

Company Registration No. 02269910

Forever Living Products (U.K.) Limited

Annual report and Financial Statements

For the year ended 31 December 2018



Forever Living Products (U.K.) Limited

Company information

Directors

Mr Rex Gene Maughan
Mr Gregg Elliott Maughan

Company secretary

Abogado Nominees Limited
Mr Gregg Elliott Maughan

Registered number

02269910, registered in England and Wales, company limited by shares

Registered office

Longbridge Manor, Longbridge
Warwick, CV34 6RB

Auditor

Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

Forever Living Products (U.K.) Limited

Annual report and financial statements

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Forever Living Products (U.K.) Limited

Directors' Report

has sufficient financial resources available for the foreseeable future. As a consequence, the directors believe that the company is well placed to manage its business risks and meet its liabilities as they fall due despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

DIRECTORS

The directors who served throughout the year and subsequently were as follows:

Rex Gene Maughan
Gregg Elliott Maughan

AUDITOR

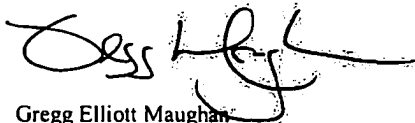
In the case of the directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The financial statements on pages 8 to 23 were approved by the Board of Directors on 20th September 2019 and signed on its behalf by:



Gregg Elliott Maughan
Director

Forever Living Products (U.K.) Limited

Strategic Report

BUSINESS REVIEW

2018 has been a less successful but still profitable year for the company, with sales decreasing by 24% and new Business Owners decreasing by 30%. Work continued on encouraging new business owners to move through the marketing plan.

Legislation continues to be of some risk to the company, in particular the Nutrition and Health Claims Regulations. The company's Compliance & Regulatory Support Team continues to work with business owners on what is compliant and what they can say in adverts and social media posts.

Forever has a strong sustainability policy and has reduced waste by 50% and increased recycling from 26% to 61% since 2006.

As shown in the company's profit and loss account on page 8, the company's sales have decreased by 24% over the prior year (2017 - decreased by 47%).

One of the company's key measurements of effectiveness of its operations is calculating gross profit margin. The company's gross profit margin for the year is up on previous years at 69% (2017 - 68%). The company has recorded an operating profit of £89,286 in the current year compared to an operating profit of £1,110,000 in 2017.

The balance sheet on page 9 shows that the company's net assets at the year-end have increased.

The company's cash levels have increased by £2,437,241 from £7,409,913 at the end of 2017 to £9,847,154 at the end of the current financial year. This is mainly due a product cost price adjustment in 2018.

The Company transferred its pick and pack facility to Forever Direct in February 2018 and as a consequence has significantly reduced the levels of stock from £1,326,862 to £370,024. Forever Direct is a bulk replenishment and order fulfilment facility for the European and African markets of Forever Living Products International and is a related party of the Group.

KEY PERFORMANCE INDICATORS

The following are the key performance indicators that the directors use to monitor the performance of the business.

Case credits

Case credits are a key measure of performance for the company. This is because all products have a case credit value in addition to a monetary value. Case credit total for 2018 was 234,647, 24% below 2017.

Sign-ups

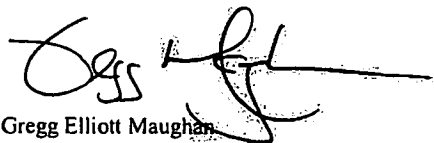
Sign-ups is another key measure of performance for the company as this indicates the level of new business being brought in by existing business owners. The total for 2018 was 8,504, 30% below 2017.

FUTURE DEVELOPMENTS

The Directors expect the general level of activity to remain consistent with 2018 in the forthcoming year. This is as a result of continuing work on encouraging recruitment by business owners and ten new products launched in 2018.

The Company has been planning for Brexit. It will be bringing in additional stocks into its' warehouse facility to be able to cover any delays in bringing in bulk shipments to its' product centres following the UK's exit from the EU.

This report was approved by the board on *20th September* 2019 and signed on its behalf.



Gregg Elliott Maughan
Director

Forever Living Products (U.K.) Limited

Directors' Report

The directors present their annual report on the affairs of Forever Living Products (U.K.) Limited ("the Company"), together with the financial statements and auditor's report for the year ended 31 December 2018.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report on page 1.

PRINCIPLE BUSINESS ACTIVITIES

Forever Living Products (U.K.) Limited is in the market of health, beauty and nutritional products. It operates within a network marketing structure. Its business owners distribute the products via direct selling.

Forever U.K.'s head office is in Warwick and it has Product Centre facilities in London, Milton Keynes and Warwick.

An indication of future developments can be found in the Strategic Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks including credit risk and cash flow risk.

Cash flow risk

The company purchases all its products from the from Forever Direct, a related party of the Company and therefore is exposed to movement in the Euro to Pound Sterling exchange rate. The company minimises the risk of exchange rate fluctuations by operating a currency bank account. The company monitors the Euro exchange rate and purchases when the rate is favourable.

Credit risk

The Company's principal financial assets are cash and trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company maintains sufficient cash reserves at all times.

Further details regarding liquidity risk can be found in the note 1 of the financial statements on page 12

Price risk

The price of products may increase due to changes in exchange rates and/or production costs but is mitigated by being part of a Group purchasing arrangement whereby all of our prices are set by America and costs are also set by a worldwide pricing structure and thus exposure is reduced.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors did not pay a dividend during the year (2017 - £nil). The results of the company are set out on page 8. The directors do not recommend the payment of a final dividend (2017 - £nil).

The profit for the year of £74,649 (2017 - £893,115 profit) has been transferred to reserves.

GOING CONCERN

The company's business activities together with the factors likely to affect its future development are set out above. The principal risks and uncertainties of the company are set out above. The directors have considered the financial and cash flow forecasts for a period more than 12 months from the date of signing these financial statements and concluded that income and future cash flows will continue to be derived from the company's principal activity and that the company

Forever Living Products (U.K.) Limited

Directors' Responsibilities Statement

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

Company law requires the directors to prepare the financial statements for each financial year. Under that 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), 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 company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

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

Forever Living Products (U.K.) Limited

Independent Auditor's report to the members of Forever Living Products (U.K.) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Forever Living Products (U.K.) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 19.

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) (ISA's (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISA's (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Forever Living Products (U.K.) Limited

Independent Auditor's report to the members of Forever Living Products (U.K.) Limited

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Forever Living Products (U.K.) Limited

Independent Auditor's report to the members of Forever Living Products (U.K.) Limited

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Louise Clamp, Senior statutory auditor

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

20 September 2019

Forever Living Products (U.K.) Limited

Profit and loss account Year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	32,193,744	42,553,600
Cost of sales		<u>(9,982,161)</u>	<u>(13,644,517)</u>
Gross profit		<u>22,211,583</u>	<u>28,909,083</u>
Distribution costs		(14,615,490)	(19,700,332)
Administrative expenses		<u>(7,506,807)</u>	<u>(8,098,751)</u>
		<u>(22,122,297)</u>	<u>(27,799,083)</u>
Operating profit	5	89,286	1,110,000
Interest receivable and similar income	6	<u>20,295</u>	<u>2,877</u>
Profit before taxation		109,581	1,112,877
Tax on profit	7	<u>(34,932)</u>	<u>(219,762)</u>
Profit after taxation for the financial year		<u>74,649</u>	<u>893,115</u>

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the year. The notes on pages 12 to 23 form part of the financial statements.

The company has no other comprehensive income other than the profit above and therefore no separate Statement of Comprehensive Income is prepared.

Forever Living Products (U.K.) Limited

Balance sheet As at 31 December 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	8	73,757	118,426
Current assets			
Stocks	9	370,024	1,326,862
Debtors	10	1,278,960	3,287,884
Cash at bank and in hand		9,847,154	7,409,913
		<u>11,496,138</u>	<u>12,024,659</u>
Creditors: amounts falling due within one year	11	<u>(3,534,932)</u>	<u>(4,201,971)</u>
Net current assets		<u>7,961,206</u>	<u>7,822,688</u>
Total assets less current liabilities		8,015,763	7,941,114
Provisions for liabilities	12	<u>(295,200)</u>	<u>(276,000)</u>
Net assets		<u><u>7,739,763</u></u>	<u><u>7,665,114</u></u>
Capital and reserves			
Called up share capital	16	10,000	10,000
Profit and loss account		<u>7,729,763</u>	<u>7,655,114</u>
Shareholders' funds		<u><u>7,739,763</u></u>	<u><u>7,665,114</u></u>

The financial statements of Forever Living Products (U.K.) Limited, registered number 02269910 were approved by the Board of Directors on 20th September 2019.

Signed on behalf of the Board of Directors



Gregg Elliott Maughan
Director

Forever Living Products (U.K.) Limited

Statement of changes in equity For the year ended 31 December 2018

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2017	10,000	6,761,999	6,771,999
Profit/total comprehensive income for the financial year	-	893,115	893,115
At 31 December 2017	10,000	7,655,114	7,665,114
Profit/total comprehensive income for the financial year	-	74,649	74,649
At 31 December 2018	10,000	7,729,763	7,739,763

Forever Living Products (U.K.) Limited

Cash flow statement Year ended 31 December 2018

	Note	2018 £	2017 £
Net cash flows from operating activities	17	2,440,237	1,826,071
Cash flows from investing activities			
Sale of tangible fixed assets		7,000	-
Purchase of tangible fixed assets		(9,996)	(61,049)
Net cash flows from investing activities		<u>(2,996)</u>	<u>(61,049)</u>
Net increase in cash and cash equivalents		2,437,241	1,765,022
Cash and cash equivalents at beginning of year		<u>7,409,913</u>	<u>5,644,891</u>
Cash and cash equivalents at end of year		<u>9,847,154</u>	<u>7,409,913</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		<u>9,847,154</u>	<u>7,409,913</u>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Forever Living Products (U.K.) Limited is a private limited company, limited by shares and incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given on the Company Information page. The nature of the group's operations and its principal activities are set out in the Directors Report on pages 2 and 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Forever Living Products (U.K.) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The financial statements are also presented in pounds sterling.

Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs). If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash

Cash balances are held in the main Company bank account unless felt to be surplus to daily operations, where upon they are transferred to the Company's deposit bank account. As and when required, cash balances are transferred back to the main bank account.

Going concern

The Directors have considered the financial and cash flow forecast for a period of more than 12 months from the date of signing these financial statements and concluded that income and future cash flows will continue to be derived from the Company's principal activity and that the Company has sufficient financial resources available for the foreseeable future. As a consequence, the Directors believe that the Company is well placed to manage its business risks despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

1. Accounting policies (continued)

Turnover

Turnover represents the aggregate of amounts receivable for services and goods supplied in the ordinary course of business, excluding value added tax. Turnover from the sale of goods is recognised when the goods have been ordered and despatched to the distributor.

Interest received

Interest is received into the Company's deposit bank account monthly in arrears. An accrual is made for unpaid amounts at the year end.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided for all fixed assets to write off their cost over the following periods:

Computers	3 years straight line
Fittings and office equipment	5 years straight line
Motor vehicles	4 years straight line

Stocks

Stocks are stated at the lower of cost and net realisable value and is valued on a first in, first out basis.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

1. Accounting policies (continued)

Leases

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

Pensions

The company operates a money purchase scheme for the benefit of its employees. The assets of the scheme are held separately from those of the company. The company's contributions to this scheme are shown in note 4.

Foreign Currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management have identified no critical accounting judgments and estimates during the review.

Critical judgements and estimates in applying the Company's accounting policies

There are no critical judgements and estimates that the directors have made in the process of applying the Company's accounting policies.

3. Analysis of turnover and profit before taxation

The turnover and profit before taxation is entirely attributable to the principal activity of wholesaling health, beauty and nutritional products and arises in the United Kingdom.

An analysis of the Company's turnover is as follows:

	2018	2017
	£	£
Sale of goods	30,213,437	39,800,343
Delivery revenue	1,333,742	1,825,404
Event revenue	246,344	330,993
Literature revenue	363,487	550,547
Other (administration recharges, room hires, drink machines)	36,734	46,313
	<u>32,193,744</u>	<u>42,553,600</u>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

4. Information regarding directors and employees

	2018	2017
	£	£
Directors' emoluments		
Emoluments	50,969	45,112
These are all paid to Rex Gene Maughan.		
	Number	Number
Monthly average number of persons employed		
Administrative	58	62
Manual	20	59
	<u>78</u>	<u>121</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	2,234,050	3,014,958
Social security costs	173,917	264,259
Other pension costs (payments relate to defined contribution scheme)	220,653	288,941
	<u>2,628,620</u>	<u>3,568,158</u>

5. Operating profit

Operating profit is after charging:

	2018	2017
	£	£
Depreciation of owned assets	47,246	74,019
Rentals under operating leases		
Other operating leases	515,254	443,729
Hire of plant and machinery	37,677	48,717
Hire of drinks machines	16,900	16,747
Audit services – fees payable to the company's auditor for the audit of the company's annual financial statements	20,722	20,155
Non audit services – tax compliance services	5,600	6,650
Loss on disposal of fixed asset	418	146
Foreign exchange loss	5,543	20,863

6. Interest receivable

	2018	2017
	£	£
Bank interest	<u>20,295</u>	<u>2,877</u>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

7. Tax on profit

	2018 £	2017 £
United Kingdom corporation tax charge based on the profit for the year	40,732	223,669
Adjustment in respect of previous years	97	(3,585)
	<u>40,829</u>	<u>220,084</u>
Deferred taxation		
- Timing differences, origination and reversal	(6,590)	(435)
- Adjustment in respect of previous years	-	62
- Effect of changes in tax rate	693	51
	<u>34,932</u>	<u>219,762</u>

Factors affecting the tax charge for the year:

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £	2017 £
Profit before tax	<u>109,581</u>	<u>1,112,877</u>
Tax on profit at standard UK tax rate at 19% (2017 – 19.25%)	20,820	214,191
Expenses not deductible for tax purposes	13,322	9,042
Adjustments to tax charge in respect of previous years	97	(3,522)
Tax rate change	693	51
	<u>34,932</u>	<u>219,762</u>

Finance Act No.2 2015, which was substantively enacted on 26 October 2015, includes provisions to reduce the main rate of corporation tax to 19% with effect from 1 April 2017. In addition, Finance Bill 2016 was substantively enacted on 6 September 2016 which introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly these rates are taken into account when calculating the tax position of the Company. The deferred tax assets and liabilities included within these financial statements have been calculated using these rates based on when the deferred tax timing differences are expected to materially reverse.

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

8. Tangible fixed assets

	Computers £	Fittings and office equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2018	219,938	368,743	59,945	648,626
Additions	5,852	4,144	-	9,996
Disposals	-	(18,870)	(44,075)	(62,945)
At 31 December 2018	<u>225,790</u>	<u>354,017</u>	<u>15,870</u>	<u>595,677</u>
Accumulated depreciation				
At 1 January 2018	195,544	276,547	58,109	530,200
Charge for the year	18,486	27,842	918	47,246
Disposals	-	(12,369)	(43,157)	(55,526)
At 31 December 2018	<u>214,030</u>	<u>292,020</u>	<u>15,870</u>	<u>521,920</u>
Net book value				
At 31 December 2018	<u>11,760</u>	<u>61,997</u>	<u>-</u>	<u>73,757</u>
At 31 December 2017	<u>24,394</u>	<u>92,196</u>	<u>1,836</u>	<u>118,426</u>

9. Stocks

	2018 £	2017 £
Goods for resale	<u>370,024</u>	<u>1,326,862</u>

There is no material difference between the balance sheet value of stocks and their replacement cost. The value of stock recognised as an expense in the year was £9,982,161 (2017 - £14,920,317).

10. Debtors

	2018 £	2017 £
Due within one year		
Trade debtors	453,566	432,691
Amounts owed by related parties (note 14)	275,554	2,280,537
Deferred tax asset (note 15)	47,873	47,872
Prepayments and accrued income	501,967	526,784
	<u>1,278,960</u>	<u>3,287,884</u>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

11. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	296,223	474,422
Amounts owed to related parties (note 14)	26,612	280
Other taxation and social security	679,220	497,482
Corporation tax	34,016	220,084
Accruals and deferred income	2,498,861	3,009,703
	<u>3,534,932</u>	<u>4,201,971</u>

12. Provision for liabilities – Dilapidations Provision

	2018	2017
	£	£
At 1 January 2018	276,000	276,000
Charged to profit and loss account	19,200	-
	<u>295,200</u>	<u>276,000</u>
At 31 December 2018	<u>295,200</u>	<u>276,000</u>

The nature of this obligation is dilapidations in respect of rented premises at:

£276,000 - Unit 3 Titan Business Centre, Spartan Close, Tachbrook Park Drive, Warwick. This may be used by June 2021.

£19,200 – Units 3.3/3.4, Building 3 Caldecotte Lake Business Park, Caldecotte Lake Drive, Caldecotte, Milton Keynes. This is expected to be used by October 2019.

13. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
Company				
- within one year	363,784	37,132	458,043	37,414
- between one and five years	906,277	15,386	1,073,454	54,227
- over five years	491,516	-	688,122	-
	<u>1,761,577</u>	<u>52,518</u>	<u>2,219,619</u>	<u>91,641</u>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

14. Related party transactions

The ultimate controlling party is Mr R G Maughan, the director and principal shareholder. The trading transactions with related parties are summarised as follows:

	Purchases		Sales	
	2018	2017	2018	2017
	£	£	£	£
Aloe Vera of America	52,903	169,362	-	-
Forever Direct	8,876,023	7,826,848	162,644	962
Forever Living Products Baltics	-	-	-	1,457
Forever Living Products Benelux	-	-	3,133	4,857
Forever Living Products Bulgaria	-	-	-	1,457
Forever Living Products Cyprus	-	-	-	245
Forever Living Products France	-	-	-	7,286
Forever Living Products Germany	-	-	-	13,139
Forever Living Products Greece	-	-	369	2,213
Forever Living Products Hungary	-	-	-	4,857
Forever Living Products Iceland	-	-	25,378	28,334
Forever Living Products International	980,828	1,956,996	131,099	121,424
Forever Living Products Ireland	870	-	9,528	23,148
Forever Living Products Israel	-	-	-	3,010
Forever Living Products Italy	-	-	-	9,715
Forever Living Products Malta	-	-	1,361	4,576
Forever Living Products Poland	-	-	-	2,914
Forever Living Products Romania	-	-	254	2,914
Forever Living Products Scandinavia	-	-	-	9,715
Forever Living Products Slovak Republic	-	-	-	1,457
Forever Living Products South Africa	-	-	-	197
Forever Living Products Spain	-	-	-	2,082
FLP.com	575	-	-	-
Global Incentive Services	399,919	(581,903)	-	-
UK Investments	100,000	100,000	-	-
	<u>10,411,118</u>	<u>1,375,093</u>	<u>333,766</u>	<u>223,397</u>
Totals	10,411,118	1,375,093	333,766	223,397

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

14 Related party transactions (continued)

The year end balances with related parties are summarised as follows:

	Amounts due from related party		Amounts due to related party	
	2018	2017	2018	2017
	£	£	£	£
Aloe Vera of America	22,538	-	91	-
Forever Direct	163,456	1,529,100	-	-
Forever Living Products Benelux	133	677	-	-
Forever Living Products Bolivia	-	2,157	-	-
Forever Living Products Brazil	-	71,342	-	-
Forever Living Products Iceland	887	182	-	-
Forever Living Products International	88,516	674,892	26,521	-
Forever Living Products Ireland	24	225	-	-
Forever Living Products Israel	-	-	-	280
Forever Living Products Romania	-	406	-	-
Forever Living Products Scandinavia	-	1,353	-	-
Forever Living Products Slovak Republic	-	203	-	-
	<u>275,554</u>	<u>2,280,537</u>	<u>26,612</u>	<u>280</u>

During the year, the company purchased goods and services to the value of £52,903 (2017 - £169,362) from Aloe Vera of America, Inc. Amounts owed to Aloe Vera of America, Inc of £91 (2017 - £nil) relate to trading balances and are due within 7 days.

During the year the company purchased goods in the ordinary course of business from Forever Direct BV, who purchased goods from Aloe Vera of America Inc and supply to all Forever Living Products companies in Europe, at a cost of £8,876,023 (2017 - £7,826,848). All amounts are due within 7 days.

During the year, the company charged Forever Direct BV goods and services to the value of £162,644 (2017 - £962). Amounts owed by Forever Direct BV of £163,456 (2017 - £1,529,100) all relate to trading balances. Amounts owed to Forever Direct BV of £nil (2017 - £nil) all relate to trading balances and are due within 7 days.

The company occupies premises owned by UK Investments LLC., a company controlled by Mr R G Maughan, for which £100,000 (2017 - £100,000) rent was paid and charged in the year.

Forever Living Products Iceland ehf was charged £21,600 (2017 - £21,600) for administration services performed by the company on their behalf. All amounts are due within 30 days.

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

15. Deferred taxation

	2018	2017
	£	£
Balance at 1 January 2018	(47,872)	(47,550)
Credit to profit and loss account	(5,897)	(384)
Adjustment in respect of prior periods	-	62
	<u>(53,769)</u>	<u>(47,872)</u>

The amounts provided in the financial statements are as follows:

	2018	2017
	£	£
Fixed asset timing differences	(1,336)	1,889
Short term timing differences	(52,433)	(49,761)
	<u>(53,769)</u>	<u>(47,872)</u>

16. Called up share capital

	2018	2017
	£	£
Allotted and fully paid 10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

The profit and loss account includes all current and prior year retained profits and losses.

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

17. Cash flow statement

Reconciliation of operating profit to cash generated by operations:

	2018 £	2017 £
Operating profit	89,286	1,110,000
Adjustment for:		
Depreciation	47,246	74,019
Loss on sale of tangible fixed assets	418	146
	<hr/>	<hr/>
Operating cash flow before movement in working capital	136,950	1,184,165
Decrease in stocks	956,838	4,529,082
Decrease/(increase) in debtors	2,008,925	(978,487)
(Decrease) in creditors	(461,771)	(2,839,997)
	<hr/>	<hr/>
Operating cash flow before taxation paid	2,640,942	1,894,763
Taxation paid	(221,000)	(71,569)
	<hr/>	<hr/>
Cash generated from operations	2,419,942	1,823,194
Interest received	20,295	2,877
	<hr/>	<hr/>
Net cash flows from operating activities	2,440,237	1,826,071

18. Financial instruments

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	2018 £	2017 £
Financial assets:		
Debt instruments measured at amortised cost:		
Trade debtors and other debtors (see note 10)	1,278,960	3,287,884
Cash and cash equivalents	9,847,154	7,409,913
	<hr/>	<hr/>
	11,126,114	10,697,797
	<hr/>	<hr/>
Financial liabilities:		
Measured at amortised cost:		
Trade and other creditors (see note 11)	3,534,932	4,201,971
Provisions	295,200	276,000
	<hr/>	<hr/>
	3,830,132	4,477,971
	<hr/>	<hr/>

Forever Living Products (U.K.) Limited

Notes to the financial statements (continued) Year ended 31 December 2018

19. Controlling party

Mr Rex Gene Maughan, a director of the Company, and members of his close family, control the Company as a result of controlling, directly or indirectly, 100% of the issued share capital of the Company.