27 February 2024

Kitwave Group plc

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

Final Results for the twelve months ended 31 October 2023

Kitwave Group plc (AIM: KITW), the delivered wholesale business, is pleased to announce its final results for the twelve months ended 31 October 2023.

Financial summary

- Revenues increased by 20% to £602.2 million *(FY22: £503.1 million)*
- Gross profit margin increased to 22% during the year *(FY22: 20%)*
- Adjusted operating profit increased by 49% to £32.0 million *(FY22: £21.5 million)**
- Profit before tax increased by 40% to £24.9 million *(FY22: £17.8 million)*
- £30.3 million net cash generated from operations *(FY22: £26.5 million)**
- Pre-tax operational cash conversion of 90% *(FY22: 105%)**

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

The Board has declared that it is recommending a final dividend of 7.45 pence per ordinary share, subject to approval at the Annual General Meeting ("AGM") to be held on 22 March 2024, which will, if approved, result in a total dividend for the financial year ended 31 October 2023 of 11.20 pence per ordinary share.

Operational highlights

- Acquisition of Westcountry Food Holdings Limited ("WestCountry"), a specialised fresh produce wholesaler in December 2022. WestCountry has been successfully integrated into the Foodservice division and has performed in line with expectations.

- Commenced construction of the new 80,000 sq. ft distribution centre to fully integrate the Group's South West operations, with completion scheduled for Autumn 2024.

- Expansion of the online trading platform across all divisions to improve existing customer relationships and enhance operational synergy within the Group.

Post-period end

- Paul Young, Chief Executive Officer will be retiring and stepping down from the Board after the AGM on 22 March 2024 with Ben Maxted, the current Chief Operating Officer becoming the new Chief Executive Officer.

- Acquisition of WLG (Holdings) Limited which trades as Wilds of Oldham, a composite family-run drinks wholesaler, which was incorporated into the existing Foodservice on-trade business, HB Clark in November 2023.

Paul Young, Chief Executive Officer of Kitwave, commented:

"I am pleased to report on the Group's final results for the twelve months ending 31 October 2023.

"As announced in the Group's trading update in November 2023, the strong performance continues to deliver growth with sustained momentum achieved throughout FY23. We are, therefore, able to report results in line with the significantly upgraded market expectations that were established after the Group's interim results, published in July 2023.

"As can be seen from the results for this year, all our divisions have continued to grow while managing well the inflationary pressures in their cost base that existed throughout the year.

“The successful integration of WestCountry into the Foodservice division demonstrates the value of our buy-and-build philosophy, with the Group continually assessing acquisition opportunities to combine with our initiatives to drive organic growth.

“While we have now acquired and successfully integrated 13 businesses since 2011, the Board believes there remain a large number of opportunities available to us in what is a fragmented delivered wholesale market in the UK.

"In addition to acquisitions we also seek operational improvement. The new distribution centre is an example as it will be key to increasing the efficiency and capacity of the Group's South West operations.

“The launch of a web-based trading platform in February 2022 has brought immediate success, with electronic ordering becoming the predominant source of order capture for the Group at 47% of all orders in the quarter to October 2023. We recognise the importance of technology and will continue to invest to improve our operational capability.

“The Group is strategically positioned to continue to deliver a high service offering within the UK wholesale market and we are confident of another positive trading period in 2024.

“Finally, after over 35 years since Kitwave was founded and being a part of that process, I will be retiring after the AGM on 22 March 2024. It has been a pleasure to see the Group grow and with Ben Maxted taking over as the new Chief Executive Officer, I am confident that the Board and management have the expertise and experience to deliver Kitwave’s growth strategy and generate further value for the Group and its shareholders.

“I would like to take this opportunity to acknowledge and thank everyone within the Group. I am extremely grateful for my tenure as Chief Executive Officer and I wish Kitwave every success for the future.”

- Ends -

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

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

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

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

Chairman's Statement

Overview

We are pleased to report another year of excellent progress. In the prior year, the Group had capitalised on opportunities for growth as the challenges of the COVID-19 pandemic eased. As can be seen from the results for this year, all our divisions have continued to grow while managing well the inflationary pressures in their cost base that existed throughout the year.

Results summary

The Group has achieved significant growth in both revenue and adjusted operating profit during the year, with revenue increasing by 19.7% to £602.2 million (FY22: £503.1 million) and adjusted operating profit increasing by 48.8% to £32.0 million (FY22: £21.5 million).

Included in the results for the year is an 11 month contribution from Westcountry Food Holdings Limited which is in line with our expectations at the time of the acquisition in December 2022.

	Existing operations £m	**Acquisitions £m**	**FY23 £m**	**FY22 £m**
Adjusted operating profit *	27.3	4.7	**32.0**	21.5

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

While increases in overhead costs such as labour, fuel and energy continue to be significant, management has again focussed on increasing gross margin in order to offset the adverse effects of inflationary increases in the Group's cost base. 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 merger 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 7.45 pence per ordinary share (FY22: 6.75 pence), subject to approval at the AGM, which, if approved, will result in an increase in the total dividend for the year of 21.1% to 11.20 pence per ordinary share (FY22: 9.25 pence).

Environmental, Social and Governance (ESG)

We remain of the belief that a long term sustainable business model is essential to the success of the Group and are committed to ensuring the highest standards of ESG practices across our business. The Group continues to develop its ESG framework and during the year, under the guidance of the ESG steering group, embedded its Corporate Social Responsibility Strategy within the overall Group Strategy.

The Group is a significant user of energy to refrigerate and light its warehouse locations. During the financial year, we invested in the installation of solar panels at our Luton distribution centre. The Group now has solar power generation at seven of its larger sites producing 10.7% of the Group's annual energy requirements. Feasibility studies are being carried out on additional locations for further investment in 2024.

Our colleagues are our most valuable asset and their welfare is a priority at Kitwave. We are pleased to be able to provide sustainable employment and to increase remuneration and benefits whenever possible across our workforce.

The appointment of a Group Health and Safety Director in April 2022 has led to a number of changes including improved reporting and information flow, the standardisation of risk assessments and the roll out of defibrillators to all of our sites.

The financial year also saw the implementation of the Kitwave One Employee Benefits portal, providing our colleagues with basic medical cover, death in service life cover as well as discounts on retail goods.

The Enterprise Risk Management (ERM) framework, established in the prior year, was further developed and has been used as the tool for the Board to have regular engagement with appointed risk champions. Risks are scheduled into the Board agenda with the aim of having an in depth review of each of the strategic risks at least once in the year. Following the review of risks associated with cyber security, we have invested further in hardware, software and advisers to enhance our mitigation of this key risk. These additional investments have created a more secure environment facilitating the introduction of a cyber security insurance policy to provide further risk protection.

Board

On 1 February 2023, Teresa Octavio joined the Board as a Non-Executive Director. She has already made a valuable contribution and we look forward to her ongoing input to our discussions and decision making.

On 6 November 2023, we announced that Paul Young, Chief Executive Officer, would be retiring and stepping down from the Board at the end of the Company's Annual General Meeting to be held in March 2024 and that Ben Maxted, the Group's Chief Operating Officer, would become Chief Executive Officer following Paul's retirement.

Paul's retirement next year will mark the end of a remarkable career with Kitwave. Having founded the Company in 1987 as a single-site confectionery business Paul has been instrumental in its growth and development into the delivered wholesale business that it is today. On behalf of everyone at Kitwave, we thank Paul for his vision and enduring contribution to the Group and we wish him well in his retirement.

We are delighted that the handover of responsibilities has gone well and that Ben will become Chief Executive Officer following the Company's Annual General Meeting. As Chief Operating Officer, Ben has demonstrated excellent commercial and operational expertise and these skills will continue to be invaluable in his new role and in delivering the next phase of our growth strategy.

In line with our policy, a Board evaluation review was carried out during the year. As in the prior year this was led by me and took the form of a detailed questionnaire followed by an in depth discussion around those areas which scored least well. While in general the Board felt that it was functioning well a number of minor actions were agreed. One of these actions involved the commencement of a Board development exercise to assist in understanding different leadership styles, to increase self awareness and to identify opportunities for improved teamwork. With facilitation provided by a third party practitioner this exercise commenced in October 2023.

Our people

It is in large part due to the dedication of our colleagues that we continue to provide the high-quality service that our customers have come to expect. I would therefore like to take this opportunity to thank all of them for their continued exceptional commitment.

Outlook

While less than three years since Kitwave's IPO in May 2021, the Group has, in line with its strategy, grown significantly both organically and through the three acquisitions it has made since IPO. In addition it has adapted well to the different challenges of a pandemic and inflationary cost pressures to continually outperform market expectations.

We continue to pursue our combined organic growth and acquisition-based strategy and believe there remain a large number of opportunities available to us in what is 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 WLG (Holdings) Limited, which trades as Wilds of Oldham, a composite drinks wholesaler operating in the North West of England. The acquisition is in line with our criteria and has already been integrated into HB Clark our on-trade business.

FY24 has started satisfactorily and, subject to successful management of the continued 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
26 February 2024

Chief Executive Officer's statement

Overview

I am pleased to report the Company's final results for the 12 months ending 31 October 2023.

This year, Kitwave has once again proven itself to be a resilient business despite wider macroeconomic pressures and inflationary challenges. The Group continued to perform well across all its divisions, Ambient, Frozen & Chilled and Foodservice, and we are pleased to report results in line with the significantly upgraded market expectations that were established after the Group's interim results, published in July 2023.

The Group made strong progress as we delivered growth by making advancements, both operationally and commercially in the reporting period. As outlined in our trading update in November 2023, the integration of Westcountry Food Holdings ("WestCountry"), acquired in December 2022 has been successful. The Group's web-based trading platform has also delivered excellent results in terms of brand partner and customer engagement, resulting in electronic order capture standing at 47% for the quarter to October 2023.

Divisional summary

Set out below is the financial performance of the business by division for FY23:

Ambient and Frozen & Chilled divisions

The Group's Ambient and Frozen & Chilled divisions that service the Retail & Wholesale sectors of the grocery market saw combined revenues increase by £44.7 million to £423.6 million (FY22 £378.9 million), a 12% increase from the year to October 2022. The gross margin in both divisions advanced by 1% at the same time as this revenue growth.

Ambient

£000	FY23	FY22

Revenue	**207,195**	185,132
Gross profit	**30,862**	26,857
Gross margin %	**15%**	14%

Frozen & Chilled

£000	**FY23**	**FY22**
Revenue	**216,399**	193,810
Gross profit	**49,037**	42,574
Gross margin %	**23%**	22%

Foodservice division

The Group's Foodservice division has also performed well during the period, resulting in an increase in revenues to £178.6 million (FY22 £124.1 million). The division's organic growth was 15%, with an increase in revenues of £18.6 million.

This year saw the acquisition of WestCountry and included in these numbers is £35.9 million of acquired revenues.

Foodservice

£000	**FY23**	**FY22**
Revenue	**178,626**	124,146
Gross profit	**52,226**	33,196
Gross margin %	**29%**	27%

Facilities

As part of Kitwave's 'buy-and-build' strategy, we were pleased to welcome WestCountry into the Group during the period. As a testament to the successful integration of WestCountry in June 2023, we commenced the construction of a new 80,000 sq. ft. distribution centre, due to be completed in Autumn 2024. The new distribution centre will be key to increasing the capacity of the Group's South West operations, and we look forward to updating the market on its progress in due course.

Additionally, in line with our ESG commitments and to ensure our warehouse facilities are reducing their energy emissions, Kitwave continues to engage Businesswise Solutions as its energy management partner. The collaboration aims to mitigate Kitwave's carbon footprint by implementing energy-saving practices across its warehouses such as investing in solar generation. The Group now has solar PV capabilities at seven of its larger sites producing 513,000 kWh of energy in the year. Installed solar generation capacity is offering 10.7% self-sufficient energy generation.

Strategy

The Group remains committed to targeting expansion through strategic acquisitions. The Board recognises the significant opportunity within the fragmented UK wholesale market and it is focused on expanding the Group's market share from its existing position.

The acquisition of WestCountry during the period enabled the Group to expand its offering to cover local, regional and imported fresh produce throughout the South West of England. This strategic investment complements existing businesses in the Foodservice division.

In November 2023, which is post-period end, the Group acquired WLG (Holdings) Limited, a composite drinks wholesaler trading as Wilds of Oldham. The business has been established as a family-run drinks wholesaler for over 25 years, and it marks the 13th acquisition that the Group has made since 2011.

Currently, Wilds of Oldham has 35 colleagues, 11 fleet vehicles, and annual revenue of £10.2 million. Following the acquisition, the business will be incorporated into the Group's existing Foodservice on-trade business HB Clark. The Foodservice division continues to be a key driver for the Group and these acquisitions enable it to expand its presence in the market; providing a platform for further growth.

The second fundamental element of the Group's strategy is the importance of organic growth and driving operational efficiency. The Group's investment in its infrastructure, systems, vehicles, and people has allowed it to continue to enhance its existing services and divisions providing an exceptionally high standard of service to customers.

A notable investment by the Group is the focus on our people, with the implementation of the 'Kitwave One' programme. The initial roll-out of the programme, launched in October 2023, to over 600 colleagues within the Group, has provided a new online portal. This will improve engagement and provides external benefits to promote the wellbeing of our colleagues.

We are confident that the Board and management team have the expertise and experience to deliver Kitwave's growth strategy, generating value for the Group and its shareholders.

Colleagues

In February 2023, we were delighted to welcome Teresa Octavio as a Non-Executive Director. Teresa has proven herself to be a key member of the Board, with her wealth of experience in global businesses such as Kantar Consulting, Diageo Plc and Procter & Gamble.

The Group has also welcomed young adults on Universal Credit between the ages of 16-24 to work in our warehouses as part of the government-sponsored 'Kickstart' scheme. As a result, the Group has offered many apprenticeships to these individuals and the opportunity to start working in the form of longer-term employment. We are pleased to welcome them to the Kitwave community.

As announced post-period end on 6 November 2023, I will be retiring at the Company's Annual General Meeting in March 2024. Having founded the Company in 1987, I could not be prouder of how far Kitwave has come as a business.

I would also like to acknowledge that at Kitwave, our successes are inherently tied to the dedication of our team. I would like to express my gratitude to our colleagues across all areas of the Group for their unwavering commitment during this period.

Ben Maxted, currently our Chief Operating Officer, will become the Chief Executive Officer following my retirement. Throughout his time at Kitwave, he has demonstrated strong operational and commercial expertise, and the Directors believe that the Group will be in very capable hands under his leadership.

Summary and outlook

Our FY23 results highlight yet another year of delivering growth for our business. We are proud of our high standard of service to our existing customers, as well as expanding our customer base and service offering through strategic acquisitions, both in the South West, and in the North West post-period end. The new distribution facility under construction in the South West region will open up new business opportunities, whilst improving both the ability to handle goods as well as the efficiency of the Group.

The Group recognises the opportunities for the existing business model to continue to grow within the UK wholesale market yet understands that the business is evolving with technology. Our online order capturing has grown at a consistent rate since the launch in FY22 and expect greater utilisation by our customers in FY24 to become the preferred option.

There remain many more acquisition opportunities in the UK's fragmented wholesale market, and Kitwave is well-positioned to capitalise on these opportunities and deliver further value to the Group and its shareholders.

We would like to thank all our investors and stakeholders for their continued support throughout the period and look forward to updating the market with our progress in FY24.

Paul Young
Chief Executive Officer
26 February 2024

Chief Financial Officer's review

Overview

Group revenue increased to £602.2 million, compared to £503.1 million in the year to October 2022. This included £35.9 million of acquired revenue and on a like-for-like basis a 13% increase in revenue.

The Group's Ambient and Frozen & Chilled divisions that service the Retail & Wholesale sectors of the market saw revenues increase by £44.7 million to £423.6 million, a 12% increase in the year to October 2023.

The Group's Foodservice division, saw revenues increase by £54.5 million to £178.6 million, an increase of 44% in the year to October 2023. This year saw the acquisition of Westcountry Food Holdings Limited in December 2022 and included in these numbers is £35.9 million of acquired revenues. On a like-for-like basis, the division's organic growth was 15% with an increase in revenues of £18.6 million.

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

Gross profit margin has increased by 1.5% to 21.9% during the year. The increase is partly due to a mix change with the higher margin Foodservice division trading at increased revenue levels further helped by the acquired operations contributing a gross profit margin of 36.9%. Divisional margins are also ahead of the prior year.

While inflationary pressure was seen in the cost base, overall distribution costs as a proportion of revenues only rose slightly. This includes the effect of the higher service levels in the acquired business that had a cost to serve of 15.4%. Overall distribution costs were 9.1% of Group revenue (FY22: 8.7%).

The Group's adjusted operating profit of £32.0 million (FY22: £21.5 million) represents 5.3% (FY22: 4.3%) of Group revenue. All divisions generated an increase in adjusted operating profit margin compared with FY22.

In the 12 months ended October 2023, Group profit before tax increased by £7.0 million to £24.9 million (FY22: £17.9 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.

Net finance costs of £4.5 million (FY22: £2.5 million) relate to the costs associated with the working capital facilities utilised by the Group of £2.8 million (FY22: £1.1 million) and interest relating to leased assets accounting of £1.7 million (FY22: £1.4 million).

The statutory basic earnings per share for FY23 is 27.1 pence (FY22: 20.5 pence).

The Board is recommending a final dividend of 7.45 pence per ordinary share (FY22: 6.75 pence), subject to approval at the AGM, which, if approved, will result in a total dividend for the year of 11.20 pence per ordinary share. This is a 21.1% rise in dividend per share compared to FY22.

KPIs

	FY23	**FY22**

Financial profitability KPIs		
Gross margin %	**21.9%**	20.4%
Adjusted operating profit *	**£32.0m**	£21.5m
Adjusted operating margin *	**5.3%**	4.3%
EPS (Basic)	**27.1 pence**	20.5 pence
Financial structure KPIs		
Leverage (inc IFRS16 debt) *	**1.4x**	1.5x
Leverage (exc IFRS16 debt) *	**0.8x**	0.6x
Pre tax operational cash conversion *	**90%**	105%
Return on Investment Capital *	**19%**	15%
Return on Net assets *	**30%**	24%
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 at the end of the announcement.*

Capital expenditure

The Group has continued to invest in its operations over the financial year with £3.8 million (FY22: £2.0 million) invested in new assets and £10.0 million (FY22: £8.7 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 £1.5 million (FY22: £0.6 million) of new vehicles acquired and £7.7 million (FY22: £3.1 million) invested through right-of-use vehicle replacement.

Five of our leased premised were renewed resulting in an increase in right-of-use assets of £1.9 million. Included within the plant and machinery increase was £0.4 million due to the installation of solar panels at the Luton depot.

Cashflow

The net cash inflow from operating activities for the year was £30.3 million (FY22: £26.5 million) after net outflow from working capital of £3.9 million (FY22: £1.4 million inflow) and tax payments of £6.1 million (FY22: £4.0 million). This resulted in operating cash conversion of 75% (FY22: 91%) and pre-tax operational cash conversion* of 90% (FY22: 105%).

There was a cash outflow to the Group of £19.6 million in relation to the acquisition of Westcountry Food Holdings Limited ("WestCountry"). This amount is the full consideration in relation to the transaction with no further payments due. During the period, WestCountry contributed a working capital outflow of £0.8 million as a result of the part year of ownership. Excluding WestCountry the like for like pre-tax operational cash conversion would have been 91%.

The Group paid a final dividend relating to FY22 in April 2023 of 6.75 pence per ordinary share and an interim dividend in respect of FY23 in August 2023 of 3.75 pence per ordinary share. The total cash outflow relating to dividend payments was £7.4 million (FY22: £4.9 million) during the year.

The net cash decrease in the year was £4.8 million.

Financial position

At 31 October 2023, cash and cash equivalents totalled £0.7 million (FY22: £5.5 million).

The Group had a total of £59.1 million (FY22: £49.1 million) of interest-bearing debt facilities including £26.2 million (FY22: £25.9 million) of IFRS 16 lease liabilities.

The Group's CID facility was drawn to a value of £6.4 million (FY22: £20.4 million) at year end. It has one covenant requiring net debt (including IFRS 16 lease liabilities) not to exceed three times the last twelve months' EBITDA which was satisfied as at 31 October 2023. In addition to the cash and cash equivalents, there were undrawn facilities available to the Group of £39.6 million at the year end (FY22: £25.6 million).

During the period the Group extended the expiry on its CID facility by 18 months to December 2025. At the same time a new £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 and was fully drawn at 31 October 2023. This facility includes the same covenant as the CID facility plus an additional interest cover covenant set such that the last twelve month's EBITDA is required to cover the last twelve month's interest charge by at least four times. This covenant was comfortably satisfied at 31 October 2023.

Taxation

The tax charge for the year was £5.9 million (FY22: £3.5 million) at an effective rate of 24% (FY22: 20%). An increase in the UK corporation tax rate from 19% to 25% was enacted part way through the Group's financial year and as a result a pro-rated tax rate of 23% is applicable to earnings for the period ending 31 October 2023. The effective rate is higher than the pro-rated tax rate mainly due to the non-deductible element of acquisition costs and compensation for post combination services. 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 23% (FY22: 18%) the adjusted profit after tax return on investment capital at 31 October 2023 was 19% (FY22: 15%). These returns exclude the charges relating to share-based payments.

The Group drives its profitability through investment in operational infrastructure (property leases, IT & motor vehicles) and investment in working capital. The Board considers the returns on this investment in relation to capital allocation. A second returns measure is therefore included in this report again utilising an effective tax rate of 23% (FY22: 18%). The adjusted profit after tax return on net assets at 31 October 2023 was 30% (FY22: 24%).

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

Share based payments

In the year there was an expense of £1.0 million (FY22: £0.9 million) for share-based payments comprising:

- £0.9 million relating to shares under the Management Incentive Plan (MIP) that commenced in July 2021 post the completion of the IPO in May 2021.
- £0.1 million relating to shares under the Long-Term incentive plan (LTIP) that were granted in March 2023.

David Brind
Chief Financial Officer
26 February 2024

Consolidated statement of profit and loss and other comprehensive income

	Note	Year ended 31 October 2023 £000	Year ended 31 October 2022 £000
Revenue	3	602,220	503,088
Cost of sales		(470,095)	(400,460)
Gross profit		**132,125**	102,628
Other operating income	4	183	374
Distribution expenses		(54,570)	(44,010)
Administrative expenses		(48,375)	(38,617)
Operating profit		**29,363**	20,375
Analysed as:			
Adjusted EBITDA		41,141	29,477
Amortisation of intangible assets	5, 11	(975)	(99)
Depreciation	5, 12,13	(8,992)	(7,897)
Acquisition expenses	5	(648)	(148)
Compensation for post combination services	5	(199)	(95)
Share based payment expense	5	(964)	(863)
Total operating profit		**29,363**	20,375
Finance expenses	8	(4,505)	(2,534)
Analysed as:			
Interest payable on bank loans and bank facilities	8	(2,842)	(1,105)
Finance charges on leases	8	(1,656)	(1,427)
Other interest	8	(7)	(2)
Financial expense		**(4,505)**	(2,534)
Profit before tax		**24,858**	17,841
Tax on profit on ordinary activities	9	(5,902)	(3,501)
Profit for the financial year		**18,956**	14,340
Other comprehensive income		-	-
Total comprehensive income for the year		**18,956**	14,340
Basic earnings per share (pence)	10	27.1	20.5
Diluted earnings per share (pence)	10	26.0	20.5

Consolidated balance sheet as at 31 October

	Note	2023 £000	2022 £000
Non-current assets			
Goodwill	11	**58,680**	44,342
Intangible assets	11	**4,878**	737
Tangible assets	12	**16,614**	13,037
Right-of-use assets	13	**29,716**	26,452
Investments	14	**45**	35
		109,933	84,603
Current assets			
Inventories	15	**35,410**	31,846
Trade and other receivables	16	**63,569**	57,698
Cash and cash equivalents	17	**673**	5,511
		99,652	95,055
Total assets		**209,585**	179,658
Current liabilities			
Other interest bearing loans and borrowings	19	**(6,405)**	(20,354)
Lease liabilities	19	**(6,402)**	(5,509)
Trade and other payables	18	**(63,596)**	(57,891)
Tax payable		**(594)**	(62)
		(76,997)	(83,816)
Non - current liabilities			
Other interest bearing loans and borrowings	19	**(20,000)**	-
Lease liabilities	19	**(26,267)**	(23,240)
Deferred tax liabilities	20	**(1,876)**	(715)
		(48,143)	(23,955)
Total liabilities		**(125,140)**	(107,771)
Net assets		**84,445**	71,887
Equity attributable to equity holders of the parent Company			
Called up share capital	23	**700**	700
Share premium account	23	**64,183**	64,183
Consolidation reserve	23	**(33,098)**	(33,098)
Share based payment reserve	22	**2,042**	1,090
Retained earnings		**50,618**	39,012
Equity		**84,445**	71,887

Company balance sheet as at 31 October

	Note	2023 £000	2022 £000
Non current assets			
Investments	14	**12,993**	12,993
Deferred tax assets	20	**514**	273
		13,507	13,266
Current assets			
Trade and other receivables	16	**60,033**	61,535
Cash and cash equivalents	17	**3**	45
		60,036	61,580
Total assets		**73,543**	74,846
Current liabilities			
Trade and other payables	18	**(94)**	(61)
Tax payable		**(45)**	-
		(139)	(61)
Total liabilities		**(139)**	(61)
Net assets		**73,404**	74,785
Equity attributable to equity holders of the parent Company			
Called up share capital	23	**700**	700
Share premium account	23	**64,183**	64,183
Share based payment reserve	22	**2,042**	1,090
Retained earnings*		**6,479**	8,812
Equity		**73,404**	74,785

* The Company’s profit after tax for the year was £5,017,000 (FY22: £453,000 loss)

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 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**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(4,900)	(4,900)
Share based payment expense	-	-	-	863	-	863
Total contribution by and transactions with owners	**-**	**-**	**-**	**863**	**(4,900)**	**(4,037)**
Balance at 31 October 2022	**700**	**64,183**	**(33,098)**	**1,090**	**39,012**	**71,887**
Total comprehensive income for the year						
Profit	-	-	-	-	18,956	18,956
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**18,956**	**18,956**
Transactions with owners, recorded directly in equity						
Dividends	-	-	-	-	(7,350)	(7,350)
Share based payment expense	-	-	-	952	-	952
Total contribution by and transactions with the owners	**-**	**-**	**-**	**952**	**(7,350)**	**(6,398)**
Balance at 31 October 2023	**700**	**64,183**	**(33,098)**	**2,042**	**50,618**	**84,445**

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 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)**
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(4,900)	**(4,900)**
Share based payment expense	-	-	863	-	**863**
Total contribution by and distribution to owners	**-**	**-**	**863**	**(4,900)**	**(4,037)**
Balance at 31 October 2022	**700**	**64,183**	**1,090**	**8,812**	**74,785**
Total comprehensive income for the year					
Profit	-	-	-	5,017	**5,017**
Other comprehensive income	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**5,017**	**5,017**
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(7,350)	**(7,350)**
Share based payment expense	-	-	952	-	**952**
Total contribution by and distributions with the owners	**-**	**-**	**952**	**(7,350)**	**(6,398)**
Balance at 31 October 2023	**700**	**64,183**	**2,042**	**6,479**	**73,404**

Consolidated cash flow statement

	Note	Year ended 31 October 2023 £000	Year ended 31 October 2022 £000
Cash flow statement			
Cash flow from operating activities			
Profit for the year		**18,956**	14,340
Adjustments for:			
Depreciation and amortisation	11,12,13	**9,967**	7,996
Financial expense	8	**4,505**	2,534
Profit on sale of property, plant and equipment	4	**(179)**	(164)
Net gain on remeasurement of right-of-use assets and lease liabilities	4	**(4)**	(8)
Compensation for post combination services	5	**199**	95
Equity settled share based payment expense	5	**964**	863
Taxation	9	**5,902**	3,501
		40,310	**29,157**
Increase in trade and other receivables		**(3,737)**	(2,909)
Increase in inventories		**(2,553)**	(4,168)
Increase in trade and other payables		**2,353**	8,450
		36,373	30,530
Tax paid		**(6,075)**	(4,005)
Net cash inflow from operating activities		**30,298**	**26,525**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3,915)**	(2,608)
Proceeds from sale of property, plant and equipment		**473**	308
Acquisition of subsidiary undertakings (net of overdrafts and cash acquired)	2	**(19,593)**	(16,914)
Net cash outflow from investing activities		**(23,035)**	**(19,214)**
Cash flows from financing activities			
Proceeds from new loan	19	**20,000**	-
Net movement in invoice discounting	19	**(13,948)**	5,734
Interest paid	8,19	**(4,248)**	(2,534)
Repayment of lease liabilities	19	**(6,555)**	(5,068)
Dividends paid		**(7,350)**	(4,900)
Net cash outflow from financing activities		**(12,101)**	**(6,768)**
Net (decrease)/increase in cash and cash equivalents		**(4,838)**	543
Opening cash and cash equivalents		**5,511**	4,968
Cash and cash equivalents at year end	**17**	**673**	**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 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 financial information set out above does not constitute the Group or the Company's statutory accounts for the year ended 31 October 2023 or the financial year ended 31 October 2022. Statutory accounts for the year ended 31 October 2022 have been delivered to the registrar of companies, and those for the year ended 31 October 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under s498 (2) or (3) of the Companies Act 2006.

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

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

- A cash flow statement and related notes have not been presented; -
- Disclosures in respect of new standards and interpretations that have been issued but which are not yet effective have not been provided;
- Disclosures in respect of transactions with wholly-owned subsidiaries have not been made; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments have not been provided.
- Disclosures in respect of share based payments as required by IFRS 2 Share-based Payment 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 2023 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 2023.

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. Critical accounting estimates have been identified as follows:

Impairment of goodwill

In accordance with IAS 36 "Impairment of Assets", the Board identifies appropriate Cash-Generating Units ("CGUs") 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 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 CGUs 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.

Valuation of intangible assets arising on acquisition

Under IFRS 3 Business Combinations, when an acquisition takes place the Group is required to assess whether there are any additional intangible assets arising separately from goodwill. This requires significant accounting estimates and judgements to be applied to the valuation of brands and customer relationships.

In the year ended 31 October 2023, the Group acquired the entire share capital of Westcountry Food Holdings Limited. An independent valuation of the acquired intangible assets was performed by experts, requiring estimates of weighted average cost of capital, customer attrition and estimate future cash flows utilising the multi-period excess earnings methodology.

The intangibles identified are set out in note 2 and the Directors have concluded that there is no significant risk of material adjustments to the fair value of assets acquired 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.

1.3 Going concern

The Group has continued to deliver on its growth strategy, both operationally and financially, in the year ended 31 October 2023, with the recent acquisitions of M.J. Baker Foodservice Limited (“MJ Baker”) and Westcountry Food Holdings Limited (“WestCountry”) contributing to increased profitability and continued positive cash generation.

MJ Baker and WestCountry have both delivered strong performances since their integration into the Group. The Directors are confident both entities will continue to go from strength to strength as they leverage from their complementary product ranges and customer lists.

The year has seen a rising costs of living in the UK, as food prices, energy prices and interest rates have increased. In line with the Directors expectations, this has not impacted demand for the Group’s products with case numbers up year on year. Impulse product in particular, fulfilled by the Ambient and Frozen & Chilled divisions, has remained resilient of the cost of living impact. Manufacturer led pricing increases have compensated for the inflationary increase in overheads seen within the Group with an overall improvement in operating profit year on year.

The acquisition of WestCountry added £35,887,000 of revenue and £4,657,000 of operating profit, contributing to the improvement in cash flow from operations (before tax payments) from £30,530,000 in FY22 to £36,373,000 in FY23. The acquisition was funded via a new three-year revolving credit facility provided by the Group's existing lenders. This facility includes an option for the Group to extend it by a further two years.

Post year end, H.B.Clark & Co. Successors Limited ("HB Clark") completed the acquisition of WLG (Holdings) Limited ("WLG") for £2,700,000. The acquisition was funded from headroom in the Group's current banking facilities.

WLG is an on-trade supplier based in the North West of England allowing the Group to expand is existing on-trade offering through HB Clark into this geography.

WLG has annual turnover of approximately £10,200,000 and will be immediately earnings and cash flow enhancing to the Group.

The Group has prepared financial forecasts and projections for a 12 month period from the date of this report (the "going concern assessment period"), which take into account the acquired balance sheet and forecast trading of WLG. A 'severe but plausible' downside sensitivity has been prepared to support the Directors conclusion regarding going concern. In addition, a reverse stress test has been performed the results of which have not changed the conclusion around going concern. These sensitivities include a possible downside scenario to Group trading as a result of further inflationary pressure in 2024.

The Group has significant headroom on banking facilities at the year end and throughout the forecast period. These facilities are committed beyond the forecast period under review.

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

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

1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 October 2023. 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 25.

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 expected credit 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. For payments received through electronic payment systems the Group recognises cash, and derecognises the relevant trade receivable, when the payment is completed, and the cash is received.

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 16) and are presented in trade and other payables (note 18). These are repayable within 90 days of the invoice and carry interest at a margin of 2.00%. This is a committed facility which expires 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 Other financial instruments

Derivative financial instruments

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

1.9 Property, plant and equipment

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

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

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

- Leasehold improvements 5-10% straight line or straight line over the term of the lease
- Freehold property 2% straight line
- Plant and machinery 10-20% reducing balance and straight line
- Fixtures and fittings 10-25% reducing balance and straight line

- Motor vehicles 15-25% reducing balance and straight line

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

1.10 Business combinations

Business combinations are accounted for 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.

1.11 Intangible assets and goodwill

Goodwill

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

Intangible assets arising on acquisition and other intangible assets

Intangibles assets arising on acquisition are capitalised at far value as determined at the date of acquisition and are stated at fair value less accumulated amortisation.

Amortisation is charged to the statement of profit and loss on a straight line basis over the estimated useful lives of acquired intangible assets from the date they are acquired as follows:

- Customer relationships 6 years
- Brands 2 years

Other 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.

The cost of computer software purchased or developed in house which has the capacity to generate economic benefits for a period in excess of one year is capitalised as an intangible asset.

1.12 Inventories

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

The Group participates in rebate schemes with 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. Any rebates based on a volume of purchases over a period are only recognised when the volume target has been achieved.

1.13 Impairment excluding inventories and deferred tax assets

Non derivative financial assets – trade receivables

The Group recognises loss allowance for Expected Credit Losses ("ECLs") on trade receivables measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs as the term of the asset is considered short.

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

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

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

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

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

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "CGU"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

1.14 Employee benefits

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

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

The Group operates a Management Incentive Plan ("MIP") for certain Directors and a Long Term Incentive Plan ("LTIP") for certain Directors and senior staff members, granting them equity settled share option rights to the Company's equity instruments.

The fair value at the grant date of the options is recognised as an employee expense with a corresponding increase in equity, on a straight line basis over the vesting period.

Under both the MIP and LTIP, 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 both schemes and independent expert advice was sought for both schemes.

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 market based 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.

Further information is included in note 22.

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 £199,000 (FY22: £95,000).

1.15 Provisions

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

1.16 Revenue

IFRS 15 "revenue from contracts with customers" 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 of 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.

1.17 Financing income and expenses

Financing expenses comprise interest payable, finance charges on put option liabilities and finance leases recognised in the statement of profit and loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of profit and loss (see 1.5 foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, finance income on the put option liability, and net foreign exchange gains.

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

1.18 Taxation

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.

1.19 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 Group's 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.

1.20 Government Grants

The Group has elected to present grants related to income separately under the heading "Other income" within the statement of profit and loss. This income in the prior year represents the funding provided by the Government in relation to Additional Restrictions Grant and COVID-19 Additional Relief Fund Schemes.

The Directors do not consider there to be a material risk that any funding received will be repayable.

1.21 Exceptional items

Exceptional items are defined as income or expenses that arise from events or transactions that are clearly distinct from the recurring activities of the Group as a delivered wholesale business.

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

1.22 Investments

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

2. Acquisitions in the year

Acquisitions in the year ended 31 October 2023

Westcountry Food Holdings Limited

On 9 December 2022, the Group acquired the entire share capital of Westcountry Food Holdings Limited 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:

Consolidated balance sheet as at 9 December 2022	**Book value**	**Fair value adjustments**	**Fair value**
	£000	**£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	(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**
Initial purchase consideration paid			29,000
Net asset adjustment refunded			(514)
Purchase consideration and costs of acquisition paid in period			**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 Limited.

An independent valuation was performed to identify and 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 consolidated 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 the profit after tax was £3,112,000.

Following acquisition, the business contributed revenue of £35,887,000 and operating profit of £4,657,000 to the Group for the year ended 31 October 2023.

If the business had been acquired at the start of the Group's financial period, being 1 November 2022, it would have added £37,861,000 to Group revenue and £4,773,000 to Group operating profit for the year ended 31 October 2023

The initial consideration paid was £29,000,000 from which an amount of £514,189 was repaid by the vendor following submission of completion accounts which triggered a repayment to the Kitwave Group for the difference between the net asset target in the sales purchase agreement and the completion accounts net assets. This resulted in a net consideration paid in the period of £28,485,811. Net of cash and cash equivalents of £8,893,000 the net cash outflow from the Group as a result of the acquisition was £19,592,811.

On acquisition an assessment was made regarding the fair value of tangible assets which includes two freehold property. The result of an independent assessment was no change to the net book value held in Westcountry Food Holdings Limited 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 Board of Directors (the Chief Operating Decision Maker as defined by IFRS 8) to assess performance and make strategic decisions about allocation of resources

The Group has the following operating segments 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;
- **Foodservice:** Provides delivered wholesale of alcohol, frozen, chilled and fresh 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 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.

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

FY23	Ambient £000	Frozen & Chilled £000	Total Retail and Wholesale £000	Foodservice £000	Corporate £000	Total £000
Revenue	207,195	216,399	423,594	178,626	-	602,220
Inter-segment revenue	15,561	3,392	18,953	625	-	19,578
Segment revenue	**222,756**	**219,791**	**442,547**	**179,251**	**-**	**621,798**
Adjusted EBITDA*	**12,291**	**14,115**	**26,406**	**20,030**	**(5,295)**	**41,141**
Amortisation of intangibles	-	(80)	(80)	(6)	(47)	(133)
Depreciation	(1,773)	(4,130)	(5,903)	(2,995)	(94)	(8,992)
Adjusted operating profit*	**10,518**	**9,905**	**20,423**	**17,029**	**(5,436)**	**32,016**
Group management charge	(1,230)	(840)	(2,070)	(1,750)	3,820	-
Amortisation of intangible assets arising on acquisition	-	-	-	-	(842)	(842)
Acquisition expense	-	-	-	-	(648)	(648)
Compensation for post combination services	-	(199)	(199)	-	-	(199)
Share based payment expense	-	-	-	-	(964)	(964)
Interest expense	(918)	(1,344)	(2,262)	(689)	(1,554)	(4,505)
Segment profit/(loss) before tax	**8,370**	**7,522**	**15,892**	**14,590**	**(5,624)**	**24,858**
Segment assets	43,697	56,373	100,070	44,586	64,929	209,585
Segment liabilities	(28,380)	(45,691)	(74,071)	(29,288)	(21,781)	(125,140)
Segment net assets	**15,317**	**10,682**	**25,999**	**15,298**	**43,148**	**84,445**

Within Corporate segment assets is £56,680,000 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	32,665	-	58,680

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

FY22	Ambient £000	Frozen & Chilled £000	Total Retail and 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*	**9,112**	**11,222**	**20,334**	**12,263**	**(3,120)**	**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*	**7,528**	**7,240**	**14,768**	**9,912**	**(3,199)**	**21,481**
Group management charge	(730)	(840)	(1,570)	(1,000)	2,570	-
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 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 / (liabilities)	**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 at the end of the announcement

An analysis of revenue by destination is given below:

Geographical information

	FY23 £000	FY22 £000
United Kingdom	597,292	497,842
Overseas	4,928	5,246
Group revenue	**602,220**	**503,088**

No one customer accounts for more than 9% (FY22: 9%) of Group revenue.

4. Other operating income

	FY23	FY22
	£000	£000
Net gain on disposal of fixed assets	**179**	164
Net gain on foreign exchange	**-**	33
Net gain on remeasurement of right-of-use assets and lease liabilities	**4**	8
Grant income	**-**	169
	183	374

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

	FY23	FY22
	£000	£000
Included in profit/loss are the following:		
Depreciation of tangible assets		
Owned	**2,253**	1,946
Right-of-use assets	**6,739**	5,951
Amortisation of intangible assets	**975**	99
Expense relating to short term and low value assets	**1,992**	1,255
Impairment loss on trade receivables	**675**	871

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

	FY23	FY22
	£000	£000
Exceptional expenses		
Acquisition expenses	**648**	148
Compensation for post combination services	**199**	95
Total exceptional expenses	**847**	243
Share based payment expense	**964**	863
Total exceptional expenses and share based payments	**1,811**	1,106

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 on both periods include the legal and professional fees connected to the acquisition of Westcountry Food Holdings Limited in the current year and M.J. Baker Foodservice Limited in the prior year.

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 LTIP and are non cash expenses. For further information see note 22.

Auditor's remuneration:

	FY23	FY22
	£000	£000
Audit of these financial statements	**51**	45
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**364**	290
Other assurance services	**5**	5

In the current and prior year audit and non-audit fees were paid to Grant Thornton UK LLP. In addition to the fee disclosed above, direct disbursements were paid to Grant Thornton UK LLP of £9,000 (FY22: £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:

	FY23	FY22
Management and administration	**227**	193
Sales	**241**	212
Warehouse	**533**	436
Distribution	**508**	395
Directors	**3**	3
	1,512	1,239

The aggregate payroll costs of these persons were as follows;

	FY23	FY22
	£000	£000
Wages and salaries	**49,475**	37,575
Social security costs	**4,790**	3,642
Other pension costs (note 21)	**1,066**	721
	55,331	41,938

Staff costs accruing in the Company total £964,000 (FY22: £863,000) in relation to both the Management Incentive Plan and the Long term incentive plan (including employer NIC Costs), see note 22 for further details.

7. Directors' remuneration

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

	FY23	FY22
	£000	£000
Directors' emoluments	**1,164**	922
Company contribution to personal pension scheme	**15**	20
	1,179	942

Retirement benefits are accruing to three Directors under money purchase pension schemes (FY22: three)
Amounts accrued under the MIP for two of the Directors was £863,000 (FY22: £863,000). Amount accrued under the LTIP for two of the Directors was £40,000 (FY22: £nil).

	FY23	FY22
	£000	£000
Highest paid Director		
Directors' emoluments	**389**	357
Company contribution to personal pension scheme	**8**	8
	397	365

8. Finance income and expense

	FY23 **£000**	FY22 £000
Interest payable and similar charges		
Interest payable on bank loans and invoice discount facilities	**2,842**	1,105
Finance charges payable in respect of leases	**1,656**	1,427
Other interest	**7**	2
	4,505	2,534

Included in the above is £257,000 of interest accrued not paid as at 31 October 2023 in relation to the Revolving Credit Facility (FY22: £nil).

9. Taxation

	FY23 £000	FY22 £000
UK corporation tax		
Current tax charge on income for the year	**6,193**	3,559
Adjustment in respect of prior periods	**(39)**	(45)
Total current tax	**6,154**	3,514
Deferred tax (see note 20)		
Reversal of timing differences	**(290)**	(109)
Adjustment in respect of prior periods	**38**	96
Total deferred tax credit	**(252)**	(13)
Tax charge on profit on ordinary activities	**5,902**	3,501

	FY23 £000	FY22 £000
Current tax reconciliation		
Profit on ordinary activities after tax	**18,956**	14,340
Tax charge	**5,902**	3,501
Profit on ordinary activities before tax	**24,858**	17,841
Tax using the UK corporation tax of 23% *(FY22: 19%)*	**5,631**	3,390
Effect of:		
Expenses not deductible for tax purposes	**455**	250
Permanent fixed asset differences	**46**	-
Income not taxable	**(27)**	(26)
Adjustments in respect of prior periods	**(39)**	(45)
Adjustment in respect of prior period – deferred tax	**38**	96
Share based payment	**(217)**	(164)
Other tax adjustments	**15**	-
Total current tax charge	**5,902**	3,501

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. As the rate is effective part way through the Group's financial year, a pro-rated tax rate of 23% has been adopted in the above reconciliation in line with the relevant legislation.

The deferred tax liability at 31 October 2023 has been calculated based on the 25% UK corporation tax rate, reflecting the expected timing of reversal of the related timing differences (FY22: 25%).

10. Earnings per share

Basic earnings per share
Basic earnings per share for the year ended 31 October 2023, and the previous 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 year ended 31 October 2023, and previous 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 as calculated below.

Profit attributable to ordinary shareholders

	FY23 £000	FY22 £000
Profit attributable to all shareholders	**18,956**	14,340
	pence	pence
Basic earnings per ordinary share	**27.1**	20.5
Diluted earnings per ordinary shares	**26.0**	20.5
Weighted average number of ordinary shares		
	FY23	FY22
	Number	Number
Weighted average number of ordinary shares (basic) during the year	**70,000,000**	70,000,000
Weighted average number of ordinary shares (diluted) during the year	**73,047,991**	70,033,033

11. Intangible assets

Group	Intangible assets	Goodwill	Total
	£000	£000	£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**

Group	**Acquired intangibles**	**Intangible assets**	**Goodwill**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 1 November 2022	-	1,130	49,854	50,984
Additions	-	124	-	124
Recognised through business combinations	4,992	-	14,338	19,330
Balance at 31 October 2023	**4,992**	**1,254**	**64,192**	**70,438**
Amortisation				
Balance at 1 November 2022	-	393	5,512	5,905
Charge in year	842	133	-	975
Balance at 31 October 2023	**842**	**526**	**5,512**	**6,880**
Net book value				
At 31 October 2023	**4,150**	**728**	**58,680**	**63,558**
At 31 October 2022	**-**	**737**	**44,342**	**45,079**

Included in acquired intangibles are customer relationships with a net book value of £4,009,000 and brands with a net book value of £141,000. At the year ended 31 October 2023 both acquired intangibles relate to the acquisition of Westcountry Food Holdings Limited. No intangibles have been recognised on prior period acquisitions. The intangibles arise on consolidation only and are not recognised in the accounts of the trading entity. The customer relationships have an amortisation period of 5 years, and the brands have an amortisation period of 1 year remaining as at 31 October 2023.

Impairment testing

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

	2023 £000	**2022 £000**
Ambient	**13,516**	13,516
Frozen & Chilled	**12,499**	12,499
Foodservice	**32,665**	18,327
	58,680	44,342

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:

	2023	**2022**
Period forecasts are based on:	**4 years**	**4 years**
Growth rate applied:	**2%**	**2%**
Pre-tax discount rate applied:	**11.58%**	**10.59%**

Impairment testing at 31 October 2023 has considered a further impact of inflation and its potential impact on demand and overheads the CGU's. The Board expect product and overhead inflation to reduce from levels seen in the year ended 31 October 2023. Having operated through the trading restrictions of previous financial periods the Directors believe there is no reasonable prospective of a reduction in demand that 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 discount rate is per the Group's current weighted average cost of capital adjusted to reflect the pre tax rate at 25% corporation tax and a risk premium from comparable listed entities to approximate a market based discount rate. A specific risk premium has not been applied to each CGU as they all operate in the wholesale of food and drinks and are therefore exposed to the same macroeconomic risks. This would be reassessed if the discount rate indicated potential impairment of any individual CGU.

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 wider economic issues, and also the increase in interest rates affecting the rate paid on debt instruments linked to base rate and SONIA.

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 CGUs 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 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**

Group	Freehold property £000	Leasehold improvements £000	Fixtures and fittings £000	Motor vehicles £000	Plant & machinery £000	Total £000
Cost						
Balance at 1 November 2022	5,725	2,246	6,178	2,261	8,572	**24,982**
Additions	95	271	772	1,459	1,191	**3,788**
Disposals	-	(40)	(113)	(167)	(49)	**(369)**
Transferred from right-of-use	-	673	-	778	-	**1,451**
Acquired through business combinations	1,270	-	135	186	247	**1,838**
Balance at 31 October 2023	**7,090**	**3,150**	**6,972**	**4,517**	**9,961**	**31,690**
Depreciation						
Balance at 1 November 2022	212	1,014	4,544	1,155	5,020	**11,945**
Charge in year	171	171	558	624	729	**2,253**
Disposals	-	-	(88)	(59)	(4)	**(151)**
Transferred from right-of-use	-	359	-	670	-	**1,029**
Balance at 31 October 2023	**383**	**1,544**	**5,014**	**2,390**	**5,745**	**15,076**
Net book value						
At 31 October 2023	**6,707**	**1,606**	**1,958**	**2,127**	**4,216**	**16,614**
At 31 October 2022	**5,513**	**1,232**	**1,634**	**1,106**	**3,552**	**13,037**

13. Right-of-use assets

Group	**Leasehold property**	**Motor vehicles**	**Plant & Machinery**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
Balance 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 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)**
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**

Group	**Leasehold property**	**Motor vehicles**	**Plant & Machinery**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
Balance at 1 November 2022	24,212	16,125	2,510	42,847
Additions	1,922	7,704	402	10,028
Transferred to tangible assets	(673)	(778)	-	(1,451)
Disposals	(683)	(2,131)	(692)	(3,506)
Loss on remeasurement	(133)	(167)	(36)	(336)
Acquired through business combinations	242	307	20	569
Balance at 31 October 2023	**24,887**	**21,060**	**2,204**	**48,151**
Depreciation				
Balance at 1 November 2022	5,672	9,567	1,156	16,395
Charge in year	2,113	4,161	465	6,739
Transferred to tangible assets	(359)	(670)	-	(1,029)
Disposals	(683)	(2,055)	(692)	(3,430)
Loss on remeasurement	(107)	(111)	(22)	(240)
Balance at 31 October 2023	**6,636**	**10,892**	**907**	**18,435**
Net book value				
At 31 October 2023	**18,251**	**10,168**	**1,297**	**29,716**
At 31 October 2022	**18,540**	**6,558**	**1,354**	**26,452**

14. Investments

Group	Unlisted investments 2023 £000	Unlisted investments 2022 £000
Cost and net book value		
At beginning of year	35	20
Additions	3	-
Acquired on business combinations	7	25
Disposals	-	(10)
At end of year	**45**	**35**

Company	Shares in Group undertakings 2023 £000	Shares in Group undertakings 2022 £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 2023	Ownership 2022
Kitwave Investments Limited	UK	Ordinary	100%	100%
Kitwave One Limited*	UK	Ordinary	100%	100%
Kitwave Limited*	UK	Ordinary	100%	100%
M&M Value Limited*	UK	Ordinary	100%	100%
Turner & Wrights Limited*	UK	Ordinary	100%	100%
FW Bishop & Son Limited*	UK	Ordinary	100%	100%
Westone Wholesale Limited*	UK	Ordinary	100%	100%
Automatic Retailing (Northern) Limited*	UK	Ordinary	100%	100%
Andersons (Wholesale) Limited*	UK	Ordinary	100%	100%
Teatime Tasties Limited*	UK	Ordinary	100%	100%
TG Foods Limited*	UK	Ordinary	100%	100%
Eden Farm Limited*	UK	Ordinary	100%	100%
Squirrels UK Limited*	UK	Ordinary	100%	100%
Thurston's Food's Limited*	UK	Ordinary	100%	100%
Angelbell Limited*	UK	Ordinary	100%	100%
David Miller Frozen Foods Limited*	UK	Ordinary	100%	100%
Phoenix Fine Foods Limited*	UK	Ordinary	100%	100%
MAS Frozen Foods Limited*	UK	Ordinary	100%	100%
Supplytech Limited*	UK	Ordinary	100%	100%
HB Clark Holdings Limited*	UK	Ordinary	100%	100%
HB Clark & Co (Successors) Limited*	UK	Ordinary	100%	100%
Churnet Valley Drinks Limited*	UK	Ordinary	100%	100%
Clarks Fine Wines Limited*	UK	Ordinary	100%	100%
FAM Soft Drinks Limited*	UK	Ordinary	100%	100%
Thorne Licence Wholesale Limited*	UK	Ordinary	100%	100%
Alpine Fine Foods Limited*	UK	Ordinary	100%	100%
Central Supplies (Brierley Hill) Ltd	UK	Ordinary	95%	95%
M.J. Baker Foodservice Limited	UK	Ordinary	100%	100%
Westcountry Food Holdings Limited*	UK	Ordinary	100%	0%
Westcountry Fruit Sales Limited*	UK	Ordinary	100%	0%
Veggies & More Limited *	UK	Ordinary	100%	0%
Westcountry Fine Foods Limited*	UK	Ordinary	100%	0%

*held indirectly thought Kitwave Investments Limited and its subsidiaries
The registered office of all the above companies is: Unit S3 Narvik Way, Tyne Tunnel Trading Estate, North Shields, Tyne and Wear, NE29 7XJ

15. Inventories

	Group		Company	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Goods for resale	**35,410**	**31,846**	**-**	**-**
	35,410	**31,846**	**-**	**-**

Goods for resale recognised as cost of sales in the year amount to £470,095,000 (FY22: £400,460,000).

16. Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
Trade receivables	**50,985**	47,206	**-**	-
Amounts owed by Group undertakings	**-**	-	**59,958**	61,429
Other debtors	**1,383**	1,510	**-**	-
Prepayments and accrued income	**11,201**	8,982	**75**	106
	63,569	57,698	**60,033**	61,535
Due within one year	**62,692**	56,926	**60,033**	61,535
Due after more than one year	**877**	772	**-**	-
	63,569	57,698	**60,033**	61,535

£7,539,000 (FY22: £23,946,000) of Group trade receivables are used as security against invoice discounting advances (note 19).

17. Cash and cash equivalents

	Group		Company	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Cash at bank and in hand	**673**	5,511	**3**	45
Cash and cash equivalents per cashflow statement	**673**	5,511	**3**	45

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Trade payables	**45,679**	43,836	**-**	-
Other creditors	**6,773**	4,478	**-**	-
Accruals	**11,144**	9,577	**57**	39
Amounts owed to Group undertakings	**-**	-	**37**	22
	63,596	57,891	**94**	61

19. 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	
	2023	**2022**	**2023**	**2022**
Non current liabilities	**£000**	**£000**	**£000**	**£000**
Lease liabilities	**26,267**	23,240	-	-
Revolving Credit Facility	**20,000**	-	-	-
	46,267	23,240	-	-

	Group		Company	
	2023	**2022**	**2023**	**2022**
Current liabilities	**£000**	**£000**	**£000**	**£000**
Lease liabilities	**6,402**	5,509	-	-
Invoice discounting advances	**6,405**	20,354	-	-
	12,807	25,863	-	-

The Group leases warehousing facilities, commercial vehicles and other logistics equipment for use in its operations. The Group made a commitment for a new lease relating to the distribution centre in the South West. This was not signed at the year end and will have a lease liability of £5,853,000 on commencement of the lease, expected in the year ended 31 October 2024.

	Group		Company	
	2023	**2022**	**2023**	**2022**
Lease liabilities	**£000**	**£000**	**£000**	**£000**
Lease liabilities payable as follows:				
Within one year	**6,402**	5,509	-	-
In the second to fifth years	**14,106**	10,396	-	-
Over five years	**12,161**	12,844	-	-
	32,669	28,749	-	-

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Year of maturity**	**2023 Face value £000**	**2023 Carrying value £000**	**2022 Face value £000**	**2022 Carrying value £000**
Lease liabilities	Sterling	3.50% - 9.00%	2024-2041	**41,333**	**32,669**	37,686	28,749
Invoice discounting advances	Sterling	2.00% + Base	2025	**6,405**	**6,405**	20,354	20,354
Revolving Credit Facility	Sterling	2.05% + SONIA	2025	**20,000**	**20,000**	-	-
				67,738	**59,074**	58,040	49,103

Changes in liabilities from financing activities	**Loans and borrowings**	**Lease liabilities**	**Total**
	£000	**£000**	**£000**
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 liabilities	-	(351)	(351)
Added through business combination	-	984	984
Total other changes	**6,839**	**10,610**	**17,449**
Total debt at 31 October 2022	**20,354**	**28,749**	**49,103**
Changes from financing cash flows			
Repayment of borrowings	(13,949)	-	(13,949)
Payment of lease liabilities	-	(6,555)	(6,555)
Interest paid	(2,585)	(1,656)	(4,241)
Total changes from financing cash flows	**(16,534)**	**(8,211)**	**(24,745)**
Other changes			
New borrowing	20,000	10,025	30,025
Interest expense	2,585	1,656	4,241
Remeasurement of lease liability	-	(99)	(99)
Added through business combinations	-	549	549
Total other changes	**22,585**	**12,131**	**34,716**
Total debt at 31 October 2023	**26,405**	**32,669**	**59,074**

All borrowings are denominated in Sterling.

Bank trade loans are secured by means of debenture and cross guarantees over the assets of all Group undertakings. These are generally repayable within 35 days of drawdown and form an integral part of the Group’s day to day short term cash management.

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

The invoice discounting advances are secured against trade receivables (note 16). These are repayable within 90 days of the date of the invoice and carry interest at a margin of 2.00%. This is a committed facility due 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.

A £20,000,000 Revolving Credit Facility ("RCF") was entered into in December 2022 as part of the funding for the Westcountry Food Holdings Limited acquisition. The permitted use of the RCF is to fund acquisitions and it is not part of the Group's working capital finance. The facility is in place until December 2025 and the Group has an option to extend this by two years to December 2027. The interest margin is based on leverage at the year ended was paid at c.2.25% over SONIA and has reduced post year end to 2.05% due to the reduction in the Group's leverage position.

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

20. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group

	Assets		Liabilities	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**208**	322	**(2,701)**	(1,389)
Share based payment expense	**514**	272	**-**	-
IFRS 16 timing differences	**103**	80	**-**	-
Tax assets / (liabilities)	**825**	674	**(2,701)**	(1,389)

Movement in deferred tax during the period:

Group	**31 October 2022**	**Amounts arising from business**	**Recognised in income**	**31 October 2023**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	(1,068)	(1,389)	(34)	(2,491)
Share based payment	273	-	241	514
IFRS 16 timing differences	80	-	21	101
Tax assets/ (liabilities)	**(715)**	**(1,389)**	**228**	**(1,876)**

Company

	Assets		Liabilities	
	2023	**2022**	**2023**	**2022**
	£000	**£000**	**£000**	**£000**
Shared based payment expense	514	273	-	-
Tax assets	**514**	**273**	**-**	**-**

Company

	31 October 2022	**Amounts arising from business**	**Recognised in income**	**31 October 2023**
	£000	**£000**	**£000**	**£000**
Share based payment	273	-	241	**514**
Tax assets	**273**	**-**	**241**	**514**

21. 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 £1,066,000 (FY22: £721,000)

22. Employee share schemes

The Group has in place a MIP and an LTIP whereby the options are expected to be equity settled. The charge for the year in respect of the schemes, excluding NIC costs in relation to the LTIP, was as follows:

	2023	2022
	£000	£000
MIP	**863**	863
LTIP	**89**	-
	952	863

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
Long term Incentive Plan	March 2023	Selected senior employees	Nil	Service during vesting period EPS performance hurdle Total Shareholder return hurdle	3 years,

MIP

	2023 Weighted average exercise price £	**2023 Number of options**	**2022 Weighted average exercise price £**	**2022 Number of options**
Outstanding at the beginning of the year	-	10,000	-	10,000
Granted during the year	-	-	-	-
Outstanding at the end of the year	**-**	**10,000**	**-**	**10,000**

Under the MIP, Growth shares were issued in Kitwave Limited with a subscription price of £5.24 per option was paid on subscription. The 10,000 growth shares are exchangeable for shares in the Company up to a maximum of 4 per cent of the Company's issued ordinary shares subject to achieving the principal vesting conditions.

LTIP

	2023 Weighted average exercise price £	**2023 Number of options**	**2022 Weighted average exercise price £**	**2022 Number of options**
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	225,000	-	-
Outstanding at the end of the year	**-**	**225,000**	**-**	**-**

Under the LTIP, the participants are offered the opportunity to acquire shares in Kitwave Group plc at nil cost subject to achieving the principal vesting conditions.

The LTIP has incurred an expense under employee expenses of £101,000 (FY22: £nil). Of this expenditure, £89,000 has been taken to the share based payment reserve, the other £12,000 representing an accrual of employer NIC on the value of the options

The share based payment reserve represents the accumulation of the cost of the MIP and LTIP in accordance with the treatment of equity settled share based payment expense under IFRS 2. As at 31 October 2023 the balance on this reserve is £2,042,000 (FY22: £1,090,000).

The vesting period for the LTIP is 3 years. Executive Directors have a two year post vest holding period for awards under this scheme.

23. Called up share capital

Group and Company	2023	2022
	£000	£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 increased for the premium paid on the new shares issued over their nominal value being £63,300,000. Under IAS 32 the transaction costs associated with the issuance of new equity on IPO of the Company have been deducted from the share premium account, being a total of £2,110,000.

24. 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 £6,405,000 (2022: £20,354,000) bank borrowings of its subsidiary companies.

25. Financial instruments

25 (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

	2023	**2022**
	£000	**£000**
Financial assets held at amortised cost		
Trade receivables	**50,985**	47,206
Cash and cash equivalents	**673**	5,511
	51,658	52,717
Financial liabilities measured at amortised cost		
Trade payables	**45,679**	43,836
Accruals	**11,144**	9,577
Invoice discounting advances	**6,405**	20,354
Obligations under lease liabilities	**32,669**	28,749
Revolving Credit Facility	**20,000**	-
	115,897	102,516

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

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

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

Financial instruments measured at fair value through the statement of profit and loss
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 2023 and 2022 were categorised as level 1.

25 (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. Management 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.

2023	**Gross £000**	**Impairment £000**	**Net £000**
Current	41,833	-	41,833
31-60 days from invoice	9,547	(395)	9,152
61-90 days from invoice	900	(900)	-
90+ days	859	(859)	-
	53,139	**(2,154)**	**50,985**

The maximum Group exposure to credit risk in the period ended 31 October 2023 was £50,985,000 (2022: £47,206,000) 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 0.12% of Group revenue. The prior financial year annual debt expense was 0.16% of Group revenue. Applying the historic factor would result in a provision of c.£964,000 for the year ended 31 October 2023.

The impairment charge on trade receivables in the 12 month period ended 31 October 2023 £675,000 (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 full impact of interest rate increases, consumer price inflation to date is expected to be seen in FY24.

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

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

Movement in expected credit loss	**2023**	2022
	£000	£000
At beginning of the year	**2,088**	2,017
Provided during the year	**675**	871
Added on acquisition	**107**	19
Utilised during the year	**(716)**	(819)
At the end of the year	**2,154**	2,088

25 (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:

2023	**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	**45,679**	45,679	45,679	-	-	-
Accruals	**11,144**	11,144	11,144	-	-	-
Lease liabilities	**32,669**	41,333	7,775	6,140	11,548	15,870
Invoice discounting advances*	**6,405**	6,405	6,405	-	-	-
Revolving Credit Facility*	**20,000**	20,000	-	20,000		
	115,897	124,561	71,003	26,140	11,548	15,870

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

* The invoice discounting, Revolving Credit Facility (RCF) and bank trade loan are all revolving facilities. 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. Both the invoice discounting and trade loan facility form an integral part of the Group's day to day short term cash management. The RCF is available up to £20,000,000 and is committed until 2025, with the Group’s option to extend it for a further two years to 2027. The permitted use of the RCF is to fund acquisitions and it is presently fully drawn following the acquisition of Westcountry Food Holdings Limited in December 2022.

25 (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	
	2023	**2022**
Fixed rate instruments	**£000**	**£000**
Financial liabilities	**(32,669)**	(28,749)
	(32,669)	(28,749)

	2023	2022
Variable rate instruments	**£000**	**£000**
Financial liabilities	**(26,405)**	(20,354)
	(26,405)	(20,354)

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

	2023	**2022**
	£000	**£000**
Profit or loss decreases	**66**	**51**

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

25 (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 £32,669,000 (2022: £28,749,000), cash and cash equivalents of £673,000 (2022: £5,511,000), an invoice discounting facility with a limit of £38,000,000 drawn at £6,405,000 (2022: £20,354,000), a trade loan facility with a limit of £8,000,000 draw at nil (2022: nil), a revolving credit facility drawn at £20,000,000 (2022: £nil) and equity attributable to the equity holders of the Group of £84,445,000 (2022: £71,887,000).

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 its working capital facilities, excluding cash, of £39,600,000 at the year end (2022: £25,600,000).

26. 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, Alpine Fine Foods Limited, Westcountry Food Holdings Limited, Westcountry Fruit Sales Limited, Veggies & More Limited and Westcountry Fine Foods Limited are all 100% owned subsidiaries of this Company. Central Supplies (Brierley Hill) Ltd is a 95% owned subsidiary of this Company.

Key management personnel

Total compensation of key management personnel in the period amounts to £1,179,394 (FY22: £942,439) in respect of short-term employment benefits, £nil (FY22: £nil) in respect of past-employment benefits and £nil (FY22: nil) in respect of termination benefits.

27. 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.

28. Post balance sheet events

Post year end the Group completed the acquisition of the entire ordinary share capital of WLG (Holdings) Limited for total consideration of £2,700,000. The acquired balance sheet included cash and cash equivalents of £192,000. The business 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 headroom on existing bank facilities.

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
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	FY23 £000	FY22 £000
Total operating profit		**29,363**	20,375
Amortisation of intangible assets arising on acquisition	3	**842**	-
Acquisition expenses	5	**648**	148
Compensation for post combination services	5	**199**	95
Share based payment expense	5	**964**	863
Adjusted operating profit		**32,016**	21,481

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

	Note	FY23 £000	FY22 £000
Total operating profit		**29,363**	20,375
Amortisation of intangible assets	11	**975**	99
Depreciation	12,13	**8,992**	7,897
Acquisition expenses	5	**648**	148
Compensation for post combination services	5	**199**	95
Share based payment expense	5	**964**	863
Adjusted EBITDA		**41,141**	29,477

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

	FY23 £000	FY22 £000
Net cash inflow from operating activities	**30,298**	26,525
Tax paid	6,075	4,005
Cash flow from operating activities pre tax and compensation for post combination services (1)	**36,373**	30,530
Movement in working capital	3,937	(1,373)
Cash flow from operating activities pre tax and compensation for post combination services and movement in working capital (2)	**40,310**	29,157
Pre tax operational cash conversion (1) divided by (2)	**90%**	105%

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.		
		FY23	**FY22**
		£000	**£000**
	Adjusted operating profit	**32,016**	21,481
	Operating lease interest	**(1,656)**	(1,427)
		30,360	20,054
	Tax charge at effective rate of tax of 23% (FY22:18%)	**(6,831)**	(3,690)
	Adjusted operating profit after tax (1)	**23,529**	16,364
	Invested capital comprising:		
	Invoice discounting advances	**6,405**	20,354
	Lease liabilities	**32,669**	28,749
	Revolving Credit Facility	**20,000**	-
	Share capital	**700**	700
	Share premium	**64,183**	64,183
	Less cash at bank and in hand	**(673)**	(5,511)
	Total invested capital (2)	**123,284**	108,475
	After tax return on invested capital (1) divided by (2)	**19%**	15%
Return on net assets	Represents adjusted profit after tax as a proportion of the Group's investment in fixed assets and working capital. This measure informs the Board of how effective the Group is in generating returns from its fixed assets and net working capital.		
		FY23	**FY22**
		£000	**£000**
	Adjusted operating profit	**32,016**	21,481
	Tax charge at effective rate of tax of 23% (FY22:18%)	**(7,204)**	(3,953)
	Adjusted operating profit after tax (1)	**24,812**	17,528
	Fixed assets and net working capital comprising:		
	Intangible assets*	**728**	737
	Fixed assets	**16,614**	13,037
	Right-of-use assets	**29,716**	26,452
	Investments	**45**	35
	Inventories	**35,410**	31,846
	Trade and other receivables	**63,569**	57,698
	Trade and other payables	**(63,596)**	(57,891)
	Liability for post combination services**	**1,006**	806
	Total invested capital (2)	**83,492**	72,720
	After tax return on invested capital (1) divided by (2)	**30%**	24%

* excluding acquired intangibles arising on acquisition

** adjustment to exclude the liability for post combination services from trade and other payables

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	FY23 £000	FY22 £000
Adjusted EBITDA (1)		**41,141**	29,477
Invoice discounting advances		**6,405**	20,354
Lease liabilities		**32,669**	28,749
Revolving Credit Facility		**20,000**	0
Liability for post combination services		**1,006**	807
Cash at bank and in hand		**(673)**	(5,511)
Net debt (2)		**59,407**	44,399
Leverage (including IFRS 16 debt) (2) divided by (1)		**1.4**	1.5
IFRS 16 lease liabilities		**26,197**	25,902
Net debt excluding IFRS 16 lease liabilities (3)		**33,210**	18,497
Leverage (excluding IFRS 16 lease debt) (3) dividend by (1)		**0.8**	0.6

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

	Note	Existing operations 2023 £000	Acquisitions 2023 £000	Total year ended 31 October 2023 £000	Year ended 31 October 2022 £000
Revenue	3	566,333	35,887	602,220	503,088
Cost of sales		(447,466)	(22,629)	(470,095)	(400,460)
Gross profit		118,867	13,258	**132,125**	102,628
Other operating income	4	201	(18)	183	374
Distribution expenses		(49,026)	(5,544)	(54,570)	(44,010)
Administrative expenses		(45,336)	(3,039)	(48,375)	(38,617)
Operating profit		24,706	4,657	**29,363**	20,375
Analysed as:					
Adjusted EBITDA		36,145	4,996	41,141	29,477
Amortisation of intangible assets	11	(975)	-	**(975)**	(99)
Depreciation	12,13	(8,653)	(339)	**(8,992)**	(7,897)
Acquisition expenses	5	(648)	-	**(648)**	(148)
Compensation for post combination services	5	(199)	-	**(199)**	(95)
Share based payment expense	5	(964)	-	**(964)**	(863)
Total operating profit		24,706	4,657	**29,363**	20,375