

Tropic Skincare Limited

Annual report and financial statements

For the period ended

31 December 2020

Registered number: 07840950



Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report	8
Statement of income	11
Statement of financial position	12
Statement of changes in equity	13
Cash flow statement	14
Notes to the financial statements	15

Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

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 period ended 31 December 2020

Strategic report

The Directors present their strategic report on the Company for the period ended 31 December 2020.

Principal activity

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

Business review

The Company performed very well during the eighteen month period of trading. Sales of £97,420,373 (2019: £34,943,452) generated a profit before tax of £19,003,539 (2019: £6,433,669). The increasing revenue is attributed to the organic growth of the Company in the current financial period, this has been the result of increased Ambassadors from the prior year to the current period with a strong retention rate.

During the pandemic there has been a focus on hosting virtual pamper events. This has driven the business to provide Ambassadors with more online training content.

The Company continues to develop its software to give its customers the best user experience. The business went live with its new ERP system on 1st January 2021. It continues to invest heavily in software development with £796,754 being invested in the period.

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. The growth rates shown are of a period of 18 months. The company has managed to slightly improve its EBITDA as a percentage of turnover but remains in line with its target of 20%.

Key financial performance indicators

	31 Dec 2020 £'000	30 June 2019 £'000	Change £'000	Growth %
Turnover	97,420	34,943	62,477	178.8%
EBITDA	20,463	6,955	13,508	194.2%
As a % of turnover	21.0%	19.9%	1.1%	

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 period ended 31 December 2020

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.

Stakeholder engagement

The Board is focused on delivering both financial objectives as well as delivering excellent service and experience for its customers and suppliers. The company seeks to create a healthier, greener, more empowered world. We aim to be a force for good beyond beauty and maintain our infinite purpose at the heart of everything we do at Tropic.

The Board of the company meet monthly to consider a range of compliance issues, a full review of risks as well as reporting back on the performance of the business in all divisions and ensure that the company's goals are being met. These goals are formalised in the company budget which is used to set the company's objectives each year. Management accounts are presented showing performance against these budgets.

The business objectives and KPI's are reviewed every month by senior management where new opportunities, business efficiencies and initiatives are reviewed by senior executives and the Board.

Communication

The staff meet with the Chief Executive every Friday afternoon where there is a review of the previous week and discussions on up coming Company events. This is an opportunity for staff to discuss the business with senior management and for senior management to update staff on the business. During COVID these meetings have continued via Microsoft Teams. All departments are encouraged to have their own group Teams meetings where individual performances can be discussed and Board actions implemented.

Mental Health

The Board takes its responsibility for the mental health of its employees seriously including providing and training mental health first aiders across the business, utilising external occupational mental health specialists, regular encouragement to speak to managers, and constant communication with those employees working from home. There are also a regular surveys to ask about health and wellbeing and to remind staff that they can reach out for assistance should they need it.

Corporate and Social Responsibility (CSR)

The company as part of its infinite purpose regularly reviews its CSR programme. It makes particular focus on the following areas:

Ethical- We choose to work with suppliers who emulate our own values and provide a safe working environment for its staff. We adopt an internal code of conduct and have expectations of our suppliers to also adhere to a code of conduct that reflects our own values on labour, human rights and anti-corruption.

Environmental- Tropic are committed to helping improve the environment. We are a certified Carbon Neutral company. All our carbon emissions are accounted for and double offset. Through this initiative we have founded conservation work in the Amazonian rain forest and helped to protect 65,000 hectares of forest from unsustainable palm oil conversion in Indonesia.

Economic- The Company has worked with its Ambassadors, customers and suppliers to help best reduce its use of packaging waste which has helped meet the goals of our CSR programme. As we continue on our infinite purpose we will strive to re-use more of our packaging and will encourage our customers to return and re-use empty Tropic containers.

Philanthropic- Through the company initiatives we are proud to say that over 3 million school days have been paid for in over 160 schools across Nepal, Cambodia, and Myanmar. This program continues as we seek to help educated the children of the world via our partnership with United World Schools. Each month we run a separate campaign to help both local, national, and international charities via the gifting of all profits on sales of selected products. Our employees also give their time and efforts to help in these fundraising efforts.

Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

Strategic report

Our Stakeholders

Our Ambassadors are at the heart of everything we do, because of this we work hard to build strong and lasting relationships with them. We seek to foster relationships with our Ambassadors through a series of differing events over the year ranging from roadshows, days out, HQ visits up to the annual Glambassadors event and the annual holiday incentive.

Our employees are our most important asset. Without our staff we would be unable to provide the products and support services that make Tropic the company that it is. They make enormous efforts to ensure our business is the best it can be, our investment in them protects and strengthens the common goals we share with them.

Our suppliers are key to us creating the fantastic products that we all love. We work hard with them to build strong long-term relationships via face-to-face meetings, video calls and electronic communications. We continue to focus on these relationships as our supply chain is key to us providing our end users with the best environmentally friendly sustainable products we can produce.

Our end user customers are central to our business. Without customers to buy our products we do not have a business. We continually strive to product environmentally friendly freshly made products from sustainable sourced ingredients at a price affordable for our customers. We engage with customers directly and via our Ambassador family to ensure we have their valuable feedback so that we can continually improve as a business on our infinite purpose path.

This report is approved by the Board of Directors on 27 August 2021 and signed on its behalf by:



S/Ma

Chief Executive

Tropic Skincare Limited

Financial Statements

For the period ended 31 December 2020

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 period ended 31 December 2020. The company changed its year end to 31 December to better align the financial year end with the business needs. As such the current period was extended to 18 months.

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

Financial risk management

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's Chief Executive Officer. The Board receives monthly reports from the finance department through which it reviews the effectiveness of the processes and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set out policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible be identical to other employees.

Environment

The company is aware of its environmental obligations and actively promotes environmental initiatives with its employees, customers and suppliers. The company has been certified for the last four years as a carbon neutral company. The company has also committed to double-offsetting its emissions meaning that it removes double the greenhouse gasses that are emitted through our business activities.

Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

Directors' Report

Charitable Donations

During the period, the Company made charitable donations of £836,415 (2019: £110,535). The principal donations were £657,252 to the United World Schools. The Company has partnered with United World Schools in order to build schools and help the educational of children in third world countries. To date the company has funded over 3 million school days for children via our partnership with United World Schools. Every £50 spent on a tropic product results in one day schooling in one of our three chosen locations in Cambodia, Nepal or Myanmar.

In addition, the Company donated a number of national and local charities and during the pandemic gave 50,000 hand sanitisers and 18,000 'calm balms' to 13 NHS hospitals across the UK.

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 total dividends of £10,000,000 as detailed in Note 10 (2019: £2,000,000).

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 27 August 2021 and signed on its behalf by:



S.Ma

Chief Executive

Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

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 period ended 31 December 2020

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 18 month period ended 31 December 2020 which comprise 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 31 December 2020 and of its profit for the period 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 Directors report and strategic 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.

Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020

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

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.

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 period 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.

**Tropic Skincare Limited
Financial Statements
For the period ended 31 December 2020**

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

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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the 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.

DocuSigned by:

811C610A956346D...

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

Date: 27 August 2021

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

Tropic Skincare Limited

Statement of income For the period ended 31 December 2020

	Note	18 months ended 31 December 2020 £	Year Ended 30 June 2019 £
Turnover	5	97,420,373	34,943,452
Cost of sales		<u>(55,552,993)</u>	<u>(18,662,391)</u>
Gross profit		41,867,380	16,281,061
Administrative expenses		<u>(22,889,857)</u>	<u>(9,858,462)</u>
Operating profit	6	18,977,523	6,422,599
Finance income	4	<u>26,016</u>	<u>11,070</u>
Profit before taxation		19,003,539	6,433,669
Tax charge on profit	11	<u>(3,358,502)</u>	<u>(1,196,836)</u>
Profit for the financial year		<u>15,645,037</u>	<u>5,236,833</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.

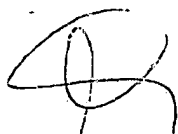
The notes on pages 16 to 27 form part of these financial statements.

Tropic Skincare Limited

Statement of financial position At 31 December 2020

		31 December 2020 £	30 June 2019 £
Fixed assets			
Tangible assets	12	5,834,700	4,594,356
Intangible assets	13	786,072	272,075
		<u>6,620,772</u>	<u>4,866,431</u>
Current assets			
Stocks	14	9,614,419	3,609,219
Debtors	15	1,634,892	1,827,159
Cash at bank and in hand		7,807,865	2,110,460
		<u>19,057,176</u>	<u>7,546,838</u>
Creditors: amounts falling due within one year	16	(12,085,045)	(4,520,403)
Net current assets		6,972,131	3,026,435
Total assets less current liabilities		13,592,903	7,892,866
Provision for liabilities and charges	17	(85,000)	(30,000)
Net assets		<u>13,507,903</u>	<u>7,862,866</u>
Capital and reserves			
Called-up share capital	18	200	200
Share premium account	19	199,900	199,900
Profit and loss account	20	13,307,803	7,662,766
Shareholders' funds		<u>13,507,903</u>	<u>7,862,866</u>

The financial statements of Tropic Skincare Limited (registered number 07840950) were approved by the Board of Directors and authorised for issue on 27 August 2021, and are signed on behalf of the board by:



S.Ma
Managing Director

The notes on pages 15 to 26 form part of these financial statements.

Tropic Skincare Limited

Statement of changes in equity At 31 December 2020

	Note	Called up share capital £	Share premium £	Profit and loss account £	Total £
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
Total comprehensive income		-	-	15,645,037	15,645,037
Dividends	10	-	-	(10,000,000)	(10,000,000)
As at 31 December 2020		200	199,900	13,307,803	13,507,903

The notes on pages 15 to 26 form part of these financial statements.

Tropic Skincare Limited

Cash flow statement At 31 December 2020

	31 December 2020 £	30 June 2019 £
Cash flow from operating activities		
Profit for the year	15,645,037	5,236,833
Adjustments for:		
Depreciation of tangible fixed assets	1,203,068	457,914
Amortisation of intangible fixed assets	282,757	74,954
Finance income	(26,016)	(11,070)
Taxation expense	3,358,502	1,196,836
Decrease/(Increase) in debtors	192,267	(424,583)
Increase in stock	(6,005,200)	(1,042,894)
Increase in creditors	6,245,589	651,071
Increase/(Decrease) in provisions	55,000	(80,000)
	<hr/>	<hr/>
Cash generated from operations	20,951,004	6,059,061
Tax paid	(2,039,449)	(1,177,371)
	<hr/>	<hr/>
Net cash flows from operating activities	18,911,555	4,881,690
Investing activities		
Purchase of tangible fixed assets	(2,443,412)	(4,489,191)
Purchase of intangible fixed assets	(796,754)	(110,625)
Interest received	26,016	11,070
	<hr/>	<hr/>
Net cash used in investing activities	(3,214,150)	(4,588,746)
Financing activities		
Dividends paid	(10,000,000)	(2,000,000)
	<hr/>	<hr/>
Net cash used in finance activities	(10,000,000)	(2,000,000)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	5,697,405	(1,707,056)
Cash and cash equivalents at beginning of period	2,110,460	3,817,516
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>7,807,865</u>	<u>2,110,460</u>

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

The notes on pages 15 to 26 form part of these financial statements.

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

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
-------------------	-----------------------

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 period ended 31 December 2020

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 period ended 31 December 2020

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 period ended 31 December 2020

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

	31 December 2020 £	30 June 2019 £
Bank interest receivable	26,016	11,070

5. Revenue

	31 December 2020 £	30 June 2019 £
Revenue arises from:		
Sale of goods	97,420,373	34,943,452

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 period ended 31 December 2020

6. Operating profit

	31 December 2020 £	30 June 2019 £
Profit before taxation is stated after charging/(crediting):		
Depreciation of tangible assets	1,203,068	457,914
Amortisation of intangible assets	282,757	74,954
Loss/(Profit) on foreign exchange	49,320	(21,679)
Inventory recognised as an expense	22,819,855	8,041,892
Operating lease expense- Land and buildings	541,650	370,536
	<u>541,650</u>	<u>370,536</u>

7. Auditor's remuneration

	31 December 2020 £	30 June 2019 £
Fees payable for the audit of the financial statements	<u>36,000</u>	<u>23,700</u>

8. Staff costs

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

	31 December 2020	30 June 2019
Production and warehouse staff	185	99
Administrative staff	66	48
	<u>251</u>	<u>147</u>

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

	31 December 2020 £	30 June 2019 £
Wages and salaries	9,094,297	3,482,232
Social security costs	830,672	301,846
Pension contributions	116,359	44,615
	<u>10,041,327</u>	<u>3,828,693</u>

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

9. Directors' remuneration

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

	31 December 2020 £	30 June 2019 £
Remuneration	550,000	98,000
Pension	1,972	-
	<u>551,972</u>	<u>98,000</u>

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

The directors are considered to be the key management personnel.

10. Dividends on equity shares

	31 December 2020 £	30 June 2019 £
Amounts recognised as distributions to equity holders in the year:		
Interim dividends for the year	<u>10,000,000</u>	<u>2,000,000</u>

During the period interim dividends were declared as follows:

23rd July 2019 a dividend of £500,000, 27th December 2019 £1,500,000 and 17th July 2020 £8,000,000 for a total distribution in the period of £10,000,000 (2019: £2,000,000).

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

11. Tax charge on profit

	31 December 2020 £	30 June 2019 £
Current tax:		
UK current tax expense	(3,423,655)	(1,113,506)
Adjustments in respect of prior years	158,439	40,583
Total current tax charge	(3,265,216)	(1,072,923)
Deferred tax:		
Origination and reversal of timing differences	(79,044)	(124,288)
Adjustment in respect to prior years	(14,242)	375
Total deferred tax charge	(93,286)	(123,913)
Total tax charge on profit	(3,358,502)	(1,196,836)

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% (2019: 19.00%).

	31 December 2020 £	30 June 2019 £
Profit on ordinary activities before taxation	19,003,539	6,433,669
Tax on profit at standard UK tax rate of 19.00% (2018: 19.00%)	(3,610,672)	(1,222,397)
Effect of expenses not deductible for tax purposes	(15,527)	(15,397)
Research and Development credits	123,500	-
Adjustments in respect of prior years	144,197	40,958
Total tax charge on profit	(3,358,502)	(1,196,836)

Factors that may affect future tax income charges

Deferred tax assets and liabilities at the statement of financial position date have been recognised at 19%.

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

12. Tangible assets

	Fixtures and fittings £	Plant and machinery £	Computer and office equipment £	Improvements to property £	Total £
Cost					
At 1 July 2019	239,705	2,086,044	99,074	3,317,796	5,742,619
Additions	289,824	1,270,509	99,002	784,077	2,443,412
Disposals	-	-	-	-	-
At 31 December 2020	<u>529,529</u>	<u>3,356,553</u>	<u>198,076</u>	<u>4,101,873</u>	<u>8,186,031</u>
Depreciation					
At 1 July 2019	51,939	669,712	70,210	356,402	1,148,263
Charge for the period	70,619	462,096	38,448	631,905	1,203,068
Disposals	-	-	-	-	-
At 31 December 2020	<u>122,558</u>	<u>1,131,808</u>	<u>108,658</u>	<u>988,307</u>	<u>2,351,331</u>
Net book value					
At 31 December 2020	<u>406,971</u>	<u>2,224,745</u>	<u>89,418</u>	<u>3,113,566</u>	<u>5,834,700</u>
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>

13. Intangible assets

	Computer software £	Total £
Cost		
At 1 July 2019	449,842	449,842
Additions	796,754	796,754
At 31 December 2020	<u>1,246,596</u>	<u>1,246,596</u>
Amortisation		
At 1 July 2019	177,767	177,767
Charge for the period	282,757	282,757
At 31 December 2020	<u>460,524</u>	<u>460,524</u>
Net book value		
At 31 December 2020	<u>786,072</u>	<u>786,072</u>
At 30 June 2019	<u>272,075</u>	<u>272,075</u>

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

14. Stocks

	31 December 2020 £	30 June 2019 £
Finished goods	2,351,688	1,235,692
Raw materials	7,262,731	2,373,527
	<u>9,614,419</u>	<u>3,609,219</u>

15. Debtors: amounts falling due within one year

	31 December 2020 £	30 June 2019 £
Trade debtors	31,604	1,110,373
Prepayments and accrued income	1,603,288	726,786
	<u>1,634,892</u>	<u>1,827,159</u>

16. Creditors: amounts falling due within one year

	31 December 2020 £	30 June 2019 £
Trade creditors	(2,289,538)	(1,425,294)
Other taxes and social security costs	(2,823,000)	(947,440)
Corporation tax	(1,574,033)	(348,266)
Deferred tax	(262,788)	(169,502)
Accruals and deferred income	(5,135,686)	(1,629,901)
	<u>(12,085,045)</u>	<u>(4,520,403)</u>

17. Provision for liabilities and charges

	Dilapidation provision £
At 1 July 2018	(30,000)
Utilised in the year	(55,000)
At 30 June 2019	<u>(85,000)</u>

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

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

18. Called-up share capital

	2020	2019
	£	£
Allotted, issued and fully paid:		
200 ordinary shares of £1 each (2019: 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. Notes to the cash flow statement

Analysis and reconciliation of net funds

	At 1 July 2019	Cashflow	At 31 December 2020
	£	£	£
Cash and cash equivalents	2,110,460	5,697,405	7,807,865
Due within 1 year	-	-	-
Net funds	2,110,460	5,697,405	7,807,865

	31 December 2020	30 June 2019
	£	£
Change in net fund resulting from cashflow	5,697,405	(1,707,056)
Movement in net funds in the period	5,697,405	(1,707,056)
Net funds at 1 July 2019	2,110,460	3,817,516
Net funds at 31 December 2020	7,807,865	2,110,460

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

22. Commitments under operating leases

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

	Land and buildings	Land and buildings
	31 December 2020 £	30 June 2019 £
Within one year	630,624	293,124
Between one and five years	1,172,496	1,172,496
Over five years	2,198,430	2,625,267
	<u>4,001,550</u>	<u>4,090,887</u>

23. 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 £116,358 (2019:£44,615). Contribution totalling £22,467 (2019:£13,313) were payable to the fund at the reporting date and are included in creditors.

24. Capital Commitment

The Company had £nil (2019: £nil) of capital commitments that were contracted but not provided for at the year end.

25. Financial Instruments

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

	31 December 2020 £	30 June 2019 £
Financial assets		
Financial assets measured at amortised cost	<u>7,839,469</u>	<u>3,210,833</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>7,425,224</u>	<u>2,652,632</u>

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

Tropic Skincare Limited

Notes to the financial statements For the period ended 31 December 2020

26. Related party transactions

During the period Amshold Group Limited, a Company controlled by Lord Sugar, charged the Company £71,124 (2019: £37,439) 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 £nil (2019:£487,340) worth of dollars for the Company during the period, 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 £16,720 (2019: £30,750) for online marketing services

At the year end the amount due from Amshold Group Limited was £7,830 (2019: £nil) and from Climb Online Limited was £nil (2019: £9,228).

27. Ultimate controlling party

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