28 February 2022

Kitwave Group plc

("Kitwave", the "Group" or the "Company")

Final Results for the twelve months ended 31 October 2021

Kitwave Group plc (AIM: KITW), the delivered wholesale business, is pleased to announce its final results for the twelve months ended 31 October 2021.

During the twelve months being reported, the Group traded in line with the Board's expectations. The results were impacted by COVID-19 lockdown restrictions and closures within the leisure and hospitality sectors. Since April 2021, trading has returned close to pre-pandemic levels and the Directors are pleased to confirm the Group is currently trading slightly ahead of market expectations.

Investors should note that the below comparative prior period was for the 18 months to 31 October 2020.

Financial summary

- Revenues of £380.7 million *(FP20: £592.02 million)*
- Gross profit margin maintained at 18% during the year *(FP20: 18%)*
- Adjusted operating profit of £7.1 million *(FP20: £16.5 million)*
- Profit before tax increased by 63% to £2.1 million *(FP20: £1.3 million)*
- £7.9 million net cash generated from operations *(FP20: £35.9 million)**
- Pre-tax operational cash conversion of 85% *(FP20: 151%)**

** For more information on alternative performance measures please see the glossary at the end of the announcement.*

The Board has declared that it is recommending a final dividend of 4.5 pence per ordinary share, subject to approval at the Annual General Meeting to be held on 25 March 2022, which will, if approved, result in a total dividend for the year of 6.75 pence per ordinary share.

Admission to AIM

- Significantly over-subscribed Placing and Admission to AIM on 24 May 2021, raising gross proceeds of £64.0 million for the Company and £17.6 million for the Selling Shareholders.
- Gross proceeds for the Company to be used to support the Group's successful buy-and-build strategy, enhance the profile of the Group and its brands, improve Kitwave's position with key suppliers, strengthen the Group's balance sheet, and provide the Group with greater ability to incentivise and retain key employees going forward.
- On Admission, Stephen ("Steve") Smith, Independent Non-Executive Chairman, and Gerard Murray, Independent Non-Executive Director, were appointed to the Board.

Operational highlights

- The Group opened a new 70,000 sq. ft distribution centre in Luton as a replacement for the previous site at Luton airport. The centre was delivered on time and on budget and specifically commissioned to cater for Frozen & Chilled product operations. The ability to store in excess of 5,000 pallets in highly efficient cold store conditions will ensure that the Group is well placed to meet future growth expectations and peak summer demands of Kitwave's independent customers. This upgraded facility replaced the previous Luton distribution centre.
- Work is progressing on a new foodservice warehouse in Wakefield, expected to be opened in March 2022. This will replace the existing inherited site in Wakefield that is no longer fit for purpose.

Post-period end

- Appointment of Ben Maxted, Group Operations Director and Head of the Frozen & Chilled division, to the Board as Chief Operating Officer.
- Acquisition of the entire issued share capital of M.J. Baker Foodservice Limited, the South West's leading independent foodservice supplier, for a gross consideration of £24.5 million paid in cash, funded from the existing banking facilities available to the Group.

Paul Young, Chief Executive Officer of Kitwave, commented:

"It gives me great pleasure reporting on the first 12-month period since the Company's listing on AIM in May 2021.

"While this year has been particularly challenging for our independent customers, who have been forced to close or operate in a reduced capacity for sustained periods of time as a result of COVID-19 restrictions, it is clear that we are nearing a return to some form of normality. The majority of our customers have successfully guided themselves through the perils that the pandemic brought upon us and, as a result, trading, which was heavily impacted in the first six months of the year, has returned to pre-pandemic levels over recent months.

"The division least impacted by COVID-19 restrictions was our Frozen & Chilled division which remained extremely resilient and operated close to pre-pandemic levels throughout the period. Each of the Group's Ambient, Frozen & Chilled and Foodservice divisions, however, experienced some degree of disruption during the period.

"I would like to take this opportunity to thank all our colleagues, as it is due to their exceptional commitment and dedication that we have been able to continue operating and providing a service to our customers throughout the year.

"In line with our buy-and-build strategy, we were delighted to announce the acquisition of M.J. Baker post-period end. The Board believes that the acquisition represents an excellent opportunity to further develop the Group's reach into South West England and Kitwave's foodservice offering.

"With the worst of the adverse effects brought about by COVID-19 now behind us, and barring any further lockdowns, the outlook for Kitwave is a positive one. The Board continues to focus on capitalising upon the UK's fragmented grocery and foodservice wholesale market and generating value for the Group and its shareholders through operational efficiencies, organic growth and further acquisitions. The current year has started well and we look forward to providing further updates on our progress in due course."

- Ends -

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This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

Company Overview

Founded in 1987, following the acquisition of a single-site confectionery wholesale business based in North Shields, United Kingdom, Kitwave is a delivered wholesale business, specialising in selling and delivering impulse products, frozen and chilled foods, alcohol, groceries and tobacco to approximately 39,000, mainly independent, customers.

With a network of 27 depots, Kitwave is able to support delivery throughout the UK to a diverse customer base, which includes independent convenience retailers, leisure outlets, vending machine operators, foodservice providers and other wholesalers, as well as leading national retailers.

The Group's growth to date has been achieved both organically and through a strategy of acquiring smaller, predominantly family-owned, complementary businesses in the fragmented UK grocery and foodservice wholesale market.

Kitwave Group plc (AIM: KITW) was admitted to trading on AIM of the London Stock Exchange on 24 May 2021.

For further information, please visit www.kitwave.co.uk.

Chairman's statement

Overview

In this maiden Annual Report since the Company's Admission to AIM in May 2021, it is a pleasure to welcome all our new shareholders and to report on an excellent performance for Kitwave. While the year brought a number of challenges as a result of restrictions put in place by the Government in response to the COVID-19 pandemic, these have been navigated successfully and we remain well positioned to capitalise on any growth opportunities that may arise.

Results summary

The business has demonstrated great resilience in both revenue and operating profit during the year, with revenue of £380.7 million and adjusted operating profit of £7.1 million, compared to £592.0 million and £16.5 million respectively in FP20 (an 18-month period).

Each of our divisions was disrupted to some degree by the pandemic with many of our independent customers, particularly in the hospitality and leisure sectors, forced either to close or to operate at a reduced capacity. In contrast, our Frozen & Chilled division was less impacted and operated close to pre-COVID-19 levels throughout the year.

Since Kitwave was founded in 1987, the convenience and foodservice customers that we serve have demonstrated their resilience in the face of adversity. While many felt the effects of the pandemic, most continue to show that they are capable of getting through this difficult period and returning to normal trading levels. This should only help to improve our future trading.

Dividend

We intend to implement a progressive dividend policy to reflect the cash flow and earnings potential of the business. Assuming sufficient distributable reserves are available, and subject to executing on our growth strategy, the intention is to divide the total annual dividend between the interim and final dividends in the approximate proportions one third and two third, respectively. As a result, we declared an interim dividend of 2.25 pence per ordinary share, paid on 27 August 2021 to shareholders on the register at the close of business on 6 August 2021.

We are recommending a final dividend of 4.5 pence per ordinary share, subject to approval at the AGM.

Admission

Kitwave's Admission to AIM on 24 May 2021 represented a momentous landmark for the Company and its stakeholders.

Through a significantly over-subscribed Placing, supported by high quality institutional investors, gross proceeds of £64.0 million were raised for the Company and £17.6 million for the Selling Shareholders, giving the Company a market capitalisation of approximately £105.0 million at Admission.

The gross proceeds received by the Company were used to reduce existing debt and to pay expenses in connection with the Placing.

We believe that our status as a publicly-traded entity will support our successful buy-and-build strategy, enhance our profile and our brands, improve our position with key suppliers, improve our financial strength, and provide us with greater ability to incentivise and retain key colleagues going forward.

Environmental, Social and Governance (ESG)

We are committed to ensuring the highest standards of ESG practices across our business and recognise that we have social and environmental responsibilities arising from our operations. We continue to develop this framework and the associated measures that will need to be considered.

Board

Central to our success has been the highly skilled and committed management team. The team has a great understanding of the sectors and customers we serve as well as the energy and leadership to continue to grow the business.

On Admission of the Company to AIM the Board was strengthened with the appointment of Gerard Murray as a Non-Executive Director. On 25 November 2021 Ben Maxted was appointed to the Board as Chief Operating Officer. We look forward to their continued contribution in the years ahead.

Our people

I would like to take this opportunity to thank all our colleagues at this time, as they have responded to these unprecedented challenges with exceptional commitment. It is due to their dedication that we have been able to continue operating and providing a service to our customers throughout the year.

Outlook

Since I joined Kitwave as Chairman in 2016, the Group has delivered exceptional growth both organically and by acquisition with turnover increasing by over 40% in the three financial years prior to the pandemic. While the impact of COVID-19 in the last 18 months has temporarily halted this development, we are well positioned to recommence our strategy for growth with a strong balance sheet and a capable management team.

In this regard, we continue to review opportunities for acquisition that fit with our criteria. Post year end the Group completed the acquisition of the entire issued share capital of M.J. Baker Foodservice Limited. The acquisition is in line with that criteria and will be an excellent addition to our Foodservice division, expanding the Group's nationwide reach into the South West. M.J. Baker is renowned for providing a quality delivered solution to its customers, a key part of the Kitwave Group ethos.

FY22 has started positively and, subject to no further major disruptions to the sectors we serve, trading is expected to return to pre-pandemic levels. Combined with the initiatives implemented to drive organic growth, this should deliver value to our shareholders.

Steve Smith
Chairman
25 February 2022

Chief Executive Officer's review

Overview

Having founded Kitwave in 1987, it gives me great pleasure in reporting on the first period since the Company's listing on AIM in May 2021. The Group was founded following the acquisition of a single-site confectionery wholesale business based in North Shields and has grown to become a leading delivered wholesaler operating across the UK. From a team of 20 in 1987, we now have over 1,150 employees, 27 depots and a fleet of 430 vehicles servicing approximately 39,000 customers.

While this year has been particularly challenging for our independent customers, who have been forced to close or to operate in a reduced capacity for sustained periods of time, it appears that we are nearing a return to some form of normality and the majority of our customers have successfully guided themselves through the perils that the pandemic brought upon us.

With significant corporate and wholesale expertise and experience across the Board and senior management team, the Group is now looking to capitalise upon the fragmented grocery and foodservice wholesale market in the UK, to drive growth and provide value to its shareholders.

Divisional summary

Many of the Group's independent retailers and foodservice provider customers were closed from November 2020 to March 2021 as a result of COVID-19 lockdown restrictions. As such, the Group's Ambient, Frozen & Chilled and Foodservices divisions all experienced some degree of disruption. The least impacted was our Frozen & Chilled division which was extremely resilient and operated close to pre-pandemic levels throughout the period.

Ambient division

COVID-19 impacted revenue normally generated through the sale of impulse products to vending machines so, as expected, trading for the Ambient business was down versus the comparable period, but in line with expectations.

£000	FY21 (12 months)	FP20 (18 months)
Revenue	155,712	249,080
Gross profit	19,280	30,374
Gross margin %	*12%*	*12%*

Frozen & Chilled division

The Frozen & Chilled division has now successfully integrated the acquisition of Central Supplies, acquired in 2019, and the division traded well throughout the period, despite some customers being affected by COVID-19 and the restrictions on footfall in the main leisure sites across the country. The division maintains its strong presence in the market and looks set to capitalise upon further opportunities, both through acquisitions and growing its customer base, due to its strong nationwide infrastructure and capabilities.

£000	FY21 (12 months)	FP20 (18 months)
Revenue	163,895	230,546
Gross profit	34,923	52,468
Gross margin %	*21%*	*23%*

Foodservice division

The biggest impact from COVID-19 was experienced in our Foodservice division, particularly during the Christmas 2020 period, which is usually our busiest season. The prior year comparable numbers include trading from December 2019; a pre-COVID trading period. To mitigate this lost revenue, the division's distribution expenses were reduced by 44% to £4.1 million after accounting for the benefit of Coronavirus Job Retention Scheme (CJRS) furlough grants presented as other income.

£000	FY21 (12 months)	FP20 (18 months)
Revenue	61,087	112,390
Gross profit	14,382	24,332
Gross margin %	*24%*	*22%*

Facilities

In February 2021, the Group was pleased to open its new 70,000 sq. ft distribution centre in Luton. The centre was delivered on time and on budget and was commissioned to cater for Frozen & Chilled product operations. With the ability to store over 5,000 pallets in highly efficient cold store conditions, the facility ensures that the Group is well placed to meet future growth expectations and peak summer demands of independent customers. This upgraded facility replaced the previous Luton distribution centre.

Work is continuing on the Group’s new Foodservice warehouse in Wakefield which is due to open in March 2022. This facility replaces our current site in Wakefield and allows for the integration of the Leeds depot.

Utilising the Group’s own in-house established fleet of delivery vehicles and drivers ensures we are not reliant on third party logistics providers.

Strategy

The Group’s strategy remains focused on capitalising upon the fragmented UK grocery and foodservice wholesale market both through the acquisition of smaller regional players and by driving organic growth. This strategy has proven highly successful, with 11 wholesale distributors acquired and integrated into the Group since 2011.

The Board strongly believes that the Group's Admission to AIM will support this strategy, as well as enhancing the Kitwave brand in order to remain one of the leading delivered wholesale providers in the

UK.

Having operated for over three decades, the Group has a strong brand presence and the platform from which to grow. With in excess of 100 years of combined industry knowledge and expertise, we believe that the Board and senior management team is more than capable of delivering this strategy and generating value for the Group and its shareholders.

Colleagues

We would like to take this opportunity to thank all our colleagues for their hard work over this challenging period, which has undoubtedly put the Group in the strong position it finds itself in today. Similarly, we would like to thank all our new shareholders for their support.

The Board holds its work colleagues in the highest regard. Their dedication and loyalty have enabled us to weather the storm of COVID-19. In return, the Group has, where possible, introduced apprentice schemes and training courses which have enabled colleagues to enhance their skills and qualifications. The Board firmly believes that an investment in people is paramount to its future success.

Summary and outlook

Having overcome what is expected to be the worst of the COVID-19 pandemic, the outlook for the Group's customer base is much more positive. As we have seen time and time again, our independent customers have proven their resilience through adapting their business models where necessary and are now looking to return trading back to pre-pandemic levels.

Following a strong second half of the year, as is usual for our business, we look to 2022 with optimism. Barring any further lockdown restrictions, we expect the Group to operate in the current year at efficiency and volume levels similar to those prior to the pandemic. The Group has at its disposal a pipeline of exciting opportunities and is well placed to accelerate both organic revenue and profit growth through its buy-and-build strategy. We look forward to capitalising upon these opportunities in the year ahead.

In line with this strategy post year end the Group completed the acquisition of the entire ordinary share capital of M.J. Baker Foodservice Limited. The acquisition of M.J. Baker is an excellent addition to our Foodservice division and expands the Group's nationwide reach into the South West. M.J. Baker is renowned for providing a quality delivered solution to its customers, a key part of the Kitwave Group ethos.

Paul Young
Chief Executive Officer
25 February 2022

Chief Financial Officer's review

Overview

Group revenue was £380.7 million, compared to £592.0 million in the 18-month period to October 2021. The Group's Ambient, Frozen & Chilled and Foodservice divisions have all experienced some level of impact from the COVID-19 restrictions and as a result the year covers two contrasting periods of trading.

The main adverse impact of COVID-19 restrictions was seen in the first six months of the year with revenue levels across the business returning to close to pre pandemic levels during the last few months of the year. This compared to the prior 18-month period with normal trading in the first 12 months being followed by significant reductions in trade from the start of the pandemic in April 2020 through to October 2020.

Gross profit margin has been maintained at 18% during the year. Divisional margins are generally in line with expectations, although the lockdown restrictions impacted the higher margin Foodservice division more than the other divisions.

In total the Group received £2.3 million (FP20: £3.0 million) of Government support which has been shown as other income and relates to CJRS claims made during the period.

In the 12 months ended October 2021 profit before tax increased by 63% to £2.1 million (FP20: £1.3 million) despite the challenges faced due to the COVID-19 restrictions in the first six months of the year, demonstrating the resilience of the business model.

Net finance costs of £4.3 million relate mainly to the costs associated with the debt structure in place prior to the IPO and the unwind of these facilities. Also included within finance costs is interest relating to IFRS16 accounting of £1.1 million.

The statutory basic and diluted earnings per share for FY21 is £0.02.

The Board is recommending a final dividend of 4.5 pence per ordinary share, subject to approval at the AGM, which, if approved, will result in a total dividend for the year of 6.75 pence per share.

The Board intends to continue its progressive dividend policy with the interim dividend generally being payable in August and the final dividend normally being paid in April, in the approximate proportions of one third and two thirds respectively. This intention is subject to sufficient distributable reserves being available and the Group being in a position to continue to execute its growth plans.

Capital expenditure

The Group has continued to invest in its operations over the financial period with £2.9 million invested in new assets and £10.9 million of right-of-use assets. There was an investment of £2.0 million in the new warehouse facility at Butterfield, Luton that was funded from the proceeds received from the CPO on the previous Luton site.

Investment in the vehicle fleet also continued with £0.3 million of new vehicles acquired and £1.2 million invested through right-of-use vehicle replacement.

New leases were signed for the Butterfield site and three other leases that created an additional £9.4 million of right-of-use leasehold assets.

Cashflow

The net cashflow inflow from operating activities for the year was £7.9 million after net investment in working capital of £2.4 million. Payments of £2.9 million were made in the year to acquire a further 20.5% shareholding in Central Supplies (Brierley Hill) Ltd. The Group now owns 95.5% of the ordinary shares in this company. After tax payments of £2.4 million this resulted in operating cash conversion of 50%. Over the financial periods FP20 and FY21 pre-tax operational cash conversion* is 126%.

As a result of the IPO in May 2021, £61.9 million was raised net of £2.1 million of costs. This was utilised to repay £51.3 million of debt and accrued interest and a further £1.0 million of costs associated with the IPO. The balance of £9.6 million was brought into the Group to reduce drawings on the existing working capital facilities.

The Group paid an interim dividend in August 2021 of 2.25 pence per ordinary share.

The net cash increase in the year was £4.6 million.

Financial position

At 31 October 2021, cash and cash equivalents totalled £5.0 million (FP20: £0.3 million).

The Group had £39.2 million of interest-bearing debt facilities including £21.6 million of IFRS 16 lease liabilities.

The Group renewed its CID facility in May 2021 at the time of the IPO for a further two years to April 2023. The facility has one covenant requiring net debt not to exceed three times EBITDA. As at 31 October 2022 this covenant was met.

There were undrawn facilities available to the Group of £28.4 million at the year end.

Taxation

The tax charge for the period was £1.0 million (FP20: £1.8 million) at an effective rate of 48% (FP20: 138%). The effective rate is higher than the standard UK rate of corporation tax of 19% (FP20: 19%) mainly due the non-deductible element of interest charges and fair value adjustments to debt instruments under the pre Admission debt structure. A full reconciliation of the tax charge is shown in note 9 of the financial statements.

Share based payments

In the period there was an expense of £0.2 million (FP20: £nil) for share-based payments.

This relates to a new Management Incentive Plan (MIP) that commenced in July 2021 post the completion of the IPO in May 2021. Under the MIP, which intends to retain and incentivise key management personnel, the Company has issued Growth Shares in its subsidiary, Kitwave Limited, to David Brind (Chief Financial Officer) and Ben Maxted (Chief Operating Officer).

David Brind
Chief Financial Officer
25 February 2022

Consolidated statement of profit and loss and other comprehensive income

	Note	**Year ended 31 October 2021 £000**	18 months ended 31 October 2020 £000
Revenue	*3*	**380,694**	592,016
Cost of sales		**(312,109)**	(484,842)
Gross profit		**68,585**	107,174
Other operating income	*4*	**4,771**	3,020
Distribution expenses		**(31,203)**	(44,014)
Administrative expenses		**(35,755)**	(54,156)
Operating profit		**6,398**	12,024
Analysed as:			
Adjusted EBITDA		**15,053**	27,634
Amortisation of intangible assets	*11*	**(150)**	(144)
Depreciation	*12,13*	**(7,817)**	(11,013)
CPO income	*4*	**2,255**	-
Restructuring costs	*5*	**(1,257)**	(1,467)
Acquisition expenses	5	**(181)**	(628)
Compensation for post combination services	5	**(1,278)**	(2,358)
Share based payment expense	5	**(227)**	-
Total operating profit		**6,398**	12,024
Finance expenses	*8*	**(4,274)**	(10,719)
Analysed as:			
Interest payable on bank loans and bank facilities	*8*	**(1,327)**	(2,805)
Interest and finance charges payable on loan notes and debenture loans	*8*	**(7,078)**	(7,788)
Finance charges on leases	*8*	**(1,239)**	(1,579)
Fair value movement on financial liabilities	*8*	**5,410**	1,453
Other interest	*8*	**(40)**	-
Financial expenses		**(4,274)**	(10,719)
Profit before tax		**2,124**	1,305
Tax on profit on ordinary activities	*9*	**(1,028)**	(1,805)
Profit/(loss) for the financial period		**1,096**	(500)
Other comprehensive income		**-**	-
Total comprehensive income / (loss) for the period		**1,096**	(500)
Basic earnings per share	*10*	**0.02**	(0.02)
Diluted earnings per share	*10*	**0.02**	(0.02)
Non-GAAP measures			
Basic underlying earnings per share	*10*	0.08	**0.37**
Diluted underlying earnings per share	*10*	0.08	**0.37**

Consolidated balance sheet as at 31 October

	Note	2021 £000	2020 £000
Non-current assets			
Goodwill	*11*	**31,249**	31,249
Intangible assets	*11*	**431**	412
Tangible assets	*12*	**10,104**	9,310
Right-of-use assets	*13*	**23,188**	20,600
Investments	*14*	**20**	20
Investment property	*15*	**-**	175
		64,992	61,766
Current assets			
Inventories	*17*	**26,043**	23,198
Trade and other receivables	*18*	**52,814**	44,558
Cash and cash equivalents	*19*	**4,968**	342
		83,825	68,098
Total assets		**148,817**	129,864
Current liabilities			
Other interest bearing loans and borrowings	*21*	**(14,620)**	(17,681)
Lease liabilities	*21*	**(4,719)**	(5,202)
Trade and other payables	*20*	**(47,332)**	(40,307)
Tax payable		**(370)**	(1,984)
		(67,041)	(65,174)
Non-current liabilities			
Other interest bearing loans and borrowings	*21*	**-**	(43,079)
Lease liabilities	*21*	**(19,917)**	(16,200)
Other financial liabilities	*16*	**-**	(5,410)
Deferred tax liabilities	*22*	**(275)**	(54)
		(20,192)	(64,743)
Total liabilities		**(87,233)**	(129,917)
Net assets/(liabilities)		**61,584**	(53)
Equity attributable to equity holders of the Parent Company			
Called up share capital	*25*	**700**	1
Share premium account	*25*	**64,183**	12,993
Consolidation reserve	*25*	**(33,098)**	(33,098)
Share based payment reserve	*24*	**227**	-
Retained earnings		**29,572**	20,051
Equity/(accumulated deficit)		**61,584**	(53)

Company balance sheet as at 31 October

	Note	2021	2020
		£000	£000
Non-current assets			
Investments	*14*	**12,993**	12,993
		12,993	12,993
Current assets			
Trade and other receivables	*18*	**63,081**	7,752
Cash and cash equivalents	*19*	**3,371**	-
		66,452	7,752
Total assets		**79,445**	20,745
Current liabilities			
Trade and other payables	*20*	**(227)**	(590)
		(227)	(590)
Non-current liabilities			
Other financial liabilities	*16*	**-**	(5,410)
Deferred tax assets	*22*	**57**	-
		57	(5,410)
Total liabilities		**(170)**	(6,000)
Net assets		**79,275**	14,745
Equity attributable to equity holders of the Parent Company			
Called up share capital	*25*	**700**	1
Share premium account	*25*	**64,183**	12,993
Share based payment reserve	*24*	**227**	-
Retained earnings*		**14,165**	1,751
Equity		**79,275**	14,745

*The Company's profit for the year was £3,989,000 *(FP20: £622,000)*

Consolidated statement of change in equity

	Called up share capital £000	Share premium account £000	Consolidation reserve £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 May 2019	**1**	**12,993**	**(33,098)**	**-**	**20,551**	**447**
Total comprehensive income for the period						
Loss	-	-	-	-	(500)	(500)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(500)**	**(500)**
Balance at 31 October 2020	**1**	**12,993**	**(33,098)**	**-**	**20,051**	**(53)**
Total comprehensive income for the year						
Profit	-	-	-	-	1,096	1,096
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1,096**	**1,096**
Transaction with owners, recorded directly in equity						
Share capital reduction	-	(10,000)	-	-	10,000	-
New share issuance	699	63,300	-	-	-	63,999
Costs directly attributable to new share issuance	-	(2,110)	-	-	-	(2,110)
Transaction with owners recorded directly in equity dividends	-	-	-	-	(1,575)	(1,575)
Share based payment expense	-	-	-	227	-	227
Total contribution by and transactions with the owners	**699**	**51,190**	**-**	**227**	**8,425**	**60,541**
Balance at 31 October 2021	**700**	**64,183**	**(33,098)**	**227**	**29,572**	**61,584**

Company statement of change in equity

	Called up share capital £000	Share premium account £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 May 2019	**1**	**12,993**	**-**	**1,129**	**14,123**
Total comprehensive income for the period					
Profit	-	-	-	622	622
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**622**	**622**
Balance at 31 October 2020	**1**	**12,993**	**-**	**1,751**	**14,745**
Total comprehensive income for the year					
Profit	-	-	-	3,989	3,989
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**3,989**	**3,989**
Transaction with owners, recorded directly in equity					
Share capital reduction	-	(10,000)	-	10,000	**-**
New share issuance	699	63,300	-	-	**63,999**
Costs directly attributable to new share issuance	-	(2,110)	-	-	**(2,110)**
Transaction with owners recorded directly in equity – dividends	-	-	-	(1,575)	**(1,575)**
Share based payment expense	-	-	227	-	**227**
Total contribution by and transactions with the owners	**699**	**51,190**	**227**	**8,425**	**60,541**
Balance at 31 October 2021	**700**	**64,183**	**227**	**14,165**	**79,275**

Consolidated cash flow statement

	Note	Year ended 31 October 2021 £000	18 months ended 31 October 2020 £000
Cash flow from operating activities			
Profit/(loss) for the period		**1,096**	(500)
Adjustments for:			
Depreciation and amortisation	*11,12,13*	**7,967**	11,157
Financial expense	*8*	**4,274**	10,719
Profit on sale of property, plant and equipment	*4*	**(55)**	(5)
Net gain on remeasurement of right-of-use assets and lease liabilities	*4*	**(124)**	-
Compensation for post combination services	*5*	**1,278**	2,358
Equity settled share based payment expense	*5*	**227**	-
Taxation	*9*	**1,028**	1,805
		15,691	25,534
(Increase)/decrease in trade and other receivables		**(8,244)**	19,425
(Increase)/decrease in inventories		**(2,845)**	11,456
Increase/(decrease) in trade and other payables		**8,671**	(17,867)
		13,273	38,548
Payments in respect of compensation for post combination services	*2*	**(2,925)**	-
Tax paid		**(2,432)**	(2,693)
Net cash inflow from operating activities		**7,916**	35,855
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,961)**	(3,125)
Proceeds from sale of property, plant and equipment		**248**	358
Acquisition of subsidiary undertakings (including overdrafts and cash acquired)	*2*	**-**	(13,535)
Net cash outflow from investing activities		**(2,713)**	(16,302)
Cash flows from financing activities			
IPO fund raise (net of expenses)		**61,889**	-
Proceeds from new loan	*21*	**5,500**	5,000
Net movement in invoice discounting	*21*	**4,559**	(6,941)
Interest paid	*8,21*	**(5,093)**	(5,969)
Net movement in bank trade loans	*21*	**(4,750)**	(2,270)
Repayment of bank term loans	*21*	**(21,863)**	(3,063)
Repayment of investor loans	*21*	**(34,176)**	-
Payment of lease liabilities	*21*	**(5,068)**	(7,173)
Dividends paid		**(1,575)**	-
Net cash outflow from financing activities		**(577)**	(20,416)
Net increase/(decrease) in cash and cash equivalents		**4,626**	(863)
Opening cash and cash equivalents		**342**	1,205
Cash and cash equivalents at period end	*19*	**4,968**	342

Notes

1 Accounting policies

Kitwave Group plc (the "Company") is a public company limited by shares and incorporated, domiciled and registered in England in the UK. The registered number is 9892174 and the registered address is Unit S3, Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent Company financial statements present information about the Company as a separate entity.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

The Company financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101"). The Company applies the recognition, measurement and disclosure requirements of IFRS, but makes amendments where necessary in order to comply with Companies Act 2006.

The financial information set out above does not constitute the Group or the Company's statutory accounts for the year ended 31 October 2021 or the financial period ended 31 October 2020. Statutory accounts for the period ended 31 October 2020 have been delivered to the registrar of companies, and those for the year ended 31 October 2021 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

In publishing the Company financial statements together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of profit and loss and related notes that form a part of these approved financial statements.

The Company has applied the following exemptions in the preparation of its financial statements:

- A cash flow statement and related notes have not been presented;
- Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective have not been provided;
- Disclosures in respect of transactions with wholly-owned subsidiaries have not been made; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments have not been provided.

The accounting policies set out below have, unless otherwise stated, been applied consistently to both periods presented in these consolidated financial statements.

The consolidated financial statements include the results of all subsidiaries owned by the Company per note 14. Certain of these subsidiaries have taken exemption from an audit for the year ended 31 October 2021 by virtue of s479A Companies Act 2006. To allow these subsidiaries to take the audit exemption, the Company has given a statutory guarantee of all the outstanding liabilities as at 31 October 2021. The subsidiaries which have taken this exemption from audit are:

- Alpine Fine Foods Limited;
- TG Foods Limited;
- Anderson (Wholesale) Limited;
- Angelbell Limited;
- Phoenix Fine Foods Limited; and
- Supplytech Limited

1.1 Critical accounting estimates and judgements

The preparation of financial statements requires the Directors to make judgements, estimates and assumptions concerning the future performance and activities of the Group. There are no significant judgements applied in the preparation of these financial statements. Estimates and assumptions are based on the historical experience and acquired knowledge of the Directors, the result of which forms the basis of the judgements made about the carrying value of assets and liabilities that are not clear from external sources. In concluding that there are no significant risks of material adjustment from accounting estimates and judgements, the Directors have reviewed the following:

Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Board identifies appropriate Cash-Generating Units ("CGU's") and the allocation of goodwill to these units. Where an indication of impairment is identified the assessment of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also the selection of appropriate discount rates in order to calculate the net present value of those cash flows. There has been no impairment in the period.

Each of the CGU's has significant headroom under the annual impairment review and the Directors believe that no reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Impairment of trade receivables

IFRS 9, Financial Instruments, requires that provisioning for financial assets needs to be made on a forward-looking expected credit loss model. This requires management to consider historic, current and forward-looking information to determine the level of provisioning required.

Management has assessed the ageing of the trade receivables, their knowledge of the Group's customer base, and other economic factors as indicators of potential impairment. Further information is considered in note 27 of these financial statements.

Following review of the above accounting estimates and judgements the Directors have concluded that there is no significant risk of material adjustment to the carrying amount of assets and liabilities within the next financial year.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified at fair value through the statement of profit and loss, unlisted investments and investment property.

1.3 Going concern

The financial information has been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

As part of the food supply industry, the Group continued to be affected by COVID-19 due to the lockdown restrictions that impacted the Group's customer base during the first six months of the financial year. Revenue amongst foodservice and vending customers was adversely impacted by continued Government led lockdowns in the 'out of home' sector covering cafes, restaurants, bars and hotels.

During the period, the Group continued to make use of the Coronavirus Job Retention Scheme in divisions affected by lockdown restrictions. Overall the Group's financial performance has been robust and its position in the market has enabled a prompt return to pre COVID-19 trading levels following the easing of trading restrictions in April 2021. The Group is cash generative and generated £13,273,000 of cash from operating activities (before tax payments) in FY21, illustrating the strong underlying operating model of the Group.

On 24 May 2021, the Company announced a significantly over-subscribed Placing and its admission to the AIM, raising gross proceeds of £64,000,000 and achieving a market capitalisation of £105,000,000. The Group has used the gross proceeds to de-gear the balance sheet, fully repaying the investors subordinated loan notes, investors mezzanine loan notes, the Bank Senior A and Bank Senior B tranche and reducing the Group's advance under its invoice discounting facility.

The de-gearing of the Group's balance sheet has significantly reduced the interest liability to be serviced annually and has provided a material improvement in the headroom on its remaining working capital facilities.

Post year end, Kitwave Limited completed the acquisition of the entire share capital of M.J. Baker Foodservice Limited ("M.J. Baker"). The acquisition was funded through the Group's existing facilities. and the acquisition will be incorporated into the Group's existing Foodservice division.

The Group has prepared financial forecasts and projections for a period of 12 months from the date of approval of this financial information (the "going concern assessment period"), which take into account the acquired balance sheet and trading forecast of M.J.Baker, possible downsides including any further impact of COVID-19 on the operations.

These forecasts show that the Group will have sufficient levels of financial resources available both to meet its liabilities as they fall due for that period and comply with remaining covenant requirements on its working capital facilities.

Consequently, the Directors are confident that the Group and Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of this financial information and therefore have prepared the financial statements on a going concern basis.

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 October 2021. A subsidiary undertaking is an entity that is controlled by the Company. The results of subsidiary undertakings are included in the consolidated statement of profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

In respect of the legal acquisition of Kitwave One Limited by the Company in the year ended 30 April 2017, the principles of reverse acquisition have been applied under IFRS 3. The Company, via its 100% owned subsidiary Kitwave Investments Limited, is the legal acquirer of Kitwave One Limited but Kitwave One Limited was identified as the accounting acquirer of the Company. The assets and liabilities of the Company and the assets and liabilities of Kitwave One Limited continued to be measured at book value. By applying the principles of reverse acquisition accounting the Group is presented as if the Company has always owned Kitwave One Limited. The comparative consolidated reserves of the Group were adjusted to reflect the statutory share capital and share premium of the Company as if it had always existed, adjusted for movements in the underlying Kitwave One Limited's share capital and reserves until the date of the acquisition. A consolidation reserve was created which reflects the difference between the capital structure of the Company and Kitwave One Limited at the date of acquisition less any cash and deferred cash consideration for the transaction.

1.5 Foreign Currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the statement of profit and loss.

1.6 Classification of financial instruments

Financial assets

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value through the statement of Profit and Loss ("FVTPL"). The classification of financial assets under IFRS 9 is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent 'Solely Payments of Principal and Interest' on the principal amount outstanding (the "SPPI criterion").

A summary of the Group's financial assets is as follows:

Trade and other receivables*	Amortised cost – hold to collect business model and SPPI met
Cash and short-term deposits	Amortised cost

Financial liabilities

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

A summary of the Group's financial liabilities is as follows:

Compensation for post combination services	Fair value through the statement of profit and loss
Bank loans and overdrafts	Amortised cost
Trade and other payables*	Amortised cost

*Prepayments, other receivables, other taxation and social security payables and other payables do not meet the definition of financial instruments.

Further information is included in note 27.

1.7 Non derivative financial instruments

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Invoice discounting

The Group is party to an invoice discounting arrangement which provides additional working capital up to the value of a set proportion of its trade receivables balances. The advances are secured against trade receivables (note 18). These are repayable within 90 days of the invoice and carry interest at a margin of 2.25%. This is a committed facility expires in 2023. The net movement of the balance is disclosed in the cash flow statement.

Equity investments

Equity investments are instruments that meet the definition of equity from the issuer's perspective: that is they do not contain an obligation to pay and provide a residual interest in the assets of the issuer. Equity investments are held at fair value through the statement of profit and loss.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Any gain or loss arising from a change in fair value is recognised in the statement of profit and loss.

1.8 Other financial instruments

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the statement of profit and loss. No hedge accounting has been applied.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements — straight line over the term of the lease
- Freehold property — 2% straight line
- Plant and machinery — 10-25% reducing balance and straight line

- Fixtures and fittings 15-20% reducing balance and straight line
- Motor vehicles 15-25% reducing balance and straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.10 Business combinations

Business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

At the acquisition date, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of the contingent consideration (see below): plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of profit and loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised in the statement of profit and loss.

Acquisitions prior to the date of transition to IFRSs

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The Group and Company elected not to restate business combinations that took place prior to transition date of 1 May 2015. In respect of acquisitions prior to 30 April 2015, goodwill is included at transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that goodwill was amortised. On transition, amortisation of goodwill ceased as required by IFRS 1.

1.11 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (“CGUs”) and is not amortised but is tested annually for impairment.

Intangible assets

Intangible assets are stated at costs less accumulated amortisation. They relate to capitalised software and development costs and are being amortised on a straight line basis over 4-5 years.

1.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle.

The Group participates in rebate schemes with their suppliers. Rebates are principally earned from suppliers on purchase of inventory and are recognised at point of delivery to the Group. Where the rebate earned relates to inventories which are held by the Group at the period end, the rebates are deducted from the cost of those inventories. Any rebates based on a volume of purchases over a period are only recognised when the volume target has been achieved.

1.13 Impairment excluding inventories and deferred tax assets

Non derivative financial assets – trade receivables

The Group recognises loss allowance for Expected Credit Losses ("ECLs") on trade receivables measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs as the term of the asset is considered short.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward looking information.

The Group utilises the practical expediency for short term receivables by adopting the simplified 'matrix' approach to calculate expected credit losses. The provision matrix is based on an entity's historical default rates over the expected life of the trade receivables as adjusted for forward looking estimates.

The Group assumes that the credit risk on a financial asset has increased if it is aged more than 90 days since delivery. This is not relevant in all cases and management use its historical experience and knowledge of the customer base to assess whether this is an indicator of increased risk on a customer by customer basis.

The Group considers the financial asset to be in default when the borrower is unlikely to pay its obligations or has entered a formal insolvency process or other financial reorganisation.

Loss allowances for financial assets measured at amortised costs are deducted from the gross carrying amount of the assets.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.14 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The Group operates a Management Incentive Plan for certain employees that incorporates a put option on the Company's ordinary shares. The fair value at the grant date of the options is recognised as an employee expense with a corresponding increase in equity, over the period in which the employee becomes unconditionally entitled to the awards.

The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The Monte Carlo option valuation model was adopted for share based payment arrangements entered into in the period ended 31 October 2021.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Under IFRS 3 the contingent payment which has been agreed for the remaining 5% of the share in Central Supplies (Brierley Hill) Ltd is classified as remuneration for post-combination services, as consideration for the shares is linked to an employment condition.

1.15 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.16 Revenue

IFRS 15 “revenue from contracts with customers” has been adopted. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only where they are satisfied, and the control of goods or service is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the previous accounting standards. Following an assessment of the impact of IFRS 15 and based on the straight forward nature of the Group’s revenue streams with the recognition of revenue at the point of sale and the absence of significant judgement required in determining the timing of transfer of control, the adoption of IFRS 15 has not had a material impact on the timing or nature of the Group’s revenue recognition.

The principal performance obligation is discharged on delivery/collection of the products by the customer at which point control of the goods has transferred. Customer discounts and rebates comprise variable consideration and are accounted for as a reduction in the transaction price, based on the most likely outcome basis.

The most likely outcome model is used due to the simple nature of rebate agreements and the limited number of possible outcomes – principally whether or not the customer achieved the required level of purchases.

1.17 Financing income and expenses

Financing expenses comprise interest payable, finance charges on put option liabilities and finance leases recognised in the statement of profit and loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of profit and loss (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, finance income on the put option liability, and net foreign exchange gains.

Interest income and interest payable is recognised in the statement of profit and loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of profit and loss on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.18 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.19 Leases

IFRS 16, Leases, became effective in the period ended 31 October 2020. The Group adopts the requirements of IFRS 16 as follows:

The Group has lease arrangements in place for properties, vehicles, fork lift trucks and other equipment including plant and machinery. At the inception of the lease agreement, the Group assesses whether the contract conveys the right to control the use of an identified assets for a certain period of time and whether it obtains substantially all of the economic benefits from the use of that assets in exchange for consideration. The Group recognises a lease liability and a corresponding right-of-use asset with respect to all such lease arrangements.

A right-of-use asset is capitalised on the balance sheet at cost, which comprises the present value of the future lease payments at inception of the lease. For those leases commencing prior to adoption of IFRS 16, the modified retrospective approach has been adopted on transition to value the right-of-use asset and lease liability.

Right-of-use assets are depreciated using a straight line method over the shorter of the life of the asset or the lease term and are assessed in accordance with IAS 36 'Impairment of Assets' to determine whether the asset is impaired.

The lease liability is initially measured at the present value of the lease payments as outlined above for the right-of-use asset and is increased by the interest cost on the lease liability, subsequently reduced by the lease payments made. Lease liabilities are classified between current and non-current on the balance sheet.

The key estimate applied by the Directors relates to the assessment of the incremental borrowing rate adopted by the Group to discount the future lease rentals to present value in order to measure the lease liabilities. A rate has been applied to each asset class supported by quotes from manufacturers for financing and the Group's weighted average cost of capital.

The Group has relied upon the exemption under IFRS 16 to exclude the impact of low-value leases and leases that are short-term in nature (defined as leases with a term of 12 months or less). Costs on these leases are recognised on a straight-line basis as an operating expense within the statement of profit and loss. All other leases are accounted for in accordance with this policy as determined by IFRS 16.

1.20 Government Grants

The Group has elected to present grants related to income separately under the heading "Other income" within the statement of profit and loss. This income represents the funding provided by the Government in relation to the Coronavirus Job Retention Scheme.

This funding is applicable on furlough of employees subject to Government criteria which has been met in each operating entity. The Directors do not consider there to be a material risk that any funding received will be repayable.

1.21 Exceptional items

Exceptional items are defined as income or expenses that arise from events or transactions that are clearly distinct from the normal activities of the Group and therefore are not expected to recur frequently or regularly.

Such items have been separately presented to enable a better understanding of the Group's operating performance. Details of exceptional income relating to the CPO is presented in note 4, exceptional expenses are presented in note 5.

1.22 Investments

Investments in subsidiaries are carried at cost less impairment in the parent Company financial statements.

2 Acquisitions

Acquisitions in the 18 month period ended 31 October 2020

Central Supplies (Brierley Hill) Ltd

On 5 August 2019, the Group acquired 75% of the share capital of Central Supplies (Brierley Hill) Ltd for a total consideration of £6,558,000. The remaining share capital is subject to an agreement to acquire it within 4 years of the acquisition, further details are given below. The resulting goodwill of £1,248,000 was capitalised and is subject to annual impairment testing under IAS 36.

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value £000
Non-current assets	
Tangible assets	2,970
Investment property	175
Right-of-use assets	2,155
Current assets	
Inventories	1,407
Trade and other receivables	7,131
Other receivables	3,135
Total assets	**16,973**
Current liabilities	
Interest bearing loans and borrowings	(3,487)
Lease liabilities	(512)
Trade and other payables	(5,495)
Corporation tax	(437)
Non-current liabilities	
Lease liabilities	(1,643)
Deferred tax	(89)
Total liabilities	**(11,663)**
Net identifiable assets and liabilities	5,310
Goodwill	1,248
Purchase consideration and costs of acquisition paid in period	**6,558**

The business was acquired as part of the Group's growth strategy. Significant control was obtained through the acquisition of 75% of the share capital.

No material intangible assets were identified. Goodwill represents buying and other operating synergies.

The acquired undertaking made a profit of £780,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the profit was £818,000 before revaluations.

Following acquisition, the business contributed revenue of £80,493,000 and operating profit of £2,644,000 to the Group for the period ended 31 October 2020.

If the business had been acquired at the start of the Group's financial period, being 1 May 2019, it would have added £96,635,000 to Group revenue and £3,185,000 to Group operating profit for the period ended 31 October 2020

A contingent payment, based on a fixed formula, has been agreed for the remaining 25% of the share in Central Supplies (Brierley Hill) Ltd. The payment is based on an employment condition under IFRS 3 and is therefore classed as compensation for post-combination services. Consequently, no non-controlling interest is recognised, and goodwill is measured as the difference between the initial consideration and 100% of the acquired company's net assets. Further detail on the calculation of this liability is detailed within note 27.

In the year ended 31 October 2021 an additional payment of £2,925,000 was made to purchase the entire shareholding of one minority shareholder and a proportion of the other remaining minority shareholder's shareholding. The remaining shareholding held by one minority shareholder is 5%.

This expense is accrued in administrative expenses as compensation for post combination services.

There have been no subsequent adjustments made to the fair values recognised on acquisition.

Alpine Fine Foods Limited

On 29 October 2019, the Group acquired the entire share capital of Alpine Fine Foods Limited for a total consideration of £2,505,000. The resulting goodwill of £2,690,000 was capitalised and is subject to annual impairment testing under IAS 36.

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value **£000**
Non-current assets	
Tangible assets	1,321
Right-of-use assets	355
Current assets	
Inventories	625
Trade and other receivables	1,323
Total assets	**3,624**
Current liabilities	
Interest bearing loans and borrowings	(981)
Lease liabilities	(261)
Trade and other payables	(1,060)
Other payables	(1,341)
Corporation tax	(50)
Non-current liabilities	
Lease liabilities	(144)
Deferred tax	28
Total liabilities	**(3,809)**
Net identifiable assets and liabilities	(185)
Goodwill	2,690
Purchase consideration and costs of acquisition paid in period	**2,505**

The business was acquired as part of the Group's growth strategy. Significant control was obtained through the acquisition of 100% of the share capital.

No material intangible assets were identified. Goodwill represents buying and other operating synergies.

The acquired undertaking made a profit of £232,000 from the beginning of its financial year to the date of acquisition. In its previous financial year the loss after tax was £38,000.

Following acquisition, the business contributed revenue of £3,831,000 and operating profit of £11,000 to the Group for the period ended 31 October 2020.

If the business had been acquired at the start of the Group's financial period, being 1 May 2019, it would have added £10,537,000 to Group revenue and £222,000 to Group operating profit for the period ended 31 October 2020

The trade and assets of Alpine Fine Foods Limited were hived up into David Miller Frozen Foods Limited on 24 February 2020.

There have been no subsequent adjustments made to the fair values recognised on acquisition.

3 Segmental information

The following analysis by segment is presented in accordance with IFRS 8 on the basis of those segments whose operating results are regularly reviewed by the Board (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources

The Group has the following operating segments:

- **Ambient:** Provides delivered wholesale of ambient food, drink and tobacco products**;**
- **Frozen & Chilled:** Provides delivered wholesale of frozen and chilled food products; and
- **Foodservice:** Provides delivered wholesale of alcohol, frozen and chilled food to trade customers.

Corporate contains the central functions that are not devolved to the business units

These segments offer different products and services to different customers types, attracting different margins. They each have separate management teams.

The segments share a commonality in service being delivered wholesale of food and drink products. The Group therefore benefits from a range of expertise, cross selling opportunities and operational synergies in order to run each segment as competitively as possible.

Each segment is measured on its EBITDA, adjusted for acquisition costs and reconstruction costs, and internal management reports are reviewed monthly by the Board. This performance measure is deemed the most relevant by the Board to evaluate the results of the segments relative to entities operating in the same industry.

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
	£000	£000	£000	£000	£000
FY21					
Revenue	155,712	163,895	61,087	-	380,694
Inter-segment revenue	12,340	-	226	-	12,566
Segment revenue	**168,052**	**163,895**	**61,313**	**-**	**393,260**
Adjusted EBITDA*	**4,347**	**9,275**	**2,000**	**(569)**	**15,053**
CPO income	-	2,255	-	-	2,255
Amortisation of intangibles	-	(144)	(6)	-	(150)
Depreciation	(2,106)	(3,910)	(1,801)	-	(7,817)
Restructuring costs	(53)	(41)	(42)	(1,121)	(1,257)
Acquisition expense	-	(19)	-	(162)	(181)
Compensation for post combination services	-	(1,278)	-	-	(1,278)
Share based payment expense	-	-	-	(227)	(227)
Interest expense	(564)	(1,286)	(288)	(2,136)	(4,274)
Segment profit/(loss) before tax	**1,624**	**4,852**	**(137)**	**(4,215)**	**2,124**
Segment assets	38,790	49,979	22,888	37,160	148,817
Segment liabilities	(28,559)	(41,323)	(16,508	(843)	(87,233)
Segment net assets	**10,231**	**8,656**	**6,380**	**36,317**	**61,584**

Within Corporate segment assets is £31,349,000 of goodwill on consolidation. This is allocated to the trading segments as follows (see note 11 for further information)

Goodwill by segment	**12,499**	**5,234**	**13,516**		**31,249**

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
	£000	£000	£000	£000	£000
FP20					
Revenue	249,080	230,546	112,390	-	592,016
Inter-segment revenue	20,107	636	595	-	21,338
Segment revenue	**269,187**	**231,182**	**112,985**	**-**	**613,354**
Adjusted EBITDA*	**7,327**	**17,155**	**3,949**	**(797)**	**27,634**
Amortisation of intangibles	-	(140)	(4)	-	(144)
Depreciation	(3,210)	(5,006)	(2,797)	-	(11,013)
Restructuring costs	(58)	(26)	(548)	(835)	(1,467)
Acquisition expense	-	(400)	(228)	-	(628)
Compensation for post combination services	-	(2,358)	-	-	(2,358)
Interest income	-	-	-	1,453	1,453
Interest expense	(961)	(1,668)	(556)	(8,987)	(12,172)
Segment profit/(loss) before tax	**3,098**	**7,557**	**(184)**	**(9,166)**	**1,305**
Segment assets	37,635	37,380	20,237	34,611	129,864
Segment liabilities	(28,200)	(34,435)	(15,389)	(51,893)	(129,917)
Segment net assets / (liabilities)	**9,435**	**2,945**	**4,848**	**(17,282)**	**(53)**

Within Corporate segment assets is £31,349,000 of goodwill on consolidation. This is allocated to the trading segments as follows (see note 11 for further information)

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
Goodwill by segment	**12,499**	**5,234**	**13,516**		**31,249**

An analysis of revenue by destination is given below:

Geographical information:

	FY21	FP20
	£000	£000
United Kingdom	**373,690**	579,436
Overseas	**7,004**	12,580
Group Revenue	**380,694**	592,016

No one customer accounts for more than 6% of Group revenue.

4 Other operating income/(expense)

	FY21 £000	FP20 £000
Net gain on disposal of fixed assets	**55**	5
Net gain/(loss) on foreign exchange	**(2)**	5
Net gain on remeasurement of right-of-use assets and lease liabilities	**124**	-
CPO income	**2,255**	-
Grant income	**2,339**	3,010
	4,771	3,020

Grant income comprises amounts received from the Government with respect to the Coronavirus Job Retention Scheme. These totalled £2,339,000 (FP20: £3,010,000).

CPO income is in relation to the compulsory purchase order of a property lease in Luton enacted by the Local Authority. It has been classified as exceptional income in the statement of profit and loss as it is not income relating to the Group's principal activities and is not expected to recur in in the ordinary course of business.

5 Expenses

Included in profit/loss are the following:

	FY21 £000	FP20 £000
Depreciation of tangible assets:		
Owned	**1,975**	3,120
Right-of-use assets	**5,842**	7,893
Amortisation of intangible assets	**150**	144
Expense relating to short term and low value assets	**715**	1,024
Impairment loss on trade receivables	**1,288**	1,563
Dilapidation provision	**570**	-

The Group incurred a number of expenses not relating to the principal trading activities of the Group as follows:

Exceptional expenses	FY21 £000	FP20 £000
Restructuring expenses	**1,257**	897
COVID-19 related restructuring costs	**-**	570
Acquisition expenses	**181**	628
Compensation for post combination services	**1,278**	2,358
Total exceptional expenses	**2,716**	4,453
Share based payment expense	**227**	-
Total exceptional expenses and share based payments	**2,943**	4,453

The Board consider the exceptional items to be non-recurring in nature. Both exceptional and share based payment expenses are adjusted for in the statement of profit and loss to arrive at the adjusted EBITDA. This measure provides the Board with a better understanding of the Group's operating performance.

Restructuring expenses include transaction fees in relation to the IPO of £1,121,000 (FP20: 834,000). Other expenses related to the restructuring of the Group's operations in the period.

COVID-19 related restructuring costs include a modest workforce reduction in response to the reduced demand during Government led closure of customers' operations.

Acquisition expenses include the legal and professional fees connected to the actual and potential acquisitions of subsidiaries in the period.

Compensation for post combination services relates to the value of a liability in connection the acquisition of the remaining share capital of Central Supplies (Brierley Hill) Ltd which is subject to an agreement to acquire it within two years of the acquisition, see note 2.

Share based payments relate to the MIP and are non cash expenses. For further information see note 24.

	FY21 £000	FP20 £000
Auditor's remuneration		
Audit of these financial statements	**6**	9
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**380**	250
Taxation compliance services	**44**	39
Tax advisory services	**109**	30
Corporate finance services	**218**	370

6 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the period is analysed as follows:

	FY21	FP20
Number of staff	**1,079**	1,157
Directors	**3**	2
	1,082	1,159

The aggregate payroll costs of these persons were as follows:

	FY21	FP20
	£000	£000
Wages and salaries	**29,259**	44,897
Social security costs	**2,673**	4,094
Other pension costs (note 23)	**769**	1,151
	32,701	50,142

7 Directors' remuneration

Included within staff costs (note 6) are the following amounts in respect of Directors' emoluments

	FY21	FP20
	£000	£000
Directors' emoluments	**636**	873
Company contribution to personal pension scheme	**32**	83
	668	956

Retirement benefits are accruing to two Directors under money purchase pension schemes (FP20: two).

Amounts accrued under the share based payment plan for one of the Directors was £85,000 (FP20: £nil).

Highest paid Director	**FY21** **£000**	FP20 £000
Directors’ emoluments	**312**	515
Company contribution to personal pension scheme	**19**	63
	331	578

8 Finance income and expense

	FY21		FP20	
	£000	**£000**	£000	£000
Interest payable and similar charges – cash items				
Interest payable on bank loans and invoice discount facilities	**1,327**		2,805	
Finance charges payable in respect of leases	**1,239**		1,579	
Other finance interest payable on investor loans	**551**		-	
Other finance charges payable on debenture loans	**1,936**		1,585	
Other interest	**40**		-	
		5,093		5,969
Interest payable and similar charges –non-cash items				
Other finance interest payable on investor loans	**-**		4,327	
Other finance charges payable on debenture loans	**4,591**		1,876	
Fair value movement on financial liabilities (note 16)	**(5,410)**		(1,453)	
		(819)		4,750
		4,274		10,719

Other finance charges on debenture loans comprise the amortisation of transaction costs in respect of the Pricoa Capital Group. A significant proportion of the interest payable and similar expenses arise from amortised transaction costs in respect to investor loans and liabilities and movements in the fair value of the financial liabilities which have no cash impact in the period. The above analysis has been presented to clearly identify which elements have a cash impact.

9 Taxation

	FY21		FP20	
	£000	**£000**	£000	£000
UK corporation tax				
Current tax charge on income for the period	**620**		1,765	
Adjustment in respect of prior periods	**187**		95	
Total current tax		**807**		1,860
Deferred tax (see note 22)				
Origination/(reversal) of timing differences	**281**		(66)	
Adjustment in respect of prior periods	**4**		10	
Effect of changes in tax rate	**107**		1	
Share based payment	**(57)**		-	
IFRS 16 timing differences	**(114)**		-	
Total deferred tax charge / (credit)		**221**		(55)
Tax charge on profit on ordinary activities		**1,028**		1,805

	FY21	FP20
	£000	£000
Current tax reconciliation		
Profit/(loss) on ordinary activities after tax	**1,096**	(500)
Tax charge	**1,028**	1,805
Profit on ordinary activities before tax	**2,124**	1,305
Tax using the UK corporation tax of 19% *(FP20: 19%)*	**404**	248
Effect of:		
Expenses not deductible for tax purposes	**1,571**	1,455
Income not taxable	**(1,109)**	-
Adjustments in respect of prior periods	**187**	95
Change in tax rate on deferred tax balances	**111**	10
Share based payment	**(57)**	-
Other tax adjustments	**(79)**	(3)
Total current tax charge	**1,028**	1,805

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax liability at 31 October 2021 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (FP20: 19%).

10 Earnings per share

Basic earnings per share

Basic earnings per share for the period ending 31 October 2021, and the previous 18 month period ending 31 October 2020 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during each period as calculated below.

Diluted earnings per share

Diluted earnings per share for the period ending 31 October 2021, and previous 18 month period ending 31 October 2020 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares, adjusted for the effects of all dilutive potential ordinary shares, in this case issued equity warrants, outstanding during each period as calculated below.

Profit attributable to ordinary shareholders

	FY21	FP20
	£000	£000
Profit/(loss) attributable to all shareholders	**1,096**	(500)
	£	£
Basic earnings per ordinary share	**0.02**	**(0.02)**
Diluted earnings per ordinary share	**0.02**	**(0.02)**

Weighted average number of ordinary shares

	FY21	FP20
	Number	Number
Weighted average number of ordinary shares (basic) during the period	**46,036,531**	27,333,323
Weighted average number of ordinary shares (diluted) during the period	**46,055,901**	27,333,323

The following Alternative Performance Measure ("APM") for earnings per share is not defined or specified under the requirements of International Financial Reporting Standards. The Board believes that this APM provides the readers with important additional information regarding the earnings per share performance of the Group:

Basic underlying earnings per share

Profit attributable to the equity holders of the Group prior to exceptional items and the fair value movement of the put option liability measured through the consolidated statement of profit and loss, divided by the weighted average number of ordinary shares during the financial period.

	FY21	FP20
	£000	£000
Profit/(loss) attributable to all shareholders	**1,096**	(500)
Exceptional and share based payment expenses net of tax*	**2,819**	4,346
CPO income net of tax	**(1,827)**	-
Interest and finance charges payable on loans and debenture notes	**7,078**	7,788
Fair value adjustments on the put option liability	**(5,410)**	(1,453)
Underlying profit attributable to ordinary shareholders	**3,756**	10,181
	£	£
Basic underlying earnings per ordinary share	**0.08**	0.37

*Exceptional expenses include restructuring fees, acquisition costs and compensation for post combination services which are deemed to be non-recurring. For full detail of exceptional and share based payment expenses see note 5. For further details on exceptional income relating to the CPO see note 4.

11 Intangible assets

Group	Intangible assets	Goodwill	Total
	£000	£000	£000
Cost			
Balance at 1 May 2019	-	32,823	32,823
Additions	501	3,938	4,439
Transferred from tangible assets	55	-	55
Balance at 31 October 2020	**556**	**36,761**	**37,317**
Amortisation			
Balance at 1 May 2019	-	5,512	5,512
Charge in period	144	-	144
Balance at 31 October 2020	**144**	**5,512**	**5,656**
Net book value			
At 31 October 2020	**412**	**31,249**	**31,661**
At 30 April 2019	-	27,311	27,311

Group	Intangible assets	Goodwill	Total
	£000	£000	£000
Cost			
Balance at 1 November 2020	556	36,761	37,317
Additions	169	-	169
Balance at 31 October 2021	**725**	**36,761**	**37,486**
Amortisation			
Balance at 1 November 2020	144	5,512	5,656
Charge in period	150	-	150
Balance at 31 October 2021	**294**	**5,512**	**5,806**
Net book value			
At 31 October 2021	**431**	**31,249**	**31,680**
At 31 October 2020	412	31,249	31,661

Goodwill acquired through business combinations has been allocated to cash generating units ("CGUs"), as follows:

	2021	2020
	£000	£000
Frozen & Chilled	**12,499**	12,499
Foodservice	**5,234**	5,234
Ambient	**13,516**	13,516
	31,249	31,249

Under IAS 36 the Group is required to test goodwill for impairment at least annually or more frequently if indicators of impairment exist.

The recoverable amount of a CGU has been calculated with reference to its value in use, using financial forecasts approved by the Board covering a 4 year period with the final period taken into perpetuity.

The key assumptions of this calculation are shown below:

CGUs	**Ambient**	**Frozen & Chilled**	**Foodservice**
Period forecasts are based on:	4 years	4 years	4 years
Growth rate applied:	0%	0%	0%
Discount rate applied:	8.32%	8.32%	8.32%

Impairment testing at 31 October 2021 has considered a further impact of COVID-19 on the CGU's. The Board expect trading to return to pre COVID-19 levels in the forecast period. Having operated through two financial periods affected by COVID-19 trading restrictions the Directors believe no reasonable prospective COVID-19 impact to trading would result in a material impairment. A sensitivity has been tested in the event of further COVID-19 restrictions on trade.

No growth rate assumption has been made on the terminal value in the impairment calculation. The Group has demonstrated year on year growth outside of COVID-19 impacted financial periods and growth in consumer spending on food and drink was 2.5% in 2019, being the last period unaffected by COVID-19. There is a demonstrable link between consumer spending on food and drink and GDP trends. GDP is expected to grow to 2.1% by 2023. Notwithstanding the zero growth assumption there is significant headroom under the annual impairment review.

The discount rate is per the Group's current weighted average cost of capital adjusted to reflect the pre tax rate at 25% corporation tax and a risk premium from comparable listed entities to approximate a market based discount rate. A specific risk premium has not been applied to each CGU as they all operate in the wholesale of food and drinks and are therefore exposed to the same macroeconomic risks. This would be reassessed if the discount rate indicated potential impairment of any individual CGU.

Other than changes to the discount or growth rate the key assumption in the forecast model is the gross margin generated by each CGU. The sensitivities vary by CGU but no reasonable sensitivity would result in impairment on any CGU.

The following sensitivities have been tested and do not result in an impairment in ay CGU:

- Change in the pre-tax discounts rate by 300 bps
- Further impact to trade from COVID-19 by way of a two month lock down
- Wage and fuel inflation
- Loss of a significant customer, which represents 6% of Group revenue

Each of the CGU's has significant headroom under the annual impairment review. The Directors believe that no reasonable change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

12 Tangible assets

Group	Freehold property	Leasehold improvements	Fixtures and Fittings	Motor vehicles	Plant and machinery	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 May 2019	-	2,289	4,314	6,679	4,459	17,741
Additions	-	107	432	722	1,274	2,535
Disposals	-	-	(1)	(1,655)	(62)	(1,718)
Transferred to intangible assets	-	-	-	-	(55)	(55)
Acquired on business combinations	2,894	306	159	346	586	4,291
Transferred to right-of-use assets	-	(671)	-	(4,490)	-	(5,161)
Balance at 31 October 2020	**2,894**	**2,031**	**4,904**	**1,602**	**6,202**	**17,633**
Depreciation						
Balance at 1 May 2019	-	621	3,007	1,730	2,448	7,806
Charge in period	50	172	726	1,018	1,154	3,120
Disposals	-	-	(1)	(1,312)	(52)	(1,365)
Transferred to right-of-use assets	-	(62)	-	(1,176)	-	(1,238)
Balance at 31 October 2020	50	731	3,732	260	3,550	8,323
Net book value						
At 31 October 2020	**2,844**	**1,300**	**1,172**	**1,342**	**2,652**	**9,310**
At 30 April 2019	-	1,668	1,307	4,949	2,011	9,935

Group	Freehold property	Leasehold improvements	Fixtures and Fittings	Motor vehicles	Plant and machinery	Total
	£000	£000	£000	£000	£000	£000
Cost						
Balance at 1 November 2020	2,894	2,031	4,904	1,602	6,202	17,633
Additions	-	200	719	299	1,510	2,728
Disposals	-	-	-	(467)	(71)	(538)
Transferred from right-of-use assets	-	-	-	749	-	749
Transfer between classifications	28	(28)	(144)	(21)	165	-
Balance at 31 October 2021	**2,922**	**2,203**	**5,479**	**2,162**	**7,806**	**20,572**
Depreciation						
Balance at 1 November 2020	50	731	3,732	260	3,550	8,323
Charge in year	43	127	466	639	700	1,975
Disposals	-	-	-	(431)	(55)	(486)
Transferred from right-of-use assets	-	-	-	656	-	656
Transfer between classifications	28 -	(671)- -	- (120)	(4,490) (16)	- 136	(5,161) -
Balance at 31 October 2021	93	858	4,078	1,108	4,331	10,468
Net book value						
At 31 October 2021	**2,829**	**1,345**	**1,401**	**1,054**	**3,475**	**10,104**
At 31 October 2020	2,844	1,300	1,172	1,342	2,652	9,310

13 Right-of-use assets

From 1 May 2019 and following the adoption of IFRS 16, Leases, leased assets are presented as right-of-use assets in the balance sheet per the following schedule:

Group	Leasehold Property	Motor vehicles	Plant and machinery	Total
	£000	£000	£000	£000
Cost				
Transition to IFRS 16	12,111	1,455	1,075	14,641
Transferred from tangible assets	671	4,490	-	5,161
Additions	1,715	5,377	327	7,419
Acquired through business combinations	101	2,313	96	2,510
Balance at 31 October 2020	**14,598**	**13,635**	**1,498**	**29,731**
Depreciation				
Transferred from tangible assets	62	1,176	-	1,238
Charge in period	3,301	4,003	589	7,893
Balance at 31 October 2020	**3,363**	**5,179**	**589**	**9,131**
Net book value				
At 31 October 2020	11,235	8,456	909	20,600

Group	Leasehold Property	Motor vehicles	Plant and machinery	Total
	£000	£000	£000	£000
Cost				
Balance as at 1 November 2020	14,598	13,635	1,498	29,731
Additions	9,414	1,158	308	10,880
Transferred to tangible assets	-	(749)	-	(749)
Disposals	(1,886)	(470)	(105)	(2,461)
Loss on remeasurement	(2,212)	(130)	(83)	(2,425)
Balance at 31 October 2021	**19,914**	**13,444**	**1,618**	**34,976**
Depreciation				
Balance as at 1 November 2020	3,363	5,179	589	9,131
Charge in year	2,479	2,990	373	5,842
Transferred to tangible assets	-	(656)	-	(656)
Disposals	(1,886)	(467)	(105)	(2,458)
Loss on remeasurement	-	(57)	(14)	(71)
Balance at 31 October 2021	**3,956**	**6,989**	**843**	**11,788**
Net book value				
At 31 October 2021	**15,958**	**6,455**	**775**	**23,188**
At 31 October 2020	11,235	8,456	909	20,600

14 Investments

	Unlisted investments 2021 £000	Unlisted investments 2020 £000
Group		
Cost and net book value		
At beginning and end of period	**20**	20

	Shares in Group undertakings 2021 £000	Shares in Group undertakings 2020 £000
Company		
Cost and net book value		
At beginning and end of period	**12,993**	12,993

The Company has the following investments in subsidiaries:

	Country of incorporation	Class of Shares hold	Ownership 2021	Ownership 2020
Subsidiary undertaking				
Kitwave Investments Limited	United Kingdom	Ordinary	100%	100%
Kitwave One Limited*	United Kingdom	Ordinary	100%	100%
Kitwave Limited*	United Kingdom	Ordinary	100%	100%
M&M Value Limited*	United Kingdom	Ordinary	100%	100%
Turner & Wrights Limited*	United Kingdom	Ordinary	100%	100%
FW Bishop & Son Limited*	United Kingdom	Ordinary	100%	100%
Westone Wholesale Limited*	United Kingdom	Ordinary	100%	100%
Automatic Retailing (Northern) Limited*	United Kingdom	Ordinary	100%	100%
Andersons (Wholesale) Limited*	United Kingdom	Ordinary	100%	100%
Teatime Tasties Limited*	United Kingdom	Ordinary	100%	100%
TG Foods Limited*	United Kingdom	Ordinary	100%	100%
Eden Farm Limited*	United Kingdom	Ordinary	100%	100%
Squirrels UK Limited*	United Kingdom	Ordinary	100%	100%
Thurston's Food's Limited*	United Kingdom	Ordinary	100%	100%
Angelbell Limited*	United Kingdom	Ordinary	100%	100%
David Miller Frozen Foods Limited*	United Kingdom	Ordinary	100%	100%
Phoenix Fine Foods Limited*	United Kingdom	Ordinary	100%	100%
MAS Frozen Foods Limited*	United Kingdom	Ordinary	100%	100%
Supplytech Limited*	United Kingdom	Ordinary	100%	100%
HB Clark Holdings Limited*	United Kingdom	Ordinary	100%	100%
HB Clark & Co (Successors) Limited*	United Kingdom	Ordinary	100%	100%
Churnet Valley Drinks Limited*	United Kingdom	Ordinary	100%	100%
Clarks Fine Wines Limited*	United Kingdom	Ordinary	100%	100%
FAM Soft Drinks Limited*	United Kingdom	Ordinary	100%	100%
Thorne Licence Wholesale Limited*	United Kingdom	Ordinary	100%	100%
Alpine Fine Foods Limited*	United Kingdom	Ordinary	100%	100%
Central Supplies (Brierley Hill) Ltd*	United Kingdom	Ordinary	95%	75%

*Held indirectly through Kitwave Investments Limited and its subsidiaries

The registered office of all the above companies is: Unit 3, Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ

15 Investment property

	2021	2020
Group	**£000**	£000
Cost and net book value		
At beginning of period	**175**	-
Added through business combinations	**-**	175
Disposal	**(175)**	-
At end of period	**-**	175

The investment property was valued at £175,000 in 2018 by an external, independent valuer. The property was disposed of in the year to an unconnected third party.

16 Other financial liabilities

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Non-current				
Financial liabilities designated as fair value through the statement of profit and loss				
Put option liability	**-**	5,410	**-**	5,410

On admission to AIM the put option liability in relation to the Pricoa Group Capital option was extinguished in full.

17 Inventories

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Goods for resale	**26,043**	23,198	**-**	-
	26,043	23,198	**-**	-

Goods for resale recognised as cost of sales in the year amount to £312,109,000 (FP20: £484,842,000).

18 Trade and other receivables

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000		
Trade receivables	**44,365**	34,316	**-**	-
Amounts owed by Group undertakings	**-**	-	**63,074**	7,557
Other debtors	**1,881**	2,304	**-**	-
Corporation tax	**-**	-	**-**	195
Prepayments and accrued income	**6,568**	7,938	**7**	-
	52,814	44,558	**63,081**	7,752
Due within one year	**51,697**	43,915	**63,081**	7,752
Due after more than one year	**1,117**	643	**-**	-
	52,814	44,558	**63,081**	7,752

£17,200,000 (FP20: £11,836,000) of Group trade receivables are used as security against invoice discounting advances (note 21).

19 Cash and cash equivalents

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Cash at bank and in hand	**4,968**	342	**3,371**	-
Cash and cash equivalents per cashflow statement	**4,968**	342	**3,371**	-

20 Trade and other payables: amounts falling due within one year

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Trade payables	**36,093**	27,832	**-**	-
Other creditors	**2,852**	3,302	**-**	-
Accruals	**7,676**	6,815	**173**	536
Amounts owed to Group undertakings	**-**	-	**54**	54
Compensation for post combination services	**711**	2,358	**-**	-
	47,332	40,307	**227**	590

21 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	Group		Company	
	2021	2020	**2021**	2020
Non current liabilities	**£000**	£000	**£000**	£000
Investor loans	**-**	29,586	**-**	-
Lease liabilities	**19,917**	16,200	**-**	-
Bank and term loans	**-**	13,493	**-**	-
	19,917	59,279	**-**	-
Put option liability	**-**	5,410	**-**	5,410
	19,917	64,689	**-**	5,410

	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Current liabilities				
Lease liabilities	**4,719**	5,202	**-**	-
Bank trade loans	**-**	4,750	**-**	-
Invoice discounting advances	**14,620**	10,061	**-**	-
Bank term loans	**-**	2,870	**-**	-
	19,339	22,883	**-**	-

	Group		Company	
Lease liabilities	**2021**	2020	**2021**	2020
Lease liabilities payable as follows:	**£000**	£000	**£000**	£000
Within one year	**4,719**	5,202	**-**	-
In the second to fifth years	**9,941**	11,295	**-**	-
Over 5 years	**9,976**	4,905	**-**	-
	24,636	21,402	**-**	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2021 Face value £000	2021 Carrying value £000	2020 Face value £000	2020 Carrying value £000
Lease liabilities	Sterling	3% - 5%	2022-2040	**24,636**	**24,636**	21,402	21,402
Bank Senior A	Sterling	3.5% + LIBOR	2021	**-**	**-**	3,613	3,613
Bank Senior B	Sterling	4.0% + LIBOR	2021	**-**	**-**	12,750	12,750
Invoice discounting advances	Sterling	2.25% + Base	2023	**14,620**	**14,620**	10,061	10,061
Bank trade loans	Sterling	2.65% + Base	2023	**-**	**-**	4,750	4,750
Put option liability	Sterling			**-**	**-**	-	5,410
Non-investor loans				**39,256**	**39,256**	52,576	57,986
Investor mezzanine	Sterling	14%	2021	**-**	**-**	23,575	21,014
Amortised deal costs	Sterling						(650)
Investor subordinated	Sterling	9%	2021	**-**	**-**	10,601	9,222
Sub-total investor loans	Sterling			**-**	**-**	34,176	29,586
				39,256	**39,256**	86,752	87,572

Amortised deal costs are directly attributable to all of the investor instruments as they were all issued at fair value as part of the same financing transaction. Therefore these costs have been included as a single line to reconcile the debt carrying value to the value in these financial statements.

Changes in liabilities from financing activities	Loans and borrowings £000	Lease liabilities £000	Total £000
Balance at 1 May 2019 – pre IFRS 16 adoption	**69,108**	**4,043**	**73,151**
Initial application of IFRS 16	-	14,641	14,641
Balance restated 1 May 2019	**69,108**	**18,684**	**87,792**
Changes from financing cash flows			
Repayment of borrowings	(12,274)	-	(12,274)
Payment of lease liabilities	-	(7,173)	(7,173)
Interest paid	(4,390)	(1,579)	(5,969)
Total changes from financing cash flows	(16,664)	(8,752)	(25,416)
Other changes			
New borrowing	5,000	9,671	14,671
Interest expense	10,593	1,579	12,172
Movement in fair value of put option liability	(1,453)	-	(1,453)
Interest included in accruals at period end	(414)	-	(414)
Added through business combination	-	220	220
Total other changes	13,726	11,470	25,196
Total debt at 31 October 2020	**66,170**	**21,402**	**87,572**
Changes from financing cash flows			
Repayment of borrowings	(60,790)	-	(60,790)
Payment of lease liabilities	-	(5,068)	(5,068)
Interest paid	(3,854)	(1,239)	(5,093)
Total changes from financing cash flows	(64,644)	(6,307)	(70,951)
Other changes			
New borrowing	10,059	10,784	20,843
Interest expense	8,445	1,239	9,684
Release of the put option liability	(5,410)	-	(5,410)
Remeasurement of lease liability	-	(2,482)	(2,482)
Total other changes	13,094	9,541	22,635
Total debt at 31 October 2020	**14,620**	**24,636**	**39,256**

All borrowings are denominated in Sterling.

Bank trade loans are secured by means of debenture and cross guarantees over the assets of all Group undertakings.

These are generally repayable within 35 days of drawdown and form an integral part of the Group's day to day short term cash management.

Receipts and payments from trade loans are disclosed on a net basis in the cash flow statement under IAS 7 22(b) on the basis they are short maturity.

The invoice discounting advances are secured against trade receivables (note 18). These are repayable within 90 days of the date of the invoice and carry interest at a margin of 2.25%. This is a fixed facility expiring in 2023.

Under this arrangement trade customers remit cash directly to the Group companies and the Group companies use the trade receivables as security to draw down funds from finance providers. Cash receipts and cash payments with the finance provider are disclosed on a net basis in the cashflow statement as allowed under IAS 7 22(b) on the basis that they are short maturity.

During the year the Company was admitted to AIM, raising gross proceeds for the Company of £64,000,000 on listing. Following settlement of transaction fees, the proceeds of the listing were used to de-gear the Group by paying down the external debt structure. This included the repayment of Facility A and Facility B held as bank term loans, and repayment of the investors mezzanine and investors subordinated loan notes.

Remaining free cash following discharge of the bank term loans and investor mezzanine and investor subordinated loans was used to reduce the Group's indebtedness on its invoice discount advances and trade loans.

The Bank trade loans and invoice discounting advances rank pari passu and without preference between them in priority of payment.

22 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Property, plant and equipment	**429**	295	**(906)**	(397)
Tax value of loss carry forwards	**31**	48	**-**	-
Share based payment expense	**57**	-	**-**	-
IFRS 16 timing differences	**114**	-	**-**	-
Tax assets / (liabilities)	**631**	343	**(906)**	(397)

Movement in deferred tax during the period:

Group	31 October 2020 £000	Recognised in income £000	31 October 2021 £000
Property, plant and equipment	(102)	(375)	(477)
Tax value of loss carry forwards	48	(17)	31
Share based payment expense	-	57	57
IFRS 16 timing differences	-	114	114
Tax assets/(liabilities)	(54)	(221)	(275)

Company	Group		Company	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Share based payment expense	**57**	-	**-**	-
Tax assets	**57**	-	**-**	-

Company	31 October 2020 £000	Recognised in income £000	31 October 2021 £000
Property, plant and equipment	-	-	-
Tax value of loss carry forwards	-	-	-
Share based payment expense	-	57	57
IFRS 16 timing differences	-	-	-
Tax assets	-	57	57

23 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Group to the scheme and to other personal pensions schemes and amounted to £769,000 (FP20: £1,151,000)

24 Employee share scheme

The Group has in place a Management Incentive Plan ("MIP") whereby the option is expected to be equity settled. This was established following the Company listing on AIM on 24 May 2021. Prior to this there were no other material employee share schemes in place.

The MIP is accounted for as a share-based payment under IFRS 2 and is expected to be settled by physical delivery of shares.

Group and Company	**Date of Grant**	**Employees entitled**	**Number of shares granted**	**Principal vesting conditions**	**Contractual life**
Management incentive plan	July 2021	Selected senior employees	**Nil**	Service during vesting period EPS performance hurdle Market capitalisation hurdle	3 years 6 months

The shares outstanding in relation to the MIP are:	**2021 Weighted average exercise price** £	**2021 Number of options**
Outstanding at the beginning of the year	-	
Granted during the year	-	10,000
Outstanding at the end of the year	-	10,000

None of the share options outstanding at the end of the year are exercisable. Growth shares were issued in Kitwave Limited with a subscription price of £5.24 per option was paid on subscription. The growth shares are exchangeable for shares in the Company subject to achieving the principal vesting conditions. The options are not exercisable before 1 March 2025.

The MIP has incurred an expense under employee expenses of £227,000 (FP20: £nil).

The share based payment reserve represents the accumulation of this cost in accordance with the treatment of equity settled share based payment expense under IFRS 2. As at 31 October 2021 the balance on this reserve is £227,000 (FP20: £nil).

25 Called up share capital

Group and Company	**2020**
	£
Authorised, called up and fully paid	
24,000 ordinary A shares of £0.01 each	**240**
56,000 ordinary B1 shares of £0.01 each	**560**
10,666 ordinary B2 shares of £0.01 each	**107**
9,334 ordinary B3 shares of £0.01 each	**93**
100 ordinary C1 share of £0.01 each	**1**
1,000 ordinary C3 shares of £0.001 each	**0**
	1,001

Several adjustments have been made to share capital and share premium during the year in preparation for the Company's listing on AIM. These include bonus issues and subdivisions applied to A, B1, B2, B3, C1 and C3 share classes as well as a reduction to share premium into distributable reserves.

Immediately prior to IPO, all pre-existing share classes were converted to the new class of ordinary shares. Upon IPO, 42,666,667 of these new ordinary shares were created for issue.

Group and Company	**2021**
	£
Authorised, called up and fully paid	
70,000,000 ordinary shares of £0.01 each	**700,000**
	700,000

Share premium

The share premium account increased for the premium paid on the new shares issued over their nominal value being £63,300,000. Under IAS 32 the transaction costs associated with the issuance of new equity on IPO of the Company have been deducted from the share premium account, being a total of £2,110,000.

26 Contingent liabilities

Group bank borrowings (including invoice discounting advances) are subject to cross guarantee and debenture agreements over Group companies.

The Company is party to a cross guarantee and debenture agreement to secure the £14,620,000 (2020: £31,000,000) bank borrowings of its subsidiary companies.

27 Financial instruments

27 (a) Fair values of financial instruments

The carrying value of all financial assets and financial liabilities by class, are shown below. The carrying value approximates to each asset and liabilities fair value:

Group	2021	2020
	£000	£000
Financial assets held at amortised cost		
Trade receivables	**44,365**	34,316
Cash and cash equivalents	**4,968**	342
	49,333	34,658
Financial liabilities measured at fair value through the statement of profit and loss		
Put option liability	**-**	5,410
Compensation for post combination services	**711**	2,358
	711	7,768
Financial liabilities measured at amortised cost		
Trade payable	**36,093**	27,832
Bank trade loans	**-**	4,750
Bank term loans	**-**	16,363
Investor loans	**-**	29,586
Invoice discounting advances	**14,620**	10,061
Obligations under lease liabilities	**24,636**	21,402
	75,349	109,994

Financial instruments – IFRS 9

The Group holds a financial asset instrument, being trade receivables.

The trade receivables are held at amortised cost. The objective of the business model for realising trade receivables is by collecting contractual cash flows for genuine debts. The considerations of Solely Principal Payments and Interest ("SPPI") have also been considered and the criteria met for holding at amortised cost as the trade receivables are for fixed payments due by fixed dates with no variable element of payment required.

The standard requires impairment of trade receivables held at amortised cost is considered by reference to the expected credit loss method, discussed in the credit risk section of the financial information.

Financial instruments measured at fair value through profit and loss The table below analyses financial instruments into a fair value hierarchy based on the valuation technique used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the valuation techniques used for Level 3 fair values as well as the significant unobservable inputs used for Level 3 items.

	Valuation technique	Significant unobservable inputs
Put option liability	The fair value of the option is based on the forecast Group enterprise value less the value of net debt as at March 2023.	Forecast EBITDA per annum Forecast net debt position as at the option date Discount rate of 7.43% being the Group discount rate pre IPO
Contingent consideration	The fair value of the option is based on Central Supplies (Brierley Hill) Ltd's EBITDA for the last 12 months and net assets at the balance sheet date of redemption	Net asset position Discount rate of 5.19%

On admission to AIM the put option liability in relation to the Pricoa option was extinguished in full.

The Group has a liability in relation to 5% shareholding in Central Supplies (Brierley Hill) Ltd retained by which is exercisable two years from acquisition. The redemption value at maturity date is based on a fixed formula relating to last 12 months EBITDA and net assets at the date of redemption.

The Group has considered the sensitivity on the fair value of the liability which are as follows:

- A 25 basis point increase in discount rate would reduce the fair value of the put option liability by £4,000.
- A £500,000 reduction in forecast EBITDA would reduce the fair value of the put option liability by £276,000.

The reconciliation between opening and closing balances for Level 3 is detailed in the table below:

	2021	2020
	£000	£000
Liabilities – level 3		
Opening balance	**7,768**	6,863
Amounts charged to the statement of profit and loss	**1,278**	905
Payments made	**(2,925)**	-
Release on IPO	**(5,410)**	-
	711	7,768

27 (b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The Group has a well-established and diverse portfolio of customers including a large number of customers paying cash on delivery. The Directors do not believe there is a significant concentration risk as evidenced with no one customer accounting for more than 6% of Group revenue.

All customers who wish to trade on credit terms are subject to credit verification procedures.

The Group establishes an allowance for impairment that represents its estimate of incurred losses using a provision matrix which is based on historical levels of impairment and assessment of the quality of the receivable book to calculate a forward looking estimate.

2021	Gross £000	Impairment £000	Net £000
Current	33,075	-	33,075
31-60 days from invoice	10,230	-	10,230
61-90 days from invoice	1,612	(552)	1,060
90+ days	1,465	(1,465)	-
	46,382	**(2,017)**	44,365

The maximum Group exposure to credit risk in the period ended 31 October 2021 was £44,365,000 (2020: £34,316,000) being the total carrying amount of trade receivables and other receivables net of provision.

The Directors assess the risk to trade receivables by reviewing the ageing of debt rather than by reference to the amount overdue. Many customers operate on terms requiring payment for the previous delivery on receipt of their next order, referred to as 'one over one'. As such a large population of debt would be classed as overdue due to the parameters of the Group's accounting software with debt operating under the agreement made with the customer. The expected credit loss on invoices less than 90 days old is immaterial.

For the last two financial periods, the annual bad debt expense has been c.0.25% of Group revenue. Applying the historic factor would result in a provision of c.£950,000 for the year ended 31 October 2021.

The impairment charge on trade receivables in the 12 month period ended 31 October 2021 £1,288,000 (note 5) with the impairment charged in the prior 18 month period to 31 October 2020 being £1,563,000. During FP20 the Group reduced trade receivables significantly with collections from customers affected by COVID-19 materially collected with minimal bad debt levels. The Directors continue to take a prudent approach in relation to provisioning due to potential additional COVID-19 impacts on the Group's customer base.

Debt is reviewed regularly by dedicated credit control teams within each division and information from credit rating agencies is often used to assess a customer's ability to meet its obligations.

If there is significant doubt regarding a receivable a specific provision is created. In addition, a provision is created to account for the estimated losses that may be incurred in future periods. Management consider the level of provisioning to be materially correct based on these factors.

Group	2021 £000	2020 £000
As at 1 November 2020	**2,011**	**1,422**
Provided during the period	1,288	1,563
Utilised during the period	(1,282)	(974)
As at 31 October 2021	**2,017**	**2,011**

27 (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its liquidity risk by monitoring existing facilities and cash flows against forecast requirements based on a rolling cash forecast.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Group = 2021	**Carrying amount £000**	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Trade payables	**36,093**	36,093	36,093	-	-	-
Lease liabilities	**24,636**	31,571	5,697	5,129	7,754	12,991
Bank Senior A	**-**	-	-	-	-	-
Bank Senior B	**-**	-	-	-	-	-
Investor mezzanine loan notes	**-**	-	-	-	-	-
Investor subordinated loan notes	**-**	-	-	-	-	-
Invoice discounting advances*	**14,620**	14,620	14,620	-	-	-
Bank trade loans*	**-**	-	-	-	-	-
Put option liability	**-**	-	-	-	-	-
Compensation for post combination services	**711**	711	711	-	-	-
	76,060	82,995	57,121	5,129	7,754	12,991

Group - 2020	**Carrying amount £000**	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Trade payables	**27,832**	27,832	27,832	-	-	-
Lease liabilities	**21,402**	24,917	6,044	5,066	8,272	5,535
Bank Senior A	**3,613**	3,781	3,011	770	-	-
Bank Senior B	**12,750**	14,015	542	542	12,931	-
Investor mezzanine loan notes	**20,364**	35,485	2,385	2,482	30,618	-
Investor subordinated loan notes	**9,222**	14,266	-	-	14,266	-
Invoice discounting advances*	**10,061**	10,061	10,061	-	-	-
Bank trade loans*	**4,750**	4,750	4,750	-	-	-
Put option liability	**5,410**	6,871	-	-	6,871	-
Compensation for post combination services	**2,358**	3,143	3,143	-	-	-
	117,762	145,121	57,768	8,860	72,958	5,535

* Both the invoicing discounting and bank trade loan facilities are revolving. The invoice discounting facility is available up to £35,000,000 of drawn down and is available until 2023. The trade loan facility is for £8,000,000 and repayable within 35 days of draw down. It forms an integral part of the Group's day to day short term cash management.

27 (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group has an immaterial exposure to currency risk on purchases denominated in a currency other than the functional currency of the Group since the balance owed to non UK business is immaterial at each period end.

The Group is exposed to interest rate risk principally where its borrowings are at variable interest rates.

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	Group	
	2021	2020
	£000	£000
Fixed rate instruments		
Financial assets	**-**	-
Financial liabilities	**(24,636)**	(50,987)
	(27,835)	(50,987)

	Group	
	2021	2020
	£000	£000
Variable rate instruments		
Financial assets	**-**	-
Financial liabilities	**(14,620)**	(31,174)
	(14,620)	(31,174)

Sensitivity analysis

An increase of 25 basis points in interest rates throughout the period would have affected the statement of profit and loss by the amounts shown below. This calculation assumes that the charge occurred at all points in the period and had been applied to the average risk exposures throughout the period:

	Group	
	2021	2020
	£000	£000
Profit or loss decreases	**37**	78

The above assumes the rate change is applicable on financial liabilities accruing interest on base rate and LIBOR and affects them in the same way.

27 (e) Capital management

The primary objective of the Group is to manage its capital to ensure it is able to continue as a going concern, whilst maximising shareholder value.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents and equity attributable to the equity holders of the Group.

The Group's policy is to maintain gearing at levels appropriate to the business and its funders. The Group produces annual forecasts to enable the Board to assess the level of working capital needed in the business, taking careful account of working capital cycles, which are predictable, and the Board have significant experience of managing them.

28 Related party transactions

Kitwave One Limited, Kitwave Investments Limited, Kitwave Limited, Turner & Wrights Limited, FW Bishop & Son Limited, M & M Value Limited, Westone Wholesale Limited, Andersons (Wholesale) Limited, Teatime Tasties Limited, TG Foods Limited, Eden Farm Limited, Squirrels UK Limited, Thurston's Food's Limited, David Miller Frozen Foods Limited, Angelbell Limited, MAS Frozen Foods Limited, Supplytech Limited, Automatic Retailing Limited, Phoenix Fine Foods Limited, H B Clark (Successors) Limited, H B Clark Holdings Limited, Churnet Valley Drinks Limited, Clarks Fine Foods Limited, F.A.M Soft Drinks Limited and Alpine Fine Foods Limited are all 100% owned subsidiaries of this Company. Central Supplies (Brierley Hill) Ltd is a 95% owned subsidiary of this Company

Details of interest payable and other finance charges in relation to the former debenture holders (Pricoa Capital Group) are disclosed in notes 7 and 21. Fees totalling £25,000 (FP20: £60,000) were payable to Pricoa Capital Group in respect of the period.

From 1 March 2016, Pricoa Capital Group (and entities related to Pricoa Capital Group) were the holders of all the A ordinary shares of £0.01 each. Following admission to AIM the Pricoa Capital Group no longer hold any shares in the Company.

Key management personnel

Total compensation of key management personnel in the period amounts to £714,114 (FP20: £1,073,593) in respect of short-term employment benefits, £nil (FP20: £nil) in respect of past-employment benefits and £nil (FP20: £nil) in respect of termination benefits.

29 Ultimate controlling party

The Company is listed on the Alternative Investment Market of the London Stock Exchange. Material shareholders are detailed within the Directors' report. There is no ultimate controlling party of the Group.

30 Post balance sheet events

Post year end the Group completed the acquisition of the entire ordinary share capital of M.J. Baker Foodservice Limited. The acquisition was funded through existing bank facilities and will be incorporated into the existing Foodservice division.

Alternative performance measure glossary

This report provides alternative performance measures ("APMs"), which are note defined or specified under the requirements of International Financial Reporting Standards. The Board believes that these APMs provide readers with important additional information on the Group.

Alternative performance measure	Definition and purpose
Adjusted operating profit	Represents the operating profit prior to exceptional (income) / expenses and share based payment expenses. This measure is consistent with how the Group measures performance and is reported to the Board.

	Note	FY21 £000	FP20 £000
Total operating profit		**6,398**	12,204
CPO income	4	**(2,255)**	-
Restructuring costs	5	**1,257**	1,467
Acquisition expenses	5	**181**	628
Compensation for post combination services	5	**1,278**	2,358
Share based payment expense	5	**227**	-
Adjusted operating profit		**7,086**	16,477

Alternative performance measure	Definition and purpose
Adjusted EBITDA	Represents the operating profit prior to exceptional (income) / expenses, share based payment expenses, fixed asset depreciation and intangible amortisation. This measure is consistent with how the Group measures trading and cash generative performance and is reported to the Board.

	Note	FY21 £000	FP20 £000
Total operating profit		**6,398**	12,204
Amortisation of intangible assets	11	**150**	144
Depreciation	12,13	**7,817**	11,013
CPO income	4	**(2,255)**	-
Restructuring costs	5	**1,257**	1,467
Acquisition expenses	5	**181**	628
Compensation for post combination services	5	**1,278**	2,358
Share based payment expense	5	**227**	-
Adjusted EBITDA		**15,053**	27,634

Pre tax operational cash conversion	Represents the cash generated from operating activities pre tax as a proportion of cash flow from operating activities pre movements in working capital and tax. This measure informs the Board of the Group's cash conversion from operating activities, is used to monitor liquidity and is reported to the Board.

	FY21	FP20
	£000	£000
Net cash inflow from operating activities	**7,916**	**35,855**
Tax paid	2,432	2,693
Payments in respect of compensation for post combination services	2,925	-
Cash flow from operating activities pre tax and compensation for post combination services (1)	**13,273**	**38,548**
Movement in working capital	2,418	(13,014)
Cash flow from operating activities pre tax and compensation for post combination services and movement in working capital (2)	**15,691**	**25,534**
Pre tax operational cash conversion (1) divided by (2)	**85%**	151%