

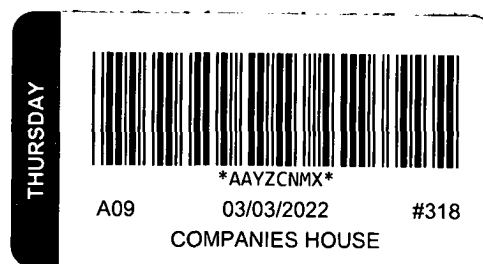
Registered number: 03286342

**itsu Limited**

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**Annual report and financial statements**

**For the period ended 31 December 2020**



**itsu Limited**

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**itsu Limited**

**Company information**

**Directors**

Julian Edward Metcalfe  
Clive Edward Benedict Schlee  
Celeste Tobias-Metcalfe

**Company secretary**

Clive Edward Benedict Schlee

**Registered number**

03286342

**Registered office**

Ground and First Floors  
Partnership House  
Carlisle Place  
London  
SW1P 1BX

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 Embankment Place  
London  
United Kingdom  
WC2N 6RH

**Bankers**

HSBC Bank plc  
HSBC House  
Highfield Office Park  
Edward Road  
Eastbourne  
BN23 8AF

**Solicitors**

Prettys Solicitors  
Elm House  
25 Elm Street  
Ipswich  
Suffolk  
IP1 2AD

## **itsu Limited**

### **Group strategic report**

#### **For the period ending 31 December 2020**

The directors present their report for the company and its subsidiaries (together the 'group') for the 53 weeks ended 31 December 2020. The comparative results are for the 52 week period ended 26 December 2019.

#### **Review of the business, future developments, and financial highlights**

Off the back of the most successful year the itsu Group has had, the retail business was forced to shut all its 76 stores by the government enforced lockdown on 23 March 2020.

The directors immediately focused on preserving cash and maintaining the well-being and confidence of shop and central teams. The business continued to prioritise the financial safety of its employees by placing all but 10 of its central team on the Government's Coronavirus Job Retention Scheme, topping up all employees to 80% of their salary.

As the lockdown prolonged and the outlook continued to worsen, after careful review of the alternatives, the directors took the decision to undertake a Company Voluntary Arrangement (CVA) to propose an agreement between the company and its creditors. In August 2020, 82.6% of the Creditors voted in favour of the proposal which entered the company into a CVA for a period of 24 months.

The primary benefit of the CVA allowed the company to restructure its fixed cost rent into variable cost for the period of the CVA. Dependant on sales thresholds throughout 2022, the company's CVA terms provide for mutual breaks on the majority of itsu's trading sites. If comparative trading is significantly worse than 2019 then the company has options to break its leases with Landlords. Based on current trading, if these breaks are instigated by either the company or the Landlords the loss in trade will have a marginal impact to the group's overall performance but they do provide the company the optionality to exit stores that may not recover post-pandemic.

The group entered the pandemic in a positive net cash position. In March 2020, the business drew down £9m of debt from its revolving credit facility and in July 2020 renegotiated covenants and extended the facility availability through to the end of 2022. Of this £10m facility the group was left with £9.7m at the end of the 2020 financial year.

The business spent the majority of 2020 re-engineering its operating model for the 'new-normal', continuing investment in its digital customer journey, pivoting the UK growth strategy to focus on further regional store expansion and on a successful re-engagement with international partners.

As and when safe to do so, the retail business continued to re-open stores throughout 2020, with the majority of its regional store estate open from 26 June 2020. Further lockdowns saw the retail business continue to trade for its customers and essential workers on take-away and delivery, generating total sales of £41m for the 2020 financial year.

Government support through Coronavirus Job Retention Scheme, VAT reduction and Business Rates reduction schemes, coupled with significant internal cost reductions and above all the CVA, give the directors every confidence that the company will emerge from the pandemic with a highly profitable business model, one that can respond to shifts in consumer behaviour such as the move to working from home.

itsu is well positioned to take advantage of the opportunities created by the unprecedented level of disruption within the industry. itsu expects the Retail division to resume LFL growth (compared to 2019) in the first half of 2022.

The itsu [grocery] business, in stark contrast, had exceptional trading performance through the pandemic. As consumers were forced home, they began to seek new, more interesting, and healthier alternatives to supplement their lunch and dinner choices. The Grocery business sales grew £5.4m or 35% over FY2020. The Grocery business launched 7 new products during this period and enjoyed rate of sale (RoS) growth across its frozen ranges in all the major UK supermarkets and even more aggressively online (online gross sales up 120% YoY).

itsu Grocery's operating profit increased from 10.2% in 2019 to 16.6% in 2020, even after the material global distribution challenges that continue to plague the sector.

The Grocery arm continues to penetrate well across the UK and, more encouragingly, internationally. The business now trades in 11 countries in Europe, including Fran Prix in France, Albert Heijn and Jumbo in Holland, Fotex in Denmark, Consum in Spain, Kesko in Finland and Carrefour in Belgium.

## **itsu Limited**

### **Group strategic report**

**For the period ending 31 December 2020**

#### **Impairments**

Due to the changing shape of central London footfall the company has decided to strategically reshape its central London store footprint. The impact of this decision will see the company focus on regional and international store expansions, however the short term, non-cash impact of this decision is a £3.8m impairment of the groups fixed assets and recognition of a £0.7m onerous lease provisions

#### **Refinancing arrangements**

In 2021, the business successfully renegotiated and extended its current banking facility, of £10m, until the end of 2022. This period extends beyond the end of the CVA period, creating further security and certainty over the company's future liquidity.

#### **Group structure**

On the 10th June 2021, Bridgepoint Europe V Fund, managed by Bridgepoint Group PLC acquired 30% of the ordinary shares in itsu Limited from Ambrosia SPV via a three-tier UK incorporated and tax resident holding structure. The remaining shareholders will roll up their investment in itsu Limited up the newly formed transaction structure to hold instruments in a newly incorporated topco, Butterfly 21 Topco Ltd. On 17th December 2021 the legal structure of the Group was amended such that itsu [grocery] ltd became a direct subsidiary of the three-tier structure as opposed to a subsidiary of itsu Limited. As part of this restructure a capital reduction exercise was completed which saw a reduction in share premium and merger reserve to offset the deficit in itsu Limited's accumulated profit and loss account.

#### **Principal risks and uncertainties**

The group is subject to a number of risks. Risks are reviewed by the board and appropriate processes are put in place to monitor and mitigate them. The key business risks affecting the group are set out below:

##### ***Supply chain***

The group prides itself on the quality and healthiness of its product. The group could be adversely affected by a fall in the standard of goods supplied by third parties. To mitigate this, the group's key suppliers must carry appropriate quality accreditations. The key suppliers are subject to annual review by the group. Any suppliers who do not achieve necessary standards are de-listed.

The shortage of labour within the haulage sector could lead to disruption in receiving or distributing ingredients and products.

##### ***Employees***

The group's performance depends largely on its employees. The resignation of key individuals and then the inability to recruit the people with the right experience and skills could adversely impact the group's results. To mitigate these issues, the group has invested in a training programme for all staff, to maintain high service levels and ensure a high-quality food offering.

The directors recognise that itsu employees are fundamental and core to the business and delivery of the group's strategic ambitions. Itsu's success depends on attracting, retaining and motivating employees. The directors factor the implications of decisions on employees where relevant. Employees are kept informed of performance and strategy through regular presentations and updates from members of the management team.

##### ***Brand risk***

Brand risk could arise through a one-off incident, such as a food scare, or a slow decline in a brand's appeal to its customer base. The group manages the risk of one-off incidents through day-to-day operational management. In addition, a rigorous supplier selection policy is applied, and all staff are trained on food safety. The risk of a slow decline in brand appeal is managed through continuous innovation, marketing campaigns and brand development.

##### ***General economic conditions***

Brexit continues to create trading uncertainty primarily around the availability of labour and import challenges.

The disposable income of customers and their eating preferences are, and will be, affected by changes in the general economic environment. The group regularly reviews its product offering and engages with its customers to ensure it provides value for money offering and meets its customers' needs.

itsu Limited

**Group strategic report**

**For the period ending 31 December 2020**

*Competition*

The group operates in a highly competitive market, particularly in respect of service offering, price and product quality. To mitigate this risk, the group monitors market offerings and pricing on an ongoing basis. In addition, sites will be subject to a rolling refurbishment programme as required.

*COVID-19*

The potential disruption caused by any further government enforced lockdowns pose a risk to the Retail division's ability to trade at expected levels.

*Going Concern*

The accounts have been prepared on a going concern basis and further details on the Directors' assessment is contained within the Directors' report.

**Financial risk management**

The directors regularly review the financial requirements of the group and the risks associated therewith. The group does not use complicated financial instruments. The group does not use derivative financial instruments for trading purposes. The group operations are primarily financed from bank loans, and investment from Bridgepoint Europe V Fund. In addition to the primary financial instruments, the group has other financial instruments such as debtors, prepayments, trade creditors and accruals that directly arise from the group's operations.

*Foreign currency risk*

No borrowings are denominated in foreign currencies, and with the exception of the New York store, all current trading operations are in the United Kingdom. Where possible, the group undertakes supply contracts denominated in Sterling. The group mitigate foreign currency risk through the use of forward rate contracts.

*Credit risk*

Counterparty credit ratings are monitored and there is no significant concentration of credit risk to any single counterparty. The group has a large customer base and a significant proportion of cash sales. Counterparties for cash balances and derivative balances are with a financial institution with a strong credit rating and whilst there is exposure to losses, the group does not expect them to fail to meet their obligations, as they fall due.

*Interest rate risk*

The group borrows at variable rates. The group does not use interest rate swaps or cash flow hedges. The group matches any scheduled interest payment or borrowing repayment with the expected future cash flows from the group's trading activities.

*Price risk*

The group's margins can be adversely affected by an increase in price of key raw materials together with wages, overheads and utilities. To mitigate this issue, the group reviews its overall cost and pricing strategies and adjusts where appropriate.

*Liquidity risk*

Company borrowings are secured by charges over the group's assets. Cash forecasts are produced frequently and regularly reviewed to manage the day-to-day liquidity.

## **Itsu Limited**

### **Group strategic report**

**For the period ending 31 December 2020**

#### **Key performance indicators**

The directors receive a wide range of management information delivered in a timely manner. Listed below are the principal measures of progress that are reviewed on a regular basis to monitor the development of the group.

##### *Like-for-Like sales*

The measure provides an indicator of the underlying performance of existing sites and highlights successful development of offerings to better match changing customer demands over time. The business recorded total life-for-like retail store sales of (26%) in the 53 weeks to 31 December 2020 – measured by the reduction in store sales from the prior year across the same financial period, for the periods when the stores were open and trading in both years.

##### *Return on investment (ROI)*

The success of new store openings is a key indicator of the group's performance. Potential new sites are subject to a rigorous appraisal process and are presented to the Board for approval. The performance of the stores versus expectations is closely monitored. ROI is measured by the return generated by an investment against the investment made.

#### **Disabled employees**

The group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, the group's position is to continue employment wherever practical in the same or in an alternative position, or to provide any necessary accommodations and training required.

#### **Section 172(1) Statement**

This section describes how the directors have had to regard to the matters set out in section 172(1) of the Companies Act 2006 in exercising their duties to promote the success of the Company for the overall benefit of all its stakeholders.

The board has sought to understand the views of the company's key stakeholder groups – employees, by having regard for the following (amongst other matters):

- The likely consequences that long-term decisions on these stakeholder groups,
- The interests of the company employees,
- Foster business relationships with suppliers, customers, and others,
- The impact of the company's operations on the community and the environment,
- The company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the company.

The directors make sure they contemplate all the items above in their decisions making by performing the following actions:

- Direct conversations with relevant stakeholder groups,
- Regular updates from management, who interact with these groups on a daily basis,
- Board meeting presentations on specific topics relating to employee and customer feedback.

During the pandemic the Directors took the decision to top-up employee salaries above the mandated CJRS limits to ensure that the well-being and economic security of staff were prioritized. The decision was also taken to remove cash in stores, with increased investment approved to install COVID-safe working practices across for the physical safety of employees, customers and partners.

The directors decision to partner with Bridgepoint Group plc was after careful consideration of the impact on all major stakeholder groups. It will allow the business to expand providing more opportunities to our employees, deepen our relationships with our trusted supply base and reach more of our customers in the UK and internationally.

**itsu Limited**

**Group strategic report**

**For the period ending 31 December 2020**

**Our Employees**

The strength of our business is built on the back of our employees in stores and across our Academy (central head office). Our strategic ambitions can only be met if we can recruit, retain, and continue to motivate a large group of individuals that personify the itsu values. The directors factor in the needs and wants of each employee group into every decision that is made for the good of the business. We hold quarterly meetings for all Academy and Shop Managers and send regular email correspondence to the entire company, where strategic growth plans are shared in the relevant detail to keep our employees up to speed on the future developments of the company.

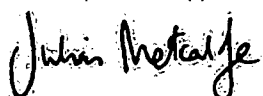
**Our Customers**

Our customers are the reason we exist. The directors are cautiously aware of the vast variety of food choices that customers have in the UK and therefore encourage Management to continuously improve our affordable, great-tasting, nutritious food offering. This ability allows us to continue to meet an ever-changing set of customer needs each year.

**Our Suppliers**

Many of our suppliers have been with us for over 10 years, some for 20. We have deep relationships with them at the most senior levers of their organisations. These long-lasting relationships allow us to work together in the best interests of both parties whilst maintaining healthy levels of commerciality. We often seek out new and exciting suppliers that can provide the business with ingredients and bought-to-sell products that meet our customer expectations and help our teams become more efficient. These new suppliers will grow in importance for us, as we continue to push the boundaries of affordable, great tasting, nutritious food in the UK and across the globe.

This report was approved by the board on 01/03/2022 and signed on its behalf.



**Julian Edward Metcalfe**  
Director



## **itsu Limited**

### **Directors' report**

**For the period ended 31 December 2020**

The directors present their report and the audited financial statements of the group and company for the period ended 31 December 2020.

#### **Principal activities**

The group and company independently own a chain of restaurants and take away food shops in the UK and the wholesale of itsu branded products.

#### **Results and dividends**

The section on financial results and performance which is detailed in the Strategic report, is included in this report by cross reference.

The directors have not proposed a dividend for the financial period and no dividend has been paid during the year (2019: £Nil).

#### **Future developments**

The section on future developments which is detailed in the Strategic report, is included in this report by cross reference.

#### **Financial risks**

The section on financial risks which is detailed in the Strategic report, is included in this report by cross reference.

#### **Directors**

The directors of the company who served during the period and up to the date of signing the financial statements were:

Julian Edward Metcalfe

Clive Edward Benedict Schlee

Serge Francois Schoen (resigned 10th June 2021)

Celeste Tobias-Metcalfe

#### **Business environment**

The UK retail food market is made up of a large number of operators ranging from single owner managed establishments to large multi-site branded operations. The current trading environment is discussed in the Strategic Report. itsu Limited operates principally in the UK.

## **itsu Limited**

### **Directors' report For the period ended 31 December 2020**

#### **Going Concern**

The directors continue to adopt the going concern basis in preparing the group and company financial statements.

Strong EBITDA growth in 2019 allowed the business to enter 2020 in a positive net cash position of £2.7m. The government announced the national lockdown on March 23rd, this forced the Retail division to shut all of its stores nationwide. Unsurprisingly, the unwinding of working capital and the existence of long-term fixed liabilities within the company created an uncertain financial future for the business. The directors took decisive action to preserve cash and, after careful consideration, entered a Company Voluntary Arrangement ("CVA") in August 2020. On the back of the CVA approval, the directors secured an extension of the group's £10m revolving credit facility which is now committed until 31 December 2022. Further market confidence was shown in the business by Bridgepoint Europe V Fund, managed by Bridgepoint Group plc, acquiring 30% of the ordinary shares in itsu limited from Ambrosia SPV in June 2021. This provides the business with a further £10m of unconditional committed funding to navigate challenges that the COVID-19 pandemic may still cause or provide future funding for the ongoing growth of the group.

The directors have considered the availability of funding alongside detailed cash flow projections through to June 2023 to determine whether the group and company can meet obligations when they fall due. The cash flow projections consider recent trading in the Retail division, which is, encouragingly, trending towards 2019 levels, with a significant number of shops outperforming pre-pandemic sales.

In both a base case scenario and a severe but plausible downside scenario, the group plans to reinvest in the business at an unprecedented level, increasing the retail store estate by 37%. This material cash outflow will allow the group to achieve its strategic objectives over the next 5 years.

In a base case scenario, the group has significant cash headroom, which includes a full repayment of the £10m banking facility, therefore the directors have continued to adopt the going concern basis for the group and company financial statements.

In the severe but plausible scenario, the directors have considered the impact of another national lockdown with a prolonged 'work from home' directive, and no re-introduction of government support packages, including furlough and tax benefits, combined with the same level of reinvestment as in the base scenario. This combination of factors would impact the group's ability to fully repay the £10m banking facility, if the group were unable to secure a further extension of the banking facility. The group has successfully negotiated terms in July 2021 which removed covenant requirements and extended the term for a further 10 months and the directors believe that a further extension would be granted if needed. However, the absence of an agreed extension means that there still exists a material uncertainty over the group's and therefore the company's ability to continue as a going concern in the severe but plausible downside scenario.

## itsu Limited

### Directors' report

For the period ended 31 December 2020

#### Streamlined Energy and Carbon Reporting (SECR)

In line with the Companies Act 2006 (Strategic and Directors' Report) Regulations 2018 our greenhouse gas emissions (GHG) from energy use are set out below. The directors are committed to reducing the carbon footprint of the business and are using this information to take further steps to achieve targets and monitor the progress of this journey.

In 2020, the business undertook a project to convert all sites to smart energy. In the year the business also replaced the majority of lights in-store to more energy efficient lightbulbs, helping to further reduce energy consumption across the estate.

In 2021, the business began a project to remove front-of-house fridges from 15 of its busiest stores, to be replaced with smaller back-counter fridges that use 75% less energy. This change will reduce energy consumption, not only from the operation of the fridge but also from the reduction in heating, ventilation and air conditioning that is required in store.

#### Energy consumption and carbon emissions

Included within the information below include:

- Scope 1 – Direct GHG emissions
- Scope 2 – Energy indirect emissions

Scope	kWh	Carbon Tonnes
1	68,783	19
2	7,742,870	1,804
<b>Total</b>	<b>7,811,653</b>	<b>1,823</b>

Due to 2020 being the first year of reporting, no comparative figures are published.

#### Intensity Ratio

<b>Intensity Ratio</b> (tCO <sub>2</sub> e / Turnover £m)	<b>44</b>
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#### Methodology

The calculations have been made in line with the GHG Reporting Protocol - Corporate Standard.

#### Political contributions

No donations for political purposes were made during the year. £10,949 was donated for charitable purposes by the group during the year (2019: £Nil).

**itsu Limited**

## **Directors' report**

**For the period ended 31 December 2020**

### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

**itsu Limited**

**Directors' report  
For the period ended 31 December 2020**

**Statement of disclosure of information to auditors**

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information.

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 01/03/2022 and signed on its behalf.



**Julian Edward Metcalfe**  
Director

**itsu Limited**

## **Independent auditors' report to the members of itsu Limited**

Report on the audit of the financial statements

### **Opinion**

In our opinion, itsu Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's cash flows for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Company balance sheets as at 31 December 2020; the Consolidated statement of comprehensive income, the Consolidated statement of cash flows, and the Consolidated and Company statements of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### **Material uncertainty related to going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.3 to the financial statements concerning the group's and the company's ability to continue as a going concern. There is unpredictability in the nature, extent and duration of COVID-19 and the level of operating restrictions that may be imposed during the next 12 months and beyond and it is uncertain how this will impact the group's operational performance. In the severe but plausible downside scenario modelled by the directors, the reduced liquidity could prevent the group being able to repay its revolving credit facility when it expires in December 2022 and would therefore require approval of a further extension or receipt of additional financing. These conditions, along with the other matters explained in note 3.3 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a going concern.

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

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Group strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Group strategic report and Directors' report for the period ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Group strategic report and Directors' report.

### **Responsibilities for the financial statements and the audit**

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

#### **Auditors' responsibilities for the audit of the financial statements**

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety (including food safety), taxation, and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and review of board meeting minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumption and judgements made by management in determining significant accounting estimates or judgements, in particular in relation to management's assessment of impairment of tangible fixed assets and recognition of onerous lease provisions; and
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations and testing all material consolidation journals.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.



Emily Greybrook (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
2 March 2022



**itsu Limited**  
**Registered number: 03286342**

**Consolidated statement of comprehensive income**  
**For the period ended 31 December 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
Turnover	5	61,724	127,791
Cost of sales		(26,985)	(44,536)
<b>Gross profit</b>		<b>34,739</b>	<b>83,255</b>
Administrative expense including exceptional costs of £6,440k (2019: £ Nil)		(61,906)	(84,943)
Other operating income	6	8,853	325
<b>Operating loss</b>	7	<b>(18,314)</b>	<b>(1,363)</b>
Interest payable and similar expenses	9	(221)	(182)
<b>Loss before taxation</b>		<b>(18,535)</b>	<b>(1,545)</b>
Tax (charge)/credit on loss	10	487	187
<b>Loss for the financial period</b>		<b>(18,048)</b>	<b>(1,358)</b>
<b>Total comprehensive expense for the period</b>		<b>(18,048)</b>	<b>(1,358)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		(18,048)	(1,358)
		<b>2020</b>	<b>2019</b>
		<b>£'000</b>	<b>£'000</b>
Operating loss		(18,314)	(1,363)
Depreciation & Amortisation		9,154	9,222
Impairment		-	33
Exceptional items		6,440	-
<b>Adjusted EBITDA*</b>		<b>(2,720)</b>	<b>7,892</b>

\*Adjusted EBITDA is defined as Earnings before interest, taxation, depreciation, amortisation and exceptional items

All operations are continuing in the current and prior year.

**Itsu Limited**  
**Registered number: 03286342**

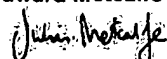
**Consolidated balance sheet**  
**31 December 2020**

	Note	2020 £'000	2019 £'000
Intangible assets	11	7,228	8,559
Tangible assets	12	17,727	27,045
<b>Fixed assets</b>		<b>24,955</b>	<b>35,604</b>
Inventories	14	3,840	3,814
Debtors	15	5,406	8,907
Cash at bank and in hand	16	9,719	3,696
<b>Current assets</b>		<b>18,965</b>	<b>16,417</b>
<b>Total Assets</b>		<b>43,920</b>	<b>52,021</b>
Creditors: amounts falling due within one year	17	(17,853)	(16,926)
<b>Current Liabilities</b>		<b>(17,853)</b>	<b>(16,926)</b>
Creditors: amounts falling due after more than one year	18	(10,475)	(1,454)
<b>Non-current liabilities</b>		<b>(10,475)</b>	<b>(1,454)</b>
<b>Net assets</b>		<b>15,593</b>	<b>33,641</b>
Called up share capital	22	2	2
Share premium		41,785	41,785
Merger reserve		12,762	12,762
Translation reserve		(21)	(21)
Accumulated losses		(38,936)	(20,887)
<b>Total shareholders' funds</b>		<b>15,593</b>	<b>33,641</b>

The group consolidated Statement of Comprehensive Income, Balance Sheet and financial statements on pages 15 to 49 were approved and authorised for issue by the board and were signed on its behalf on 01/03/2022.

**Julian Edward Metcalfe**

Director



The notes on pages 21 to 49 form part of these financial statements.

**itsu Limited**  
**Registered number: 03286342**

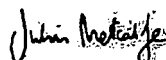
**Company balance sheet**  
**31 December 2020**

	Note	2020 £'000	2019 £'000
Intangible assets	11	210	263
Tangible assets	12	17,653	25,916
Investments	13	12,826	13,231
<b>Fixed assets</b>		<b>30,689</b>	<b>39,410</b>
Inventories	14	1,041	1,180
Debtors	15	3,153	7,896
Cash at bank and in hand	16	7,842	2,414
<b>Current assets</b>		<b>12,036</b>	<b>11,490</b>
<b>Total Assets</b>		<b>42,725</b>	<b>50,900</b>
Creditors: amounts falling due within one year	17	(14,415)	(13,386)
<b>Current Liabilities</b>		<b>(14,415)</b>	<b>(13,386)</b>
Creditors: amounts falling due after more than one year	18	(10,475)	(1,000)
<b>Non-current liabilities</b>		<b>(10,475)</b>	<b>(1,000)</b>
<b>Net assets</b>		<b>17,835</b>	<b>36,514</b>
Called up share capital	22	2	2
Share premium		41,785	41,785
Merger reserve		12,762	12,762
Accumulated losses		(36,715)	(18,035)
<b>Total shareholders' funds</b>		<b>17,835</b>	<b>36,514</b>

The company Statement of Comprehensive Income, Balance Sheet and financial statements on pages 15 to 49 were approved and authorised for issue by the board and were signed on its behalf on 01/03/2022.

Julian Edward Metcalfe

Director



The notes on pages 21 to 49 form part of these financial statements.

itsu Limited

Registered number: 03286342

**Consolidated statement of changes in equity**  
For the period ended 31 December 2020

**Consolidated statement of changes in equity**  
For the period ended 31 December 2020

	Called up share capital £'000	Share premium account £'000	Translation reserve £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
At 27 December 2019	2	41,785	(21)	12,762	(20,887)	33,641
Comprehensive (expense) for the period						
Loss for the financial period	-	-	-	-	(18,048)	(18,048)
<b>Total comprehensive (expense) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(18,048)</b>	<b>(18,048)</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2020</b>	<b>2</b>	<b>41,785</b>	<b>(21)</b>	<b>12,762</b>	<b>(38,935)</b>	<b>15,593</b>

The notes on pages 21 to 49 form part of these financial statements.

itsu Limited

Registered number: 03286342

Company statement of changes in equity  
For the period ended 31 December 2020

Company statement of changes in  
equity  
For the period ended 26 December  
2019

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Accumulated losses £'000	Total equity £'000
At 27 December 2019	2	41,785	12,762	(18,035)	36,514
Comprehensive (expense) for the period					
Loss for the financial period	-	-	-	(18,680)	(18,680)
<b>Total comprehensive (expense) for the period</b>				<b>(18,680)</b>	<b>(18,680)</b>
<b>Total transactions with owners</b>					
<b>At 31 December 2020</b>	<b>2</b>	<b>41,785</b>	<b>12,762</b>	<b>(36,715)</b>	<b>17,835</b>

The notes on pages 21 to 49 form part of these financial statements.

itsu Limited  
Registered number: 03286342

**Consolidated statement of cash flows**  
**For the period ended 31 December 2020**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Loss for the financial period	(18,048)	(1,358)
<b>Adjustments for:</b>		
Amortisation of intangible assets	1,356	1,294
Depreciation of tangible assets	7,798	7,929
Impairments of tangible assets	3,835	33
Loss on disposal of tangible assets	0	0
Interest paid	221	182
Taxation (credit)/charge	(487)	(187)
Movement in stocks	(25)	33
Movement in debtors	3,988	(1,426)
Movement in creditors	947	551
<b>Net cash (used in)/generated from operating activities</b>	<b>(415)</b>	<b>7,051</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible assets	(26)	(180)
Purchase of tangible assets	(2,315)	(3,970)
<b>Net cash used in investing activities</b>	<b>(2,341)</b>	<b>(4,150)</b>
<b>Cash flows from financing activities</b>		
New loans	9,000	0
Repayment of loans	0	(6,000)
Interest paid	(221)	(182)
<b>Net cash generated/(used in) from financing activities</b>	<b>8,779</b>	<b>(6,182)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,023</b>	<b>(3,281)</b>
Cash and cash equivalents at beginning of period	3,696	6,977
<b>Cash and cash equivalents at the end of period</b>	<b>9,719</b>	<b>3,696</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	9,719	3,696

**itsu Limited**  
**Registered number: 03286342**

**Notes to the financial statements**  
**For the period ended 31 December 2020**

## **1. General information**

The group and company independently own a chain of restaurants and take away food shops in the UK, operating under the brand of itsu and the wholesale of itsu branded products.

itsu Limited is a private company limited by shares and is incorporated and domiciled in the United Kingdom, registration number 03286342. The registered office is Ground and First Floors, Partnership House, Carlisle Place, London SW1P 1BX.

## **2. Statement of compliance**

The financial statements of the group and company have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

## **3. Accounting policies**

### **3.1 Basis of preparation of financial statements**

The financial statements have been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the group's accounting policies (see note 4).

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The below accounting policies are consistent with the prior year.

The following principal accounting policies have been applied:

### **3.2 Basis of consolidation**

The consolidated statement of comprehensive income, consolidated balance sheet and consolidated cash flow statement include the financial statements of the company and its subsidiary undertakings made up to 31 December 2020.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the period are included up to, or from, the dates of change of control or change of significant influence respectively.

**itsu Limited**  
**Registered number: 03286342**

**Notes to the financial statements**  
**For the period ended 31 December 2020**

### **3. Accounting policies (continued)**

#### **3.2 Basis of consolidation (continued)**

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated statement of comprehensive income. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in statement of comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

Where control of a subsidiary is achieved in stages, the initial acquisition that gave the group control is accounted for as a business combination. Thereafter where the group increases its controlling interest in the subsidiary the transaction is treated as a transaction between equity holders. Any difference between the fair value of the consideration paid and the carrying amount of the non-controlling interest acquired is recognised directly in equity. No changes are made to the carrying value of assets, liabilities or provisions for contingent liabilities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the group's interest in the entity.

#### **3.3 Going concern**

The directors continue to adopt the going concern basis in preparing the group and company financial statements.

Strong EBITDA growth in 2019 allowed the business to enter 2020 in a positive net cash position (£2.7m). The government announced the national lockdown on March 23rd, this forced the Retail division to shut all of its stores nationwide. Unsurprisingly, the unwinding of working capital and the existence of long-term fixed liabilities within the company created an uncertain financial future for the business. The directors took decisive action to preserve cash and, after careful consideration, entered a Company Voluntary Arrangement ("CVA") in August 2020. On the back of the CVA approval, the directors secured an extension of the group's £10m revolving credit facility which is now committed until 31 December 2022. Further market confidence was shown in the business by Bridgepoint Europe V Fund, managed by Bridgepoint Group plc, acquiring 30% of the ordinary shares in itsu limited from Ambrosia SPV in June 2021. This provides the business with a further £10m of unconditional committed funding to navigate challenges that the COVID-19 pandemic may still cause or provide future funding for the ongoing growth of the group.

The directors have considered the availability of funding alongside detailed cash flow projections through to June 2023 to determine whether the group and company can meet obligations when they fall due. The cash flow projections consider recent trading in the Retail division, which is, encouragingly, trending towards 2019 levels, with a significant number of shops outperforming pre-pandemic sales.

In both a base case scenario and a severe but plausible downside scenario, the group plans to reinvest in the business at an unprecedented level, increasing the retail store estate by 37%. This material cash outflow will allow the group to achieve its strategic objectives over the next 5 years.

In a base case scenario, the group has significant cash headroom, which includes a full repayment of the £10m banking facility, therefore the directors have continued to adopt the going concern basis for the group and company financial statements.



itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### 3. Accounting policies (continued)

#### 3.3 Going concern (continued)

In the severe but plausible scenario, the directors have considered the impact of another national lockdown with a prolonged 'work from home' directive, and no re-introduction of government support packages, including furlough and tax benefits, combined with the same level of reinvestment as in the base scenario. This combination of factors would impact the group's ability to fully repay the £10m banking facility, if the group were unable to secure a further extension of the banking facility. The group successfully negotiated terms in July 2021 which removed covenant requirements and extended the term for a further 10 months and the directors believe that a further extension would be granted if needed. However, the absence of an agreed extension means that there still exists a material uncertainty over the group's and therefore the company's ability to continue as a going concern in the severe but plausible downside scenario.

#### 3.4 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the parent company's shareholders.

The parent company has taken advantage of the following exemptions:

- a. the company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements;
- b. from preparing a statement of cash flows or statement of income, required under Section 7 of FRS 102 and para 3.17(d), on the basis that it is a qualifying entity and its cash flow and statement of income is included in the cash flow and statement of income in the consolidated financial statements.
- c. from the financial instrument disclosures, required under FRS 102 paras 11.39- 11.48A and 12.26- 12.29, as the information is provided in the consolidated statement disclosure; and
- d. from disclosing the company's key management personnel compensation as required by FRS 102 para 33.7.

#### 3.5 Turnover

Sale of goods at retail shops - turnover represents the invoiced amount of food and drink sold and other services provided largely within the United Kingdom, less allowances and excluding sales based taxes.

Wholesale of goods - turnover represents the invoiced amount of products sold and other services provided solely within the United Kingdom, less discounts, sales related rebates and excluding sales based taxes.

Royalty income is received on net sales of the licensed products sold. Royalty income is recognised on an accruals basis and in accordance with the substance of the relevant agreements.

There are no differences between the origination and geographical destination of turnover. Sales are recognised at the point at which the group has fulfilled its contractual obligations and the risks and rewards attached to the product or service has been transferred to the customer.

#### 3.6 Cost of goods

The cost of goods recognised in the accounts is the direct cost of stock sold to customers along with delivery commission and costs paid to delivery partners.

itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### **3. Accounting policies (continued)**

#### **3.7 Foreign currency translation and functional and presentation currency**

The group and company's functional and presentational currency is pound sterling (GBP).

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

#### **3.8 Finance costs**

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### **3.9 Borrowing costs**

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the period in which they are incurred.

where members are awarded 'C' shares in itsu Limited with the fair value of the shares awarded recognised as an expense spread on a straight-line basis over the relevant performance period. The fair value of the awards and the current year charge are both immaterial.

itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### 3. Accounting policies (continued)

#### 3.10 Employee benefits

The group provides a range of benefits to employees, including defined contribution pension plans.

##### i) Short term benefits

Short term benefits and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

##### ii) Defined pension scheme

The group contributes into a defined contribution pension plan for group employees. The amount charged to the Consolidated statement of comprehensive income represents the contributions payable to individual personal pension schemes for those individuals. The assets of the schemes are held separately from those of the group.

##### iii) Long term incentive plan

Certain members of the management team are remunerated through a long term incentive plan. The group has two plans in place; a) a cash based scheme with amounts payable linked to performance of itsu (grocery) Limited. An accrual is recorded which represents management's best estimate of the amounts payable based on forecast performance and expected leavers; b) a share based award.

#### 3.11 Operating lease agreements

Rental payments, where substantially all of the benefits and risks of ownership remain with the lessor, are charged on a straight line basis against operating profit over the period of the lease.

Rent free periods or other similar lease incentives are recognised on a straight line basis in the profit and loss account over the life of the lease.

#### 3.12 Exceptional items

Exceptional items are disclosed in these financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are items that are material either because of their size or their nature, or that are non-recurring and as such are considered as exceptional items and are presented within line items on the statement of comprehensive income to which they best relate.

itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### 3. Accounting policies (continued)

#### 3.13 Intangible assets

##### Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life. Where the group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the Consolidated statement of income and retained earnings. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

##### Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Trademarks	10 years
Development costs	3 years

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. The useful economic life of the assets are based on management's best estimate.

itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### 3. Accounting policies (continued)

#### 3.14 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	·	over the remaining lease years, except where the adopt renewal extension of the lease is sufficiently certain that longer estimated useful economic life is appropriate
Plant and machinery	·	on a straight line basis 1.5 to 7 years
Fixtures, fittings and equipment	·	on a straight line basis 2 to 7 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

#### Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the company and the cost can be measured reliably.

#### 3.15 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

itsu Limited

Registered number: 03286342

Notes to the financial statements

For the period ended 31 December 2020

### 3. Accounting policies (continued)

#### 3.16 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Impairment assessments are performed annually.

#### 3.17 Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out (FIFO) basis. Cost is calculated as the costs incurred in bringing inventories to their present location and condition.

At each Balance sheet date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in Consolidated statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, in the consolidated statement of comprehensive income.

#### 3.18 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 3.19 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, receivables from credit card and other payment providers, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts where there is a legal and enforceable right of set off, otherwise, bank overdrafts are shown within borrowings in current liabilities.

#### 3.20 Financial Instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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### 3. Accounting policies (continued)

#### 3.20 Financial instruments (continued)

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the Balance sheet date.

Financial liabilities are measured at amortised cost, these are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, canceled or expires.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives are measured at a quoted market price in an active market. Changes in the market value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

#### 3.21 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 3.22 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

#### 3.23 Other operating income & government grant income

*Other operating income* The group recognises income from leasing unused property as other operating income within the Consolidated statement of comprehensive income, as well as government support via the Coronavirus Job Retention Scheme.

*Government grant income* is recognised once the conditions attached to the grant are met and there is reasonable assurance that the grant will be received. Recognition is based on the accrual model.

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### **3. Accounting policies (continued)**

#### **3.24 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- a) The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- b) Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- c) Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

#### **3.25 Share premium**

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

#### **3.26 Merger reserve**

Merger reserve represents amounts recognised on the acquisition of itsu [grocery] Ltd, being the difference between the value of the consideration and the nominal value of the shares issued as consideration.

#### **3.27 Capital reserve**

The capital reserve was used to record a distribution to shareholders and represents the true up of the company's equity value on the finalisation of the net debt position..

#### **3.28 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.



**4. Judgements in applying accounting policies and key sources of estimation uncertainty**

- The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The judgements, estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

**(a) Critical judgements in applying the group and company's accounting policies**

*Store leases* – As per the terms of the CVA, there are two different break options on store leases. One that affects a very limited number of stores will be available to both the Group and the respective landlords at the end of the CVA period. Management has reviewed the affected leases and determined that these break options will not be actioned. The second break option, also available at the end of the CVA period is contingent on sales, if the sales of individual shops are materially lower than the same period in 2019 – there are break options available to both the Group and the respective landlord. Management has reviewed the current trading performances of the affected stores and forecasted sales for the relevant future period and deemed that this break option will not be available in any location. When completing impairment reviews, onerous lease assessments and the reviewing of going concern management has used judgement as to whether a break option will be used by the group or the landlord.

*Exceptional items* – management has made judgements and classified some costs as exceptional, where they are deemed to be non-recurring and incurred primarily due to the COVID-19 pandemic.

**(b) Key accounting estimates and assumptions**

The group considers whether store assets are impaired. Where an indication of impairment is identified, the estimation of recoverable value requires estimation of the recoverable value of each store (being the individual cash generating unit). This requires estimation of future store cash flows and appropriate discount rates in order to calculate the net present value of these cash flows. The estimates are based on historical store performance along with management's assumptions for future growth based on experience and assumptions specific to individual stores. Examples of these include enhanced footfall as a result of neighbouring commercial developments and increased sales as a result of returning customer loyalty and enhanced offerings.

As part of this exercise in 2020 – the COVID-19 pandemic was identified as an impairment trigger for a number of itsu retail stores. A number of stores were identified that would not generate sufficient future cashflows and therefore were impaired, as disclosed in note 7 and 12.

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**5. Turnover**

An analysis of turnover by class of business is as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom sales of goods at retail shops	41,352	114,706
North America sales of goods a retail shops	333	1,561
United Kingdom sale of grocery products	20,039	11,524
<b>Total Turnover</b>	<b>61,724</b>	<b>127,791</b>

Turnover relates to group and company's main activity, which is carried out in the UK and North America

**6. Other Operating Income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Property sub-lease income	79	325
Coronavirus Job Retention Scheme	8,749	-
Other	25	-
<b>Total Other operating income</b>	<b>8,853</b>	<b>325</b>

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**7. Operating Loss**

The operating loss is stated after charging:

	2020	2019
	£'000	£'000
Amortisation of goodwill	1,277	1,253
Amortisation of intangible assets	79	41
Depreciation of tangible assets	7,798	7,929
Impairment of tangible assets	=	33
Exchange rate gain/(loss)	18	(26)
Operating lease charges		
- Land and buildings	7,138	17,744
Exceptional costs		
- Impairment of tangible assets	3,835	=
- Professional consultancy work	1,398	=
- Provision for onerous leases	737	=
- Redundancy costs	423	=
- Other	46	=

**Services provided by the company's auditors**

Fees payable to the company's auditors for the audit of the parent company and the group's consolidated financial statements	153	153
Fees payable to the company's auditors for the audit of subsidiary	46	30
Fees payable to the company's auditors and their associates for other services:		
- Tax compliance services and other tax advice	23	20

Exceptional costs are all one off in nature and primarily related to the COVID-19 pandemic. The impairment of tangible assets relate to the impairment charge over assets held for stores where the trading levels have been negatively affected by the pandemic. Professional consultancy work relates to the cost to implement the CVA. The onerous lease provision covers the future expected losses generated by stores that remain occupied. Redundancy costs relate to the cost of staff made redundant. 'Other' includes immaterial other one off costs including dilapidation costs of sites exited due to the pandemic.

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**8. Employees**

Staff costs, including directors' remuneration, were as follows:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Wages and salaries	24,188	32,337	21,608	30,237
Social security costs	1,758	2,547	1,581	2,400
Other pension costs	235	277	143	182
	<b>26,181</b>	<b>35,161</b>	<b>23,332</b>	<b>32,819</b>

The average monthly number of employees, including the directors, employed by the group during the period was as follows:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Selling and distribution	846	1,383
Management	6	6
	<b>852</b>	<b>1,389</b>

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate director emoluments	54	166

The above emoluments relate to four directors (2019: four).

Included in accruals is £79k in respect of pension payments (2019: £111k)

**Key management compensation**

Key management includes the directors and members of senior management. The compensation paid or payable to senior management for employee services is shown below:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate key management personnel emoluments	393	711
Pension key management personnel contributions	15	11
	<b>408</b>	<b>722</b>

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**9. Interest payable and similar expenses**

	2020	2019
	£'000	£'000
Interest payable on bank loans and overdrafts	221	182

**10. Tax on loss**

	2020	2019
	£'000	£'000
<b>Corporation tax</b>		
Current tax on losses for the period	8	3
Adjustments in respect of previous periods	0	0
<b>Total current tax</b>	<u>8</u>	<u>3</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(382)	(185)
Adjustments in respect of previous periods	(40)	(26)
Impact of change in tax rate	(72)	21
<b>Total deferred tax</b>	<u>(494)</u>	<u>(190)</u>
<b>Total tax charge/(credit) for the period</b>	<u>(487)</u>	<u>(187)</u>

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**10. Tax on loss (continued)**

**Factors affecting tax charge/(credit) for the period**

The tax assessed for the period is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Loss before taxation	(18,535)	(1,545)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,522)	(293)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,700	595
Adjustments in respect of previous periods	(40)	(26)
Impact of change in tax rate	(68)	25
Pre-trade expenses		
Tax losses not recognised	1,439	(491)
Effects of overseas tax rates	4	3
<b>Total tax (charge/(credit) for the period)</b>	<b>(487)</b>	<b>(187)</b>

The group has an unrecognised deferred tax asset of £2,188k (2019: £491k), relating to previous and current year operating losses.

**Factors that may affect future tax charges**

As per the Finance Bill 2021, set the main rate of corporation tax at 19% for the financial year 2022, increasing to 25% for the financial year 2023. The recognised deferred tax assets and liabilities reflect these rates.

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**11. Intangible assets**

**Group**

	<b>Development £'000</b>	<b>Goodwill £'000</b>	<b>Trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 27 December 2019	465	12,533	145	13,143
Additions	26	-	-	26
At 31 December 2020	<u>491</u>	<u>12,533</u>	<u>145</u>	<u>13,169</u>
<b>Accumulated amortisation</b>				
At 27 December 2019	(283)	(4,237)	(64)	(4,584)
Charge for the period	(64)	(1,277)	(15)	(1,356)
At 31 December 2020	<u>(347)</u>	<u>(5,514)</u>	<u>(79)</u>	<u>(5,940)</u>
<b>Net book value</b>				
At 27 December 2019	<u>182</u>	<u>8,296</u>	<u>81</u>	<u>8,559</u>
At 31 December 2020	<u>144</u>	<u>7,019</u>	<u>66</u>	<u>7,229</u>

The goodwill was recognised as an acquisition of itsu [grocery] Holdings Limited in August 2016 and is being amortised over 10 years.

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**11. Intangible assets (continued)**

**Company**

	<b>Development £'000</b>	<b>Trademarks £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 27 December 2019	386	145	531
Additions	26		26
At 31 December 2020	<u>412</u>	<u>145</u>	<u>557</u>
<b>Accumulated amortisation</b>			
At 27 December 2019	(204)	(64)	(268)
Charge for the period	(64)	(15)	(79)
At 31 December 2020	<u>(268)</u>	<u>(79)</u>	<u>(347)</u>
<b>Net book value</b>			
At 27 December 2019	<u>182</u>	<u>81</u>	<u>263</u>
At 31 December 2020	<u>144</u>	<u>66</u>	<u>210</u>



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**12. Tangible assets**

**Group**

	<b>Leasehold property £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures, fittings and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 27 December 2019	9,728	19,606	32,303	61,637
Additions	276	404	1,635	2,315
Disposals	(844)	(874)	(3,213)	(4,931)
At 31 December 2020	<u>9,160</u>	<u>19,136</u>	<u>30,725</u>	<u>59,021</u>
<b>Accumulated depreciation</b>				
At 27 December 2019	(4,003)	(11,478)	(19,111)	(34,592)
Charge for the period	(821)	(2,705)	(4,272)	(7,798)
Disposals	844	874	3,213	4,930
Impairment charge	(1,100)	(530)	(2,205)	(3,835)
At 31 December 2020	<u>(5,080)</u>	<u>(13,839)</u>	<u>(22,375)</u>	<u>(41,294)</u>
<b>Net book value</b>				
At 27 December 2019	<u>5,725</u>	<u>8,128</u>	<u>13,192</u>	<u>27,045</u>
At 31 December 2020	<u>4,080</u>	<u>5,297</u>	<u>8,350</u>	<u>17,727</u>

An impairment assessment of tangible assets has been performed using value-in- use calculations based on budgeted cash flows over the remaining lives of the leases. A pre-tax discount rate of 7.6% has been applied.

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## 12. Tangible assets (continued)

### Company

Cost	Leasehold property £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Total £'000
At 27 December 2019	8,910	19,436	31,807	60,153
Additions	276	359	1,597	2,232
Disposals	844	874	3,213	4,931
At 31 December 2020	<u>8,342</u>	<u>18,921</u>	<u>30,191</u>	<u>57,454</u>
<b>Accumulated depreciation</b>				
At 27 December 2019	(3,855)	(11,437)	(18,945)	(34,237)
Charge for the period	(756)	(2,677)	(4,177)	(7,610)
Disposals	844	874	3,213	4,930
Impairment charge	(494)	(511)	(1,880)	(2,885)
At 31 December 2020	<u>(4,261)</u>	<u>(13,751)</u>	<u>(21,789)</u>	<u>(39,801)</u>
<b>Net book value</b>				
At 27 December 2019	<u>5,055</u>	<u>7,999</u>	<u>12,862</u>	<u>25,916</u>
At 31 December 2020	<u>4,081</u>	<u>5,170</u>	<u>8,402</u>	<u>17,653</u>

An impairment assessment of tangible assets has been performed using value-in-use calculations based on budgeted cash flows over the remaining lives of the leases. A pre-tax discount rate of 7.6% has been applied.

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**13. Investments**  
**Company**

	Investment in subsidiary companies £'000
<b>Cost</b>	
At 26 December 2019	13,231
Impairment of investment	405
At 31 December 2020	<u>12,826</u>
<b>Net book amount</b>	
At 26 December 2019	13,231
At 31 December 2020	<u>12,826</u>

The Group is unsure whether trading will resume in the USA, therefore an impairment for £405k has been made in itsu Limited for the full investment in itsu USA inc

**Subsidiary undertakings**

Name	Nature of business	Country of incorporation	Type of shares held	Proportion of	Registered
itsu [Grocery] Ltd	Food distributor	UK	Ordinary	100%	53, Victoria Street, London, England,
itsu Manhattan LLC*	Food retail	USA	Ordinary	100%	203 N.Lasalle St, Ste 2500, Chicago
itsu USA inc	Food retail	USA	Ordinary	100%	Corporation Trust Centre, 1209 Orange Street, Wilmington, Delaware

\*itsu Manhattan LLC is a 100% owned subsidiary of itsu USA inc

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14. Inventories

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Raw materials and consumables	3,840	3,814	1,041	1,180

Inventories are stated after a provision of £310k (2019: £208k)

15. Debtors

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	3,297	3,149	119	273
Amounts owed by group undertakings	-	-	1,545	2,228
Other debtors	327	564	326	563
PY Corporation tax recoverable	12	16	-	-
Deferred tax asset (note 22)	1,189	695	845	490
Prepayments and accrued income	582	4,483	318	4,342
	<b>5,406</b>	<b>8,907</b>	<b>3,153</b>	<b>7,896</b>

Trade debtors have been stated with no provision for impairment (2019: £Nil).

Amounts owed by group undertakings are unsecured, repayable on demand and interest free apart from £1,300,000 (2019: £1,300,000) loan from itsu Limited to itsu [Grocery] Ltd which is subject to interest at the same rate as the group's HSBC loan agreement.

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**16. Cash at bank and in hand**

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	9,719	3,696	7,842	2,414

**17. Creditors: amounts falling due within one year**

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	4,280	6,682	2,670	4,866
Amounts owed to group undertakings	-	-	-	488
Other taxation and social security	4,618	1,010	4,767	1,015
Other creditors	150	180	137	172
Onerous leases	263	-	263	-
Accruals and deferred income	7,710	8,986	6,578	6,845
Derivative financial instruments (note 21)	42	68	-	-
LTP	790	-	-	-
	<b>17,853</b>	<b>16,926</b>	<b>14,415</b>	<b>13,386</b>

A provision totalling £737k has been booked for onerous leases (£263k in Creditors falling due within the year, £475k in Creditors falling due after more than one year). A small number of sites are expected to generate losses until the end of their respective leases - this provision covers the full value of these losses.

Amounts owed to group undertakings are unsecured, repayable on demand and interest free.

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18. Creditors: amounts falling due after more than one year

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Bank Loans and overdrafts	10,000	1,000	10,000	1,000
LTIP PY accruals	-	454	-	-
Onerous leases	475	-	475	-
	<u>10,475</u>	<u>1,454</u>	<u>10,475</u>	<u>1,000</u>

The group has a long term revolving credit facility with HSBC, with amounts utilised at year-end of £10,000k (2019: £1,000k).

- Rent deposit deed with Cabot Place Limited signed on the 16th of August 2002.
- Rent deposit deed with Gloucester Investments Limited signed on the 4th January 2008.
- Rent deposit deed with Leafgreen Estates Limited signed on the 29th of July 2009.
- Rent deposit deed with St Martin's Court Oxford Investments Limited signed on the 25th October 2006.
- A debenture with HSBC signed on the 10th February 1997

In July 2021 the group extended the revolving credit facility with HSBC to extend to 31st December 2022.

A provision totalling £737k has been booked for onerous leases (£263k in Creditors falling due within the year, £475k in Creditors falling due after more than one year). A small number of sites are expected to generate losses until the end of their respective leases - this provision covers the full value of these losses.

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19. Onerous Lease Provision

	2020 £'000	2019 £'000
<b>Brought Forward</b>	-	123
Charge to the P&L	737	123
Utilised	-	123
Released	-	123
<b>Carried Forward</b>	<b>737</b>	-

A provision totalling £737k has been booked for onerous leases (£263k in Creditors falling due within the year, £475k in Creditors falling due after more than one year). A small number of sites are expected to generate losses until the end of their respective leases - this provision covers the full value of these losses.

20. Contingent Liabilities

	Group 2020 £'000	Group 2019 £'000
Outstanding letter of credit at the balance sheet date	770	1000

The Letter of credit outstanding at the balance sheet date is in respect of rent liabilities to a store landlord.

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**21. Financial instruments**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>				
Financial assets	13,342	7,408	9,831	5,477
	<u>13,342</u>	<u>7,408</u>	<u>9,831</u>	<u>5,477</u>
<b>Financial liabilities</b>				
Financial liabilities	(17,811)	(17,310)	(14,415)	(13,386)
Derivative financial instrument	(42)	(68)	0	0
	<u>(17,853)</u>	<u>(17,379)</u>	<u>(14,415)</u>	<u>(13,386)</u>

**22. Deferred taxation**

<b>Group</b>		
	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At beginning of year	695	505
Credited to Statement of comprehensive income	481	164
Adjustments in respect to previous periods	14	26
<b>At end of year</b>	<u><b>1,190</b></u>	<u><b>695</b></u>



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**22. Deferred taxation (continued)**

**Company**

	2020	2019
	£'000	£'000
At beginning of year	490	402
Credited to Statement of comprehensive income	315	140
Adjustments in respect of previous periods	40	(52)
<b>At end of year</b>	<b>845</b>	<b>490</b>

The deferred tax asset is made up as follows:

	Group	Group	Company	Company
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,039	618	845	490
LTIP	150	77	0	0
<b>Total deferred asset</b>	<b>1,189</b>	<b>695</b>	<b>845</b>	<b>490</b>

**23. Called up share capital**

	2020	2019
	£'000	£'000
166,281 (2019: 166,281) Ordinary shares of £0.01 each	2	2

Share capital consists of 110,854 (2019: 110,854) Ordinary 'A' shares of £0.01 each; 47,509 (2019: 47,509) Ordinary 'A1' shares of £0.01 each; and 6,862 (2019: 7,918) Ordinary 'C' shares of £0.01 each; and Deferred shares of 1,056 (2019: Nil).

The particulars of A1 shares and A Shares are as follows:

**Voting rights** - one vote per share held in respect of each proposed shareholder resolution applies to both A Shares and A1 Shares.

**Dividends and distributions** - A shares and A1 Shares constitute one class of share for dividend and distribution purposes.

**Redemption** - neither A shares or A1 shares are redeemable.

C shares and Deferred shares are not redeemable, do not carry voting rights and receive dividends and distributions only after payments to A and A1 shareholders.

**itsu Limited**  
**Registered number: 03286342**

**Notes to the financial statements**  
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#### **24. Group Commitments under operating leases**

At the reporting end date the group and company had outstanding commitments for future minimum lease payments under non-cancellable operating leases all of which are in respect of land and building, which fall due as follows:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Within 1 year	6,803	16,490
Within 1 to 2 years	10,777	15,247
Within 2 to 5 years	39,680	37,845
After more than 5 years	34,563	31,093
	<b>91,823</b>	<b>100,675</b>

**itsu Limited**  
**Registered number: 03286342**

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**25. Related party transactions Group and company**

J Metcalfe owns 56% of the group and is the ultimate controlling party.

J Metcalfe has received £165k (2019: £275k) as consultancy fees through his company Metcalfe Food Concepts Limited

Ambrosia SPV2 received £ Nil (2019: £50k) as fees for directors service.

The group has a balance payable with Ambrosia SPV 2 (Shareholder) of £ Nil (2019: £25k).

See note 8 for disclosure of the directors' remuneration and key management compensation.

The following transactions with other related parties have taken places during the course of the year:

Name of related party	Nature of transaction	Amount of transaction	Amount of transaction	Amounts owed to related parties	Amounts owed to related parties
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
Metcalfe Food Concepts Limited (common influence)	Expense	165	275	-	-
Ambrosia SPV 2 (common influence)	Expense	-	50	-	-
Tobias Metcalfe Ltd	Expense	-	3	-	-

**26. Events after the balance sheet date**

**Refinancing arrangements**

In 2021, the business has successfully renegotiated and extended its current banking facility, of £10m, until the end of 2022. This period extends beyond the end of the CVA period, creating further security and certainty over the company's future liquidity.

**Group structure**

On the 10th June 2021, Bridgepoint Europe V Fund, managed by Bridgepoint Group PLC acquired 30% of the ordinary shares in itsu Limited from Ambrosia SPV via a three-tier UK incorporated and tax resident holding structure. The remaining shareholders will roll up their investment in itsu Limited up the newly formed transaction structure to hold instruments in a newly incorporated topco, Butterfly 21 Topco Ltd. On 17th December 2021 the legal structure of the Group was amended such that itsu [grocery] Ltd became a direct subsidiary of the three-tier structure as opposed to a subsidiary of itsu Limited. As part of this restructure a capital reduction exercise was completed which saw a reduction in share premium and merger reserve to offset the deficit in itsu Limited's accumulated profit and loss account.