INVESTING FOR GROWTH

KITWAVE Group plc

Annual Report & Accounts 2022


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Contents

ABOUT US

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

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

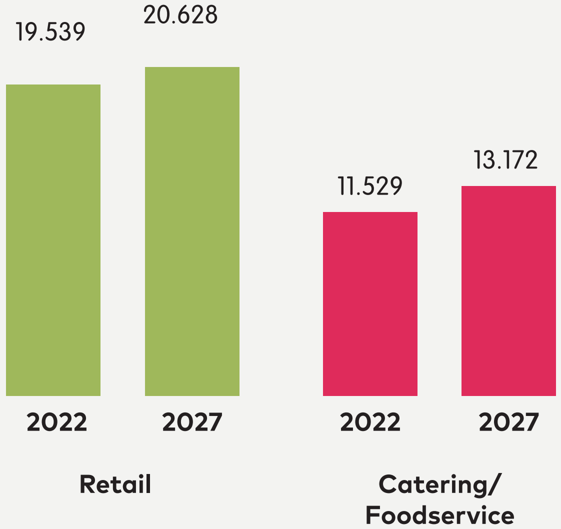
Our focus is delivering the products our customers need, on time and in full.

Through its acquisition and organic growth strategy, Kitwave is well placed in the highly fragmented UK grocery and foodservice market to capitalise on opportunities and grow market share, in turn delivering returns to shareholders and benefits to all stakeholders.

The Group was admitted to trading on AIM of the London Stock Exchange on 24 May 2021.

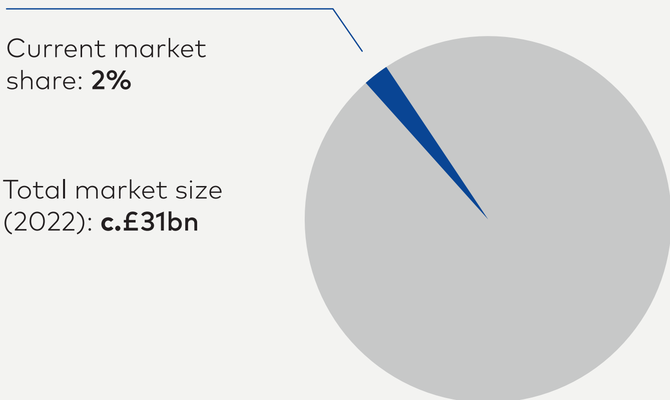
SEGMENTED MARKET OUTLOOK

Five year forecast to 2027 (£bn)*



TOTAL MARKET SIZE

Considerable opportunities for growth



*Source: IGD UK grocery & foodservice wholesaling 2022 report based on 2021 market data

FY22 FINANCIAL SUMMARY

Group revenue
£503.1m

FY21: **£380.7m**

Adjusted operating profit*
£21.5m

FY21: **£7.1m**

Profit before tax
£17.8m

FY21: **£2.1m**

Pre tax operational cash conversion*
105%

FY21: **85%**

Adjusted EBITDA*
£29.5m

FY21: **£15.1m**

EPS
20 pence

FY21: **2 pence**

For more information on alternative performance measures please see the glossary on pages 91 to 93.

INVESTMENT CASE

Established business with more than 35-year history provides high barriers to entry

Strong growth track record (organic and through acquisitions)

Trusted brand ambassador and partner to suppliers, ensuring excellent service provision

Robust balance sheet and cash-generative business model

Continuing a successful buy-and-build strategy

Significant market opportunity – current market share of c.2%

THE GROUP AT A GLANCE

OUR VISION

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, chilled and fresh foods, alcohol, groceries and tobacco to approximately 42,000, 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 12 wholesale distributors (including the post-year end acquisition of Westcountry Food Holdings Limited), 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.

UK grocer & foodservice wholesaling market size

c.£31bn*

Kitwave has considerable growth opportunities still available in the market

OUR DIVISIONS

Retail and wholesale

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 AND 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

ON-TRADE AND FOODSERVICE

Operating from 14 depots, with delivery capability currently across the North and South West of England, the division supplies frozen, chilled, fresh 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.

OPERATIONAL MODEL

Wholly controlled delivery fleet

Operating a fleet of c.550 delivery vehicles the Group fulfils over 4,800 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 30 depots, comprising eight main stock holding depots and 22 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 42,000 customers that are mainly independent convenience stores and foodservice outlets. It also services a number of 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 44,000 products, 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 our 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.

30 depots

>42,000 customers

>4,800 daily deliveries

>44,000 products

>1,500 colleagues

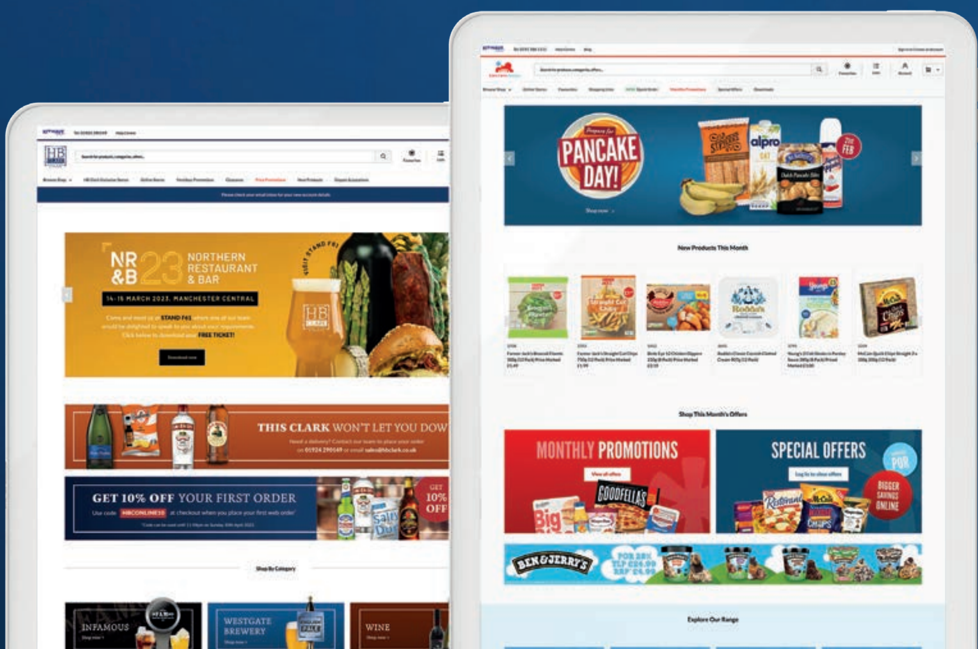
c.550 delivery vehicles

NEW DISTRIBUTION WAREHOUSE IN WAKEFIELD

Designed for on-trade product operations in the Foodservice division, as well as the head office and distribution hub for wholesaler HB Clark. Delivering operational and administrative efficiencies across the Group's Foodservice division.

12 MONTHS OF INVE

LAUNCH OF ONLINE TRADING PLATFORM



Through our new web-based trading platform we are able to improve the relationships we have with our customers and enhance operational synergies within the Group.

M.J. BAKER BUSINESS ACQUISITION

The Group acquired M.J. Baker Foodservice Limited, one of the West Country's leading ambient and frozen foodservice supplier.

STING FOR GROWTH

INVESTING IN PEOPLE

Our colleagues are fundamental to the Group's overall success. We continue to invest in formal and informal training and with a new Group Health and Safety Director we are prioritising their physical and mental health.

Strategic report

CHAIRMAN'S STATEMENT

In our second Annual Report since the Company's admission to AIM in May 2021, we are pleased to report a year of excellent progress. In the prior year, the Group had positioned itself to be able to capitalise on opportunities for growth as the challenges of the COVID-19 pandemic eased. As can be seen from the results for the year, all our divisions recovered quickly and performed ahead of our expectations.

Results summary

The Group has demonstrated significant growth in both revenue and operating profit during the year, with revenue of £503.1 million (FY21: £380.7 million) and operating profit of £20.4 million (FY21: £6.4 million).

Included in the results for the year is a contribution from M.J. Baker Foodservice Limited which is in line with our expectations at the time of the acquisition in February 2022.

	Existing operations £000	Acquisitions £000	FY22 £000	FY21 £000
Revenue	484.8	18.3	**503.1**	380.7
Operating profit	18.2	2.2	**20.4**	6.4
Adjusted operating profit *	19.3	2.2	**21.5**	7.1

**For more information on alternative performance measures please see the glossary on pages 91 to 93.*

It is important to note the work undertaken by management to increase gross margin in order to protect the Group from the inflationary pressures being experienced in its cost base. Increases in overhead costs such as labour, fuel and energy have been particularly significant. 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 year and is in line with our expectations.

Dividend

The Board has a progressive dividend policy that has the intention to pay a total annual dividend of between 40% and 50% of profit after tax. In years where the Group incurs higher cash outflows through its investment activity in mergers and acquisitions or infrastructure capital expenditure, the aggregate annual dividend is likely to be at the lower end of the range. For those years where there is no investment the annual dividend is likely to be at the higher end of the range.

The Board is recommending a final dividend of 6.75 pence per ordinary share (FY21: 4.50 pence), subject to approval at the AGM, which, if approved, will result in a total dividend for the year of 9.25 pence per ordinary share (FY21: 6.75 pence).

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. The Group continues to develop this framework and the associated measures that will need to be considered. Further detail can be found in the ESG section on pages 25 to 28.

Our colleagues are our most valuable asset and their welfare is a priority at Kitwave. Especially during this cost-of-living crisis, we are pleased to be able to provide sustainable employment and to increase remuneration across our workforce.

To enhance the focus on safety across our divisions, we appointed a Group Health and Safety Director in April 2022. This is a newly created position to coordinate the activities of the individual Health and Safety Officers operating in each business.

> "The Group has demonstrated significant growth in both revenue and operating profit during the year, with revenue of £503.1 million (FY21: £380.7 million) and operating profit of £20.4 million (FY21: £6.4 million)."

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

The Group continues to enhance its transparency of the risk environment in which it operates through further development of the risk register and associated mitigations and internal controls. During the year, the Group adopted an Enterprise Risk Management (ERM) framework which incorporated a review of its risk register and an update of the risk appetite for the Group's principal risks. The ERM framework has allocated the management, monitoring and reporting of the Group's principal risks to an appropriate risk champion for each identified risk. Risk champions will have regular engagement with the Board and are scheduled into the Board agenda for regular consideration.

In addition to strict governance policies, Kitwave maintains its commitment to being a responsible corporate citizen through its many schemes to decrease its environmental impact.

Board

As outlined in the Nomination Committee Report, a Board evaluation review was undertaken during the year. One of the recommendations from the Committee to the Board was the need to increase diversity among the Directors. Feedback from shareholders had also indicated a desire for a more balanced position between the number of Executive and Non-Executive members of the Board. Consequently, a process to appoint a further Non-Executive Director commenced in September 2022 and we were delighted to announce the appointment of Teresa Octavio to the Board on 1 February 2023.

Kitwave's strong market performance is a testament to our proven strategy and our resilience to external market pressures

Our people

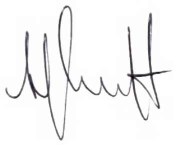
I would like to take this opportunity to thank all our colleagues at this time, as they have continued to respond to the challenges faced by the business with exceptional commitment. It is due to their dedication that we continue to provide the high-quality service that our customers have come to expect.

Outlook

Since Kitwave's IPO in May 2021, the Group has continued to go from strength to strength. Unlike many of the other companies that joined AIM at a similar time, Kitwave has significantly outperformed market expectations, despite the challenges of the pandemic and the more recent inflationary cost pressures.

We continue to pursue our combined organic growth and acquisition-based strategy and believe there are a large number of opportunities available to us in what remains a fragmented delivered wholesale market in the UK. The success of our acquisitions to date has demonstrated the viability of this strategy, with the Group continuing to look to identify acquisition opportunities to combine with its initiatives to drive organic growth. Post-year end, we completed the acquisition of Westcountry Food Holdings Limited, a specialist fresh produce wholesaler to the foodservice sector operating in the South West of England. The acquisition is in line with our criteria and will be incorporated into the existing Foodservice division.

FY23 has started well and, subject to successful management of the inflationary headwinds referred to above, we expect a positive outcome for the year and to continue to deliver value to our shareholders.



Steve Smith
Chairman
27 February 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

> "We are pleased with the Group's progress since its admission to trading on AIM in May 2021 and the results that we have reported to date, which put us on a strong footing for FY23 and beyond."

Paul Young ACMA
Chief Executive Officer

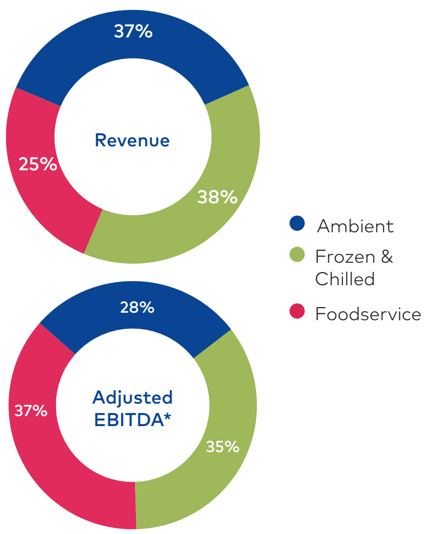
I am pleased to report the Company's final results for the 12 months ending 31 October 2022.

Kitwave has made significant progress during the year, despite operating against a challenging macro environment. Whilst the COVID-19 pandemic is now mostly behind us, its knock-on effects still linger. We remain cognisant of UK cost of living issues, however, the Group is well-placed to combat these and, as such, we remain confident of a positive 2023 trading period.

As outlined further below, the Group has made significant progress, both operationally and commercially, in the reporting period. As we announced in the Group's trading update in November 2022, the strong performance during the first half of the year continued into the second half. We are, therefore, able to report results in line with the upgraded market expectations that were referred to in the interim results, published in July 2022. We are pleased with the Group's progress since its admission to trading on AIM in May 2021 and the results that we have reported to date, which put us on a strong footing for FY23 and beyond.

Divisional summary

Set out below is the financial performance of the business by division for FY22:



Ambient and Frozen & Chilled divisions

The Group's Ambient and Frozen & Chilled divisions both service the Retail & Wholesale sector of the grocery market. To be consistent with the market view these divisions are considered together and saw combined revenues increase by £59.3 million to £378.9 million (FY21: £319.6 million), a 19% increase from the year to October 2021.

Ambient

£000	FY22	FY21
Revenue	**185,132**	155,712
Gross profit	**26,857**	19,280
Gross margin %	**14%**	12%

Frozen & Chilled

£000	FY22	FY21
Revenue	**193,810**	163,895
Gross profit	**42,574**	34,923
Gross margin %	**22%**	21%

Foodservice division

The Group's Foodservice division, which was heavily affected by the pandemic, has rebounded strongly and performed well during the period, resulting in an increase in revenues to £124.1 million (FY21: £61.1 million).

This year saw the acquisition of M.J. Baker Foodservice Limited and included in these numbers is £18.3 million of acquired revenues. On a like-for-like basis, the division's organic growth was 73%, with an increase in revenues of £44.7 million.

Foodservice

£000	FY22	FY21
Revenue	**124,146**	61,087
Gross profit	**33,196**	14,382
Gross margin %	**27%**	24%

Facilities

The Group was pleased to announce the opening of its new 60,000 sq. ft Wakefield distribution centre in March 2022. The upgraded facility, which replaced the previous centre in Wakefield and acts as the head office and distribution hub for wholesaler HB Clark, has delivered operational and administrative efficiencies, enabling the division to go on to deliver growth and improved service levels.

The opening of the Wakefield site demonstrates the Group's drive to improve its systems and operations, for the benefit of all stakeholders, including suppliers, colleagues and customers. These initiatives play an important role in driving the inherent, long-term value of the Group.

Strategy

The Group made strides in the execution of its strategy, which targets growth through acquisition and organic growth, throughout the period. In line with this strategy, we were delighted to announce the acquisition of M.J. Baker Foodservice Limited, one of the West Country's leading ambient and frozen foodservice supplier, in February 2022. The business, which joins Kitwave's Foodservice division, has been successfully integrated into the Group and is performing in line with expectations.

Further to this, post-period end in December 2022, we were also pleased to acquire Westcountry Food Holdings Limited ("WestCountry"), a significant foodservice supplier of local, regional and imported fresh produce in the South West of England. WestCountry has developed a network of dedicated, high-quality local growers of seasonal fresh produce, as well as direct supply links with national and international fresh produce markets and represents an excellent addition to the Group.

Both businesses complement the Group's existing Foodservice division and enable the expansion of our reach into the South West. Foodservice provides a market for future growth and these acquisitions allow Kitwave to capitalise on opportunities available to it, which will deliver value to the Group.

Both acquisitions embody the Group's acquisition strategy. We look for strong, financially-robust businesses with well-regarded local reputations, established operations and teams with an ethos that reflects that of the Group. We are, therefore, delighted to have M.J. Baker and WestCountry as part of the Group.

We continue to assess further acquisition opportunities, which we feel will complement Kitwave's current offering, enabling us to better serve our customer base and deliver growth for the Group.

The second strand of our strategy focuses on organic growth through investment in our systems, processes and service offering.

We are proud to have launched a web-based trading platform for the Frozen & Chilled division in January 2022, which is now also operational in both the Ambient and Foodservice divisions. This will provide a cornerstone for future organic growth.

The results from the platform since its launch have been very encouraging, with increased order numbers and order sizes. Feedback from users has also been overwhelmingly positive. The initiative has enabled us to improve the strong relationships we have with customers and enhance operational synergies within the Group while driving sales.

Investment in infrastructure, systems, vehicles and people has enhanced the Group's ability to identify opportunities in the market to improve revenue. This was encapsulated during the summer when the warmer-than-normal weather increased demand for frozen confectionery. The Group's depth of resource allowed it to meet that demand and benefit from the opportunity.

The Board recognises the significant market opportunity within the fragmented UK wholesale market and Kitwave's strategy is focused on capitalising on this. I am confident that the Board and management team have the expertise and experience to deliver the Group's growth strategy and generate value for the Group and its shareholders.

Colleagues

At the start of the financial year, we welcomed Ben Maxted to the Board as Chief Operating Officer. Since joining Kitwave in 2011, Ben has contributed significantly to the development of the Group. His strong operational and commercial expertise have been highly valued as we look to execute the Group's growth strategy.

Post-period, we were also pleased to announce the appointment of Teresa Octavio to the Board as Non-Executive Director. Teresa brings to Kitwave a wealth of business transformation experience and insight, which will play an important role in how the Group evolves in terms of regional reach, customer base expansion, service provision and revenue growth.

At Kitwave, it is our people that make the business the success that it is. I would, therefore, like to take this opportunity to thank our colleagues, across all aspects of the Group, for their hard work throughout the period. We recognise that these remain challenging times, so their efforts are greatly appreciated. I am confident that their contribution will assist Kitwave in its objective to continue its growth in FY23 and the years thereafter.

Summary and outlook

The results for the year reflect our focus on delivering an exceptionally high standard of service to our customers. Since Kitwave was founded in 1987, this has been at the heart of our business and will remain so, long into the future. We have built an excellent platform for the Group from which to grow within the UK wholesale market. With our focused strategy, we believe we are well-placed to achieve this growth and deliver value to the Group and its investors.

We would like to thank all of our shareholders for their support throughout the period, and we look forward to delivering further progress in the year to come.

Paul Young
Chief Executive Officer
27 February 2023

CHIEF FINANCIAL OFFICER'S REVIEW

As the fuller easing of lockdown restrictions took effect Group revenue increased to £503.1 million, compared to £380.7 million in the year to October 2022. This included £18.3 million of acquired revenue and on a like-for-like basis a 27% increase in revenue.

The Group's Ambient and Frozen & Chilled divisions that service the Retail & Wholesale sectors of the market saw revenues increase by £59.3 million to £378.9 million a 19% increase in the year to October 2022.

The Group's Foodservice division, which had been more affected by the COVID-19 restrictions, saw revenues increase by £63.0 million to £124.1 million an increase of 103% in the year to October 2022. This year saw the acquisition of M.J. Baker Foodservice Limited in February 2022 and included in these numbers is £18.3 million of acquired revenues. On a like-for-like basis the divisions organic growth was 73% with an increase in revenues of £44.7 million.

During the last 12 months the grocery and foodservice market has begun to see more significant levels of price inflation but also continued challenges with supply chain shortages. Despite these challenges the Group continued to grow its unit sales as well as benefiting from the price rise inflation in the market.

Gross profit margin has increased by 2% to 20% during the year. The increase being partly due to a mix change with the higher margin Foodservice division trading at increased levels and the acquired operations also providing a gross profit margin of 32%. Divisional margins are generally ahead of expectations and the prior year.

Whilst inflationary pressure was seen in the cost base, overall distribution costs as a proportion of revenues only rose slightly. The Foodservice division saw the biggest absolute increase in distribution costs as volumes returned to pre-COVID-19 levels. Overall distribution costs were 9% of Group revenue (FY21: 8%).

The Group's adjusted operating profit of £21.5 million (FY21: £7.1 million) represents 4% (FY21: 2%) of Group revenue. All divisions generated an increase in adjusted operating profit margin compared with FY21.

In the 12 months ended October 2022 Group profit before tax increased by £15.7 million to £17.8 million (FY21: £2.1 million). This is a result of margin enhancing revenue growth in the business and the continued drive toward efficient delivery and cost control within the overhead base.

£503.1m
Group revenue

Net finance costs of £2.5 million (FY21: £4.3 million) relate to the costs associated with the working capital facilities utilised by the Group of £1.1 million (FY21: £1.3 million) and interest relating to leased assets accounting of £1.4 million (FY21: £1.2 million). The prior year had other net finance costs of £1.7m relating to the Group's capital structure prior to its IPO in May 2021.

The statutory basic and diluted earnings per share for FY22 is £0.20 (FY21: £0.02).

The Board is recommending a final dividend of 6.75 pence per ordinary share (FY21: 4.50 pence), subject to approval at the AGM, which, if approved, will result in a total dividend for the year of 9.25 pence

"During the last 12 months the grocery and foodservice market has begun to see more significant levels of price inflation but also continued challenges with supply chain shortages. Despite these challenges the Group continued to grow its unit sales as well as benefiting from the price rise inflation in the market."

David Brind FCA
Chief Financial Officer

per ordinary share (6.75 pence). This is a 37% rise in dividend per share compared to FY21.

The Board has a progressive dividend policy that has the intention to pay a total annual dividend of between 40% and 50% of profit after tax. In years where the Group incurs higher cash outflows through its investment activity in merger and acquisitions or infrastructure capital expenditure the total annual dividend is likely to be at the lower end of the range. For those years where there is no investment the annual dividend is likely to be at the higher end of the range.

KPIs	FY22	FY21
Financial profitability KPIs		
Gross margin %	**20%**	18%
Adjusted operating profit*	**£21.5m**	£7.1m
Adjusted operating margin*	**4.3%**	1.9%
EPS	**£0.20**	£0.02
Financial structure KPIs		
Leverage (inc IFRS 16 debt)*	**1.5x**	2.3x
Leverage (exc IFRS 16 debt)*	**0.6x**	0.9x
Pre tax operational cash conversion	**105%**	85%
Non financial KPIs		
Service levels	**98%**	98%

Service levels are assessed as the number of cases delivered right first time compared to the number of cases ordered during the financial year.

**For more information on alternative performance measures please see the glossary on pages 91 to 93.*

Capital expenditure

The Group has continued to invest in its operations over the financial year with £2.4 million (FY21: £2.9 million) invested in new assets and £8.7 million (FY21: £10.9 million) in right-of-use assets.

Supply chain problems and long order times for new vehicles were seen right through the year. Despite these delays, investment in the vehicle fleet continued with £0.6 million (FY21: £0.3 million) of new vehicles acquired and £3.1 million (FY21: £1.2 million) invested through right-of-use vehicle replacement.

A new lease was signed for the Wakefield site that created an additional £4.6 million of right-of-use leasehold assets.

Cashflow

The net cash inflow from operating activities for the year was £26.5 million (FY21: £7.9 million) after net inflow from working capital of £1.4 million (FY21: £2.4 million outflow) and tax payments of £4.0 million (FY21: £2.4 million). This resulted in operating cash conversion of 91% and pre-tax operational cash conversion* of 105%.

There was a cash outflow to the Group of £16.9 million in relation to the acquisition of M.J. Baker Foodservice Limited. This amount is the full consideration in relation to the transaction with no further payments due.

The Group paid a final dividend relating to FY21 in April 2022 of 4.50 pence per ordinary share and an interim dividend in respect of FY22 in August 2022 of 2.50 pence per ordinary share. The total cash outflow relating to dividend payments was £4.9 million (FY21: £1.6 million) during the year.

The net cash increase in the year was £0.5 million.

Financial position

At 31 October 2022, cash and cash equivalents totalled £5.5 million (FY21: £5.0 million).

The Group had a total of £49.1 million (FY21: £39.3 million) of interest-bearing debt facilities including £25.9 million (FY21: £21.6 million) of IFRS 16 lease liabilities.

The Group's CID facility that was drawn to a value of £20.4 million (FY21: £14.6 million) at year end has one covenant requiring net debt not to exceed three times EBITDA which was satisfied as at 31 October 2022. In addition to the cash and cash equivalents, there were undrawn facilities available to the Group of £23.1 million at the year end.

Post the financial year end the Group extended the expiry on its CID facility by 18 months to December 2025. At the same time a new additional £20.0 million revolving credit facility was put in place with expiry in December 2025. This revolving credit facility is available to be utilised for permitted acquisition opportunities undertaken by the Group. This facility includes the same covenant as the CID facility plus an additional interest cover covenant set at four times cover.

Taxation

The tax charge for the year was £3.5 million (FY21: £1.0 million) at an effective rate of 20% (FY21: 48%). The effective rate in the prior year is higher than the standard UK rate of corporation tax of 19% mainly due to 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.

Return on capital

Utilising an effective tax rate of 18% (FY21: 20%) the adjusted profit after tax return on investment capital at 31 October 2022 was 15% (FY21: 5%). These returns exclude the charges relating to share-based payments.

Share based payments

In the year there was an expense of £0.9 million (FY21: £0.2 million) for share-based payments.

This relates to a Management Incentive Plan (MIP) that commenced in July 2021 post the completion of the IPO in May 2021. The expense in FY21 reflects a partial charge in the year from the inception of the MIP to the year end and the expense in FY22 reflects a full year charge. Details of the MIP are set out in the Remuneration Committee report on pages 36 to 39.

David Brind
Chief Financial Officer
27 February 2023

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, funders, the environment and communities.

The following describes how the Board has taken account of the matters set out above and forms the Directors' 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. This has been built upon in the year through the appointment of a new Group Health and Safety Director in April 2022.

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.

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. The Executive Board members regularly meet with senior management via the Operations Board which includes key management personnel from across the Group. 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. Investment in our newly launched web-based trading platform provides customers with increased options to order and wider access to products.

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 suppliers' routes to market. During the year the Group has continued to develop joint business plans with key suppliers and worked closely to further enhance relationships.

Environment and Communities

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 fleet vehicles 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. Further detail in relation to these workstreams can be found on pages 25 to 28.

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 takes a zero tolerance approach to slavery and human trafficking within the Group and supply chain.

During the year, the Group adopted an Enterprise Risk Management framework and reviewed its risk register as part of the continued assessment of business risks and risk appetite.

Post year end Teresa Octavio was appointed as an additional Non-Executive Director to both increase diversity of skills and experience and provide a balance between the number of Executive and Non-Executive Directors on the Board.

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 and mitigate such risks.

During the year the Audit Committee worked with the Executive Management to develop an Enterprise Risk Management (ERM) framework to identify, assess and manage risk within the business. The introduction of an ERM framework is seeking to ensure that a consistent and proportionate approach is used to identify, evaluate, manage, and monitor risks across all the Group's operating companies.

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:

OPERATIONAL & TECHNOLOGY

Risk category	Potential impact	Mitigation
Failure of a significant operational location	The Group operates from eight 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 30 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. The key sites are either owned or subject to long term leases to ensure long-term visibility.
Operational regulations resulting in the loss of a goods delivery license	The absence of a robust framework relating to operational regulations, such as the goods delivery license, may result in non-compliance, which in turn would impact negatively on the Group's ability to operate and service its customers.	Each site has a director to manage drivers' Certificates of Professional Competence and associated relevant training programmes. There are mechanisms for monitoring driver hours and Preventative Maintenance Inspection intervals in relation to delivery vehicles to ensure that the Group is running its delivery fleet responsibly and in line with traffic regulations. Vehicle Operator Compliance Risk Scores in accordance with legislation across the fleet are monitored in a Board pack on a monthly basis, e.g. vehicle check results for overweight vehicles, MOT failures.
IT resilience and cyber attacks	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 if successful would affect the operations of the business. Both of these could also have a reputational impact on the business.	The Group has a comprehensive business continuity plan and the Board believe that adequate fail over and back up facilities to minimise the risk of prolonged downtime across the depot network. The Group's IT team continuously assess the network's vulnerability to cyber threats and have implemented measures to minimise this risk presenting itself through devices, networks or users. These measures include: • Contracting critical network management tasks to accredited vendors. • Deploying leading cyber protection applications on networked devices. • Remote management of all networked devices. • Continuous training of users in cyber matters. • Regular external testing of the Group's network security applications.

RISK MANAGEMENT

STRATEGIC AND FINANCE

Risk category	Potential impact	Mitigation
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 trading 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.
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.

PEOPLE & GOVERNANCE

Risk category	Potential impact	Mitigation
Recruitment and retention of key employees and skilled colleagues	As a result of inadequate people management processes, there is a risk that key personnel and talent are not being attracted and retained, which may lead to key person reliance or management stretch and, ultimately, have a negative impact on Kitwave's ability to both execute its business strategy successfully and provide quality service to customers.	The Group's remuneration packages are in line with market offerings, not just financial but also the roles and responsibilities included within the role. The Group offers training and development programmes with opportunities for promotion within the Group. The culture towards health and safety of our colleagues and the Group's partner scheme with GroceryAid demonstrates our commitment to our colleagues' health and wellbeing.
Health and safety (H&S)	As a result of failings in health and safety management systems, there is a risk that accidents, fines, damages or interruptions may occur at Group locations, such as depots or distribution centres, which may lead to actual or alleged violations arising under health and safety laws.	The Group has: • Statutory compliance and health and safety management compliance reviews covering fire risk assessment, asbestos, electrical wiring. • Safe management systems in place for reporting, incidents, near misses and training. • H&S briefings and site visits performed. • Training provided to staff members and warehouse marked and instructions provided out as required. • A competent H&S person (IOSH trained) available on every site. • Newly appointed Group H&S Director overseeing and coordinating activity of site competent H&S colleagues including central management of risk assessments and learnings from each site.

ECONOMIC AND ENVIRONMENTAL

Risk category	Potential impact	Mitigation
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 wellbeing 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 wellbeing 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 in the affected parts of the Group would impact the business, our excellent relationships would reduce the adverse cashflow effect on the Group and also ensure it is in a strong position to re-commence trading with suppliers once restrictions ease.
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 2023 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 44,000 different products to over 42,000 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.
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 its 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.

The Strategic report has been approved by the Board of Directors and signed on their behalf.

David Brind
Chief Financial Officer
27 February 2023

Corporate governance


IT LOCAL

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 65)

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 was a Non-Executive Director of Ramsdens Holdings Plc until 1 February 2023. 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 65)

Paul co-founded the Group in 1987, initially as a single North East based cash and carry. During his 35-year tenure as Chief Executive, and majority shareholder, Paul has grown the business into a national delivered wholesale business with revenue over £500 million in FY22. Paul is a qualified Cost and Management Accountant (ACMA).

David Brind
Chief Financial Officer (age 50)

David joined the Group in 2011, following NVM Private Equity LLP's investment and has led the 12 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 39)

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 59)

Gerard is currently the 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.

Teresa Octavio
Independent Non-Executive Director (age 54)

Teresa joined the Board in February 2023. Teresa has held a number of executive roles at global businesses, including at Kantar Consulting and consumer-facing multinationals Diageo plc and Procter & Gamble. She has also acted as a board advisor at omnichannel company DAME and as an independent advisor for a number of board and C-suite individuals.

Teresa holds a Sloan Masters MSc in Leadership & Strategy from London Business School, Digital Business Transformation certification from Imperial College, and The Financial Times Non-Executive Director Diploma accreditation.

ENVIRONMENTAL, 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."

Ben Maxted
Chief Operating Officer

The Board 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 and is responsible for assessing the risks and opportunities and setting the ESG strategy. In considering the Group's strategic plans for the future, the Board 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.

During the financial year the Group formed its ESG steering group, comprising of the CFO, COO and Group Financial Controller to formulate its Corporate Social Responsibility (CSR) strategy. The aims and objectives of the ESG steering group are to monitor the implementation of CSR practises across the Group, ensure standardisation and to introduce relevant and realistic targets. The ESG steering group will report its findings and recommendations to the Board.

BUSINESSWISE SOLUTIONS

Environmental

As a delivered wholesale business, we own and operate a fleet of vehicles to deliver products between our distribution warehouses and to our customer locations. As well as significant fuel consumption the Group is also a user of energy in the refrigeration, heating, and lighting of its 30 warehouse locations. The Board recognises the impact of the Group's business on the community and the environment and actively seeks ways to minimise its carbon footprint. During the year the Group, has undertaken a number of diversified workstreams to reduce its carbon footprint.

Energy

The Group engaged with Businesswise as its energy management partner and has worked closely with them to formulate an Energy Management Strategy aimed at reducing carbon use within its temperature-controlled warehousing alongside utilising solar

panels for the production of 360,000 kWh of energy production at five of its operating sites.

As a nationwide delivered wholesaler we will continue to ensure that through careful management of our vehicle fleet we limit our impact on the environment and reduce our carbon use where possible.

The Energy Management Strategy is based around load management to reduce usage in our main temperature-controlled warehouses. These are not capital projects but use electronic timers built into the control panels of the freezer unit to reduce consumption by turning off the power at certain periods during the day. As the warehouses maintain a core temperature we turn them off at times of low door usage (outside of goods in and dispatch) to reduce our energy consumption without damaging product integrity.

Within our depot network we currently have multiple live projects which will significantly reduce energy consumption by continuing to invest to reduce the carbon footprint of our facilities. These include replacing fluorescent lights with LED lighting in addition to operating motion sensor equipment to maximise energy efficiency throughout the Group's properties.

Fleet

As a nationwide delivered wholesaler we will continue to ensure that through careful management of our vehicle fleet we limit our impact on the environment and reduce our carbon use where possible. Our fuel use is in general a factor of the mileage driven delivering goods to our customers and the efficiency of our vehicles. The former is determined by the number of customer drops, the distance from our depots and the distance covered between drops. The latter is largely a function of the age of the vehicle and the type of fuel used.

The business has always focused on efficient route planning and optimisation of deliveries. This is effected by ensuring orders are correctly processed and delivered under our right first time ethos. Our statistics show that 98% of orders are delivered right first time.

The principal actions taken to improve the efficiency of the vehicle fleet during the FY22 period were the purchase of new vehicles to meet Euro 6 emissions standards, procurement of electric refrigeration units in its temperature-controlled vehicle fleet replacements and the implementation of telematics to increase MPG per vehicle through reviewing driving efficiency. Proactive maintenance of the Group's vehicles also ensures the delivery fleet operates as efficiently as possible, while limiting any unnecessary CO2 emissions.

Waste management

The Group has in place key processes to ensure it reduces packaging and food waste. During the year it engaged with our new food charity partner, Too Good To Go, who connect the general public with surplus or short dated stock from our depots. The Board is committed to meeting all relevant environmental legislative requirements relating to its business. In seeking to reduce excess packaging, to reduce costs to the Group while providing an environmental benefit, the Group recycles packaging and internal waste wherever possible.

Streamlined Energy Carbon Reporting

The Group supports the drive for sustainable business practices and the table below outlines the energy use, in kWh, for the FY22 period.

Energy use (kWh)	2022	2021
Scope 1 non-transport	**746,509**	962,362
Scope 1 transport	**52,369,007**	45,706,343
Scope 2 electricity*	**11,330,822**	10,302,304
Total energy (kWh)	**64,446,339**	56,971,009

Carbon emissions table (tCO_2e)	2022	2021
Scope 1 non-transport	**151**	195
Scope 1 transport	**14,344**	11,922
Scope 2 electricity*	**2,191**	2,187
Total emissions (tCO_2e)	**16,686**	14,305
Total deliveries	**1,000,620**	812,086
Carbon intensity (tCO_2e/deliveries)	**0.017**	0.018

*location based scope 2 emissions

The Board recognised the impact of price inflation on the previously reported metric of t/CO_2e/£ sales and has therefore presented the above table using the number of deliveries as a basis instead of revenue. As a delivered wholesaler the Board see deliveries as a more proportional link between business activity and carbon intensity. Greenhouse gas ("GHG") intensity per delivery is 0.017t/CO_2e, down from 0.018t/CO_2e in FY21.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

GHG emissions are from operationally controlled activities, in accordance withWRI/WBCSD Reporting Protocols. The increase in Scope 1 transport and Scope 2 electricity emissions is proportional to the increase in business activities as deliveries increased following the easing of COVID-19 restrictions, through organic growth and the acquisition of M.J. Baker Foodservice Limited.

Scope 1 emissions include natural gas and burning oil, used for heating within operated premises, and refrigerant gas used in the frozen and chilled supply chain.

The increase in activity was offset through transport and delivery optimisation across the Group, the switch from diesel to electrified refrigeration on our temperature-controlled vehicles and through continued synergies across our trading divisions.

The reduction in Scope 1 non-transport emissions is a result of both the investment the Group has made in its new Luton and Wakefield facilities, which are more energy efficient sites than their predecessors, and depot rationalisation. In addition, by supporting our colleagues with flexible working arrangements across all locations this has both reduced the need for travel to depots and reduced the energy use within our offices. As a result, we have seen a reduction in our emissions per delivery year on year and will continue to seek opportunities to reduce this further in future periods.

Moving into FY23 the Group continues to develop its relationship with Businesswise by formally engaging them to be our energy management partner to drive energy carbon efficiency. The Board is actively working to drive efficiencies within its routing model to drive down miles covered and is actively looking to identify depots within the estate to pursue further solar opportunities.

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 they can grow and develop and be both fairly rewarded and respected for their contribution. During the year the Group continued to review and benchmark rates of pay to ensure that they are competitive. The Group implemented a cost-of-living increase to all colleagues in FY22.

The Group is committed to ensuring the safety of all colleagues. To enhance the focus on safety across our divisions, we appointed a Group Health and Safety Director in April 2022. This is a newly created position to coordinate the activities of the individual Health and Safety Officers operating in each business. The initial six months post the appointment have been spent aligning policy across the different divisions and ensuring all our businesses were compliant from a statutory perspective.

Going forward, we intend to digitise Health and Safety information and reporting through the introduction of an online portal. The objective is to increase the speed of reporting and information flow across the business units and provide standardisation of content relating to risk assessments, incident reporting, incident resolutions and learnings across the Group.

The Group invests in formal and informal training to develop colleagues at all levels. We continue to prioritise the development of our colleagues and to invest in them to develop further their professional qualifications and licenses.

The Group has utilised the Government sponsored Kickstart scheme to offer jobs to 16–24-year-olds on Universal Credit and have then offered many of these youngsters warehousing apprenticeships and vocational training.

KICKSTART SCHEME

We also prioritise the physical and mental health of our colleagues. During the year the Group partnered with GroceryAid, a charity who offer financial, emotional, and practical support for people who work, or have worked, in the grocery industry. This includes support and guidance on health and wellbeing, personal issues, benefits, career, housing, and legal issues. All colleagues have been introduced to GroceryAid and made aware of the support available to them through our GroceryAid champions. GroceryAid also has a 24/7, confidential Helpline available by freephone and via online live chat.

GroceryAid® 0046 206830

The Group recognises its responsibility to the communities in which it operates, and charitable work is important to the Board. During the year the Group partnered with the Heart of the Tyne foundation and through a number of different charitable events, raised in excess of £60,000 for The British Heart Foundation.

Proud to support British Heart Foundation

Heart of the Tyne

muckle KITWAVE C&C GROUP TMP WEALTH MANAGEMENT

Moving into FY23 the Board is actively identifying opportunities to increase colleague engagement whilst focusing on supporting our colleagues through the cost of living crisis.

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 the Group's employees. Gender pay gap information is published on an annual basis as required.

The Group is involved in the delivery of third party and own branded products to over 42,000 customers across the UK. Food safety underpins our operational rational, and it is important that accredited British Retail Consortium and STS food standard facilities operate within the Group. The Group works to offer a choice to our customer base, through product ranges which are environmentally friendly, as well as offering alternative products which are more health conscious to give our customers an informed choice. The development of our new web offering has also made product allergen information more readily accessible.

Moving into FY23 the Board is actively identifying opportunities to increase colleague engagement while focusing on supporting our colleagues through the cost of living crisis.

>£60,000

raised for The British Heart Foundation

Governance

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 29 to 30.

The Group has an established reputation with suppliers and customers, and this is underpinned by high standards of business conduct. The Group 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.

We were delighted to announce the appointment of Teresa Octavio to the Board on 1 February 2023.

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 takes a zero-tolerance approach to slavery and human trafficking within the Group and its supply chain, The Group has put controls and processes in place in order to deliver compliance with GDPR legislation to ensure data security and customer privacy.

The Group has a Remuneration Committee which is responsible for overseeing and determining its remuneration policy including the terms and conditions of service for the Executive Directors and certain senior management. 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.

The Group continues to enhance its transparency of the risk environment through further development of the risk register and associated mitigations and internal controls. During the year, the Group adopted an Enterprise Risk Management (ERM) framework during which its risk register was reviewed and the risk appetite for the Group's principal risks updated.

The ERM, framework has allocated the management, monitoring and reporting of the Group's principal risks to an appropriate risk champion for each identified risk. Risk champions will have regular engagement with the Board with the risks being scheduled into the Board agenda for regular consideration.

As outlined in the Nomination Committee Report, a Board evaluation review was undertaken during the year. One of the recommendations from the Committee to the Board was the need to increase diversity among the Board. Feedback from shareholders had also indicated a desire for a more balanced position between the number of Executive and Non-Executive members of the Board. Consequently, a process to appoint a further Non-Executive Director commenced in September 2022 and we were delighted to announce the appointment of Teresa Octavio to the Board on 1 February 2023.

Moving into FY23 the Board will further develop the Enterprise Risk Management (ERM) framework to look at the composite risks within the framework to assess and further develop the associated mitigations and internal control environment.

Ben Maxted
Chief Operating Officer
27 February 2023

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 11 to 20.

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 (KPIs) 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 is available to shareholders as an alternative channel of communication and to discuss any matters that shareholders wish to raise. In his absence one of the Non-Executive Directors would make themselves available to shareholders.

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.

The Audit Committee was 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
- Three 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.

Director attendance at the relevant Board and Committee meetings is summarised on page 30 within the Corporate Governance report.

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 pages 23 and 24. 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 continuous improvement

The internal board evaluation examined Board performance across twelve areas, including setting and communicating strategy, managing risk, meeting shareholder and other stakeholder objectives and Board diversity.

While the Directors considered the Board to be operating satisfactorily in most areas it was agreed that the following actions were to be taken:

1. The appointment of an additional Non-Executive Director to both increase diversity and provide a balance between the number of Executive and Non-Executive Directors.
2. The continued development of ESG objectives where meaningful change can be achieved and measured.
3. Enhance transparency of the risk environment through further development of the risk register and associated mitigations and internal controls.

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 with any inappropriate behaviour addressed. In such circumstances where wider communication of expected behaviours and culture is required this is determined by the Board and communicated via the senior operational management within the Group.

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 Board is supported by the 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. A Group meeting with private shareholders following publication of results via the Investor meet Company platform
4. The Company's AGM as way to engage directly with private shareholders;
5. The Group's website has a dedicated investor relations website page;
6. The engagement of a Group financial PR consultancy, in conjunction with the Nominated Adviser;
7. The Chairman and Non-Executive Directors 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 scheduled Board and Committee meetings during the reporting period.

	Board	Audit	Remuneration	Nomination
Steve Smith	11/11	4/4	4/4	2/2
Gerard Murray	11/11	4/4	4/4	2/2
Paul Young	11/11	2/4	4/4	2/2
David Brind	11/11	4/4		
Ben Maxted	11/11	2/4		

(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 2022.

Committee members

The members of the Committee who served during the year and up until the date of this report were:
Gerard Murray (Chair)
Steve Smith

Teresa Octavio was appointed to the Committee on 1 February 2023.

All 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.

The Audit Committee has met on four occasions in the reporting period and attendance is shown in the table on page 30. Teresa Octavio was appointed to the Committee after the end of the reporting period and as a consequence was not available for attendance for any meetings during the reporting period. 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

Since the date of the FY21 Annual Report and Accounts the Committee's principal activities comprised

The review of the:
- Audit plan by the Group's auditor for the year ended 31 October 2022
- Draft interim financial statements for the six months ended 30 April 2022
- Draft Annual Report and Accounts for the year ended 31 October 2022
- Reports from the Group's auditor with respect to the Group's accounting and internal controls
- External announcements made by the Company
- Enterprise Risk Management framework and its application to the Group's principal risks

The recommendation to the Board of the:
- Terms of engagement of the Group's auditor
- Approval of the Annual Report and Account for the year ended 31 October 2022 considering the following key issues:
  – Accounting policies adopted in the preparation of the financial statements
  – Key accounting estimates and judgements used in their preparation including but not restricted to the impairment of goodwill and trade receivables
  – Risk management section of the Board's Strategic report
  – Assumptions used to support the adoption of the going concern basis of accounting

Primary areas of judgement in relation to 2022 financial statements

In order to discharge its responsibility to consider accounting and financial reporting integrity, the Committee carefully considers key judgements applied in the preparation of the Consolidated Financial Statements, which are set out on pages 45 to 92.

The Committee's review included consideration of the following key accounting judgements:

Significant issue	Committee action taken
Carrying value of goodwill and other intangible assets	The Executive Directors performed a detailed impairment review on the goodwill, other intangibles and tangible assets, in the consolidated financial statements of the Group, based on forecast future cash flows discounted using an appropriate discount factor to represent the weighted average cost of capital of market participants. The Committee challenged the methodology, assumptions, and sensitivity analysis used by the Executive Directors. Consideration was also given to the review by the independent auditors of the same issues. The Committee concluded that the 31 October 2022 carrying values shown in note 11 of the consolidated financial statements were appropriate and approved the associated disclosures.
Revenue recognition	The Group's revenue comprises the aggregate value of the sale of discrete units of ambient, chilled and frozen products during the reporting period. The Group operates an income recognition policy that ensures that revenue is recognised in line with the satisfaction of the performance obligation, as set out in note 1 of the consolidated financial statements. The Committee is aware that the Group operates a standard ERP system throughout the Group. Revenue is recognised on the transfer of the risks and rewards of ownership of the product to the customer which is effective on delivery to the customer. Consideration was also given to the value of: • cash collected; and • credit notes raised after the end of the financial year for revenue recognised in the financial year both in an absolute measure and relative to prior financial year ends.
Going concern	The Executive Directors prepared detailed financial projections for a period of 20 months from the date of signing the financial statements, based on the assumptions included in the Group's detailed annual business plan. The output of these detailed projections alongside the Group's funding facilities and banking covenants (details of which are provided in note 20 of the consolidated financial statements) were reviewed by the Executive Directors. Sensitivity analysis has been performed to model the impact of more adverse assumptions compared to those included in the financial projections to model the impact of severe but plausible downside risks. The Audit Committee is aware that by their very nature financial forecasts are based on a view of the future world which is inherently uncertain and a circumstance that is difficult to contemplate arising in the future may still occur. The Committee challenged the assumptions used in the forecasts and sensitivity analysis. Consideration was also given to the review conducted by the independent auditors. The Committee concluded that based on what is known at this time and upon the available forecast information the Board is able to make the going concern statements on page 60.

AUDIT COMMITTEE REPORT

Significant issue	Committee action taken
Supplier rebates	The vast majority of the Group's product suppliers price items by providing rebates against the published purchase price. The rebates are primarily provided without a purchasing target being required such that each unit purchased in a defined period attract the relevant rebate. For such rebates the payment of the rebate from the supplier may take one of the following forms: • Supplier shows the rebate on the purchase invoice such that the Group settles the invoice net of the rebate; or • Group claims the cumulative rebate value from the supplier after the relevant trading period has ended In both instances the rebate value is recognised as a reduction in inventory value on the date of purchase. There is a smaller proportion of rebates that are based on the Group exceeding a purchasing value target within a period defined by the supplier. In this case the reduction in purchase price of the product reflected in the rebate is not recognised until the purchasing target has been achieved. The Committee reviewed the margin consistency throughout the financial year across the Group's operating divisions. It also considered the value of accrued rebate income at the financial year end that was subsequently paid by suppliers post year end either in cash or through credit note issuance. The Committee also considered the work of the independent auditor in this area. The Committee concluded that it was satisfied that rebate recognition through the reduction of the purchase price of the associated product was not in advance of the Group's entitlement to receive such a rebate.

Risk Management and Internal Controls

The Board has delegated the ongoing discussion of risk and risk management to the Audit Committee and the Executive Management. The overall responsibility for the stewardship of the Group's system of risk management and internal control remains with the Board.

The Group has well established risk management and internal control processes that have been developed over its 35 year operating history. Day to day management of risk is delegated to the Executive Management comprising the Chief Executive, Chief Financial Officer, the Chief Operating Officer, the Divisional Operating Directors, the Group Commercial Director, the Group Operations Manager, the Group IT Director, the Group Financial Controller, and the Group Health and Safety Director. During the year the Audit Committee has worked with the Executive Management to develop an Enterprise Risk Management (ERM) framework to identify, assess and manage risk within the business. The introduction of an ERM framework is seeking to ensure that a consistent and proportionate approach is used to identify, evaluate, manage, and monitor risks across all the Group's operating companies.

The ERM framework integrates with the Group's internal controls and compliance policies and is supported by the external audit programme. The implementation of the ERM framework has commenced and when it is fully embedded it will use a tiered approach to risk management, with risk registers at operating companies linked to the appropriate Group Principal Risks. Individual operating companies may record and manage unique risks outside of the Group's Principal Risks as appropriate in a way that fits each specific operating environment and risk horizon.

This approach has established the level of risk that is acceptable to the Board in the pursuit of its strategic objectives and it identifies the key internal controls that the Board should seek assurance on to ensure that the relevant risks are mitigated by the effective operation of such controls.

The Audit Committee confirms that the effectiveness of the system of internal control, covering all material controls including financial, operational and compliance controls and risk management systems, has been reviewed during the year under review and up to the date of approval of the Annual Report.

Independent auditor

In the prior year the Audit Committee oversaw an audit tender process for audit services to the Group, which at its conclusion the Committee recommended to the Board that Grant Thornton UK LLP should be appointed as the Group's independent auditor. The financial year ended 31 October 2022 is the first year that Grant Thornton UK LLP will report as the Group's independent auditor.

After reviewing the independent auditor's 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 on pages 45 to 52. 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.

Independence of the independent auditor

Both the Audit Committee and Grant Thornton UK LLP have in place safeguards to avoid the auditor's objectivity and independence being compromised. Following the change in the Group's independent auditor the Board has adopted a policy with regard to services provided by the independent auditor, Grant Thornton UK LLP, is as follows:

Statutory audit services

The independent auditor, who is appointed annually by the shareholders, undertake this work and also provide regulatory services and formalities relating to shareholder and other circulars. The Committee reviews the independent auditor's performance on an ongoing basis.

Further assurance services (including work relating to acquisitions and disposals)

The Group's policy is to appoint advisors to undertake such work where their knowledge and experience is appropriate for the assignment. The standing mandate is that professional services firms other than the Group's independent auditor are employed on acquisition and disposal related assignments. If circumstances arose whereby where Grant Thornton UK LLP are deemed to have the most appropriate knowledge and experience for an assignment, the Board would review the independence implications of such an engagement before approving the assignment.

Other non-audit services

The independent auditor is not permitted to provide internal audit, risk management, litigation support or remuneration advice. The provision of other non-audit services, is assessed on a case by case basis, depending on which professional services firm is best suited to perform the work. These safeguards, which are monitored by the Committee, are regularly reviewed and updated to ensure they remain appropriate.

The independent auditor reports to the Committee on the actions it takes to comply with the professional and regulatory requirements and best practice designed to ensure its independence, including the rotation of key members of the audit team has been provided to the Board.

Grant Thornton UK LLP performed non-audit services by way of desktop review of the half-yearly financial report for the six month period ended 30 April 2022. The value of non-audit fees paid to Grant Thornton UK LLP during the year is £5,000 as disclosed in note 5 to the consolidated financial statements.

Whistleblowing

The Group has in place a whistleblowing policy, which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting and other matters to an identifiable whistleblowing officer.

There were no incidents or concerns raised for consideration during the year.

Anti-bribery

The Group has in place an anti-bribery policy, which sets its zero-tolerance position. The policy provides six principles for colleagues that acts as guidance on how to recognise and deal with issues that may be considered as giving rise to bribery. During the period there were no incidents reported that required consideration.

Gerard Murray
Chair of the Audit Committee
27 February 2023

NOMINATION COMMITTEE REPORT

On behalf of the Board I am pleased to present the Nomination Committee report for the year ended 31 October 2022.

Members

The members of the Committee during the year were:
Steve Smith (Chair)
Gerard Murray
Paul Young

Teresa Octavio was appointed to the Committee on 1 February 2023.

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 23 and 24 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

The Committee met twice during the year.

The first meeting in November 2021 was held to consider and recommend the appointment of Ben Maxted as an Executive Director.

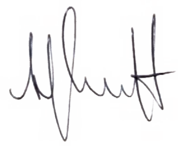
The second meeting in May 2022 discussed the results of a Board evaluation review, the appointment of an additional Non-Executive Director and the processes in place for succession planning at both Board and senior management levels.

The internal Board evaluation examined Board performance across 12 areas, including setting and communicating strategy, managing risk, meeting shareholder and other stakeholder objectives and Board diversity.

While the Directors considered the Board to be operating satisfactorily in most areas it was agreed that the following actions were to be taken:

1. The appointment of an additional Non-Executive Director to both increase diversity and provide a balance between the number of Executive and Non-Executive Directors.
2. The continued development of ESG objectives where meaningful change can be achieved and measured.
3. Enhance transparency of the risk environment through further development of the risk register and associated mitigations and internal controls.

Post the financial year end the Committee met on 27 January 2023 to consider and recommend to the Board the appointment of Teresa Octavio as a Non-Executive Director of the Company.



Steve Smith
Chair of the Nomination Committee
27 February 2023

REMUNERATION COMMITTEE REPORT

On behalf of the Board I am pleased to present the Remuneration Committee report for the year ended 31 October 2022.

Committee members

The members of the Committee who served during the year and up until the date of this report were:
Gerard Murray (Chair)
Steve Smith

Teresa Octavio was appointed to the Committee on 1 February 2023.

All 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 in part. Neither the Chief Executive nor any other Executive Director have attended a Committee meeting where his own remuneration is the subject of review.

The Remuneration Committee has met on four occasions in the reporting period and attendance is shown in the table on page 30. 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 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.

Executive Directors' remuneration composition

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 performed a high-level review exercise to benchmark the Executive Directors basic salary against similar sized companies. The exercise reflected the most recent comparator data being published for periods that were adversely impacted by COVID-19. It is the intention of the Committee to update this review in future financial years to ensure that the basic salaries are fully reflective of the continued growth of the Group.

The Group awarded an average 8% cost of living pay increase, effective from the relevant annual pay review date, to any colleague who had not previously received an interim pay award during the year. The Executive Directors and senior management, under the remit of the Remuneration Committee, received this increase in line with all colleagues effective from the same date.

Bonus

Paul Young (Chief Executive) as founder of the Company has beneficial ownership of 10,968,550 ordinary £0.01 shares in the Company. Given his significant shareholding position he does not participate in any annual cash bonus scheme or equity plan.

David Brind (Chief Financial Officer) and Ben Maxted (Chief Operating Officer) are both participants of the Executive Management Incentive Plan (MIP), the details of which are set out below. Given the structure of the MIP neither David Brind nor Ben Maxted have participated in a cash bonus scheme for the year ended 31 October 2022.

The other senior management bonus schemes that are included within the Remuneration Committee's remit have been aligned to reward performance against the Group's reported adjusted operating profit. These schemes provide a maximum cash bonus of up to 92% of annual salary for operating profits that achieve in excess of 105% of the annual budget.

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.

Executive Management Incentive Plan (MIP)

Structure

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, 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).

Conditions

The put option is subject to the following conditions:

- earnings per share (EPS) 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 ended 31 October 2022 and the third and final year being the financial year ending 31 October 2024. The EPS performance targets were aligned with the market expectations for the Company at the time of its Admission in May 2021. If the EPS performance is satisfied in any individual year this will

REMUNERATION COMMITTEE REPORT

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. The share price of the Company on the Admission Date was £1.50 per share. Without considering any adjustment that may be required for any subsequent new share issue, share buyback or cancellation by the Company, a market share price of at least £2.10 across the market capitalisation measurement period would satisfy the condition.

Settlement

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.

Leaver provisions

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 death, 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.

Performance status

The target EPS measure for the MIP is based on basic EPS adjusted to exclude any share-based accounting charge (net of corporation tax) relating to the cost of operating the MIP. The Company has upgraded its financial expectations for the reported financial period and future financial periods 5 times since its Admission in May 2021 which is reflected in the basic EPS for the year ended 31 October 2022 increasing to 20 pence (FY21: 2 pence). This level of EPS exceeds the target EPS set for the third year of the MIP of 15 pence.

The EPS outcome for FY22 results in one third of the put option rights under the terms of the MIP being capable of accruing to the option holders subject to the market capitalisation hurdle being satisfied.

If the Company's basic EPS performance is at least maintained above 15 pence per share in the financial years ending 31 October 2023 and 31 October 2024 the outcome will result in a further one third allocation of the put option rights relating to each of the financial years accruing to the option holders. The exercise of the put option is subject to the market capitalisation hurdle being satisfied in the period after the EPS for FY24 has been published.

Put option exercise date

The earliest date that the put option can be exercised in whole or in part is after the publication of the Company's results for the financial year ending 31 October 2024. This date is likely to be early in the calendar year 2025 and the put option exercise remains subject to the market capitalisation condition being satisfied.

Executive Directors' remuneration policy

The aim of the remuneration policy is to help attract, retain and motivate high performing 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.

The Remuneration Committee recognise the need to consider the structure of Executive Directors' remuneration beyond the performance period of the MIP which ends on 31 October 2024. It is anticipated that Paul Young (Chief Executive) will retain a remuneration structure that comprises primarily basic salary and he will not participate in annual cash bonus schemes or equity plans.

The Committee's objective is to evolve the existing composition of other Executive Directors' remuneration, comprising basic salary and MIP as the main components, to one whereby the main elements of Executive remuneration comprise:

- Basic salary – paid in 12 monthly equal instalments
- Cash bonus – paid annually against an individual financial year's performance measures
- Long term incentive plan (LTIP) – an equity reward scheme for medium term performance (measured over at least three financial years) against earnings per share and total shareholder return objectives.

With this transition objective in mind the Committee acknowledges that the financial performance of the Group for the year ended 31 October 2022 has significantly exceeded the market expectations that existed at the outset of the financial year. The Executive Directors have optimised market opportunities both organically and through the diligent selection, execution and integration of the M.J. Baker acquisition.

This over performance has not been reflected in any reward to Executive Directors beyond the put option rights that accrue to participants of the MIP. If further financial performance in excess of market expectations is delivered in the financial years ending 31 October 2023 and 31 October 2024 the Remuneration Committee would carry out a review to determine whether a modest discretionary cash bonus for the performance of Executive Directors is appropriate.

Further alignment with the above policy will be sought in 2023 by the introduction of a Long Term Incentive Plan (LTIP) in which it is proposed that

David Brind (Chief Financial Officer) and Ben Maxted (Chief Operating Officer) will be participants. In recognition of the potential rewards from the MIP, the initial awards to Executive Directors under the LTIP would be allocated at modest levels. The intention would be to introduce increased level of LTIP awards to Executive Directors in future years that would align with the above remuneration policy.

LTIP

The Board is proposing to implement a new Long Term Incentive Plan (the "LTIP") in the financial year ending 31 October 2023. The purpose of the LTIP is to:
(1) reward the wider leadership team of the Group for delivery of long-term objectives through equity participation in the Company.
(2) provide an equity component to the remuneration for Executive Directors beyond the term of the Executive Management Incentive Plan (MIP) as described in the Executive Directors' remuneration composition above.

Under the LTIP, selected participants including David Brind (CFO), Ben Maxted (COO) and a limited number of the senior leadership team (expected to be around six to eight at inception) will be offered the opportunity to acquire a defined number of £0.01p Ordinary shares in the Company at nil cost subject to certain performance conditions being achieved in a defined time period. Paul Young (CEO) will not participate in the LTIP in recognition of his substantial shareholding in the Company.

The terms of the LTIP will provide that the Company may grant an award to a participant, being either:
(a) a nil cost option under which the award will vest on the satisfaction of the performance conditions and the participant able to choose when to exercise the award; or

(b) a conditional share award under which the award will vest on the satisfaction of the performance conditions and be exercised at that date.

The performance conditions will be weighted equally between earnings per share and total shareholder return across the performance period.

It is envisaged that the LTIP will operate on an annual basis with the performance period for the performance conditions being no less than three years. The participants who are members of the Board will be required to retain their LTIP awards for a further two years from the date that the performance conditions have been deemed to be satisfied (in full or in part).

Under the rules of the LTIP it is envisaged that the Company may not grant an LTIP award if it would result in the total number of relevant new dilutive shares from all share schemes (including this LTIP, the MIP and any future scheme) exceeding 10% of the issued share capital of the Company in any rolling 10 year period.

It is proposed that the Company may grant a LTIP award even though it may result in the total number of new shares issued pursuant to the Company's executive, discretionary share schemes exceeding 5% of the issued ordinary share capital in any rolling 10 year period. The Remuneration Committee believes that the adoption of the Executive remuneration policy set out above requires a meaningful LTIP share award to Executive Directors beyond 31 October 2024. This proposal recognises that the MIP has a maximum 4% new share award to its participants if the MIP performance conditions are satisfied by 31 October 2024 and the residual 1% would be insufficient to align with the remuneration policy.

The terms of the MIP were set out as part of the Company's Admission Document in May 2021. The equity incentive structure was considered appropriate at that time by the Board given the importance attached to the post IPO period both from a transition perspective and the need for the business to recover from the challenges of COVID-19.

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	£388,748	12
David Brind	Chief Financial Officer	24 May 2021	24 May 2021	£265,196	12
Ben Maxted	Chief Operations Officer	25 November 2021	25 November 2021	£255,852	12
Steve Smith	Non-executive Chairman	24 May 2021	24 May 2021	£64,800	3
Gerard Murray	Non-executive Director	24 May 2021	24 May 2021	£51,192	3
Teresa Octavio	Non-executive Director	1 February 2023	1 February 2023	£40,000	3

REMUNERATION COMMITTEE REPORT

Non-Executive Directors' remuneration

The remuneration of Non-Executive Directors is determined by the Board.

With effect from 24 May 2021 the Non-Executive Chairman had a basic salary of £60,000 and the Non-Executive Director had a basic salary of £40,000. During the financial year ended 31 October 2022 there were no additional payments for participation in Company Committees.

The Non-Executive basic salaries were increased by 8% with effect from 1 November 2022 in line with the overall Company pay award. In addition to the general increase the Chair of Audit Committee and the Chair of the Remuneration Committee will receive £4,000 per annum for each Committee that he or she acts as chair effective from 1 November 2022.

The Non-Executive Directors do not receive any other form of remuneration other than basic salary.

Directors' remuneration summary

	Salary	Pension	Other taxable benefits	Total FY22	FY21
Executive					
Paul Young	£357,237	£7,574	-	**£364,811**	£330,658
David Brind	£240,052	£11,242	£923	**£252,217**	£293,458
Ben Maxted	£217,162	£1,283	£6,966	**£225,411**	-
Non-Executive					
Steve Smith	£60,000	-	-	**£60,000**	£26,348
Gerard Murray	£40,000	-	-	**£40,000**	£17,588
	£914,451	**£20,099**	**£7,889**	**£942,439**	**£668,052**

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%
Ben Maxted	220,456	0.3%
Non-Executive		
Steve Smith	50,000	0.1%
Gerard Murray	70,000	0.1%
Teresa Octavio	-	-

Gerard Murray
Chair of the Remuneration Committee
27 February 2023

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.

Further information on the activities and operations of the Group, and future developments are presented in the Strategic report on pages 11 to 20, as these matters are considered to be of strategic importance to the Group.

Streamlined Energy and Carbon Reporting ("SECR")
Disclosures under the Streamlined Energy and Carbon Reporting requirements have been included within Environmental, Social and Governance section on page 26.

Financial instruments
Details of the Group's exposure to financial risks are set out in note 26 to the financial statements.

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	
Gerard Murray	
Teresa Octavio	(appointed 1 February 2023)

Details of Directors emoluments are set out in the Remuneration Committee report. All the Directors benefitted from qualifying third-party indemnity provisions in place during the year and at the date of this Directors' report.

Dividends
An interim dividend of 2.50 pence per share was paid during the year (FY21: 2.25 pence). The Directors have proposed a final dividend of 6.75 pence per share (FY21: 4.50 pence per share).

Post balance sheet events
Post year end the Group completed the acquisition of the entire ordinary share capital of Westcountry Food Holdings 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 24 March 2023.

Political and charitable contributions
The Company made no political or charitable donations nor incurred any political expenditure during the year (FY21: £nil).

Employees
The Group places considerable value on the involvement of its colleagues 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. The Directors have taken steps to proactively review pay in light of increasing pressure on costs of living as noted in the Remuneration Committee report on page 39.

Furthermore the Group has enhanced the focus on safety across its divisions through the appointment of a Group Health and Safety Director.

It is the policy of the Group to operate a fair employment policy. Employment policies are designed to provide opportunities irrespective of colour, ethnic or national origin, nationality, sex, sexual orientation, marital status, age or disability with all appointments and promotions determined solely on merit.

Suppliers
The Group recognises the importance of supplier relationships as part of a successful strategy. Key management personnel from across the Group are proactively engaged in fostering relationships with new and existing suppliers through regular contact and development of manufacturers routes to market.

The Group maintain a policy of prompt payment with all suppliers and during the year the Group has continued to develop joint business plans with key suppliers.

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 1.3 of the financial statements on page 60 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 reappoint Grant Thornton UK LLP as auditors will be put to members at the AGM.

By order of the Board

Paul Young
Director
27 February 2023

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 2022 were as shown in the table below:

Substantial shareholders	Number	% of voting rights in the issued share capital
Paul Young (CEO)	10,968,550	15.7%
Liontrust Asset Management	11,983,125	17.1%
Columbia Threadneedle Investments	6,346,955	9.1%
Premier Miton Investors	6,300,000	9.0%
Canaccord Genuity Wealth Management (Inst)	3,694,990	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 UK adopted 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 UK adopted 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.

Financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KITWAVE GROUP PLC

Opinion

Our opinion on the Group and parent Company financial statements is unmodified

We have audited the financial statements of Kitwave Group plc (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2022 which comprise of the Consolidated statement of profit and loss and other comprehensive income, the Consolidated balance sheet, the Company balance sheet, the Consolidated statement of changes in equity, the Company statement of changes in equity, the Consolidated cash flow statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent Company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Strategic report
Corporate governance
Financial statements

Our approach to the audit

Overview of our audit approach for the Group

Overall materiality:
Group: £3,423,000 which represents approximately 0.7% of Group revenue.
parent Company: £1,563,000 which represents approximately 2% of the parent Company's total assets.

Key audit matters were identified as:
- Going concern assumption; and
- Improper revenue recognition

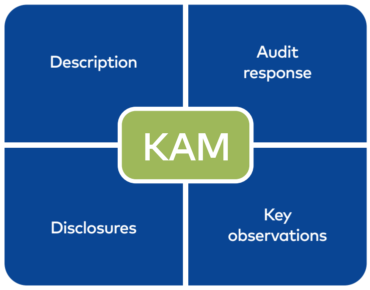
The predecessor auditor identified the following key audit matters in its audit of the prior period financial statements for the year ended 31 October 2021: Carrying amount of Goodwill and Recoverability of parent's debt due from Group entities.

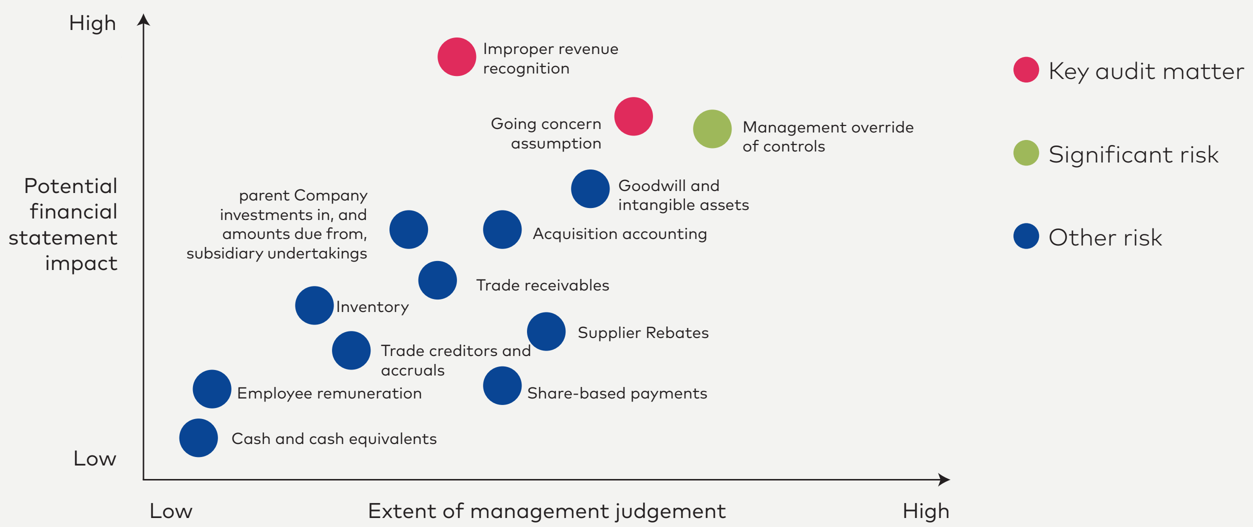
Scoping has been determined to ensure appropriate coverage of the significant risks as well as coverage of the key results in the Annual Report and Accounts.

We performed the following audit work:
- a full scope audit of the financial statements of five entities using component materiality which represented 80% of the Group's revenue and 78% of the Group's total assets; and
- we completed specified audit procedures on two components and analytical audit procedures on the financial information of all other Group components.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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.

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.





INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KITWAVE GROUP PLC - CONTINUED

Key Audit Matter	How our scope addressed the matter
Going Concern Assumption We have identified the going concern assumption as one of the most significant assessed risks of material misstatement due to error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. In the current macro-economic environment, significant judgement is applied in developing cashflow forecasts. The Directors have concluded, based on the various scenarios that they developed, that the Group has sufficient resources available during their assessment period to meet liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumption. In our evaluation of the Directors' conclusions, we considered the inherent risks associated with the Group's business model including effects arising from such macro-economic uncertainties. We also assessed and challenged the reasonableness of estimates made by Directors and the related disclosures and analysed how those risks might affect the Group's financial resources and thus its ability to continue operations for at least 12 months from the date of approval of the financial statements.	In responding to the key audit matter, we performed the following audit procedures: • obtaining an understanding of, and evaluating the design and implementation of key controls with respect to, management's going concern assessment; • obtaining management's assessment, including management's base case and reverse stress test covering the period to 31 October 2024, and assessing their integrity and suitability as a basis for management to assess going concern by casting the models; • assessing the accuracy of management's past forecasting by comparing management's forecasts for the last two financial periods to the actual results for those periods and considering the impact on the cash flow forecasts; • corroborating the existence of the Group's loan facilities and related covenant requirements for the period covered by management's forecasts to underlying agreements, and testing the net debt to EBITDA covenant forecasts to check no breaches were forecast; • evaluating the key assumptions made within the cash flow forecasts, which included the quantum and timing of cash outflows and inflows and determining whether these had been applied appropriately. We also considered whether these assumptions were consistent with our understanding of the business and current external economic pressures; • evaluating management's reverse stress test analysis over the forecast period, considering the impact of changing key assumptions and understanding how these could break the forecast and assessing the likelihood of such a situation occurring; • obtaining post year end results achieved and comparing to those forecast to determine whether the business is trading in line with forecast; and • assessing the adequacy of the going concern disclosures included within the financial statements.
Relevant disclosures in the Annual Report and Accounts 2022 • The Group's accounting policies on the going concern assumption are shown in note 1.3, Summary of significant accounting policies. • Additional disclosure is included in the Audit Committee Report on page 33 and the Directors' report on page 40.	**Key Observations** We have nothing to report in addition to that stated in the 'Conclusions related to going concern' section of our report.
Improper Revenue Recognition We identified improper revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. Revenue is the most significant item in the consolidated statement of profit and loss (£503 million) and impacts a number of key performance indicators and key strategic decisions set out in the report and financial statements. The principal performance obligation is discharged on delivery/collection of the products by the customer at which point control of the goods has transferred. We determined that the significant risk in revenue is related to revenue impacting entries falling outside of the expected transaction flow where there is an increased risk that management may record fictitious revenue transactions.	In responding to the key audit matter, we performed the following audit procedures: • evaluating the revenue recognition accounting policies for consistency with IFRS 15 'Revenue from Contracts with Customers'; • gaining an understanding of the processes and relevant controls and assessing the design effectiveness of key controls in the revenue recognition process; • using data analytics procedures to interrogate and test the revenue populations, including the analysis of revenue postings from inception to cash, and substantively testing a sample of manual entries. We tested the operating effectiveness of controls over the bank reconciliation process to support this testing; and • testing a sample of revenue transactions to supporting documentation to verify the occurrence of revenue.
Relevant disclosures in the Annual Report and Accounts 2022 • The Group's accounting policy on revenue recognition is shown in note 1.16, Summary of significant accounting policies. • Related disclosures are included in note 3.	**Key observations** Based on our audit work, we did not identify any material misstatement or fraudulent transactions in the revenue recognised in the year to 31 October 2022.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

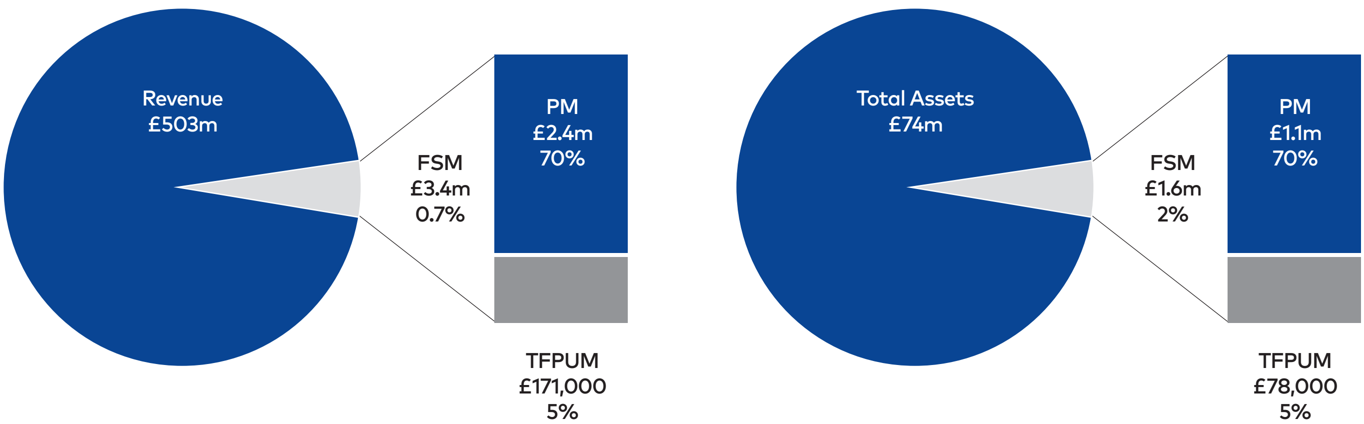
Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£3,423,000, which represents approximately 0.7% of revenue.	£1,563,000 which represents approximately 2% of the parent Company's total assets.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: • Revenue is a key performance indicator for the Group; and • Revenue is a more stable measure year on year than profit or loss before tax. Materiality for the current year uses the same benchmark as the previous auditor. Materiality is higher than the level determined for the year ended 31 October 2021 to reflect the increase in revenue generated.	In determining materiality, we made the following significant judgement: • This benchmark is considered the most appropriate because the parent Company is not a trading company. Materiality for the current year is higher than the level that the predecessor auditor determined for the year ended 31 October 2021 to reflect the higher percentage applied to the same benchmark.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£2,396,000 which is 70% of financial statement materiality.	£1,094,000 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we considered the following significant factors: • The strength of the control environment based on our assessment of the design and implementation of controls; and • This was our first year of auditing the Group financial statements. Performance materiality in the prior year was set at 75% by the previous auditor. We have set the performance materiality percentage for the current year to 70% of financial statement materiality to reflect our lack of accumulated knowledge in our first year audit.	In determining performance materiality, we considered the following significant factors: • The strength of the control environment based on our assessment of the design and implementation of controls; and • This was our first year of auditing the financial statements of the parent Company. Performance materiality in the prior year was set at 75% by the previous auditor. We have set the performance materiality percentage for the current year to 70% of financial statement materiality to reflect our lack of accumulated knowledge in our first year audit.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KITWAVE GROUP PLC - CONTINUED

Materiality measure	Group	Parent Company
Specific materiality	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions outside of the normal course of business.	We determined a lower level of specific materiality for the following areas: • Directors' remuneration; and • Related party transactions outside of the normal course of business.
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£171,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£78,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality



FSM: Annual Report and Accounts materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatement

An overview of the scope of our audit
We performed a risk-based audit that requires an understanding of the Group's and the parent Company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- We obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level;
- We obtained and documented an understanding of the design of relevant controls that management have implemented over the process for evaluating the areas of significant risks and performed walkthrough testing of these controls to confirm that understanding.

Identifying significant components

- We evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined by reference to each component's contribution to the Group's total revenue, profit before tax and total assets as well as considering qualitative factors, such as a component's specific nature or circumstances.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Full scope audits were performed on the financial information of five components using component materiality. These procedures included a combination of test of details and analytical procedures. Our procedures to address our key audit matter in respect of revenue recognition were performed at a component level.
- Specific scope audits were carried out on a further two components using component materiality. These procedures included a combination of tests of details and analytical procedures and were designed to increase coverage certain of the Group's financial statement line items.
- For the ten components that were not individually significant to the Group, we carried out analytical procedures.

Audit Approach	Number of components	% coverage of revenue	% coverage of profit before tax
Full scope audit	5	80	80
Specified audit approach	2	0	10
Analytical procedures	10	20	10
Total	**17**	**100**	**100**

Performance of our audit

- Both of our key audit matters were addressed with our full-scope audit procedures.
- All audit procedures to support the Group audit opinion were performed by the Group audit team. The majority of work was performed in person with the respective finance teams across the Group.
- We relied on the operating effectiveness of controls over the perpetual inventory count process and attended stock counts during the year and at the year-end.
- We performed the full-scope audit and specific-scope audits across the components in line with the scope described.

Other information

The other information comprises of the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the parent Company financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the parent Company financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KITWAVE GROUP PLC - CONTINUED

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 40, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the 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 the Directors either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Group and parent Company, and the industry in which it operates. We determined that the most significant are applicable law and UK-adopted international accounting standards (for the Group), United Kingdom Generally Accepted Accounting Practice (for the parent Company) and relevant tax regulations.
- We obtained an understanding of the legal and regulatory framework applicable to the Group and parent Company by discussing relevant frameworks with management and component management and seeking and corroborated our inquiries through review of board minutes and papers provided by the Audit Committee.
- We enquired of management whether there were any circumstances of non-compliance with laws and regulations or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries to supporting documentation such as board minute reviews and papers provided to the Audit Committee.
- To assess the potential risks of misstatement, we obtained an understanding of:
  - the Group's operations including the nature of its revenue sources, expected financial statement disclosures and business risks that may result in risk of material misstatement; and
  - the Group's control environment including the adequacy of procedures for authorisations and transactions.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - testing manual journal entries, in particular, journal entries relating to management estimates such as provision for trade receivables, and journal entries determined to have a large impact on profit or relating to unusual transactions. In addition, we performed primary testing to identify unusual journal entries impacting stock or fixed assets;
  - challenging assumptions and judgements made by management in its significant accounting estimates, including the suitability of the discount rate used by management in its impairment testing; and
  - identifying and testing related party transactions.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;

- knowledge of the industry in with the Group and the parent Company operate; and
- understanding of the legal and regulatory requirements specific to the Group and the parent Company.

- Team communications, in respect of potential non-compliance with laws and regulations and fraud, included the potential for fraud in revenue recognition and application of the going concern assumption.

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

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

Mark Overfield BSc FCA
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor,
Chartered Accountants
Leeds
27 February 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 October 2022 £000	Year ended 31 October 2021 £000
Revenue	3	**503,088**	380,694
Cost of sales		**(400,460)**	(312,109)
Gross profit		**102,628**	**68,585**
Other operating income	4	**374**	4,771
Distribution expenses		**(44,010)**	(31,203)
Administrative expenses		**(38,617)**	(35,755)
Operating profit		**20,375**	**6,398**
Analysed as:			
Adjusted EBITDA		**29,477**	15,053
Amortisation of intangible assets	11	**(99)**	(150)
Depreciation	12,13	**(7,897)**	(7,817)
CPO income	4	**-**	2,255
Restructuring costs	5	**-**	(1,257)
Acquisition expenses	5	**(148)**	(181)
Compensation for post combination services	5	**(95)**	(1,278)
Share based payment expense	5	**(863)**	(227)
Total operating profit		**20,375**	**6,398**
Finance expenses	8	**(2,534)**	(4,274)
Analysed as:			
Interest payable on bank loans and bank facilities	8	**(1,105)**	(1,327)
Interest and finance charges payable on loan notes and debenture loans	8	**-**	(7,078)
Finance charges on leases	8	**(1,427)**	(1,239)
Fair value movement on financial liabilities	8	**-**	5,410
Other interest	8	**(2)**	(40)
Finance expenses		**(2,534)**	**(4,274)**
Profit before tax		**17,841**	2,124
Tax on profit on ordinary activities	9	**(3,501)**	(1,028)
Profit for the year		**14,340**	**1,096**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**14,340**	**1,096**
Basic earnings per share (£)	10	**0.20**	0.02
Diluted earnings per share (£)	10	**0.20**	0.02

CONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER

	Note	2022 £000	2021 £000
Non-current assets			
Goodwill	11	**44,342**	31,249
Intangible assets	11	**737**	431
Tangible assets	12	**13,037**	10,104
Right-of-use assets	13	**26,452**	23,188
Investments	14	**35**	20
		84,603	64,992
Current assets			
Inventories	16	**31,846**	26,043
Trade and other receivables	17	**57,698**	52,814
Cash and cash equivalents	18	**5,511**	4,968
		95,055	83,825
Total assets		**179,658**	148,817
Current liabilities			
Other interest bearing loans and borrowings	20	**(20,354)**	(14,620)
Lease liabilities	20	**(5,509)**	(4,719)
Trade and other payables	19	**(57,891)**	(47,332)
Tax payable		**(62)**	(370)
		(83,816)	(67,041)
Non-current liabilities			
Lease liabilities	20	**(23,240)**	(19,917)
Deferred tax liabilities	21	**(715)**	(275)
		(23,955)	(20,192)
Total liabilities		**(107,771)**	(87,233)
Net assets		**71,887**	61,584
Equity attributable to equity holders of the parent Company			
Called up share capital	24	**700**	700
Share premium account	24	**64,183**	64,183
Consolidation reserve	24	**(33,098)**	(33,098)
Share based payment reserve	23	**1,090**	227
Retained earnings		**39,012**	29,572
Equity		**71,887**	61,584

Paul Young, Director
27 February 2023

COMPANY BALANCE SHEET AS AT 31 OCTOBER

	Note	2022 £000	2021 £000
Non-current assets			
Investments	14	**12,993**	12,993
Deferred tax assets	21	**273**	57
		13,266	13,050
Current assets			
Trade and other receivables	17	**61,535**	63,081
Cash and cash equivalents	18	**45**	3,371
		61,580	66,452
Total Assets		**74,846**	79,502
Current liabilities			
Trade and other payables	19	**(61)**	(227)
Total liabilities		**(61)**	(227)
Net assets		**74,785**	79,275
Equity attributable to equity holders of the Parent Company			
Called up share capital	24	**700**	700
Share premium account	24	**64,183**	64,183
Share based payment reserve	23	**1,090**	227
Retained earnings*		**8,812**	14,165
Equity		**74,785**	79,275

* The Company's loss after tax for the year was £453,000 (FY21: £3,989,000 profit)

Paul Young, Director
27 February 2023

CONSOLIDATED STATEMENT OF CHANGES 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 November 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)
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**
Total comprehensive income for the year						
Profit	-	-	-	-	**14,340**	**14,340**
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**14,340**	**14,340**
Transaction with owners, recorded directly in equity						
Dividends	**-**	**-**	**-**	**-**	**(4,900)**	**(4,900)**
Share based payment expense	**-**	**-**	**-**	**863**	**-**	**863**
Total contribution by and transactions with the owners	**-**	**-**	**-**	**863**	**(4,900)**	**(4,037)**
Balance at 31 October 2022	**700**	**64,183**	**(33,098)**	**1,090**	**39,012**	**71,887**

COMPANY STATEMENT OF CHANGES 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 November 2020	**1**	**12,993**	**-**	**1,751**	**14,745**
Total comprehensive income for the year					
Profit	-	-	-	3,989	**3,989**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**3,989**	**3,989**
Transaction with owners, recorded directly in equity					
Share capital reduction	-	(10,000)	-	10,000	**-**
New share issuance	699	63,300	-	-	**63,999**
Costs directly attributable to new share issuance	-	(2,110)	-	-	**(2,110)**
Dividends	-	-	-	(1,575)	**(1,575)**
Share based payment expense	-	-	227	-	**227**
Total contribution by and transactions with the owners	**699**	**51,190**	**227**	**8,425**	**60,541**
Balance at 31 October 2021	**700**	**64,183**	**227**	**14,165**	**79,275**
Total comprehensive loss for the year					
Loss	-	-	-	(453)	**(453)**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive loss for the year	**-**	**-**	**-**	**(453)**	**(453)**
Transaction with owners, recorded directly in equity					
Dividends	-	-	-	(4,900)	**(4,900)**
Share based payment expense	-	-	863	-	**863**
Total contribution by and transactions with the owners	**-**	**-**	**863**	**(4,900)**	**(4,037)**
Balance at 31 October 2022	**700**	**64,183**	**1,090**	**8,812**	**74,785**

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 October 2022 £000	Year ended 31 October 2021 £000
Cash flow from operating activities			
Profit for the year		**14,340**	1,096
Adjustments for:			
Depreciation and amortisation	11,12,13	**7,996**	7,967
Financial expense	8	**2,534**	4,274
Profit on sale of property, plant and equipment	4	**(164)**	(55)
Net gain on remeasurement of right-of-use assets and lease liabilities	4	**(8)**	(124)
Compensation for post combination services	5	**95**	1,278
Equity settled share based payment expense	5	**863**	227
Taxation	9	**3,501**	1,028
		29,157	**15,691**
Increase in trade and other receivables		**(2,909)**	(8,244)
Increase in inventories		**(4,168)**	(2,845)
Increase in trade and other payables		**8,450**	8,671
		30,530	**13,273**
Payments in respect of compensation for post combination services		-	(2,925)
Tax paid		**(4,005)**	(2,432)
Net cash inflow from operating activities		**26,525**	**7,916**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(2,608)**	(2,961)
Proceeds from sale of property, plant and equipment		**308**	248
Acquisition of subsidiary undertakings (net of overdrafts and cash acquired)	2	**(16,914)**	-
Net cash outflow from investing activities		**(19,214)**	**(2,713)**
Cash flows from financing activities			
IPO fund raise (net of expenses)		-	61,889
Proceeds from new loan	20	-	5,500
Net movement in invoice discounting	20	**5,734**	4,559
Interest paid	8,20	**(2,534)**	(5,093)
Net movement in bank trade loans	20	-	(4,750)
Repayment of bank term loans	20	-	(21,863)
Repayment of investor loans	20	-	(34,176)
Payment of lease liabilities	20	**(5,068)**	(5,068)
Dividends paid		**(4,900)**	(1,575)
Net cash outflow from financing activities		**(6,768)**	**(577)**
Net increase in cash and cash equivalents		**543**	4,626
Opening cash and cash equivalents		**4,968**	342
Cash and cash equivalents at year end	**18**	**5,511**	**4,968**

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 UK adopted international accounting standards.

The Group and Company financial statements are presented in pounds sterling which is the functional currency of the Group. All values are rounded to the nearest thousand (£000), except when otherwise indicated.

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; and
- Disclosure in respect of share based payments as required by IFRS 2 Share-based Payments have not been provided.

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

The consolidated financial statements include the results of all subsidiaries owned by the Company per note 14. Certain of these subsidiaries have taken exemption from an audit for the year ended 31 October 2022 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 2022.

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, assessment and estimation of the recoverable value of the cash generating units (CGUs) is required. This process involves 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. The discount rate is a key area of judgement and the forecast cash flow includes significant accounting estimates.

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. More information on the assumptions and sensitivities applied are set out in note 11 to these financial statements.

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 is an accounting estimate requiring significant judgement of management to consider historic, current and forward-looking information to determine the level of provisioning required.

The Directors have assessed the ageing of the trade receivables, applying their knowledge of the Group’s customer base, and other economic factors as indicators of potential impairment. Further information is considered in note 26 of these financial statements.

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

Valuation of share based payments
IFRS 2, Share-based Payments, requires judgement on the classification of the share based payment under the Management Incentive Plan ("MIP"), which Directors have determined to be equity settled.

The grant date fair value of the MIP is based on a Monte Carlo option valuation model, performed by independent experts, factoring in a number of significant accounting estimates and judgements. Further information is considered in note 23 of these financial statements.

Following review of the judgements and estimates applied to the valuation of the MIP, the Directors have concluded that there is no significant risk of material adjustment to the carrying value of the liability or charge to the statement of profit and loss and other comprehensive income in the 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.

Following the easing of COVID-19 lockdown restrictions the Group was able to quickly capitalise on opportunities for growth and return to pre-pandemic levels of trading across all divisions. This was enabled by the readiness of the workforce, the continued strong relationships with manufacturers, suppliers and customers throughout the pandemic which allowed the Group to increase volumes whilst maintaining its service levels.

Most notable were the return of volumes to the foodservice and vending customers as the ‘out of home’ sector recovered with consumers returning to restaurants, bars, hotels and places of work.

In the year the Group acquired M.J. Baker Foodservice Limited which added £18,288,000 of revenue and £2,205,000 of operating profit. Including this contribution, there was an improvement in cash flow from operations (before tax payments) from £13,273,000 in FY21 to £30,530,000 in FY22. The acquisition was completed without the need for additional facilities from the Group's existing lenders further illustrating the continued strong cash generation of the Group.

Post year end, Kitwave Limited completed the acquisition of the entire share capital of Westcountry Food Holdings Limited ("WestCountry") for £28,500,000. The acquisition was funded from the Group's current banking facilities and a new three-year revolving credit facility provided by the Group’s existing lenders.

WestCountry is an independent foodservice supplier based in the South West of England and offers a complementary product range and service level to the Group's existing operations in the area. The acquisition will be incorporated into the Group’s existing Foodservice division and the Directors believe that it will be immediately earnings enhancing.

WestCountry has an annual turnover of approximately £29,700,000. The acquired balance sheet included £8,983,000 of cash and cash equivalents which immediately became available to the Group.

The Group has prepared financial forecasts for a period of 20 months from the date of approval of this financial information (the “going concern assessment period”), which take into account the acquired balance sheet and forecast trading of WestCountry, possible downsides to Group trading including any impact of further inflationary pressure in 2023.

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.

Sensitivity analysis, primarily in respect of reducing revenue and adjusting costs, and including a reverse stress test, have been performed to model the impact of adverse assumptions to those included in the accounting estimates of the forecast. The Directors concluded that there were no severe but possible scenarios that would render the preparation of accounts on the assumption of a going concern as inappropriate.

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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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 2022. A subsidiary undertaking is an entity that is controlled by the Company. The results of subsidiary undertakings are included in the consolidated statement of profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company is exposed to, or has rights to, variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

1.5 Foreign currency

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

1.6 Classification of financial instruments

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

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

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 26.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1.7 Non derivative financial instruments

Trade and other receivables
Trade and other receivables are recognised initially at transaction price. 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 17). These are repayable within 90 days of the invoice and carry interest at a margin of 2.00%. This was initially a 2 year fixed facility which was extended post year ended 31 October 2022 to expire in December 2025. 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.

1.8 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.

1.9 Business combinations

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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1.10 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 5-10 years.

1.11 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 its 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. When the rebate is based on a volume of purchases over a period, the most likely outcome model is used due to the simple nature of rebate agreements with suppliers, principally whether the Company has achieved the required level of purchases or not.

Certain volume related discounts are recognised as a deduction from cost of sales on an accruals basis, calculated based on the expected entitlement that has been earned up to the balance sheet date for each relevant supplier contract. Accrued volume related discounts at the balance sheet date are included within prepayments and accrued income.

1.12 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

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.

1.13 Employee benefits

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

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

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

The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The Monte Carlo option valuation model was adopted for share based payment arrangements entered into in the year 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. The amount recognised in the statement of profit and loss and other comprehensive income was £95,000 (FY21: £1,278,000). The outstanding liability is included in other creditors in note 19.

1.14 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.

1.15 Revenue

IFRS 15 "revenue from contracts with customers" 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.

The principal performance obligation, being delivery and sale of goods, 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.

1.16 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.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

1.17 Taxation

Current tax
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
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. Deferred tax is recognised on an undiscounted basis.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.18 Leases

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.

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.

An assessment of the discount rate used in the present value calculation for new lease additions is performed at inception of the lease to ensure it reflects the Group's incremental borrowing rate . The selected rate is supported by quotes from third parties for financing the asset and the Groups' weighted average cost of capital. The Directors believe that no reasonable change in this accounting estimate would cause the carrying value of leases to be materially misstated.

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.

1.19 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 Additional Restrictions Grant and COVID-19 Additional Relief Fund Schemes. The income in the prior year represented the funding provided by the Government under 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.

1.20 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 in the prior year is presented in note 4 and exceptional expenses are presented in note 5.

1.21 Investments

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

2. Acquisitions

Acquisitions in the year ended 31 October 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	2,853
Right-of-use assets	967
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	(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.

No material intangible assets were identified. Goodwill represents buying and other operating synergies including but not limited to access to new geographic markets.

Following acquisition, the business contributed revenue of £18,288,000, operating profit of £2,205,000 and profit after tax of £1,747,000 to the Group for the year ended 31 October 2022.

If the business had been acquired at the start of the Group's financial year, being 1 November 2021, it would have added £24,430,000 to Group revenue and £2,704,000 to Group operating profit for the year ended 31 October 2022.

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

On acquisition an assessment was made regarding the fair value of assets and liabilities, which identified tangible assets, including two freehold properties that required a fair valuation adjustment. The result of an independent assessment of the freehold properties 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. No further fair valuation adjustments were identified.

3. Segmental information

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

The Group has the following operating segments defined by products and their associated margins:

- **Ambient:** Provides delivered wholesale of ambient food, drink and tobacco products;
- **Frozen and 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.

The Group's forward look strategy is to provide an enhanced customer service by making available the wider Group product range to its existing customer base. As a result, the Board will be assessing the segments based on customer type going forward with the customers in the Ambient and Frozen & Chilled divisions operating in the retail and wholesale channel.

The following analysis shows how this development will be monitored in future periods whilst demonstrating the link to the existing segmental information.

The presentation convention adopted in these financial statements is to show the three operating segments as this is how the Board of Directors has assessed performance during the year.

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.

	Retail and wholesale					
	Ambient	Frozen & Chilled	Total retail & wholesale	Foodservice	Corporate	Total
FY22	£000	£000		£000	£000	£000
Revenue	185,132	193,810	378,942	124,146	-	**503,088**
Inter-segment revenue	13,813	2,551	16,364	572	-	**16,936**
Segment revenue	**198,945**	**196,361**	**395,306**	**124,718**	**-**	**520,024**
Adjusted EBITDA*	**8,382**	**10,382**	**18,764**	**11,263**	**(550)**	**29,477**
Amortisation of intangibles	-	(71)	(71)	(6)	(22)	**(99)**
Depreciation	(1,584)	(3,911)	(5,495)	(2,345)	(57)	**(7,897)**
Adjusted operating profit*	**6,798**	**6,400**	**13,198**	**8,912**	**(629)**	**21,481**
Acquisition expense	-	-	-	-	(148)	**(148)**
Compensation for post combination services	-	(95)	(95)	-	-	**(95)**
Share based payment expense	-	-	-	-	(863)	**(863)**
Interest expense	(736)	(1,057)	(1,793)	(520)	(221)	**(2,534)**
Segment profit/(loss) before tax	**6,062**	**5,248**	**11,310**	**8,392**	**(1,861)**	**17,841**
Segment assets	43,029	52,441	95,470	39,106	45,082	**179,658**
Segment liabilities	(33,501)	(45,218)	(78,719)	(27,886)	(1,166)	**(107,771)**
Segment net assets	**9,528**	**7,223**	**16,751**	**11,220**	**43,916**	**71,887**

Within Corporate segment assets is £44,342,000 of goodwill on consolidation. This is allocated to the trading segments as follows (see note 11 for further information)

Goodwill by segment	**13,516**	**12,499**	**26,015**	**18,327**	**-**	**44,342**

**For more information on alternative performance measures please see the glossary on pages 91 to 93*

3. Segmental information continued

FY21	Retail and wholesale: Ambient £000	Retail and wholesale: Frozen & Chilled £000	Total retail & wholesale	Foodservice £000	Corporate £000	Total £000
Revenue	155,712	163,895	319,607	61,087	-	**380,694**
Inter-segment revenue	12,340	-	12,340	226	-	**12,566**
Segment revenue	**168,052**	**163,895**	**331,947**	**61,313**	**-**	**393,260**
Adjusted EBITDA*	**4,347**	**9,275**	**13,622**	**2,000**	**(569)**	**15,053**
Amortisation of intangibles	-	(144)	(144)	(6)	-	**(150)**
Depreciation	(2,106)	(3,910)	(6,016)	(1,801)	-	**(7,817)**
Adjusted operating profit*	**2,241**	**5,221**	**7,462**	**193**	**(569)**	**7,086**
CPO income	-	2,255	2,255	-	-	**2,255**
Restructuring costs	(53)	(41)	(94)	(42)	(1,121)	**(1,257)**
Acquisition expense	-	(19)	(19)	-	(162)	**(181)**
Compensation for post combination services	-	(1,278)	(1,278)	-	-	**(1,278)**
Share based payment expense	-	-	-	-	(227)	**(227)**
Interest expense	(564)	(1,286)	(1,850)	(288)	(2,136)	**(4,274)**
Segment profit/(loss) before tax	**1,624**	**4,852**	**6,476**	**(137)**	**(4,215)**	**2,124**
Segment assets	38,790	49,979	88,769	22,888	37,160	**148,817**
Segment liabilities	(28,559)	(41,323)	(69,882)	(16,508)	(843)	**(87,233)**
Segment net assets	**10,231**	**8,656**	**18,887**	**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)

	Ambient	Frozen & Chilled	Total retail & wholesale	Foodservice	Corporate	Total
Goodwill by segment	**13,516**	**12,499**	**26,015**	**5,234**	**-**	**31,249**

**For more information on alternative performance measures please see the glossary on pages 91 to 93*

An analysis of revenue by destination is given below:

Geographical information

	FY22 £000	FY21 £000
United Kingdom	497,842	373,690
Overseas	5,246	7,004
Group revenue	**503,088**	380,694

No one customer accounts for more than 9% (FY21: 6%) of Group revenue.

4. Other operating income/(expense)

	FY22 £000	FY21 £000
Net gain on disposal of fixed assets	**164**	55
Net gain / (loss) on foreign exchange	**33**	(2)
Net gain on remeasurement of right-of-use assets and lease liabilities	**8**	124
CPO income	**-**	2,255
Grant income	**169**	2,339
	374	4,771

Grant income in the year ended 31 October 2022 comprised of amounts received from the Government with respect to the Additional Restrictions Grant and COVID-19 Additional Relief Fund Schemes, which totalled £169,000. Grant income in the year ended 31 October 2021 comprised of amounts received from the Government with respect to the Coronavirus Job Retention Scheme which totalled £2,339,000.

CPO income is in relation to the compulsory purchase order of a property lease in Luton enacted by the Local Authority in the year ended October 2021. It was 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:

	FY22 £000	FY21 £000
Depreciation of tangible assets:		
Owned	**1,946**	1,975
Right-of-use assets	**5,951**	5,842
Amortisation of intangible assets	**99**	150
Expense relating to short term and low value assets	**1,255**	715
Impairment loss on trade receivables	**871**	1,288
Dilapidation provision	**48**	570

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

	FY22 £000	FY21 £000
Exceptional expenses		
Restructuring expenses	**-**	1,257
Acquisition expenses	**148**	181
Compensation for post combination services	**95**	1,278
Total exceptional expenses	**243**	2,716
Share based payment expense	**863**	227
Total exceptional expenses and share based payments	**1,106**	2,943

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

Acquisition expenses in both years include the legal and professional fees connected to the acquisition of M.J. Baker Foodservice Limited completed on 10 February 2022.

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.

Share based payments relate to the MIP and are non cash expenses. For further information see note 23.

5. Expenses continued

	FY22 £000	FY21 £000
Auditor's remuneration		
Audit of these financial statements	**45**	6
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**290**	380
Taxation compliance services	**-**	44
Tax advisory services	**-**	109
Corporate finance services	**-**	218
Other assurance services	**5**	-

The current year audit and non-audit fees were paid to Grant Thornton UK LLP. The prior year audit and non-audit fees were paid to KPMG LLP. In addition to the fee disclosed above for the current year, direct disbursements were paid to Grant Thornton UK LLP of £11,000.

6. Staff numbers and costs

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

	FY22	FY21
Management and administration	**193**	176
Sales	**212**	194
Warehouse	**436**	338
Distribution	**395**	371
Directors	**3**	3
	1,239	1,082

The aggregate payroll costs of these persons were as follows;

	FY22 £000	FY21 £000
Wages and salaries	**37,575**	29,259
Social security costs	**3,642**	2,673
Other pension costs (note 22)	**721**	769
	41,938	32,701

Staff costs accruing in the Company total £863,000 (FY21: £227,000) in relation to the Management Incentive plan, see note 23 for further details.

7. Directors' remuneration

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

	FY22 £000	FY21 £000
Directors' emoluments	**922**	636
Company contribution to personal pension scheme	**20**	32
	942	668

Retirement benefits are accruing to three Directors under money purchase pension schemes (FY21: two).
Amounts accrued under the share based payment plan for two of the Directors was £863,000 (FY21: £227,000).
A detailed breakdown of the Director's total emoluments is included within the Remuneration Committee report.

	FY22 £000	FY21 £000
Highest paid Director		
Directors' emoluments	**357**	312
Company contribution to personal pension scheme	**8**	19
	365	331

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

8. Finance income and expense

	FY22 £000	FY21 £000
Interest payable and similar charges - cash items		
Interest payable on bank loans and invoice discount facilities	**1,105**	1,327
Finance charges payable in respect of leases	**1,427**	1,239
Other finance interest payable on investor loans	**-**	551
Other finance charges payable on debenture loans	**-**	1,936
Other interest	**2**	40
	2,534	5,093
Interest payable and similar charges - non cash items		
Other finance charges payable on debenture loans	-	4,591
Fair value movement on financial liabilities (note 26)	-	(5,410)
	-	(819)
	2,534	4,274

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 in the year ended 31 October 2021 arose from amortised transaction costs in respect to investor loans and liabilities and movements in the fair value of the financial liabilities which had no cash impact in that year. The above analysis has been presented to clearly identify which elements have a cash impact.

9. Taxation

	FY22 £000	FY21 £000
UK corporation tax		
Current tax charge on income for the year	**3,559**	620
Adjustment in respect of prior periods	**(45)**	187
Total current tax	**3,514**	807
Deferred tax (see note 21)		
Origination/(reversal) of timing differences	**(109)**	281
Adjustment in respect of prior periods	**96**	4
Effect of changes in tax rate	**-**	107
Share based payment	**-**	(57)
IFRS 16 timing differences	**-**	(114)
Total deferred tax (credit) / charge	**(13)**	221
Tax charge on profit on ordinary activities	**3,501**	1,028

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

9. Taxation continued

	FY22 £000	FY21 £000
Current tax reconciliation		
Profit on ordinary activities after tax	**14,340**	1,096
Tax charge	**3,501**	1,028
Profit on ordinary activities before tax	**17,841**	2,124
Tax using the UK corporation tax of 19% *(FY21: 19%)*	**3,390**	404
Effect of:		
Expenses not deductible for tax purposes	**250**	1,571
Income not taxable	**(26)**	(1,109)
Adjustments in respect of prior periods	**(45)**	187
Change in tax rate on deferred tax balances	**96**	111
Share based payment	**(164)**	(57)
Other tax adjustments	**-**	(79)
Total current tax charge	**3,501**	1,028

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 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (FY21: 25%).

10. Earnings per share and dividends

Basic earnings per share
Basic earnings per share for the year ended 31 October 2022, and the previous 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 year ended 31 October 2022, and previous 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

	FY22	FY21
	£000	£000
Profit attributable to all shareholders	**14,340**	1,096
	£	£
Basic earnings per ordinary share	**0.20**	0.02
Diluted earnings per ordinary shares	**0.20**	0.02

Weighted average number of ordinary shares

	FY22	FY21
	Number	Number
Weighted average number of ordinary shares (basic) during the year	**70,033,033**	46,036,531
Weighted average number of ordinary shares (diluted) during the year	**70,033,033**	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 year.

	FY22	FY21
	£000	£000
Profit attributable to all shareholders	**14,340**	1,096
Exceptional and share based payment expenses net of tax*	**1,106**	2,819
CPO income net of tax	**-**	(1,827)
Interest and finance charges payable on loans and debenture notes	**-**	7,078
Fair value adjustments on the put option liability	**-**	(5,410)
Underlying profit attributable to ordinary shareholders	**15,466**	3,756
	£	£
Basic underlying earnings per ordinary share	**0.22**	0.08

*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.

Dividends
During the year the Group paid dividends of £4,900,000 (FY21:£1,575,000) to its equity shareholders. This represents a total payment of 7.00p per share being the final dividend for the year ended 31 October 2021 of 4.50p per share, plus the interim dividend for the year ended 31 October 2022 of 2.50p per share.

The Board is recommending a final dividend of 6.75p per share for the year ended 31 October 2022 subject to approval at the AGM. No liability in this respect is recognised in the consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction at the Company level.

11. Intangible assets

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 year	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**

Group

	Intangible assets £000	Goodwill £000	Total £000
Cost			
Balance at 1 November 2021	725	36,761	**37,486**
Additions	405	13,093	**13,498**
Balance at 31 October 2022	**1,130**	**49,854**	**50,984**
Amortisation			
Balance at 1 November 2021	294	5,512	**5,806**
Charge in year	99	-	**99**
Balance at 31 October 2022	**393**	**5,512**	**5,905**
Net book value			
At 31 October 2022	**737**	**44,342**	**45,079**
At 31 October 2021	**431**	**31,249**	**31,680**

11. Intangible assets continued

Goodwill arising on business combinations is assessed separately under IFRS 3 in the period of acquisition. Each acquisition provides the Group with an additional cash-generating unit ("CGU").

The Group allocates goodwill to groups of CGU's based on their operating segment as set out in note 3 as they leverage and share from each others operational infrastructure, centrally negotiate supplier terms and cross-sell products to the Group's wider customer base. The operating segments therefore represent the lowest level at which goodwill is monitored by the Board.

Goodwill has been assessed as follows:

	2022 £000	2021 £000
Ambient	**13,516**	13,516
Frozen & Chilled	**12,499**	12,499
Foodservice	**18,327**	5,234
	44,342	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:

	2022	2021
Period forecasts are based on:	**4 years**	4 years
Growth rate applied:	**2%**	0%
Discount rate applied:	**10.59%**	8.32%

Impairment testing at 31 October 2022 has considered a further impact inflation and its potential impact on demand and overheads the CGU's. The Board expect product and overhead inflation to reduce from current levels. Having operated through the trading restrictions of previous financial periods the Directors believe there is no reasonable prospective a reduction in demand would result in a material impairment.

A 2% 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.

The increase in the discount rate follows the increase in risk free and market risk rate for UK equities which have increased in reaction to the ongoing worldwide economic issues associated with the war in Ukraine and post COVID-19 economic recessions.

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.

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

12. Tangible assets

Group	Freehold property £000	Leasehold improvements £000	Fixtures and 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)**
Transferred from right-of-use assets	-	-	-	749	-	**749**
Transferred 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**
Transferred 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**

Group	Freehold property £000	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Plant & machinery £000	Total £000
Cost						
Balance at 1 November 2021	2,922	2,203	5,479	2,162	7,806	**20,572**
Additions	2	43	697	555	728	**2,025**
Disposals	-	-	-	(1,161)	(12)	**(1,173)**
Transferred from right-of-use assets	-	-	-	705	-	**705**
Acquired through business combinations	2,801	-	2	-	50	**2,853**
Balance at 31 October 2022	**5,725**	**2,246**	**6,178**	**2,261**	**8,572**	**24,982**
Depreciation						
Balance at 1 November 2021	93	858	4,078	1,108	4,331	**10,468**
Charge in year	119	156	466	505	700	**1,946**
Disposals	-	-	-	(1,029)	(11)	**(1,040)**
Transferred from right-of-use assets	-	-	-	571	-	**571**
Balance at 31 October 2022	**212**	**1,014**	**4,544**	**1,155**	**5,020**	**11,945**
Net book value						
At 31 October 2022	**5,513**	**1,232**	**1,634**	**1,106**	**3,552**	**13,037**
At 31 October 2021	**2,829**	**1,345**	**1,401**	**1,054**	**3,475**	**10,104**

13. Right-of-use assets

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

Group	Leasehold property £000	Motor vehicles £000	Plant & machinery £000	Total £000
Cost				
Balance as at 1 November 2021	19,914	13,444	1,618	**34,976**
Additions	4,670	3,105	950	**8,725**
Transferred to tangible assets	-	(705)	-	**(705)**
Disposals	(395)	(301)	(77)	**(773)**
Gain/(loss) on remeasurement	23	(352)	(14)	**(343)**
Acquired through business combinations	-	934	33	**967**
Balance at 31 October 2022	**24,212**	**16,125**	**2,510**	**42,847**
Depreciation				
Balance as at 1 November 2021	3,956	6,989	843	**11,788**
Charge in year	2,111	3,450	390	**5,951**
Transferred to tangible assets	-	(571)	-	**(571)**
Disposals	(395)	(301)	(77)	**(773)**
Balance at 31 October 2022	**5,672**	**9,567**	**1,156**	**16,395**
Net book value				
At 31 October 2022	**18,540**	**6,558**	**1,354**	**26,452**
At 31 October 2021	**15,958**	**6,455**	**775**	**23,188**

14. Investments

Group	Unlisted investments 2022 £000	Unlisted investments 2021 £000
Cost and net book value		
At beginning of year	**20**	20
Acquired through business combinations	**25**	-
Disposals	**(10)**	-
At end of year	**35**	20

Company	Shares in Group undertakings 2022 £000	Shares in Group undertakings 2021 £000
Cost and net book value		
At beginning and end of year	**12,993**	12,993

The Company has the following investments in subsidiaries:

Subsidiary undertaking	Country of incorporation	Class of shares held	Ownership 2022	Ownership 2021
Kitwave Investments Limited	United Kingdom	Ordinary	**100%**	100%
Kitwave One Limited*	United Kingdom	Ordinary	**100%**	100%
Kitwave Limited*	United Kingdom	Ordinary	**100%**	100%
M&M Value Limited*	United Kingdom	Ordinary	**100%**	100%
Turner & Wrights Limited*	United Kingdom	Ordinary	**100%**	100%
FW Bishop & Son Limited*	United Kingdom	Ordinary	**100%**	100%
Westone Wholesale Limited*	United Kingdom	Ordinary	**100%**	100%
Automatic Retailing (Northern) Limited*	United Kingdom	Ordinary	**100%**	100%
Andersons (Wholesale) Limited*	United Kingdom	Ordinary	**100%**	100%
Teatime Tasties Limited*	United Kingdom	Ordinary	**100%**	100%
TG Foods Limited*	United Kingdom	Ordinary	**100%**	100%
Eden Farm Limited*	United Kingdom	Ordinary	**100%**	100%
Squirrels UK Limited*	United Kingdom	Ordinary	**100%**	100%
Thurston's Food's Limited*	United Kingdom	Ordinary	**100%**	100%
Angelbell Limited*	United Kingdom	Ordinary	**100%**	100%
David Miller Frozen Foods Limited*	United Kingdom	Ordinary	**100%**	100%
Phoenix Fine Foods Limited*	United Kingdom	Ordinary	**100%**	100%
MAS Frozen Foods Limited*	United Kingdom	Ordinary	**100%**	100%
Supplytech Limited*	United Kingdom	Ordinary	**100%**	100%
HB Clark Holdings Limited*	United Kingdom	Ordinary	**100%**	100%
HB Clark & Co (Successors) Limited*	United Kingdom	Ordinary	**100%**	100%
Churnet Valley Drinks Limited*	United Kingdom	Ordinary	**100%**	100%
Clarks Fine Wines Limited*	United Kingdom	Ordinary	**100%**	100%
FAM Soft Drinks Limited*	United Kingdom	Ordinary	**100%**	100%
Thorne Licence Wholesale Limited*	United Kingdom	Ordinary	**100%**	100%
Alpine Fine Foods Limited*	United Kingdom	Ordinary	**100%**	100%
Central Supplies (Brierley Hill) Ltd*	United Kingdom	Ordinary	**95%**	95%
M.J. Baker Foodservice Limited*	United Kingdom	Ordinary	**100%**	100%

*Held indirectly through Kitwave Investments Limited and its subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

15. Investment property

	Unlisted investments	
	2022	2021
Group	£000	£000
Cost and net book value		
At beginning of year	-	175
Disposal	-	(175)
At end of the year	**-**	**-**

The investment property was valued at £175,000 in 2018 by an external, independent valuer. The property was disposed of in the year ended 31 October 2021 to an unconnected third party.

16. Inventories

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Goods for resale	**31,846**	26,043	-	-
	31,846	26,043	**-**	-

Goods for resale recognised as cost of sales in the year amount to £400,460,000 (FY21: £312,109,000).

17. Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade receivables	**47,206**	44,365	**-**	-
Amounts owed by Group undertakings	**-**	-	**61,429**	63,074
Other debtors	**1,510**	1,881	**-**	-
Prepayments and accrued income	**8,982**	6,568	**106**	7
	57,698	52,814	**61,535**	63,081
Due within one year	**56,926**	51,697	**61,535**	63,081
Due after more than one year	**772**	1,117	**-**	-
	57,698	52,814	**61,535**	63,081

£23,946,000 (2021: £17,200,000) of Group trade receivables are used as security against invoice discounting advances (note 20).

18. Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Cash at bank and in hand	**5,511**	4,968	**45**	3,371
Cash and cash equivalents per cashflow statement	**5,511**	4,968	**45**	3,371

19. Trade and other payables: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Trade payables	**43,836**	36,093	**-**	-
Other creditors	**4,478**	3,563	**-**	-
Accruals	**9,577**	7,676	**39**	173
Amounts owed to Group undertakings	**-**	-	**22**	54
	57,891	47,332	**61**	227

20. 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 26.

	Group		Company	
	2022	2021	2022	2021
Non current liabilities	£000	£000	£000	£000
Lease liabilities	**23,240**	19,917	-	-
	23,240	19,917	-	-

	Group		Company	
	2022	2021	2022	2021
Current liabilities	£000	£000	£000	£000
Lease liabilities	**5,509**	4,719	-	-
Invoice discounting advances	**20,354**	14,620	-	-
	25,863	19,339	-	-

	Group		Company	
	2022	2021	**2022**	2021
Lease liabilities	**£000**	£000	**£000**	£000
Lease liabilities payable as follows:				
Within one year	**5,509**	4,719	-	-
In the second to fifth years	**10,396**	9,941	-	-
Over five years	**12,844**	9,976	-	-
	28,749	24,636	-	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2022 Face value £000	2022 Carrying value £000	2021 Face value £000	2021 Carrying value £000
Lease liabilities	Sterling	3.50% - 9.00%	2022-2040	**37,686**	**28,749**	31,571	24,636
Invoice discounting advances	Sterling	2.00% + Base	2024	**20,354**	**20,354**	14,620	14,620
				58,040	**49,103**	46,191	39,256

20. Interest-bearing loans and borrowings continued

Changes in liabilities from financing activities	Loans and borrowings £000	Lease liabilities £000	Total £000
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**
Changes from financing cash flows			
Payment of lease liabilities	-	(5,068)	**(5,068)**
Interest paid	(1,105)	(1,429)	**(2,534)**
Total changes from financing cash flows	**(1,105)**	**(6,497)**	**(7,602)**
Other changes			
New borrowing	5,734	8,548	**14,282**
Interest expense	1,105	1,429	**2,534**
Remeasurement of lease liability	-	(351)	**(351)**
Added through business combinations	-	984	**984**
Total other changes	**6,839**	**10,610**	**17,449**
Total debt at 31 October 2022	**20,354**	**28,749**	**49,103**

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 and carry interest at a margin of 2.75%. 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. This is undrawn at the year end (*2021:nil*).

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 17). These are repayable within 90 days of the date of the invoice and carry interest at a margin of 2.00%. This was initially a 2 year fixed facility which was extended post year ended 31 October 2022 to expire December 2025.

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.

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

21. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		Liabilities	
	2022	2021	2022	2021
	£000	£000	£000	£000
Property, plant and equipment	**322**	429	**(1,389)**	(906)
Tax value of loss carry forwards	**-**	31	**-**	-
Share based payment expense	**272**	57	**-**	-
IFRS 16 timing differences	**80**	114	**-**	-
Tax assets / (liabilities)	**674**	631	**(1,389)**	(906)

Movement in deferred tax during the year:

Group	31 October 2021	Amounts arising from business combinations	Recognised in income	31 October 2022
	£000	£000	£000	£000
Property, plant and equipment	(477)	(452)	(139)	**(1,068)**
Tax value of loss carry forwards	31	-	(31)	**-**
Share based payment expense	57	-	216	**273**
IFRS 16 timing differences	114	-	(34)	**80**
Tax assets/ (liabilities)	**(275)**	**(452)**	**12**	**(715)**

Company

	Group		Company	
	2022	2021	2022	2021
	£000	£000	£000	£000
Shared based payment expense	**273**	57	**-**	-
Tax assets	**273**	57	**-**	**-**

Company	31 October 2021	Recognised in income	31 October 2022
	£000	£000	£000
Property, plant and equipment	-	-	**-**
Tax value of loss carry forwards	-	-	**-**
Share based payment expense	57	216	**273**
IFRS 16 timing differences	-	-	**-**
Tax assets	**57**	**216**	**273**

22. Employee benefits

Defined contribution plans

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and to other personal pensions schemes and amounted to £721,000 (FY21: £769,000)

23. 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	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:

	2022 Weighted average exercise price £	2022 Number of options
Outstanding at the beginning of the year	-	10,000
Granted during the year	-	-
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 £863,000 (FY21: £227,000).

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 £1,090,000 (2021: £227,000).

24. Called up share capital

Group and Company	2022 £000	2021 £000
Authorised, called up and fully paid		
70,000,000 ordinary shares of £0.01 each	**700**	700
	700	700

Share premium
The share premium account relates to the premium paid on 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.

25. 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 £20,354,000 (2021: £14,620,000) bank borrowings of its subsidiary companies.

26. Financial instruments

26 (a) Fair values of financial instruments

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

Group

	2022 £000	2021 £000
Financial assets held at amortised cost		
Trade receivables	**47,206**	44,365
Cash and cash equivalents	**5,511**	4,968
	52,717	49,333
Financial liabilities measured at amortised cost		
Trade payable	**43,836**	36,093
Accruals	**9,577**	7,676
Invoice discounting advances	**20,354**	14,620
Obligations under lease liabilities	**28,749**	24,636
	102,516	83,025

Financial instruments – IFRS 9
The Group holds a financial asset instrument, being trade receivables.

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

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

Financial instruments measured at fair value through profit and loss
IFRS 9 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).

All financial instruments for the year ended 31 October 2022 were categorised as level 1. For the year ended 31 October 2021 a put option liability was categorised as level 3. On admission to AIM the put option liability was extinguished in full.

Liabilities – level 3	**2022 £000**	2021 £000
Opening balance	-	5,410
Release on IPO to the statement of profit and loss	-	(5,410)
Closing balance	-	-

26. Financial instruments continued

26 (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 9% 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.

2022	Gross £000	Impairment £000	Net £000
Current	37,087		37,087
31-60 days from invoice	9,062		9,062
61-90 days from invoice	1,902	(845)	1,057
90+ days	1,243	(1,243)	-
	49,294	**(2,088)**	**47,206**

The maximum Group exposure to credit risk in the year ended 31 October 2022 was £47,206,000 (2021: £44,365,000) 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.

The bad debt expense for the year ended was 0.16% of Group revenue. The prior financial year the annual bad debt expense had been c.0.34% of Group revenue, higher due to the lower level of turnover as a result of COVID-19 restrictions. Applying the historic factor would result in a provision of c.£1,712,000 for the year ended 31 October 2022.

The impairment charge on trade receivables in the 12 month period ended 31 October 2022 was £871,000 (note 5). Whilst the Directors are confident no single trade receivable will have a material impact on the Group's cash flow, they continue to take a prudent approach in relation to provisioning as the UK economy faces a challenge in 2023 as a result of the cost of living increases.

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.

Group	2022 £000	2021 £000
At beginning of the year	**2,017**	2,011
Provided during the year	**871**	1,288
Added on acquisition	**19**	-
Utilised during the year	**(819)**	(1,282)
At the end of the year	**2,088**	2,017

26. Financial instruments continued

26 (c) Liquidity risk

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

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

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

Group 2022	Carrying amount £000	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Trade payables	**43,836**	43,836	43,836	-	-	-
Accruals	**9,577**	9,577	9,577	-	-	-
Lease liabilities	**28,749**	37,686	6,741	5,028	8,828	17,089
Invoice discounting advances*	**20,354**	20,354	20,354	-	-	-
	102,516	111,453	80,508	5,028	8,828	17,089

Group 2021	Carrying amount £000	Contractual cashflow £000	1 year or less £000	1-2 years £000	2-5 years £000	More than 5 years £000
Financial liabilities						
Trade payables	**36,093**	36,093	36,093	-	-	-
Accruals	**7,676**	7,676	7,676	-	-	-
Lease liabilities	**24,636**	31,571	5,697	5,129	7,754	12,991
Invoice discounting advances*	**14,620**	14,620	14,620	-	-	-
	83,025	89,960	64,086	5,129	7,754	12,991

* Both the invoicing discounting and bank trade loan facilities are revolving. The invoice discounting facility is available up to £38,000,000 of drawn down and is available until 2025. 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.

26. Financial instruments continued

26 (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	
	2022	2021
Fixed rate instruments	£000	£000
Financial liabilities	**(28,749)**	(24,636)
	(28,749)	(24,636)
Variable rate instruments	**2022**	2021
Financial liabilities	**(20,354)**	(14,620)
	(20,354)	(14,620)

Sensitivity analysis
An increase of 25 basis points in interest rates throughout the year 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 year:

	2022	2021
	£000	£000
Profit or loss decreases	**51**	37

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

26 (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 leasing related borrowings of £28,749,000 (2021: £24,636,000), cash and cash equivalents of £5,511,000 (2021: £4,968,000), an invoice discounting facility with a limit of £38,000,000 drawn at £20,354,000 (2021: £14,620,000), a trade loan facility with a limit of £8,000,000 drawn at nil (2021:£nil) and equity attributable to the equity holders of the Group of £71,887,000 (2021: £61,584,000).

The capital structure is reviewed regularly by the Directors. The Group's policy is to maintain gearing at levels appropriate to the business and its funders. The Directors take consideration of gearing by reference to the leverage calculating including IFRS 16 lease liability and without. 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.

The Group has headroom on it's working capital facilities of £23,100,000 at the year end (2021: £28,400,000).

27. 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 (Northern) 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, M.J. Baker Foodservice 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 the prior year in relation to the former debenture holders (Pricoa Capital Group) are disclosed in notes 8 and 20.

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 year amounts to £942,439 (FY21: £714,114) in respect of short-term employment benefits, £nil (FY21: £nil) in respect of past-employment benefits and £nil (FY21: £nil) in respect of termination benefits.

28. 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.

29. Post balance sheet events

Post year end the Group completed the acquisition of the entire ordinary share capital of Westcountry Food Holdings Limited for total consideration of £28,500,000. The acquired balance sheet included cash and cash equivalents of £8,983,000. The business was acquired as part of the Group's growth strategy and will be incorporated into the existing Foodservice division.

Significant control was obtained through the acquisition of 100% of the share capital.

The fair values of the assets and liabilities acquired, intangible assets recognised and the associated goodwill arising from the acquisition are still under review at the point of signing these financial statements.

The acquisition was funded through a new £20,000,000 Revolving Credit Facility and headroom on existing bank facilities. The new and existing bank facilities have an expiry of December 2025.

ALTERNATIVE PERFORMANCE MEASURE GLOSSARY

This report provides alternative performance measures ("APMs"), which are not 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.

APMs may not be comparable with similarly titled measures presented by other companies. As such APMs should not be viewed in isolation but as supplementary information.

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	FY22 £000	FY21 £000
Total operating profit		**20,375**	6,398
CPO income	4	**-**	(2,255)
Restructuring costs	5	**-**	1,257
Acquisition expenses	5	**148**	181
Compensation for post combination services	5	**95**	1,278
Share based payment expense	5	**863**	227
Adjusted operating profit		**21,481**	7,086

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	FY22 £000	FY21 £000
Total operating profit		**20,375**	6,398
Amortisation of intangible assets	11	**99**	150
Depreciation	12,13	**7,897**	7,817
CPO income	4	**-**	(2,255)
Restructuring costs	5	**-**	1,257
Acquisition expenses	5	**148**	181
Compensation for post combination services	5	**95**	1,278
Share based payment expense	5	**863**	227
Adjusted EBITDA		**29,477**	15,053

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.

	FY22 £000	FY21 £000
Net cash inflow from operating activities	**26,525**	7,916
Tax paid	4,005	2,432
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)	**30,530**	13,273
Movement in working capital	(1,373)	2,418
Cash flow from operating activities pre tax and compensation for post combination services and movement in working capital (2)	**29,157**	15,691
Pre tax operational cash conversion (1) divided by (2)	**105%**	85%

ALTERNATIVE PERFORMANCE MEASURE GLOSSARY - CONTINUED

Alternative performance measure	Definition and purpose
After tax return on invested capital	Represents adjusted profit after tax as a proportion of invested capital. This measure informs the Board of how effective the Group is in generating returns from the capital invested.

	FY22 £000	FY21 £000
Adjusted operating profit	**21,481**	7,086
Operating lease interest	**(1,427)**	(1,239)
	20,054	5,847
Tax charge at effective rate of tax of 18% (FY21: 20%)	**(3,690)**	(1,172)
Adjusted operating profit after tax (1)	**16,364**	4,675
Invested capital comprising:		
Invoice discounting advances	**20,354**	14,620
Lease liabilities	**28,749**	24,636
Share capital	**700**	700
Share premium	**64,183**	64,183
Less cash at bank and in hand	**(5,511)**	(4,968)
Total invested capital (2)	**108,475**	99,171
After tax return on invested capital (1) divided by (2)	**15%**	5%

Alternative performance measure	Definition and purpose
Leverage	Management assess leverage by reference to adjusted EBITDA against net debt including and excluding IFRS 16 lease liabilities and including the liability for post combination services held within other creditors. This indicates how much income is available to service debt before interest, tax, depreciation and amortisation.

	Note	FY22 £000	FY21 £000
Adjusted EBITDA (1)		**29,477**	15,053
Invoice discounting advances	20	**20,354**	14,620
Lease liabilities	20	**28,749**	24,636
Liability for post combination services		**807**	712
Cash at bank and in hand	18	**(5,511)**	(4,968)
Net debt (2)		**44,399**	35,000
Leverage (including IFRS 16 debt) (2) divided by (1)		**1.5x**	2.3x
IFRS 16 lease liabilities		**(25,902)**	(21,632)
Net debt excluding IFRS 16 lease liabilities (3)		**18,497**	13,368
Leverage (excluding IFRS 16 lease debt) (3) divided by (1)		**0.6x**	0.9x

ALTERNATIVE PERFORMANCE MEASURE GLOSSARY

Alternative performance measure	Definition and purpose
Reconciliation between existing and acquired operating profit for the year	

	Note	Existing operations £000	Acquisitions £000	Total year ended 31 October 2022 £000	Year ended 31 October 2021 £000
Revenue	3	484,800	18,288	**503,088**	380,694
Cost of sales		(387,951)	(12,509)	**(400,460)**	(312,109)
Gross profit		96,849	5,779	**102,628**	68,585
Other operating income	4	340	34	**374**	4,771
Distribution expenses		(41,816)	(2,194)	**(44,010)**	(31,203)
Administrative expenses		(37,203)	(1,414)	**(38,617)**	(35,755)
Operating profit		18,170	2,205	**20,375**	6,398
Analysed as:					
Adjusted EBITDA		26,955	2,522	**29,477**	15,053
Amortisation of intangible assets	11	(99)	-	**(99)**	(150)
Depreciation	12,13	(7,580)	(317)	**(7,897)**	(7,817)
CPO income	4	-	-	**-**	2,255
Restructuring costs	5	-	-	**-**	(1,257)
Acquisition expenses	5	(148)	-	**(148)**	(181)
Compensation for post combination services	5	(95)	-	**(95)**	(1,278)
Share based payment expense	5	(863)	-	**(863)**	(227)
Total operating profit		18,170	2,205	**20,375**	6,398

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