Doterra (Europe) Limited

Annual report and financial statements

Registered number 06871456

31 December 2022

Contents

Strategic Report

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2022.

Principal activities

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

Review of the business and future developments

As part of a group reorganisation, from 1 September 2021, all non-UK and non-Italy sales were transitioned to the parent company, which holds the relationships with customers. The company's inventory was also transferred to the parent company as part of this transition. From 1 September 2021, the company continued to support the sales in the rest of Europe and so, earned service revenue. The European market experienced growth during 2022 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 managers during the year, translating products and literature into additional languages, and expanding offices and teams.

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:

	2022	2021
Net revenue from product sales (£'000)	27,964	135,607

Revenue growth is the key driver to the company's expansion strategies.

Product cost of sales (£'000)	9,719	43,633
Product cost of sales (%)	34.8	32.2

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)	10,536	52,536
Commissions (%)	37.7	38.7

Commissions are another key expense of the company; a large extent of the company's continued growth depends on the successful efforts of the independent distributors (Wellness Advocates) and the level of commissions help the company to 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:

Economic downturn

The success of the business is reliant on consumer spending and an economic downturn, resulting in a reduction of consumer spending power, may have a direct impact on the income achieved by the company. In response to this risk, the company supplies into different jurisdictions so as to avoid reliance on any one location as far as possible. Management also monitor economic conditions at national and global levels.

Russia and Ukraine conflict

On 24 February 2022, Russian forces entered Ukraine, resulting in western nation reactions including the announcement of sanctions against Russia and Russian interests worldwide and an economic ripple effect on the global economy. Management have carried out an assessment of the potential impact on the business, including the risk of breaching any sanctions and have concluded that the greatest impact continues to be from the economic ripple effect on the global economy.

Product registration and labelling

As the company continues to introduce new products, it is deemed important to ensure that the appropriate labelling and general compliance of products is met. Therefore, the company is actively expanding registration of its products.

Financial risk management

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

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.

Credit risk

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

A payment method available to customers in three countries has resulted in an uncollectible debt that, although not material to the overall performance of the company, has been deemed larger than acceptable based on internal standards. Therefore, this payment method has been eliminated as an option for those who have abused it.

Liquidity risk

Liquidity risk is the risk that the company will have insufficient short-term assets to finance short-term liabilities. The company has significant levels of short-term liabilities, so it is open to liquidity risk. This risk is managed by effective cash management and continual monitoring of short-term funding requirements. The company also has access to short term funding from group sources if necessary.

Going Concern risk

The company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. 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. Accordingly, the company continues to adopt the going concern basis in preparing the financial statements.

Section 172 statement

Our section 172 statement summarises how the Board has factored stakeholder considerations into our decision making.

Section 172 of the Companies Act 2006 (the Act) imposes a duty on a director to act in a way that he or she considers, in good faith, would be most likely to promote the long-term success of the company for the benefit of its members as a whole. In doing so, the directors have regard to the various matters including the interests of stakeholders as well as various other matters. The Companies (Miscellaneous Reporting) Regulations 2018 require companies to report on how the Board has fulfilled the requirements of Section 172(1), including how the Board has factored stakeholder considerations into its decision making.

The Board is fully aware of and supports these requirements. We are pleased to describe below how the Board engages with our stakeholders.

The key stakeholders have an important role to play in the successful operation of our business. Our Board are fully aware of, and take seriously, their responsibilities to those stakeholders under the Act.

We believe that it is appropriate to consider the potential impact on our stakeholders when considering the Company's strategy and in making our key decisions. Indeed, these responsibilities are rooted in our culture, values and company purpose.

The Board considers that, in its decisions and actions to date, it has acted in a way that would promote the success of the Company for the benefit of its members as a whole, while having regard to stakeholders and matters set out in Section 172(1) (a-f) of the Act. It has identified the Company's key stakeholders as our employees, customers, suppliers and vendors, the environment and communities in which we operate, and shareholder. It receives updates on each of these and takes steps to ensure that it remains well informed about them.

The Company directors believe strongly in doing business the right way, with all its decisions underpinned by the impact they have on our five main stakeholder groups. We set out below an area where our Board had regard to Section 172 when discharging its duties and the effect of this on certain of its decisions.

Corporate responsibility (CR): Our employees, shareholder and customers are passionate about the societal, economic and environmental impact of the Company. Our business model, sourcing strategy and humanitarian efforts are designed to give people and communities the resources and tools to become self-reliant. Through pure business practices, and our focus on health, wellness, and philanthropy, our Company is uniquely designed for social impact and personal empowerment for all.

The detailed content in this Annual Report further outlines how during 2022 the Board strove to comply with their duty under Section 172 in considering stakeholders in the Company's decision-making process in order to promote the Company's success. We will continue to consider our stakeholders in the year ahead as the Board makes further decisions in overseeing the Company's strategy. The following narrative summarises our approach.

Long term decision making

Detailed budgets and reforecasts are prepared to enable the Board to track performance and ensure that it is as expected, or that mitigation steps are taken to deliver performance in line with, or close to, expectations. The Board and individual directors operate within this structure, with the aim of promoting the success of the company and delivering long-term shareholder value. Business proposals are documented in line with, and performance tracked against, levels of authority.

High standards of business conduct

We have a Code of Conduct setting out the behaviours and values expected of all our colleagues, which is communicated to all of our colleagues. We have processes to update the Board and management on the operation of our code. Through its oversight and monitoring role, the Board requires all of our people to work to the highest standards of business conduct. Our focus is to do what is right ahead of what is easy. This is supported through ongoing communication and awareness of, and training in, acceptable company conduct. Any reports of inappropriate behaviour are independently investigated and action taken where necessary.

Stakeholder engagement

Employee engagement: we consider that our employees act with the utmost integrity and professional expertise. The Board considers that its employees are both rewarded fairly and incentivised to deliver the Company's strategy. Employee surveys are undertaken regularly to monitor issues arising and these surveys form the basis of action plans. Consultation with employees happens when their views need to be considered in decisions the Company needs to make that will likely affect their interests. All employees are kept abreast of Company news and financial performance in quarterly meetings.

Customers: we have a customer service team, as well as account managers and market development managers liaising with our customers on a regular basis and obtaining feedback. This feedback is reported to the Board and management, as necessary to ensure that the Company can act accordingly to ensure that our customers views are considered in the Company's strategy.

Suppliers: we have built good relationships with our suppliers. Our raw materials are carefully specified and our suppliers are evaluated in accordance with our guidelines on the environment, human rights, business ethics and quality. Feedback is obtained through our sourcing team who work directly with the suppliers.

Our community and the environment: we empower people and communities in their pursuit of self-reliance. We actively encourage our employees to give back to community in whichever way they feel most comfortable and all revenues from certain products are used to give back to communities in need.

This strategic report was approved by the Board on 21 December 2023 and signed on its behalf.

Murray Smith
Director

Directors' Report

The directors present their report together with the audited financial statements for the year ended 31 December 2022.

Proposed dividend

No dividends were paid during the year ended 31 December 2022. No dividends were paid in respect of the previous year ended 31 December 2021.

Directors

The directors who held office during the year and through to the date of the financial statements being issued were as follows:

M Smith

D Wolfert

D Doxey

K Jowers (resigned 10 March 2022)

Post balance sheet events

The Company had no adjusting or non-adjusting post balance sheet events through to the date of signing these financial statements.

Employee engagement

Details on employee engagement can be found within the Company's Section 172 statement in the Strategic Report on pages 1 - 4 in accordance with s414C(11) of the Companies Act 2006 as the directors consider this to be of strategic importance to the Company.

Statement on engagement with suppliers, customers and others in a business relationship with the company

Details on how the Company has fostered relationships with suppliers, customers and others can be found within the Company's Section 172 statement in the Strategic Report on pages 1 - 3 in accordance with s414C(11) of the Companies Act 2006 as the directors consider this to be of strategic importance to the Company

Streamlined energy and carbon reporting (SECR)

The Company is aware of the requirements of the SECR Framework as Implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 and is working towards the reporting requirements.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on pages 1 - 4.

Statement of Directors'' Responsibilities

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 FRS 102 of 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; and
- prepare the financial statements on a 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.

Disclosure of information to auditor

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

Auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton Ireland will therefore continue in office.

By order of the board

M M Smith
Director

Altius House
One North Fourth Street
Milton Keynes
MK9 1DG

21 December 2023

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Independent auditor's report to the members of Doterra (Europe) Limited

Opinion

We have audited the financial statements of Doterra (Europe) Limited ("Company"), which comprise the Profit and loss account and other comprehensive income, the Balance sheet and the Statement of changes in equity for the year ended 31 December 2022, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Doterra (Europe) Limited's financial statements:

- give a true and fair view in accordance with [United Kingdom Generally Accepted Accounting Practice of the assets, liabilities and financial position of the Company as at 31 December 2022 and of its financial performance for the year then ended; and
- have been properly 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 'Responsibilities of the auditor 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 United Kingdom, including the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances for the entity. 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

In auditing the financial statements, we have concluded that the directors' use of going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Grant Thornton

Independent auditor's report to the members of Doterra (Europe) Limited

Other matter

The financial statements of Doterra (Europe) Limited for the year ended 31 December 2021, were audited by BDO LLP who expressed an unmodified opinion on those statements on 23 December 2022.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the directors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a Strategic Report or in preparing the Directors' Report.

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Independent auditor's report to the members of Doterra (Europe) Limited

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102, and for such internal control as directors determine necessary to enable the preparation of financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatement in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with Data Privacy law, Employment Law, Environmental Regulations, Pensions Legislation, Health & Safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK tax legislation. The Audit engagement partner considered

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Independent auditor's report to the members of Doterra (Europe) Limited

Responsibilities of the auditor for the audit of the financial statements (continued)

the experience and expertise of the engagement team to ensure that the team had appropriate competence and capabilities to identify or recognise non-compliance with the laws and regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions. We apply professional scepticism through the audit to consider potential deliberate omission or concealment of significant transactions, or incomplete/inaccurate disclosures in the financial statements.

In response to these principal risks, our audit procedures included but were not limited to:

- enquiries of management on the policies and procedures in place regarding compliance with laws and regulations, including consideration of known or suspected instances of non-compliance and whether they have knowledge of any actual, suspected or alleged fraud;
- inspection of the Company's regulatory and legal correspondence and review of minutes of board meetings during the year to corroborate inquiries made;
- gaining an understanding of the entity's current activities, the scope of authorisation and the effectiveness of its control environment to mitigate risks related to fraud;
- discussion amongst the engagement team in relation to the identified laws and regulations and regarding the risk of fraud, and remaining alert to any indications of non-compliance or opportunities for fraudulent manipulation of financial statements throughout the audit;
- identifying and testing journal entries to address the risk of inappropriate journals and management override of controls
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing
- challenging assumptions and judgements made by management in their significant accounting estimates, including, loyalty rewards and intercompany balance recoverability,
- review of the financial statement disclosures to underlying supporting documentation and inquiries of management.

The primary responsibility for the prevention and detection of irregularities including fraud rests with those charged with governance and management. As with any audit, there remains a risk of non-detection or irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or override of internal controls.

Independent auditor's report to the members of Doterra (Europe) Limited

The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Nolan (Senior Statutory Auditor)

For and on behalf of

Grant Thornton
Chartered Accountants & Statutory Auditors
Cork
Ireland
Date 22 December 2023

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2022

	Note	2022 £	2021 £
Turnover	2	**38,921,561**	144,564,289
Cost of sales		**(23,414,215)**	(120,591,501)
Gross profit		**15,507,346**	23,972,788
Administrative expenses		**(8,756,994)**	(17,378,718)
Operating profit		**6,752,352**	6,594,070
Interest receivable and similar income	6	**1,561**	5
Interest payable and similar expenses	7	**(20,827)**	(5,586)
Profit before taxation		**6,733,086**	6,588,489
Tax on profit	8	**(1,307,528)**	(1,297,586)
Profit for the financial year		**5,425,558**	5,290,903
Other comprehensive income		**(4,967)**	14,606
Total comprehensive income for the year		**5,420,591**	5,305,509

There was no other comprehensive income for the year (*2021: £nil*).

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

Balance Sheet
at 31 December 2022

	Note	2022		2021	
		£	£	£	£
Fixed assets					
Tangible assets	*9*	**423,515**		547,776	
Investments	*10*	**22,500**		22,500	
			446,015		570,276
Current assets					
Debtors: amounts falling due within one year	*11*	**13,134,862**		13,525,241	
Cash at bank and in hand	*12*	**6,305,618**		4,122,025	
		19,440,480		17,647,266	
Creditors: amounts falling due within one year	*13*	**(8,101,523)**		(11,837,884)	
Net current assets			**11,338,957**		5,809,382
Total assets less current liabilities			**11,784,972**		6,379,658
Deferred tax liability		**(87,235)**		(102,512)	
			(87,235)		(102,512)
Net assets			**11,697,737**		6,277,146
Capital and reserves					
Called up share capital	*15*		**1**		1
Profit and loss account			**11,688,097**		6,262,539
Foreign exchange reserve			**9,639**		14,606
Shareholders' funds			**11,697,737**		6,277,146

These financial statements were approved by the board of directors on 21 December 2023 and were signed on its behalf by:

M M Smith
Director

Company registered number: 06871456

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

Statement of Changes in Equity

	Called up share capital	Profit and loss account	Foreign exchange reserve	Total equity
	£	£	£	£
Balance at 1 January 2022	1	6,262,539	14,606	**6,277,146**
Total comprehensive income for the period				
Profit for the year	-	5,425,558	-	**5,425,558**
Foreign exchange translation	-	-	(4,967)	**(4,967)**
Total comprehensive income for the year	**-**	**5,425,558**	**(4,967)**	**5,420,591**
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**
Balance at 31 December 2022	**1**	**11,688,097**	**9,639**	**11,697,737**

	Called up share capital	Profit and loss account	Foreign exchange reserve	Total equity
	£	£	£	£
Balance at 1 January 2021	1	971,636	-	**971,637**
Total comprehensive income for the period				
Profit for the year	-	5,290,903	-	**5,290,903**
Foreign exchange translation	-	-	14,606	**14,606**
Total comprehensive income for the year	**-**	**5,290,903**	**14,606**	**5,305,509**
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**
Balance at 31 December 2021	**1**	**6,262,539**	**14,606**	**6,277,146**

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

Notes
(forming part of the financial statements)

1 Accounting Policies

Doterra (Europe) Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in England and Wales in the UK under the Companies Act 2006. The registered number is 06871456 and the registered address is Altius House, One North Fourth Street, Milton Keynes, MK9 1DG. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

The Company's intermediate parent undertaking, Thrive Holdings, LLC includes the Company in its consolidated financial statements. The consolidated financial statements of Thrive Holdings, LLC are prepared in accordance with United States Generally Accepted Accounting Principles and are available to the public and have been filed with these financial statements. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- the requirements of Section 7 Statement of Cashflows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The Company is exempt from the requirement to prepare consolidated financial statements under Companies Act 2006 s401.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 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. The company expects to continue to meet its liabilities through cash held and generated from the business. The directors have performed a full analysis, which includes cash flow forecasts through to December 2024, including appropriate sensitivity analysis. For this reason, the directors consider it appropriate to prepare the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- leasehold improvements 5 years
- office equipment 5 years
- furniture and fixtures 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.6 Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.8 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.9 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 turnover 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 revenues can be measured reliably; and

d) it is probable that future economic benefits will flow to the Company.

The Company distributes private label products directly to the customers. Sales of goods are recognised on sale to the customer, which is considered to be the date on which the customer receives 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.

1.10 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

1.12 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 the annual general meeting.

2 Turnover

	2022 £	2021 £
Sale of oils and related products	**27,964,362**	135,606,889
Sale of services	**10,957,199**	8,957,401
	38,921,561	144,564,289

	2022 £	2022 £
United Kingdom	**25,621,226**	26,529,708
Rest of Europe	**13,300,335**	118,034,581
	38,921,561	144,564,289

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in operating profit are the following:

	2022 £	2021 £
Depreciation of tangible fixed assets	**172,101**	159,971
Operating lease expense	**263,741**	359,478
Gain on foreign exchange transactions	**(60,517)**	(65,530)

Auditor's remuneration:

	2022 £	2021 £
Audit of these financial statements	**35,000**	40,000
Accounts preparation services	**-**	-
Taxation compliance services	**5,550**	5,000

4 Staff numbers and costs

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

	Number of employees 2022	2021
Operations	**30**	28
Sales and marketing	**37**	25
Administration and finance	**14**	17
	81	70

The aggregate payroll costs of these persons were as follows:

	2022 £	2021 £
Wages and salaries	**3,201,724**	3,090,106
Social security costs	**364,813**	258,327
Contributions to defined contribution plans	**86,052**	74,318
	3,652,589	3,422,751

Notes *(continued)*

5 Directors' remuneration

	2022	2021
	£	£
Directors' remuneration	-	-
Company contributions to money purchase pension plans	-	-
	-	-

There were 4 directors during the year (*2021: 6*) and none of these (*2021: none*) were remunerated.

The number of directors for whom retirement benefits were accruing under money purchase pension schemes amounted to nil (*2021: nil*).

6 Other interest receivable and similar income

	2022	2021
	£	£
Interest receivable	**1,561**	5
Total interest receivable and similar income	**1,561**	5

7 Interest payable and similar expenses

	2022	2021
	£	£
Bank interest payable	**20,827**	5,586
Total other interest payable and similar expenses	**20,827**	5,586

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account

	2022	2021
	£	£
Current tax		
Current tax on income for the period	**1,301,491**	1,273,001
Adjustments in respect of prior periods	**21,314**	-
Total current tax	**1,322,805**	1,273,001
Deferred tax (see note 16)		
Origination and reversal of timing differences	**(15,277)**	24,585
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**(15,277)**	24,585
Total tax	**1,307,528**	1,297,586

Reconciliation of effective tax rate

	2022	2021
	£	£
Profit for the year	**5,425,558**	5,315,488
Total tax expense	**1,307,528**	1,273,001
Profit excluding taxation	**6,733,086**	6,588,489
Tax using the UK corporation tax rate of 19% *(2021: 19 %)*	**1,279,286**	1,251,813
Non-deductible expenses	**1,391**	14,112
Adjustments to prior periods	**21,314**	-
Fixed asset differences	**9,125**	7,058
Tax rate differences	**(3,692)**	24,603
Movement in deferred tax not recognised	**104**	-
Total tax expense included in profit or loss	**1,307,528**	1,297,586

From 1 April 2017, the main rate of corporation tax was reduced from 20% to 19%. A further reduction to 18% (effective 1 April 2022) was substantively enacted on 26 October 2015, an additional reduction to 17% (effective 1 April 2022) was substantively enacted on 6 September 2016, and an increase to 19% (effective 1 April 2022) was substantively enacted on 17 March 2022. An increase in tax rate to 25% (effective 1 April 2023) was substantively enacted 24 May 2022. Therefore, the deferred tax liability at 31 December 2022 has been calculated using a tax rate of 25%.

Notes *(continued)*

9 Tangible fixed assets

	Leasehold improvements £	Office equipment £	Furniture and fixtures £	Total £
Cost				
Balance at 1 January 2022	327,624	321,647	201,101	850,372
Additions	-	45,827	1,770	47,597
Disposals	-	-	-	-
Balance at 31 December 2022	327,624	367,474	202,871	897,969
Depreciation and impairment				
Balance at 1 January 2022	80,784	137,666	84,146	302,596
Depreciation charge for the year	65,525	68,792	37,784	172,101
Disposals	-	-	-	-
Balance at 31 December 2022	146,309	206,458	121,930	474,697
Net book value				
At 31 December 2022	**181,315**	**161,016**	**80,941**	**423,272**
At 31 December 2021	246,840	183,981	116,955	547,776

Notes *(continued)*

10 Fixed asset investments

	Shares in group undertakings £
Cost	
At beginning of year	22,500
Additions	-
Disposals	-
At end of year	22,500
Provisions	
At beginning of year	-
Provided in year	-
At end of year	-
Net book value	
At 31 December 2022	**22,500**
At 31 December 2021	22,500

The Company has the following investments in subsidiaries:

	Registered office address	Class of shares held	Ownership 2022 %
dōTERRA Europe Marketing GmbH	Konrad - Zuse - Platz 4, 81829 Munchen, Germany	Ordinary	100

Notes *(continued)*

11 Debtors

	2022	2021
	£	£
Trade debtors	**213,756**	561,193
Amounts owed by group undertakings	**12,408,324**	12,126,722
Other debtors	**411**	-
Other taxation and social security	**-**	685,361
Prepayments and accrued income	**137,454**	151,965
Corporation tax	**374,917**	-
	13,134,862	13,525,241
Due within one year	**13,134,862**	13,525,241

12 Cash and cash equivalents

	2022	2021
	£	£
Cash at bank and in hand	**6,305,618**	4,122,025

13 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	**343,272**	644,902
Amounts owed to group undertakings	**2,814,696**	4,302,180
Corporation tax	**-**	628,633
Other taxation and social security	**251,609**	832,692
Other creditors	**3,223,473**	3,403,630
Accruals and deferred income	**1,468,473**	2,025,847
	8,101,523	11,837,884

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	£	£	£	£	£	£
Accelerated capital allowances	**-**	-	**87,235**	102,512	**87,235**	102,512
Net tax (assets) / liabilities	**-**	-	**87,235**	102,512	**87,235**	102,512

Notes *(continued)*

15 Capital and reserves

Share capital

	2022	2021
	£	£
Allotted, called up and fully paid		
1 ordinary share of £1 each	**1**	1

16 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 £nil *(2021: £nil)*.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£	£
Less than one year	**192,411**	207,440
Between one and five years	**731,588**	518,600
More than five years	**563,625**	-
	1,487,624	829,760

During the year £263,741 (*2021: £359,478*) was recognised as an expense in the profit and loss account in respect of operating leases.

18 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 on the following key source of estimation uncertainty:

- 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 £2,162,229 (*2021: £2,440,582*).
- Recoverability of amounts owed by group undertakings. Management assesses the recoverability of amounts owed by group undertakings and records a reserve where there is any uncertainty. No reserve was deemed necessary in 2022 or 2021.

Notes *(continued)*

19 Restatement of prior year balances

During the year ended 31 December 2022, it was identified that an intercompany debtor balance had been incorrectly classified as an intercompany creditor balance in the financial statements for the year ended 31 December 2021. This had no impact on the company's income statement, net current asset position or retained earnings balance.

The associated prior year comparative balances in these financial statements have been restated accordingly and the financial statement line items affected are noted in the table below:

	As previously reported 2021 £	Adjustment 2021 £	Restated 2021 £
Balance sheet:			
Debtors: amounts falling due within one year			
Amounts owed by group undertakings	10,219,533	1,907,189	12,126,722
Creditors: amounts falling due within one year			
Amounts owed to group undertakings	(2,394,991)	(1,907,189)	(4,302,180)

20 Related parties

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.

21 Ultimate parent company

The Company is a subsidiary undertaking of doTERRA Global Limited, a company incorporated in Ireland. The ultimate parent company is Thrive Holdings, LLC.

The smallest and largest group in which the results of the company are consolidated is that headed by Thrive Holdings, LLC, a company incorporated in the United States of America. The consolidated financial statements of this group are available to the public and have been filed with these financial statements.