

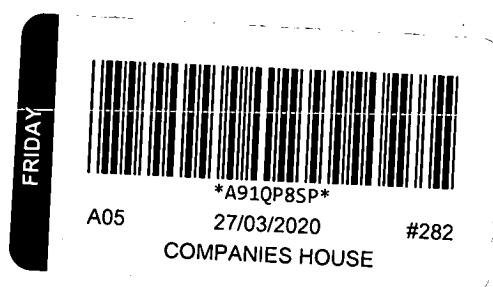
Tropic Skincare Limited

Annual report and financial statements

For the year ended

30 June 2019

Registered number: 07840950



**Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019**

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Statement of income	9
Statement of financial position	10
Statement of changes in equity	11
Cash flow statement	12
Notes to the financial statements	13

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Officers and professional advisers

The Board of Directors

Lord A.M.Sugar
S.Ma

Company secretary

M.E.Ray

Registered office

Amshold House
Goldings Hill
Loughton
Essex
IG10 2RW

Independent auditor

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Bankers

Lloyds Bank
PO BOX 72
Bailey Drive
Gillingham Business Park
Gillingham
Kent
ME8 0LS

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Strategic report

The Directors present their strategic report on the Company for the year ended 30 June 2019.

Principal activity

The principal activity of the Company is manufacturing and selling of skincare and cosmetic products primarily to the Ambassadors, with a small portion of sales to end consumers.

Business review

The Company performed very well during its seventh full year of trading. Sales of £34,943,452 (2018: £22,682,002) generated a profit before tax of £6,433,669 (2018: £5,136,882). The increasing revenue is attributed to the organic growth of the Company in the current financial year, this has been the result of increased Ambassadors from the prior year to the current year with a strong retention rate.

During the year the business successfully relocated its operations to its new site in Beddington Lane, Croydon. This has allowed the Company to consolidate all its operations back onto one site. We will now have the ability to produce our own products for fast delivery through the next phase of the Company's growth. This has been done through a £4.5m investment in the new facility. This has all been financed internally.

During the next financial year we plan to continue to invest in the business by upgrading the IT systems as well as investing in product development and expansion of our employee numbers to cope with the continued growth we are experiencing.

The Company has identified turnover, earnings before interest, tax, depreciation and amortisation ('EBITDA') and EBITDA as a percentage of turnover as key performance indicators of the business.

Key financial performance indicators

	30 June 2019 £'000	30 June 2018 £'000	Change £'000	Growth %
Turnover	34,943	22,682	12,261	54.1%
EBITDA	6,955	5,404	1,551	28.7%
As a % of turnover	19.9%	23.8%	(3.9%)	

Principal risks and uncertainties

Price risk

The Company is exposed to price risk on some raw materials. The Company does not manage this exposure due to cost benefit consideration.

Cash flow risk

With no credit given to customers the Company's cash inflow risk is limited to any general downturn in sales. The Company's cash flow risk is mainly associated to its spending decisions. The Company mitigates this by purchasing stock in line with the latest forecast sales and regularly reviewing its capital expenditure plans.

Credit risk

The Company offers no credit on its sales. The Company negotiates credit on purchases wherever possible. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Liquidity risk

The Company has no debt and little liquidity risk.

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

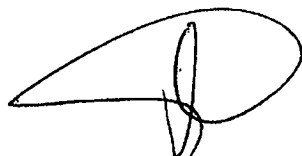
Strategic report

Brexit risk

The Company continues to monitor the impact of Brexit and will make the necessary changes to its business as matters develop.

This report is approved by the Board of Directors on 12/03/2020 and signed on its behalf by:

S.Ma
Managing Director

A handwritten signature in black ink, consisting of a large, stylized loop followed by a vertical stroke and a smaller loop below it.

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Directors' Report

The Directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 30 June 2019.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 2 to the financial statements.

Future developments

The new financial year has started well, and the Company continues to grow in line with expectations.

The Company is expected to continue its growth in the forthcoming year via its Ambassadors, due to its excellent range and quality of products.

In addition to increasing the Company's market share, the Directors continue to focus on expanding the number of Ambassadors and enhancing product quality.

Directors

The Directors who served the Company during the year were as follows:

Lord A.M.Sugar
S.Ma

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Dividends

The Directors declared and paid a dividend of £2,000,000 on 5th July 2018 (2018: £nil).

Statement as to disclosure of information to the auditor

BDO LLP have expressed their willingness to continue in office.

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report is approved by the Board of Directors on 12/03/2020 and signed on its behalf by:

S.Ma
Managing Director



Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Directors' responsibilities statement

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 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; 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.

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Independent auditor's report to the members of Tropic Skincare Limited

Opinion

We have audited the financial statements of Tropic Skincare Limited ("the Company") for the year ended 30 June 2019 which comprise the statement of income, the statement of financial position, the statement of changes in equity, the cash flow statement and the 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). In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Independent auditor's report to the members of Tropic Skincare Limited

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Tropic Skincare Limited
Financial Statements
For the year ended 30 June 2019

Independent auditor's report to the members of Tropic Skincare Limited

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.

BDO LLP

James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick, UK

Date: *12 March* 2020

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

Tropic Skincare Limited

Statement of income For the year ended 30 June 2019

	Note	30 June 2019 £	30 June 2018 £
Turnover	5	34,943,452	22,682,002
Cost of sales		(18,662,391)	(11,329,849)
Gross profit		16,281,061	11,352,153
Administrative expenses		(9,858,462)	(6,226,632)
Operating profit	6	6,422,599	5,125,521
Finance income	4	11,070	11,361
Profit before taxation		6,433,669	5,136,882
Tax charge on profit	11	(1,196,836)	(1,003,356)
Profit for the financial year		<u>5,236,833</u>	<u>4,133,526</u>

All activities of the Company are from continuing operations.

The Company has no other recognised gains or losses in the year or prior year other than as presented in the profit and loss accounts above, therefore no separate Statement of Comprehensive Income has been presented.

The notes on pages 13 to 23 form part of these financial statements.

Tropic Skincare Limited

Statement of financial position At 30 June 2019

	Note	30 June 2019 £	30 June 2018 £
Fixed assets			
Tangible assets	12	4,594,356	563,079
Intangible assets	13	272,075	236,404
		<u>4,866,431</u>	<u>799,483</u>
Current assets			
Stocks	14	3,609,219	2,566,325
Debtors	15	1,827,159	1,402,576
Cash at bank and in hand		2,110,460	3,817,516
		<u>7,546,838</u>	<u>7,786,417</u>
Creditors: amounts falling due within one year	16	(4,520,403)	(3,849,867)
Net current assets		<u>3,026,435</u>	<u>3,936,550</u>
Total assets less current liabilities		<u>7,892,866</u>	<u>4,736,033</u>
Provision for liabilities and charges	17	(30,000)	(110,000)
Net assets		<u><u>7,862,866</u></u>	<u><u>4,626,033</u></u>
Capital and reserves			
Called-up share capital	18	200	200
Share premium account	19	199,900	199,900
Profit and loss account	20	7,662,766	4,425,933
Shareholders' funds		<u><u>7,862,866</u></u>	<u><u>4,626,033</u></u>

The financial statements of Tropic Skincare Limited (registered number 07840950) were approved by the Board of Directors and authorised for issue on 12/03/2020, and are signed on behalf of the board by:

S.Ma
Managing Director



The notes on pages 13 to 23 form part of these financial statements.

Tropic Skincare Limited

Statement of changes in equity At 30 June 2019

	Note	Called up share capital £	Share premium £	Profit and loss account £	Total £
As at 30 June 2017		200	199,900	292,407	492,507
Total comprehensive income		-	-	4,133,526	4,133,526
Dividends	10	-	-	-	-
As at 30 June 2018		200	199,900	4,425,933	4,626,033
Total comprehensive income		-	-	5,236,833	5,236,833
Dividends	10	-	-	(2,000,000)	(2,000,000)
As at 30 June 2019		200	199,900	7,662,766	7,862,866

The notes on pages 13 to 23 form part of these financial statements.

Tropic Skincare Limited

Cash flow statement At 30 June 2019

	30 June 2019 £	30 June 2018 £
Cash flow from operating activities		
Profit for the year	5,236,833	4,133,526
Adjustments for:		
Depreciation of tangible fixed assets	457,914	254,227
Amortisation of intangible fixed assets	74,954	23,796
Finance income	(11,070)	(11,361)
Taxation expense	1,196,836	1,003,356
Increase in debtors	(424,583)	(533,377)
Increase in stock	(1,042,894)	(1,630,274)
Increase in creditors	651,071	1,271,634
(Decrease)/Increase in provisions	(80,000)	110,000
	<hr/>	<hr/>
Cash generated from operations	6,059,061	4,621,527
Tax paid	(1,177,371)	(1,121,004)
	<hr/>	<hr/>
Net cash flows from operating activities	4,881,690	3,500,523
Investing activities		
Purchase of tangible fixed assets	(4,489,191)	(485,209)
Purchase of intangible fixed assets	(110,625)	(114,668)
Interest received	11,070	11,361
	<hr/>	<hr/>
Net cash used in investing activities	(4,588,746)	(588,516)
Financing activities		
Dividends paid	(2,000,000)	-
	<hr/>	<hr/>
Net cash used in finance activities	(2,000,000)	-
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,707,056)	2,912,007
Cash and cash equivalents at beginning of year	3,817,516	905,509
	<hr/>	<hr/>
Cash and cash equivalents at end of year	2,110,460	3,817,516
	<hr/>	<hr/>

There are no cash equivalents at the beginning or the end of the year.

The notes on pages 13 to 23 form part of these financial statements.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

1. General information

Tropic Skincare Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales.

The address of the registered office is Amshold House, Goldings Hill, Loughton, Essex, IG10 2RW and the nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom.

2. Accounting policies

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

a. *Basis of preparation*

The financial statements have been prepared on the historical cost basis. The preparation of the financial statements in accordance with FRS 102 requires the use of certain critical accounting estimates, further details of which are given in Note 3. It also requires Company management to exercise judgement in applying the Company's accounting policies.

The financial statements are prepared in sterling, which is the functional currency of the entity.

b. *Going concern*

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. *Fixed assets*

Tangible and intangible assets are initially recorded at cost or valuation, and subsequently reduced by depreciation and any provision for impairment. Depreciation is provided on all fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Tangible

Fixtures and Fittings	10%-50% Straight line
Plant and Machinery	10%-50% Straight line
Computer and Office Equipment	25%-50% Straight line
Improvements to Property	10%-50% Straight line

Intangible

Computer Software	25%-50% Straight line
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d. *Cash and cash equivalents*

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

e. Taxation

The taxation expense represents the aggregated amount of current and deferred tax recognised in the reporting period.

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 statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 statement of financial position 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.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position 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.

Tax is recognised in profit and loss, except to the extent 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 recognised 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.

f. Revenue recognition

Revenue is recognised at fair value of the consideration received or receivable for sale of goods in the ordinary course of business. The fair value of the goods takes into account trade discounts, settlement discounts and is shown net of VAT. Revenue is recognised when the significant risks and rewards are physically delivered to the customer.

g. 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 statement of financial position are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other comprehensive income.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

h. Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

i. Finance costs

As interest arises, it accrues in the profit or loss account.

j. Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

k. Inventory

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the latest purchase price method. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Net realisable value is the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Selling costs, abnormal losses, storage costs and administration overheads not contributing to inventories are expensed as incurred.

l. Research and development

Research and development expenditure is expensed in the period in which it is incurred.

m. Pensions

The Company operated a defined contribution plan for its employees. A defined contribution pension plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independent administered funds.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

n. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

i. Financial assets

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at amortised costs.

ii. Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

3. Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. 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.

The most significant judgements and estimations taken by Directors are the provisions for slow moving or obsolete stock. This requires an assessment to be made on the recoverable value of old stock and potential stock losses for raw materials in the production process.

Tangible fixed assets are a key source of estimation uncertainty as they are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

4. Finance income

	30 June 2019 £	30 June 2018 £
Bank interest receivable	<u>11,070</u>	<u>11,361</u>

5. Revenue

	30 June 2019 £	30 June 2018 £
Revenue arises from:		
Sale of goods	<u>34,943,452</u>	<u>22,682,002</u>

The whole of the revenue attributable to the principal activity of the Company is wholly undertaken in the United Kingdom.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

6. Operating profit

	30 June 2019	30 June 2018
	£	£
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible assets	457,914	254,227
Amortisation of intangible assets	74,954	23,796
Profit on foreign exchange	(21,679)	(53,153)
Inventory recognised as an expense	8,041,892	4,499,442
Operating lease expense- Land and buildings	370,536	148,795
	<u>370,536</u>	<u>148,795</u>

7. Auditor's remuneration

	30 June 2019	30 June 2018
	£	£
Fees payable for the audit of the financial statements	<u>23,700</u>	<u>23,000</u>

8. Staff costs

The average monthly number of persons employed by the Company during the year, including the Directors, amounted to:

	30 June 2019	30 June 2018
Production and warehouse staff	99	75
Administrative staff	48	31
	<u>147</u>	<u>106</u>

The aggregate payroll costs incurred during the year, relating to the above including Directors, were:

	30 June 2019	30 June 2018
	£	£
Wages and salaries	3,482,232	2,351,393
Social security costs	301,846	204,909
Pension contributions	44,615	15,862
	<u>3,828,693</u>	<u>2,572,164</u>

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

9. Directors' remuneration

The Directors' aggregate remuneration (included in note 8) in respect of qualifying services was:

	30 June 2019 £	30 June 2018 £
Remuneration	98,000	80,000
	<u>98,000</u>	<u>80,000</u>

Directors' remuneration for the current and prior years relates to only one Director.

10. Dividends on equity shares

	30 June 2019 £	30 June 2018 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year	2,000,000	-
	<u>2,000,000</u>	<u>-</u>

On 5 July 2018, a dividend of £2,000,000 was declared and paid.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

11. Tax charge on profit

	30 June 2019 £	30 June 2018 £
Current tax:		
UK current tax expense	(1,113,506)	(985,075)
Adjustments in respect of prior years	40,583	5,928
Total current tax charge	<u>(1,072,923)</u>	<u>(979,147)</u>
Deferred tax:		
Origination and reversal of timing differences	(124,288)	(1,125)
Adjustment in respect of prior years	375	(23,084)
Total deferred tax charge	<u>(123,913)</u>	<u>(24,209)</u>
Total tax charge on profit	<u><u>(1,196,836)</u></u>	<u><u>(1,003,356)</u></u>

Reconciliation of tax expense

The tax assessed on the profit for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%).

	30 June 2019 £	30 June 2018 £
Profit on ordinary activities before taxation	6,433,669	5,136,882
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	(1,222,397)	(976,008)
Effect of expenses not deductible for tax purposes	-	(9,905)
Accelerated capital allowances	(15,397)	(287)
Adjustments in respect of prior years	40,958	(17,156)
Total tax charge on profit	<u><u>(1,196,836)</u></u>	<u><u>(1,003,356)</u></u>

Factors that may affect future tax income charges

It was announced in the March 2016 Budget that the main rate of corporation tax will reduce to 17% with effect from 1 April 2020, and this reduction was substantively enacted on 6 September 2016. Deferred tax assets and liabilities at the statement of financial position date have been recognised at 17%.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

12. Tangible assets

	Fixtures and fittings £	Plant and machinery £	Computer and office equipment £	Improvements to property £	Total £
Cost					
At 1 July 2018	89,088	895,985	72,550	195,805	1,253,428
Additions	150,617	1,190,059	26,524	3,121,991	4,489,191
Disposals	-	-	-	-	-
At 30 June 2019	<u>239,705</u>	<u>2,086,044</u>	<u>99,074</u>	<u>3,317,796</u>	<u>5,742,619</u>
Depreciation					
At 1 July 2018	32,214	427,533	54,181	176,421	690,349
Charge for the year	19,725	242,179	16,029	179,981	457,914
Disposals	-	-	-	-	-
At 30 June 2019	<u>51,939</u>	<u>669,712</u>	<u>70,210</u>	<u>356,402</u>	<u>1,148,263</u>
Net book value					
At 30 June 2019	<u>187,766</u>	<u>1,416,332</u>	<u>28,864</u>	<u>2,961,394</u>	<u>4,594,356</u>
At 30 June 2018	<u>56,874</u>	<u>468,452</u>	<u>18,369</u>	<u>19,384</u>	<u>563,079</u>

13. Intangible assets

	Computer software £	Total £
Cost		
At 1 July 2018	339,217	339,217
Additions	110,625	110,625
At 30 June 2019	<u>449,842</u>	<u>449,842</u>
Amortisation		
At 1 July 2018	102,813	102,813
Charge for the year	74,954	74,954
At 30 June 2019	<u>177,767</u>	<u>177,767</u>
Net book value		
At 30 June 2019	<u>272,075</u>	<u>272,075</u>
At 30 June 2018	<u>236,404</u>	<u>236,404</u>

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

14. Stocks

	30 June 2019 £	30 June 2018 £
Finished goods	1,235,692	558,047
Raw materials	2,373,527	2,008,278
	<u>3,609,219</u>	<u>2,566,325</u>

15. Debtors: amounts falling due within one year

	30 June 2019 £	30 June 2018 £
Trade debtors	1,100,373	832,814
Prepayments and accrued income	726,786	569,762
	<u>1,827,159</u>	<u>1,402,576</u>

16. Creditors: amounts falling due within one year

	30 June 2019 £	30 June 2018 £
Trade creditors	(1,425,294)	(1,132,749)
Other taxes and social security costs	(947,440)	(641,135)
Corporation tax	(348,266)	(452,714)
Deferred tax	(169,502)	(45,589)
Accruals and deferred income	(1,629,901)	(1,577,680)
	<u>(4,520,403)</u>	<u>(3,849,867)</u>

17. Provision for liabilities and charges

	Dilapidation provision £
At 1 July 2018	(110,000)
Utilised in the year	80,000
	<u>(30,000)</u>
At 30 June 2019	<u>(30,000)</u>

Dilapidation provisions are expected to be utilised upon exit of the leases of the relevant properties.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

18. Called-up share capital

	2019	2018
	£	£
Allotted, issued and fully paid:		
200 ordinary shares of £1 each (2018: 200 ordinary shares of £1 each)	200	200

Called up share capital represents the nominal value of the shares issued.

19. Share Premium

The share premium account includes the premium on issue of equity shares, net of an issue costs.

20. Profit and loss account

The retained earnings reserve represents historical accumulated profits less transfers and distributions to owners.

21. Commitments under operating leases

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

	Land and buildings	Land and buildings
	30 June 2019	30 June 2018
	£	£
Within one year	293,124	132,164
Between one and five years	1,172,496	144,329
Over five years	2,625,267	-
	<u>4,090,887</u>	<u>276,493</u>

22. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independent administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £44,615 (2018:£15,862). Contribution totalling £13,313 (2018:£5,509) were payable to the fund at the reporting date and are included in creditors.

23. Capital Commitment

The Company had £nil (2018: £783,687) of capital commitments that were contracted but not provided for at the year end.

24. Subsequent Events

On 23 July 2019, a dividend of £500,000 was declared and paid. On 27 December 2019, a dividend of £1,500,000 was declared and paid.

Tropic Skincare Limited

Notes to the financial statements For the year ended 30 June 2019

25. Financial Instruments

The Company's financial instruments may be analysed as follows:

	30 June 2019 £	30 June 2018 £
Financial assets		
Financial assets measured at amortised cost	<u>3,210,833</u>	<u>4,650,330</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>2,652,632</u>	<u>2,378,776</u>

Financial assets measured at amortised cost comprise cash and trade debtors. Financial liabilities measured at amortised cost comprise trade creditors and accruals.

26. Related party transactions

During the year Amshold Group Limited, a Company controlled by Lord Sugar, charged the Company £37,439 (2018: £13,778) for management consultancy services. Amshold Group Limited provided a short term £1m loan facility to the Company between January and March 2019 to assist with the relocation of the business, this loan has been repaid in full. Amshold Group Limited bought £487,340 worth of dollars for the Company during the year, these were then paid for in full by the Company.

During the year Climb Online Limited, a Company in which Lord Sugar ultimately holds a 50% shareholding, charged the Company £30,750 (2018: £24,266) for online marketing services. Of this only £16,720 was charged to the statement of income during the current period with the balance being charged in the following period.

At the year end the amount due from Amshold Group Limited was £nil (2018: £8) and from Climb Online Limited was £9,228 (2018: £1,008).

27. Ultimate controlling party

In the opinion of the Directors, there is no ultimate controlling party.