of approximately £2.6 million and that in certain months the Group is in a net current liability position. To reach that assumption the directors have considered reasonable and plausible downturn scenarios including cost inflations, supply chain issues and related impacts on consumer demands. However, management have already been consolidating recovery and turnaround to mitigate a downturn, including driving efficiencies in procurement, stopping some activities, lease negotiations, and discretionary hires.

Directors' Report (continued)

Going concern review (continued)

The Directors acknowledge that, given the challenges currently faced in the retail sector and the uncertainties about how the sector will recover, the likely outcome over the going concern period will be between their base case and worst-case forecasts. Under both scenarios, the Group will rely on support from its shareholder, though to a much smaller extent if the base is achieved. The shareholders have continued to support the group, with the latest injection of cash made on 30 June 2023 to the amount of £1.6 million, and their intention continues to remain the same

Furthermore, the revolving credit facility (RCF) is set to expire on 30 November 2023 and the term loan matures in April 2026, accordingly, the directors have started engaging with the bank with regard to a potential refinance to the current term loan and revolving credit facility within the group. As at the current date, the directors are in the process of agreeing the 'heads of terms' for a refinance option whereby the existing loan would be repaid over a longer term in the range of 10-15 years with effect from 1 January 2024. The directors are confident that they would be able to negotiate with the banker to restructure the current terms of the agreement to reflect the reality faced by the Group in the current economic environment.

The directors are confident that the availability of the support from the shareholders and the ongoing negotiations with the bank indicate that they will be in a position to mitigate these risks and therefore the financial statements have been prepared on the going concern basis. However, due to the shareholders support and the refinancing from the bank not being contractually agreed as at the date of the approval of the financial statements, there is an existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern, and therefore as a result they may be unable to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements do not include any adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Disclosure of information to Auditor

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 Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Streamlined Energy and Carbon Report

Streamlined Energy and Carbon report
Statement of carbon emissions in compliance with Streamlined Energy and Carbon Reporting (SECR) covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions.

Current reporting year (October 2021 – September 2022)	
Total energy use covering electricity, gas and transport	882 mWh
Total emissions generated through combustion of gas	1.16 tCO2e
Total emissions generated through combustion of other fuel	63.50 tCO2e
Total emissions generated through use of purchased electricity	279.00 tCO2e
Total emissions generated through business travel	24.80 tCO2e
Total gross emissions	858.00 tCO2e
Intensity ratio (total gross emissions)	44.3 kg CO2e per sq ft

Previous reported year (January 2021 – December 2021)	
Total energy use covering electricity, gas and transport	1,182 mWh
Total emissions generated through combustion of gas	65.35 tCO2e
Total emissions generated through combustion of other fuel	1513.85 tCO2e
Total emissions generated through use of purchased electricity	260.17 tCO2e
Total emissions generated through business travel	276.00 tCO2e
Total gross emissions	2115.37 tCO2e
Intensity ratio (total gross emissions)	27.09 kg CO2e per sq ft

Energy efficiency actions
We are committed to responsible energy management and have been Carbon Neutral since 2008. We will continue to practise energy efficiency throughout our organisation wherever possible. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

Our Eco-Factory
A proud British business, we have an eco-factory, offices and a shop, all surrounded by organic gardens, in the beautiful countryside of North Dorset. Our award-winning building is a sustainable design with energy efficient air management, rainwater and greywater recycling in our bathrooms, air-source heat pump systems and solar panels, ensuring our carbon footprint is kept to a minimum. It is in the acres of organic gardens, fields and meadows that our Head Gardener and his team grow the organic Calendula, St. John's Wort, Verbena and Lemon Balm used in many of our favourite products.

Methodology used in the calculation of disclosures
ESOS methodology (as specified in Complying with the Energy Savings Opportunity Scheme version 6, published by the Environment Agency 28/10/2019) used in conjunction with Government GHG reporting conversion factors.

Streamlined Energy and Carbon Report (continued)

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial period have been included in the Strategic Report.

FY 2021-22 proved to be a hugely challenging year as our UK and International markets came out of Covid-19 lockdown and input costs increased significantly due to the lack of capacity in global supply chains. In FY23, the issues with regard to cost increase and related pressures increased due to the impact of the Russia-Ukraine war.

These pressures meant that it was prudent for the Board to seek a restructuring of our financial commitments with the Bank, which have now concluded successfully.

It is for these reasons that the Statutory Accounts filings have been delayed.

Auditor

BDO LLP acted as Auditor to the Company during the year and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to a General Meeting.

By order of the Board

BKindersley
Signed: 12/10/2023

B Kindersley
Director

___________2023

Neal's Yard Holdings Limited
15 Neal's Yard,
Covent Garden,
London,
WC2H 9DP

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, 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 period. 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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; and
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEAL'S YARD HOLDINGS LIMITED

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2022 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Neal's Yard Holdings Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 30 September 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated Other Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent 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.

Material uncertainty related to going concern

We draw attention to Note 1.2 to the financial statements which describes that the Group and Parent Company are reliant on the support of their Shareholders and refinancing from a bank which are not contractually agreed as at the date of the approval of the financial statements. As stated in Note 1.2, these events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements , 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

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

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

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 Group's and the Parent 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 Group or the Parent 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the Group and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Review of minutes of meetings

we considered the significant laws and regulations to be the applicable accounting framework, Companies Act 2006, Income Tax and Value added taxation.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the controls designed to prevent and detect irregularities, including specific consideration of controls and accounting policies relating to significant accounting estimates.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Assessing journal entries as art of our planned audit approach, with a particular focus on journal entries to key financial statement areas.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Arbinder Chatwal
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Arbinder Chatwal (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton, UK
Date: 11 December 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Profit and Loss Account
For the year ended 30 September 2022

	Note	2022 (12 months) £000	2021 (12 months) £000
Turnover	2	**41,592**	**45,116**
Cost of sales		**(19,151)**	**(20,698)**
Gross profit		**22,441**	**24,418**
Distribution costs		**(10,613)**	**(10,088)**
Other operating income	2	**0**	**1,716**
Administrative expenses	3	**(17,550)**	**(16,801)**
EBITDA (before exceptional items)		**(307)**	**(755)**
Depreciation & Amortisation		**(1,875)**	**0**
Impairment of goodwill in NY Remedies		**(1,445)**	**0**
Impairment of goodwill in NY Home		**(1,767)**	**0**
Impairment of goodwill in NYR Salisbury		**(328)**	**0**
Operating loss		**(5,722)**	**(755)**
Interest receivable and similar income	6	**5**	**0**
Interest payable and similar charges	7	**(324)**	**(184)**
Exceptional Items		**0**	**0**
Loss on ordinary activities before Taxation		**(6,041)**	**(939)**
Tax on Loss on ordinary activities	8	**435**	**(206)**
Loss for the financial year		**(5,606)**	**(1,145)**

All results derive from continuing operations

Other Comprehensive Income
For the year ended 30 September 2022

	2022 (12 months) £000	2021 (12 months) £000
Loss for the period	**(5,606)**	(1,145)
Currency translation adjustment	**60**	45
Total comprehensive expense for the period	**(5,546)**	(1,100)

Consolidated Balance Sheet
At 30 September 2022

	Note		2022		2021
		£000	£000	£000	£000
Fixed assets					
Goodwill	9		**-**		4,242
Intangible assets	9		**195**		142
Tangible assets	10		**6,104**		6,937
			6,299		11,321
Current assets					
Stocks	11	**7,364**		8,975	
Debtors	12	**5,349**		6,806	
Cash at bank and in hand	13	**1,933**		2,585	
		14,646		18,366	
Creditors: amounts falling due within one year	14	**(17,367)**		(19,001)	
Net current liabilities			**(2,721)**		(635)
Total assets less current liabilities			**3,578**		10,686
Creditors: amounts falling due after more than one year	15		**(3,100)**		(4,470)
Deferred tax liability	17		**(387)**		(579)
Net Assets			**91**		5,637
Capital and reserves					
Called up share capital	19		**10,920**		10,920
Profit and loss account			**(10,633)**		(5,027)
Other Reserves			**(196)**		(256)
Shareholders' funds			**91**		5,637

These Financial Statements were approved by the Board of Directors on 10 December 2023 and were signed on its behalf by:

BKindersley

Signed: 12/10/2023

B Kindersley
Director

Company registered number: 5471018

Company Balance Sheet
At 30 September 2022

	Note		**2022**		2021
		£	**£**	£	£
Fixed assets					
Investments	*24*		**2**		18,752
			2		18,752
Current assets					
Debtors	*12*	**603**		600	
Cash at bank and in hand	*13*	**7**		55	
		610		655	
Creditors: amounts falling due within one year	*14*	**(9,945)**		(9,769)	
Net current liabilities			**(9,336)**		(9,114)
Total assets less current liabilities			**(9,334)**		9,638
Net liabilities			**(9,334)**		9,638
Capital and reserves					
Called up share capital	*19*		**10,920**		10,920
Profit and loss account			**(20,254)**		(1,282)
Shareholders' funds/(deficit)			**(9,334)**		9,638

These Financial Statements were approved by the Board of Directors on 10 December 2023 and were signed on its behalf by:

BKindersley

Signed: 12/10/2023

B Kindersley
Director

Company registered number: 5471018

Consolidated Statement of Changes in Equity
For year ended 30 September 2022

	Called up share capital	Profit and loss account	Foreign exchange reserve	Total
	£000	**£000**	**£000**	**£000**
At 30 September 2020	10,920	(3,882)	(301)	6,737
Loss for the year	-	(1,145)	-	(1,145)
Other comprehensive income	-	-	45	45
At 30 September 2021	10,920	(5,027)	(256)	5,637
Loss for the year	-	(5,606)	-	(5,606)
Other comprehensive income	-	-	60	60
At 30 September 2022	**10,920**	**(10,633)**	**(196)**	**91**

Company Statement of Changes in Equity
For year ended 30 September 2022

	Called up share capital	Profit and loss account	Total
	£000	**£000**	**£000**
At 30 September 2020	10,920	(1,184)	9,736
Loss for the year	-	(98)	(98)
At 30 September 2021	10,920	(1,282)	9,638
Loss for the year	-	(18,972)	(18,972)
At 30 September 2022	**10,920**	**(20,254)**	**(9,334)**

Consolidated Cash Flow Statement
For the year ended 30 September 2022

	2022 £000	2021 £000
Cashflow from operating activities		
Loss for the year	**(5,606)**	(1,145)
Tax	**(435)**	206
Interest payable	**324**	184
Interest income	**(5)**	-
Operating profit/(loss) for the year	**(5,722)**	(755)
Adjustments for:		
Depreciation	**1,068**	1,055
Amortisation	**807**	829
Profit on disposal of tangible assets	**17**	26
Impairment of tangible fixed assets	**8**	22
Impairment of intangible assets	**3,540**	-
Effect of foreign exchange	**45**	44
Increase in trade and other debtors	**1,267**	(3,248)
Decrease/(increase) in stocks	**1,611**	(817)
(Decrease)/increase in trade and other creditors	**(3,729)**	579
Net cash used in operating activities	**(1,088)**	(2,265)
Tax received/(paid)	**625**	(11)
Cashflows from investing activities		
Interest received	**5**	-
Acquisition of tangible fixed assets	**(245)**	(825)
Acquisition of other intangible assets and goodwill	**(158)**	(70)
Net cash used in investing activities	**(398)**	(895)
Cashflows from financing activities		
Interest paid	**(324)**	(179)
Proceeds from new loan		4,000
- Term loans from bank	**-**	
- Revolving loan facility	**-**	
- Director's loan note	**3,750**	
Repayment of borrowings		(1,060)
- Term loans from bank	**(1,200)**	
- Revolving loan facility	**(1,058)**	
- Director's loan note	**(960)**	
Net cash from financing activities	**208**	2,761
Net Decrease in cash and cash equivalents	**(652)**	(410)
Cash and cash equivalents at 1 October	**2,585**	2,995
Cash and cash equivalents at 30 September	**1,933**	2,585

Notes

1. Accounting policies

Neal's Yard Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s408 of the Companies Act 2006 from the requirement to present its own profit and loss account.

These Group and parent Company Financial Statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these Financial Statements is sterling. All amounts in the Financial Statements have been rounded to the nearest £1,000.

The parent Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent Company Financial Statements have been applied:

- No cash flow statement or net debt reconciliation has been presented for the parent company;
- Disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

1.1 Measurement convention

The Financial Statements are prepared on the historical cost basis.

1.2 Going concern

The Company is a holding entity and as such the going concern is dependent on the Group therefore the going concern assessment was performed as part of the Group's assessment The group prepares detailed consolidated forecasts which comprise a fully integrated Profit and Loss, Balance Sheet and Cash Flow, built up using the individual costings that each part the group produces and latest volume forecasts.

Despite the fact that the Group has been loss making, the directors believe that the Group will be able to meet its liabilities as they fall due in the foreseeable future being for a period of 12 months from the date of approval of these financial statements.

Looking to the future, the Group has performed a going concern review, going out until September 2025. The Directors consider that the main risks impacting going concern to be the Group's subsidiaries compliance with covenants, their available funding and liquidity over the forecast period.

The Group's base case cash flow forecasts indicate that they will, in aggregate, generate positive cash flows, however, will in certain months be in a negative cash position which is as a result of an aggregate funding requirement of circa £2 million due to the shortfall in cash over the 12 month period. The stressed forecast, which is based on a plausible down-side scenario in which revenue is decreased by 5% and removal of savings in overheads of £0.4 million, indicate that in aggregate that could potentially result in a shortfall of cash of approximately £2.6 million and that in certain months the Group is in a net current liability position. To reach that assumption the directors have considered reasonable and plausible downturn scenarios including cost inflations, supply chain issues and related impacts on consumer demands. However management have already been consolidating recovery and turnaround to mitigate a downturn, including driving efficiencies in procurement, stopping some activities, lease negotiations, and discretionary hires.

The Directors acknowledge that, given the challenges currently faced in the retail sector and the uncertainties about how the sector will recover, the likely outcome over the going concern period will be

Notes (continued)

1.2 Going concern (continued)

between their base case and worst-case forecasts. Under both scenarios, the Group will rely on support from its shareholder, though to a much smaller extent if the base is achieved. The shareholders have continued to support the group, with the latest injection of cash made on 30 June 2023 to the amount of £1.6 million, and their intention continues to remain the same.

Furthermore, the revolving credit facility (RCF) is set to expire on 30 November 2023 and the term loan matures in April 2026, accordingly, the directors have started engaging with the bank with regard to a potential refinance to the current term loan and revolving credit facility within the group. As at the current date, the directors are in the process of agreeing the 'heads of terms' for a refinance option whereby the existing loan would be repaid over a longer term in the range of 10-15 years with effect from 1 January 2024. The directors are confident that they would be able to negotiate with the banker to restructure the current terms of the agreement to reflect the reality faced by the Group in the current economic environment.

The directors are confident that the availability of the support from the shareholders and the ongoing negotiations with the bank indicate that they will be in a position to mitigate these risks and therefore the financial statements have been prepared on the going concern basis. However, due to the shareholders support and the refinancing from the bank not being contractually agreed as at the date of the approval of the financial statements, there is an existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern, and therefore as a result they may be unable to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements do not include any adjustments that would be required should the going concern basis of preparation no longer be appropriate.

1.3 Basis of consolidation

The consolidated Financial Statements include the Financial Statements of the Company and its subsidiary undertakings made up to the financial period end. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

An associate is an entity in which the Group has significant influence, but not control, over the operating and financial policies of the entity. Significant influence is presumed to exist when the investors hold between 20% and 50% of the equity voting rights.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent Company's Financial Statements, investments in subsidiaries are carried at cost less impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes (continued)

1.5 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these Financial Statements for called up share capital exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.6 Basic financial instruments

Trade and other debtors / creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Investments in subsidiaries

These are separate Financial Statements of the Company. Investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.15 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	25 years
Short leasehold	5 years or life of lease
Plant and equipment	5 to 15 years
Fixtures and fittings	5 years
Motor vehicles	4 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.8 Intangible assets and goodwill

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill amortisation is calculated by applying the straight-line method to its estimated useful life. Goodwill is being amortised to 'administrative expenses' over periods ranging from 15 – 20 years.

Estimates of the useful economic life of goodwill are based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour, and an appropriate proportion of

Notes (continued)

1.8 Intangible assets and goodwill (continued)

overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Computer software is amortised over the life of the licence or expected life of the project.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years and 20 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment when there is an indication that goodwill or an intangible asset may be impaired.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the standard cost principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes (continued)

1.10 Impairment excluding stocks and deferred tax assets (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.12 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its Group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes (continued)

1.13 Turnover

Turnover represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes and intra-group transactions. Sales of goods are recognised at the point of sale, or for the wholesale and online businesses, when title has passed. Sales of gift vouchers are recognised on presentation of the voucher for payment of goods. Therapy room rental income and income relating to education courses are recognised over the period the services relate to. Royalty and franchisee fees are recognised on an accruals basis in accordance with the substance of the relevant agreement.

The Company operates a loyalty programme based on an award of points at the time of the individual transactions. On initial recognition the Company treats this as two transactions: the points award and the sales transaction.

Rebates and retrospective discounts are occasionally agreed with some large wholesale customers as part of growth development plans. As the final amount is not known until after the promotion has finished or the financial period has ended, the liability is estimated each month based on actual sales versus annual forecasts and the agreed plans. These are then trued up once the finals sales are known.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15 Tax

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Notes (continued)

1.15 Tax (continued)

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Government Grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The group has not directly benefited from any other forms of government assistance.

1.17 Dilapidations Provision

A dilapidation provision is recognised on the future expenditure that is required on termination of property leases. The provision includes an estimate of the discounted fair value of the decommissioning cost expected to be incurred at the end of the lease.

Notes (continued)

2. Turnover

	Group	
	2022	2021
	£000	£000
By activity		
Retailing	**24,452**	26,537
Wholesale	**15,967**	17,701
Therapy rooms	**373**	198
Royalty and franchise fees	**739**	613
Education courses and sundry	**61**	66
	41,592	45,116

	2022	2021
	£000	£000
By geographical market		
United Kingdom	**33,171**	36,177
Asia	**5,515**	5,379
Europe	**626**	766
America	**2,082**	1,765
Rest of the World	**198**	1,029
	41,592	45,116

Other operating income

	2022	2021
	£000	£000
Government grants	**-**	1,716

The government grant income relates to government support designed to help business during COVID-19 pandemic i.e. the government's Coronavirus Job Retention Scheme.

Notes (*continued*)

3. Expenses and Auditors remuneration

	Group	
	2022	2021
	£000	£000
Profit/(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets	**1,068**	1,055
Amortisation of intangible fixed assets	**105**	126
Amortisation of goodwill	**702**	703
(Profit)/loss on disposal of tangible fixed assets	**17**	26
Impairment of Goodwill	**3,540**	-
Impairment of Tangible Fixed Assets	**8**	22
Auditors remuneration		
Audit of these financial statements	**12**	9
Other tax advisory services	**8**	8
Auditing of accounts of subsidiaries of the company	**55**	46
Taxation compliance services	**27**	25

4. Employee costs

The average number of persons employed by the Group (including Directors) during the period, analysed by category, was as follows:

	Number of employees	
	2022	**2021**
Manufacturing and distribution	**83**	84
Selling	**202**	228
Management and support services	**145**	180
	430	492

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	**11,086**	12,132
Social security costs	**1,014**	1,062
Other pension costs	**328**	379
	12,428	13,573

5. Directors' remuneration

The Directors received £nil (2021: £nil) emoluments in respect of their services to the Company during the year. The Directors are remunerated by Neal's Yard (Natural Remedies) Limited and approximately £3,500 (2021: £3,500) relates to this Company. Accordingly, the details of highest paid director have been included within the statutory accounts of Neal's Yard (Natural remedies) Limited.

Notes (*continued*)

6. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable	**5**	-
	5	-

7. Interest payable and similar charges

	2022 £000	2021 £000
On bank loans	**304**	182
On other loans	**20**	2
	324	184

8. Tax

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2022 £000	2021 £000
Current tax on income for the year	**(157)**	0
Adjustments in respect of prior years	**(86)**	0
Total current tax	**(243)**	0
Origination and reversal of timing differences	**(151)**	215
Adjustments in respect of prior years	**7**	(8)
Changes in tax rate	**(48)**	0
Total deferred tax	**(191)**	206
Total tax (credit)	**(435)**	206

Notes (*continued*)

8. Tax *(continued)*

The tax charge is lower (2020: lower) than the standard UK corporation tax rate due to:

	2022	2021
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(2,499)**	(625)
Tax using the UK corporation tax rate of 19% (2021: 19%)	**(475)**	27
Fixed asset differences	**33**	61
Expenses not deductible	**162**	10
Income note taxable for tax purposes	**(32)**	-
Losses carried back	**-**	27
Remeasurement of deferred tax for changes in tax rates	**(116)**	139
R&D tax credit	**48**	43
Group relief surrendered	**-**	50
Deferred tax not provided	**-**	-
Adjustment to tax charge in respect of prior periods	**(86)**	(12)
Additional deductions for R&D	**7**	(138)
Adjustment to closing deferred tax for change in rate	**(48)**	4
Movement in deferred tax not recognised	**73**	(4)
Total current tax (see above)	**(435)**	206

The UK corporate tax rates are expected to increase to 25% from 19% for financial years ending 1 April 2023. As the change was substantially enacted in the year, deferred tax balances have been recognised at 25%.

Notes (*continued*)

9. Goodwill and intangible assets

Group	**Goodwill**	**Software**	**Total**
	£000	**£000**	**£000**
Cost			
At beginning of period	13,401	1,896	15,297
Additions	-	158	158
Disposals	-	(824)	(824)
At end of period	13,401	1,229	14,630
Amortisation			
At beginning of the period	9,159	1,753	10,912
Charged in period	702	105	807
Disposals	-	(824)	(824)
Impairment	3,540	-	3,540
At end of period	13,401	1,034	14,435
Net book value			
At 30 September 2022	**-**	**195**	**195**
At 30 September 2021	4,242	142	4,384

The amortisation of goodwill and intangible assets is included within administration expenses.

Notes (*continued*)

9. Goodwill and intangible assets (continued)

Impairment provision for Goodwill

A full impairment has arisen, because the value in use is not sufficient to cover the value of the investment, due to the reduced trading levels from UK trading subsidiaries of the Group in the current year, and the Forecast prepared by Management for FY2023 – FY2026 in October 2023. The recoverable amount of the cash generating units ('CGUs') are determined by reference to the higher of their fair value less costs of disposal and value in use.

Fair value less costs of disposal is determined as required by FRS102 by reference to cashflow forecasts prepared in October 2023.

The key assumptions for value in use calculations are:

- The pre-tax discount rate being a weighted average cost of capital (WACC) of 20.1%
  The growth rate for the Terminal Value calculation is 1%
- Revenue forecast to decline in FY23 remain flat for FY24 and grow c.9-13% FY25-26

Impairment provision for Goodwill in NYR(Home) Ltd

Management has performed a Discounted Cash Flow analysis of the financial forecast for this entity and concluded that the carrying value of £1,766,521 should be written down.

Impairment provision for Goodwill in NYR(Natural Remedies) Ltd

Management has performed a Discounted Cash Flow analysis of the financial forecast for this entity and concluded that the carrying value of £1,773,099 should be written down.

Intangible assets under construction

Included within computer software is nil (2021: £5,000) of assets under the course of construction on which no amortisation has been charged.

Notes *(continued)*

10. Tangible fixed assets

Group

	Freehold land & buildings £000	Short leasehold £000	Plant & equipment £000	Furniture & equipment £000	Computer equipment £000	Total £000
Cost						
At beginning of year	7,170	6,546	2,792	1,818	1,153	19,479
Additions	10	50	109	18	58	245
Disposals	(17)	(1,874)	-	(190)	(0)	(2,081)
FX	-	-	-	-	31	31
At end of year	7,163	4,722	2,901	1,646	1,242	17,674
Depreciation						
At beginning of year	2,703	5,972	1,471	1,699	697	12,542
Charge for year	267	151	241	49	360	1,068
Impairment charge	-	8	-	-	-	8
On disposals	-	(1,874)	-	(190)	(0)	(2,064)
FX	-	-	-	-	15	15
At end of year	2,970	4,257	1,712	1,558	1,072	11,569
Net book value						
At 30 September 2022	**4,193**	**466**	**1,188**	**88**	**169**	**6,104**
At 30 September 2021	4,467	575	1,321	119	455	6,937

The net book value of land and buildings comprises:

	2022 £000	2021 £000
Freehold land	**460**	460
Freehold buildings	**3,733**	4,007
Short leasehold	**465**	575
	4,658	5,042

Impairment review

The Company tests tangible fixed assets annually for impairment if there are indications that assets might be impaired. During the period an impairment charge of £8,116 (2021: £21,869) was identified as part of the Directors' impairment review of the retail store assets. The charge related to one store which has not been performing to expectations.

Notes (*continued*)

11. Stocks

Group	2022 £000	2021 £000
Raw materials and consumables	**3,250**	3,955
Work in progress	**717**	769
Finished goods	**3,397**	4,251
	7,364	8,975

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £14,889,265 (2021: £18,792,000). The write-down of stocks to net realisable value amounted to £304,823 (2021: £671,862).

12. Debtors

Group	2022 £000	2021 £000
Trade debtors	**2,815**	3,594
Prepayments and accrued income	**1,600**	2,120
Other debtors	**66**	37
Corporation tax debtor	**265**	455
Directors' loan accounts (see note 23)	**603**	600
	5,349	6,806

No amounts are due after more than one year (2021: nil).

Company	2022 £000	2021 £000
Directors' loan accounts (see note 23)	**603**	600
Deferred tax asset (see note 17)	**-**	-
	603	600

13. Cash and cash equivalents

Group	2022 £000	2021 £000
Cash at bank and in hand	**1,933**	2,585

Company	2021 £000	2021 £000
Cash at bank and in hand	**7**	55

Notes (*continued*)

14. Creditors: amounts falling due within one year

Group	2022 £000	2021 £000
Bank loans (see note 16)	**5,200**	5,200
Loan notes (see note 16)	**3,058**	1,225
Accrued interest on loan notes	**1,171**	1,151
Trade creditors	**4,025**	4,315
Other creditors	**-**	730
Taxation and social security	**569**	1,254
Accruals and deferred income	**3,344**	5,126
	17,367	19,001

Company	2022 £000	2021 £000
Bank loans (see note 16)	**4,000**	4,000
Loan notes (see note 16)	**3,058**	1,018
Accrued interest on loan notes	**1,171**	1,151
Amounts owed to Group undertakings	**1,685**	3,510
Accruals and deferred income	**31**	90
	9,945	9,769

Amounts owed to Group undertakings are interest free and have no fixed terms for their repayment

15. Creditors: amounts falling after more than one year

Group	2022 £000	2021 £000
Bank loans (see note 16)	**3,100**	4,400
Loan notes (see note 16)		
Obligations under finance leases and hire purchase contracts	**-**	70
	3,100	4,470

Company	2022 £000	2021 £000
Bank loans (see note 16)	**-**	-

Notes (*continued*)

16. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

Group	**2022**	2021
	£000	£000
Creditors falling due after more than one year		
Secured bank loans	**3,100**	4,400
Creditors falling due within less than one year		
Secured bank loans	**5,200**	5,200
Loan notes	**3,058**	1,226
	8,258	6,426

The bank loans 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.

- Revolving loan facility of £4,000,000 (2021: £4,000,000) renewable annually with a £4,000,000 balance drawn down at year end (2021: nil). Interest is charged on drawn funds at 3% above bank base rate.
- Bank loan of £4,300,000 (2021: £5,600,000). Interest of 2.50% above base rate paid monthly in arrears and straight-line capital repayments commenced April 2021 for 61 months.

The Loan Notes are unsecured loans and are repayable on demand.

- Loan Notes of £58,000 (2021: £58,000) – interest at 1.5% above LIBOR
- Loan Notes of £3,000,000 (2021: £960,000) – interest at 1.6% above LIBOR

The holders of the Loan Notes totalling £nil (2021: £nil) have waived their right to interest for the period.

The Business has failed its Debt Service Covenant Test, which has been waived by the Bank prior to the balance sheet date. Accordingly, these loans have not been re-classified as current liabilities.

Notes (*continued*)

16. Interest-bearing loans and borrowings

Company	**2022**	2021
	£000	£000
Creditors falling due after more than one year		
Secured bank loans		
	-	-
Creditors falling due within less than one year		
Secured bank loans	**4,000**	4,000
Loan notes	**3,058**	1,018
	7,058	5,018

The bank loans 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.

- Revolving loan facility of £4,000,000 (2021: £4,000,000) renewable annually with a £4,000,000 balance drawn down at year end (2021: £4,000,000). Interest is charged on drawn funds at 3% above bank base rate.

The Loan notes are unsecured loans and are repayable on demand.

- Loan notes of £58,000 (2021: £1,018,000) – interest at 1.5% above LIBOR
- Loan notes of £3,008,000 (2021: £Nil) – interest at 1.6% above LIBOR

The holders of the loan notes totalling £nil (2021: £nil) have waived their right to interest for the period.

Notes (*continued*)

17. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Liabilities		Assets		Net	
	2022	2021	**2022**	2021	**2022**	2021
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(387)**	(579)	-	-	**(387)**	(579)
Short term timing differences	-	-	-	-	-	-
Tax liabilities	**387**	579	-	-	**387**	579

Accelerated capital allowances will unwind over the life of the asset, in line with the depreciation policy declared in note 1.

Company

A deferred tax asset of nil (2021: nil) has been recognised in the period and relates to short term timing differences.

18. Employee benefits

Defined contribution plans

The Group operates defined contribution pension plans. The total expense relating to these plans in the current period was £320,025 (2021: £369,540).

19. Capital and reserves

	2022	2021
	£000	£000
Allotted, called up and fully paid		
4,700,000 ordinary shares of £1 each	**4,700**	4,700
6,220,000 (2021:7,000,000) redeemable ordinary shares of £1 each	**6,220**	6,220
Shares classified in shareholders' funds	**10,920**	10,920

The redeemable ordinary shares rank pari passu and have the same rights as the ordinary shares except that the Company can redeem the redeemable ordinary shares from time to time at the Directors' absolute discretion. Redeemable ordinary shares shall be redeemed at an amount equal to the issue price.

Notes (*continued*)

20. Financial instruments

The carrying amounts of the financial assets and liabilities of the Group include:

	2022 £000	2021 £000
Assets measured at amortised cost	**4,748**	6,179
Liabilities measured at amortised cost	**(4,025)**	(4,315)
Loan commitments measured at cost less impairment	**(12,529)**	(11,976)
	(11,806)	(10,113)

The Board is responsible for the Group's financial risk management. This includes analysing the Group's exposure by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group seeks to minimise the effects of these risks where possible. It does this by maintaining bank accounts in all of the major currencies in which it trades and it operates its own internal hedging by offsetting currency receipts on sales against purchases in related currencies. Where there is significant risk remaining, and the Group deems it necessary, it uses derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes: Financial risks are discussed further in the Strategic Report.

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022 £000	2021 £000
Less than one year	**1,740**	2,175
Between one and five years	**4,511**	6,918
More than five years	**558**	1,066
	6,809	10,159

During the 12 month period £1,977,988 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £2,098,475). Included within this expense was £nil (2021: £nil) relating to contingent rent based on the turnover of the related retail store.

22. Commitments

The Company contractual commitments to purchase tangible fixed assets at 30 September 2022 were £nil (2021: £nil).

The contractual commitments for the acquisition of intangible assets at 30 September 2022 were £nil (2021: £nil).

Notes (*continued*)

23. Related parties

Unsecured loans and loan notes including accrued interest of £4,229,061 (2021: £2,376,355) are in favour of P Kindersley and associated persons. Interest charges in relation to these amounts of £20,020 (2021: £nil) have been incurred by the Group during the period. This amount is outstanding at 30 September 2022.

24. Investments

Company	**Investment in group companies £000**
Cost or valuation	
At beginning of year	18,752
Additions	2
At end of year	18,754
Impairment	
At beginning of year	0
Charge for year	18,752
At end of year	18,752
Net book value	
At 30 September 2022	**2**
At 30 September 2021	18,752

A full impairment has arisen, because the value in use is not sufficient to cover the value of the investment, due to the reduced trading levels from UK trading subsidiaries of the Group in the current year, and the Forecast prepared by Management for FY2023 – FY2026 in October 2023. The recoverable amount of the cash generating units ('CGUs') are determined by reference to the higher of their fair value less costs of disposal and value in use.

The recoverable amount of the fixed asset investments is determined by reference to the higher of their fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as required by FRS102 by reference to cashflow forecasts prepared in October 2023.

The key assumptions for value in use calculations are:

- The pre-tax discount rate being a weighted average cost of capital (WACC) of 20.1%
  The growth rate for the Terminal Value calculation is 1%
- Revenue forecast to decline in FY23 remain flat for FY24 and grow c.9-13% FY25-26

The remaining investment at 30 September 2022 relates to US subsidiary Neal's Yard Holdings Inc.

Notes (*continued*)

24. Investments (continued)

The Company's subsidiary undertakings are shown below:

	Country of incorporation	**Principal activity**	**Class and percentage of shares held**
Neal's Yard (Natural Remedies) Limited^	England & Wales	Manufacturing, wholesaling and retailing of natural and organic health and beauty products	Ordinary 100%
Neal's Yard Remedies (International) Limited^	England & Wales	Wholesale of natural and organic health and beauty products	Ordinary 100%
Neal's Yard Remedies (Home) Limited^	England & Wales	Wholesale of natural and organic health and beauty products	Ordinary 100%
NYR Organic Inc**~	USA	Beauty & Cosmetic products distribution	Ordinary 100%
Neal's Yard Remedies Wellbeing, Inc ***>	USA	Beauty & Cosmetic products distribution	Ordinary 100%
Neal's Yard Holdings, Inc ***>	USA	Beauty & Cosmetic products distribution	Ordinary 100%
Neals Yard Organic Limited*^	England & Wales	Dormant	Ordinary 100%
NYR Organic Limited*^	England & Wales	Dormant	Ordinary 100%
Neal's Yard (Natural Remedies) USA Inc.*'	USA	Dormant	Ordinary 100%
Neal's Yard Remedies (EU) Limited "	Ireland	Responsible person within EU	Ordinary 100%

* Owned by Neal's Yard (Natural Remedies) Limited ** Owned by Neal's Yard Remedies (Home) Limited
*** Owned by Neal's Yard Holdings Limited
^ registered office 15, Neal's Yard, Covent Garden, London WC2H 9DP
~ registered office 745 Fifth Avenue, Suite 500, New York, NY 10151 USA
>principal mailing & business address 300, Delaware Avenue, Suite 210, Wilmington, Delaware, 19801 USA
' registered office 24 Delay Street, Danbury, CT 06810 USA
" registered office 10 Earlsfort Terrace, Dublin 2, D02T380

25. Ultimate controlling party

The ultimate controlling party is Peter Kindersley.

26. Accounting estimates and judgements

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

i. Key assumptions that may carry a significant risk:

Impairment of property, plant and equipment

Property, plant and equipment are reviewed annually for impairment or if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use or net realisable value calculations and is prepared on the basis of management's assumptions and estimates. These include assumptions on future growth rates, inflation, cost of capital and appropriate risk weightings. During the current period an impairment of £8,116 has been identified (2021: £21,869).

Recoverability of goodwill

The carrying value of goodwill is reassessed each financial period based on the ongoing performance of the business. When a review for impairment is conducted, the recoverable amount is determined based on value in use or net realisable value calculations and is prepared on the basis of management's assumptions and estimates. These include assumptions on future growth rates, inflation, cost of capital and appropriate risk weightings. During the current period £3,540k of goodwill was impaired (2021: nil).

Valuation of goodwill

The assessment of the recoverable amount of goodwill allocated to Neal's Yard Holdings Ltd as detailed in Note 9 was based on fair value less costs to sell and value in use calculations which involved judgements over the assumptions applied.

Pre-tax WACC of 20.1% has been applied and movements of 1% up or down in the discount rate are immaterial to the carrying value and therefore do not impact the impairment of goodwill.

Impairment of investments

A full impairment has arisen, because the value in use is not sufficient to cover the value of the investment, due to the reduced trading levels from UK trading subsidiaries of the Group in the current year, and the Forecast prepared by Management for FY2023 – FY2026 in October 2023.

The recoverable amount of the fixed asset investments is determined by reference to the higher of their fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as required by FRS102 by reference to cashflow forecasts prepared in October 2023.

The key assumptions for value in use calculations are:

- The pre-tax discount rate being a weighted average cost of capital (WACC) of 20.1%
- The growth rate for the Terminal Value calculation is 1%
- Revenue forecast to decline in FY23 remain flat for FY24 and grow c.9-13% FY25-26

Notes (*continued*)

26. Accounting estimates and judgements (continued)

Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements (apart from those involving estimations included above) in applying the Group's accounting policies are described below:

Sales of goods and services

The Group sells goods and services and must ensure that revenue is recognised at the time at which the service is provided or title passes on the sale of goods.

Rebates and retrospective discounts are occasionally agreed with some large wholesale customers as part of growth development plans. As the final amount is not known until after the promotion has finished or the financial period has ended, the liability is estimated each month based on actual sales versus annual forecasts and the agreed plans. These are then trued up once the final sales are known.