KITWAVE Group plc

Delivering excellence

Annual Report
& Accounts 2021

Contents

About us

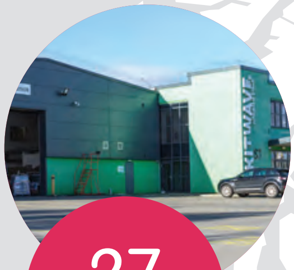
We are a delivered wholesale business with depots and delivery throughout the UK.

We specialise in selling impulse products, frozen and chilled foods, alcohol and groceries.

On 24 May 2021, we were delighted to announce the successful Admission of the Company's shares to the Alternative Investment Market (AIM) of the London Stock Exchange through an Initial Public Offering (IPO). This represents a momentous landmark in the Group's history, raising £64.0 million of new funds for the Company and £17.6 million for Selling Shareholders. With Kitwave having been founded in 1987, the listing represents over three decades of dedication and operational excellence.

Admission to AIM provides a strong platform from which the Group can grow at pace, continuing the proven buy-and-build strategy and driving further organic growth. With the UK grocery and foodservice wholesale market still highly fragmented, the Group is well-positioned to execute this strategy and grow its market share.

The Board is delighted to welcome new investors that have joined us from the IPO. It firmly believes that Admission to AIM will allow the Group to continue to grow, and we look forward to sharing this journey with you.



27
depots

39,000
customers

>1,150
colleagues

Operating across the UK

36,000
products

430
owned
vehicles

>3,300
daily
deliveries

FY21 Financial summary

Group revenue

£380.7m

Adjusted operating profit*

£7.1m

Adjusted EBITDA*

£15.1m

Profit before tax

£2.1m

Pre tax operational cash conversion*

85%

*For more information on alternative performance measures please see the glossary on page 85.

The Group at a glance

Vision and strategy

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

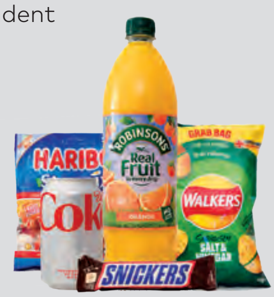
The Group delivers to a diverse customer base across the UK, including independent convenience retailers, leisure outlets, vending machine operators, foodservice providers and other wholesalers, as well as leading national retailers.

Since 2011, the Group has acquired 11 wholesale distributors (including the post year end acquisition of M.J. Baker), driving a rapid scaling of the business. The intention is to continue to capitalise on the fragmented UK grocery and foodservice wholesale market by acquiring smaller regional players, while at the same time pursuing further organic growth.

Operating divisions

Ambient

Operating from six depots, with delivery capability to most of England, the division supplies branded products including confectionery, soft drinks, crisps and snacks and tobacco. The customer base is made up of a mix of independent convenience stores, vending operators, national retailers and other UK wholesalers. Next day delivery and product availability are part of the key service levels within this division that is driven by small multi drop deliveries.



Frozen & Chilled

Operating from ten depots with UK nationwide delivery capability, the division supplies branded products including ice cream, pizzas, chips, ready meals, and a full range of chilled products.

As one of the UK's leading suppliers of impulse ice cream, the division sees a seasonal uplift during the summer months. The customer base is made up of a mix of independent convenience stores, leisure outlets and UK wholesalers. The infrastructure the division has in place enables a market-leading delivery service to independent and nationally based customers.

Foodservice

Operating from 11 depots, with delivery capability across the North of England and the South West, the division supplies frozen, chilled and ambient food, as well as alcohol and soft drinks. The customer base is made up of a mix of independent traditional foodservice outlets including bars, restaurants and leisure outlets, as well as customers in the care home and education sectors.

Delivering excellence

Wholly owned delivery fleet

Operating a fleet of over 430 delivery vehicles the Group fulfils over 3,300 deliveries per day. The flexibility of having its own fleet enables the Group to deliver its commitment to service quality and provides the ability to allow customers to have lower minimum order levels whilst still achieving next day delivery if required.

Nationwide depots

The Group currently has a network of 27 depots, comprising seven main stock holding depots and 20 satellite depots. This provides a nationwide delivery capability to its customer base and the capacity to ensure stock holding is sufficient to achieve over 98% of deliveries being on time and in full.

Diverse customer base

The Group has a diverse customer base of over 39,000 customers that are mainly independent convenience stores and foodservice outlets. It also has a good representation of some national retailers. Many other UK wholesalers utilise the Group's excellence in the provision of frozen and chilled products.

Products

Supplied from over 300 different suppliers, the Group has a diversified product range of over 36,000 SKUs, across a wide range of ambient, frozen & chilled, soft drinks, alcohol-based drinks and tobacco. Over its 30+ year history, the Group has formed strong relationships with key brand owners in each product category, enabling it to be competitive on range, availability and price. This range is complemented by a smaller range of own-brand products that offer an alternative to the Group's customer base.

Sales force

Utilising the team of more than 200 sales reps and tele-sales operatives, the Group deploys its knowledge and expertise to provide its customers with supplementary value-add specialist merchandising and a range of advice to support the growth of its underlying customer base, which in turn is focused on driving future organic sales.

A platform for growth

1. Established business with more than 30 year history provides high barriers to entry
2. Strong growth track record (organic and through acquisitions)
3. Trusted brand ambassador and partner to suppliers, ensuring excellent service provision
4. Robust balance sheet and cash generative business model
5. Continuing a successful buy-and-build strategy
6. Significant market opportunity – current market share of < 2%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Strategic report

Chairman's statement

> The Group has demonstrated great resilience in both revenue and operating profit during the year.

Stephen ("Steve") Smith
Independent Non-Executive Chairman

£7.1m
adjusted operating profit*

For more information on alternative performance measures please see the glossary on page 85.

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 incorporated into the existing Foodservice division.

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

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.

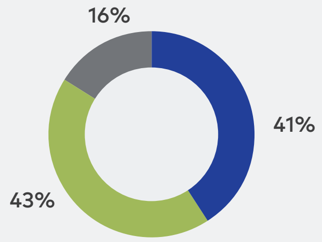
While this year has been particularly challenging for our independent customers, who have been forced to close or to operate in a reduced capacity for sustained periods of time, it appears that we are nearing a return to some form of normality and the majority of our customers have successfully guided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

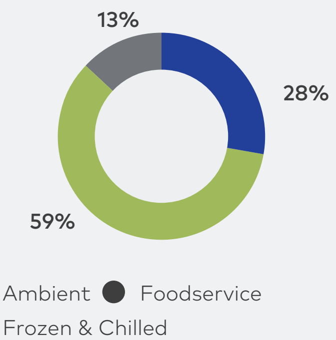
Divisional summary

Set out below is the financial performance of the business by division for FY21:

Revenue



Adjusted EBITDA*



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 Foodservice 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,

> "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."

Paul Young ACMA
Chief Executive Officer

**For more information on alternative performance measures please see the glossary on page 85.*

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 the Group's 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

> "Divisional margins are generally in line with expectations, although the lockdown restrictions impacted the higher margin Foodservice division more than the other divisions."

David Brind FCA
Chief Financial Officer

£380.7m
Group revenue

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 ordinary 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 cash 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

**For more information on alternative performance measures please see the glossary on page 85.*

Section 172 statement

During the preparation of these financial statements the Directors have had regard to the matters set out in section 172 of the Companies Act 2006.

Under the Act the Directors of the Company have a duty to act in good faith in a way that is most likely to have regard to:

- promote the success of the Company for the benefit of its members as a whole;
- the likely consequences of decisions for the long term;
- the interests of the Company's employees;
- the need to foster relationships with other key stakeholders;
- the impact on the community and the environment;
- maintaining a reputation for high standards of business conduct; and
- the need to act fairly, as between members of the Company.

The Board considers its key stakeholders to be employees, customers, suppliers, shareholders and the environment.

The following describe how the Board have taken account of the matters set out above and forms the Director's statement required under s172 of the Companies Act 2006.

Employees

The Group invests in formal and informal training to develop our colleagues at all levels. The Group is committed to employment policies which follow best practice and endorses the application of equal opportunities to provide fair and equitable conditions for all of our colleagues. Gender pay gap information is published on an annual basis.

The Group places significant value on its colleagues who are fundamental to the Group's ability to offer high levels of customer service. The Group is committed to ensuring their safety via employee handbooks, training and documented health and safety standards. This has been particularly important during COVID-19 and the Group has ensured the correct protective clothing, equipment and social distancing practices have been implemented under Group policies.

Strategy

The Board meets regularly to set and align the Group strategy amongst its members. Any key strategic decisions are made at Board level with consideration to the best interests of Group stakeholders. Colleagues are informed of key decisions through the senior management teams of each of its subsidiaries via direct communications and through formal and informal meetings.

Customers and suppliers

The Group's relationships with customers and suppliers are crucial to our success. There is regular communication with customers through a dedicated sales network, telesales and email, thus ensuring customer expectations are satisfied.

The Group has developed long term relationships with suppliers to provide a high quality and sustainable supply chain. The Group meets its suppliers regularly to continually develop strength in the supply chain and our supplier's routes to market.

Environment

The Group recognises its impact on the community and environment and actively seeks ways to minimize its carbon footprint. This is achieved through engagement with energy management professionals, the acquisition of new vehicle fleet to meet emission requirements, implementation of telematics and route planning software to optimize deliveries, the use of solar panels in energy production and responsible procurement reducing the Group's food waste.

Governance

The Group has an established reputation with suppliers and customers and this is underpinned by high standards of business conduct. The Group operates anti-money laundering, anti-bribery and whistle-blowing policies to ensure it operates in an ethical and sustainable manner. The Group fully endorses the aims of the Modern Slavery Act 2015 and take a zero tolerance approach to slavery and human trafficking within the Group and supply chain.

Risk management

The Board's approach involves identification of material risks that may restrict the Group's ability to meet its goals, the assessment of these risks in terms of impact and likelihood and the establishment of strategies and controls to manage such risks. The risk rating applied to the below is after consideration of the Group's mitigating factors.

Low
Medium
High

Set out below are the principal risks and uncertainties that the Directors consider could impact the business model, the strategy, future performance, solvency and/or liquidity of the Group. The Board continually reviews the potential risks facing the Group and the controls in place to mitigate those risks as well as reduce any potential adverse impacts. The Board recognises that the nature and scope of risks can change and that there may be other risks to which the Group is exposed. This list is not an exhaustive list of all the potential risks and uncertainties that could adversely impact the Group's results:

Risk category	Potential impact	Mitigation	Risk rating
COVID-19	As the current pandemic has shown the implications on operations and financial performance can be significant. Such an event can have implications for supply chain, colleagues' health and well being and the ability of our customer base to continue trading.	The Group's IT infrastructure and business continuity plan allowed many administrative and sales colleagues to work from home in a safe environment minimising their personal health and well being risk and the risk to Group operations. The Group's breadth of excellent supplier relationships has continually allowed it to maintain good stockholdings. While enforced customer closures does impact the business, these excellent relationships helped to reduce the adverse cashflow effect on the Group and also ensured it was in a strong position to re-commence trading with suppliers once restrictions eased.	
Competitive environment	The industry is extremely competitive with the market being served by many businesses ranging from national to smaller more regionally based wholesalers. Failure to respond or recognise changes in the competitive landscape could have an adverse impact on the Group's financial performance.	The Group continues to compete by ensuring its commitment to service quality is at the heart of operations. Excellent relationships with Brand owners also ensures that the business has a wide product offering and stock holding at competitive prices to support customers requirements. The Group's infrastructure and supply chain also makes it more difficult for new entrants to compete in the short term.	
Acquisition risk	The Group is likely to acquire other businesses, when suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect the Group's results or operations. There is also no assurance that the Group will identify suitable acquisitions or opportunities.	The Group has an excellent record of acquiring and successfully integrating businesses over a long period of time. The market is highly fragmented and the number of acquisition opportunities remains substantial.	

Risk management

Risk category	Potential impact	Mitigation	Risk rating
Failure of a significant operational location	The Group operates from seven key distribution hubs. The loss of one of these locations would negatively impact the operations and this would be heightened were it to be one of the operations managing frozen product.	The Group operates from 27 depots across the UK and has a certain amount of built-in protection from the sudden loss of one site for a short period of time. Leases are maintained on the key sites to ensure good long-term visibility on operational certainty.	
Data security and IT reliability	The Group has a certain degree of reliance on its IT infrastructure including the logistics, warehouse, and CRM systems. Non availability of these systems for a prolonged period could lead to lost revenue. In addition these systems may be vulnerable to cyber-attacks which would also affect the operations of the business. Both of these could also have a reputational impact on the business.	The Group's IT team regularly assesses any vulnerability to cyber threats and undertakes colleague testing and training in respect of this risk. The Group also has a comprehensive business continuity plan and adequate back up facilities to minimise the risk of prolonged downtime across the depot network.	
Economic	Almost all the Group's revenue is generated in the UK from UK customers. A deterioration in the UK economy may adversely affect consumer confidence to spend, particularly on discretionary products such as impulse purchases. Inflation is forecast to increase in 2022 due to impacts to the global supply chains and increasing energy costs	The Group seeks to mitigate this risk by having diversified income streams supplying 36,000 different products to over 39,000 customers. Many of these products are staple items and not of a discretionary nature so volume sensitivities to pricing across the range is sheltered to some extent. The Group reflects any price increases from its suppliers to customers as the pricing of products is similar across the market. This pricing structure maintains the Group's margin and also contributes to any increased costs in its overhead base. The Group enters into fixed term supply contracts for its energy thereby reducing volatility in its gas and electricity pricing.	

Risk category	Potential impact	Mitigation	Risk rating
Liquidity and forecasting risk	The result of a liquidity risk manifesting itself would be that the Group would be unable to pay its creditors as they became due. This risk could arise as a result of non-performance reducing profitability and cash generation, expanding too quickly, or poor budgetary planning. A reduction in cash for investment will have a detrimental impact on the Group's ability to deliver its strategy of expanding its depots network on a timely basis.	The Group has a strong balance sheet and its business model has inherently strong cash generation in a steady state. Effective working capital controls operate within the business with particular emphasis on trade receivable controls and delivering a high stock turn which allows stock to reduce quickly if the need arises. The Group's bespoke cash flow model has proven a reliable forecasting tool for a variety of economic and trade conditions. Its accuracy in predicting future cash flows will assist in ensuring that the Group can plan future cash flows with confidence. It will also assist the Group to react in a timely manner to changing circumstances so that sufficient funding is available.	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Corporate governance

Board of Directors

The Group has a Board and management team with the necessary experience and skills to execute its strategy for growth.

Stephen ("Steve") Smith

Independent Non-Executive Chairman (age 64)
Steve joined the Group as a Non-Executive Chairman following the investment by Pricoa Capital Group in 2016. He retired as CEO of Northgate plc in 2010, after a career of over 20 years.

Since retiring from Northgate Steve has served on a number of private company boards and is currently a Non-Executive Director of Ramsdens Holdings Plc. He is a chartered accountant and holds a degree in Economics from the London School of Economics. Steve is chairman of the Nomination Committee.

Paul Young

Chief Executive Officer (age 64)
Paul co-founded the Group in 1987, initially as a single North East based cash and carry. During his 30-year tenure as Chief Executive, and majority shareholder, Paul has grown the business into a national delivered wholesale business with revenue over £380 million in FY21. Paul is a qualified Cost and Management Accountant (ACMA).

David Brind

Chief Financial Officer (age 49)
David joined the Group in 2011, following NVM Private Equity LLP's investment and has led the 11 successful acquisitions to date as well as being responsible for the development of the IT and reporting infrastructure. He had a close relationship with the Group over a number of years before joining through his role at Barclays.

Prior to this, David worked at Ward Hadaway as a Corporate Finance Director and, before this, Ernst & Young as Assistant Director in Corporate Finance. David moved to Ernst and Young shortly after qualifying as a chartered accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales. He obtained a degree in Business Studies at the University of Hull.

Ben Maxted

Chief Operating Officer (age 38)
Ben joined the Group in 2011 as Finance Director of the Automatic Retailing business, a role which he held for three years before his appointment as Managing Director of Eden Farm (following its acquisition by the Group in 2014). Since then, Ben has led the growth of the Frozen& Chilled division, successfully integrating four acquisitions into the Group.

Ben is a Fellow of the Institute of Chartered Accountants in England and Wales having trained at PricewaterhouseCoopers, where he spent three years in its Corporate Finance division. He obtained a degree in Business Accounting and Finance at the University of Newcastle upon Tyne. Ben was appointed to the Board as Chief Operating Officer in November 2021.

Gerard Murray

Independent Non-Executive Director (age 58)
Gerard is currently the CFO of Tharsus Group, Non-Executive Chairman of Nixon Hire and director of Newrona Limited. Prior to this he has been either Group Finance Director or Chief Financial Officer of a number of companies including Reg Vardy plc, Northgate plc, Immunodiagnostic Systems Holdings plc, Benfield Motor Group and Quantum Pharma plc.

He is a Fellow of the Institute of Chartered Accountants in England and Wales, having qualified as a chartered accountant with Arthur Andersen, and holds a degree in Economics from the University of Leicester. Gerard is the Chairman of the Audit Committee and Chairman of the Remuneration Committee.

Enviromental, Social and Governance (ESG)

The Directors believe that a long-term sustainable business model is essential for the success of the Group, its colleagues, shareholders and other stakeholders of the business. In considering the Group's strategic plans for the future, the Directors proactively consider the potential impact of its decisions on all stakeholders within its business, in addition to considering the broader environmental and social impact, including the positive impact it can have within the local communities that the Group operates in.

While the Group is at the start of its ESG journey it intends to implement a formal Corporate Social Responsibility (CSR) strategy and form a committee in due course, which will monitor the implementation of CSR practises across the Group, ensure standardisation and introduce relevant and realistic objectives and targets.

Environmental

As a Group in the food distribution industry we own and operate vehicle fleets to deliver products between our distribution warehouses and to our customer locations. As well as incurring significant fuel consumption the Group is a user of energy in the refrigeration, heating, and lighting of our 27 depots.

The Board recognises the impact of the Group's business on the community and environment and actively seeks ways to minimise its carbon footprint. This is achieved through engagement with energy management professionals, maintaining a modern fleet of vehicles and the acquisition of new vehicles to meet emission requirements, implementation of telematics and route planning software to optimise deliveries, the use of solar panels in energy production and responsible procurement to reduce the Group's food waste. Driving efficiency is reviewed daily through the implementation of telematics systems and the use of delivery management software. Proactive maintenance of the Group's vehicles also ensures the delivery fleet operates as efficiently as possible, while limiting any unnecessary CO_2 emissions.

The Board also seeks to meet all relevant environmental legislative requirements relating to its business. In addition to seeking to reduce any excess packaging, to reduce costs to the Group while providing an environmental benefit, the Group recycles packaging and internal waste wherever possible. Furthermore, the Group is replacing fluorescent lights with LED lighting in addition to operating motion sensor equipment to maximise energy efficiency throughout the Group's properties.

The Group supports the drive for sustainable business practices and the table below outlines the energy use, in kWh, for the recent FY21 period.

	Energy use (kWh)	Greenhouse gas emissions (t/CO2e)
Electricity	13,767,796	2,923
Gas	962,362	195
Transport	45,706,343	11,922
Total energy	60,436,501	15,040
Sales £	393,260,127	393,260,127
Carbon intensity	0.154	0.000038

Greenhouse gases ("GHG") intensity per £1000 of revenue is 0.04 t/CO_2e.

CO_2e is the universal unit of measurement to indicate the global warming potential of GHGs expressed as one unit of carbon dioxide.

GHG emissions are from operationally controlled activities and are proportional to business activity represented in the above by revenue. The principal actions taken to increase the Group's energy efficiency during the FY21 period were the purchase of new vehicles to meet Euro 6 emissions standards and the investment in new energy efficient cold store facilities at the new Luton distribution centre.

In addition, a number of audits have been conducted in accordance with BS EN 16247-1-2012. Energy audit reports were compiled, and opportunity assessments made to identify and extrapolate energy efficiency

ESG in action

Developing a formal CSR strategy

Efficient energy management

Practising good Corporate Governance

opportunities across the Group. As a consequence, energy management behaviours have been assessed and altered at the Group's main sites in the Frozen & Chilled division, which is a significant energy consumer within the Group.

Social

The Group places significant value on its colleagues who are fundamental to the Group's ability to offer high levels of customer service. The Group is committed to creating a working environment in which our colleagues can grow and develop and be both fairly rewarded and respected for their contribution.

The Group is committed to ensuring the safety of all colleagues via handbooks, training and documented health and safety standards. This has been particularly important during the COVID-19 pandemic with the Group ensuring availability of the correct protective clothing and equipment, implementing social distancing practices under Group policies and investing in technology to allow the opportunity for colleagues to work from home where practical.

The Group also invests in formal and informal training to develop colleagues at all levels. The Group is committed to employment policies which follow best practice and endorses the application of equal opportunities to provide fair and equitable conditions for all of the Group's employees. Gender pay gap information is published on an annual basis.

The Group's relationships with customers and suppliers are crucial to its success. There is regular communication with customers through a dedicated sales network, telesales and email, thus ensuring customer expectations are satisfied.

The Group is involved in the delivery of third party and own branded products to over 39,000 customers across the UK, and it has developed long term relationships with suppliers to provide a high quality and sustainable supply chain. Key leadership members of the Group meet suppliers regularly to continually develop strength in the supply chain and improved routes to market for suppliers products.

Governance

The Group has an established reputation with suppliers and customers and this is underpinned by high standards of business conduct. The Group also seeks to maintain goodwill with its clients by supporting their local initiatives, which in turn directly and indirectly supports the communities which the Group's customers serve.

The Group operates anti-money laundering, anti-bribery and whistle-blowing policies to ensure it operates in an ethical and sustainable manner. The Group fully endorses the aims of the Modern Slavery Act 2015 and take a zero-tolerance approach to slavery and human trafficking within the Group and supply chain.

The Group is a member of the Quoted Companies Alliance (QCA) and adopts its code of practice as detailed in its Corporate Governance section on pages 25 to 26.

The Nominations Committee is responsible for undertaking an annual review of Board performance. As the Group has not yet completed its first full year as a listed public company no formal assessment has to date taken place. Changes to the Board agenda and its monthly reporting pack have been made and it is intended that each Board member will complete a detailed questionnaire relating to Board performance to allow a full review to be carried out in the current financial year.

Actively minimising carbon footprint

Commitment to colleagues' welfare and development

Anti-money laundering, anti-bribery and whistle-blowing policies

Corporate governance report

The Directors acknowledge the importance of high standards of corporate governance and intend to adhere to the QCA Corporate Governance Code which sets out a standard of minimum best practice for small and mid-sized quoted companies, particularly AIM companies. The Directors acknowledge the importance of the ten principles set out in the QCA Corporate Governance Code as outlined below.

1. Establish a strategy and business model which promote long-term value for shareholders

See the Strategic report from pages 7 to 18.

The Directors believe that the Group's operational model and growth strategy helps to promote long-term-value for shareholders. This strategy will be updated from time to time and annually within the Strategic report of the Annual Report and Accounts of the Group.

The Directors will continue to identify the key risk factors to this strategy and take appropriate mitigating measures and actions where not already addressed in the plan.

The Group's purpose, strategy and business model are communicated internally to the operational management team with operational key performance indicators (KPI's) assigned as appropriate and in line with the strategy of the Group.

2. Seek to understand and meet shareholder needs and expectations

The Executive Directors are keen to engage with shareholders and they intend to maintain regular communication with institutional shareholders. Individual meetings will be offered following publication of the Group's interim and annual results.

Private shareholders are encouraged to email questions using the designated email address for investor relations at kitwave@yellowjerseypr.com.

The Group's website has a dedicated investor relations website page. It is intended that any separate operational websites will include a link to the Group website to ensure that appropriate information is communicated to shareholders.

The Chairman and Non-Executive Director are available to shareholders as an alternative channel of communication and to discuss any matters that shareholders wish to raise.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group takes its corporate social responsibility very seriously and is focused on maintaining and strengthening effective working relationships across a wide range of stakeholders including shareholders, staff, suppliers and customers.

The Board identifies the Group's stakeholders and seeks to understand their needs, interests and expectations, by the following means:

- Regular supplier communications, both at Group and entity level;
- Regular customer communications, both at Group and entity level;
- Undertaking joint business planning exercises with suppliers and customers;
- Entity level awareness of colleague needs and expectations with feedback to and from line managers; and
- Liaison with regulators and other concerned parties.

The success of the Group's strategy is in part built upon the maintenance of internal and external relationships and the communication of the benefits of what the wider Group can bring to a particular stakeholder.

4. Embed effective risk management, considering both opportunities and threat, throughout the organisation

The Board is responsible for maintaining and reviewing the effectiveness of the Group's risk management activities, intended to monitor and mitigate, rather than eliminate, the significant risks that the Group is exposed to. The Group has implemented policies and procedures to address risk including with respect to wholesaling, warehouse and fleet operations, customer credit and compliance.

A new Audit Committee has been established for the Group on Admission to AIM in order to support the Board in monitoring the Group's risk appetite and exposures and to oversee the system of internal control (and the risk management framework), and to monitor the integrity of all formal reports and announcements relating to the Group's financial performance.

The Audit Committee report and the Remuneration Committee report (covering remuneration policy and practice alignment with Company strategy) are included in this Annual Report.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board has a mix of skills and experience and comprises:

Three Executive Directors
Two Non-Executive Directors including the Non-Executive Chairman

The Board is supported by a management board that has responsibility for day-to-day oversight of the Group's activities.

The Chairman will hold overall responsibility for maintaining a good corporate governance regime.

The Board and the Nomination Committee will seek to ensure that it has a suitable balance between independence (of both character and judgement) on the one hand, and knowledge of the Group on the other to enable it to discharge its duties and responsibilities effectively.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors of the Group and their biographies are set out on page 21. The Directors believe that the Board has the appropriate balance of skills and experience to deliver on the strategy of the Group.

The Board is not dominated by one individual and all Directors have the ability to challenge proposals and plans for the Group. The Directors have also received briefings and training in respect for the compliance of the AIM Rules and the Market Abuse Regulations.

7. Evaluate Board performance based on clear and relevant objectives, seeking continues improvement

The Board has not historically operated a formal appraisal process to assess its own performance and the performance of the Audit and/or Remuneration Committees. The Board intends to undertake a formal internal evaluation of its own performance and that of its committees and individual Directors, in the next financial year.

The Group established a Nomination Committee on admission to AIM which will conduct a regular assessment of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective.

8. Promote a corporate culture that is based on ethical values and behaviours

The Group seeks to embody and promote a corporate culture that is based on sound ethical values and behaviours which can be used as an asset and a source of competitive advantage by way of, inter alia:

- The Group's culture in general, e.g.:
  - Management and Executive Director open door policy;
  - Whistleblowing policy; and
  - Anti-bribery and corruption policy.
- The Group's approach to trading, e.g:
  - Missing trader policy; and
  - Know your customer checks (including VAT compliance).
- The Group's corporate responsibility culture, e.g:
  - Health and safety policies (covering colleagues and selected stakeholders);
  - Tax policies

The culture is set by the Board and is regularly considered and discussed at Board meetings.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is committed to a high standard of corporate governance across the Group, recognising that it is important in protecting Shareholders' interests and the long-term success of the Group.

The Non-Executive Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board aims to meet at least 10 times per year. The Chairman, aided by the Company Secretary, is responsible for ensuring accurate and timely information is received by the Directors.

The Group was not listed for part of the financial period and for that reason the Nomination Committee did not need to meet. It did meet post the year end to consider and recommend the appointment of Ben Maxted as a Director.

The Board is supported by the newly established Audit Committee, Remuneration Committee and Nomination Committee. The terms of reference for these committees have recently been set but will be kept under review by the Board.

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholder and other relevant stakeholders

The Board will be responsible for directing the affairs of the Group in a manner that meets both shareholder and regulatory requirements and is consistent with current corporate governance standards.

The Board will regularly inform and engage with shareholders across several platforms:

1. Publication of its Annual Report and Accounts as well as its half year report;
2. Individual meetings with institutional shareholder following publication of results;
3. The Company's AGM as way to engage directly with private shareholders;
4. The Group's website has a dedicated investor relations website page;
5. The engagement of a Group financial PR consultancy, in conjunction with the Nominated Adviser;
6. The Chairman and Non-Executive Director being available to shareholders as an alternative channel of communication to discuss any matters that shareholders wish to raise.

The following table shows the Directors attendance at schedules Board and Committee meeting from the date of Admission to the end of the reporting period.

	Board	Audit	Remuneration	Nomination
Steve Smith	4/4	2/2	2/2	0/0
Gerard Murray	4/4	2/2	2/2	0/0
Paul Young	4/4	2/2	2/2	0/0
David Brind	4/4	2/2	-	0/0

(Board or Committee attended / Board or Committee meetings held)

Audit Committee report

On behalf of the Board I am pleased to present the Audit Committee report for the year ended 31 October 2021. The Audit Committee was established following the Company's Admission to AIM on 24 May 2021.

Members

The members of the Committee since its formation were -
Gerard Murray (Chair, appointed to the Committee on 24 May 2021)
Steve Smith (appointed to the Committee on 24 May 2021)

Both members of the Audit Committee are Non-Executive Directors and are considered by the Board of being capable of exercising independent judgement.

Only members of the Committee are required to attend meetings, however, other individuals such as the Chief Executive, Chief Financial Officer, Chief Operations Officer and external auditors are able to attend by invitation.

Since the Group's Admission the Audit Committee has met twice in the reporting period and attendance is shown in the table on page 26. The Committee has continued with its schedule of meetings since the financial year end in order to discharge its responsibilities to the Board.

Responsibilities of the Committee

The Committee is responsible for reviewing a wide range of financial reporting and related matters including the Group's interim statement and its full year Annual Report and Accounts prior to their submission to the Board. In particular, the Committee is required to consider all critical accounting policies and practices adopted by the Group, and any significant areas of judgement that could materially impact reported results.

The Committee provides a forum for reporting by the Group's external auditor, and advises the Board on the appointment, independence and objectivity of the external auditor and on their remuneration both for statutory audit and non-audit work. It also discusses and agrees the nature, scope, planning and timing of the statutory audit with the external auditor.

Activities of the Committee

During the period since the Committee's formation its principal activities comprised

- Reviewing the draft interim financial statements for the six months ended 30 April 2021
- Reviewing the draft Annual Report and Accounts for the year ended 31 October 2021 and recommending their approval to the Board, considering the following key issues -
  - The accounting policies adopted in the preparation of the financial statements
  - The key accounting estimates and judgements used in their preparation including but not restricted to the impairment of goodwill and trade receivables
  - The assumptions and methods used in accounting for the costs associated with the Management Incentive Plan
  - The Risk management section of the Board's Strategic report
  - The assumptions used to support the adoption of the going concern basis of accounting taking into account the potential impact of COVID-19
- Reviewing the audit plan by the Group's existing auditor for the year ended 31 October 2021
- Reviewing the reports from the Group's auditors with respect to the Group's accounting and internal controls
- Monitoring the quality of internal controls
- Recommending the appointment of and the terms of engagement of the Group's new auditor for future financial periods
- Reviewing any external announcements by the Company

In all cases the Audit Committee's activities have had due regard to the interests of shareholders.

The work of the Committee in the current financial year will incorporate a focus on developing further the Group's risk management identification, impact and effectiveness of mitigating internal controls.

External auditor

The Audit Committee has overseen an audit tender process for audit services to the Group. KPMG LLP has been the auditor to the Group since 2010 and the Committee thought it appropriate to carry out this tender in which KPMG LLP did participate.

At the conclusion of a robust tender process the Committee recommended to the Board that following the completion of the audit for the year ended 31 October 2021, that Grant Thornton UK LLP should be appointed as the Group's auditor. The change in auditor will be proposed as a resolution to the Company's Annual General Meeting on 25 March 2022.

The new external auditor has provided the Audit Committee with information about its internal procedures for maintaining independence and the rotation of personnel engaged on the audit, including the audit partner. After considering this information, the Committee is satisfied that the new external auditor is independent.

During the financial year, £371,000 of non-audit services were provided by KPMG LLP relating to tax and transaction services. The Committee is satisfied that the provision of these services, did not compromise the independence of KPMG LLP as auditor. Grant Thornton LLP did not provide any services to the Group during the year.

After reviewing the auditors' report to the Audit Committee and discussing the findings with the auditor, the Committee is satisfied that the scope of the audit was appropriate and that all significant accounting judgements exercised by management had been suitably challenged and tested including, but not limited to, the matters referred to in the long form Audit Report (page 37). The Committee recommended to the Board that in their opinion the audit had been carried out effectively and that the report of the auditor be accepted.

Gerard Murray
Chair of the Audit Committee
25 February 2022

Nomination Committee report

On behalf of the Board I am pleased to present the Nomination Committee report for the year ended 31 October 2021

Members

The members of the Committee since its formation were -
Gerard Murray (Chair, appointed to the Committee on 24 May 2021)
Steve Smith (appointed to the Committee on 24 May 2021)

Responsibilities of the Committee

In carrying out its duties, the Nomination Committee is primarily responsible for:

- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
- Evaluating the balance of skills, knowledge, experience independence and diversity on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment;
- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- Reviewing the time requirements of the Non-Executive Directors and evaluating their performance to assess whether they are fulfilling their duties;
- Giving full consideration to succession planning for both Board and senior management positions, taking into account the challenges and opportunities facing the Company, and the skills, expertise and independence, which are therefore needed on the Board in the future; and
- Reviewing the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The Committee is scheduled to meet at least twice a year but it will meet more frequently if required. The Committee reports to the Board on how it has discharged its responsibilities in accordance with its terms of reference. Please refer to pages 21 and 22 for the Directors' biographies.

The Committee believes that the Directors are able to devote sufficient time to the Group, taking into account their other commitments.

Activity during the year

As the Committee was only constituted on 9 April 2021 no formal meetings were needed in the remainder of the financial year. Post the financial year end the Committee met on 25 November 2021 to consider and recommend the appointment of Ben Maxted as an Executive Director.

Steve Smith
Chair of the Nomination Committee
25 February 2022

Remuneration Committee report

Committee members

On behalf of the Board I am pleased to present the Remuneration Committee report for the year ended 31 October 2021. The Remuneration Committee was established following the Company's admission to AIM on 24 May 2021.

Members

The members of the Committee since its formation were
Gerard Murray
(Chair, appointed 24 May 2021)
Steve Smith
(appointed 24 May 2021)

Both members of the Remuneration Committee are Non-Executive Directors and are considered by the Board of being capable of exercising independent judgement.

During the financial year the Chief Executive has attended Remuneration Committee meetings to advise on the background to historical remuneration arrangements. An Executive Director has not and may not attend a Committee meeting where his own remuneration is the subject of review.

Responsibilities of the Committee

The Committee is responsible for overseeing and determining the Company's remuneration policy including the terms and conditions of service for the Executive Directors and certain senior management. The Committee's responsibilities include the oversight and governance of any equity plan that may be considered appropriate as part of the Company's remuneration policy.

The Remuneration Committee is committed to complying with the principles of good corporate governance in relation to the design of the Company's remuneration policy, and as such this policy will follow the Quoted Companies Alliance Remuneration Guidance as far as is considered appropriate.

During the year the Committee reviewed the terms of bonus awards for Executive Directors in relation to the financial year ended 31 October 2021 and the Management Incentive Plan (MIP) that was included in the Company's Admission document dated 24 May 2021 and was adopted in July 2021.

Executive Directors' remuneration– composition and policy

The aim of the remuneration policy is to help attract, retain and motivate high preforming senior executives, in line with market value. Incentive measures put in place by the Company include equity plans to help align the interests of the Executive Directors with the interests of shareholders.

Remuneration for the Executive Directors include the following elements:

Basic salary

This remuneration element is a fixed cash sum that is payable in 12 equal monthly instalments throughout the financial year. The Remuneration Committee has not performed a formal review exercise to benchmark the Executive Directors basic salary during the period from the formation of the Committee until the end of the financial year. It is the intention of the Committee to conduct this review in the current financial year.

The Group awarded a 3.0% cost of living pay increase to colleagues effective from 1 November 2021. The Executive Directors and senior management under the remit of the Remuneration Committee also received this award.

Bonus

As a result of the Group's acquisitive track record a number of different bonus schemes were already in place during FY21 for Executive Directors and senior management that were based on similar bonus arrangements from earlier financial periods. The Remuneration Committee has structured FY21 as the year of transition whereby these bonus arrangements have operated as in previous financial years. With effect from 1 November 2021 the senior management bonus schemes have been aligned to reward performance against the Group's reported adjusted operating profit.

Both David Brind (Chief Financial Officer) who was in post for the full financial year ended 31 October 2021 and Ben Maxted (Chief Operating Officer) who was appointed to the Board on 25 November 2021 received bonus payments in the financial year ended 31 October 2021 under arrangements that were in place prior to the IPO. For these Executive Directors there will be no bonus arrangement for the current financial year because both are participants in an equity plan (the Executive Management incentive Plan) designed to align their rewards with the objectives of the shareholders.

There is no bonus arrangement in place for Paul Young (Chief Executive Officer).

Benefits in kind

The Executive Directors receive the following benefits in kind:
- 30 days paid annual leave;
- company car; and
- private medical health cover.

Pension

The Group operates a defined contribution pension scheme. The Executive Directors receive contributions to this scheme in line with all other employees. In addition David Brind (Chief Financial Officer) receives a payment of £8,400 per annum into a private pension scheme.

Executive Management Incentive Plan (MIP)

On 27 July 2021 the Company implemented the MIP, as outlined fully in the Company's Admission Document dated 7 May 2021. Under the terms of the MIP, which intends to retain and incentivise key management personnel, David Brind (Chief Financial Officer) and Ben Maxted (Chief Operations Officer), have subscribed in cash (at not less than tax market value) for a new class of share (Growth Shares) in the Company's subsidiary, Kitwave Limited.

The Growth Shares will entitle participants to place a put option on the Company to receive up to a maximum of 4 per cent. of the Company's market value (measured at the time that the option is exercised) subject to:

- earnings per share (EPS) conditions over a 3-year period being satisfied in part or in whole; and
- the market capitalisation value hurdle being exceeded.

The target EPS performance is measured across a 3-year period with the first year in the measurement period being the financial year ending 31 October 2022. If the EPS performance is satisfied in any individual year this will result in a part allocation of put option rights, calculated on a pro-rata basis.

Any exercise of the put option (in whole or in part) is subject to the market capitalisation of the Company at the date of the exercise being not less than 140 per cent. of the market capitalisation of the Company at the date of its Admission.

Any consideration to be paid by the Company for the acquisition of the Growth Shares will be satisfied, at the discretion of the Company, in cash or by the issue of the Company's ordinary shares or a combination of both.

There is no maximum value of the Group to which the 4 per cent. award will be applied.

If a participant in the MIP ceases to be employed by the Group, he or she may or may not be entitled to retain some or all of their Growth Shares, and the accompanying put option rights. Any entitlement will depend on the date of employment ceasing and the reasons for the cessation.

If a participant ceases to be employed as a result of retirement, incapacity, redundancy or a transfer of his or her employment to another employer by his or her employing company, then the participant can retain his or her Growth Shares (or a pro rata amount of them if the cessation takes place prior to the end of the 3-year EPS measurement period) and continue to participate in the MIP in accordance with its terms. If a participant ceases to be employed by the Group for any other reason, then the Company has the right to purchase the leaving participant's Growth Shares for the price at which they were issued.

There are no other equity incentive plans or long term incentive plans for the Executive Directors or senior management.

Remuneration Committee report

Directors service contracts and letters of appointment

The Directors have entered into service agreements and letters of appointment with the Company and the principal terms are as follows:

Name	Position	Date of latest agreement	Commencement of period of office	Annual salary	Notice period (months)
Paul Young	Chief Executive Officer	24 May 2021	24 May 2021	£360,000	12
David Brind	Chief Financial Officer	24 May 2021	24 May 2021	£237,000	12
Ben Maxted	Chief Operations Officer	25 November 2021	25 November 2021	£237,000	12
Steve Smith	Non-executive Chairman	24 May 2021	24 May 2021	£60,000	3
Gerard Murray	Non-executive Director	24 May 2021	24 May 2021	£40,000	3

Non-Executive Directors' remuneration

The Non-Executive Chairman has a basic salary of £60,000 effective from 24 May 2021. Prior to his appointment to the Board the basic salary of the Chairman was £40,000. The Senior Non-Executive Director has a basic salary of £40,000 effective from appointment on 24 May 2021. There are no additional payments for participation in Company Committees. The Non-Executive Directors do not receive any other form of remuneration other than basic salary.

Directors' remuneration summary

	Salary	Pension	Fixed pay	Bonus	Total FY21	Total FP20
Executive						
Paul Young	£311,799	£18,859	£330,658	-	£330,658	£578,421
David Brind	£230,100	£13,358	£243,458	£50,000	£293,458	£377,565
Non-Executive						
Steve Smith	£26,348	-	£26,348	-	£26,348	-
Gerard Murray	£17,588	-	£17,588	-	£17,588	-
	£585,835	**£32,217**	**£618,052**	**£50,000**	**£668,052**	**£955,986**

Directors' shareholdings

The Directors hold the following notifiable beneficial interests in the ordinary share capital of the Company.

Name of holder	Number	% of voting rights in the issued share capital
Executive		
Paul Young	10,968,550	15.7%
David Brind	1,540,233	2.2%
Non-Executive		
Steve Smith	50,000	0.1%
Gerard Murray	40,000	0.1%

Gerard Murray
Chair of the Remuneration Committee
25 February 2022

Directors' report

Principal activities and business review

The principal trading activity of the Group during the period was that of a delivered wholesaler of branded confectionery, soft drinks, crisps & snacks, frozen & chilled, alcohol and tobacco products.

The review of the years activities, operations, developments and key risks is contained in the Strategic report on pages 7 to 18.

Directors

The Directors who held office during the year and subsequent to the year end, to the date of this report, were as follows:

Executive Directors

Paul Young	
David Brind	
Ben Maxted	(appointed 25 November 2021)

Non Executive Directors

Steve Smith	(appointed 24 May 2021)
Gerard Murray	(appointed 24 May 2021)

Dividends

An interim dividend of 2.25 pence per share was paid during the year. The Directors have proposed a final dividend of 4.5 pence per share *(FP20: £nil)*.

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 is in line with the Groups M&A strategy and will be incorporated into the existing Foodservice division.

Annual General Meeting

The next Annual General Meeting (AGM) will be on held on 25 March 2022.

Political and charitable contributions

The Company made no political or charitable donations nor incurred any political expenditure during the year *(FP20: £nil)*.

Employees

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the performance of the Group. Employee representatives are regularly consulted on a wide range of matters affecting current and future interests.

Going concern

The Company's Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Refer to note 1 of the financial statements on page 49 for details.

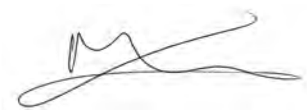
Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

A resolution to appoint Grant Thornton UK LLP as auditors will be put to members at the AGM.

By order of the Board



Paul Young
Director
25 February 2022

Unit S3 Narvik Way
Tyne Tunnel Trading Estate
North Shields
NE29 7XJ

Substantial shareholders

The Company has one class of ordinary share. As far as the Directors are aware, the only notifiable holdings in excess of 5% of the issued ordinary share capital at 31 October 2021 were as shown in the table below:

Name of holder	Number	% of voting rights in the issued share capital
Paul Young (CEO)	10,968,550	15.7%
Liontrust Asset Management	9,702,563	13.9%
Premier Miton Investors	8,432,000	12.0%
Cannacord Genuity Wealth Management (Inst)	4,650,000	6.6%
Harwood Capital	3,994,268	5.7%
Ninety One	3,729,167	5.3%
Blackrock	3,550,000	5.1%
Chelverton Asset Management	3,506,666	5.0%

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.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Financial statements

Independent auditor's report to the members of Kitwave Group plc

1. Our opinion is unmodified

We have audited the financial statements of Kitwave Group plc ("the Company") for the year ended 31 October 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the parent Company Statement of Financial Position, the parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 October 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the Financial Reporting Council (FRC) Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: Group financial statements as a whole	£2.6 million *(FP20:£4.2 million)* 0.7% *(FP20: 0.7%)* of Group revenue
Coverage	100% *(FP20:100%)* of Group revenue
Key audit matters	
Group's specific risk	Carrying amount of Goodwill
Parent Company	
Specific risk	Recoverability of parent's debt due from Group entities

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

	The risk	Our response
Carrying amount of Goodwill (FY21 £31.2 million; *FP20: £31.2 million*) Refer to page 27 (Audit Committee Report), page 49 (accounting policy) and page 67 (financial disclosures).	**Low risk, high value** Goodwill is a significant balance on the consolidated statement of financial position. Whilst the carrying amount is not at a high risk of significant misstatement, the estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The financial statements (note 11) disclose the sensitivity analysis performed by the Group.	**Our procedures included:** • **Historical comparisons:** We compared the Group's previous forecasting with actual results to assess forecasting accuracy. • **Benchmarking assumptions:** We compared the Group's assumptions to externally derived data in relation to key inputs such as discount rates and challenged management on the forecast business performance. This included considering the impact of uncertainties arising from COVID-19 in the current forecasts. • **Sensitivity analysis:** Performing breakeven analysis on the assumptions noted above; • **Comparing valuations:** Comparing the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cashflows; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of goodwill.
Recoverability of parent's debt due from Group entities: (FY21:£63.0 million; *FP20:£7.6 million*) Refer to page 27 (Audit Committee report), page 49 (accounting policy).	**Low risk, high value** The carrying amount of intra-group receivables is the main balance on the parent Company statement of financial position. Their carrying amount is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	**Our procedures included:** • Assessing the Company's receivable balance to identify, with reference to the relevant entity's draft balance sheet whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those receivable companies have historically been profit-making. • Assessing our audit work on the subsidiary entities, including assessing the liquidity of the subsidiary and therefore the ability of the subsidiary to fund the repayment of the receivable.

Independent auditor's report to the members of Kitwave Group plc – continued

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £2.6 million *(FP20: £4.2 million)*, determined with reference to a benchmark of Group revenue of £380.7 million *(FP20: £592.0 million)*, of which it represents 0.7% *(FP20: 0.7%)*. The decrease in our materiality with respect to the prior period is as a result of the prior period being an extended 18 month period. We consider Group revenue to be the most appropriate benchmark as it provides a more stable measure year on year once annualised than Group profit or loss before tax.

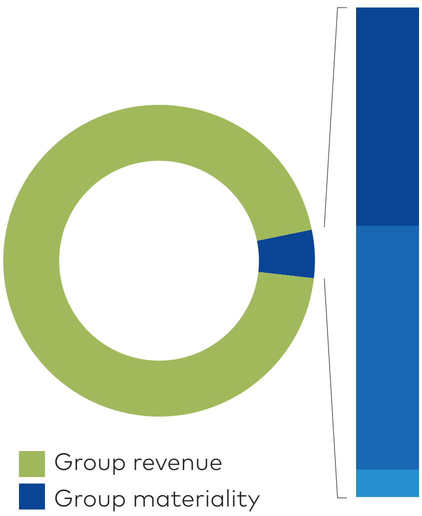
Materiality for the parent Company financial statements as a whole was set at £0.8 million *(FP20: £0.4m)* determined with a reference to a benchmark of Company total assets of which it represented 1.0% *(FP20: 3.0%).*

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million *(FP20: £0.2 million)*, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 14 *(FP20: 15)* reporting components, we subjected 12 *(FP20: 14)* to full scope audits for Group purposes.

Group revenue
£380.7 million *(FP20: £592.0 million)*

Group materiality
£2.6m *(FP20: £4.2 million)*



£2.6 million
Whole financial statements materiality (*FP20*: £4.2 *million*)

£2.0 million
Whole financial statements performance materiality
(FP20: £3.2 million)

£1.1 million
Range of materiality at components (£0.3 million to £1.4 million)
(FP20: £0.6 million to £2.0 million)

£0.1 million
Misstatements reported to the Audit Committee *(FP20: £0.2 million)*

Coverage % of key metrics	Total assets	Revenue
Full scope audit	99.3%	100.0%
Total coverage	99.3%	100.0%
Out of scope	0.7%	0.0%

4. Going concern
The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's financial resources or ability to continue operations over the going concern period. The risk that we considered most likely to adversely affect the Group's available financial resources over this period was the impact of the COVID-19 pandemic on demand in the Group's Foodservice division.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts. We also assessed the completeness of the going concern disclosure.

Our conclusions based on this work:
- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we considered whether the going concern disclosure in note 1 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and related sensitivities;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 1.3 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1.3 to be acceptable; and
- the related statement under the Listing Rules set out on page 38 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect
Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:
- Enquiring of Directors and the Audit Committee, as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Obtaining and reviewing the Group's high level policies;
- Reading Board, Audit and Remuneration Committee minutes; and
- Considering remuneration incentive schemes and performance targets for Directors.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that disposals of trading property are recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We also performed procedures including:
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts .
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. As the Group

Independent auditor's report to the members of Kitwave Group plc – continued

is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Remuneration Committee report

In our opinion the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

7. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 33, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with IASs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

Clare Partridge BA ACA
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
Quayside House,
110 Quayside,
Newcastle Upon Tyne,
NE1 3DX
25 February 2022

Consolidated statement of profit and loss and other comprehensive income

	Note	Year ended 31 October 2021 £000	18 month period 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)**

Paul Young, Director
25 February 2022

Company balance sheet as at 31 October

	Note	2021 £000	2020 £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		(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 accounts	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)*

Paul Young, Director
25 February 2022

Consolidated statement of change in equity

	Called up share capital	Share premium account	Consolidation reserve	Share based payment reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£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**
Transactions 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	Share premium account	Share based payment reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 May 2019	**1**	**12,993**	**0**	**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**
Transactions 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 distribution to 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 month period 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 loan	21	(4,750)	(2,270)
Repayment of bank term loans	21	(21,863)	(3,063)
Repayment of investor loans	21	(34,176)	-
Repayment 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 to the consolidated financial statements

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.

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.

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 1.1.

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.

Notes to the consolidated financial statements – continued

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 cafés, 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 re-translated 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 re-translated 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.

Notes to the consolidated financial statements – continued

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 or 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 which 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.

Notes to the consolidated financial statements – continued

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.

Notes to the consolidated financial statements – continued

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 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.

Notes to the consolidated financial statements – continued

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.

Notes to the consolidated financial statements – continued

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

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

Notes to the consolidated financial statements – continued

2. Acquisitions in the prior period

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**
Consideration cost paid in period	**6,558**

Notes to the consolidated financial statements – continued

2. Acquisitions in the prior period continued

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.

Notes to the consolidated financial statements – continued

2. Acquisitions in the prior period continued

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 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.

Notes to the consolidated financial statements – continued

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 of Directors (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 and chilled:** Provides delivered wholesale of frozen and chilled food products;
- **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	Food Service	Corporate	Total
FY21	£000	£000	£000	£000	£000
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 £31,249,000 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

For more information on alternative performance measures please see the glossary on page 85.

Notes to the consolidated financial statements – continued

3. Segmental information continued

FP20	Ambient £000	Frozen & Chilled £000	Food Service £000	Corporate £000	Total £000
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 £31,249,000 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

An analysis of revenue by destination is given below:

Geographical information

	FY21 £000	FP20 £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

**For more information on alternative performance measures please see the glossary on page 85.*

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Notes to the consolidated financial statements – continued

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

	FY21 £000	FP20 £000
Included in profit/loss are the following:		
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		
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.

Notes to the consolidated financial statements – continued

5. Expenses continued

	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	570

6. Staff numbers and costs

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

	Number of employees Group	
	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 £000	FP20 £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 £000	FP20 £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)*.
A detailed breakdown of the Director's total emoluments is included within the Remuneration Committee report.

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

Notes to the consolidated financial statements – continued

8. Finance income and expense

	FY21 £000	FP20 £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**
Total finance expense	**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 £000	FP20 £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**

Notes to the consolidated financial statements – continued

9. Taxation continued

	FY21 £000	FP20 £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%)*.

Notes to the consolidated financial statements – continued

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 shares	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.

Notes to the consolidated financial statements – continued

11. Intangible assets

Group

	Intangible assets £000	Goodwill £000	Total £000
Cost			
Balance at 1 May 2019	-	32,823	32,823
Additions	501	3,938	4,439
Transferred from tangible fixed 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 £000	Goodwill £000	Total £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**

Notes to the consolidated financial statements – continued

11. Intangible assets continued

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

	2021 £000	2020 £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:

	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 on an independent basis and do not result in an impairment in any CGU:
- Change in the pre-tax discount 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.

Notes to the consolidated financial statements – continued

12. Tangible assets

Group	Freehold property £000	Leasehold improvements £000	Fixtures & fittings £000	Motor vehicles £000	Plant & machinery £000	Total £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)
Transfer 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 £000	Leasehold improvements £000	Fixtures & fittings £000	Motor vehicles £000	Plant & machinery £000	Total £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)
Transfer 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	-	-	(120)	(16)	136	-
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**

Notes to the consolidated financial statements – continued

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 £000	Motor vehicles £000	Plant & machinery £000	Total £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
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
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 £000	Motor vehicles £000	Plant & machinery £000	Total £000
Cost				
Balance 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 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**

Notes to the consolidated financial statements – continued

14. Investments

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

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

The Company has the following investments in subsidiaries

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

*held indirectly thought Kitwave Investments Limited and its subsidiaries

The registered office of all the above companies is: Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ

Notes to the consolidated financial statements – continued

15. Investment property

	Unlisted investments	
	2021	2020
Group	**£000**	**£000**
Cost and net book value		
At beginning of the period	175	-
Added through business combinations	-	175
Disposals	(175)	-
At end of the 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
Non-current	**£000**	**£000**	**£000**	**£000**
Financial liabilities designated as fair value through the statement of profit and loss				
Put option liability	-	5,410	-	5,410
	-	**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).*

Notes to the consolidated financial statements – continued

18. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£000	£000	£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**

Notes to the consolidated financial statements – continued

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 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**
Current liabilities	**£000**	**£000**	**£000**	**£000**
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	
	2021	**2020**	**2021**	**2020**
Lease liabilities	**£000**	**£000**	**£000**	**£000**
Lease liabilities are payable as follows:				
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**	**-**	**-**

Notes to the consolidated financial statements – continued

21. Interest-bearing loans and borrowings continued

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2021 Face value	2021 Carrying value	2020 Face value	2020 Carrying value
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
Investor loans				**-**	**-**	**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.

Notes to the consolidated financial statements – continued

21. Interest-bearing loans and borrowings continued

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 at 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 the 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 2021	**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.

Notes to the consolidated financial statements – continued

21. Interest-bearing loans and borrowings continued

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	-	-
Shared based payment expense	57	-	-	-
IFRS 16 timing differences	114	-	-	-
Tax assets / (liabilities)	**631**	**343**	**(906)**	**(397)**

Movement in deferred tax during the period:

	31 October 2020	Recognised in income	31 October 2021
	£000	£000	£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 liabilities	**(54)**	**(221)**	**(275)**

Company

	Assets		Liabilities	
	2021	2020	2021	2020
	£000	£000	£000	£000
Shared based payment expense	57	-	-	-
Tax assets	**57**	**-**	**-**	**-**

	31 October 2020	Recognised in income	31 October 2021
	£000	£000	£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**

Notes to the consolidated financial statements – continued

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 schemes

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 **2021**

	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)*.

Notes to the consolidated financial statements – continued

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
610 Ordinary C3 shares of £0.001 each	-
	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**

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 *(FP20: £31,000,000)* bank borrowings of its subsidiary companies.

Notes to the consolidated financial statements – continued

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 is in line with each asset and liabilities fair value:

Group

	2021 £000	2020 £000
Financial assets that are debt instruments 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 payables	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**

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 the statement of 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements – continued

27. Financial instruments continued

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

Level 3 liability	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
Compensation for post-combination services	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 liability by £4,000
- A £500,000 reduction in forecast EBITDA would reduce the fair value of the liability by £276,000

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

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

Notes to the consolidated financial statements – continued

27. Financial instruments continued

27 (b) Credit risk continued

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 Groups 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. The Directors consider the level of provisioning to be materially correct based on these factors.

Movement in bad debt provision	2021 £000	2020 £000
At the beginning of the period	2,011	1,422
Provided during the period	1,288	1,563
Utilised during the period	(1,282)	(974)
At the end of the period	**2,017**	**2,011**

Notes to the consolidated financial statements – continued

27. Financial instruments continued

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:

2021	Carrying amount £000	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	>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**

2020	Carrying amount £000	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	>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.

Notes to the consolidated financial statements – continued

27. Financial instruments continued

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
Fixed rate instruments	**£000**	**£000**
Financial assets	-	-
Financial liabilities	(24,636)	(50,988)
	(24,636)	**(50,988)**

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:

	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 effects 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.

Notes to the consolidated financial statements – continued

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	12,024
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	12,024
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**

Alternative performance measure	Definition and purpose
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 £000	FP20 £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, 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%**

Kitwave Group plc
Unit S3, Narvik Way, Tyne Tunnel Estate,
North Shields, Tyne & Wear, NE29 7XJ

www.kitwave.co.uk/investors
+44 (0)191 259 2277

Kitwave registered number: 09892174