

4 July 2023

Kitwave Group plc

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

Unaudited interim results for the six months ended 30 April 2023

Kitwave Group plc (AIM: KITW), the delivered wholesale business, is pleased to announce its unaudited interim results for the six months ended 30 April 2023 ("the period" or "H1 2023").

The tables and commentary below include comparatives for both the six months ended 30 April 2022 (H1 2022) and the 12 months ended 31 October 2022 (FY 2022).

Highlights

- Revenues up 23% to £275.0 million (*H1 2022: £223.3 million; FY 2022: £503.1 million*).
- Consolidated gross margin improved to 21.6% (*H1 2022: 19.8%; FY 2022: 20.4%*).
- Profit before tax increased by 48% to £8.3 million (*H1 2022: £5.6 million; FY 2022: £17.8 million*).
- Cash generation from operating activities of £11.7 million (*H1 2022: £17.1 million; FY 2022: £26.5 million*) leading to pre-tax operational cash conversions of 87% (*H1 2022: 166%; FY 2022: 105%*).
- Trading since the period end has been strong across all divisions and ahead of Board expectations at the time of the trading update released in May 2023. The Board anticipates that the Group's results for the full financial year will therefore be ahead of market expectations that were established at the start of the financial year.
- Successful integration of Westcountry Food Holdings Ltd ("WestCountry"), a specialist fresh produce wholesaler to the foodservice sector, acquired in December 2022, which complements the Group's existing Foodservice division and enables further expansion into the South West following the Group's acquisition of M.J. Baker Foodservice Limited ("M.J. Baker") in February 2022.
- Appointment of Teresa Octavio as an additional Non-Executive Director to the Board in February 2023.
- The Board has declared an interim dividend of 3.75 pence per share for the six months to 30 April 2023. This dividend will be paid on 4 August 2023 to shareholders on the register at the close of business on 14 July 2023 and the ex-dividend date will be 13 July 2023.

Post-period end

- Construction of a new 80,000 sq. ft distribution site to fully integrate the Group's South West foodservice operations commenced in June 2023 with a planned completion of Q3 2024.

Financial summary

	H1 2023 Unaudited £m	H1 2022 Unaudited £m	FY 2022 Audited £m
Revenue	275.0	223.3	503.1
Gross profit	59.3	44.1	102.6
<i>Gross profit margin %</i>	<i>21.6%</i>	<i>19.8%</i>	<i>20.4%</i>
Operating profit	10.2	6.7	20.4
<i>Operating margin %</i>	<i>3.7%</i>	<i>3.0%</i>	<i>4.1%</i>
Profit before tax	8.3	5.6	17.8
Net cash inflow from operating activities	11.7	17.1	26.5
Pre-tax operational cash conversion *	87%	166%	105%

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

Paul Young, Chief Executive Officer of Kitwave, commented:

“We are pleased to report continued strong progress across the Group in the six months ended 30 April 2023. With trading in the wholesale sector typically weighted towards the second half of the year, we are confident that this positive momentum will continue throughout 2023, and results for the full financial year will be ahead of market expectations that were established at the start of the financial year.

“A significant highlight during the period was the Group’s successful acquisition and integration of WestCountry into our Foodservice division, where we are now able to deliver high-quality fresh produce throughout the South West. This acquisition demonstrates the strong results that can be achieved when taking advantage of the considerable opportunities available in the UK’s fragmented wholesale market.

“We believe that our unwavering focus on operational efficiency, strategic investments, and customer satisfaction, means we are well placed to drive sustainable growth, both organically and through acquisitions to deliver value for the Group and its shareholders.”

- Ends -

For further information please contact:

Kitwave Group plc

Paul Young, Chief Executive Officer

David Brind, Chief Financial Officer

www.kitwave.co.uk

Tel: +44 (0) 191 259 2277

Canaccord Genuity Limited

(Nominated Adviser and Sole Broker)

Bobbie Hilliam

Tel: +44 (0) 20 7523 8150

Yellow Jersey PR

(Financial media and PR)

Sarah Hollins / Shivantha Thambirajah / Bessie Elliot

Tel: +44 (0) 20 3004 9512

Company Overview

Founded in 1987, following the acquisition of a single-site confectionery wholesale business based in North Shields, United Kingdom, Kitwave is a delivered wholesale business, specialising in selling and delivering impulse products, frozen, chilled and fresh foods, alcohol, groceries and tobacco to approximately 42,000, mainly independent, customers.

With a network of 29 depots, Kitwave is able to support delivery throughout the UK to a diverse customer base, which includes independent convenience retailers, leisure outlets, vending machine operators, foodservice providers and other wholesalers, as well as leading national retailers.

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

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

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

Chief Executive Officer's statement

Introduction

I am pleased to report the Group's interim results for the six months ended 30 April 2023. Despite the challenging macroeconomic conditions facing the wider industry, Kitwave has delivered a strong performance and has increased revenues across all divisions of the business. While commodity-led price inflation contributed significantly to the increased revenues, volume as measured by cases delivered has also increased compared to H1 2022.

During the period, our acquisition growth strategy continued to deliver as we welcomed Westcountry Food Holdings Ltd ("WestCountry") into the Group. The acquisition has enabled us to expand our product range to include high-quality fresh produce to complement our existing presence in the South West. The integration of WestCountry into the Group has been successful, and the business is performing in line with our expectations.

Due to the seasonal nature of the wholesale business trading is weighted to the second half of the financial year. We remain confident that the positive momentum seen in the first six months will continue throughout 2023.

Financial summary

In the six months to 30 April 2023, the Group achieved revenue of £275.0 million (*H1 2022: £223.3 million*), resulting in a 52% increase in operating profit to £10.2 million (*H1 2022: £6.7 million*).

	H1 2023 Unaudited £m	H1 2022 Unaudited £m	FY 2022 Audited £m
Revenue	275.0	223.3	503.1
Gross profit	59.3	44.1	102.6

<i>Gross profit margin %</i>	21.6%	19.8%	20.4%
Operating profit	10.2	6.7	20.4
<i>Operating margin %</i>	3.7%	3.0%	4.1%

Cash generation remained strong in the period with £11.7 million generated from operating activities.

The net cash outflow relating to the acquisition of WestCountry was £19.6 million after taking into account cash and overdrafts acquired. No further cash outflows in relation to the transaction are expected. The acquisition was funded by a new £20.0 million revolving credit facility that was drawn in full on the date of the acquisition.

Allowing for cash outflows to satisfy debt service payments and dividends paid, the Group's cash and cash equivalents decreased by £2.2 million during the period. The majority of this cash absorption is due to an increase in working capital, with £1.3 million of this relating to an outflow in working capital in WestCountry post-acquisition as part of the normal annual cycle from a seasonal low point in December 2022. Excluding this part-year effect in WestCountry the Group achieved the targeted 95% pre-tax operational cash conversion.

The Group's balance sheet as of 30 April 2023 had equity reserves of £74.0 million (*30 April 2022: £63.3 million; 31 October 2022: £71.9 million*) and net debt of £64.4 million (*30 April 2022: £47.4 million; 31 October 2022: £44.4 million*). The increase in debt relates to a new £20.0 million banking facility utilised for the acquisition of WestCountry.

The acquisition of WestCountry resulted in an increase in Goodwill of £14.4 million to £58.7 million (*30 April 2022: £44.3 million; 31 October 2022: £44.3 million*) and an increase in intangible assets in the form of brand and customer relationships of £5.0 million. The amortisation associated with these intangible assets was £0.4 million in the period.

The increase in debt of £20.0 million since the year-end 31 October 2022 relates to the net cash outflow from the acquisition. Leverage has increased to 1.9x since the year end and interest costs have increased accordingly. It is expected that the strong continued cash generation nature of the Group will drive the principal debt down during the remainder of the current financial year. The Board is committed to maintaining a prudent leverage policy moving forward.

Divisional summary

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

	H1 2023 Unaudited £m	H1 2022 Unaudited £m	FY 2022 Audited £m
Group revenue	275.0	223.3	503.1
<i>Ambient</i>	<i>98.1</i>	<i>87.0</i>	<i>185.1</i>
<i>Frozen & Chilled</i>	<i>96.1</i>	<i>82.0</i>	<i>193.8</i>
Retail & wholesale	194.2	169.0	378.9
Foodservice	80.8	54.3	124.2
Corporate	-	-	-

Group adjusted operating profit**	11.7	7.3	21.5
<i>Ambient</i>	3.8	2.6	6.8
<i>Frozen & chilled</i>	1.8	1.7	6.4
Retail & wholesale	5.6	4.3	13.2
Foodservice	6.1	3.1	8.9
Corporate	0.0	(0.1)	(0.6)

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

The Group has demonstrated significant growth in both revenue and operating profit during the period, with a 23% increase in revenue to £275.0 million (*H1 2022: £223.3 million*) and a 52% increase in operating profit to £10.2 million (*H1 2022: £6.7 million*). Group adjusted operating profit increased by 60% to £11.7 million (*H1 2022: £7.3 million*).

The Group's gross profit margin increased to 21.6% (*H1 2022: 19.8%*) representing both margin improvements within divisions and the fact that a higher proportion of Group revenue is generated by the Foodservice division compared to H1 2022 reflecting the impact of recent acquisitions.

Excluding the acquisition of WestCountry revenue grew by 17% and adjusted operating profit by 46% compared to H1 2022.

The Group's cost base has been affected by inflationary pressures, with the majority of increases being reflected in labour and delivery-based costs. We are continually striving to mitigate such cost increases and as a result, the ratio of distribution costs to revenue is only slightly ahead of the prior period. It is expected that these cost pressure increases will ease over time, as we anticipate lower levels of fuel pricing and lower wage inflation compared to the last 18 months.

Retail & wholesale division

The Group's Ambient and Frozen & Chilled product businesses 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 revenue increase by 15% to £194.2 million (*H1 2022: £169.0 million*).

The retail & wholesale businesses performed ahead of expectations during the period. The division benefitted from the continued focus on gross margin improvement and operational efficiency workstreams designed to reduce the cost to serve our customer base, which together have generated an improvement in our operating profit percentage compared to H1 2022. Inflation in the marketplace contributed to an increase in revenue and gross profit which assisted in covering any operating cost-based inflation.

Foodservice division

In December 2022, the division acquired the entire issued share capital of Westcountry Food Holdings Ltd.

The acquisition of WestCountry has enabled the Group to expand its product range to include high-quality fresh produce in the South West. This complements Kitwave's existing foodservice offering in the region, following the acquisition of M.J. Baker Foodservice Limited ("M.J. Baker") in 2022.

The division saw revenue increase by 49% to £80.7 million (*H1 2022: £54.3 million*). Excluding the acquisition of WestCountry, revenue increased by £13.7 million representing 25% growth compared to H1 2022. This also included the full period effect of M.J. Baker which was acquired in February 2022.

Overall, the division traded ahead of expectations for the period, as customer numbers and volumes have not to date been materially impacted by the cost-of-living crisis. The demand for affordable socialising and eat-out occasions coupled with the defensive nature of care homes and volumes from educational establishments have served to maintain customer numbers and volumes. While the division, like the rest of the Group, suffered some operating cost-based inflation, the improvement in gross margins and overall close control of costs ensured an improved operating profit percentage.

Operational review

Following the investment in the Group's new web-based trading platform, it has been rolled out across all businesses and utilisation of the platform has increased month on month. Electronic and online order capture now stands at 44% with average order values compared to more traditional methods of order taking remaining 8% ahead due to the additional e-commerce functionalities that the web platform offers. The brand owner engagement has been positive with a large proportion of our brand partners developing mutually beneficial ecommerce partnerships resulting in an improved customer experience and sales offering.

The acquisition of WestCountry together with M.J. Baker creates an opportunity to fully integrate the Group's South West operations and, in order to do this a new design and build 80,000 sq. ft distribution site has been acquired on a leasehold. The construction of the unit commenced in June 2023 with a planned completion of Q3 2024. The integrated site will be able to offer a full Kitwave wide product offering with a complete food service range, ice cream, fresh produce, and on-trade into the South West customer base. This is an important step for the Group as the infrastructure will drive organic growth opportunities within the Foodservice division. It is expected that the cost of the new build will be cash neutral with the planned disposal of the existing freehold property occupied by M.J. Baker.

We are also pleased that Tom Johnson, who joined the Group as Health & Safety Director in early 2022, has brought improvements to the Group's health and safety function and culture alongside launching the new Kitwave health and safety digital compliance and reporting platform. The role underlines the Group's commitment to colleague safety and will drive that element of the Group's environmental, social and governance (ESG) agenda.

Our commitment to carbon reduction is further demonstrated by the Group's latest investment in solar with a new PHEV scheme at the Luton distribution centre being installed in 2023.

In February 2023, the Group was delighted to welcome our new Non-Executive Director, Teresa Octavio, to the Board. Teresa has brought significant expertise from her experience in a host of different executive roles in global businesses, including Kantar Consulting and consumer-facing multinationals Diageo plc and Procter & Gamble.

Strategy

We remain focused on executing our strategy, which targets both organic growth and growth through acquisition. In line with this strategy, the successful acquisition during the period of WestCountry is our 12th wholesale distributor integrated into the Group since 2011. We will continue to look for well-regarded, financially-sound businesses with established operations and a similar ethos to Kitwave.

Dividend

The final dividend of 6.75 pence per share for the financial year ended 31 October 2022 was paid on 28 April 2023.

The Board is pleased to declare an interim dividend of 3.75 pence per share (*H1 2022: 2.50 pence per share*) for the six months to 30 April 2023. It will be paid on 4 August 2023 to shareholders on the register at the close of business on 14 July 2023 and the ex-dividend date will be 13 July 2023.

Summary and outlook

During the period, the Group continued to deliver strong progress across all the core businesses, reflecting our focus on providing an exceptionally high standard of service to our customers through investment in systems, processes, and service offerings.

Trading since the period end has continued to be ahead of expectations. This is through a combination of strong order volumes, sustained commodity price inflation, the determination to maintain and improve gross margins and continued operational cost control.

The recent WestCountry acquisition broadened our provision of high-quality fresh produce in the South West and has been successfully integrated into our Foodservice division. We will continue to execute our buy-and-build strategy through further targeted acquisitions, which we feel complements Kitwave's current offering to our customer base.

Although trading in the wholesale sector is typically weighted towards the second half of the year and being mindful of the continuing wider macroeconomic challenges, we remain confident that the positive momentum seen in the first six months of the year will continue throughout 2023, and results for the full financial year will be ahead of the market expectations established at the start of the financial year.

We have built an excellent platform for growth within the UK wholesale market. With our focused growth strategy, both organically and through acquisitions, we believe that we are well-placed to deliver value for the Group and its shareholders.

Paul Young

Chief Executive Officer

4 July 2023

Condensed consolidated statement of profit and loss and other comprehensive income

	Note	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Revenue	3	274,950	223,312	503,088
Cost of sales		(215,621)	(179,195)	(400,460)
Gross profit		59,329	44,117	102,628
Other operating income	4	157	42	374
Distribution expenses		(26,262)	(19,351)	(44,010)
Administrative expenses		(23,008)	(18,119)	(38,617)
Operating profit		10,216	6,689	20,375
<i>Analysed as:</i>				
Adjusted EBITDA		16,017	11,125	29,477
Amortisation of intangible assets	5	(66)	(45)	(99)
Amortisation of intangible assets arising on acquisition	5	(383)	-	-
Depreciation	5	(4,210)	(3,764)	(7,897)
Acquisition expenses	5	(648)	(148)	(148)
Compensation for post combination services	5	(48)	(48)	(95)
Share based payment expense	5	(446)	(431)	(863)
Total operating profit		10,216	6,689	20,375
Finance expenses		(1,956)	(1,126)	(2,534)
<i>Analysed as:</i>				
Interest payable on bank loans and bank facilities		(1,190)	(443)	(1,105)
Finance charges on leases		(766)	(683)	(1,427)
Other interest		-	-	(2)
Financial expenses		(1,956)	(1,126)	(2,534)
Profit before tax		8,260	5,563	17,841
Tax on profit on ordinary activities		(1,901)	(1,136)	(3,501)
Profit for the financial period		6,359	4,427	14,340
Other comprehensive income		-	-	-
Total comprehensive income for the period		6,359	4,427	14,340
Basic earnings per share (pence)	6	9.1	6.3	20.5
Diluted earnings per share (pence)	6	8.7	6.3	20.5

Condensed consolidated balance sheet

	30 April 2023 Unaudited £000	30 April 2022 Unaudited £000	31 October 2022 Audited £000
Non-current assets			
Goodwill	58,680	44,342	44,342
Intangible assets	5,384	535	737
Tangible assets	16,404	13,100	13,037
Right-of-use assets	26,575	27,346	26,452
Investments	45	35	35
	<u>107,088</u>	<u>85,358</u>	<u>84,603</u>
Current assets			
Inventories	45,769	39,718	31,846
Trade and other receivables	65,388	63,783	57,698
Cash and cash equivalents	3,288	6,111	5,511
	<u>114,445</u>	<u>109,612</u>	<u>95,055</u>
Total assets	<u>221,533</u>	<u>194,970</u>	<u>179,658</u>
Current liabilities			
Other interest bearing loans and borrowings	(16,816)	(23,420)	(20,354)
Lease liabilities	(5,899)	(5,204)	(5,509)
Trade and other payables	(77,767)	(77,656)	(57,891)
Tax payable	(973)	(573)	(62)
	<u>(101,455)</u>	<u>(106,853)</u>	<u>(83,816)</u>
Non-current liabilities			
Other interest bearing loans and borrowings	(20,000)	-	-
Lease liabilities	(24,092)	(24,097)	(23,240)
Deferred tax liabilities	(2,019)	(728)	(715)
	<u>(46,111)</u>	<u>(24,825)</u>	<u>(23,955)</u>
Total liabilities	<u>(147,566)</u>	<u>(131,678)</u>	<u>(107,771)</u>
Net assets	<u>73,967</u>	<u>63,292</u>	<u>71,887</u>
Equity attributable to equity holders of the Parent Company			
Called up share capital	700	700	700
Share premium account	64,183	64,183	64,183
Consolidation reserve	(33,098)	(33,098)	(33,098)
Share based payment reserve	1,536	658	1,090
Retained earnings	40,646	30,849	39,012
	<u>73,967</u>	<u>63,292</u>	<u>71,887</u>
Equity	<u>73,967</u>	<u>63,292</u>	<u>71,887</u>

Condensed consolidated statement of change in equity

	Called up share capital £000	Share premium account £000	Consolidation reserve £000	Share based payment reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 November 2021 (audited)	700	64,183	(33,098)	227	29,572	61,584
<i>Total comprehensive income for the 6 month period</i>						
Profit	-	-	-	-	4,427	4,427
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the 6 month period	-	-	-	-	4,427	4,427
<i>Transaction with owners, recorded directly in equity</i>						
Dividends	-	-	-	-	(3,150)	(3,150)
Share based payment expense	-	-	-	431	-	431
Total contribution by and transactions with the owners	-	-	-	431	(3,150)	(2,719)
Balance at 30 April 2022 (unaudited)	700	64,183	(33,098)	658	30,849	63,292
<i>Total comprehensive income for the 6 month period</i>						
Profit	-	-	-	-	9,913	9,913
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the 6 month period	-	-	-	-	9,913	9,913
<i>Transaction with owners, recorded directly in equity</i>						
Dividends	-	-	-	-	(1,750)	(1,750)
Share based payment expense	-	-	-	432	-	432
Total contribution by and transactions with the owners	-	-	-	432	(1,750)	(1,318)
Balance at 31 October 2021 (audited)	700	64,183	(33,098)	1,090	39,012	71,887
<i>Total comprehensive income for the 6 month period</i>						
Profit	-	-	-	-	6,359	6,359
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the 6 month period	-	-	-	-	6,359	6,359
<i>Transaction with owners, recorded directly in equity</i>						
Dividends	-	-	-	-	(4,725)	(4,725)
Share based payment expense	-	-	-	446	-	446
Total contribution by and transactions with the owners	-	-	-	446	(4,725)	(4,279)
Balance at 30 April 2023 (unaudited)	700	64,183	(33,098)	1,536	40,646	73,967

Condensed consolidated cash flow statement

Note	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Cash flow from operating activities			
Profit for the period	6,359	4,427	14,340
<i>Adjustments for:</i>			
Depreciation and amortisation	4,659	3,809	7,996
Financial expense	1,956	1,126	2,534
Profit on sale of property, plant and equipment	(156)	(39)	(164)
Net gain on remeasurement of right-of-use assets and lease liabilities	(1)	-	(8)
Compensation for post combination services	48	48	95
Equity settled share based payment expense	446	431	863
Taxation	(1,901)	1,136	3,501
	<hr/>	<hr/>	<hr/>
	15,212	10,938	29,157
(Increase) in trade and other receivables	(5,555)	(8,993)	(2,909)
(Increase) in inventories	(12,912)	(12,040)	(4,168)
Increase in trade and other payables	16,489	28,260	8,450
	<hr/>	<hr/>	<hr/>
	13,234	18,165	30,530
Tax paid	(1,528)	(1,115)	(4,005)
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	11,706	17,050	26,525
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of property, plant and equipment	(1,629)	(1,140)	(2,608)
Proceeds from sale of property, plant and equipment	269	108	308
Acquisition of subsidiary undertakings (including overdrafts and cash acquired)	2	(16,914)	(16,914)
	<hr/>	<hr/>	<hr/>
Net cash outflow from investing activities	(20,953)	(17,946)	(19,214)
	<hr/>	<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from new loan	20,000	-	-
Net movement in invoice discounting	(3,538)	4,300	5,734
Interest paid	(1,522)	(1,126)	(2,534)
Net movement in bank trade loans	-	4,500	-
Payment of lease liabilities	(3,191)	(2,485)	(5,068)
Dividends paid	(4,725)	(3,150)	(4,900)
	<hr/>	<hr/>	<hr/>
Net cash inflow/(outflow) from financing activities	7,024	2,039	(6,768)

<i>Note</i>	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Net (decrease)/increase in cash and cash equivalents	(2,223)	1,143	543
Opening cash and cash equivalents	5,511	4,968	4,968
Cash and cash equivalents at period end	3,288	6,111	5,511

Notes

1 Accounting policies

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

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

The condensed consolidated financial information presented in this statement for the six months ended 30 April 2023 and the comparative figures for the six months ended 30 April 2022 are unaudited.

The condensed consolidated financial information does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 October 2022 have been delivered to the Registrar of Companies and the report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

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

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

The unaudited consolidated interim financial information has been prepared under the historical cost convention and in accordance with the recognition and measurement requirements of UK-Adopted International Accounting Standards. The condensed consolidated interim financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should therefore be read in conjunction with the Group's Annual Report for the year ended 31 October 2022, which has been prepared in accordance with UK-Adopted International Accounting Standards and is available on the Group's investor website.

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

1.1 *Critical accounting estimates and judgements*

The critical accounting estimates and judgements affecting the Group are unchanged from those set out in the Group's last annual consolidated financial statements for the year ended 31 October 2022.

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

1.2 *Accounting policies*

The accounting policies applied in preparing the condensed consolidated interim financial information are the same as those applied in the preparation of the consolidated financial statements for the year ended 31 October 2022, as described in those financial statements.

2 Acquisitions

Acquisitions in the 6 month period ended 30 April 2023

Westcountry Food Holdings Ltd

On 9 December 2022, the Group acquired the entire share capital of Westcountry Food Holdings Ltd for a total consideration of £28,485,811. After recognition of acquired intangible assets and associated deferred tax liabilities, the resulting goodwill of £14,338,000 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:

	Book value	Recognised on	Fair value
	£000	acquisition	£000
		£000	
Non-current assets			
Tangible assets	2,146	-	2,146
Intangible assets	-	4,992	4,992
Right-of-use assets	262	-	262
Investments	7	-	7
Current assets			
Inventories	1,011	-	1,011
Trade and other receivables	2,135	-	2,135
Cash and cash equivalents	8,893	-	8,893
Total assets	14,454	4,992	19,446
Current liabilities			
Lease liabilities	(49)	-	(49)
Trade and other payables	(2,908)	-	(2,908)
Corporation tax	(453)	-	(453)
Non-current liabilities			
Lease liabilities	(499)	-	(499)
Deferred tax liabilities	(163)	(1,226)	(1,389)
Total liabilities	(4,072)	(1,226)	(5,298)
Net identifiable assets and liabilities	10,382	3,766	14,148
Goodwill			14,338
Total net assets acquired			28,486
Headline purchase consideration			29,000
Net asset adjustment refunded			(514)
Purchase consideration paid			28,486
Cash acquired			(8,893)
Purchase consideration net of cash acquired			19,593

The business and its trading subsidiary, Westcountry Fruit Sales Limited, were acquired as part of the Group's growth strategy. Significant control was obtained through the acquisition of 100% of the share capital of Westcountry Food Holdings Ltd.

An independent valuation was performed to identify the intangible assets on acquisition per IFRS 3. As a result of this valuation, intangible assets in relation to brand and customer relationships were identified, and recognised, with attributable fair values of £260,000 and £4,732,000 respectively. The recognition of these intangible assets resulted in deferred tax liabilities of £63,000 for the brand intangible and £1,163,000 for the customer intangible also being recognised at acquisition.

The acquired undertakings made a profit of £3,479,000 from the beginning of its financial year on 2 January 2022 to the date of acquisition. In its previous financial year for the year ended 1 January 2022 the profit after tax was £3,112,000.

Following acquisition, the business contributed revenue of £12,714,000 and operating profit of £674,000 to the Group for the six months ended 30 April 2023.

If the business had been acquired at the start of the Group's financial period, being 1 November 2021, it would have added £14,897,000 to Group revenue and £790,000 to Group operating profit for the six months ended 30 April 2023.

On acquisition an independent assessment was made regarding the fair value of tangible assets which includes two freehold properties. The result of this independent assessment was no change to the net book value held in Westcountry Food Holdings Ltd's accounts.

3 Segmental information

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

The Group has the following operating segments:

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

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

These segments offer different products and services to different customer 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 is now being monitored whilst demonstrating the link to the previously reported segmental information for reference.

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 period.

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

3 Segmental information (continued)

Six months ended 30 April 2023	Ambient £000	Frozen & Chilled £000	Total retail & wholesale £000	Foodservice £000	Corporate £000	Total £000
Revenue	98,124	96,096	194,220	80,730	-	274,950
Inter-segment revenue	6,925	1,334	8,259	322	-	8,581
Segment revenue	105,049	97,430	202,479	81,052	-	283,531
Adjusted EBITDA*	4,689	3,764	8,453	7,461	103	16,017
Amortisation of intangibles	-	(40)	(40)	(3)	(23)	(66)
Depreciation	(822)	(1,944)	(2,766)	(1,398)	(46)	(4,210)
Adjusted operating profit*	3,867	1,780	5,647	6,060	34	11,741
Amortisation of intangible assets arising on acquisition	-	-	-	-	(383)	(383)
Acquisition expense	-	-	-	-	(648)	(648)
Compensation for post combination services	-	(48)	(48)	-	-	(48)
Share based payment expense	-	-	-	-	(446)	(446)
Interest expense	(433)	(623)	(1,056)	(355)	(565)	(1,956)
Segment profit/(loss) before tax	3,434	1,109	4,543	5,725	(2,008)	8,260
Segment assets	43,807	65,532	109,339	46,140	66,054	221,533
Segment liabilities	(32,356)	(58,449)	(90,805)	(31,605)	(25,156)	(147,566)
Segment net assets	11,451	7,083	18,534	14,535	40,898	73,967

Within Corporate assets is £58,680,000 of goodwill on consolidation. This is allocated to the trading segments as follows:

Goodwill by segment	13,516	12,499	26,015	32,665	-	58,680
----------------------------	---------------	---------------	---------------	---------------	----------	---------------

3 Segmental information (continued)

Six months ended 30 April 2022	Ambient £000	Frozen & Chilled £000	Total retail & wholesale £000	Foodservice £000	Corporate £000	Total £000
Revenue	87,043	81,983	169,026	54,286	-	223,312
Inter-segment revenue	6,023	935	6,958	120	-	7,078
Segment revenue	93,066	82,918	175,984	54,406	(62)	230,390
Adjusted EBITDA*	3,428	3,612	7,040	4,147	(7)	11,125
Amortisation of intangibles	-	(32)	(32)	(6)	-	(45)
Depreciation	(779)	(1,934)	(2,713)	(1,051)	-	(3,764)
Adjusted operating profit*	2,649	1,646	4,295	3,090	(69)	7,316
Acquisition expense	-	-	-	-	(148)	(148)
Compensation for post combination services	-	(48)	(48)	-	-	(48)
Share based payment expense	-	-	-	-	(431)	(431)
Interest expense	(322)	(470)	(792)	(226)	(108)	(1,126)
Segment profit/(loss) before tax	2,327	1,128	3,455	2,864	(756)	5,563
Segment assets	42,230	68,397	110,627	39,712	44,631	194,970
Segment liabilities	(35,850)	(63,888)	(99,738)	(29,377)	(2,563)	(131,678)
Segment net assets	6,380	4,509	10,889	10,335	42,068	63,292

Within Corporate assets is £44,342,000 of goodwill on consolidation. This is allocated to the trading segments as follows:

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

3 Segmental information (continued)

Year ended 31 October 2022	Ambient £000	Frozen & Chilled £000	Total retail & wholesale £000	Foodservice £000	Corporate £000	Total £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 assets is £44,342,000 of goodwill on consolidation. This is allocated to the trading segments as follows:

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

An analysis of revenue by destination is given below:

Geographical information:

	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
United Kingdom	272,280	221,167	497,842
Overseas	2,670	2,145	5,246
Group revenue	274,950	223,312	503,088

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

4 Other operating income

	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Net gain on disposal of fixed assets	156	39	164
Net gain on foreign exchange	-	2	33
Net gain on remeasurement of right-of-use assets and lease liabilities	1	-	8
Grant income	-	1	169
	<u>157</u>	<u>42</u>	<u>374</u>

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.

5 Expenses

Included in profit/loss are the following:

	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Depreciation of tangible assets:			
Owned	1,138	1,099	1,946
Right-of-use assets	3,072	2,665	5,951
Amortisation of intangible assets	66	45	99
Amortisation of intangible assets arising on acquisition	383	-	-
Expenses relating to short term and low value assets	1,018	487	1,255
Impairment loss on trade receivables	237	475	871
Dilapidation provision	6	50	48
	<u>6,036</u>	<u>4,816</u>	<u>10,976</u>

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

	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Exceptional expenses			
Acquisition expenses	648	148	148
Compensation for post combination services	48	48	95
	<hr/>	<hr/>	<hr/>
Total exceptional expenses	696	196	243
Share based payment expense	446	431	863
	<hr/>	<hr/>	<hr/>
Total exceptional expenses and share based payments	1,142	627	1,106
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

Acquisition expenses include the legal and professional fees connected to the acquisition of Westcountry Food Holdings Ltd completed on 9 December 2022. In the six month period ended 30 April 2022 and the year ended 31 October 2021 these expenses were incurred in connection with 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 which can now be called at any time.

Share based payments relate to the Management Incentive Plan and Long term Incentive Plan and are non cash expenses.

6 Earnings per share

Basic earnings per share

Basic earnings per share for the six month period ending 30 April 2023, and the previous six month period ending 30 April 2022 and the year ended 31 October 2022 is calculated by dividing profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during each period as calculated below.

Diluted earnings per share

Diluted earnings per share for the six month period ending 30 April 2023, and the previous six month period ending 30 April 2022 and the year ended 31 October 2022 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 and for the six month period ended 31 October 2023, shares that may vest under the terms of equity incentive plans, as calculated below.

Profit attributable to ordinary shareholders

	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Profit attributable to all shareholders	6,359	4,427	14,340
	Pence	Pence	Pence
Basic earnings per ordinary share	9.1	6.3	20.5
Diluted earnings per ordinary share	8.7	6.3	20.5

Weighted average number of ordinary shares

	6 months ended 30 April 2023 Unaudited Number	6 months ended 30 April 2022 Unaudited Number	Year ended 31 October 2022 Audited Number
Weighted average number of ordinary shares (basic) during the period	70,146,766	70,000,000	70,033,033
Weighted average number of ordinary shares (diluted) during the period	72,946,766	70,000,000	70,033,033

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.

Alternative performance measure	Definition and purpose			
Existing operations	Existing operations are disclosed separately from acquisitions in the statement of profit and loss in order to provide greater comparison between the current and prior periods which do not include current period acquisitions.			
Adjusted operating profit	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.	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
	Total operating profit	10,216	6,689	20,375
	Amortisation of intangible assets arising on acquisition	383	-	-
	Acquisition expenses	648	148	148
	Compensation for post combination services	48	48	95
	Share based payment expense	446	431	863
	Adjusted operating profit	<u>11,741</u>	<u>7,316</u>	<u>21,481</u>
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.	6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
	Total operating profit	10,216	6,689	20,375
	Amortisation of intangible assets	66	45	99
	Amortisation of intangible assets arising on acquisition	383	-	-
	Depreciation	4,210	3,764	7,897
	Acquisition expenses	648	148	148
	Compensation for post combination services	48	48	95
	Share based payment expense	446	431	863

	Adjusted EBITDA	16,017	11,125	29,477
		<u> </u>	<u> </u>	<u> </u>
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 and is used to monitor liquidity by the Board.			
		6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
	Net cash inflow from operating activities	11,706	17,050	26,525
	Tax paid	<u>1,528</u>	<u>1,115</u>	<u>4,005</u>
	Cash flow from operating activities pre tax and compensation for post combination services (1)	13,234	18,165	30,530
	Movement in working capital	<u>1,978</u>	<u>(7,227)</u>	<u>(1,373)</u>
	Cash flow from operating activities pre tax and compensation for post combination services and movement in working capital (2)	15,212	10,938	29,157
	Pre tax operational cash conversion (1) divided by (2)	87%	166%	105%
		<u> </u>	<u> </u>	<u> </u>

After tax return on invested capital

Represents adjusted profit after tax for the 12 months ending on the period end date as a proportion of invested capital as at the period end date. This measure informs the Board of how effective the Group is in generating returns from the capital invested.

	30 April 2023 Unaudited £000	30 April 2022 Unaudited £000	31 October 2022 Audited £000
Adjusted operating profit	25,906	14,583	21,481
Operating lease interest	766	(683)	(1,427)
	<u>26,672</u>	<u>13,900</u>	<u>20,054</u>
Tax charge at effective rate of tax of 22.5% (FY22: 18.4%)	(6,001)	(2,558)	(3,690)
Adjusted operating profit after tax (1)	<u>20,671</u>	11,343	16,364
Invested capital comprising:			
Interest bearing loans and borrowings	36,816	23,420	20,354
Lease liabilities	29,991	29,301	28,749
Share capital	700	700	700
Share premium	64,143	64,183	64,183
Less cash at bank and in hand	(3,288)	(6,111)	(5,511)
Total invested capital (2)	<u>128,402</u>	<u>111,493</u>	<u>108,475</u>
After tax return on invested capital (1) divided by (2)	<u>16%</u>	<u>10%</u>	<u>15%</u>

Leverage (including IFRS 16 debt)

&

Leverage (excluding IFRS 16 debt)

Management assess leverage by reference to adjusted EBITDA for the 12 months ending on the period end date against net debt including and excluding IFRS 16 lease liabilities and including the liability for post combination services held within other creditors, as at the period end date. This indicates how much income is available to service debt before interest, tax, depreciation and amortisation.

	30 April 2023 Unaudited £000	30 April 2022 Unaudited £000	31 October 2022 Audited £000
Adjusted EBITDA (1)	34,369	22,344	29,477

Interest bearing loans and borrowings	36,816	23,420	20,354
Lease liabilities	29,991	29,301	28,749
Liability for post combination services	854	759	807
Cash at bank and in hand	(3,288)	(6,111)	(5,511)
Net debt (2)	64,373	47,369	44,399
Leverage (including IFRS 16 debt) (2) divided by (1)	1.9x	2.1x	1.5x
IFRS 16 lease liabilities	(26,329)	(26,459)	(25,902)
Net debt excluding IFRS 16 lease liabilities (3)	38,044	20,910	18,497
Leverage (excluding IFRS 16 lease debt) (3) divided by (1)	1.1x	0.9x	0.6x

Reconciliation between existing and acquired operating profit for the period

	<i>Note</i>	Existing operations	Acquisitions	Total 6 months ended 30 April 2023 Unaudited £000	6 months ended 30 April 2022 Unaudited £000	Year ended 31 October 2022 Audited £000
Revenue	3	262,282	12,668	274,950	223,312	503,088
Cost of sales		(207,579)	(8,042)	(215,621)	(179,195)	(400,460)
Gross profit		54,703	4,626	59,329	44,117	102,628
Other operating income/ (expense)	4	166	(9)	157	42	374
Distribution expenses		(24,023)	(2,239)	(26,262)	(19,351)	(44,010)
Administrative expenses		(21,304)	(1,704)	(23,008)	(18,119)	(38,617)
Operating profit		9,542	674	10,216	6,689	20,375
<i>Analysed as:</i>						
Adjusted EBITDA		14,825	1,192	16,017	11,125	29,477
Amortisation of intangible assets	5	(66)	-	(66)	(45)	(99)
Amortisation of intangible assets arising on acquisition	5	-	(383)	(383)	-	-
Depreciation	5	(4,075)	(135)	(4,210)	(3,764)	(7,897)
Acquisition expenses	5	(648)	-	(648)	(148)	(148)
Compensation for post combination services	5	(48)	-	(48)	(48)	(95)
Share based payment expense	5	(446)	-	(446)	(431)	(863)
Total operating profit		9,542	674	10,216	6,689	20,375