Doterra (Europe) Limited

Annual Report and Financial Statements

Year Ended

31 December 2018

Company Number 06871456

Doterra (Europe) Limited

Company Information

Directors	G P Cook D Stirling K L Jowers M M Smith
Registered number	06871456
Registered office	Altius House 1 North Fourth Street Milton Keynes MK9 1DG
Independent auditors	BDO LLP Newton House Cambridge Business Park Cambridge United Kingdom CB4 0WZ

Doterra (Europe) Limited

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Doterra (Europe) Limited

Strategic Report
For the Year Ended 31 December 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2018.

Principal activities

The company's principal activity is the distribution of essential oils and related products.

Review of the business and future developments

The company experienced large growth during 2018 and, in anticipation of continued growth in future years, the company continues to expand its product offering and personnel. This included the hiring of new regional general managers during the year, translating products and literature into additional languages, and expanding offices and teams. In particular, a new subsidiary was created in Germany in early 2019 in order to increase the company's presence in this market.

Key performance indicators

The board monitors the company's performance in a number of ways and consider the key performance indicators to be as follows:

	2018	2017
Net revenue (£000)	**97,312**	**48,165**

Revenue growth is the key driver to our expansion strategies.

Product cost of sales (£000)	**29,144**	**10,999**
Product cost of sales (%)	**29.9**	**25.4**

Product cost of sales is one of the company's key expenses; the company strives to ensure this expense stays within reasonable levels as new products are introduced to the market so as to achieve healthy gross margins.

Commissions (£000)	**38,135**	**17,772**
Commissions (%)	**39.2**	**35.3**

Commissions are another key expense of the company; a large extent of our continued growth depends on the successful efforts of our independent distributors (Wellness Advocates) and the level of commissions help us monitor the success of their efforts.

Principal risks and uncertainties

The management of the business and execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to be as follows:

'Brexit'

As with all companies in Europe, the company acknowledges uncertainty surrounding the impact on its business of 'Brexit'. However, the company continues to seek the advice of professionals to ensure that the business will remain flexible and thrive regardless of the eventual outcomes of 'Brexit'.

Rapid growth

As noted above, the company has experienced rapid growth and expects continued growth into the future. It is important to ensure that our operations, locations, and personnel can adequately support this growth.

Product registration and labelling

As the company continues to grow, it is deemed important to ensure that the appropriate labelling and general compliance of products is met across all of Europe. Therefore, the company is actively expanding registration and/or notification of all its SKU's in 12 languages.

Customer credit

A payment method available to customers in three countries has resulted in an uncollectible rate that, although not material to the overall performance of the company, has been deemed larger than acceptable based on internal standards. Therefore, it has been decided to implement tighter controls over this payment method, and eliminate it as a payment option for those who have abused it.

Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange currency rate risk, price risk, credit risk, liquidity risk, and interest rate cash flow risk. Given the size of the company, responsibility for monitoring financial risk management is in the hands of the board.

Interest rate risk

The board seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Foreign exchange currency rate risk

Although the company collects cash from sale of goods and pays bills in GBP and EUR currencies, the foreign exchange risk associated with this practice has been deemed immaterial.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits.

The company has no exposure to equity securities price risk as it holds no listed investments.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutes, as well a credit exposures to customers, including outstanding receivables.

The company has implemented policies that require appropriate credit checks on potential customers befor sales are made.

Liquidity risk

The company has no liquidity risk.

This report was approved by the board on 11 March 2020 and signed on its behalf.

Murray M. Smith

M M Smith
Director

Doterra (Europe) Limited

Directors' Report
For the Year Ended 31 December 2018

The directors present their report together with the audited financial statements for the year ended 31 Decemb 2018.

Results and dividends

The profit for the year, after taxation, amounted to £4,057,778 (2017 - £5,496,161).

A dividend of £5,874,000 (2017 - £Nil) was paid during the year.

Directors

The directors who served during the year were:

L Burke (resigned 4 February 2019)
G P Cook
M A Wolfert (resigned 22 June 2018)
D Stirling
B Emanuelsson (resigned 24 January 2018)
K L Jowers (appointed 3 January 2018)

M M Smith was appointed as a director on 4 February 2019.

Disclosure of information to auditors

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's auditors a unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of a relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Compani Act 2006.

Approval

This report was approved by the board on 11 March 2020 and signed on its behalf.

Murray M. Smith

M M Smith
Director

Directors' Responsibilities Statement
For the Year Ended 31 December 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to Members of Doterra (Europe) Limited

Qualified Opinion

We have audited the financial statements of doTERRA Europe Limited ("the Company") for the year ended 30 December 2018 which comprise the Statement of comprehensive income , the Balance Sheet, the Statement of Changes in Equity ,the Statement of Cashflows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of matters described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 qualified opinion

With respect to stock having a carrying value of £16,241,498 the audit evidence available to us was limited because we were unable to resolve count differences that were identified between our independent count and the count that was carried out by the company. These differences arose at one location holding an inventory balance of £3,302,505. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures.

In addition, were any adjustment to the inventory balance to be required, the Strategic Report would also need to be amended.

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

Conclusions relating to going concern

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

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

Other information

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

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

As described in the basis for qualified opinion section of our report, we did not obtain sufficient and appropriate audit evidence for £3,302,505 of the £16,241,498 year end stock balance. We have therefore concluded that, where the other information refers to the inventory balance or related balances such as cost of sales and profit before tax, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matters described in the basis for qualified opinion section of our audit report, in our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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;

- 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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Piers Harrison (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Cambridge, UK

13 March 2020

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

Doterra (Europe) Limited

Statement of Comprehensive Income
For the Year Ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	**97,311,858**	48,165,297
Cost of sales		**(80,797,624)**	(35,857,014)
Gross profit		**16,514,234**	12,308,283
Administrative expenses		**(11,481,610)**	(5,494,461)
Operating profit	5	**5,032,624**	6,813,822
Interest receivable and similar income	7	**4,224**	-
Interest payable and similar charges	8	**(26,511)**	-
Profit before tax		**5,010,337**	6,813,822
Tax on profit	9	**(952,559)**	(1,317,661)
Profit for the financial year		**4,057,778**	5,496,161
Total comprehensive income for the year		**4,057,778**	5,496,161

There was no other comprehensive income for the year (2017 - £Nil).

The notes on pages 13 to 26 form part of these financial statements.

Doterra (Europe) Limited
Registered number: 06871456

Balance Sheet
As at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		**314,451**		254,174
Current assets					
Stocks	12	**16,831,887**		3,993,230	
Debtors: amounts falling due within one year	13	**4,106,549**		1,643,820	
Cash at bank and in hand		**18,049,051**		16,521,292	
		38,987,487		22,158,342	
Creditors: amounts falling due within one year	14	**(32,643,652)**		(13,979,039)	
Net current assets			**6,343,835**		8,179,303
Total assets less current liabilities			**6,658,286**		8,433,477
Deferred tax	16	**(41,031)**		-	
			(41,031)		-
Net assets			**6,617,255**		8,433,477
Capital and reserves					
Called up share capital	17		**1**		1
Profit and loss account	18		**6,617,254**		8,433,476
Total equity			**6,617,255**		8,433,477

The financial statements were approved and authorised for issue by the board and were signed on its behalf oı

11 March 2020

Murray M. Smith

M M Smith

Director

The notes on pages 13 to 26 form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	1	8,433,476	8,433,477
Comprehensive income for the year			
Profit for the year	-	4,057,778	4,057,778
Total comprehensive income for the year	-	4,057,778	4,057,778
Dividends: Equity capital	-	(5,874,000)	(5,874,000)
At 31 December 2018	1	6,617,254	6,617,255

Statement of Changes in Equity
For the Year Ended 31 December 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1	2,937,315	2,937,316
Comprehensive income for the year			
Profit for the year	-	5,496,161	5,496,161
Total comprehensive income for the year	-	5,496,161	5,496,161
At 31 December 2017	1	8,433,476	8,433,477

The notes on pages 13 to 26 form part of these financial statements.

Doterra (Europe) Limited

Statement of Cash Flows
For the Year Ended 31 December 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	**4,057,778**	5,496,161
Adjustments for:		
Depreciation of tangible assets	**69,482**	16,906
Loss on disposal of tangible assets	**10,713**	-
Interest paid	**26,511**	-
Interest received	**(4,224)**	-
Taxation expense	**952,559**	1,317,661
(Increase) in stocks	**(12,838,657)**	(2,436,682)
(Increase) in debtors	**(2,210,819)**	(1,146,567)
Increase in creditors	**7,728,211**	2,158,692
Increase in amounts owed to groups	**7,650,407**	-
Increase in deferred revenues	**3,860,045**	2,110,523
Taxation paid	**(1,737,488)**	(1,226,646)
Net cash generated from operations	**7,564,518**	6,290,048
Cash flows from investing activities		
Purchase of tangible fixed assets	**(140,472)**	(236,205)
Interest received	**4,224**	-
Net cash from investing activities	**(136,248)**	(236,205)
Cash flows from financing activities		
Dividends paid	**(5,874,000)**	-
Interest paid	**(26,511)**	-
Net cash used in financing activities	**(5,900,511)**	-
Net increase in cash and cash equivalents	**1,527,759**	6,053,843
Cash and cash equivalents at beginning of year	**16,521,292**	10,467,449
Cash and cash equivalents at the end of year	**18,049,051**	16,521,292
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**18,049,051**	16,521,292

The notes on pages 13 to 26 form part of these financial statements.

1. General information

Doterra (Europe) Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

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 management to exercise judgement in applying the company's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The directors believe that the company has adequate resources to continue in operational existence for the foreseeable future and that the company is well placed to manage its business risks successfully. The company has a strong balance sheet with low levels of short-term and long-term borrowing. For this reason, the directors consider it appropriate to prepare the financial statements on a going concern basis.

2.3 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	-	20% straight line
Office equipment	-	20% straight line
Furniture and fixtures	-	20% straight line

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 the statement of comprehensive income.

2. Accounting policies (continued)

2.4 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, and includes distribution costs.

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.

2.5 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.

2.6 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.

2.7 Financial instruments

The company 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 non-puttable 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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

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 company would receive for the asset if it were to be sold at the balance sheet date.

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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.

2.8 Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legal 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.

2.9 Provision and contingencies

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current markets assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

2.10 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the company, and value added taxes.

The company recognises revenue when:

(a) the significant risks and rewards of ownership have been transferred to the buyer;
(b) the company retains no continuing involvement or control over the goods;
(c) the amount of revenue can be measured reliably; and
(d) it is probable that future economic benefits will flow to the entity.

Sales of goods

The company distributes private label products directly to the customers. Sales of goods are recognised on sale to the customer which is considered as the date on which the customer receive the goods. An adjustment is made at year end to defer revenues on products that have been dispatched but not yet delivered to the customer.

As part of some sales transactions, consultants earn loyalty reward points that can be used for free products in future orders. In line with the accounting standards, the fair value attributable to these points is deferred until they are redeemed.

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the statement of comprehensive income 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 company in independently administered funds.

2.12 Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.13 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.14 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.

2. Accounting policies (continued)

2.15 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, 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 operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In preparing these financial statements, the directors have made judgements to;

- Determine whether there are indicators of obsolescence of stock. Factors taken into consideration in reaching such a decision include the expected future sales of product and expiration dates.

Other key sources of estimation uncertainty are:

- Recognition of loyalty reward points

Management uses the GBP equivalent value of points outstanding at the year-end and historic redemption rates to calculate the estimated fair value of revenue to defer.

The amount of revenue deferred relating to loyalty reward points outstanding at the year-end amounted to approximately £5,468,088 (2017 - £1,838k).

4. Turnover

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

	2018 £	2017 £
Sales of oils and related products	**97,311,858**	48,165,297

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	**14,900,347**	7,736,459
Rest of the world	**82,411,511**	40,428,838
	97,311,858	48,165,297

5. Operating profit

Operating profit is stated after charging/(crediting):

	2018 £	2017 £
Depreciation of tangible fixed assets	**69,482**	16,905
Stock expense	**29,144,318**	13,435,798
Operating lease expense	**160,638**	108,942
(Loss)/profit on foreign exchange transactions	**81,393**	(235,855)
Auditor's remuneration:		
Audit fees	**36,200**	35,000
Accounts preparation services	**2,600**	2,500
Tax compliance services	**2,500**	3,050

6. Staff costs

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	**1,407,513**	1,139,322
Social security costs	**206,941**	102,837
Pension costs	**31,722**	14,379
	1,646,176	1,256,538

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

	2018 Number	2017 Number
Operations	**11**	11
Sales and marketing	**7**	4
Administration and finance	**7**	5
	25	20

Directors' emoluments were as follows:

	2018 £	2017 £
Emoluments for qualifying services	**249,208**	251,742
Company pension contributions to money purchase schemes	**7,800**	6,186
	257,008	257,928

There were 5 directors during the year (2017 - 6) and only one (2017 - 3) was remunerated.

The number of directors for whom retirement benefits were accruing under money purchase pension schemes amounted to one (2017 - 2).

The directors are considered the key management personnel of the company.

7. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	**4,224**	-

8. Interest payable and similar charges

	2018 £	2017 £
Bank interest payable	**26,511**	-

9. Taxation

	2018 £	2017 £
Corporation tax		
Corporation tax	**966,679**	1,317,661
Adjustments in respect of prior periods	**(55,151)**	-
Total tax charge	**911,528**	1,317,661
Deferred tax		
Origination and reversal of timing differences	**10,665**	-
Adjustments in respect of prior periods	**30,366**	-
Total deferred tax	**41,031**	-
Taxation on profit on ordinary activities	**952,559**	1,317,661

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	**5,010,337**	6,813,822
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	**951,964**	1,311,427
Effects of:		
Expenses not deductible for tax purposes	**25,808**	3,890
Adjustments in respect of changes in tax rates	**(1,255)**	273
Deferred tax not recognised	**-**	2,070
Fixed asset differences	**827**	-
Adjustments in respect of prior periods	**(24,785)**	-
Other	**-**	1
Total tax charge for the year	**952,559**	1,317,661

Factors that may affect future tax charge

Reductions in the UK Corporation tax rate from 20.00% to 17.00% (19.00% effective from 1 April 2017 and 17.00% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on the rates substantively enacted at the date of the statement of financial position.

10. Dividends

	2018 £	2017 £
Dividends	**5,874,000**	-

11. Tangible fixed assets

	Leasehold improvements £	Office equipment £	Furniture and fixtures £	Total £
Cost or valuation				
At 1 January 2018	**209,923**	**45,156**	**53,825**	**308,904**
Additions	**14,624**	**102,037**	**23,811**	**140,472**
Transfers	**(52,478)**	**-**	**52,478**	**-**
Disposals	**-**	**(13,118)**	**(32,035)**	**(45,153)**
At 31 December 2018	**172,069**	**134,075**	**98,079**	**404,223**
Depreciation				
At 1 January 2018	**3,500**	**19,703**	**31,527**	**54,730**
Charge for the year on owned assets	**33,467**	**17,821**	**18,193**	**69,481**
Disposals	**-**	**(7,869)**	**(26,570)**	**(34,439)**
Transfers	**(2,748)**	**-**	**2,748**	**-**
At 31 December 2018	**34,219**	**29,655**	**25,898**	**89,772**
Net book value				
At 31 December 2018	**137,850**	**104,420**	**72,181**	**314,451**
At 31 December 2017	206,423	25,453	22,298	254,174

12. Stocks

	2018 £	2017 £
Finished goods and goods for resale	**16,831,887**	3,993,230

Stocks are stated after provisions for impairment of £3,038 (2017 - £24,330).

13. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	**808,541**	835,158
Other debtors	**1,588,918**	23,238
Prepayments and accrued income	**1,457,180**	785,424
Corporation tax	**251,910**	-
	4,106,549	1,643,820

14. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	**4,581,852**	2,077,472
Amounts owed to group undertakings	**9,325,710**	1,675,303
Corporation tax	-	574,053
Other taxation and social security	**3,231,377**	1,728,016
Other creditors	**8,116,425**	4,486,005
Accruals	**336,544**	246,491
Deferred income	**7,051,744**	3,191,699
	32,643,652	13,979,039

Amounts owed to group undertakings are interest free, unsecured and repayable on demand.

15. Financial instruments

The company has the following financial instruments:

	2018 £	2017 £
Financial assets measured at amortised cost:		
Trade debtors	**808,541**	835,158
Other debtors	**26,348**	23,238
Cash at bank and in hand	**18,049,049**	16,521,292
	18,883,938	17,379,688

	2018 £	2017 £
Financial liabilities measured at amortised cost:		
Trade creditors	**4,581,852**	2,077,472
Other creditors	**8,116,425**	4,486,005
Amounts owed to group undertakings	**9,325,710**	1,675,303
	22,023,987	8,238,780

16. Deferred taxation

	2018 £
Charged to profit or loss	**41,031**
At end of year	**41,031**

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	**41,031**	-

17. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

18. Reserves

The company's capital and reserves are as follows:

Called up share capital

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

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs represent contributions payable by the company to the fund. The amount of contributions outstanding at the year-end is £6,741 (2017 - £Nil).

20. Commitments under operating leases

At 31 December 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Operating leases which expire:		
Not later than one year	**115,596**	115,559
Between two and five years	**327,429**	442,248
	443,025	557,807

21. Related party transactions

The company has taken advantage of the exemption available under FRS 102, Section 33, to not disclose transactions and balances between wholly owned group entities.

22. Controlling party

The immediate parent company is Doterra Enterprises SARL, a company incorporated in Luxembourg, which is the parent company of the smallest group to consolidate these financial statements. The registered office of Doterra Enterprises SARL is 39, Avenue John F. Kennedy, L-1855, Luxembourg. The ultimate controlling party is Thrive Holdings, LLC.