

Registered number: 03423077

**CRESCO INTERNATIONAL LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**



## CRESCO INTERNATIONAL LIMITED

### COMPANY INFORMATION

**Directors**

J E Lehrer (resigned 8 November 2019)  
E Nissenberg  
I H Braidman  
F A Stein  
A Cohen (appointed 1 January 2019)  
J Lew (appointed 14 January 2020)

**Registered number**

03423077

**Registered office**

Mountcliff House  
154 Brent Street  
London  
NW4 2DR

**Independent auditor**

Somers Baker Prince Kurz LLP  
Chartered Accountants and Chartered Certified Accountants and Statutory  
Auditors  
Chancellors House  
Brampton Lane  
Hendon  
London  
NW4 4AB

**Bankers**

Bank of Scotland  
St James's Gate  
14-16 Cockspur Street  
London  
SW1Y 5BL

Barclays Bank plc  
Portman Square Area Branches 1  
London  
W1A 3AL

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**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Introduction**

The accounts of the Cresko Group for 2019 reflect the Group's strategy of concentrating on, and continuing to build up, the core activity of the marine aquarium business under the Red Sea brand name (hereunder "Red Sea").

**Business review**

Sales of the Group once again reached record levels at close to \$28 million, a rise of 4.1 per cent over 2018. Operating profits for the year were \$2.65 million, compared to \$2.29 million in the previous year. Profit before taxation was \$2.78 million, which represents an operating margin of 9.9 per cent compared to 8.9 per cent in 2018. The group has continued to invest in research and development expenditure, which, in accordance with a longstanding policy of the Group, was entirely written off as incurred, rather than being capitalised. The main reason for the increase in operating profits and increase in operating margins is due to tight controlling of costs and improved gross margins due to better efficiencies in both manufacturing and production of products and the distribution of products to customers.

With Group taxation of \$0.32 million, the net profit for the year was \$2.45 million. The comparative results for 2018 showed a pre tax profit of \$2.41 million and taxation of \$0.48 million, leaving a net profit of \$1.93 million:

Cash flow from operating activities remained fairly consistent with 2018 generating \$5.26m.

Red Sea, continued to perform very well. Aquarium systems were the main contributor to sales during the year, while consumables, namely salt and chemicals, remained subject to intense competition in several markets and showed a small decline from 2018. In mid 2019, Red Sea has launched its first lighting system, which signals its entrance into the world of cloud base smart devices operated via an App. This activity has also contributed to an increase in sales and expected to grow rapidly as of next year in conjunction with the introduction of additional devices currently under development.

The industry in which Red Sea operates is largely composed of small businesses, most of which operate predominantly in their regional markets. There are few barriers to entry and many of the products sold in these markets are essentially commodities or copies of other producers' original designs. As a result, price competition is often vicious.

The strategy adopted by Red Sea to deal with these issues is to stay a technological leader in its field and to exploit its worldwide marketing and distribution skills to keep it ahead of its competitors. Production facilities are kept up to date in order to expand capacity and improve efficiency, while new developments, particularly in areas such as digital marketing, are kept under constant review, with a view to introducing appropriate initiatives to enhance Red Sea's presence in its markets.

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## CRESCO INTERNATIONAL LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Principal risks and uncertainties

The principal risks and uncertainties facing Red Sea remain the level of demand for its consumer products in the aquarium sector and the growth of protectionist sentiments in some of its main markets, particularly the USA. In particular, the trade war between China and the USA and the clear signs of a slowdown in the world economy are a source of concern for the Group, especially as its Chinese factory is a major source of supply for its products. These challenges must be carefully and constantly monitored. Red Sea is also exposed to fluctuations in the relative values of its main trading currencies and accordingly undertakes hedging measures to limit its exposure. As described above, Red Sea continues to develop and expand its product range with a view to increasing its share of the market. Red Sea is committed to research and development activities in order to maintain its position as a leader in world markets.

In May 2018, Indonesia declared an export ban on corals and, as it is a major source of supply for the industry, this decision has had a significant negative impact on the trade owing to major increases in the price of corals originating from other sources, mainly Australia. While it is unclear if and when the export ban will be lifted, many initiatives have been started in Indonesia and elsewhere with a view to cultivating corals artificially (in the sea and on land) as an ongoing, sustainable source of supply for the industry. Thus, while the ban has undoubtedly caused immediate problems for the industry, in the longer term it could well have a much more positive effect.

Exchange rate fluctuations also continue to be a risk to the group as it operates in various currencies. The Group's approach to managing these risks is to carry out an effective hedging strategy to minimize the Group's exposure to big exchange rate movements.

As an international group, we operate in a number of countries that have differing degrees of political and economic stability. We are continuously monitoring the geopolitical and economic developments relevant to our interests. In addition to this, the UK left the European Union on January 31, 2020 and enters into a period of transition when ends on December 31, 2020. The UK has stated that this period of transition will not be extended and has confirmed plans to introduce import controls on EU goods at the border after the transition period ends. There may therefore be additional tariffs and taxes that could impact the demand for some of our products and lead to a delay in moving our products as well as having macroeconomic implications in both the UK and EU.

#### Future Developments

Covid-19 is a new strain of coronavirus, first identified in China, which could have a considerable impact on the global economy. The World Health Organisation has declared the Covid-19 virus a public health emergency of international concern. The Group has issued guidance to all staff on how to protect themselves and ensured all working conditions are compliant. The impact of Covid-19 is a non-adjusting post balance sheet event for the 2019 financial year. As at the date of issuing the financial statements, the directors do not believe there is any need to make any provisions and trade in 2020 has remained strong across all countries and across all products. Please see note 31 in the accounts for further information.

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## CRESKO INTERNATIONAL LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Key performance indicators

The net profit per share for 2019 was 22.5 US cents (2018: 17.8 US cents).

There was no dividend declared in 2019. In February 2020, the directors declared an interim dividend in respect of the year 2019 of 11.0 US cents for a total of \$1.2 million and in September 2020, due to the strong trading performance, they declared a further interim dividend in respect of the year 2020 of 11.1 US cents for a total of \$1.2 million. The Group also carried out a share buyback process where 114,351 shares were acquired by the company in April 2020.

As at the end of 2019, the net assets of the Cresco Group amounted to \$19.03 million, an increase of 14.8 per cent over the December 2018 year end. Net current assets of the Group increased during the year by 17.1% to \$17.6 million, and the Group as a whole is in a strong financial position going forward, with cash balances of \$14.19 million and total bank indebtedness of less than \$0.52 million.

Finally, I have the pleasurable task yet again to thank all the executives and employees of the Cresco Group for their hard work and achievements during the year. Over the years we have built up an excellent team in all the countries where we operate, whose dedication and commitment is outstanding. We owe them all a debt of gratitude and I am delighted to be able to express my appreciation of their efforts.

This report was approved by the board on 29 December 2020 and signed on its behalf.



E Nissenberg  
Chairman

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## CRESO INTERNATIONAL LIMITED

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### GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

#### Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Group Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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 the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' reports may differ from legislation in other jurisdictions.

#### Results and dividends

The profit for the year, after taxation, amounted to \$2,452,547 (2018 - \$1,927,094).

Particulars of dividends paid are detailed in note 13 to the accounts. There were no dividends declared or paid in 2019.

#### Directors

The directors who served during the year were:

J E Lehrer (resigned 8 November 2019)  
E Nissenberg  
I H Braidman  
F A Stein  
A Cohen (appointed 1 January 2019)

**GROUP DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**Research and development activities**

A summary of research and development activities is included in the strategic report.

**Engagement with employees**

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

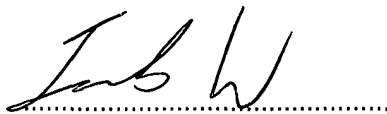
**Post balance sheet events**

There are no post balance sheet events that require disclosure.

**Auditor**

The auditor, Somers Baker Prince Kurz LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 December 2020 and signed on its behalf.



J Lew  
Director



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## CRESKO INTERNATIONAL LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRESKO INTERNATIONAL LIMITED

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#### Opinion

We have audited the financial statements of Cresko International Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated Profit and loss account, the Consolidated Statement of comprehensive income, the Consolidated and Company Balance sheets, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes, 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 Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRESKO INTERNATIONAL LIMITED  
(CONTINUED)**

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.

**Opinion 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 Group strategic report and the Group Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Group 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRESKO INTERNATIONAL LIMITED  
(CONTINUED)**

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](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 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 for our audit work, for this report, or for the opinions we have formed.

Frank Murray Weinberg FCA, FCCA, CTA (Senior statutory auditor)

for and on behalf of

**Somers Baker Prince Kurz LLP**

Chartered Accountants and Chartered Certified Accountants and Statutory Auditors

Chancellors House  
Brampton Lane  
Hendon  
London  
NW4 4AB

29 December 2020

**CRESCO INTERNATIONAL LIMITED**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
Turnover	4	27,924,264	26,827,726
Cost of sales		(12,555,250)	(11,946,162)
Research and development expenses		(1,866,393)	(1,449,801)
<b>Gross profit</b>		<b>13,502,621</b>	<b>13,431,763</b>
Distribution costs		(3,779,221)	(3,752,746)
Administrative expenses		(7,121,181)	(7,311,897)
Other operating income	5	46,330	(81,389)
<b>Operating profit</b>	6	<b>2,648,549</b>	<b>2,285,731</b>
Interest receivable and similar income	10	135,111	134,840
Interest payable and similar expenses	11	(7,598)	(12,730)
<b>Profit before tax</b>		<b>2,776,062</b>	<b>2,407,841</b>
Tax on profit	12	(323,515)	(480,747)
<b>Profit for the financial year</b>		<b>2,452,547</b>	<b>1,927,094</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		2,452,547	1,927,094
		<b>2,452,547</b>	<b>1,927,094</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 \$	2018 \$
Profit for the financial year		2,452,547	1,927,094
<b>Total comprehensive income for the year</b>		<b>2,452,547</b>	<b>1,927,094</b>
<b>Profit for the year attributable to:</b>			
Owners of the parent Company		2,452,547	1,927,094
		<b>2,452,547</b>	<b>1,927,094</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent Company		2,452,547	1,927,094
		<b>2,452,547</b>	<b>1,927,094</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**  
**REGISTERED NUMBER: 03423077**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 \$	2018 (as restated) \$
<b>Fixed assets</b>			
Intangible assets	15	111,079	145,287
Tangible assets	16	2,328,011	2,436,651
		<u>2,439,090</u>	<u>2,581,938</u>
<b>Current assets</b>			
Stocks	18	6,257,466	6,121,550
Debtors: amounts falling due after more than one year	19	168,740	47,864
Debtors: amounts falling due within one year	19	3,150,159	4,810,708
Cash at bank and in hand		14,191,547	9,742,468
		<u>23,767,912</u>	<u>20,722,590</u>
Creditors: amounts falling due within one year	20	(6,168,931)	(5,696,199)
<b>Net current assets</b>		<u>17,598,981</u>	<u>15,026,391</u>
<b>Total assets less current liabilities</b>		<u>20,038,071</u>	<u>17,608,329</u>
Creditors: amounts falling due after more than one year	21	(436,760)	(552,865)
<b>Provisions for liabilities</b>			
Other provisions	25	(567,785)	(474,485)
		<u>(567,785)</u>	<u>(474,485)</u>
<b>Net assets excluding pension asset</b>		<u>19,033,526</u>	<u>16,580,979</u>
<b>Net assets</b>		<u>19,033,526</u>	<u>16,580,979</u>
<b>Capital and reserves</b>			
Called up share capital	26	1,792,391	1,792,391
Share premium account		252,010	252,010
Capital redemption reserve		5,034	5,034
Profit and loss account		16,984,091	14,531,544
<b>Equity attributable to owners of the parent Company</b>		<u>19,033,526</u>	<u>16,580,979</u>
		<u>19,033,526</u>	<u>16,580,979</u>

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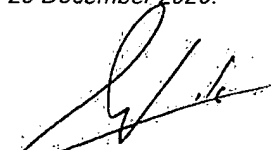
**CRESO INTERNATIONAL LIMITED**  
**REGISTERED NUMBER: 03423077**

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**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2019**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 December 2020.



**E Nissenberg**  
Director



**J Lew**  
Director

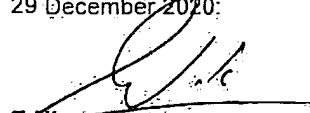
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**CRESO INTERNATIONAL LIMITED**  
**REGISTERED NUMBER: 03423077**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2019**

	Note	2019 \$	2018 as restated \$
<b>Fixed assets</b>			
Investments	17	4,329,031	4,329,031
		<u>4,329,031</u>	<u>4,329,031</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	19	4,667,664	6,247,592
Cash at bank and in hand		2,076,598	802,972
		<u>6,744,262</u>	<u>7,050,564</u>
Creditors: amounts falling due within one year	20	(439,561)	(808,733)
<b>Net current assets</b>		<u>6,304,701</u>	<u>6,241,831</u>
<b>Total assets less current liabilities</b>		<u>10,633,732</u>	<u>10,570,862</u>
<b>Net assets excluding pension asset</b>		<u>10,633,732</u>	<u>10,570,862</u>
<b>Net assets</b>		<u>10,633,732</u>	<u>10,570,862</u>
<b>Capital and reserves</b>			
Called up share capital	26	1,792,391	1,792,391
Share premium account		252,010	252,010
Capital redemption reserve		5,034	5,034
Profit and loss account		8,584,297	8,521,427
		<u>10,633,732</u>	<u>10,570,862</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 December 2020:

  
**E. Nissenberg**  
 Director

  
**J. Lew**  
 Director

The notes on pages 21 to 42 form part of these financial statements.



**CRESCO INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2019	1,792,391	252,010	5,034	14,531,544	16,580,979
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,452,547	2,452,547
<b>Other comprehensive income for the year</b>					
	-	-	-	-	-
<b>Total comprehensive income for the year</b>					
	-	-	-	2,452,547	2,452,547
<b>Total transactions with owners</b>					
	-	-	-	-	-
<b>At 31 December 2019</b>	<b>1,792,391</b>	<b>252,010</b>	<b>5,034</b>	<b>16,984,091</b>	<b>19,033,526</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2018	1,792,391	252,010	5,034	14,804,450	16,853,885
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,927,094	1,927,094
<b>Other comprehensive income for the year</b>					
	-	-	-	-	-
<b>Total comprehensive income for the year</b>					
	-	-	-	1,927,094	1,927,094
Dividends paid on equity capital	-	-	-	(2,200,000)	(2,200,000)
<b>Total transactions with owners</b>					
	-	-	-	(2,200,000)	(2,200,000)
<b>At 31 December 2018</b>	<b>1,792,391</b>	<b>252,010</b>	<b>5,034</b>	<b>14,531,544</b>	<b>16,580,979</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2019	1,792,391	252,010	5,034	8,521,427	10,570,862
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	62,870	62,870
<b>Other comprehensive income for the year</b>					
	-	-	-	-	-
<b>Total comprehensive income for the year</b>				62,870	62,870
<b>Total transactions with owners</b>	-	-	-	-	-
<b>At 31 December 2019</b>	<b>1,792,391</b>	<b>252,010</b>	<b>5,034</b>	<b>8,584,297</b>	<b>10,633,732</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	\$	\$	\$	\$	\$
At 1 January 2018	1,792,391	252,010	5,034	8,633,541	10,682,976
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	2,087,886	2,087,886
<b>Other comprehensive income for the year</b>					
	-	-	-	-	-
<b>Total comprehensive income for the year</b>				2,087,886	2,087,886
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(2,200,000)	(2,200,000)
<b>Total transactions with owners</b>				(2,200,000)	(2,200,000)
<b>At 31 December 2018</b>	<b>1,792,391</b>	<b>252,010</b>	<b>5,034</b>	<b>8,521,427</b>	<b>10,570,862</b>

The notes on pages 21 to 42 form part of these financial statements.

**CRESCO INTERNATIONAL LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	2019 \$	2018 \$
<b>Cash flows from operating activities</b>		
Profit for the financial year	2,452,547	1,927,094
<b>Adjustments for:</b>		
Amortisation of intangible assets	43,982	49,089
Depreciation of tangible assets	446,307	412,919
Interest paid	7,598	104,956
Interest received	(135,111)	(126,440)
Taxation charge	323,515	480,747
(Increase) in stocks	(135,916)	(59,969)
Decrease in debtors	1,528,329	1,688,048
Increase in creditors	501,985	654,901
Increase in provisions	93,300	68,611
<b>Net cash generated from operating activities</b>	<b>5,126,536</b>	<b>5,199,956</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(9,774)	(26,013)
Purchase of tangible fixed assets	(444,863)	(869,137)
Sale of tangible fixed assets	107,196	9,072
Interest received	135,111	126,440
HP interest paid	(1,733)	-
<b>Net cash from investing activities</b>	<b>(214,063)</b>	<b>(759,638)</b>
<b>Cash flows from financing activities</b>		
New secured loans	-	87,147
Repayment of loans	(174,264)	-
Secured new finance leases	38,024	-
Tax paid	(321,289)	(949,789)
Dividends paid	-	(2,200,000)
Interest paid	(5,865)	(104,956)
<b>Net cash used in financing activities</b>	<b>(463,394)</b>	<b>(3,167,598)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,449,079</b>	<b>1,272,720</b>
Cash and cash equivalents at beginning of year	9,742,468	8,469,748
<b>Cash and cash equivalents at the end of year</b>	<b>14,191,547</b>	<b>9,742,468</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		

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**CRESCO INTERNATIONAL LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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	2019 \$	2018 \$
Cash at bank and in hand	14,191,547	9,742,468
	<u>14,191,547</u>	<u>9,742,468</u>

The notes on pages 21 to 42 form part of these financial statements.

**CRESKO INTERNATIONAL LIMITED**

**CONSOLIDATED ANALYSIS OF NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

	At 1 January 2019 \$	Cash flows \$	New finance leases \$	At 31 December 2019 \$
Cash at bank and in hand	9,742,468	4,449,079	-	14,191,547
Debt due after 1 year	(552,865)	154,129	-	(398,736)
Debt due within 1 year	(139,362)	20,135	-	(119,227)
Finance leases	-	-	(38,024)	(38,024)
	<u>9,050,241</u>	<u>4,623,343</u>	<u>(38,024)</u>	<u>13,635,560</u>

The notes on pages 21 to 42 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. General information**

The company is incorporated in England and Wales with registered number 03423077 and is limited by shares. The address of the Company's registered office is Mountcliff House, 154 Brent Street, London NW4 2DR.

The principal activity of the company is to manage its significant shareholdings in the companies which it acquired following its incorporation in 1997. The company is actively involved in advising the management of these companies with regard to the conduct of their businesses.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Profit and loss account in these financial statements.

The financial statements are presented in US Dollars which is the functional currency of both the company and the group and have been rounded to the nearest \$.

The following principal accounting policies have been applied:

**2.2 Basis of consolidation**

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated profit and loss account from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 January 2015.

Pursuant to paragraph 33.1A of FRS102, transactions between wholly owned entities within the Group are not disclosed.



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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)****2.3 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

**Sale of goods**

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**2.4 Interest income**

Interest income is recognised in profit or loss using the effective interest method.

**2.5 Finance costs**

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.6 Borrowing costs**

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

**2.7 Pensions****Defined contribution pension plan**

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)****2.8 Taxation**

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

**2.9 Exceptional items**

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

**2.10 Intangible assets****Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated profit and loss account over its useful economic life. Goodwill is amortised over a period of 20 years and is charged to the administrative expenses in the consolidated profit and loss.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is charged to sales and administrative expenses.

**2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. Accounting policies (continued)**

**2.11 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation is provided on the following basis:

Freehold property	- 5% to 10% pa on building costs
Long-term leasehold property	- 5% to 10% pa
Short-term leasehold property	- 10% pa
Plant and machinery	- 7% to 20% pa
Motor vehicles	- 15% to 20% pa
Fixtures and fittings	- 6% to 33% pa

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.12 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

**2.13 Valuation of investments**

Investments in subsidiaries are recorded in the individual Company's books and are measured at cost less accumulated impairment.

**2.14 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 profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. Accounting policies (continued)**

**2.15 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.16 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 six months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**2.17 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.18 Provisions for liabilities**

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

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**2.19 Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)****2.19 Financial instruments (continued)**

reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

**2.20 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Depreciation

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the Group's accounting policy. The selection of these estimated lives requires the exercise of management judgement. Useful lives are regularly reviewed and should management's assessment of useful lives shorten then depreciation charges in the financial statements would increase and carrying amounts of the tangible assets would reduce accordingly. The carrying amount of the tangible assets by each class is included in note 16.

Stock valuation

The directors regularly review the accounting policies in place to value stock and believe the stock costing methodology provides a reasonable estimate of the carrying amounts of inventory at both opening and closing balance sheet dates.

**4. Turnover**

An analysis of turnover by class of business is as follows:

	2019	2018
	\$	\$
Sales of goods	27,924,264	26,827,726
	<u>27,924,264</u>	<u>26,827,726</u>

A segmental analysis of turnover, operating profit and net assets has not been disclosed, as in the opinion of the directors, such disclosure would be seriously prejudicial to the group's interests.

**CRESO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**5. Other operating income**

	2019	2018
	\$	\$
Sundry income	282	5,792
Foreign exchange gain/(losses)	46,048	(87,181)
	<u>46,330</u>	<u>(81,389)</u>

**6. Operating profit**

The operating profit is stated after charging:

	2019	2018
	\$	\$
Depreciation of tangible fixed assets	446,307	412,919
Amortisation of intangible fixed assets	43,982	49,089
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	32,370	16,380
Exchange differences	(46,048)	87,181
Other operating lease rentals	773,336	758,085
Defined contribution pension cost	299,364	320,798
	<u>1,650,376</u>	<u>1,644,372</u>

**7. Auditor's remuneration**

	2019	2018
	\$	\$
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	<u>18,102</u>	<u>16,380</u>

**Fees payable to the Group's auditor and its associates in respect of:**

The auditing of accounts of the Group companies pursuant to legislation	79,425	69,242
All other services	16,970	13,499
	<u>96,395</u>	<u>82,741</u>

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>Group 2019 \$</b>	<b>Group 2018 \$</b>	<b>Company 2019 \$</b>	<b>Company 2018 \$</b>
Wages and salaries	6,945,814	6,382,168	219,792	310,098
Social security costs	515,765	427,991	-	-
Cost of defined contribution scheme	299,364	320,978	-	-
	<u>7,760,943</u>	<u>7,131,137</u>	<u>219,792</u>	<u>310,098</u>

As at 31 December 2019, there was a creditor balance in relation to the group pension scheme of \$102,549.

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

	<b>2019 No.</b>	<b>2018 No.</b>
Development /manufacture of aquarium products	210	218
Management staff in holding company	5	5
	<u>215</u>	<u>223</u>

**9. Directors' remuneration**

	<b>2019 \$</b>	<b>2018 \$</b>
Directors' emoluments	429,107	420,922
Directors pension costs	21,731	20,074
Directors fees	154,903	255,872
	<u>605,741</u>	<u>696,868</u>

During the year retirement benefits were accruing to 1 director (2018 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of \$504,218 (2018 - \$661,696).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to \$21,731 (2018 - \$20,074).



**CRESO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**10. Interest receivable**

	2019 \$	2018 \$
Interest receivable	135,111	134,840
	<u>135,111</u>	<u>134,840</u>

**11. Interest payable and similar expenses**

	2019 \$	2018 \$
Bank loan Interest payable	5,865	12,730
Finance leases and hire purchase contracts	1,733	-
	<u>7,598</u>	<u>12,730</u>

**12. Taxation**

	2019 \$	2018 \$
<b>Corporation tax</b>		
Current tax on profits for the year	323,515	480,747
	<u>323,515</u>	<u>480,747</u>
<b>Total current tax</b>	<u>323,515</u>	<u>480,747</u>

**Factors affecting tax charge for the year**

A reconciliation between the tax expense included in the Consolidated profit and loss account and the profit or loss before tax multiplied by the applicable tax rate has not been prepared as the Group is subject to a wide range of tax rates in the different jurisdictions in which it operates.

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**13. Dividends**

	2019 \$	2018 \$
Dividends paid on equity	-	2,200,000
	<u>-</u>	<u>2,200,000</u>

At 31 December 2019, the aggregate amount of dividends that the company was liable to pay was \$65,771 (2018: \$65,771).

**14. Research and development expenses**

	2019 \$	2018 \$
Research and development costs	1,866,393	1,449,801
	<u>1,866,393</u>	<u>1,449,801</u>

**CRESO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**15. Intangible assets**

**Group and Company**

	Other Intangible Assets \$	Goodwill \$	Total \$
<b>Cost</b>			
At 1 January 2019	556,952	447,140	1,004,092
Additions	9,774	-	9,774
At 31 December 2019	<u>566,726</u>	<u>447,140</u>	<u>1,013,866</u>
<b>Amortisation</b>			
At 1 January 2019	477,111	381,694	858,805
Charge for the year on owned assets	21,625	22,357	43,982
At 31 December 2019	<u>498,736</u>	<u>404,051</u>	<u>902,787</u>
<b>Net book value</b>			
At 31 December 2019	<u>67,990</u>	<u>43,089</u>	<u>111,079</u>
At 31 December 2018	<u>79,841</u>	<u>65,446</u>	<u>145,287</u>

Other intangible assets and their net book values at 31 December 2019 are as follows:

Development costs \$23 (2018: \$23)

Patents and trademark costs \$67,967 (2018: \$79,818)

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Tangible fixed assets**

**Group**

	Freehold property \$	Long-term leasehold property \$	Short-term leasehold property \$	Plant and machinery \$	Motor vehicles \$
<b>Cost or valuation</b>					
At 1 January 2019	206,109	869,783	711,550	2,255,762	316,327
Additions	58,263	7,576	9,071	229,679	80,012
Disposals	-	-	(24,196)	(47,237)	(28,854)
Differences on retranslation	-	-	-	(23,666)	-
At 31 December 2019	264,372	877,359	696,425	2,414,538	367,485
<b>Depreciation</b>					
At 1 January 2019	-	49,500	343,465	1,600,494	134,004
Charge for the year on owned assets	-	56,734	47,326	213,581	34,095
Disposals	-	-	-	-	(1,200)
Differences on retranslation	-	-	-	(30,432)	-
At 31 December 2019	-	106,234	390,791	1,783,643	166,899
<b>Net book value</b>					
At 31 December 2019	264,372	771,125	305,634	630,895	200,586
At 31 December 2018	206,109	820,283	368,085	655,268	182,323

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**16. Tangible fixed assets (continued)**

	Fixtures and fittings \$	Total \$
<b>Cost or valuation</b>		
At 1 January 2019	837,515	5,197,046
Additions	60,262	444,863
Disposals	(6,909)	(107,196)
Differences on retranslation	23,666	-
At 31 December 2019	<u>914,534</u>	<u>5,534,713</u>
<b>Depreciation</b>		
At 1 January 2019	632,932	2,760,395
Charge for the year on owned assets	95,771	447,507
Disposals	-	(1,200)
Differences on retranslation	30,432	-
At 31 December 2019	<u>759,135</u>	<u>3,206,702</u>
<b>Net book value</b>		
At 31 December 2019	<u>155,399</u>	<u>2,328,011</u>
At 31 December 2018	<u>204,583</u>	<u>2,436,651</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Fixed asset investments****Company**

	<b>Investments in subsidiary companies \$</b>
<b>Cost or valuation as restated</b>	
At 1 January 2019	4,329,031
At 31 December 2019	<u>4,329,031</u>
<b>Net book value</b>	
At 31 December 2019	<u>4,329,031</u>
At 31 December 2018	<u>4,329,031</u>

Loans to subsidiaries amounting to \$4,037,184 have been reclassified in the prior and current year from fixed asset investments to debtors. There was no effect to the profit and loss of the current and prior year arising from this adjustment. The results and financial positions of all subsidiary undertakings are included in the consolidated financial statements. The company has taken advantage of 33.1A of FRS102 in not disclosing the movements.

**CRESKO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**17. Fixed asset investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Aquatech International B.V. - Netherlands	Ordinary	100%
Red Sea Fish Pharm Limited - Israel *	Ordinary A,B,C,D,E,F, G,H	100%
Aquaculture Technologies Inc - USA *	Ordinary	100%
Red Sea Europe SARL - France *	Ordinary	100%
Red Sea Aquatics Limited - Hong Kong	Ordinary	100%
Red Sea Aquatics (UK) Limited - England	Ordinary	100%
Red Sea Aquatics (GZ) Limited - China *	Ordinary	100%
Red Sea Aquatics Trading (GZ) Co. Ltd - China *	Ordinary	100%
Red Sea Developments Limited - Israel *	Ordinary	100%
Red Sea Europe Assets SARL - France	Ordinary	100%
I-Spec.com Limited - England	Ordinary	100%

All subsidiary undertakings have been included in the consolidation and all have co-terminous year ends.

Note: \* above denotes holding through a subsidiary undertaking of Cresco.

The A,B,C,D,E ordinary shares of Red Sea Fish Pharm Limited are voting shares and the F,G,H ordinary shares carry voting rights to dividends only.

**18. Stocks**

	Group 2019 \$	Group 2018 \$
Raw materials and consumables	1,577,306	1,265,294
Work in progress (goods to be sold)	81,187	421,635
Finished goods and goods for resale	4,598,973	4,434,621
	<u>6,257,466</u>	<u>6,121,550</u>

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**19. Debtors**

	<b>Group 2019 \$</b>	<b>Group 2018 \$</b>	<b>Company 2019 \$</b>	<b>Company 2018 \$</b>
<b>Due after more than one year</b>				
Other debtors	168,740	47,864	-	-
	<u>168,740</u>	<u>47,864</u>	<u>-</u>	<u>-</u>
	<b>Group 2019 \$</b>	<b>Group 2018 as restated \$</b>	<b>Company 2019 \$</b>	<b>Company 2018 as restated \$</b>
<b>Due within one year</b>				
Trade debtors	1,499,189	2,052,103	-	-
Amounts owed by group undertakings	-	-	4,528,909	4,725,943
Other debtors	873,529	1,776,594	-	1,265,595
Prepayments and accrued income	777,441	970,667	138,755	244,710
Tax recoverable	-	11,344	-	11,344
	<u>3,150,159</u>	<u>4,810,708</u>	<u>4,667,664</u>	<u>6,247,592</u>

**20. Creditors: Amounts falling due within one year**

	<b>Group 2019 \$</b>	<b>Group 2018 as restated \$</b>	<b>Company 2019 \$</b>	<b>Company 2018 as restated \$</b>
Bank loans	119,227	139,362	-	-
Trade creditors	1,976,979	2,217,789	-	-
Amounts owed to group undertakings	-	-	-	128,729
Corporation tax	208,990	136,355	9,582	4,002
Other taxation and social security	434,469	369,376	4,918	4,932
Overseas Tax payable	-	214,106	-	214,106
Other creditors	525,846	384,631	73,846	87,827
Accruals and deferred income	2,903,420	2,234,580	351,215	369,137
	<u>6,168,931</u>	<u>5,696,199</u>	<u>439,561</u>	<u>808,733</u>



**CRESO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**21. Creditors: Amounts falling due after more than one year**

	Group 2019 \$	Group 2018 \$
Bank loans	398,736	552,865
Net obligations under finance leases and hire purchase contracts	38,024	-
	<u>436,760</u>	<u>552,865</u>

**22. Loans**

Bank loans and overdrafts are secured by fixed and floating charges over the assets of the relevant subsidiary undertakings. The bank loans of the Group range from 1 year to 6 years and have interest rates ranging from 0.8% fixed to LIBOR + 2.6%.

The bank loans are repayable by October 2024.

	Group 2019 \$	Group 2018 \$
<b>Amounts falling due within one year</b>		
Bank loans	119,227	139,362
	<u>119,227</u>	<u>139,362</u>
<b>Amounts falling due 1-2 years</b>		
Bank loans	109,949	95,050
	<u>109,949</u>	<u>95,050</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	288,787	457,815
	<u>288,787</u>	<u>457,815</u>
	<u>517,963</u>	<u>692,227</u>

**CRESCO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**23. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 \$	Group 2018 \$
Within one year	45,751	29,985
Between 1-5 years	120,458	92,125
Over 5 years	90	442
	<u>166,299</u>	<u>122,552</u>

**24. Financial instruments**

	Group 2019 \$	Group 2018 \$	Company 2019 \$	Company 2018 \$
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	14,191,547	9,742,468	2,074,488	802,972
Financial assets that are debt instruments measured at amortised cost	2,596,458	3,876,561	447,547	1,954,354
	<u>16,788,005</u>	<u>13,619,029</u>	<u>2,522,035</u>	<u>2,757,326</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>5,623,594</u>	<u>4,491,299</u>	<u>12,585</u>	<u>301,933</u>

Financial assets measured at fair value through profit or loss comprise cash at bank, trade debtors and other debtors and amounts owed by group undertakings.

Financial liabilities measured at amortised cost include amounts owed to group undertakings, trade creditors, bank loans, overseas tax payable and other creditors.

# CRESCO INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

### 25. Provisions

#### Group

	Severance pay provision \$
At 1 January 2019	474,485
Charged to the profit or loss	93,300
<b>At 31 December 2019</b>	<b>567,785</b>

Pension policies for employees and management of certain group companies include a severance pay fund. Each company makes a monthly contribution to this fund based upon a fixed percentage of gross salary. Severance pay is calculated according to the number of years' service and the final monthly gross salary. The provision in the financial statements represents the total shortfall the group would have to make up in the event that all employees in those companies left employment within the group at the balance sheet date. The timing of any such resultant payment is uncertain.

### 26. Share capital

	2019 \$	2018 \$
<b>Allotted, called up and fully paid</b>		
10,910,005 (2018 - 10,910,005) Ordinary shares of 10p each -	<u>1,792,391</u>	<u>1,792,391</u>

### 27. Contingent liabilities

Red Sea Fish Pharm Limited has registered a general floating lien in favour of the State of Israel on all the company's assets, and a fixed lien on any unpaid share capital, goodwill and all other entitlements or rights to insurance claims, in order to secure the investment grants and guarantees issued by the state in favour of Red Sea Fish Pharm Limited's bankers.

In addition, Red Sea Fish Pharm has registered fixed charges in favour of Bank Hapoalim and a fixed and floating charge in favour of Bank Leumi as security against loans of \$15,000 (2018: \$75,000).

During the year, Cresco International Limited has issued a guarantee in favour of Red Sea Aquatics (UK) Limited for the amount of \$2,052,432 (2018: \$nil).

**CRESO INTERNATIONAL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

**28. Commitments under operating leases**

At 31 December 2019 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	<b>Group 2019 \$</b>	<i>Group 2018 \$</i>
Land and building - amounts payable :		
Not later than 1 year	653,259	699,779
Later than 1 year and not later than 5 years	1,173,492	1,877,609
Later than 5 years	-	114,526
	<u>1,826,751</u>	<u>2,691,914</u>
	<b>Group 2019 \$</b>	<i>Group 2018 \$</i>
Plant and machinery - amounts payable::		
Not later than 1 year	35,250	35,250
Later than 1 year and not later than 5 years	113,846	141,001
Later than 5 years	-	8,096
	<u>149,096</u>	<u>184,347</u>

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**CRESKO INTERNATIONAL LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**29. Related party transactions**

The related parties of Cresko International Limited and its subsidiaries who partook in material transactions with the group during the year were as follows:

- C.I.S (Concept Investment Services) N.V. (CIS NV) - a substantial shareholder in Cresko International Limited and a company in which I H Braidman and F A Stein are shareholders and/or directors.

- Concept Investment Services Limited (CIS Ltd) - a subsidiary of CIS NV.

**Transactions and Balances**

Various companies in the group incurred charges with related parties at rates which the directors consider to be at arm's length. A summary of the transactions and the amounts included in the group accounts are as follows:

	2019 \$	2018 \$
Management charges and expenses - CIS NV	-	113,337
Management charges and expenses - CIS Ltd	-	-
	<u>-</u>	<u>113,337</u>

At 31 December 2019, CIS NV owed the company \$55,000 (2018: \$614,735) and this is included in other debtors. The full balance has been repaid in 2020.

Included in other creditors is a balance of \$37,043 (2018: \$237,043) owed to CIS Ltd.

**30. Post balance sheet events**

An interim dividend for 2020 of \$1.2m was declared in February 2020 and a further interim dividend of \$1.2m was declared September 2020.

The company bought back 114,351 shares in April 2020.

**31. Future developments**

The Directors acknowledge the existence of the current outbreak of coronavirus COVID-19 and its likelihood to adversely impact the economies in which the business operates. The identification of the virus post 31 December 2019 as a new coronavirus, and its subsequent spread, is considered by the Directors as a non adjusting subsequent event. The Directors are continually assessing the effect of the virus on the business and how it may impact future sales. As of the date of issuance, no provisions are required and trade has remained strong.

**32. Parent company profit for the year**

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit after tax of the parent company for the year was \$62,870 (2018: \$2,087,886).