Company Registration No. SC331521 (Scotland)

VEGWARE LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JANUARY 2021

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VEGWARE LIMITED

COMPANY INFORMATION

Directors	J Frankel D Robb K Wilson I Drury L Frankel T Suter J Suter 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 2021

The directors present the strategic report for the year ended 31 January 2021.

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. The sustainable packaging market is set to grow significantly as a result of continued new green legislation, with the European Parliament voting for a ban on some key single-use plastic products as well as a number of materials across the EU in a bid to stop pollution and fossil fuel use. Vegware's demand is also being driven by big name brands and manufacturers looking for innovative ways to reduce their environmental footprint, tapping into the many benefits and advanced technical properties compostable products have to offer. Continuous advancements and innovations in new materials, with improved functionalities, mean there is now a compostable alternative for almost every conventional plastic material and corresponding application.

Vegware has a proven ability to leverage very strong relationships across the industry, including major contract caterers, national and regional distributors, and blue-chip end-users. 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 impact of the Covid-19 pandemic resulted in a temporary fall in sales revenue in the first half of the year but decisive actions by management meant that monthly sales quickly recovered to pre-pandemic levels and operating profit levels have improved compared to 2019/20. Legislative changes brought about by Brexit have been successfully translated into new processes and Supply Chain configuration, and opportunities within Europe remain at the forefront for future export growth. Despite some contractions of trade waste collections due to low occupancy of offices and commercial spaces, overall UK coverage has increased to 72% of the urban population.

Vegware's combination of innovative products and services, exceptional relationships, 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.

Business review

In line with many other businesses operating in the hospitality and catering trade, the Covid-19 outbreak and initial lockdowns led to temporary reductions in the company's sales revenue during March and April 2020. Sales to the Business and Industry (B&I) and hospitality sectors declined as employees adopted home working, and hospitality venues were shut. Vegware reacted quickly and focused effort in replacing this temporarily lost volume by securing new business in the Education and Healthcare sectors. These strategies were successful and revenue was rebuilt through the summer and autumn months, with new business being taken on at strong margins. Product development focused on new solutions targeted at the increasing demand in the takeaway market, and again commercials around new launches were set to work for the business. Maintaining supply and controlling costs has meant that despite turnover dropping by 14% on 2019/20, underlying operating profit (EBTDA) of £2.5m shows an improvement on prior year (2020: £2.4m).

Total sales of £36.4m represent a 14% fall from the previous year due to the Covid-19 pandemic. UK sales of £22.1m fell by 17% (2020: £26.7m) primarily due to the drop in sales to B&I due to continued office closures. Sales have seen a strong recovery post lockdown easing with a return to pre-lockdown levels, and sales growth is anticipated to show a significant upturn on pre-lockdown levels as hospitality reopens and travel restrictions ease.

Export sales of £14.3m (2020: £15.8m) fell by 9% due to restrictions across Europe and the rest of the world but again have quickly returned to pre-lockdown levels. Stock holding at our European warehouse was expanded to secure supply post Brexit and first quarter results for 2021/22 show strong growth as customers and markets recover from Covid-19 restrictions.

Principal risks and uncertainties

The global Covid-19 pandemic had a short-term adverse effect on sales revenue, with key markets enduring prolonged periods of restriction which have affected many of our customers and distributors. The company has been successful in replacing reduced sectors with new wins and we expect to retain additional business alongside the expected recovery of B&I and hospitality sectors through 2021. Sales recovery post lockdown periods has been strong and we anticipate accelerated growth in the second half of 2021 with clients appreciating the role that single-use products have in mitigating hygiene concerns.

The sudden changes that Covid-19 required of the business provided the opportunity to rethink elements of our organisational structure, IT, processes, all with a focus on efficiency and ensuring a robust platform going forward. We continue to work closely with our employees, customers and supply chain partners to protect and mitigate any further risks that may arise.

Throughout the year, the company had sufficient funding in place to withstand the downturn in trading as a result of the pandemic. Sales are now ahead of pre-Covid levels and profitability has exceeded pre-Covid levels, and we consider that the company has sufficient funding in place to meet the anticipated growth. The financial position will continue to be monitored very closely by the directors.

New EU Legislation surrounding single use plastics was enacted in June 2019 and is now coming into force. The EU Single Use Plastics Directive (SUPD) legislates extensively on extended producer responsibility (plastics tax), reduction of consumption in products made from plastics, waste management and raising awareness of waste streams and the prohibition of certain single use plastic products and all oxo-degradable products. It also covers future requirements for marking single use plastics products not subject to restrictions, and in continued circulation in the EU. The overall effect of these market restrictions and harmonised marking requirements has been assessed and should represent a significant opportunity for further growth for the company. At this time the UK has not adopted the SUPD which means that these structural changes will not happen in our largest market thereby ensuring a degree of stability while we adjust our product offering in Europe to meet compliance around product restrictions and new markings.

A proportion of raw materials are purchased from overseas markets in US dollars and Euros 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 £257,813 charged to the statement of comprehensive income (2020: £242,607).

Future View

As a growth business Vegware is used to managing rapid change and as such the team was equipped to meet the challenges of the Covid-19 pandemic. Close management of cash and inventory combined with a strong working relationship with the group's bankers meant that the company was able to withstand the shocks of the early part of the year and go on to quickly rebuild revenue and profitability. Trade in a wide array of geographies, markets and channels along with very strong relationships with clients and suppliers means that the business was able to prove resilience and ensure a strong basis with which to support continued growth.

Financial key performance indicators (KPIs)

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

	2020/21	2019/20
UK sales (contraction)/growth	(17%)	28%
Export sales (contraction)/growth	(9%)	58%
Gross margin pre fulfilment	30%	28%
EBTDA	£2,464,553	£2,403,097

Although sales for the year in total reduced, sales for the second half of the year have returned to previous year levels, which the directors consider to be an excellent result given the challenges faced in the year.

EBTDA has been calculated as profit/loss before tax adjusted for other gains/losses on fair value movements on swaps, the marketing service cost provided by Vegware Packaging Inc (no charge in the current period), depreciation and amortisation.

On behalf of the board

J Frankel
Director
Date: 22nd June 2021

VEGWARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2021

The directors present their annual report and financial statements for the year ended 31 January 2021.

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
T Suter
J Suter
M Clegg (Resigned 9 April 2020)
H Mathieson

Results and dividends
The results for the year are set out on page 10.

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.

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

Joe Frankel

J Frankel

Director

Date: 22nd June 2021

VEGWARE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 JANUARY 2021

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 2021 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 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the 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 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.

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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 directors' report.

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

- adequate accounting records have not been kept, 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 6, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business.

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

Use of our report

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

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
23/06/2021

VEGWARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 JANUARY 2021

	Notes	2021 £	2020 £
Turnover	**3**	36,409,386	42,548,999
Cost of sales		(29,831,943)	(35,527,881)
Gross profit		6,577,443	7,021,118
Administrative expenses		(4,623,307)	(5,174,242)
Other operating income		320,948	76,494
Operating profit	**7**	2,275,084	1,923,370
Interest receivable and similar income	**8**	-	218
Interest payable and similar expenses	**9**	(91,478)	(135,557)
Other gains and (losses)	**10**	257,813	242,607
Profit before taxation		2,441,419	2,030,638
Tax on profit	**11**	(441,198)	(318,941)
Profit for the financial year		2,000,221	1,711,697

Company Registration No. SC331521

VEGWARE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 JANUARY 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Intangible assets	12		7,136		77,274
Tangible assets	13		298,988		314,366
			306,124		391,640
Current assets					
Stocks	14	5,672,637		6,032,129	
Debtors	15	9,877,786		9,892,940	
Cash at bank and in hand		109,293		75,960	
		15,659,716		16,001,029	
Creditors: amounts falling due within one year	16	(9,435,418)		(11,921,175)	
Net current assets			6,224,298		4,079,854
Total assets less current liabilities			6,530,422		4,471,494
Provisions for liabilities	18		(105,408)		(89,147)
Net assets			6,425,014		4,382,347
Capital and reserves					
Called up share capital	21		270		270
Share premium account	22		446,454		446,454
Other reserves	22		99,686		57,240
Profit and loss reserves	22		5,878,604		3,878,383
Total equity			6,425,014		4,382,347

The financial statements were approved by the board of directors and authorised for issue on 22 June 2021 and are signed on its behalf by:

Joe Frankel

J Frankel
Director

VEGWARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 JANUARY 2021

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 1 February 2019	270	446,454	30,419	2,166,686	2,643,829
Year ended 31 January 2020:					
Profit and total comprehensive income for the year	-	-	-	1,711,697	1,711,697
Share based payment	-	-	26,821	-	26,821
Balance at 31 January 2020	270	446,454	57,240	3,878,383	4,382,347
Year ended 31 January 2021:					
Profit and total comprehensive income for the year	-	-	-	2,000,221	2,000,221
Share based payment	-	-	42,446	-	42,446
Balance at 31 January 2021	270	446,454	99,686	5,878,604	6,425,014

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 26 'Share-based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements
- 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 Ltd. The consolidated accounts of Vegware Holdings Ltd are available from the Registrar of Companies at Companies House.

1 **Accounting policies (Continued)**

Going concern

The directors have prepared detailed group cash flow forecasts, which include Vegware Limited, and cover at least 12 months from the date of authorisation of these financial statements.

The group manages bank facilities and cash flow on a group treasury basis. Bank loans and loan notes are granted to Vegware Holdings Limited. Management review cash flow requirements across the group and allocate funds accordingly with a corresponding group balance recognised. The group cash flow forecasts include repayment by the parent entity of its bank loan by December 2021 in line with the facility agreement and then the loan notes due for repayment in June 2022 in line with the loan note agreements. The cashflows continue to show that the group, including Vegware Limited, has sufficient funds to operate in existence for the foreseeable future.

The directors have received confirmation from the parent entity, Vegware Holdings Limited, that they will not seek repayment of group balances to the detriment of the company or its creditors for at least 12 months from the date of approval of these financial statements.

The directors continue to prepare the accounts on the going concern basis, with reference to the group cash flow forecasts and ongoing financial support provided by the parent entity.

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.

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.

Other operating income represents management time recharged to group entities, government grant income and rental income.

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

1 **Accounting policies (Continued)**

Any upgrades to the original software are processed as additions to intangible fixed assets, and subsequently amortised over the remaining useful life of the original software.

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:

Property improvements	25% on cost
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.

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.

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, amounts owed by group entities 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.

1 **Accounting policies (Continued)**

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.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and amounts owed to group entities 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.

Derecognition of financial liabilities

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

1 **Accounting policies (Continued)**

Equity instruments
Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction 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.
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.

1 **Accounting policies (Continued)**

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 a weighted average of historical and projected profits discounted for various factors. 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.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the subsidiary company as a capital contribution, and presented as an increase in the parent company's investment in that subsidiary.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss 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 leases 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.

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.

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.

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 £122,303 (2020: £46,154).

3 Turnover and other revenue

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

	2021	2020
	£	£
Turnover analysed by class of business		
Sale of goods	36,409,386	42,548,999

	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	22,070,925	26,729,766
Ireland	4,945,871	6,253,761
Rest of Europe	7,962,443	7,626,202
Rest of the World	1,430,147	1,939,270
	36,409,386	42,548,999

4 Employees

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

	2021 Number	2020 Number
Management	23	27
Admin	50	53
Total	73	80

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	2,549,202	2,531,251
Social security costs	250,542	250,918
Pension costs	128,089	121,064
	2,927,833	2,903,233

5 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	536,551	571,443
Company pension contributions to defined contribution schemes	29,644	30,808
	566,195	602,251

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2020 - 6).

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

	2021 £	2020 £
Remuneration for qualifying services	141,278	146,835
Company pension contributions to defined contribution schemes	9,889	10,278

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.

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

The annual charge is recognised in both Vegware Holdings Ltd 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	
	2021 Number	2020 Number	2021 £	2020 £
Outstanding at 1 February 2020	1,006,625	1,017,425	1.37	1.41
Forfeited	(89,000)	(10,800)	2.04	1.54
Outstanding at 31 January 2021	917,625	1,006,625	1.31	1.37
Exercisable at 31 January 2021	-	-	-	-

7 Operating profit

Operating profit for the year is stated after charging/(crediting):	2021 £	2020 £
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	133,231	(84,610)
Research and development costs	18,919	42,201
Government grants	(152,808)	-
Fees payable to the company's auditor for the audit of the company's financial statements	18,900	18,000
Depreciation of owned tangible fixed assets	181,334	138,504
(Profit)/loss on disposal of tangible fixed assets	-	275
Amortisation of intangible assets	99,613	55,193
Share-based payments	42,446	26,821
Operating lease charges	173,581	137,549

Government grants consists of amounts received from the government under the Coronavirus Job Retention Scheme and is included within other operating income. The scheme provides for reimbursement of wages for employees who were placed on furlough leave.

8 Interest receivable and similar income

	2021	2020
	£	£
Interest income		
Interest on bank deposits	-	79
Other interest income	-	139
Total income	-	218

9 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	1,523	-
Interest on invoice finance arrangements	88,446	135,557
Other interest	1,509	-
	91,478	135,557

10 Other gains and losses

	2021	2020
	£	£
Fair value gains/(losses) on financial instruments		
Change in value of financial assets held at fair value through profit or loss	257,813	242,607

The above gain of £257,813 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.

11 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	454,553	337,228
Adjustments in respect of prior periods	(1,342)	(43,088)
Total current tax	453,211	294,140
Deferred tax		
Origination and reversal of timing differences	(18,610)	24,801
Changes in tax rates	6,597	-
Total deferred tax	(12,013)	24,801
Total tax charge	441,198	318,941

11 Taxation (Continued)

The total tax charge 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:

	2021 £	2020 £
Profit before taxation	2,441,419	2,030,638
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	463,870	385,821
Tax effect of expenses that are not deductible in determining taxable profit	9,219	13,439
Tax effect of income not taxable in determining taxable profit	(138)	(26)
Adjustments in respect of prior years	(1,342)	(43,088)
Group relief	(34,274)	(34,049)
Depreciation on assets not qualifying for tax allowances	474	361
Other differences	3,389	(3,517)
Taxation charge for the year	441,198	318,941

12 Intangible fixed assets

	Software £
Cost	
At 1 February 2020	174,552
Additions	29,475
At 31 January 2021	204,027
Amortisation and impairment	
At 1 February 2020	97,278
Amortisation charged for the year	99,613
At 31 January 2021	196,891
Carrying amount	
At 31 January 2021	7,136
At 31 January 2020	77,274

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

13 Tangible fixed assets

	Property improvements	Plant and machinery	Equipment, fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 February 2020	30,740	499,210	58,765	143,120	731,835
Additions	-	145,764	1,028	19,164	165,956
At 31 January 2021	30,740	644,974	59,793	162,284	897,791
Depreciation and impairment					
At 1 February 2020	1,578	281,874	43,537	90,480	417,469
Depreciation charged in the year	4,875	134,960	8,737	32,762	181,334
At 31 January 2021	6,453	416,834	52,274	123,242	598,803
Carrying amount					
At 31 January 2021	24,287	228,140	7,519	39,042	298,988
At 31 January 2020	29,162	217,336	15,228	52,640	314,366

14 Stocks

	2021	2020
	£	£
Finished goods and goods for resale	5,672,637	6,032,129

15 Debtors

	2021	2020
Amounts falling due within one year:	£	£
Trade debtors	4,369,099	5,473,692
Amounts owed by group undertakings	1,759,666	1,275,679
Derivative financial instruments	451,763	193,950
Other debtors	97,721	418,664
Prepayments and accrued income	3,186,192	2,521,884
	9,864,441	9,883,869
Deferred tax asset (note 19)	2,021	1,810
	9,866,462	9,885,679

15 Debtors (Continued)

Amounts falling due after more than one year:	2021 £	2020 £
Deferred tax asset (note 19)	11,324	7,261
Total debtors	9,877,786	9,892,940

Included in prepayments and accrued income is stock in transit of £2,979,791 (2020: £2,236,933).

16 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	4,452,680	6,545,131
Amounts owed to group undertakings	542,345	805,108
Corporation tax	351,866	230,550
Other taxation and social security	63,685	68,107
Other creditors	3,042,220	3,370,918
Accruals and deferred income	982,622	901,361
	9,435,418	11,921,175

Other creditors includes £3,021,094 (2020: £3,340,557) in relation to an invoice financing facility which is secured by floating charge over the assets of the company and its parent, Vegware Holdings Ltd.

17 Financial instruments

	2021 £	2020 £
Carrying amount of financial assets		
Instruments measured at fair value through profit or loss	451,763	193,950

Foreign exchange forward contracts

The company uses foreign currency forward contracts to manage the foreign currency 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.

18 Provisions for liabilities

	Notes	2021 £	2020 £
Dilapidations provision		48,000	24,000
Deferred tax liabilities	19	57,408	65,147
		105,408	89,147

Movements on provisions apart from deferred tax liabilities:

	Dilapidations provision £
At 1 February 2020	24,000
Additional provisions in the year	24,000
At 31 January 2021	48,000

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

19 Deferred taxation

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

Balances:	Liabilities 2021 £	Liabilities 2020 £	Assets 2021 £	Assets 2020 £
Accelerated capital allowances	57,408	65,147	-	-
Share based payments	-	-	11,324	7,261
Disallowable provisions	-	-	2,021	1,810
	57,408	65,147	13,345	9,071

Movements in the year:	2021 £
Liability at 1 February 2020	56,076
Credit to profit or loss	(12,013)
Liability at 31 January 2021	44,063

£2,021 of the deferred tax asset and £52,586 of the deferred tax liability are expected to reverse within twelve months.

20 Retirement benefit schemes

Defined contribution schemes	2021 £	2020 £
Charge to profit or loss in respect of defined contribution schemes	128,089	121,064

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 £18,278 (2020: £17,921) were payable to the fund and are included in other creditors.

21 Share capital

Ordinary share capital	2021 Number	2020 Number	2021 £	2020 £
Issued and fully paid				
Ordinary shares of 0.1p each	270,466	270,466	270	270

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

22 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.

23 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:

	2021 £	2020 £
Within one year	166,561	157,504
Between one and five years	742,041	720,702
In over five years	344,483	532,383
	1,253,085	1,410,589

23 Operating lease commitments (Continued)

Lessor

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2021	2020
	£	£
Within one year	24,676	24,676
Between one and five years	18,507	43,183
	43,183	67,859

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021	2020
	£	£
Acquisition of tangible fixed assets	24,892	88,324

25 Ultimate controlling party

Vegware Holdings Ltd 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 Ltd is registered at 39 Melville Street, Edinburgh, EH3 7JF.

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