

REGISTERED NUMBER: 00946600 (England and Wales)

**STRATEGIC REPORT, REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2019
FOR
ESSENTIA PROTEIN SOLUTIONS LIMITED**

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for the Year Ended 31st December 2019

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ESSENTIA PROTEIN SOLUTIONS LIMITED

COMPANY INFORMATION

for the Year Ended 31st December 2019

DIRECTORS:

Mr V Hald-Christensen
Mr A Jacobsen
Mr R Parnell
Mr G L Whiley
Mr T G Cooke

SECRETARY:

L Clark

REGISTERED OFFICE:

Units 10 + 11 Ramsay Road
Barnfield Industrial Estate
Tipton
West Mids
DY4 9DU

REGISTERED NUMBER:

00946600 (England and Wales)

AUDITORS:

Kay Johnson Gee Limited
Chartered Accountants and Statutory Auditors
1 City Road East
Manchester
M15 4PN

STRATEGIC REPORT

for the Year Ended 31st December 2019

The directors present their strategic report for the year ended 31st December 2019.

REVIEW OF BUSINESS

Turnover increased by £1,471,161 for the year ended 31/12/19 to give a total of £15,675,061 compared to £14,203,900 for the previous period. The pre-tax profit for the year is £1,658,753 - an increase of £838,848 year on year.

The UK market has remained stable year on year. The growth figure for 2020 remains flat at -2% volume vs 2019, but with turnover growth of 5%.

Raw material prices increased 90% over the course of the year due to African Swine Fever (ASF) and as a result selling prices have increased 39%.

The group acquisition of our largest competitor in 2018 was a strategic step in strengthening Essentia's position as a leading global manufacturer of animal-based protein ingredients, however it has been decided to close the site at the end of 2019, with production of some products transferring to other sites.

There have been no events since the balance sheet date which materially affect the position of the Company.

KEY PERFORMANCE INDICATORS

Management use a range of performance measures to monitor and manage the business.

The key measures are:

Financial ratios (Sales Growth, Gross Profit Margin, Contribution, Net Profit)

Operations (OEE, Yield, Health & Safety, Product Quality)

Customer relations (Complaints, Delivery OTIF)

PRINCIPAL RISKS AND UNCERTAINTIES

Raw material price volatility remains a major issue for the business and there is a potential for price changes post Brexit. Although the UK has officially left the EU, there is a transition period ending on 31st December during which all pre-Brexit agreements including those on trade remain in place. If however, trade deals are not agreed during this period we are effectively back to a "no deal" situation. There is a likelihood of tariffs being introduced, which could affect the pricing of imports and exports and a rush to get product into the UK ahead of this scenario. Working with our customers, we will implement a contingency plan accordingly. Health certificates may need to be mandatory for imported and exported goods. Gross margin on exports may be reduced because of the impact on the currency markets.

If there is an introduction of Tariffs, we will seek to pass this increase onto customers. We will continue to offer value added services and technical expertise to retain business. We also continue to grow other areas of the business with the introduction of new products into new markets.

With regards to competition, we strive to be competitive, customer centricity is key to Essentia. Providing customers with new innovative products, working with customers to jointly explore and harvest new business opportunities, which helps to gain the competitive edge in the global market.

The company's credit risk is primarily attributable to its trade debtors. Credit risk is managed, and minimised, by trading within agreed insured credit limits and continually monitoring payments against contractual agreements.

STRATEGIC REPORT

for the Year Ended 31st December 2019

DEVELOPMENT

We continue our Corporate Social Responsibility to our stakeholders, ensuring the local environment is continually unaffected by the odour emissions from the plant which we strive to reduce working alongside our local authority to monitor and be advised accordingly.

Upon the request of a customer, we partook and passed a SMETA audit (Sedex Member Ethical Trade Audit). The four pillar audit covering:

1. Labour Standards
2. Health & Safety with management systems and entitlement to work.
3. Environment Assessment
4. Business Ethics.

The upgraded ERP system continues to improve manufacturing processes and proven traceability during audits for our products, helping us to maintain an AA grade against Version 8 of the BRC Standard.

ON BEHALF OF THE BOARD:

Mr T G Cooke - Director

23rd April 2020

REPORT OF THE DIRECTORS

for the Year Ended 31st December 2019

The directors present their report with the financial statements of the company for the year ended 31st December 2019.

DIVIDENDS

There were no dividends paid during the year (2018 - £4 per share) in respect of the year ended 31st December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2019 to the date of this report.

Mr V Hald-Christensen

Mr A Jacobsen

Mr R Parnell

Mr G L Whiley

Mr T G Cooke

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 Financial Reporting Standard 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;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS

for the Year Ended 31st December 2019

AUDITORS

Kay Johnson Gee Limited acquired the audit practice of Kay Johnson Gee LLP and has been appointed as auditor in succession. In accordance with section 485 of the Companies Act 2006, Kay Johnson Gee Limited will be proposed for reappointment.

ON BEHALF OF THE BOARD:

Mr T G Cooke - Director

23rd April 2020

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ESSENTIA PROTEIN SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Essentia Protein Solutions Limited (the 'company') for the year ended 31st December 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity 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 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 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ESSENTIA PROTEIN SOLUTIONS LIMITED

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 or the Report of the Directors.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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.

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

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

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 a Report of the Auditors 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.

Julian Beressi (Senior Statutory Auditor)
for and on behalf of Kay Johnson Gee Limited
Chartered Accountants and Statutory Auditors
1 City Road East
Manchester
M15 4PN

23rd April 2020

ESSENTIA PROTEIN SOLUTIONS LIMITED (REGISTERED NUMBER: 00946600)

STATEMENT OF COMPREHENSIVE INCOME

for the Year Ended 31st December 2019

| | Notes | 2019 £ | 2018 £ |
|--|-------|---------------------|---------------------|
| TURNOVER | 4 | 15,675,061 | 14,203,900 |
| Cost of sales | | <u>(12,164,865)</u> | <u>(11,708,665)</u> |
| GROSS PROFIT | | 3,510,196 | 2,495,235 |
| Distribution costs | | <u>(863,698)</u> | (873,329) |
| Administrative expenses | | <u>(923,098)</u> | <u>(785,682)</u> |
| | | 1,723,400 | 836,224 |
| Other operating income | | <u>217</u> | 29,533 |
| OPERATING PROFIT | 6 | 1,723,617 | 865,757 |
| Interest receivable and similar income | | <u>790</u> | 56 |
| | | 1,724,407 | 865,813 |
| Interest payable and similar expenses | 7 | <u>(65,660)</u> | (45,908) |
| PROFIT BEFORE TAXATION | | 1,658,747 | 819,905 |
| Tax on profit | 8 | <u>(330,808)</u> | (162,759) |
| PROFIT FOR THE FINANCIAL YEAR | | 1,327,939 | 657,146 |
| OTHER COMPREHENSIVE INCOME | | <u>-</u> | <u>-</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 1,327,939 | 657,146 |

The notes form part of these financial statements

ESSENTIA PROTEIN SOLUTIONS LIMITED (REGISTERED NUMBER: 00946600)**STATEMENT OF FINANCIAL POSITION****31st December 2019**

| | Notes | 2019 £ | 2018 £ |
|--|-------|--------------------|--------------------|
| FIXED ASSETS | | | |
| Intangible assets | 10 | 165,800 | - |
| Tangible assets | 11 | <u>1,924,577</u> | <u>2,034,501</u> |
| | | <u>2,090,377</u> | <u>2,034,501</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 2,832,634 | 2,205,428 |
| Debtors | 13 | 2,214,308 | 2,210,267 |
| Cash in hand | | <u>139</u> | <u>267</u> |
| | | <u>5,047,081</u> | <u>4,415,962</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | <u>(4,054,124)</u> | <u>(4,734,549)</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>992,957</u> | <u>(318,587)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,083,334</u> | <u>1,715,914</u> |
| PROVISIONS FOR LIABILITIES | 16 | <u>(97,767)</u> | <u>(58,286)</u> |
| NET ASSETS | | <u>2,985,567</u> | <u>1,657,628</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 500,000 | 500,000 |
| Retained earnings | | <u>2,485,567</u> | <u>1,157,628</u> |
| SHAREHOLDERS' FUNDS | | <u>2,985,567</u> | <u>1,657,628</u> |

The financial statements were approved and authorised for issue by the Board of Directors and authorised for issue on 23rd April 2020 and were signed on its behalf by:

Mr T G Cooke - Director

The notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

for the Year Ended 31st December 2019

| | Called up share capital £ | Retained earnings £ | Total equity £ |
|--------------------------------------|------------------------------------|---------------------------|----------------------|
| Balance at 1st January 2018 | 500,000 | 2,500,482 | 3,000,482 |
| Profit for the year | - | 657,146 | 657,146 |
| Total comprehensive income | - | 657,146 | 657,146 |
| Dividends | - | (2,000,000) | (2,000,000) |
| Balance at 31st December 2018 | 500,000 | 1,157,628 | 1,657,628 |
| Profit for the year | - | 1,327,939 | 1,327,939 |
| Total comprehensive income | - | 1,327,939 | 1,327,939 |
| Balance at 31st December 2019 | 500,000 | 2,485,567 | 2,985,567 |

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the Year Ended 31st December 2019

1. STATUTORY INFORMATION

Essentia Protein Solutions Limited is a private company limited by share capital, incorporated in England and Wales, registration number 00946600. The address of the registered office and principal place of business is Units 10 & 11 Ramsay Road, Barnfield Industrial Estate, Tipton, West Midlands, DY4 9DU.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

The company was incorporated in the United Kingdom.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The following principal accounting policies have been applied:

Financial Reporting Standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of LGI Denmark ApS as at 31 December 2019 and these financial statements may be obtained from 33 Ulsnaes - DK 6300 Grasten, Denmark.

Revenue

Revenue represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. Revenue is recognised when goods are shipped to the customer.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Computer software will be amortised evenly over a period of 3 years.

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

| | |
|------------------------------|------------------------------|
| Freehold property | - 6% per annum |
| Long-term leasehold property | - over the term of the lease |
| Plant and machinery | - 12.5% - 33% per annum |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Statement of Comprehensive Income.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Current and deferred taxation

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

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

2. ACCOUNTING POLICIES - continued

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Operating leases: lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company pension scheme are charge to the Statement of Comprehensive Income in the period to which they relate.

Trade and other debtors

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Trade and other creditors

Trade and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings or current liabilities.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

Interest Income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charge to the provision carried in the Statement of Financial position date.

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

There are no material provisions in the financial statements.

4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 2019 £ | 2018 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 11,669,373 | 10,944,993 |
| Europe | 3,553,965 | 3,104,037 |
| Rest of World | 451,723 | 154,870 |
| | <u>15,675,061</u> | <u>14,203,900</u> |

5. EMPLOYEES AND DIRECTORS

| | 2019 £ | 2018 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,766,448 | 1,738,340 |
| Social security costs | 173,220 | 191,668 |
| Pension costs | 173,807 | 154,158 |
| | <u>2,113,475</u> | <u>2,084,166</u> |

The average number of employees, including directors, during the period was as follows:

| | 2019 No | 2018 No |
|-------------------------------|------------|------------|
| Management and administration | 12 | 11 |
| Sales | 3 | 3 |
| Manufacturing | 40 | 42 |
| | <u>55</u> | <u>56</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

| | 2019 | 2018 |
|---|---------------|-----------------|
| | £ | £ |
| Directors' remuneration | 258,735 | 246,189 |
| Directors' pension contributions to money purchase schemes | <u>18,236</u> | <u>17,399</u> |
| The number of directors to whom retirement benefits were accruing was as follows: | | |
| Money purchase schemes | <u>2</u> | <u>2</u> |
| Information regarding the highest paid director is as follows: | | |
| | 2019 | 2018 |
| | £ | £ |
| Emoluments etc | 158,388 | 147,601 |
| Pension contributions to money purchase schemes | <u>12,184</u> | <u>11,512</u> |
| 6. OPERATING PROFIT | | |
| The operating profit is stated after charging/(crediting): | | |
| | 2019 | 2018 |
| | £ | £ |
| Hire of plant and machinery | 58,873 | 62,081 |
| Operating lease income | (217) | (29,533) |
| Depreciation - owned assets | 319,537 | 279,671 |
| Loss on disposal of fixed assets | 6,541 | 4,941 |
| Audit fees | 12,950 | 11,225 |
| Foreign exchange differences | <u>5,281</u> | <u>(12,066)</u> |
| 7. INTEREST PAYABLE AND SIMILAR EXPENSES | | |
| | 2019 | 2018 |
| | £ | £ |
| Bank interest | 57,792 | 41,274 |
| Other interest paid | 6,122 | 2,823 |
| Bank charges | <u>1,746</u> | <u>1,811</u> |
| | <u>65,660</u> | <u>45,908</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

8. TAXATION

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

| | 2019 £ | 2018 £ |
|-----------------------------|-----------|-----------|
| Current tax: | | |
| UK corporation tax | 291,327 | 158,583 |
| Corporation tax prior years | - | (10,716) |
| Total current tax | 291,327 | 147,867 |
| Deferred tax | 39,481 | 14,892 |
| Tax on profit | 330,808 | 162,759 |

UK corporation tax was charged at 19% in 2018.

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

| | 2019 £ | 2018 £ |
|---|-----------|-----------|
| Profit before tax | 1,658,747 | 819,905 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%) | 315,162 | 155,782 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 3,971 | 1,708 |
| Capital allowances in excess of depreciation | (27,806) | - |
| Depreciation in excess of capital allowances | - | 1,093 |
| Adjustments to tax charge in respect of previous periods | - | (10,716) |
| Deferred tax adjustment | 39,481 | 14,892 |
| Total tax charge | 330,808 | 162,759 |

9. DIVIDENDS

| | 2019 £ | 2018 £ |
|--|-----------|-----------|
| Ordinary share capital shares of £1 each | | |
| Final | - | 2,000,000 |

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

10. INTANGIBLE FIXED ASSETS

| | Computer software £ |
|---------------------------|------------------------|
| COST | |
| Reclassification/transfer | 216,660 |
| At 31st December 2019 | <u>216,660</u> |
| AMORTISATION | |
| Reclassification/transfer | 50,860 |
| At 31st December 2019 | <u>50,860</u> |
| NET BOOK VALUE | |
| At 31st December 2019 | <u>165,800</u> |

11. TANGIBLE FIXED ASSETS

| | Freehold property £ | Long leasehold £ | Plant and machinery £ | Totals £ |
|---------------------------|------------------------|---------------------|--------------------------|------------------|
| COST | | | | |
| At 1st January 2019 | 2,720,860 | 117,544 | 5,634,857 | 8,473,261 |
| Additions | 76,764 | - | 305,191 | 381,955 |
| Disposals | (40,796) | - | (991,807) | (1,032,603) |
| Reclassification/transfer | - | - | (216,660) | (216,660) |
| At 31st December 2019 | <u>2,756,828</u> | <u>117,544</u> | <u>4,731,581</u> | <u>7,605,953</u> |
| DEPRECIATION | | | | |
| At 1st January 2019 | 1,537,224 | 117,544 | 4,783,992 | 6,438,760 |
| Charge for year | 119,094 | - | 200,443 | 319,537 |
| Eliminated on disposal | (38,697) | - | (987,364) | (1,026,061) |
| Reclassification/transfer | - | - | (50,860) | (50,860) |
| At 31st December 2019 | <u>1,617,621</u> | <u>117,544</u> | <u>3,946,211</u> | <u>5,681,376</u> |
| NET BOOK VALUE | | | | |
| At 31st December 2019 | <u>1,139,207</u> | <u>-</u> | <u>785,370</u> | <u>1,924,577</u> |
| At 31st December 2018 | <u>1,183,636</u> | <u>-</u> | <u>850,865</u> | <u>2,034,501</u> |

Included in cost of land and buildings is freehold land of £ 206,035 (2018 - £ 206,035) which is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

12. STOCKS

| | 2019 | 2018 |
|----------------|------------------|------------------|
| | £ | £ |
| Raw materials | 290,851 | 114,780 |
| Finished goods | <u>2,541,783</u> | <u>2,090,648</u> |
| | <u>2,832,634</u> | <u>2,205,428</u> |

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 1,874,338 | 1,860,522 |
| Amounts owed by group undertakings | 231,911 | 233,236 |
| VAT | 37,840 | 33,183 |
| Prepayments and accrued income | <u>70,219</u> | <u>83,326</u> |
| | <u>2,214,308</u> | <u>2,210,267</u> |

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2019 | 2018 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 267,520 | 311,213 |
| Amounts owed to group undertakings | 3,173,907 | 4,031,054 |
| Tax | 210,321 | 85,908 |
| Social security and other taxes | 44,795 | 49,780 |
| Accrued expenses | <u>357,581</u> | <u>256,594</u> |
| | <u>4,054,124</u> | <u>4,734,549</u> |

15. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

| | 2019 | 2018 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Within one year | 78,748 | 80,567 |
| Between one and five years | 143,065 | 143,155 |
| In more than five years | <u>1,898</u> | <u>-</u> |
| | <u>223,711</u> | <u>223,722</u> |

16. PROVISIONS FOR LIABILITIES

| | 2019 | 2018 |
|--------------|---------------|---------------|
| | £ | £ |
| Deferred tax | <u>97,767</u> | <u>58,286</u> |

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

16. PROVISIONS FOR LIABILITIES - continued

| | Deferred tax £ |
|---|----------------------|
| Balance at 1st January 2019 | 58,286 |
| Charge to Statement of Comprehensive Income during year | <u>39,481</u> |
| Balance at 31st December 2019 | <u>97,767</u> |

17. CALLED UP SHARE CAPITAL

| Allotted, issued and fully paid: | | Nominal | 2019 | 2018 |
|----------------------------------|------------------------|---------|----------------|----------------|
| Number: | Class: | value: | £ | £ |
| 500,000 | Ordinary share capital | £1 | <u>500,000</u> | <u>500,000</u> |

18. PENSION COMMITMENTS

The company contributed to a stakeholder pension scheme available to all staff during the period. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £192,043 (2018 - £154,158). Contributions amounting to £1,858 (2018 - £1,754), were payable to the fund and are included in creditors.

19. CONTINGENT LIABILITIES

The company has guaranteed bank borrowings of fellow group members. At the year end liabilities covered by these guarantees totalled £3,864,528 (2018 - £8,066,177).

20. CAPITAL COMMITMENTS

| | 2019 £ | 2018 £ |
|---|-----------|---------------|
| Contracted but not provided for in the financial statements | <u>-</u> | <u>74,037</u> |

21. RELATED PARTY TRANSACTIONS

The company has been an wholly owned subsidiary of LGI Denmark ApS for this and the proceeding year and has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures", not to disclose transactions with LGI DENmark ApS or other wholly owned subsidiaries within the group.

Key management personnel include all directors and a number of senior managers across the company who together have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £518,998 (2018 - £433,450).

NOTES TO THE FINANCIAL STATEMENTS - continued

for the Year Ended 31st December 2019

22. ULTIMATE CONTROLLING PARTY

The parent company of the largest and smallest group that includes the company and for which group financial statements are prepared is LGI Denmark Aps. Copies of these financial statements can be obtained from the registered office at 33 Ulsnaes - DK 6300 Gratsen, Denmark.

The ultimate holding company is Laurisden Group Inc, which is a company incorporated in the United States of America.

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