First Natural Brands Limited

Registered number: 01814713

Annual Report

For the year ended 30 April 2021

COMPANY INFORMATION

Directors	R C Russell S Shah
Registered number	01814713
Registered office	Millenium House Unit 2 King Business Centre Reeds Lane Hassocks West Sussex BN6 9LS
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 2nd Floor 6 Sutton Plaza Sutton Court Road Sutton Surrey SM1 4FS

FIRST NATURAL BRANDS LIMITED

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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 APRIL 2021

The directors present their report and the audited financial statements for the year ended 30 April 2021.

Principal activity

The principal activities of the Company are: the bottling, marketing and sales of essential oils and personal care products under the "Tisserand" brand and under contract for third parties; the marketing and sales of specialised skin care products under the "Barefoot SOS" brand; and the distribution of natural home care products under the "Colibri" and "Maroma" brands.

Results and dividends

The profit for the year, after taxation, amounted to £33,911 (2020: profit of £4,966).

The directors do not recommend the payment of a dividend for the year (2020: £nil).
During the year, net sales have increased by 50.5% to £11.4 million (2020: £7.6 million) off the back of significant new business wins which commenced in July 2020. In addition to this, there has been significant growth in the digital business, with customers like Amazon increasing by 200% through the year as customer preferences moved to online ordering through the pandemic. The Tisserand brand has been refocused towards the wellbeing market and has seen significant growth with both existing and new retailers. The Company continues to invest in its own digital platforms to access the direct to consumer market as well as explore new international market opportunities, particularly in the US market, where Tisserand is under represented.
Gross margins have decreased to 35.5% (2020: 37.8%) as we continue to invest in increased capacity.
EBITDA has increased to £0.8 million (2020: £0.5 million) with EBITDA margins similarly increasing to 6.9% (2020: 6.4%).
During the year we have invested significantly in new capacity and a decision to consolidate our production facilities was taken during the year, which should increase capacity to over 15 million units per annum across all product lines which will allow it to meet the strong customer demand.

Key Performance Indicators

KPIs	2021	2020	
Sales	11,405,762	7,579,795	50.5%
COS	(7,361,427)	(4,713,908)	
Gross margin	4,044,335	2,865,887	
GPM	35.5%	37.8%	
Operating profit	315,997	102,421	
Add back: Share Based Payments	14,467	8,483	
Add back: Depreciation	102,738	67,876	Note 10
Add back: Amortisation	267,651	297,412	Note 9
Add back: exceptional costs	84,821	-	
Adjusted EBITDA*	**785,674**	**476,192**	65.0%
EBITDA Margin	6.9%	6.4%	

* Adjusted EBITDA is after share based payment expense and exceptional costs.

Directors

The directors who served during the year and up to the date of this report were:

R C Russell
S Shah

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the audited financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have elected to prepare the audited financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the audited 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 audited financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the audited 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 to enable them to ensure that the audited 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all the steps that ought to have been taken as directors in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Future developments

The Company’s financial position has continued to strengthen with net assets increasing by £0.48 million to £1.6 million. The financial position is expected to continue to strengthen as increased controls are put in place on reducing inventories and we look to finance new capital investments which have been financed out of cash resources during the year. The Company has secured financing arrangements which allow it to finance day to day working capital requirements as well as invest in further growth activities to continue the strong performance achieved in the year.

Qualifying third party indemnity provisions

The directors benefit from a qualifying indemnity provision in the form permitted by the Section 234 of the Companies Act 2006 in respect of certain third party actions against directors. No claim or notice of claim in respect of these indemnities has been received in the year. The qualifying indemnity provision was in force throughout the financial year and up to the date of approval of the Directors' Report.

The withdrawal of the United Kingdom from the European Union

Brexit has had a negative impact on the business, with unnecessary delays on a minority of goods inwards, where we source less than 5% of our goods directly from the European Union. We continue to experience delays on goods outwards, as customs rules are continually reinterpreted and we have actively stopped selling in certain markets due to the difficulty and cost of getting goods shipped into these markets. We are currently evaluating a move of some of our picking and packing into a European market to overcome this obstacle.

Economic impact of the COVID-19 pandemic

COVID-19 impacted the operating procedures of the business and we were pleased to report that only 0.5 production days were lost as we implemented stringent measures throughout the group. Demand increased significantly throughout the COVID-19 period and as we ended the year, we saw increased footfall and a number of retailers reopen. The majority of our customers, such as Amazon, Boots, Holland & Barrett and Waitrose have remained open throughout the pandemic and digital sales now accounting for over 20% of our business. International business was mixed but remained on budget, with new customer wins in the USA and in the Middle East and continued growth in the Republic of Ireland outweighing weakness in the Far Eastern markets.

Going concern

The Company made a profit during the year and continues to experience significant growth. An unlimited Company guarantee has been given by the parent company, First Natural Limited, to secure all liabilities of First Natural Brands Limited. The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Potential sources of uncertainty noted by the directors include the withdrawal of the United Kingdom from the European Union, and Coronavirus and the COVID-19 pandemic, but these are not considered to threaten the future of the Company at the date of this report. Accordingly the directors have continued to prepare the financial statements on the going concern basis.

Post balance sheet events

In November 2021 the Company entered into a refinance with Santander UK plc. The Company has entered into 3 facilities with Santander incorporating a £1.75m Growth Capital Loan which is repayable in 4 years, a 12 month £0.5million trade loan facility and a 12 month £4.0million confidential invoice discounting facility. Interest on the Growth Capital Loan is 10% per annum over UK base rate of which 5% per annum is payable in cash on a quarterly basis and 5% accrues to the term of the Growth Capital Loan. Interest on the trade loan is 3% over UK base rate. Interest on the confidential invoice discounting facility is 2.15% over UK base rate.
There have been no other significant events affecting the Company since the year end.

FIRST NATURAL BRANDS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 APRIL 2021

Auditor

The auditor, Mazars LLP, will be proposed for reappointment as auditor in accordance with section 485 of the Companies Act 2006.

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

R C Russell
Director

Date: 28 February 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST NATURAL BRANDS LIMITED

Opinion

We have audited the financial statements of First Natural Brands Limited (the 'Company') for the year ended 30 April 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 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 30 April 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST NATURAL BRANDS LIMITED

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

Matters on which we are required to report by exception

In 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies’ exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 2, 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 intend either 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 our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

Based on our understanding of the [company] and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, non-compliance with implementation of government support schemes relating to COVID-19].

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

We evaluated the directors' and management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Gerhard Bonthuys (Senior statutory auditor)

for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
2nd Floor
6 Sutton Plaza
Sutton Court Road
Sutton
Surrey
SM1 4FS

1 March 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2021

	Note	2021 £	2020 £
Turnover		11,405,762	7,579,795
Cost of sales		(7,361,427)	(4,713,908)
Gross profit		4,044,335	2,865,887
Distribution costs		(64,331)	(1,080,423)
Administrative expenses		(3,678,855)	(1,760,408)
Other operating income		99,669	77,365
Exceptional other operating charges	**8**	(84,821)	-
Operating profit		315,997	102,421
Interest receivable and similar income	**5**	-	45,000
Interest payable and similar expenses	**6**	(160,405)	(153,898)
Profit/(loss) before tax		155,592	(6,477)
Tax on profit/(loss)	**7**	(121,681)	11,443
Profit for the financial year		33,911	4,966
Other comprehensive income		-	-
Total comprehensive income for the year		33,911	4,966

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2021

	Note		2021 £		2020 £
Fixed assets					
Intangible fixed assets	9		583,614		737,859
Tangible fixed assets	10		692,684		447,354
			1,276,298		1,185,213
Current assets					
Stocks	11	2,685,475		1,478,561	
Debtors: amounts falling due within one year	12	3,404,103		2,070,855	
Cash and cash equivalents		232,429		247,209	
		6,322,007		3,796,625	
Creditors: amounts falling due within one year	13	(5,497,547)		(3,238,886)	
Net current assets			824,460		557,739
Total assets less current liabilities			2,100,758		1,742,952
Creditors: amounts falling due after more than one year	14		(376,619)		(169,749)
Provisions for liabilities					
Deferred tax	17	(106,632)		(4,074)	
			(106,632)		(4,074)
Net assets			1,617,507		1,569,129
Capital and reserves					
Called up share capital	18		100,000		100,000
Other reserves			22,950		8,483
Profit and loss account			1,494,557		1,460,646
Total equity			1,617,507		1,569,129

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by by:

R C Russell
Director

Date: 28 February 2022

The notes on pages 12 to 28 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2021

	Called up share capital £	Other reserves £	Profit and loss account £	Total equity £
At 1 May 2019	100,000	-	1,455,680	1,555,680
Comprehensive income for the year				
Profit for the year	-	-	4,966	4,966
Total comprehensive income for the year	-	-	4,966	4,966
Share-based payments	-	8,483	-	8,483
At 1 May 2020	100,000	8,483	1,460,646	1,569,129
Comprehensive income for the year				
Profit for the year	-	-	33,911	33,911
Total comprehensive income for the year	-	-	33,911	33,911
Share-based payments	-	14,467	-	14,467
At 30 April 2021	100,000	22,950	1,494,557	1,617,507

The notes on pages 12 to 28 form part of these financial statements.

1. General information

First Natural Brands Limited is a private company limited by shares, and is incorporated and registered in England and Wales. The address of the registered office of the Company is Milennium House, Unit 2, King Business Centre, Hassocks, West Sussex, BN6 9LS.
The principal activities of the Company are: the bottling, marketing and sales of essential oils and personal care products under the "Tisserand" brand and under contract for third parties; the marketing and sales of specialised skin care products under the "Barefoot SOS" brand; and the distribution of natural home care products under the "Colibri" and "Maroma" brands.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements have been presented in Pounds Sterling because this is the currency of the primary economic environment in which the Company operates, and are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Going concern

The Company made a profit during the year and continues to experience significant growth. An unlimited company guarantee has been given by the parent company, First Natural Limited, to secure all liabilities of First Natural Brands Limited. The directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Potential sources of uncertainty noted by the directors include the withdrawal of the United Kingdom from the European Union, and Coronavirus and the COVID-19 pandemic, but these are not considered to threaten the future of the Company at the date of this report. Accordingly the directors have continued to prepare the financial statements on the going concern basis.

2.3 Foreign currency translation

Transactions and balances
Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.
At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.
Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.
Foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

FIRST NATURAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Government grants

Grants are accounted under the accruals model. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.
Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.
Grants are shown within the Statement of Comprehensive Income within 'Other operating income'.

2.8 Interest receivable and similar income

Interest income is recognised in profit or loss using the effective interest method.

2. Accounting policies (continued)

2.9 Interest payable and similar expenses

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2.12 Research and development

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. Related enhanced tax claims are treated as grants, and recognised within 'other operating income' in the financial statements.
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 benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 2 to 5 years.
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.

FIRST NATURAL BRANDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

2. Accounting policies (continued)

2.13 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.
Amortisation is provided on the following bases:

Development	- 20% - 50% per annum
Licenses	- 20% per annum

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.
Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.
Depreciation is provided on the following bases:

Leasehold Improvements	- Over the lease term
Plant and machinery	- 10% to 15% per annum
Fixtures and fittings	- 10% to 20% per annum
Computer equipment	- 10% to 20% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

2.15 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. The cost of finished goods includes the cost of import duties, inbound logistics, variable production overheads (including labour), materials and an element of fixed overheads. Stocks are written off in the ordinary course of business, where there may be obsolescence due to ageing or discontinuation of product ranges.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss

2.16 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Debtors: amounts falling due within one year

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.18 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.19 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. Accounting policies (continued)

2.20 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an 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.

2. Accounting policies (continued)

2.21 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss 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 profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

3. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	248,466	209,686
Directors' pension costs	7,814	5,520
	256,280	215,206

During the year retirement benefits were accruing to 1 director (2020: 1) in respect of a defined contribution pension scheme.
The highest paid director received remuneration of £122,789 (2020 : £112,184).

4. Employees

The average monthly number of employees, including directors, during the year was 77 (2020: 63).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2021

5. Interest receivable and similar income

	2021 £	2020 £
Interest receivable from parent entity	-	15,000
Bank interest receivable	-	30,000
	-	45,000

6. Interest payable and similar expenses

	2021 £	2020 £
Bank interest	10,175	9,703
Finance lease interest	16,368	5,192
Interest on loan notes recharged from parent company	30,000	84,046
Invoice discounting charges	85,448	35,667
Other fees and charges	18,414	19,290
	160,405	153,898

7. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	19,123	-
Total current tax	19,123	-
Deferred tax		
Origination and reversal of timing differences	102,558	(11,443)
Total deferred tax	102,558	(11,443)
Taxation on profit/(loss) on ordinary activities	121,681	(11,443)

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit/(loss) on ordinary activities before tax	155,592	(6,477)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	29,562	(1,231)
Effects of:		
Fixed asset timing differences	602	705
Expenses not deductible for tax purposes	20,258	(34,257)
Adjust opening deferred tax to average rate of 19%	-	6,059
Deferred tax not recognised	57,407	43,262
Non-taxable income	13,852	(16,803)
Other tax adjustments	-	(9,178)
Total tax charge for the year	121,681	(11,443)

Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

8. Exceptional other operating charges

	2021 £	2020 £
Exceptional costs	84,821	-

Exceptional costs relate to the closure of the Market Rasen site in Lincolnshire.

9. Intangible assets

	Licenses	Development	Total
	£	£	£
Cost			
At 1 May 2020	363,838	1,150,854	1,514,692
Additions	35,009	122,953	157,962
Disposals	(109,760)	(319,344)	(429,104)
At 30 April 2021	289,087	954,463	1,243,550
Amortisation			
At 1 May 2020	269,952	506,881	776,833
Charge for the year	83,588	184,063	267,651
On disposals	(109,760)	(305,247)	(415,007)
Impairment charge	30,459	-	30,459
At 30 April 2021	274,239	385,697	659,936
Net book value			
At 30 April 2021	14,848	568,766	583,614
At 30 April 2020	93,886	643,973	737,859

10. Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 May 2020	76,924	680,969	73,691	189,934	1,021,518
Additions	60,663	189,709	8,910	88,786	348,068
Disposals	(4,933)	(226,071)	(55,160)	(18,060)	(304,224)
At 30 April 2021	132,654	644,607	27,441	260,660	1,065,362
Depreciation					
At 1 May 2020	45,639	407,388	64,190	56,947	574,164
Charge for the year	16,948	45,555	2,887	37,348	102,738
Disposals	(4,933)	(226,071)	(55,160)	(18,060)	(304,224)
At 30 April 2021	57,654	226,872	11,917	76,235	372,678
Net book value					
At 30 April 2021	75,000	417,735	15,524	184,425	692,684
At 30 April 2020	31,285	273,581	9,501	132,987	447,354

Included above are assets held under finance leases with a net book value of:

	2021	2020
	£	£
Plant and machinery and computer equipment	238,905	200,422

The depreciation charged to the financial statements in the year in respect of assets held under finance leases amounted to £32,617 (2020: £24,064).

11. Stocks

	2021 £	2020 £
Raw materials and consumables	1,053,454	1,093,956
Finished goods and goods for resale	1,632,021	384,605
	2,685,475	1,478,561

Stocks are subject to, and given as security for, a stock financing facility.

12. Debtors

	2021 £	2020 £
Trade debtors	2,985,443	1,774,804
Amounts owed by group undertakings	-	545
Other debtors	105,166	100
Prepayments and accrued income	313,494	295,406
	3,404,103	2,070,855

Trade debtors are subject to, and given as security, for an invoice discounting facility.
Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13. Creditors: Amounts falling due within one year

	2021 £	2020 £
Stock financing facility	500,289	260,859
Bank loans	7,900	14,093
Other loans	212,615	56,976
Invoice discounting facility	2,302,905	1,263,421
Trade creditors	1,462,732	1,060,328
Amounts owed to group undertakings	336,549	245,871
Corporation tax	19,123	-
Other taxation and social security	97,392	33,903
Obligations under finance lease and hire purchase contracts	122,761	44,642
Other creditors	15,701	53,869
Accruals and deferred income	419,580	204,924
	5,497,547	3,238,886

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.
An unlimited company guarantee has been given by First Natural Limited to secure all liabilities of First Natural Brands Limited.
The existing debt facility which is available to the Company from the same provider of finance was increased by £500,000, during the year, to ensure ongoing increased headroom is available for the Company. Since year end, the Company entered into a refinance with Santander UK plc. Refer to note 22 for further details.
Stocks are subject to, and given as security for, the stock financing facility.
The obligations under finance leases are secured by way of a charge over the assets held under finance leases contracts.

14. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Bank loans	-	7,709
Other loans	311,248	72,111
Obligations under finance leases and hire purchase contracts	65,371	89,929
	376,619	169,749

The Company received a loan under the Coronavirus Business Interruption Loan Scheme of £250,000. This loan is repayable over thirty-three months commencing after an initial three-month period with no capital repayments. This loan was secured by a guarantee and debenture dated 21 January 2020 which had been granted by the Company and its parent company, First Natural Limited.

15. Loans

Analysis of the maturity of loans is given below:

	2021 £	2020 £
Amounts falling due within one year		
Bank loans	7,900	14,093
Other loans	212,615	56,976
	220,515	71,069
Amounts falling due 1-2 years		
Bank loans	-	7,709
Other loans	128,937	72,111
	128,937	79,820
Amounts falling due 2-5 years		
Other loans	182,311	-
	531,763	150,889

16. Finance leases

The present value of future payments under finance leases is analysed below.

	2021 £	2020 £
Within 1 year	76,610	31,241
Between 1 and 5 years	130,325	92,765
After 5 years	-	-
Net present value of future lease payments	206,935	124,006
Future interest charges	24,850	10,628
Total future payments under finance leases	231,785	134,634

17. Deferred taxation

	2021 £	2020 £
At beginning of year	(4,074)	(15,517)
Charged to profit or loss	(102,558)	11,443
At end of year	(106,632)	(4,074)

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(110,528)	(4,074)
Short term timing differences	3,896	-
	(106,632)	(4,074)

18. Called up share capital

	2021 £	2020 £
Allotted, called up and fully paid		
99,167 (2020: 99,167) Ordinary A shares of £1.00 each	99,167	99,167
833 (2020: 833) Ordinary B shares of £1.00 each	833	833
	100,000	100,000

Each Ordinary A share entitles the holder to one vote and no right to fixed income.
Ordinary B shares do not carry voting rights and do not entitle the holder to fixed income.

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund during the year and amounted to £71,777 (2020: £70,995). Contributions totalling £9,505 (2020: £5,167) were payable to the fund at the reporting date and are included within other creditors.

20. Commitments under operating leases

At 30 April 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	166,977	83,025
Later than 1 year and not later than 5 years	162,874	217,316
	329,851	300,341

21. Related party transactions

The Company is a wholly owned subsidiary of First Natural Limited, and as such has taken advantage of the exemption permitted by section 33 Related Party Disclosure, not to provide disclosures of transaction entered into with other wholly owned members of the group.

22. Post balance sheet events

In November 2021 the Company entered into a refinance with Santander UK plc. The Company has entered into 3 facilities with Santander incorporating a £1.75m Growth Capital Loan which is repayable in 4 years, a 12 month £0.5million trade loan facility and a 12 month £4.0million confidential invoice discounting facility. Interest on the Growth Capital Loan is 10% per annum over UK base rate of which 5% per annum is payable in cash on a quarterly basis and 5% accrues to the term of the Growth Capital Loan. Interest on the trade loan is 3% over UK base rate. Interest on the confidential invoice discounting facility is 2.15% over UK base rate.
There have been no other significant events affecting the Company since the year end.

23. Controlling party

The immediate and ultimate parent undertaking of the Company is First Natural Limited, a company incorporated and registered in England. First Natural Limited is the largest and smallest group into which the financial statements of the company are consolidated. These financial statements may be obtained from Companies House at www.beta.companieshouse.gov.uk.
The directors of the Company are considered to be the controlling parties of the Company by virtue of their shareholdings in First Natural Limited.