

**COMPANIES HOUSE
EDINBURGH**

Company Registration No. SC331521 (Scotland)

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**VEGWARE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2019**

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COMPANIES HOUSE

VEGWARE LIMITED

COMPANY INFORMATION

Directors	J Frankel D Robb K Wilson I Drury L Frankel T Suter J Suter M Clegg H Mathieson
Secretary	Burness Paull LLP
Company number	SC331521
Registered office	39 Melville Street Edinburgh EH3 7JF
Auditor	RSM UK Audit LLP Chartered Accountants First Floor, Quay 2 139 Fountainbridge Edinburgh EH3 9QG

VEGWARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

The directors present the strategic report for the year ended 31 January 2019.

Vegware is a manufacturer and visionary brand. It is now widely recognised as the global specialist in plant-based compostable foodservice packaging, with operational bases in the UK, USA, Australia and Hong Kong, with distribution throughout Europe, the Middle East and the Caribbean.

Vegware's plant-based catering disposables are made from renewable, lower carbon or recycled materials and are all suitable for commercial composting with food waste. Recent media coverage of environmental issues has resulted in a huge increase in demand for Vegware products, as demonstrated by the growth in turnover, and this level of growth has continued into the new financial year and is expected to continue as consumers continue to demand more environmentally aware products.

The spike in global demand for compostable foodservice products resulted in increased raw material prices. Vegware took the strategic decision to not immediately pass these increases onto their clients, resulting in reduced margin, but measures have now been put in place to improve margin towards historical levels.

Vegware's innovative approach makes it a market leader and very strong relationships are enjoyed across the industry, including major contract caterers and national and regional distributors. Vegware embraces a strategic partnership approach to its clients, with a strong focus on R&D and innovation to ensure regular product refresh to meet client demand. This includes regular strategic discussion with clients to understand their expected product evolution to ensure product supply meets product demand as well as providing full creative consultancy and custom printing services.

Vegware's engagement with the waste sector is one of its key strategic advantages and is driving change in foodservice recycling, actively increasing access to commercial composting and offering clients full environmental support. Vegware continues to focus not only on the development and supply of compostable packaging, but is a market leader in ensuring that the disposal of used product to composting facilities is maximised, and its own trade waste collection initiative, Close the Loop, is becoming an increasingly important part of its offering to clients.

The surge in demand for Vegware products and the anticipated continued growth in the sector prompted the Group to undertake a number of strategic initiatives to ensure the business is best placed to meet future demand, including:

- Investment in new systems to cope with the growing complexity of increased product lines, clients and geographical territories;
- Relocation of office space to meet growth and project a stronger brand image;
- Continued investment in the team for the UK and European markets;
- Relocation of warehousing to meet current demand and also ensuring that there is sufficient capacity to meet the expected growth of future years;
- Progression of plans to establish a warehouse in the EU zone both as a safeguard against Brexit and also as a strategic development to better serve the European market. While growth in Europe has been significant in recent years, it is anticipated that the establishment of a warehouse in the EU zone will increase Vegware's competitiveness in this vast market and accelerate growth even beyond current levels.

Vegware's combination of innovative products and services, knowledge capital, growing global presence and a supportive legislative and consumer environment, has created the platform to enable Vegware to become one of the world's foremost brands of eco catering disposables.

The initiatives outlined above along with the strategic decision to hold pricing dampened the growth in profitability in the financial year but has strengthened the business in key areas to allow it to meet the increasing demands and opportunities in a rapidly growing sector, and the group has made the strategic investment required to increase future profitability.

VEGWARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

Business review

Vegware is a dynamic, fast-growing, international business achieving an underlying operating profit of £1.1m in 2019 (2018: £1.1m). Investment in new systems, relocation of office space and warehousing has been completed in 2018 to facilitate continuing growth. The Vegware group includes a sister company in the US (trading from 2017), resulting in Vegware Limited incurring costs of over £529k (2018: £435k) in respect of marketing services provided by Vegware Packaging Inc. promoting the Vegware brand in the US in line with a service agreement. Including these costs, Vegware Limited achieved an operating profit of £537,299 (2018: £610,762).

Vegware has consistently delivered double digit sales growth year after year, and the year to 31 January 2019 continued this trend with total sales of £30.8m (2018: £20.1m). UK sales grew to £20.8m (2018: £14.8m), which was driven by the continued excellent relationships with core clients and the development of significant new business. UK sales are projected to continue to grow strongly as these key relationships continue to be developed and new distributor relationships are established.

Export sales grew to £10m (2018: £5.4m) in the financial year and Vegware is now sold in more than 70 countries globally. The application of additional resource to the key international markets should see export sales continue to show strong growth.

Principal risks and uncertainties

Rising raw material prices resulted in increased pressure on margin and measures have been put in place to improve margin towards historical levels.

With significant sales in Europe, the continuing uncertainty around Brexit is a risk. In response to this, the company has secured additional working capital facilities to increase stockholding and is making arrangements to hold stock in the EU zone.

A proportion of raw materials are purchased from overseas markets in US dollars and Euro and is subject to fluctuations in exchange rates. The company uses forward contracts and option agreements to minimise the impact of this, this year saw a change in the fair value of the derivatives resulting in a gain of £293,000 charged to the statement of comprehensive income (2018: a loss of £514,453).

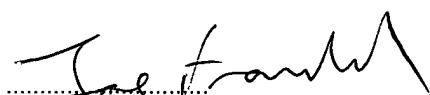
Financial key performance indicators (KPIs)

The Board monitors the progress of the company by reference to the following KPIs:

	2018/19	2017/18
UK sales growth	41%	28%
Export sales growth	87%	59%
Gross margin pre fulfilment	26%	29%
EBTDA	£1,115,974	£1,092,046

EBTDA has been calculated as profit/loss before tax adjusted for other gains/losses on fair value movements on swaps and the marketing service cost provided by Vegware Packaging Inc.

On behalf of the board



J Frankel

Director

Date: 30/5/19

VEGWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2019

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

Principal activities

The principal activity of the company continued to be that of the development, importation and distribution of eco friendly catering disposables and food packaging.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J Frankel

D Robb

K Wilson

I Drury

L Frankel

C Murphy

(Resigned 8 May 2018)

T Suter

J Suter

M Clegg

(Appointed 31 December 2018)

H Mathieson

(Appointed 1 March 2019)

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial risk management

The company enters into forward contracts and option agreements in order to reduce the impact of future volatility in foreign currency exchange rates on its results. The company does not speculate in the trading of derivative financial instruments. The company is subject to risk factors both internal and external to its business.

The Board regularly reviews the process of identifying, evaluating and managing the significant risks that it faces and considers the acceptance of appropriate risk to be an integral part of business. The Board aims to ensure that unacceptable levels of risk are avoided or reduced to an acceptable level.

Future developments

Vegware aspires to create the world's foremost brand of eco catering disposables. We aim to achieve this by sustained organic growth, expanding geographically, contract wins and client retention through a solution-based approach backed up with exceptional service and supply chain. Our aspiration is to be at the leading edge of innovation with our people, our products, our services and our clients.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

VEGWARE LIMITED

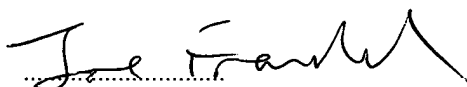
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J Frankel

Director

Date: 30/5/19

VEGWARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2019

The directors are responsible for preparing the Strategic Report and 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;
- 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 THE MEMBERS OF VEGWARE LIMITED

Opinion

We have audited the financial statements of Vegware Limited (the 'company') for the year ended 31 January 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 January 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VEGWARE LIMITED (CONTINUED)

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 and 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 are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, 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.

RSM UK Audit LLP

Claire Monaghan (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
10/06/19

VEGWARE LIMITED

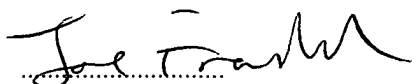
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JANUARY 2019

	Notes	2019 £	2018 £
Turnover	3	30,807,794	20,122,710
Cost of sales		(25,847,529)	(16,104,643)
Gross profit		4,960,265	4,018,067
Administrative expenses		(4,493,884)	(3,492,819)
Other operating income		70,918	85,514
Operating profit	7	537,299	610,762
Interest receivable and similar income	8	79	-
Interest payable and similar expenses	9	(83,594)	(64,167)
Other gains and (losses)	10	293,244	(514,453)
Profit before taxation		747,028	32,142
Tax on profit	11	(77,982)	18,253
Profit for the financial year		669,046	50,395

VEGWARE LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	12		68,442		66,613
Tangible assets	13		174,288		148,694
Investments	14		-		26
			<u>242,730</u>		<u>215,333</u>
Current assets					
Stocks	15	3,328,326		2,624,497	
Debtors	16	9,266,114		4,939,239	
Cash at bank and in hand		540,243		82,297	
		<u>13,134,683</u>		<u>7,646,033</u>	
Creditors: amounts falling due within one year	17	<u>(10,681,658)</u>		<u>(5,830,967)</u>	
Net current assets			<u>2,453,025</u>		<u>1,815,066</u>
Total assets less current liabilities			<u>2,695,755</u>		<u>2,030,399</u>
Provisions for liabilities	19		<u>(51,926)</u>		<u>(72,920)</u>
Net assets			<u><u>2,643,829</u></u>		<u><u>1,957,479</u></u>
Capital and reserves					
Called up share capital	22		270		270
Share premium account	23		446,454		446,454
Other reserves	23		30,419		13,115
Profit and loss reserves	23		2,166,686		1,497,640
Total equity			<u><u>2,643,829</u></u>		<u><u>1,957,479</u></u>

The financial statements were approved by the board of directors and authorised for issue on 30/5/19 and are signed on its behalf by:



J Frankel
Director

VEGWARE LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 JANUARY 2019

	Share capital £	Share premium account £	Other reserves £	Profit and loss reserves £	Total £
Balance at 1 February 2017	270	446,454	-	1,447,245	1,893,969
Year ended 31 January 2018:					
Profit and total comprehensive income for the year	-	-	-	50,395	50,395
Other movements	-	-	13,115	-	13,115
Balance at 31 January 2018	270	446,454	13,115	1,497,640	1,957,479
Year ended 31 January 2019:					
Profit and total comprehensive income for the year	-	-	-	669,046	669,046
Other movements	-	-	17,304	-	17,304
Balance at 31 January 2019	270	446,454	30,419	2,166,686	2,643,829

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies

Company information

Vegware Limited is a private company limited by shares and is registered and incorporated in Scotland (SC331521). The registered office is 39 Melville Street, Edinburgh, EH3 7JF.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Vegware Holdings Limited. These consolidated financial statements are available from its registered office, 39 Melville Street, Edinburgh, EH3 7JF.

Going concern

The directors are of the opinion that the company can meet its obligations as they fall due for the foreseeable future. The company has a healthy net assets position and a positive bank balance. The directors have prepared budgets and cash flow projections that show the company should continue to be profitable for the foreseeable future. On this basis, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies (Continued)

Where income is received in advance, this is included in deferred income, and only recognised within turnover on the dispatch of goods to the buyer.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred.

Intangible fixed assets other than goodwill

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Software	33% on cost
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On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Plant and machinery	33% on cost
Equipment, fixtures and fittings	33% on cost
Computer equipment	25% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Stocks

Stocks are stated at the lower of cost, including shipping costs, and net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value, at each reporting date. Changes in the fair value of derivatives are recognised in profit or loss in other gains or losses as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Debt instruments where the contractual returns, repayment of the principal, or other terms (such as prepayment provisions or term extensions) do not meet the conditions to be measured at amortised cost, are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss 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.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the EBITDA model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Stock

In preparing these financial statements, the directors have determined whether stock values are appropriate, taking into consideration the impact of slow-moving and obsolete stock and providing accordingly. The accounts include a provision against stock of £52,918 (2018: £102,953).

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Dilapidations provision

In preparing these financial statements, the directors have determined an appropriate provision for dilapidations based on the company's office premises' current state of repair. The accounts include a dilapidations provision of £12,000 (2018: £38,000).

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019 £	2018 £
Turnover analysed by class of business		
Sale of goods	30,807,794	20,122,710

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

3 Turnover and other revenue (Continued)

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	20,818,408	14,772,059
Rest of Europe	8,457,383	4,247,349
Rest of the World	1,532,003	1,103,302
	<u>30,807,794</u>	<u>20,122,710</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019 Number	2018 Number
Management	25	21
Admin	43	36
	<u>68</u>	<u>57</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	2,144,249	1,769,532
Social security costs	216,637	165,626
Pension costs	85,598	64,086
	<u>2,446,484</u>	<u>1,999,244</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	435,504	439,619
Company pension contributions to defined contribution schemes	22,840	21,448
	<u>458,344</u>	<u>461,067</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2018 - 5).

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

5 Directors' remuneration (Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	145,025	128,736
Company pension contributions to defined contribution schemes	9,767	8,837

6 Share-based payment transactions

The company previously operated an Enterprise Management Incentive scheme, under which the Board offered employees and directors options to purchase ordinary shares in the company. These options were exercisable once the company had achieved an exit event as stated in the agreement. The options would lapse at the earlier of the following:

1. Within 12 months following the option holder's death;
2. From the date upon which the option holder ceases to be an employee of the company;
3. 10 years from the date of granting; or
4. Immediately following completion of an exit event.

The annual charge is recognised in both Vegware Holdings Limited and Vegware Limited financial statements reflecting that the employees holding the options are employed by and provide services to Vegware Limited.

	Number of share options		Weighted average exercise price	
	2019 Number	2018 Number	2019 £	2018 £
Outstanding at 1 February 2018	870,175	-	1.03	-
Granted	349,500	1,117,914	2.16	1.02
Forfeited	(202,250)	(247,739)	1.04	1.00
Outstanding at 31 January 2019	1,017,425	870,175	1.41	1.03
Exercisable at 31 January 2019	-	-	-	-

When the company was acquired by Vegware Holdings Limited, the previous incentive scheme was replaced by one put in place by Vegware Holdings Limited but offered to employees of Vegware Limited.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

7 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(38,781)	(118,392)
Research and development costs	25,729	38,208
Government grants	-	(7,310)
Fees payable to the company's auditor for the audit of the company's financial statements	12,250	11,750
Depreciation of owned tangible fixed assets	96,945	104,852
Loss on disposal of tangible fixed assets	834	8,995
Amortisation of intangible assets	36,106	5,979
Cost of stocks recognised as an expense	22,964,974	14,377,507
Share-based payments	17,304	13,115
Operating lease charges	96,543	65,993

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to a gain of £38,781 (2018 - a gain of £118,392).

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	79	-

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	-	507
Interest on invoice finance arrangements	83,594	63,660
	<u>83,594</u>	<u>64,167</u>

10 Other gains and losses

	2019 £	2018 £
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	293,244	(514,453)

The above gain of £293,244 relates to movements in foreign exchange derivatives which are initially recognised at fair value and subsequently re-measured at each reporting date. The movement in fair value is recognised in the profit and loss account. This is a non-cash transaction.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

11 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	78,497	-
Adjustments in respect of prior periods	-	(27,030)
Total current tax	78,497	(27,030)
Deferred tax		
Origination and reversal of timing differences	190	8,777
Adjustment in respect of prior periods	(705)	-
Total deferred tax	(515)	8,777
Total tax charge/(credit)	77,982	(18,253)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	747,028	32,142
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.16%)	141,935	6,158
Tax effect of expenses that are not deductible in determining taxable profit	5,256	6,122
Adjustments in respect of prior years	(5,624)	-
Group relief	(63,455)	-
Depreciation on assets not qualifying for tax allowances	597	(3,542)
Other permanent differences	-	3,667
Under/(over) provided in prior years	-	(27,030)
Deferred tax adjustments in respect of prior years	(705)	-
Other differences	(22)	(1,115)
Other short term timing differences	-	(2,513)
Taxation charge/(credit) for the year	77,982	(18,253)

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2019

12 Intangible fixed assets

	Software £
Cost	
At 1 February 2018	72,592
Additions	37,935
At 31 January 2019	<u>110,527</u>
Amortisation and impairment	
At 1 February 2018	5,979
Amortisation charged for the year	36,106
At 31 January 2019	<u>42,085</u>
Carrying amount	
At 31 January 2019	<u>68,442</u>
At 31 January 2018	<u>66,613</u>

Amortisation charged in the year is included in administrative expenses in the statement of comprehensive income.

13 Tangible fixed assets

	Plant and machinery £	Equipment, fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 February 2018	274,025	23,803	98,527	396,355
Additions	70,344	26,811	28,671	125,826
Disposals	-	(2,608)	(11,816)	(14,424)
At 31 January 2019	<u>344,369</u>	<u>48,006</u>	<u>115,382</u>	<u>507,757</u>
Depreciation and impairment				
At 1 February 2018	184,966	22,460	40,235	247,661
Depreciation charged in the year	59,976	9,949	27,020	96,945
Eliminated in respect of disposals	-	(2,608)	(8,529)	(11,137)
At 31 January 2019	<u>244,942</u>	<u>29,801</u>	<u>58,726</u>	<u>333,469</u>
Carrying amount				
At 31 January 2019	<u>99,427</u>	<u>18,205</u>	<u>56,656</u>	<u>174,288</u>
At 31 January 2018	<u>89,059</u>	<u>1,343</u>	<u>58,292</u>	<u>148,694</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

14 Fixed asset investments

	2019 £	2018 £
Unlisted investments	-	26

Movements in fixed asset investments

		Investments other than loans £
Cost or valuation		
At 1 February 2018		26
Written down		(26)
At 31 January 2019		-
Carrying amount		
At 31 January 2019		-
At 31 January 2018		26

15 Stocks

	2019 £	2018 £
Raw materials and consumables	-	61,766
Finished goods and goods for resale	3,328,326	2,562,731
	3,328,326	2,624,497

16 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	5,192,347	2,820,650
Amounts owed by group undertakings	1,146,819	481,000
Other debtors	134,958	68,054
Prepayments and accrued income	2,783,339	1,566,405
	9,257,463	4,936,109
Deferred tax asset (note 20)	1,390	900
	9,258,853	4,937,009

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

16 Debtors (Continued)

	2019 £	2018 £
Amounts falling due after more than one year:		
Deferred tax asset (note 20)	7,261	2,230
Total debtors	9,266,114	4,939,239

17 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	6,121,153	2,829,269
Amounts due to group undertakings	1,013,098	458,665
Corporation tax	78,497	-
Other taxation and social security	59,466	45,229
Derivative financial instruments	48,657	341,901
Other creditors	2,526,693	1,789,284
Accruals and deferred income	834,094	366,619
	10,681,658	5,830,967

Other creditors includes £2,498,265 (2018: £1,768,587) in relation to an invoice financing facility which is secured by floating charge over the assets of the company and its parent, Vegware Holdings Limited.

18 Financial instruments

	2019 £	2018 £
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Other financial liabilities	48,657	341,901

Foreign exchange forward contracts

The company uses foreign currency forward contracts to manage the foreign change risk of future transactions and cash flows.

The contracts are valued based on available market data. The company does not adopt hedge accounting for forward exchange contracts and, consequently, fair value gains and losses are recognised in profit or loss.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

19 Provisions for liabilities

	Notes	2019 £	2018 £
Dilapidations provision		12,000	38,000
Deferred tax liabilities	20	39,926	34,920
		<u>51,926</u>	<u>72,920</u>

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Dilapidations provision £
At 1 February 2018	38,000
Additional provisions in the year	12,000
Utilisation of provision	(38,000)
At 31 January 2019	<u>12,000</u>

The provision for dilapidations brought forward and utilised in the year was in relation to the company's previous office premises vacated in the prior year.

The provision at the year end relates to dilapidations for a lease for the company's current premises, with the lease expiring on 26 November 2027.

20 Deferred taxation

The major deferred tax liabilities and assets recognised by the company are:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Balances:				
Accelerated capital allowances	39,926	34,920	-	-
Share based payments	-	-	7,261	2,230
Disallowable provisions	-	-	1,390	900
	<u>39,926</u>	<u>34,920</u>	<u>8,651</u>	<u>3,130</u>
Movements in the year:				2019 £
Liability at 1 February 2018				31,790
Credit to profit or loss				(515)
Liability at 31 January 2019				<u>31,275</u>

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

20 Deferred taxation (Continued)

£1,390 of the deferred tax asset and £21,940 of the deferred tax liability are expected to reverse within twelve months.

21 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	85,598	64,086

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the year end contributions amounting to £13,879 (2018: £9,074) were payable to the fund and are included in creditors.

22 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
270,466 Ordinary shares of 0.1p each	270	270
	<u>270</u>	<u>270</u>

The company has one class of ordinary shares which have full voting and dividend rights.

23 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Other reserves

Cumulative share-based payment expense.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

VEGWARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JANUARY 2019

24 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	97,260	86,110
Between one and five years	267,425	364,685
	<u>364,685</u>	<u>450,795</u>

25 Controlling party

Vegware Holdings Limited is the immediate and ultimate parent of the company and is the smallest and largest company for which consolidated accounts including Vegware Limited are prepared. Vegware Holdings Limited are registered at 39 Melville Street, Edinburgh, EH3 7JF.

The consolidated accounts of Vegware Holdings Limited are available from the Registrar of Companies at Companies House.