

5 July 2022

Kitwave Group plc

(“Kitwave”, the “Group” or the “Company”)

Unaudited interim results for the six months ended 30 April 2022

Kitwave Group plc (AIM: KITW), the delivered wholesale business, is pleased to announce its unaudited interim results for the six months ended 30 April 2022 (“the period” or “H1 2022”).

The tables and commentary below include comparatives for both the six months ended 30 April 2021 (H1 2021) and the 12 months ended 31 October 2021 (FY 2021).

Highlights

- Trading returned to pre-pandemic levels with particularly strong demand in the latter part of the period, with revenue up 51.8% to £223.3 million (*H1 2021: £147.1 million*).
- Consolidated gross margin improved to 19.8% (*H1 2021: 17.9%; FY 2021: 18.0%*).
- Strong recovery in profit after tax at £4.4 million (*H1 2021: loss after tax £3.4 million*).
- Strong cash generation from operating activities of £17.1 million (*H1 2021: £9.8 million; FY 2021: £7.9 million*) leading to pre-tax operational cash conversions of 166% (*H1 2021: 174%; FY 2021: 85%*).
- Trading since the period end has been significantly ahead of expectations, leading the Board to revise its financial expectations upwards for the full year ended 31 October 2022.
- Acquisition of M.J. Baker Foodservice Limited (“M.J. Baker”), the South West’s leading independent foodservice supplier. The Board considers the business an excellent addition to the Group’s Foodservice division and expands its nationwide reach into the Southwest. M.J. Baker has traded in line with the Board’s expectations since the acquisition was completed.
- Opened a new 60,000 sq. ft distribution centre in Wakefield as part of the development of the Group’s on-trade business. The facility provides the ability to deliver efficiencies in stock holding, through consolidation, improved stock handling, the potential for bonded warehousing and own brand manufacturing. This upgraded facility replaces the previous Wakefield distribution centre.
- The Board has declared an interim dividend of 2.50 pence per share for the financial year ending 31 October 2022. This dividend will be paid on 5 August 2022 to shareholders on the register at the close of business on 15 July 2022 and the ex-dividend date will be 14 July 2022.

Financial summary

	H1 2022 Unaudited £m	H1 2021 * Unaudited £m	FY 2021 Audited £m
Revenue	223.3	147.1	380.7
Gross profit	44.1	26.3	68.6
<i>Gross profit margin %</i>	<i>19.8%</i>	<i>17.9%</i>	<i>18.0%</i>
Operating profit	6.7	0.8	6.4
<i>Operating margin %</i>	<i>3.0%</i>	<i>0.5%</i>	<i>1.7%</i>
Profit / (loss) after tax	4.4	(3.4)	1.1
Net cash inflow from operating activities	17.1	9.8	7.9
<i>Pre-tax operational cash conversion **</i>	<i>166%</i>	<i>174%</i>	<i>85%</i>

** H1 2021 covers a financial period prior to the admission of the Company to AIM in May 2021. It also represents a period where the adverse impact of COVID-19 on the Group's customer base was more severe than H1 2022.*

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

Paul Young, Chief Executive Officer of Kitwave, commented:

“With the detrimental effects of COVID-19 significantly reduced, the Group made great strides operationally and commercially during the period.

“Trading recovered at a quicker pace from the pandemic than we had anticipated, notably within vending, ambient and foodservice. It should be noted that this reporting period includes Christmas 2021, a period that was still overshadowed by high rates of positive COVID-19 cases and hesitancy to socialise amongst consumers.

“The outlook for the UK economy is dominated by cost-of-living issues which provide an element of uncertainty in relation to end consumer demand for the Group's products. While the Board is cognisant that these issues could impact trading in future periods, given the better than expected performance in H1 and the strong start to H2, we expect to be significantly ahead of expectations for the current year.”

- Ends -

For further information please contact:

Kitwave Group plc

Paul Young, Chief Executive Officer

David Brind, Chief Financial Officer

www.kitwave.co.uk

Tel: +44 (0) 191 259 2277

Canaccord Genuity Limited

(Nominated Adviser and Sole Broker)

Bobbie Hilliam

Georgina McCooke

Alex Aylen - Sales

Tel: +44 (0) 20 7523 8150

Yellow Jersey PR

(Financial media and PR)

Sarah Hollins

Henry Wilkinson

James Lingfield

Tel: +44 (0) 20 3004 9512

Company Overview

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

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

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

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

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

Chief Executive Officer's statement

Introduction

I am pleased to report the Group's interim results for the six months ended 30 April 2022. Trading in the first couple of months of the period was adversely affected by the effects of the Omicron variant, but it is pleasing to note that since COVID-19-related restrictions were lifted after the 2021 Christmas period, all divisions of the business have traded positively.

It was also exceptionally pleasing to complete the Company's first acquisition since the admission to AIM. The addition of M.J. Baker to the Group is a positive statement of our future growth intentions in the Foodservice division.

Financial summary

In the six months to 30 April 2022, the Group achieved revenue of £223.3 million (*H1 2021: £147.1 million*), resulting in an operating profit of £6.7 million (*H1 2021: £0.8 million*). The performance in the prior comparative period was affected by the challenges that the Group faced because of the COVID-19 restrictions.

	H1 2022 Unaudited £m	H1 2021 Unaudited £m	FY 2021 Audited £m
Revenue	223.3	147.1	380.7
Gross profit	44.1	26.3	68.6
<i>Gross profit margin %</i>	<i>19.8%</i>	<i>17.9%</i>	<i>18.0%</i>
Operating profit	6.7	0.8	6.4
<i>Operating margin %</i>	<i>3.0%</i>	<i>0.5%</i>	<i>1.7%</i>

Cash generation remained strong in the period with £17.1 million generated from operating activities.

The net cash outflow relating to the acquisition of M.J. Baker was £16.9 million after taking into account cash and overdrafts acquired. No further cash outflows in relation to the transaction are expected.

Allowing for cash outflows to satisfy debt service payments and dividends the Group's cash and cash equivalents increased by £1.1 million during the period.

The Group's balance sheet as at 30 April 2022 had equity reserves of £63.3 million (*30 April 2021: £3.5 million accumulated deficit; 31 October 2021: £61.6 million equity reserves*) and net debt of £46.6 million (*30 April 2021: £88.2 million; 31 October 2021: £34.3 million*).

Divisional summary

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

	H1 2022 Unaudited £m	H1 2021 Unaudited £m	FY 2021 Audited £m
Group revenue	223.3	147.1	380.7
Ambient	87.0	64.5	155.7
Frozen & Chilled	82.0	71.7	163.9
Foodservice	54.3	10.9	61.1
Corporate	-	-	-
Group adjusted operating profit / (loss)**	7.3	(0.2)	7.1
Ambient	2.6	0.4	2.2
Frozen & Chilled	1.7	1.9	5.2
Foodservice	3.1	(2.3)	0.2
Corporate	(0.1)	(0.2)	(0.5)

*** Group operating profit / (loss) adjusted for restructuring, acquisition and compensation for post combination costs and income. For more information on alternative performance measures please see the glossary at the end of the announcement.*

The Group's Foodservice division experienced some level of impact from the stop-start nature of COVID-19 lockdown restrictions, particularly in the first two months of the period, as customers found it more difficult to service consumers. This seemed to affect customers in several ways, including staff shortages, consumer hesitancy and, in some cases, challenges in the supply chain.

In our experience, since Kitwave was founded in 1987, our independent customers have always proven to be both determined and resilient, adapting their businesses where necessary to meet differing economic challenges. During the period, the Group's ethos to service quality and the ability to provide access to a wide product range ensured limited disruption to our customer base. As the period ended, our customer base was trading well and delivery numbers across the Group had returned to pre-pandemic levels.

The Group's cost base has been affected by inflationary pressures, with the majority of increases being reflected in labour and delivery-based costs. We are continually striving to mitigate such cost increases and as a result the ratio of distribution costs to revenue is only slightly ahead of the prior period and is in line with our expectations.

Ambient division

The Ambient business performed ahead of expectations during the period as the division traded back to pre-pandemic levels earlier than expected. While the division, like the rest of the Group, suffered some cost base inflation, the improvement in gross margin and overall close control of costs ensured an improved operating profit percentage.

Frozen & Chilled division

The division maintains its strong presence in the market. Further opportunities, both through acquisitions and the operational gearing effect of increased product sales across its customer base, continue to be pursued.

The results for the period were affected by the proportionally larger workforce in this division and the associated increase in costs generated through inflationary pressures. These costs have been incurred ahead of the H2 revenue which historically has been stronger than H1. During the period there was limited scope to improve margin structures, but these are expected to be achieved in H2 as sales of impulse products rise. The division traded slightly behind expectations for the period, but the work undertaken on improving gross margin during the period still leaves it on track to meet expectations for the full year.

Foodservice division

COVID-19 had the largest adverse effect on the Foodservice division, particularly during the usually very busy Christmas periods. This was the case for Christmas 2021, which forms part of the reporting period. Since then, the division has geared up its workforce in a controlled manner as customer volumes increased, reflecting the easing of the COVID-19 restrictions. Overall, the division traded ahead of expectations for the period, as customer numbers and volumes returned quicker than expected. The control of both the gross margin and overheads in the business ensured that the benefits of the increase in volume have returned an increased operating profit.

Operational review

In January 2022, the Group's first new web-based trading platform was launched in the Frozen & Chilled division. This has been received extremely well by customers and brand partners alike. Utilisation of the platform is increasing month on month, with positive trends seen on average order values compared to more traditional methods of order taking. This new web-based platform provides efficiency and service benefits in the order and fulfilment process. Further developments will continue to be made to its functionality with a phased roll out across the whole Group planned to be achieved by the end of calendar year 2022.

In March 2022, the new Wakefield distribution centre, specifically designed and commissioned for dealing with on-trade product operations in the Foodservice division, was opened. The facility provides the ability to deliver efficiencies in stock holding through consolidation, improved stock handling and the potential for bonded warehousing and central own brand manufacturing. This upgraded facility replaced the previous Wakefield distribution centre.

We are also pleased that Ben Maxted has now joined the Kitwave Board. Ben has excellent experience within the Group, and the industry more broadly, and is a highly valued member of the team. His contributions will no doubt be of great value as we collectively drive the business forward.

Strategy

Kitwave's strategy remains focused on the acquisition of smaller regional players across the fragmented UK grocery and foodservice wholesale market, while simultaneously driving organic growth. This strategy has proven highly successful to date, with 11 wholesale distributors having been acquired and integrated into the Group since 2011.

The Board is firmly of the opinion that the Group's admission to AIM has enhanced its ability to execute this strategy, as well as building the brands within its portfolio in order to further develop its position as one of the leading delivered wholesale providers in the UK.

Dividend

During the period, the final dividend of 4.50 pence per share for the financial year ended 31 October 2021 was paid on 29 April 2022.

The Board is pleased to declare an interim dividend of 2.50 pence per share for the financial year to 31 October 2022. It will be paid on 5 August 2022 to shareholders on the register at the close of business on 15 July 2022 and the ex-dividend date will be 14 July 2022.

Summary and outlook

Our customers have shown remarkable resilience in responding to the challenges that COVID-19 has put forward. The reporting period, while incorporating a number of trading months that can largely be considered as being after the worst effects of the pandemic, still includes the 2021 Christmas period that was affected by reduced activity and underlying uncertainty due to the Omicron variant. With this in mind, the Group's results should be regarded as a very positive performance.

With a track record of successfully integrating acquired businesses into the Group and having now executed our first acquisition since the Company's admission to AIM, we look forward to sourcing and acquiring targets that fit within our criteria, in line with our buy-and-build strategy. Meanwhile, efforts continue on converting opportunities for organic growth, such as through the roll out of the web-based trading platforms across the Group. These initiatives enable us to grow revenue and further improve relations with both our brand partners and our customers.

With trading having returned quicker than we expected post-COVID-19, Kitwave finds itself in a strong position to capitalise upon the opportunities available to it. While remaining focused on delivering an excellent service to our customers, we look forward to driving the growth of the business and returning value to our shareholders. The outlook for the UK economy is dominated by cost-of-living issues which provide an element of uncertainty in relation to end consumer demand for the Group's products. While the Board is cognisant that these issues could impact trading in future periods, given the better than expected performance in H1 and the strong start to H2 we expect to be significantly ahead of expectations for the current year.

Paul Young

Chief Executive Officer

5 July 2022

Condensed consolidated statement of profit and loss and other comprehensive income

	Note	Existing operations	Acquisitions	Total 6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Revenue	3	218,081	5,231	223,312	147,112	380,694
Cost of sales		(175,621)	(3,574)	(179,195)	(120,841)	(312,109)
Gross profit		42,460	1,657	44,117	26,271	68,585
Other operating income/ (expense)	4	47	(5)	42	4,423	4,771
Distribution expenses		(18,768)	(583)	(19,351)	(12,712)	(31,203)
Administrative expenses		(17,720)	(399)	(18,119)	(17,192)	(35,755)
Operating profit		6,019	670	6,689	790	6,398
<i>Analysed as:</i>						
Adjusted EBITDA		10,353	772	11,125	3,834	15,053
Amortisation of intangible assets	5	(45)	-	(45)	(75)	(150)
Depreciation	5	(3,662)	(102)	(3,764)	(3,940)	(7,817)
CPO income	4	-	-	-	2,260	2,255
Restructuring costs	5	-	-	-	(68)	(1,257)
Acquisition expenses	5	(148)	-	(148)	-	(181)
Compensation for post combination services	5	(48)	-	(48)	(1,221)	(1,278)
Share based payment expense	5	(431)	-	(431)	-	(227)
Total operating profit		6,019	670	6,689	790	6,398
Finance expenses				(1,126)	(4,269)	(4,274)
<i>Analysed as:</i>						
Interest payable on bank loans and bank facilities				(443)	(769)	(1,327)
Interest and finance charges payable on loan notes and debenture loans				-	(2,889)	(7,078)
Finance charges on leases				(683)	(611)	(1,239)
Fair value movement on financial liabilities				-	-	5,410
Other interest				-	-	(40)
Financial expenses				(1,126)	(4,269)	(4,274)
Profit/(loss) before tax				5,563	(3,479)	2,124
Tax on profit/(loss) on ordinary activities				(1,136)	34	(1,028)
Profit/(loss) for the financial period				4,427	(3,445)	1,096
Other comprehensive income				-	-	-
Total comprehensive income / (loss) for the period				4,427	(3,445)	1,096

	<i>Note</i>	Existing operations	Acquisitions	Total 6 months ended 30 April 2022 Unaudited	6 months ended 30 April 2021 Unaudited	Year ended 31 October 2021 Audited
Basic earnings / (loss) per share	6			0.06	(0.13)	0.02
Diluted earnings / (loss) per share	6			0.06	(0.13)	0.02

Condensed consolidated balance sheet

	30 April 2022	30 April 2021	31 October 2021
	Unaudited	Unaudited	Audited
	£000	£000	£000
Non-current assets			
Goodwill	44,342	31,249	31,249
Intangible assets	535	336	431
Tangible assets	13,100	9,854	10,104
Right-of-use assets	27,346	22,987	23,188
Investments	35	20	20
Investment property	-	175	-
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	85,358	64,621	64,992
	<hr/>	<hr/>	<hr/>
Current assets			
Inventories	39,718	32,961	26,043
Trade and other receivables	63,783	47,945	52,814
Cash and cash equivalents	6,111	7,117	4,968
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	109,612	88,023	83,825
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Total assets	194,970	152,644	148,817
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Current liabilities			
Other interest bearing loans and borrowings	(23,420)	(16,661)	(14,620)
Lease liabilities	(5,204)	(4,448)	(4,719)
Trade and other payables	(77,656)	(59,255)	(47,332)
Tax payable	(573)	(1,472)	(370)
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	(106,853)	(81,836)	(67,041)
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Non-current liabilities			
Other interest bearing loans and borrowings	-	(49,507)	-
Lease liabilities	(24,097)	(19,335)	(19,917)
Other financial liabilities	-	(5,410)	-
Deferred tax liabilities	(728)	(54)	(275)
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	(24,825)	(74,306)	(20,192)
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Total liabilities	(131,678)	(156,142)	(87,233)
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Net assets/(liabilities)	63,292	(3,498)	61,584
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Equity attributable to equity holders of the Parent Company			
Called up share capital	700	1	700
Share premium account	64,183	12,993	64,183
Consolidation reserve	(33,098)	(33,098)	(33,098)
Share based payment reserve	658	-	227
Retained earnings	30,849	16,606	29,572
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Equity/(accumulated deficit)	63,292	(3,498)	61,584
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Condensed consolidated statement of change in equity

	Called up share capital £000	Share premium account £000	Consolidation reserve £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 November 2020 (audited)	1	12,993	(33,098)	-	20,051	(53)
<i>Total comprehensive income for the 6 month period</i>						
Loss	-	-	-	-	(3,445)	(3,445)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the 6 month period	-	-	-	-	(3,445)	(3,445)
Balance at 30 April 2021 (unaudited)	1	12,993	(33,098)	-	16,606	(3,498)
<i>Total comprehensive income for the 6 month period</i>						
Profit	-	-	-	-	4,541	4,541
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the 6 month period	-	-	-	-	4,541	4,541
<i>Transaction with owners, recorded directly in equity</i>						
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)
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 (audited)	700	64,183	(33,098)	227	29,572	61,584
<i>Total comprehensive income for the 6 month period</i>						
Profit	-	-	-	-	4,427	4,427
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the 6 month period	-	-	-	-	4,427	4,427
<i>Transaction with owners, recorded directly in equity</i>						
Dividends	-	-	-	-	(3,150)	(3,150)
Share based payment expense	-	-	-	431	-	431
Total contribution by and transactions with the owners	-	-	-	431	(3,150)	(2,719)
Balance at 30 April 2022 (unaudited)	700	64,183	(33,098)	658	30,849	63,292

Condensed consolidated cash flow statement

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Cash flow from operating activities			
Profit/(loss) for the period	4,427	(3,445)	1,096
<i>Adjustments for:</i>			
Depreciation and amortisation	3,809	4,015	7,967
Financial expense	1,126	4,269	4,274
Profit on sale of property, plant and equipment	(39)	(25)	(55)
Net gain on remeasurement of right-of-use assets and lease liabilities	-	(98)	(124)
Compensation for post combination services	48	1,221	1,278
Equity settled share based payment expense	431	-	227
Taxation	1,136	(34)	1,028
	<u>10,938</u>	<u>5,903</u>	<u>15,691</u>
(Increase) in trade and other receivables	(8,993)	(1,666)	(8,244)
(Increase) in inventories	(12,040)	(9,763)	(2,845)
Increase in trade and other payables	28,260	15,791	8,671
	<u>18,165</u>	<u>10,265</u>	<u>13,273</u>
Payments in respect of compensation for post combination services	-	-	(2,925)
Tax paid	(1,115)	(469)	(2,432)
	<u>17,050</u>	<u>9,796</u>	<u>7,916</u>
Net cash inflow from operating activities			
Cash flows from investing activities			
Acquisition of property, plant and equipment	(1,140)	(1,772)	(2,961)
Proceeds from sale of property, plant and equipment	108	43	248
Acquisition of subsidiary undertakings (including overdrafts and cash acquired)	(16,914)	-	-
	<u>(17,946)</u>	<u>(1,729)</u>	<u>(2,713)</u>
Net cash outflow from investing activities			
Cash flows from financing activities			
IPO fund raise (net of expenses)	-	-	61,889
Proceeds from new loan	-	5,500	5,500
Net movement in invoice discounting	4,300	(429)	4,559
Interest paid	(1,126)	(2,513)	(5,093)
Net movement in bank trade loans	4,500	57	(4,750)
Repayment of bank term loans	-	(1,390)	(21,863)
Repayment of investor loans	-	-	(34,176)
Payment of lease liabilities	(2,485)	(2,517)	(5,068)
Dividends paid	(3,150)	-	(1,575)
	<u>2,039</u>	<u>(1,292)</u>	<u>(577)</u>
Net cash outflow from financing activities			
Net increase in cash and cash equivalents	1,143	6,775	4,626
Opening cash and cash equivalents	4,968	342	342
	<u>6,111</u>	<u>7,117</u>	<u>4,968</u>
Cash and cash equivalents at period end			

Notes

1 Accounting policies

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

The Company's principal activity is to act as a holding company for its subsidiaries (together "the Group"), which together make up the Group's consolidated financial information.

The condensed consolidated financial information presented in this statement for the six months ended 30 April 2022 and the comparative figures for the six months ended 30 April 2021 are unaudited.

The condensed consolidated financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 October 2021 have been delivered to the Registrar of Companies and the report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The condensed consolidated financial information does not include all the information required for the full annual financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

The condensed consolidated financial information has been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction the Group's last annual consolidated financial statements.

The unaudited consolidated interim financial information has been prepared under the historical cost convention and in accordance with the recognition and measurement requirements of UK-Adopted International Accounting Standards. The condensed consolidated interim financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should therefore be read in conjunction with the Group's Annual Report for the year ended 31 October 2021, which has been prepared in accordance with UK-Adopted International Accounting Standards and is available on the Group's investor website.

There have been no new accounting standards or changes to existing accounting standards applied for the first time from 1 November 2021 which have a material effect on these interim results.

1.1 Critical accounting estimates and judgements

The critical accounting estimates and judgements affecting the Group are unchanged from those set out in the Group's last annual consolidated financial statements for the year ended 31 October 2021.

The Directors have reviewed financial forecasts and are satisfied that the Group has sufficient levels of financial resources available to both fund operations and to pursue its stated growth strategy. The Directors are confident that the Group will have sufficient funds to meet its liabilities as they fall due for the foreseeable future and therefore adopt the going concern basis in preparing the condensed consolidated interim financial information.

1.2 Accounting policies

The accounting policies applied in preparing the condensed consolidated interim financial information are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 October 2021, as described in those financial statements.

2 Acquisitions

Acquisitions in the 6 month period ended 30 April 2022

M.J. Baker Foodservice Limited

On 10 February 2022, the Group acquired the entire share capital of M.J. Baker Foodservice Limited for a total consideration of £24,515,000. The purchase consideration paid was £23,297,000 resulting from a reduction in loan balances due to M.J. Baker from its previous shareholder of £1,218,000. The resulting goodwill of £13,093,000 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	2,836
Right-of-use assets	984
Investments	25
Current assets	
Inventories	1,635
Trade and other receivables	1,976
Cash and cash equivalents	6,383
Total assets	13,839
Current liabilities	
Lease liabilities	(412)
Trade and other payables	(2,016)
Corporation tax	(182)
Non-current liabilities	
Lease liabilities	(572)
Deferred tax liabilities	(453)
Total liabilities	(3,635)
Net identifiable assets and liabilities	10,204
Goodwill	13,093
Total net assets acquired	23,297
Headline purchase consideration	24,515
Liabilities assumed	(1,218)
Purchase consideration paid	23,297

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.

The provisional assessment following acquisition has not identified any material intangible assets. Goodwill represents buying and other operating synergies.

The acquired undertaking made a profit of £72,000 from the beginning of its financial year on 1 January 2022 to the date of acquisition. In its previous financial year the profit after tax was £2,041,000.

Following acquisition, the business contributed revenue of £5,231,000 and operating profit of £670,000 to the Group for the six months ended 30 April 2022.

If the business had been acquired at the start of the Group's financial period, being 1 November 2021, it would have added £11,283,000 to Group revenue and £1,169,000 to Group operating profit for the six months ended 30 April 2022.

The total consideration paid in the period of £23,297,000. Net of cash and cash equivalents of £6,383,000 the net cash outflow in the period was £16,914,000.

On acquisition an assessment was made regarding the fair value of tangible assets which includes two freehold property. The result of an independent assessment was an uplift in value of £1,811,000 to the net book value held in M.J. Baker's accounts and is reflected in the above table of acquired assets and liabilities. This fair valuation has created a temporary difference with the tax base of the asset resulting in the recognition of a deferred tax liability of £453,000. This reflects a 25% UK corporation tax rate based on the expected timing of reversal of this timing difference.

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 Executive Board (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources

The Group has the following operating segments:

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

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

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

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

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

3 Segmental information (continued)

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
6 months ended 30 April 2022	£000	£000	£000	£000	£000
Unaudited					
Revenue	87,043	81,983	54,286	-	223,312
Inter-segment revenue	6,023	935	120	-	7,078
Segment revenue	93,066	82,918	54,406	-	230,390
Adjusted EBITDA*	3,428	3,612	4,147	(62)	11,125
Amortisation of intangibles	-	(32)	(6)	(7)	(45)
Depreciation	(779)	(1,934)	(1,051)	-	(3,764)
Acquisition expense	-	-	-	(148)	(148)
Compensation for post combination services	-	(48)	-	-	(48)
Share based payment expense	-	-	-	(431)	(431)
Interest expense	(322)	(470)	(226)	(108)	(1,126)
Segment profit before tax	2,327	1,128	2,864	(756)	5,563
Segment assets	42,230	68,397	39,712	44,631	194,970
Segment liabilities	(35,850)	(63,888)	(29,377)	(2,563)	(131,678)
Segment net assets	6,380	4,509	10,335	42,068	63,292
Within Corporate segment assets is £44,342,000 of goodwill on consolidation. This is allocated to the trading segments as follows					
Goodwill by segment	12,499	5,234	26,609		44,342

3 Segmental information (continued)

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
6 months ended 30 April 2021	£000	£000	£000	£000	£000
Unaudited					
Revenue	64,495	71,729	10,888	-	147,112
Inter-segment revenue	5,622	-	94	-	5,716
Segment revenue	70,117	71,729	10,982	-	152,828
Adjusted EBITDA*	1,405	3,879	(1,282)	(168)	3,834
CPO income	-	2,260	-	-	2,260
Amortisation of intangibles	-	(73)	(2)	-	(75)
Depreciation	(1,049)	(1,920)	(971)	-	(3,940)
Restructuring costs	(52)	(7)	(1)	(8)	(68)
Compensation for post combination services	-	(1,221)	-	-	(1,221)
Interest expense	(278)	(603)	(148)	(3,240)	(4,269)
Segment profit/(loss) before tax	26	2,315	(2,404)	(3,416)	(3,479)
Segment assets	35,043	60,392	17,092	40,117	152,644
Segment liabilities	(27,239)	(58,547)	(13,043)	(57,313)	(156,142)
Segment net assets	7,804	1,845	4,049	(17,196)	(3,498)

Within Corporate segment assets is £31,349,000 of goodwill on consolidation. This is allocated to the trading segments as follows

Goodwill by segment	12,499	5,234	13,516	31,249
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3 Segmental information (continued)

	Ambient	Frozen & Chilled	Foodservice	Corporate	Total
Year ended 31 October 2021	£000	£000	£000	£000	£000
Audited					
Revenue	155,712	163,895	61,087	-	380,694
Inter-segment revenue	12,340	-	226	-	12,566
Segment revenue	168,052	163,895	61,313	-	393,260
Adjusted EBITDA*	4,347	9,275	2,000	(569)	15,053
CPO income	-	2,255	-	-	2,255
Amortisation of intangibles	-	(144)	(6)	-	(150)
Depreciation	(2,106)	(3,910)	(1,801)	-	(7,817)
Restructuring costs	(53)	(41)	(42)	(1,121)	(1,257)
Acquisition expense	-	(19)	-	(162)	(181)
Compensation for post combination services	-	(1,278)	-	-	(1,278)
Share based payment expense	-	-	-	(227)	(227)
Interest expense	(564)	(1,286)	(288)	(2,136)	(4,274)
Segment profit/(loss) before tax	1,624	4,852	(137)	(4,215)	2,124
Segment assets	38,790	49,979	22,888	37,160	148,817
Segment liabilities	(28,559)	(41,323)	(16,508)	(843)	(87,233)
Segment net assets	10,231	8,656	6,380	36,317	61,584

Within Corporate segment assets is £31,349,000 of goodwill on consolidation. This is allocated to the trading segments as follows

Goodwill by segment	12,499	5,234	13,516	31,249
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An analysis of revenue by destination is given below:

Geographical information:

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
United Kingdom	221,167	143,838	373,690
Overseas	2,145	3,274	7,004
Group revenue	223,312	147,112	380,694

No one customer accounts for more than 10% of Group revenue.

4 Other operating income/(expense)

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Net gain on disposal of fixed assets	39	25	55
Net gain/(loss) on foreign exchange	2	(2)	(2)
Net gain on remeasurement of right-of-use assets and lease liabilities	-	98	124
CPO income	-	2,260	2,255
Grant income	1	2,042	2,339
	<u>42</u>	<u>4,423</u>	<u>4,771</u>

Grant income comprises amounts received from the Government with respect to Additional Restrictions Grants in the six month period ended 30 April 2022. In the six month period ended 30 April 2021 and the year ended 31 October 2021 the grant income principally comprises the amounts received from the Coronavirus Job Retention Scheme. These grants totalled £2,339,000 for the full year to 31 October 2021.

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 the ordinary course of business.

5 Expenses

Included in profit/loss are the following:

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Depreciation of tangible assets:			
Owned	1,099	1,638	1,975
Right-of-use assets	2,665	2,302	5,842
Amortisation of intangible assets	45	75	150
Impairment loss on trade receivables	475	462	1,288
Dilapidation provision	50	-	570
	<u>500</u>	<u>4,477</u>	<u>9,822</u>

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

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Exceptional expenses			
Restructuring expenses	-	68	1,257
Acquisition expenses	148	-	181
Compensation for post combination services	48	1,221	1,278
	<hr/>	<hr/>	<hr/>
Total exceptional expenses	196	1,289	2,716
Share based payment expense	431	-	227
	<hr/>	<hr/>	<hr/>
Total exceptional expenses and share based payments	627	1,289	2,943
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 in the year ended 31 October 2021 include transaction fees in relation to the IPO of £1,121,000. Other expenses related to the restructuring of the Group's operations.

Acquisition expenses include the legal and professional fees connected to the actual and potential acquisitions of subsidiaries in the period. In the 6 month period ended 30 April 2022 these expenses were incurred in connection with the acquisition of M.J. Baker Foodservice Limited.

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 which can now be called at any time.

Share based payments relate to the Management Incentive Plan ("MIP") and are non cash expenses.

6 Earnings per share

Basic earnings per share

Basic earnings per share for the six month period ending 30 April 2022, and the previous six month period ending 30 April 2021 and the year ended 31 October 2021 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 six month period ending 30 April 2022, and the previous six month period ending 30 April 2021 and the year ended 31 October 2021 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

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Profit/(loss) attributable to all shareholders	4,427	(3,445)	1,096
	£	£	£
Basic earnings per ordinary share	0.06	(0.13)	0.02
Diluted earnings per ordinary share	0.06	(0.13)	0.02

Weighted average number of ordinary shares

	6 months ended 30 April 2022 Unaudited Number	6 months ended 30 April 2021 Unaudited Number	Year ended 31 October 2021 Audited Number
Weighted average number of ordinary shares (basic) during the period	70,000,000	27,333,336	46,036,531
Weighted average number of ordinary shares (diluted) during the period	70,000,000	27,333,336	46,055,901

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.

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Profit/(loss) attributable to all shareholders	4,427	(3,445)	1,096
Exceptional and share based payment expenses net of tax*	627	1,276	2,819
CPO income net of tax	-	(1,831)	(1,827)
Interest and finance charges payable on loans and debenture notes	-	2,889	7,078
Fair value adjustments on the put option liability	-	-	(5,410)
	<hr/>	<hr/>	<hr/>
Underlying profit attributable to ordinary shareholders	5,054	(1,110)	3,756
	<hr/>	<hr/>	<hr/>
	£	£	£
Basic underlying earnings per ordinary share	0.07	(0.04)	0.08
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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.

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																																								
Existing operations	Existing operations are disclosed separately from acquisitions in the statement of profit and loss in order to provide greater comparison between the current and prior periods which do not include current period acquisitions.																																								
Adjusted operating profit	<p>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.</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">6 months ended 30 April 2022 Unaudited £000</th> <th style="text-align: right;">6 months ended 30 April 2021 Unaudited £000</th> <th style="text-align: right;">Year ended 31 October 2021 Audited £000</th> </tr> </thead> <tbody> <tr> <td>Total operating profit</td> <td style="text-align: right;">6,689</td> <td style="text-align: right;">790</td> <td style="text-align: right;">6,398</td> </tr> <tr> <td>CPO income</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(2,260)</td> <td style="text-align: right;">(2,255)</td> </tr> <tr> <td>Restructuring costs</td> <td style="text-align: right;">-</td> <td style="text-align: right;">68</td> <td style="text-align: right;">1,257</td> </tr> <tr> <td>Acquisition expenses</td> <td style="text-align: right;">148</td> <td style="text-align: right;">-</td> <td style="text-align: right;">181</td> </tr> <tr> <td>Compensation for post combination services</td> <td style="text-align: right;">48</td> <td style="text-align: right;">1,221</td> <td style="text-align: right;">1,278</td> </tr> <tr> <td>Share based payment expense</td> <td style="text-align: right;">431</td> <td style="text-align: right;">-</td> <td style="text-align: right;">227</td> </tr> <tr> <td>Adjusted operating profit/(loss)</td> <td style="text-align: right;">7,316</td> <td style="text-align: right;">(181)</td> <td style="text-align: right;">7,086</td> </tr> </tbody> </table>		6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000	Total operating profit	6,689	790	6,398	CPO income	-	(2,260)	(2,255)	Restructuring costs	-	68	1,257	Acquisition expenses	148	-	181	Compensation for post combination services	48	1,221	1,278	Share based payment expense	431	-	227	Adjusted operating profit/(loss)	7,316	(181)	7,086								
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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.

	6 months ended 30 April 2022 Unaudited £000	6 months ended 30 April 2021 Unaudited £000	Year ended 31 October 2021 Audited £000
Net cash inflow from operating activities	17,050	9,796	7,916
Tax paid	1,115	469	2,432
Payments in respect of compensation for post combination services	-	-	2,925
	<hr/>	<hr/>	<hr/>
Cash flow from operating activities pre tax and compensation for post combination services (1)	18,165	10,265	13,273
Movement in working capital	(7,227)	(4,362)	2,418
	<hr/>	<hr/>	<hr/>
Cash flow from operating activities pre tax and compensation for post combination services and movement in working capital (2)	10,938	5,903	15,691
	<hr/>	<hr/>	<hr/>
Pre tax operational cash conversion (1) divided by (2)	166%	174%	85%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>