

REGISTERED NUMBER: SC208842 (Scotland)

**Strategic Report, Report of the Director and
Financial Statements for the Year Ended 31 May 2019
for
Ethigen Limited**

**COMPANIES HOUSE
EDINBURGH**

28 FEB 2020

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for the Year Ended 31 May 2019**

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Ethigen Limited
Company Information
for the Year Ended 31 May 2019

DIRECTOR: Mr Nigel J Kelly

SECRETARY: Mr Martin Kelly

REGISTERED OFFICE: 10/16
10 Colvilles Place
East Kilbride
Glasgow
G75 0SN

REGISTERED NUMBER: SC208842 (Scotland)

AUDITORS: Stevenson & Kyles
Chartered Accountants
Statutory Auditor
25 Sandyford Place
Glasgow
G3 7NG

**Strategic Report
for the Year Ended 31 May 2019**

The director presents his strategic report for the year ended 31 May 2019.

**Strategic Report
for the Year Ended 31 May 2019**

REVIEW OF BUSINESS

2019 has been another good year for Ethigen Limited. The director continues to strive for continuous improvement in all areas of the business including quality, building infrastructure and resources in order to maintain growth.

The Medicines and Healthcare Regulatory Agency (MHRA) continues to place strict regulations on the industry and tight restrictions remain in place on the import and export of goods.

There has also been tough price competition but the director was pleased with the performance of existing key generic and branded products that maintained and grew market share. Quality management and enhancement will continue.

The director is pleased with the performance during the year and is confident of the company's future as it evolves.

The report and financial statements reflect the business of the company. Highlights for the year include:-

- * An increase in total revenue of 2.49% year on year.
- * The margin is 10.02%, (2018 - 10.42%)

The company now has reciprocal trading with eleven European Countries.

Results

Total revenues of £194 million (2018 - £189 million) increased by 2.49% on the previous year. Total operating costs increased over the year by 12.9%. Operating profit, before taxation and exceptional items was £4,146,864 (2018 - £6,148,627).

Business operation

Our facilities continued to be upgraded to support the increasing level of business. We continue to use the services of external consultants to assist in maintaining health and safety matters to the highest possible standards. The company is well placed to maintain its position within the wholesale pharmaceutical sector.

Competition and consumer trends

The wholesale pharmaceutical sector of the UK economy is highly competitive and the company's future financial performance would be at risk if it failed to anticipate business trends. The company obtains feedback from its customers, and uses that feedback to ensure that it continues to offer the type and quality of services that its customers expect. The business now has credit insurance in place for certain customers to cover the possibility of future bad debts.

Health and safety

A major incident resulting from a health and safety failure would be a significant financial risk to the company. To mitigate the risk the company utilises the services of external health and safety consultants to assist in maintaining health and safety matters to the highest possible standards. In particular the company seeks to achieve consistent compliance at all level with the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Regulations 1999 and associated regulations.

**Strategic Report
for the Year Ended 31 May 2019**

Environmental matters

The company is conscious of its responsibilities to the environment. Waste paper and materials are recycled where possible and efforts are being made to reduce energy and water consumption.

By considering the above areas, paying creditors within normal trading terms and maintaining a high quality service to customers the director will continue to promote the success of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a moderate level of price competition for its products as is the nature of the Generics market. The company manages this risk by having competitive pricing for a wide range of products with strong emphasis on quality and a robust supply chain.

The company's exposure to credit risk, liquidity risk and cash flow risk is at a low level. The company manages these risks by financing its operations through retained profits with monitoring and forecasting of cash flow. The company manages its trade creditors by ensuring sufficient funds are available to meet liabilities as they become due or pay in advance as may be required in some contracts. Trade debtors are managed in respect of credit and cash flow by policies controlling credit offered to customers and regular monitoring of amounts receivable.

Foreign exchange risk

The company is exposed to fluctuations in foreign exchange rates. However, the director does not consider that there are material impacts on results in the immediate future and continues to monitor the situation on a regular basis.

Brexit

The decision by the British public in 2016 to leave the European Union continues to bring uncertainty to financial markets and the UK economy as a whole. Over the last three years we have seen significant movements in foreign exchange rates which have had varying impacts on our trading. Management is actively monitoring the situation, and while acknowledging that there remains significant uncertainty in this area, are taking appropriate steps to minimise short term financial risk to the company.

ON BEHALF OF THE BOARD:



Mr Nigel J Kelly - Director

26 February 2020

**Report of the Director
for the Year Ended 31 May 2019**

The director presents his report with the financial statements of the company for the year ended 31 May 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the wholesale of pharmaceutical goods.

DIVIDENDS

Interim dividends of £1,920,000 were paid during the year.

The total distribution of dividends for the year ended 31 May 2019 were £1,920,000 (2018 - £150,000).

FUTURE DEVELOPMENTS

The director expects to continue making further good progress in developing the long term growth of the company, and further expansion in the UK and EU markets.

DIRECTOR

Mr Nigel J Kelly was the sole director during the year under review.

His beneficial interest in the issued share capital of the company was as follows:

	31.5.19	1.6.18
Ordinary £1 shares	1,000	1,000

GENERAL COMPANY POLICIES

Employee Communications

Colleagues at all levels are kept informed regularly of matters that affect the progress of the company and may be of interest.

Employment policies

The company is an equal opportunity employer and is committed to positive policies in recruitment, training and career development for all colleagues (and potential colleagues) regardless of marital status, religion, colour, race, ethnic origin or disability.

Full consideration is given to application for employment by disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing colleagues become disabled it is the company's policy, where practical, to provide continuing employment under similar terms and conditions and to provide training and career development.

DISCLOSURE IN THE STRATEGIC REPORT

The company has chosen in accordance with the Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 to be contained in the director's report. It has done so in respect of financial instruments.

**Report of the Director
for the Year Ended 31 May 2019**

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

The auditors, Stevenson & Kyles, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



Mr Nigel J Kelly - Director

26 February 2020

Report of the Independent Auditors to the Members of Ethigen Limited

Opinion

We have audited the financial statements of Ethigen Limited (the 'company') for the year ended 31 May 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the director's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the director has 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 director is responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Director, but does not include the financial statements and our Report of the Auditors thereon.

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

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

Report of the Independent Auditors to the Members of Ethigen Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Director.

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

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

Responsibilities of director

As explained more fully in the Statement of Director's Responsibilities set out on page six, the director is 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 director determines 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 director 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 the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

**Report of the Independent Auditors to the Members of
Ethigen Limited**

Use of our report

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

A handwritten signature in black ink, appearing to read 'Mark Dunn', with a long horizontal flourish extending to the right.

Mark Dunn (Senior Statutory Auditor)
for and on behalf of Stevenson & Kyles
Chartered Accountants
Statutory Auditor
25 Sandyford Place
Glasgow
G3 7NG

26 February 2020

**Income Statement
for the Year Ended 31 May 2019**

	Notes	2019 £	2018 £
TURNOVER	3	193,517,346	188,820,621
Cost of sales		174,134,497	169,152,850
GROSS PROFIT		19,382,849	19,667,771
Distribution costs		5,178,452	4,906,516
Administrative expenses		9,677,324	8,252,001
		14,855,776	13,158,517
OPERATING PROFIT	6	4,527,073	6,509,254
Interest receivable and similar income		-	391
		4,527,073	6,509,645
Interest payable and similar expenses	7	380,209	361,018
PROFIT BEFORE TAXATION		4,146,864	6,148,627
Tax on profit	8	841,994	1,218,455
PROFIT FOR THE FINANCIAL YEAR		3,304,870	4,930,172

The notes form part of these financial statements

**Other Comprehensive Income
for the Year Ended 31 May 2019**

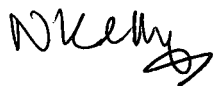
	Notes	2019 £	2018 £
PROFIT FOR THE YEAR		3,304,870	4,930,172
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,304,870</u>	<u>4,930,172</u>

The notes form part of these financial statements

Balance Sheet
31 May 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	10	254,483	285,070
Tangible assets	11	2,087,256	1,888,589
		<u>2,341,739</u>	<u>2,173,659</u>
CURRENT ASSETS			
Stock	12	16,834,739	15,951,936
Debtors	13	35,915,847	34,868,352
Cash in hand		7,247	8,677
		<u>52,757,833</u>	<u>50,828,965</u>
CREDITORS			
Amounts falling due within one year	14	30,787,417	30,198,780
NET CURRENT ASSETS		<u>21,970,416</u>	<u>20,630,185</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>24,312,155</u>	<u>22,803,844</u>
CREDITORS			
Amounts falling due after more than one year	15	(141,709)	(76,317)
PROVISIONS FOR LIABILITIES	19	(108,212)	(50,163)
NET ASSETS		<u>24,062,234</u>	<u>22,677,364</u>
CAPITAL AND RESERVES			
Called up share capital	20	1,000	1,000
Retained earnings	21	24,061,234	22,676,364
SHAREHOLDERS' FUNDS		<u>24,062,234</u>	<u>22,677,364</u>

The financial statements were approved by the director on 26 February 2020 and were signed by:



Mr Nigel J Kelly - Director

**Statement of Changes in Equity
for the Year Ended 31 May 2019**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 June 2017	1,000	17,896,192	17,897,192
Changes in equity			
Dividends	-	(150,000)	(150,000)
Total comprehensive income	-	4,930,172	4,930,172
Balance at 31 May 2018	<u>1,000</u>	<u>22,676,364</u>	<u>22,677,364</u>
Changes in equity			
Dividends	-	(1,920,000)	(1,920,000)
Total comprehensive income	-	3,304,870	3,304,870
Balance at 31 May 2019	<u>1,000</u>	<u>24,061,234</u>	<u>24,062,234</u>

**Cash Flow Statement
for the Year Ended 31 May 2019**

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	1	538,457	5,924,907
Interest paid		(361,240)	(342,347)
Interest element of hire purchase payments paid		(18,969)	(18,671)
Tax paid		(1,478,606)	(588,914)
Net cash from operating activities		<u>(1,320,358)</u>	<u>4,974,975</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(100,315)	(169,447)
Purchase of tangible fixed assets		(928,689)	(454,916)
Sale of tangible fixed assets		67,563	67,323
Interest received		-	391
Net cash from investing activities		<u>(961,441)</u>	<u>(556,649)</u>
Cash flows from financing activities			
Capital repayments in year		185,776	(61,531)
Amount introduced by directors		-	24,997
Amount withdrawn by directors		(324,598)	-
Equity dividends paid		(1,920,000)	(150,000)
Net cash from financing activities		<u>(2,058,822)</u>	<u>(186,534)</u>
(Decrease)/increase in cash and cash equivalents		<u>(4,340,621)</u>	<u>4,231,792</u>
Cash and cash equivalents at beginning of year	2	(9,789,832)	(14,021,624)
Cash and cash equivalents at end of year	2	<u><u>(14,130,453)</u></u>	<u><u>(9,789,832)</u></u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 May 2019**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019 £	2018 £
Profit before taxation	4,146,864	6,148,627
Depreciation charges	752,411	682,184
Loss on disposal of fixed assets	40,950	14,427
Finance costs	380,209	361,018
Finance income	-	(391)
	<u>5,320,434</u>	<u>7,205,865</u>
(Increase)/decrease in stock	(882,803)	1,353,436
Increase in trade and other debtors	(1,047,495)	(4,352,498)
(Decrease)/increase in trade and other creditors	<u>(2,851,679)</u>	<u>1,718,104</u>
Cash generated from operations	<u><u>538,457</u></u>	<u><u>5,924,907</u></u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 May 2019

	31.5.19 £	1.6.18 £
Cash and cash equivalents	7,247	8,677
Bank overdrafts	(14,137,700)	(9,798,509)
	<u><u>(14,130,453)</u></u>	<u><u>(9,789,832)</u></u>

Year ended 31 May 2018

	31.5.18 £	1.6.17 £
Cash and cash equivalents	8,677	9,881
Bank overdrafts	(9,798,509)	(14,031,505)
	<u><u>(9,789,832)</u></u>	<u><u>(14,021,624)</u></u>

**Notes to the Financial Statements
for the Year Ended 31 May 2019**

1. COMPANY INFORMATION

Ethigen Limited is a private company incorporated in Scotland and limited by shares.

Its registered address is 10/16, 10 Colvilles Place, East Kilbride G75 0SN.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

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

Significant judgements and estimates

No significant judgements have had to be made by management in preparing these financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Licences

Licences are amortised on a straight line basis of 20% over their expected useful lives.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold improvements	- 33.33% on cost and 10% on cost
Fittings and equipment	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on cost

Stocks

Stock are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Financial instruments

Basic financial instruments, including debtors and creditors with no stated interest rate and receivable or payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in administrative expenses.

Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

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

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2019**

2. ACCOUNTING POLICIES - continued

Deferred tax

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

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

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

Foreign currencies

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. The amount charged to the statement of income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

3. TURNOVER

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

The geographical analysis of turnover has not been given as in the opinion of the director such disclosure would be seriously detrimental to the company.

4. EMPLOYEES AND DIRECTORS

	2019	2018
	£	£
Wages and salaries	9,165,720	8,197,858
Social security costs	944,809	764,820
Other pension costs	206,059	299,382
	10,316,588	9,262,060

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2019**

4. EMPLOYEES AND DIRECTORS - continued

The average number of employees during the year was as follows:

	2019	2018
Managerial	98	91
Distribution	184	177
	<u>282</u>	<u>268</u>

5. DIRECTORS' EMOLUMENTS

	2019 £	2018 £
Director's remuneration	20,000	14,667
Director's pension contributions to money purchase schemes	-	91,433
	<u></u>	<u></u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>1</u>	<u>1</u>
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6. OPERATING PROFIT

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation - owned assets	417,587	415,298
Depreciation - assets on hire purchase contracts	203,922	142,746
Loss on disposal of fixed assets	40,950	14,427
Licences amortisation	130,902	124,140
Auditors' remuneration	23,626	23,026
Rent	376,167	282,236
	<u></u>	<u></u>

	2019 £	2018 £
<u>Auditors Remuneration</u>		
Audit fees	21,626	21,026
Taxation	2,000	2,000
	<u>23,626</u>	<u>23,026</u>

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019	2018
	£	£
Bank interest	361,240	342,347
Hire purchase interest	18,969	18,671
	<u>380,209</u>	<u>361,018</u>

8. TAXATION

Analysis of the tax charge

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

	2019	2018
	£	£
Current tax:		
UK corporation tax	783,945	1,229,625
Deferred tax	58,049	(11,170)
Tax on profit	<u>841,994</u>	<u>1,218,455</u>

Reconciliation of total tax charge included in profit and loss

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

	2019	2018
	£	£
Profit before tax	<u>4,146,864</u>	<u>6,148,627</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	787,904	1,168,239
Effects of:		
Expenses not deductible for tax purposes	31,971	31,119
Capital allowances in excess of depreciation	(35,930)	-
Depreciation in excess of capital allowances	-	30,267
Deferred Tax	58,049	(11,170)
Total tax charge	<u>841,994</u>	<u>1,218,455</u>

9. DIVIDENDS

	2019	2018
	£	£
Ordinary shares of £1 each		
Dividends	<u>1,920,000</u>	<u>150,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

10. INTANGIBLE FIXED ASSETS

	Licences £
COST	
At 1 June 2018	798,836
Additions	100,315
At 31 May 2019	899,151
AMORTISATION	
At 1 June 2018	513,766
Amortisation for year	130,902
At 31 May 2019	644,668
NET BOOK VALUE	
At 31 May 2019	254,483
At 31 May 2018	285,070

11. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Fittings and equipment £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 June 2018	1,130,453	1,094,612	1,264,730	672,437	4,162,232
Additions	-	33,509	678,602	216,578	928,689
Disposals	-	-	(242,019)	-	(242,019)
At 31 May 2019	1,130,453	1,128,121	1,701,313	889,015	4,848,902
DEPRECIATION					
At 1 June 2018	532,018	583,643	632,388	525,594	2,273,643
Charge for year	116,418	81,120	287,715	136,256	621,509
Eliminated on disposal	-	-	(133,506)	-	(133,506)
At 31 May 2019	648,436	664,763	786,597	661,850	2,761,646
NET BOOK VALUE					
At 31 May 2019	482,017	463,358	914,716	227,165	2,087,256
At 31 May 2018	598,435	510,969	632,342	146,843	1,888,589

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

11. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Motor vehicles £
COST	
At 1 June 2018	642,655
Additions	636,404
Transfer to ownership	(381,897)
At 31 May 2019	897,162
DEPRECIATION	
At 1 June 2018	231,607
Charge for year	203,922
Transfer to ownership	(166,418)
At 31 May 2019	269,111
NET BOOK VALUE	
At 31 May 2019	628,051
At 31 May 2018	411,048

12. STOCK

	2019 £	2018 £
Stock	16,834,739	15,951,936

Stock recognised in cost of sales during the year as an expense was £173,251,694 (2018 - £168,491,350).

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade debtors	34,981,396	32,967,677
Sundry debtors	934,451	1,900,675
	35,915,847	34,868,352

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	£	£
Bank loans and overdrafts (see note 16)	14,137,700	9,798,509
Hire purchase contracts (see note 17)	336,609	216,225
Trade creditors	12,335,294	13,799,133
Other creditors	-	945,298
Taxation	533,946	1,228,607
Social security and other taxes	1,775,449	280,984
Director's loan account	7,513	332,111
Accrued charges	1,660,906	3,597,913
	<u>30,787,417</u>	<u>30,198,780</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2019	2018
	£	£
Hire purchase contracts (see note 17)	<u>141,709</u>	<u>76,317</u>

16. LOANS

An analysis of the maturity of loans is given below:

	2019	2018
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>14,137,700</u>	<u>9,798,509</u>

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2019	2018
	£	£
Net obligations repayable:		
Within one year	336,609	216,225
Between one and five years	141,709	76,317
	<u>478,318</u>	<u>292,542</u>

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

17. LEASING AGREEMENTS - continued

	Non-cancellable operating leases	
	2019	2018
	£	£
Within one year	345,000	250,000
Between one and five years	1,380,000	1,000,000
In more than five years	4,485,000	3,500,000
	<u>6,210,000</u>	<u>4,750,000</u>

The operating lease commitment relates to the lease of the property from where the company conducts its business.

The total interest element outstanding at 31 May 2019, relating to Hire Purchase Contracts is £23,282 (2018 - £14,620).

18. SECURED DEBTS

The following secured debts are included within creditors:

	2019	2018
	£	£
Bank overdrafts	14,137,700	9,798,509
Hire purchase contracts	478,318	292,542
	<u>14,616,018</u>	<u>10,091,051</u>

The bank borrowings are secured by a bond and floating charge and a first security over the trade debtors.

Hire Purchase Contracts are secured over the related assets.

19. PROVISIONS FOR LIABILITIES

	2019	2018
	£	£
Deferred tax	<u>108,212</u>	<u>50,163</u>
		Deferred tax £
Balance at 1 June 2018		50,163
Charge to Income Statement during year		58,049
Balance at 31 May 2019		<u>108,212</u>

Notes to the Financial Statements - continued
for the Year Ended 31 May 2019

19. PROVISIONS FOR LIABILITIES - continued

The amount for provisions for liabilities includes the following deferred tax liabilities by type of timing difference :

	2019	2018
	£	£
Accelerated capital allowances	108,812	50,163
	=====	=====

The amount of the net reversal of deferred tax expected to occur next year is £47,222 (2018 - £12,856) in respect of existing timing differences on tangible fixed assets.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2019	2018
			£	£
1,000	Ordinary	£1	1,000	1,000
			=====	=====

The shares have full rights with regards to voting, dividends and participation.

21. RESERVES

	Retained earnings £
At 1 June 2018	22,676,364
Profit for the year	3,304,870
Dividends	(1,920,000)
	=====
At 31 May 2019	24,061,234
	=====

22. RELATED PARTY DISCLOSURES

During the year , Rent of £345,000 (2018 - £250,000) was paid to KWP (Glasgow) Ltd., a company 25% controlled by Mr and Mrs Nigel Kelly. At the year end, the amount due was £nil (2018 - £nil).

During the year, Labelling Services of £669,070 (2018 - £794,185) were provided to the company by Pilsco Limited, a company 100% controlled by Mr Nigel Kelly. At the year end the amount owed to Ethigen Limited was £nil (2018 - £207,418). Sales of £292,890 (2018 - £nil) were made by Ethigen Ltd to Pilsco Limited. At the year end £nil (2018 - £nil) was owed by Pilsco Limited.

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2019**

23. ULTIMATE CONTROLLING PARTY

The company was under the control of the director, Mr N Kelly, and Mrs A Kelly, throughout the year. Mr N Kelly and Mrs A Kelly together own 100% of the company's issued share capital.