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DAYLESFORD ORGANIC LIMITED

**Report and accounts
for the year ended**

31 December 2010

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DAYLESFORD ORGANIC LIMITED

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DAYLESFORD ORGANIC LIMITED

DIRECTORS AND ADVISERS

Directors

Sir Anthony Bamford
Lady Carole Bamford
Jamie Mitchell
Ruth Kennedy

Secretary

Steve Ovens

Registered office

11a West Halkin Street
London
SW1X 8JL

Auditors

Nexia Smith & Williamson Audit
Limited
Chartered Accountants
25 Moorgate
London EC2R 6AY

Company's registered number

3868901

DAYLESFORD ORGANIC LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31 December 2010

Results for the year and dividends

The loss for the year was £4,262 385 This was a dramatic improvement on 2009 which recorded a loss of £11 396 606 The directors do not recommend payment of an ordinary dividend (2009 £nil)

Fair review of the business

Over the past three years the company has invested significantly in opening stores building production facilities creating an infrastructure and developing a brand for future growth and profitability

In parallel with this investment the company has significantly reduced administrative costs and focused its resources on those products and sites that will deliver growth and profitability Consequently in April 2010 its food concession in Harvey Nichols closed and then in September 2010 its Garden Room in Pimlico also closed These store closures have reduced the company turnover from £9,962,545 in 2009 to £9,564,248 in 2010

During the year the product range has been reduced to a core offering, and re-engineering to improve its quality and profitability The results of this work are borne out by the company winning 29 food awards during the year, a dramatically improved year on year gross profit growth of +116% from £2,141 671 to £4,626,837, and gross profit margin growth from 21% to 48%

Due to the reduction in product range and the closure of two sites, administrative expenses have reduced by 34% from £13,536,708 in 2009 to £8,889,222 in 2010

Overall 2010 has been a very exciting year of transition The retained loss has improved by +63% from £11,396,606 in 2009 to £4 262 385 in 2010 The directors are confident that further trading improvements will be shown in 2011 – with increased sales, improved margins and further reduced costs – as the company advances towards profitability

Directors

The following were directors during the year

Sir Anthony Bamford
Lady Carole Bamford
Jamie Mitchell (appointed 27 February 2010)
Ruth Kennedy (appointed 27 February 2010)

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware, and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

DAYLESFORD ORGANIC LIMITED

DIRECTORS' REPORT *(continued)*

Financial instruments

The company's operations expose it to a variety of financial risks that include the effects of changes in credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size of the company the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to price risk due to normal inflationary increases in the purchase price of the goods and services in purchases in the UK. The company has no exposure to equity securities price risk as it holds no listed or other equity investments.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit which is reassessed annually by the board.

On behalf of the board

Lady Carole Bamford
Director



DAYLESFORD ORGANIC LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAYLESFORD ORGANIC LIMITED

We have audited the financial statements of Daylesford Organic Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Nexia Smith & Williamson

Keith Jackman
Senior Statutory Auditor for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

27 October 2011

DAYLESFORD ORGANIC LIMITED**PROFIT AND LOSS ACCOUNT for the year ended 31 DECEMBER 2010**

	Notes	2010	2009 £
Turnover	1	9 564 248	9 962,545
Cost of sales		(4 937 411)	(7,820,874)
		<hr/>	<hr/>
Gross profit		4 626,837	2,141,671
Administrative expenses		(8 889 222)	(13 536 708)
		<hr/>	<hr/>
Operating loss		(4 262,385)	(11 395,037)
Interest payable and similar charges	3	-	(1,569)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	4	(4,262,385)	(11,396,606)
Tax on loss on ordinary activities	5	-	-
		<hr/>	<hr/>
Retained loss for the financial year	10	(4,262,385)	(11,396,606)
		<hr/>	<hr/>

All of the company's operations are classed as continuing. There were no gains or losses in either year other than those included in the above profit and loss account.

DAYLESFORD ORGANIC LIMITED**Company registration number
3868901****BALANCE SHEET as at 31 DECEMBER 2010**

	Notes	2010	2009 £
Fixed assets			
Tangible assets	6	6,067 964	6,417 718
Current assets			
Stocks		1,803,875	769 752
Debtors	7	1,381,260	1,302,633
Cash at bank and in hand		115,680	76,062
		3 300 815	2,148,447
Creditors: amounts falling due within one year	8	(11 025,393)	(46,926 050)
Net current liabilities		(7,724,578)	(44,777,603)
Net liabilities		(1,656,614)	(38,359,885)
Capital and reserves			
Called up share capital	9	40,965 657	1
Profit and loss account	10	(42,622 271)	(38,359,886)
Shareholders' deficit – equity	11	(1 656 614)	(38 359,885)

The accounts were approved by the Board of Directors on ²⁰¹¹27th Oct and were signed on its behalf by



Lady Bamford
Director

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2010

1 Accounting policies

A summary of the more important accounting policies adopted is described below

Basis of accounting

The accounts have been prepared under the historical cost convention and on the going concern basis

The company made a loss of £4 262 385 during the year ended 31 December 2010 and at that date, the company's liabilities exceeded its assets by £1 656,614 Sir Anthony Bamford and Lady Carole Bamford have confirmed that they will provide financial support to enable the company to continue as a going concern and pay its liabilities as they fall due for a period of at least one year from the date of approval of these accounts by the board of directors On this basis the directors consider it appropriate to prepare the accounts on the going concern basis The accounts do not include any adjustments that would be required in the event of the withdrawal of this support

Fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned The following annual rates are used

Leasehold property	-	over term of lease
Plant and machinery	-	straight line over 2 to 5 years
Fixtures, fittings and equipment-	-	straight line over 2 to 7 years
Motor vehicles	-	straight line over 4 years

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date A deferred tax asset is not recognised to the extent that the transfer of economic benefit in future is uncertain Any assets and liabilities recognised have not been discounted

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2010 *(continued)*

Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. At the balance sheet date monetary assets and liabilities denominated in foreign currency are translated at the rate ruling at that date. All exchange differences are dealt with in the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value and consist of finished goods and goods for resale.

Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

2 Employee information

The average number of persons, including directors employed by the company during the year was

	2010 Number	2009 Number
	219	291
	£	£
Staff costs for the above persons were		
Wages and salaries	4 450.872	6 717.014
Social security costs	420,829	632,495
Pension costs	(9 559)	38,068
	<hr/> 4,862.142	<hr/> 7,387 577

There were no directors' emoluments in 2010 or 2009.

3	Interest payable and similar charges	£	£
	Bank loans and overdrafts	-	1 569
		<hr/>	<hr/>

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2010 (continued)

	2010	2009
4 Loss on ordinary activities before taxation is stated after charging/(crediting)	£	£
Depreciation	795,006	1,021,400
Loss on foreign exchange transactions	25,504	51,644
Operating leases – land and buildings	929,718	1,005,921
Proceeds of insurance claim	(678,563)	-

Services provided by the company's auditor and its associate

During the year the company obtained the following services and paid the following amounts

Auditors' remuneration for audit services	8,000	8,000
Fees payable to the company's auditor and its associate for other services		
- accounting	4,000	4,000
- tax services	9,495	9,495
Total non-audit fees	13,495	13,495
5 Tax on loss on ordinary activities	£	£
(a) UK corporation tax at (2009 28%)	-	-
(b) Factors affecting tax charge for period	£	£
(Loss) on ordinary activities before tax	(4,262,385)	(11,396,606)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK at 28% (2009 28%)	(1,193,468)	(3,191,050)
Effects of		
Expenses not deductible for tax purposes – fixed assets	198,089	247,131
Expenses not deductible for tax purposes	73,566	1,801
Group relief surrendered before payment	277,593	62,752
Depreciation in excess of capital allowances	119,633	(68,563)
Other short term timing differences	(2,676)	-
Unrelieved tax losses	527,263	2,947,929
Current tax charge	-	-

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (*continued*)

6 Tangible fixed assets	Leasehold improvements		Plant and machinery		Fixtures, fittings and equipment		Motor vehicles		Total	
	£	£	£	£	£	£	£	£	£	£
Cost										
At 1 January 2010	5 897,291	349,781	2,287,243	13,079	8,547,394					
Additions	58,181	229,441	514,023	-	801,645					
Disposals	(370 822)	(200,188)	(202,546)	-	(773,556)					
At 31 December 2010	5,584,650	379,034	2,598,720	13,079	8,575,483					
Depreciation										
At 1 January 2010	848,767	245,846	1,030,401	4 662	2,129,676					
Charge for the year	356,648	75,813	359,305	3,240	795,006					
Disposals	(130,806)	(169,581)	(116,776)	-	(417 163)					
At 31 December 2010	1,074,609	152,078	1,272,930	7,902	2,507,519					
Net book value										
At 31 December 2010	4 510 041	226,956	1,325,790	5,177	6,067,964					
At 31 December 2009	5,048,524	103,935	1,256,842	8,417	6,417,718					

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

	2010	2009
7 Debtors	£	£
Trade debtors	725,646	883,231
Other debtors	367,363	14,926
Prepayments	288,251	404,476
	<hr/>	<hr/>
	1,381,260	1,302,633
	<hr/>	<hr/>
8 Creditors: amounts falling due within one year	£	£
Trade creditors	977,451	2,990,726
Amounts due to group undertakings	6,702,350	42,216,895
Other creditors	2,284,931	44,555
Accruals and deferred income	1,060,661	1,673,874
	<hr/>	<hr/>
	11,025,393	46,926,050
	<hr/>	<hr/>
9 Called up share capital	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each		
At 1 January 2010	1	1
Issues of 40,965,656 shares of £1 each for cash	40,965,656	-
	<hr/>	<hr/>
At 31 December 2010	40,965,657	1
	<hr/>	<hr/>
10 Profit and loss account	£	£
At 1 January 2010	(38,359,886)	(26,963,280)
Loss for the financial year	(4,262,385)	(11,396,606)
	<hr/>	<hr/>
At 31 December 2010	(42,622,271)	(38,359,886)
	<hr/>	<hr/>

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 (continued)

11 Reconciliation of movements in shareholder's deficit

	2010	2009
	£	£
Loss for the financial year	(4,262,385)	(11 396 606)
Issue of shares	40 965 656	-
Opening shareholders' deficit	(38 359 885)	(26,963 279)
	<hr/>	<hr/>
Closing shareholders' deficit	(1,656,614)	(38,359,885)
	<hr/>	<hr/>

12 Operating lease commitments

At 31 December 2010 the company had annual commitments under operating leases as follows

	2010	2009
	Land and buildings	Land and buildings
	£	£
For leases expiring		
Within one year	-	25 000
Between two and five years	-	74,300
After five years	562 000	778 508
	<hr/>	<hr/>
	562 000	877 808
	<hr/>	<hr/>

13 Transactions with directors

During the year the following transactions have been made with companies in which Sir Anthony Bamford and Lady Carole Bamford are also directors

- Sales

JCB Service and subsidiaries £338 309 (2009 £273 916)

DAYLESFORD ORGANIC LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 December 2010 *(continued)*

13 Transactions with directors (continued)

The company also made sales of £22 001 (2009 £7 081) to Lady Carole Bamford and her family

- Purchases

JCB Service and subsidiaries (including recharges) £13,913 623 (2009 £783,986)

JCB Service No 1 Scheme £21,500 (2009 £86 000)

The company also made purchases of £nil (2009 £145 074) from Lady Carole Bamford and her family

- Included in debtors are the following amounts

JCB Service and subsidiaries £2,215 (2009 £107 351)

Olympic Plantation £nil (2009 £39,668)

Included in debtors is £47,246 (2009 £126 326) due from Lady Carole Bamford and her family

- Included in creditors are the following amounts

JCB Service and subsidiaries £1 867 786 (2009 £2 526 965)

JCB Pension No 1 Scheme £285,938 (2009 £nil)

Included in creditors is £nil (2009 £24 606) due to Lady Carole Bamford and her family

14 Related party transactions

The company has taken advantage of the exemption permitted by FRS8, Related party transactions on the basis that the company is a 100% subsidiary of BHoldings Limited and the results have been included in the consolidated accounts of BHoldings Limited

15 Contingent liability

There is a cross-guarantee to the bank with BHoldings Limited and other subsidiaries in the group

16 Control

The company is a wholly-owned subsidiary of BHoldings Limited, a company incorporated in England and Wales, which is ultimately controlled by Lady Carole Bamford