

Company Registration No. 07600690 (England and Wales)

FRUGALPAC LIMITED
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
PAGES FOR FILING WITH REGISTRAR

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FRUGALPAC LIMITED

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FRUGALPAC LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	4		122,066		17,189
Tangible assets	5		161,708		616,177
Investments	6		2		2
			<u>283,776</u>		<u>633,368</u>
Current assets					
Stocks	8	66,138		108,090	
Debtors falling due after more than one year	9	-		10,500	
Debtors falling due within one year	9	434,523		466,630	
Cash at bank and in hand		944,653		1,220,346	
		<u>1,445,314</u>		<u>1,805,566</u>	
Creditors: amounts falling due within one year	10	<u>(262,708)</u>		<u>(353,495)</u>	
Net current assets			<u>1,182,606</u>		<u>1,452,071</u>
Total assets less current liabilities			<u>1,466,382</u>		<u>2,085,439</u>
Creditors: amounts falling due after more than one year	11		(8,291)		-
Net assets			<u><u>1,458,091</u></u>		<u><u>2,085,439</u></u>

FRUGALPAC LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
Capital and reserves					
Called up share capital			21		17
Share premium account			12,822,744		10,684,912
Profit and loss reserves			(11,364,674)		(8,599,490)
Total equity			<u>1,458,091</u>		<u>2,085,439</u>

The directors of the company have elected not to include a copy of the income statement within the financial statements.

For the financial year ended 31 December 2020 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 March 2021 and are signed on its behalf by:

Mr A M Waugh
Director

Company Registration No. 07600690

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Frugalpac Limited is a private company limited by shares incorporated in England and Wales. The registered office is Frugal House, 30 Wharfedale Road, Ipswich, Suffolk, IP1 4JP.

1.1 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 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

In their detailed consideration of going concern, the directors have reviewed the company's future cash forecasts, revenue projections, and expected development costs, which they believe are based on prudent market data and past experience of product development cycles.

The directors have considered the company's cash reserves and its loss making position alongside the fact that the company is a start-up business with products in the early stages of revenue together with their ambition to develop and increase the number and type of products on offer.

The ability of the company to continue as a going concern and meet its liabilities as they fall due, is dependent on both the availability of additional financing and securing sufficient sales contracts to improve the financial performance of the company. The directors are pleased to report that £1.376m additional financing has been secured following a share capital rights issue of £1.376m and the directors expect to secure a further £124,000 in April 2021.

The securing of this financing coupled with the company's ability to manage its development expenditure and committed costs based on actual sales, and taking into account the Covid-19 event, the directors consider that the company will have adequate resources to meet its liabilities as they fall due for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover from the sale of goods is recognised when the company has transferred the significant risks and rewards of ownership to the buyer and it is probable that the group will receive the previously agreed upon payment. These criteria are considered to be met when the goods are delivered to the buyer.

Interest income is recognised in the income statement using the effective interest method.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Research and development expenditure

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic future benefits and that its cost can be reliably measure.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are 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 or valuation of assets less their residual values over their useful lives on the following bases:

Software	over 4 years
Patents & licences	over 20 years

1.6 Tangible fixed assets

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

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

Short-term leasehold property improvements	over the term of the lease
Plant and machinery	5 - 12 years
Office equipment	4 years

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.

1.7 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.

1.8 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs of disposal.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 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 in the company's statement of financial position 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.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the 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.

1.13 Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the statement of comprehensive income is charged with the fair value of goods and services received.

1.17 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.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.18 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. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.19 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1.20 Exemption from preparing consolidated financial statements

The financial statements contain information about Frugalpac Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by FRS 102 1A.21 not to produce consolidated financial statements.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 quantity, valuation and provision (note 9)

The company applies standard costing in its valuation of finished goods and work in progress. There is a degree of estimation involved in assessing the inputs and calculations to arrive at the standard costs for each product that makes up the period end stock value. These include estimates such as direct labour time and rates, average price of materials relevant to the respective items in stock at the period end, wastages at each stage of production and the proportion of relevant overheads to be absorbed. Stock movements are monitored and subsequent wastages are considered against budgeted wastages. These are built into the standard costing calculations as noted above.

The company records a provision for stock with reference to the items obsolescence and when the product cannot be used in any other product line.

Share based payments (note 14)

Frugalpac Limited issues equity-settled share-based payments to certain employees. Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the company's estimate of shares that will eventually vest. Fair value is measured by the use of most recent external fundraising valuations based on appropriate assumptions with reference to market and non-market conditions.

Impairment of fixed assets (note 4)

During the year, Frugalpac Limited's management decided to put an indefinite pause on the development of the Frugal Cup for Coffee Business. There were significant stock and assets relating solely to this division which have been fully impaired in the year.

3 Employees

The average monthly number of persons (including directors) employed by the company during the company during the period was 23 (December 2019 - 19).

	2020 Number	2019 Number
Total	23	19

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4 Intangible fixed assets

	Other £
Cost	
At 1 January 2020	22,919
Additions	120,254
	<u>143,173</u>
At 31 December 2020	<u>143,173</u>
Amortisation and impairment	
At 1 January 2020	5,730
Amortisation charged for the year	15,377
	<u>21,107</u>
At 31 December 2020	<u>21,107</u>
Carrying amount	
At 31 December 2020	122,066
	<u>17,189</u>
At 31 December 2019	<u>17,189</u>

5 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 January 2020	180,184	554,708	734,892
Additions	26,249	59,026	85,275
	<u>206,433</u>	<u>613,734</u>	<u>820,167</u>
At 31 December 2020	<u>206,433</u>	<u>613,734</u>	<u>820,167</u>
Depreciation and impairment			
At 1 January 2020	61,002	57,713	118,715
Depreciation charged in the year	57,192	66,440	123,632
Impairment losses	31,387	384,725	416,112
	<u>149,581</u>	<u>508,878</u>	<u>658,459</u>
At 31 December 2020	<u>149,581</u>	<u>508,878</u>	<u>658,459</u>
Carrying amount			
At 31 December 2020	56,852	104,856	161,708
	<u>119,182</u>	<u>496,995</u>	<u>616,177</u>
At 31 December 2019	<u>119,182</u>	<u>496,995</u>	<u>616,177</u>

6 Fixed asset investments

	2020 £	2019 £
Investments	2	2
	<u>2</u>	<u>2</u>

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6	Fixed asset investments	(Continued)
	Movements in fixed asset investments	Shares in group undertakings
		£
	Cost	
	At 1 January 2020 & 31 December 2020	2
		—
	Carrying amount	
	At 31 December 2020	2
		==
	At 31 December 2019	2
		==

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Nature of business	Class of shares held	% Held	
			Direct	Indirect
Frugalpac 2 Limited	Dormant	Ordinary	100.00	0

Registered office address:

Frugal House, 30 Wharfedale Road, Ipswich, Suffolk, IP1 4JP

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£	£
Frugalpac 2 Limited	2	-

8 Stocks

	2020	2019
	£	£
Spare parts and servicing equipment	-	21,251
Raw materials and work in progress	63,780	44,053
Finished goods and goods for resale	2,358	42,786
	<u>66,138</u>	<u>108,090</u>

There is no material difference between the replacement cost of stock and the amounts stated above.

A provision has been included to write off damaged and obsolete stock to nil. This amount is included within cost of sales under a heading for stock impairment.

9 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	13,940	6,999
Corporation tax recoverable	265,533	243,937
Other debtors	115,360	157,139
Prepayments and accrued income	39,690	58,555
	<u>434,523</u>	<u>466,630</u>

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

		(Continued)	
9	Debtors	2020 £	2019 £
	Amounts falling due after more than one year:		
	Other debtors	-	10,500
	Total debtors	434,523	477,130
10	Creditors: amounts falling due within one year	2020 £	2019 £
	Obligations under finance leases	2,409	-
	Trade creditors	116,657	178,321
	Taxation and social security	36,330	32,654
	Other creditors	16,653	5,750
	Accruals and deferred income	90,659	136,770
		262,708	353,495
11	Creditors: amounts falling due after more than one year	2020 £	2019 £
	Notes		
	Obligations under finance leases	8,291	-

12 Deferred tax

No deferred tax asset has been recognised due to the uncertainty surrounding future trading profits.

There is a potential deferred tax asset of £1,482,004 (December 2019 - £1,065,988). This is calculated at 19% and is based upon the following gross items: taxable losses carried forward of £7,874,798 (December 2019 - £6,095,963) offset by an unrecognised deferred tax liability related to fixed asset timing differences of £74,775 (December 2019 - £485,498).

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2020 Number	2019 Number	2020 £	2019 £
Outstanding at 1 January 2020	995	167	-	1,181.00
Granted	28	832	-	1,109.00
Expired	(3)	(4)	-	1,572.00
	<u>1,020</u>	<u>995</u>	<u>-</u>	<u>1,119.00</u>
Outstanding at 31 December 2020	1,020	995	-	1,119.00
	<u>1,020</u>	<u>995</u>	<u>-</u>	<u>1,119.00</u>
Exercisable at 31 December 2020	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The exercise price of options outstanding at the end of the year ranged between £957 and £1,572 (December 2019 - £957 and £1,572) and their weighted average contractual life was 2.8 years (December 2019 - 2.8 years).

Of the total number of options outstanding at the end of the year, 746 options had vested (December 2019 - 299 shares) and none were exercisable at the end of the year (December 2019 - none).

The following information is relevant in the determination of the fair value of options granted during the current and previous years under the equity-settled share based remuneration schemes operated by Frugalpac Limited.

Inputs were as follows:

	2020	2019
Weighted average share price	638.16	854.57
Weighted average exercise price	1,572.33	1,108.76
Expected volatility	37.00	24.00
Expected life	1,460.00	1,826.00
Risk free rate	0.04	0.75
	<u>0.04</u>	<u>0.75</u>

Liabilities and expenses

During the period, the company recognised total share-based payment expenses of £58,330 (December 2019 - £34,999) which related to equity settled share based payment transactions.

The Black-Scholes option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of options granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years of comparable publicly quoted companies.

FRUGALPAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14 Operating lease commitments

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

	2020	2019
	£	£
Within one year	54,893	57,077
Between two and five years	-	51,560
	<hr/>	<hr/>
	54,893	108,637
	<hr/>	<hr/>

At the reporting end date the total future minimum sublease payments expected to be received under non-cancellable subleases was £15,000 (December 2019: £7,500).

15 Controlling party

There is no ultimate controlling party.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.