Urgo Limited

Annual report and financial statements

Registered number 04337458

Year ended 31 December 2019

Contents

Company information

Directors	AFM Fontan G Le Lous RJL Blanchard GJ Ashton LAF Faugere
Secretary	GCSC Francis
Company number	04337458
Registered office	Shepshed Industrial Estate Sullington Road Shepshed Loughborough Leicestershire LE12 9JJ
Auditor	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Leicester LE19 1SD

Strategic report

Principal activities

The principal activity of the company during the period was the manufacture and sale of medical bandages, dressings and hosiery.

Company performance, business review, and future developments

The key performance indicators for the company are profit, turnover, net assets, and operating cash flows.

In 2019, the turnover reached £38,802,370 compared to £36,246,710 in 2018. The profit after tax has increased to £8,182,551 from £8,051,513 in 2018 as a result of this, despite the continued expansion of our sales force and investment in promotional activity in order to drive long term profitable growth and increase market share. Net assets have decreased from £8,512,866 in 2018 to £2,036,507 in 2019 due to dividends paid (see note 9) being higher than profit for the financial year. Net cash from operating activities reduced to £2,976,058 (2018: £7,917,319).

The company achieved strong sales growth in 2019 and looks set to continue to deliver further growth in sales, profitability and market share. This growth has been driven by a focus on improving salesforce skills and excellence in implementation. The publication of clinical evidence and subsequent endorsement by NICE for a key Urgo range has also contributed as well as an increase in direct salesforce headcount.

In 2020 and beyond, particular focus remains on increasing market share in the Advanced Woundcare arena through leveraging a strong product range and accompanying clinical evidence whilst working in partnership with healthcare professionals to ensure patients are receiving the best and most cost effective treatments.

Principal risks, uncertainties, and financial instruments

As with all businesses, the company is exposed to a number of principal risks affecting its operational and financial performance:

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The risk of credit default is low due to the nature of the company's customer base, which includes a small number of large wholesalers and the NHS.

Liquidity and cash flow risk

The company maintains short term facilities to ensure it has sufficient funds for operations and planned expansion. This is considered a low risk area for the company as it has no debt repayable and a strong working capital cycle.

Legislative changes

Due to the highly regulated industry in which the company operates, there remains some uncertainty around future changes in government policy. The company's management are constantly monitoring these legislative changes in order to ensure compliance with all relevant regulations and to maximise cost efficiencies.

Competitive market and price risk

Elements of the company's operations feature in highly competitive markets. The on-going success of the company relies on management's ability to actively manage customers' needs, to retain its reputation within the market, and to sustain competitive pricing structures. The company actively keeps up to date with developments in relation to Brexit in order to manage any risk associated with stock, foreign exchange rates, and legislative or regulatory requirements.

Coronavirus (COVID-19)

The company has planned effectively and continues to mitigate against all foreseeable risks in relation to COVID-19, with the directors satisfied of continued profitability and liquidity in the foreseeable future. The business has continued to trade profitably with positive cashflows throughout the pandemic and given the nature of its trade does not foresee future government restrictions changing this position.

Going concern

The directors acknowledge the net current liabilities position, which is based on the strategic decision to make use of the Group cash pooling facility and transfer funds in the form of dividends in order to guard against exchange rate risks as a result of Brexit. The position is a short term one due to the continued profitability of Urgo Limited and immediate liquidity is supported by the Group cash pooling facility. Taking this into account the directors therefore have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Hence, the company continues to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the board

GJ Ashton G Ash
Director
Dated: 26 September 2020

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2019.

Dividends

Dividends of £14,658,910 were paid during the year *(2018: £7,000,000)*. The directors do not recommend the payment of a final dividend.

Matters of strategic importance

The details of results, future developments, and financial instruments required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 have been included in the separate Strategic Report in accordance with section 414C (11) of the Companies Act 2006.

Directors

The directors who held office during the period and up to the date of approval of the financial statements were as follows:

PGA Moustial (resigned 31st December 2019)
AFM Fontan (appointed 1st September 2020)
G Le Lous (appointed 19th November 2019)
RJL Blanchard
LAF Faugere
GJ Ashton

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

On behalf of the board

GJ Ashton
Director
Dated: 26 september 2020

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Independent Auditor's report to the members of Urgo Limited

Opinion

We have audited the financial statements of Urgo Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

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.

Independent Auditor's report to the members of Urgo Limited *(continued)*

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 the directors' report.

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

- adequate accounting records have not been kept, 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 set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 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: http://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.

RSM UK Audit LLP

Benjamin *Lawrance (Senior Statutory Auditor)*
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Rivermead House
7 Lewis Court
Grove Park
Leicester
LE19 1SD
Date: 29 September 2020

Statement of comprehensive income
for the year ended 31 December 2019

	Note	**2019** **£**	2018 £
Turnover	*4*	**38,802,370**	36,246,710
Cost of sales		**(13,144,529)**	(12,766,375)
Gross profit		**25,657,841**	23,480,335
Distribution costs		**(7,863,541)**	(6,895,540)
Administrative expenses		**(8,345,766)**	(7,343,186)
Other operating income		**699,002**	808,050
Operating profit		**10,147,536**	10,049,659
Income from shares in group undertakings		**12,000**	-
Interest receivable and similar income	*7*	**7,459**	4,833
Profit before taxation	*5*	**10,166,995**	10,054,492
Taxation	*8*	**(1,984,444)**	(2,002,979)
Profit after taxation and profit for the financial year and total comprehensive income for the year		**8,182,551**	8,051,513

Statement of financial position
at 31 December 2019

	Note		2019		2018
		£	£	£	£
Fixed assets					
Goodwill	*10*		**88,983**		266,678
Other intangible assets	*10*		**3,837**		4,357
Tangible assets	*11*		**3,254,809**		3,264,788
Investments	*12*		**-**		12,000
			3,347,629		3,547,823
Current assets					
Stocks	*13*	**2,410,381**		1,635,578	
Debtors	*14*	**4,929,466**		6,811,484	
Cash at bank and in hand		**2,976,058**		6,183,082	
		10,315,905		14,630,144	
Creditors: amounts falling due within one year	*15*	**(11,517,408)**		(9,569,547)	
Net current (liabilities)/assets			**(1,201,503)**		5,060,597
Total assets less current liabilities			**2,146,126**		8,608,420
Provisions for liabilities	*17*		**(109,618)**		(95,554)
Net assets			**2,036,508**		8,512,866
Capital and reserves					
Called up share capital	*18*		**1**		1
Profit and loss account	*18*		**2,036,507**		8,512,865
Total equity			**2,036,508**		8,512,866

The financial statements on pages 7 to 23 were approved by the board of directors and authorised for issue on ..26...September 2020.. and are signed on its behalf by:

GJ Ashton
Director

Company number: 04337458

Statement of changes in equity
for the year ended 31 December 2019

	Share capital £	Profit and loss account £	Total £
Balance at 1 January 2018	**1**	**7,461,352**	7,461,353
Profit and total comprehensive income for the year	-	8,051,513	8,051,513
Transactions with owners in their capacity as owners:-			
Dividends (note 9)	-	(7,000,000)	(7,000,000)
Balance at 31 December 2018	**1**	**8,512,865**	8,512,866
Profit and total comprehensive income for the year	-	8,182,551	8,182,551
Transactions with owners in their capacity as owners:-			
Dividends (note 9)	-	(14,658,910)	(14,658,910)
Balance at 31 December 2019	**1**	**2,036,506**	2,036,507

Statement of cash flows
for the year ended 31 December 2019

		2019	2018
Operating activities £	*Note*	**£**	£
Cash generated from operations	22	**13,467,853**	9,808,772
Taxation paid		**(1,815,936)**	(1,891,453)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**11,651,917**	7,917,319
Investing activities			
Purchase of tangible fixed assets	11	**(205,758)**	(769,071)
Purchase of intangible fixed assets	10	**(1,732)**	-
Proceeds on disposal of tangible fixed assets		**-**	6,660
Interest received		**7,459**	4,833
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**(200,031)**	(757,578)
Financing Activities			
Dividends paid	9	**(14,658,910)**	(7,000,000)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**(14,658,910)**	(7,000,000)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,207,024)**	159,741
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**6,183,082**	6,023,341
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,976,058**	6,183,082
Relating to:			
Bank balances included in cash at bank and in hand		**2,976,058**	6,183,082
Overdrafts included in 'Creditors: amounts falling due within one year'	15	**-**	-
		2,976,058	6,183,082

Notes
(forming part of the financial statements)

1 General information

Urgo Limited ("the company") is a private company limited by shares domiciled and incorporated in England. The address of the company's registered office and principal place of business is Shepshed Industrial Estate, Sullington Road, Shepshed, Loughborough, Leicestershire, LE12 9JJ.

The company's principal activity is the manufacture and sale of medical bandages, dressings and hosiery.

2 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

Consolidated financial statements

The directors have not prepared consolidated financial statements as its subsidiary undertakings are not considered to be material. These financial statements present information about the individual company, Urgo Limited, and not about the group.

Going concern

The directors acknowledge the net current liabilities position, which is based on the strategic decision to make use of the Group cash pooling facility and transfer funds in the form of dividends in order to guard against exchange rate risks as a result of Brexit. The position is a short term one due to the continued profitability of Urgo Limited and immediate liquidity is supported by the Group cash pooling facility. Taking this into account the directors therefore have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Hence, the company continues to adopt the going concern basis of accounting in preparing the financial statements.

Functional and presentational currency

The financial statements are presented in sterling which is also the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods to external customers in the ordinary nature of the business. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover is shown net of Value Added Tax.

Turnover is recognised when it and the associated costs can be measured reliably, future economic benefits are probable, and the risks and rewards of ownership have been transferred to the customer. Sales of goods are recognised when goods are delivered and legal title has passed and the company has no continuing managerial involvement associated with ownership or effective control of the goods sold. This is generally when goods have been checked and accepted by the customer on delivery at the specified location.

Notes *(continued)*

2 Accounting policies *(continued)*

Other income

Other operating income

Other operating income relates to brand fees and is accrued on a time-apportioned basis.

Interest income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

Intangible fixed assets and amortisation

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Goodwill is capitalised and written off evenly over 10 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Other intangible assets are initially recorded at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Other intangible assets are amortised to profit or loss on a straight line basis over their useful lives as follows: -

Trade names	20 years
Purchased computer software	3 years

Amortisation is revised prospectively for any significant change in useful life or residual value.

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Tangible fixed assets and depreciation

Plant and machinery	10 years
Computer equipment	4 years
Fixtures and fittings	5 years
Freehold buildings	50 years
Building improvements	20 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Impairment of fixed assets

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the company estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses in profit and loss.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

Notes *(continued)*

2 Accounting policies *(continued)*

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Where the assets and liabilities of previous acquisitions of subsidiary undertakings are hived up to the company, the investment in the subsidiary is allocated to the fair value of the underlying assets and liabilities on acquisition, including goodwill, in order that the transactions are shown in accordance with the substance and economic reality rather than just their legal form.

Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Leases

Operating leases and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted average cost basis and for finished goods and work in progress cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential, i.e. benefits expected from use or sale of the stock.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

Employees are entitled to carry forward unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Notes *(continued)*

2 Accounting policies *(continued)*

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

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

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' (where applicable) of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument, and are offset only when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Notes *(continued)*

2 Accounting policies *(continued)*

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Creditors

Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Dividends

Dividends are recognised as liabilities once they are no longer at the discretion of the company.

Notes *(continued)*

3 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The assessment of the useful economic lives and the method of amortising and depreciating fixed assets require judgement. Amortisation and depreciation is charged to the income statement based on the useful economic life selected, which requires an estimation of the period and profile over which the company expects to consume the future economic benefits embodied in the assets.

Critical areas of judgement

Inventories are valued at the lower of cost and net realisable value. Net realisable value includes, where necessary, provisions for slow moving and obsolete stocks. Calculation of these provisions requires judgements to be made, which include forecast consumer demand, the promotional, competitive and economic environment and inventory loss trends.

Trade debtors are stated at recoverable amounts, after appropriate provision for bad and doubtful debts. Calculation of the bad debt provision requires judgment from the management team, based on the creditworthiness of the customer.

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

4 Turnover

Turnover represents the amounts (excluding value added tax) derived from the principal activity of the company.

Turnover by geographical destination is analysed as follows:

	2019	2018
	£	£
United Kingdom	**38,187,758**	35,877,462
Rest of Europe	**551,024**	323,956
Rest of World	**63,588**	45,292
	38,802,370	36,246,710

Notes _(continued)_

5 Profit before taxation

	2019	2018
	£	£
Profit before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off tangible fixed assets:		
Owned	**215,737**	187,725
(Profit)/loss on disposal of tangible fixed assets	**-**	(639)
Amortisation of intangible fixed assets	**179,947**	179,755
Exchange losses/(gains)	**(161,438)**	161,612
Operating lease rentals	**302,907**	313,797
Stock impairment losses recognised in cost of sales	**1,466**	51,993
Auditors' remuneration:		
Audit of these financial statements	**19,250**	18,550

6 Staff numbers and costs

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

	Number of employees 2019	Number of employees 2018
Manufacturing	**53**	58
Sales and distribution	**76**	69
Administration	**44**	40
	173	167

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	**7,220,923**	6,865,254
Social security costs	**790,174**	666,313
Other pension costs	**300,968**	186,408
	8,312,065	7,717,975

	2019	2018
The emoluments of directors for the year were as follows:	**£**	£
Directors' emoluments	**188,318**	171,808
Company contributions to money purchase pension schemes	**8,597**	12,210
	196,915	184,018

	Number	Number
The number of directors to which retirement benefits were accruing under defined contribution schemes was:	**1**	1

Notes *(continued)*

7 Interest receivable and similar income

	2019	2018
	£	£
Bank interest receivable	**5,446**	3,315
Other interest receivable	**2,013**	1,518
	7,459	4,833

8 Taxation

	2019	2018
	£	£
UK corporation tax		
Current tax on income for the year	**2,014,876**	1,979,710
Adjustments in respect of prior years	**(44,496)**	-
Total current tax	**1,970,380**	1,979,710
Deferred tax		
Origination/reversal of timing differences	**15,871**	23,159
Adjustments in respect of prior years	**(1,807)**	110
Total deferred tax	**14,064**	23,269
Total tax on profit	**1,984,444**	**2,002,979**

Factors affecting the tax charge for the year
The tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019	2018
	£	**£**
Tax reconciliation		
Profit before tax	**10,166,995**	**10,054,492**
Company profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	**1,931,729**	1,910,353
Effects of:		
Expenses not deductible for tax purposes	**41,532**	42,055
Other timing differences	**14,977**	-
Adjustment in respect of prior periods	**(46,303)**	16,154
Fixed asset timing differences	**42,509**	34,417
Total tax charge (see above)	**1,984,444**	**2,002,979**

Factors affecting future tax charges
The July 2017 Budget Announcement stated that the government would legislate to reduce the corporation tax rate to 17% from April 2020. This reduction in corporation tax was substantially enacted in that year. Therefore the effect of these rate reductions on the deferred tax balances has been included in these financial statements.

Notes *(continued)*

9 Dividends

	2019	2018
	£	£
Ordinary:		
Interim paid	**14,658,910**	7,000,000

10 Intangible fixed assets

	Preventex trade name	Goodwill	Purchased computer software	Total
	£	£	£	£
Cost				
At 1 January 2019	12,000	1,777,492	4,378	1,793,870
Additions	-	-	1,732	1,732
At 31 December 2019	12,000	1,777,492	6,110	1,795,602
Amortisation				
At 1 January 2019	10,200	1,510,814	1,821	1,522,835
Charged in year	600	177,695	1,652	179,947
At 31 December 2019	10,800	1,688,509	3,473	1,702,782
Net book value				
At 31 December 2019	**1,200**	**88,983**	**2,637**	**92,820**
At 31 December 2018	1,800	266,678	2,557	271,035

The amortisation of intangible fixed assets is included within administrative expenses.

11 Tangible fixed assets

	Freehold land and buildings	Fixtures and fittings	Plant and machinery	Computer equipment	Building improvements	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	1,721,043	122,093	1,457,868	531,882	930,823	4,763,709
Additions	-	-	33,274	86,904	85,580	205,758
Disposals	-	-	-	-	-	-
At 31 December 2019	**1,721,043**	**122,093**	**1,491,142**	**618,786**	**1,016,403**	**4,969,467**
Depreciation						
At 1 January 2019	40,158	106,569	868,667	442,117	41,410	1,498,921
Charge for year	17,210	4,928	91,304	52,572	49,723	215,737
Eliminated on disposals	-	-	-	-	-	-
At 31 December 2019	**57,368**	**111,497**	**959,971**	**494,689**	**91,133**	**1,714,658**
Net book value						
At 31 December 2019	**1,663,675**	**10,596**	**531,171**	**124,097**	**925,270**	**3,254,809**
At 31 December 2018	1,680,885	15,524	589,201	89,765	889,413	3,264,788

Notes *(continued)*

12 Fixed asset investments

	£
Cost	
At 1 January 2019 and 31 December 2019	**1,917,445**
Impairment	
At 1 January 2019	1,905,445
Impairment charge for the year	12,000
At 31 December 2019	**1,917,445**
Net book value	
At 31 December 2019	**-**
At 31 December 2018	12,000

Subsidiary undertaking

The company's directly held subsidiary undertaking is:

	Principal activities	Class of shares held	Proportion
Altimed Limited	Non-trading	Ordinary	100%

The registered office of Altimed Limited is Shepshed Industrial Estate, Sullington Road, Shepshed, Loughborough, LW12 9JJ.

Altimed Limited was put into members' voluntary liquidation on 22 May 2019 and was dissolved on 8 April 2020. The investment has been fully impaired at the balance sheet date.

13 Stocks

	2019	2018
	£	£
Raw materials and consumables	**458,585**	455,646
Finished goods and goods for resale	**1,951,796**	1,179,932
	2,410,381	1,635,578

Finished goods stock with a carrying value of £1,999,081 (2018: *£1,231,076*) has been written down to £1,951,796 (2018: £1,179,932). No earlier stock write down has been reversed during the current or proceeding period.

The replacement cost of stock items is not considered to be materially different to their carrying amounts.

Notes *(continued)*

14 Debtors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade debtors	**4,863,941**	6,063,364
Other debtors	**(119,711)**	4,150
Prepayments and accrued income	**49,367**	146,609
Amounts due from group undertakings	**135,869**	597,361
	4,929,466	6,811,484

During the year, an impairment gain of £1,592 (2018: loss of £116,727) was recognised in respect of trade receivables.

15 Creditors: amounts falling due within one year

	2019	2018
	£	£
Trade creditors	**199,921**	182,705
Other taxation and social security	**1,185,413**	956,718
Corporation tax	**795,034**	640,591
Amounts owed to group undertakings	**6,644,801**	5,633,374
Accruals and deferred income	**2,692,239**	2,156,159
	11,517,408	9,569,547

16 Analysis of changes in net funds

	1 January 2019	**Cash flows**	**31 December 2019**
	£	**£**	**£**
Cash at bank and in hand	6,183,082	(3,207,024)	2,976,058

Notes ***(continued)***

17 Provisions for liabilities

	Deferred taxation £	Total £
At 1 January 2019	95,554	**95,554**
Increase in provision in year	14,064	**14,064**
At 31 December 2019	**109,618**	**109,618**

Deferred taxation

The elements of deferred taxation are as follows:

	2019 £	2018 £
Capital allowances in excess of depreciation charge	**114,303**	95,554
Other timing differences	**(4,685)**	-
Deferred tax liability	**109,618**	95,554

The deferred tax liability set out above, which is expected to reverse over the life of the associated assets, relates to accelerated capital allowances and timing differences.

18 Share capital and reserves

	2019 £	2018 £
Allotted, called up and fully paid		
1 ordinary share of £1	**1**	1

The company's ordinary share, which carries no right to fixed income, carries the right to one vote at general meetings of the company.

Reserves of the company represent the following:

Profit and loss account
Cumulative profit and loss net of distributions to owners.

Notes *(continued)*

19 Retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions payable by the company charged to profit or loss amounted to £300,968 (2018: £186,408). At the end of the year there were accrued pension contributions of £27,558 (2018: £24,443)

20 Ultimate parent company and ultimate controlling party

The company is a subsidiary undertaking of Laboratoires Urgo SAS, incorporated in France.

The smallest group in which the results of the company are consolidated is that headed by Urgo SAS. The largest group in which the results of the company are consolidated is that headed by the ultimate parent company BTG Industries et Santé SAS. The consolidated accounts of the above stated companies are available to the public and may be obtained from 15 avenue d'Iena – 75116 Paris.

The directors are of the opinion that there is no ultimate controlling party.

21 Related parties

The key management personnel of the company are the directors, who are responsible for planning the activities of the company. See note 6 for details of their remuneration.

22 Reconciliation of Profit After Tax to Net Cash Generated From/(Used In) Operations

	2019	2018
	£	£
Profit after tax	**8,182,551**	8,051,513
Adjustments for:		
Depreciation of tangible fixed assets	**215,737**	187,725
(Gains)/loss on disposal of tangible fixed assets	**-**	(639)
Amortisation of intangible fixed assets	**179,947**	179,755
Impairment losses on investments	**12,000**	-
Interest receivable	**(7,459)**	(4,833)
Taxation	**1,984,444**	2,002,979
Operating cash flows before movements in working capital	**10,567,220**	10,416,500
Decrease/(increase) in stock	**(774,803)**	164,022
Decrease/(increase) in trade and other debtors	**1,882,018**	(125,376)
Increase/(decrease) in trade and other creditors	**1,793,418**	(646,374)
Cash generated from/(used in) operations	**13,467,853**	9,808,772

23 Events after the reporting date

The COVID-19 outbreak that has occurred since the financial year end has the potential to impact on the financial position of the company during 2020/2021. Notwithstanding the uncertainties that exist around the outbreak, The company has planned effectively and continues to mitigate against all foreseeable risks in relation to COVID-19, with the directors satisfied of continued profitability and liquidity in the foreseeable future.