

Registered number: 06598773

itsu [grocery] ltd

Annual report

For the period ended 27 December 2018



itsu [grocery] ltd

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itsu [grocery] ltd

Company information

Directors

Mr J Metcalfe
Ms C Santagada
Ms C Trendell (formerly Kastrup)
Mr C Schlee
Mr S Schoen

Company secretary

Pretty's Solicitors LLP

Registered number

06598773

Registered office

52-54 High Holborn House
Brownlow Street Entrance
High Holborn
London
WC1V 6RL

Independent auditors

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

**Strategic report
For the period ended 27 December 2018**

The directors present their Strategic report for the Company for the financial year ended 27 December 2018. The comparatives presented are for the twelve-month period ended 31 December 2017.

Business review and future developments

The Company aims to deliver restaurant quality Asian inspired products to the grocery, convenience and wholesale channels as well as supplying core products to its parent company, itsu Limited.

Net turnover for the twelve month period was up 37% YOY, 2018: £12,406,177 (when compared to the preceding 12 months, 2017: £9,066,305). The strong growth came from distribution gains, new customer acquisitions, new product listings and annualisation within the UK market. There are £20,929 of international sales included in the 2018 gross turnover numbers.

The Company continues to have the following strategies:

- To grow sales organically through distribution increases, new customer acquisitions, rate of sale improvements, strong promotion performance and new products listings;
- To grow the Company internationally;
- To continue to develop the brand through effective and smart marketing activities;
- To ensure innovation remains a core part of the business through existing product development, product re-engineering and new product development;
- To improve profitability through procurement initiatives and distribution cost reductions; and
- To improve working capital and thereby reducing the Company's net debt exposure.

Principal risks and uncertainties

The Company is subject to a number of risks. The key risks affecting the Company are set out below:

- The exposure to fluctuating commodity prices, which are partially mitigated through annual supplier negotiations;
- Trade and foreign exchange risk because of BREXIT. The Company has reviewed the impact of a hard BREXIT on its products and operations and has prepared a plan of action depending on the outcome. Certain mitigating strategies have already been commenced including stock holding building on certain products and foreign currency contracts to reduce cash exposure;
- The Company operates in highly competitive markets across a wide range of products. The Company monitors market offerings and mitigates this risk through continuous innovation, target marketing and pricing structure;
- Reliance on a relatively small customer base; and
- Operational complexity as a result of having a wide range of products sourced from different countries. The Company continues to review and improve its operational supplier base.

The directors have a policy of continuous identification and review of key business risks and uncertainties.

Liquidity risk

The Company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the businesses.

Interest rate risk

The Company is exposed to fair value interest rate risk on its fixed rate borrowings from itsu Limited.

Strategic report (continued)
For the period ended 27 December 2018

Credit risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

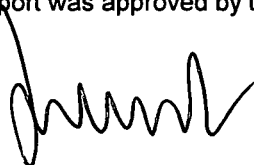
Key performance indicators (KPIs)

The key performance indicators management use to oversee the Company are turnover, waste as a % of turnover and EBITDA.

	2018	2017
	£	£
Turnover	12,406,177	9,066,305
Waste	0.9%	1.0%
EBITDA	1,079,614	388,421

Working capital management is another key performance indicator for the Company. The Company finished in a positive net debt position (£178,084 cash at bank after long term loans) which meant, a net debt reduction of £1,395,589 in the year from a net debt position of £1,217,505 as at 31 December 2017.

This report was approved by the board on 1st August 2019 and signed on its behalf.



Mr J Metcalfe
Director

Directors' report

For the period ended 27 December 2018

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 27 December 2018.

Future developments

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

Principal activities

The Company's principal activities is to deliver restaurant quality Asian inspired products to the grocery, convenience and wholesale channels as well as supplying core products to its parent company, itsu Limited.

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. itsu [grocery] ltd operates principally in London, UK.

Results and dividends

The profit for the financial period amounted to £881k (2017: £243k).

Interim dividends totalling £Nil (2017: £Nil) were paid out during the period. The directors have not proposed a final dividend (2017: £Nil).

Directors

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

Mr J Metcalfe
Ms C Santagada
Ms C Trendell (formerly Kastrup)
Mr C Schlee
Mr S Schoen

Donations

No donations for political or charitable purposes have been made by the Company during the period (2017: £Nil).

Going concern

The directors are of the opinion that the Company has adequate resources to continue to operate for the foreseeable future and has received written confirmation from the directors of itsu Limited that it will continue to provide support for at least 12 months from the date of approval of the 2018 financial statements. The Company will therefore continue to adopt the going concern basis when preparing its financial statements.

Directors' report (continued)

For the period ended 27 December 2018

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report 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 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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 company will continue in business.

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

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

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'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's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the itsu [grocery] ltd Board Meeting.

This report was approved by the board on 1st August 2019 and signed on its behalf.



Mr J Metcalfe
Director

Independent auditors' report to the members of itsu [grocery] ltd

Report on the audit of the financial statements

Opinion

In our opinion, itsu [grocery] ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 27 December 2018 and of its profit for the year 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 (the "Annual Report"), which comprise: the Balance sheet as at 27 December 2018; the Statement of income and retained earnings for the year 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 company 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.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Independent auditors' report to the members of itsu [grocery] ltd (continued)

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 Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 Strategic Report and Directors' report for the year ended 27 December 2018 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the 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 set out on page 5, 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 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 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.

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. This description forms part of our auditors' report.

itsu [grocery] ltd

Independent auditors' report to the members of itsu [grocery] ltd (continued)

Responsibilities for the financial statements and the audit (continued)

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 received 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

A. Barford

Andrew Barford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 01/08/2019

Statement of income and retained earnings
For the period ended 27 December 2018

	Note	2018 £000	2017 £000
Turnover	5	12,406	9,066
Cost of sales		(7,852)	(6,373)
Gross profit		4,554	2,693
Distribution costs		(543)	(442)
Administrative expenses		(3,160)	(1,956)
Operating profit	6	851	295
Interest payable and similar expenses	9	(34)	(30)
Profit before taxation		817	265
Tax on profit	10	64	(22)
Profit for the financial period/year		881	243
Retained earnings at the beginning of the period/year		573	330
Profit for the financial period/year		881	243
Retained earnings at the end of the period/year		1,454	573

The Statement of income and retained earnings has been prepared on the basis that all operations are continuing operations.

	2018 £'000	2017 £'000
Operating profit	851	295
Depreciation and amortisation	228	94
EBITDA*	1,079	388

*EBITDA is defined as Earnings before interest, taxation, depreciation and amortisation.

The notes on pages 11 to 24 form part of these financial statements.

Balance sheet
As at 27 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Intangible assets	11		-		148
Tangible assets	12		74		64
			<u>74</u>		<u>212</u>
Current assets					
Inventories	13	2,683		1,614	
Debtors	14	1,770		1,432	
Cash at bank and in hand	15	1,478		383	
		<u>5,931</u>		<u>3,429</u>	
Creditors: amounts falling due within one year	16	(4,282)		(3,041)	
Net current assets			<u>1,649</u>		<u>388</u>
Total assets less current liabilities			<u>1,723</u>		<u>600</u>
Creditors: amounts falling due after more than one year	17		(269)		-
Provisions for liabilities					
Deferred tax	18		-		(27)
Net assets			<u>1,454</u>		<u>573</u>
Capital and reserves					
Called up share capital	19		-		-
Retained earnings			1,454		573
Total shareholders' funds			<u>1,454</u>		<u>573</u>

The financial statements on pages 9 to 24 were approved and authorised for issue by the board and were signed on its behalf on 1st August 2019


Mr J Metcalfe
Director

The notes on pages 11 to 24 form part of these financial statements.

Notes to the financial statements
For the period ended 27 December 2018

1. General information

The Company's principal activity is to deliver restaurant quality Asian inspired products to the grocery, convenience and wholesale channels as well as supplying core products to its parent company, itsu Limited.

itsu [grocery] ltd is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The registered office is 52-54 High Holborn House, Brownlow Street Entrance, High Holborn, London, WC1V 6RL.

2. Statement of compliance

The individual financial statements of itsu [grocery] ltd 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 individual 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 judgment in applying the Company's accounting policies (see note 4).

The following principal accounting policies have been applied:

3.2 Going concern

The directors are of the opinion that the Company has adequate resources to continue to operate for the foreseeable future and has received written confirmation from the directors of itsu Limited that it will continue to provide support for at least 12 months from the date of approval of the 2018 financial statements. The Company will therefore continue to adopt the going concern basis when preparing its financial statements.

3.3 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 Company's shareholders.

The Company has taken advantage of the following exemptions:

- from preparing a statement of cash flows, required under Section 7 of FRS 102 and para 3.17(d), on the basis that it is a qualifying entity and its ultimate parent company, itsu Ltd, includes the Company's cash flows in its own consolidated financial statements;
- 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;
- from disclosing the Company's key management personnel compensation as required by FRS 102 para 33.7; and
- from disclosing related party transactions that are wholly owned within the same group under paragraph 33.1A from the provisions of FRS 102, on the grounds that at 27 December 2018 it was a wholly owned subsidiary.

**Notes to the financial statements
For the period ended 27 December 2018**

3. Accounting policies (continued)

3.4 Turnover

Turnover represents the invoiced amount of products sold and other services provided less allowances, discounts and sales related rebates, excluding sales based taxes and listing fees. Sales are recognised at the point at which the Company has fulfilled its contractual obligations and the risks and rewards attached to the product have been transferred to the customer.

3.5 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the average rate relevant for the transactions in the month.

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 Statement of income and retained earnings.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of income and retained earnings within 'administrative expenses'. All other foreign exchange gains and losses are presented in the Statement of income and retained earnings within 'other operating income'.

3.6 Finance costs

Finance costs are charged to the Statement of income and retained earnings 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.

3.7 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the period in which they are incurred.

Notes to the financial statements
For the period ended 27 December 2018

3. Accounting policies (continued)

3.8 Intangible assets

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

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:

Development costs	-	5 years
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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.

3.9 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:

Land and buildings leasehold	-	Straight line over the life of the asset
Plant and machinery	-	33% straight line
Fixtures and fittings	-	20% straight line

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 Statement of income and retained earnings.

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.

**Notes to the financial statements
For the period ended 27 December 2018**

3. Accounting policies (continued)

3.10 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. Work in progress and finished goods include labour and attributable overheads.

At the end of each reporting period inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Statement of income and retained earnings. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, in the Statement of income and retained earnings.

3.11 Financial instruments

The Company 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 and 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.

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 Statement of income and retained earnings.

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 Company would receive for the asset if it were to be sold at the Balance sheet date.

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, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair 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.

Notes to the financial statements
For the period ended 27 December 2018

3. Accounting policies (continued)

3.12 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.

3.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

3.14 Creditors

Short term creditors are measured at the transaction price.

3.15 Related party transactions

The company 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 company financial statements.

3.16 Operating leases agreements

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

Rent free periods or similar lease incentives are recognised on a straight line basis in the Statement of income and retained earnings over the life of the lease.

3.17 Employee benefits

The Company 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 contribution pension scheme

The Company contributes into a defined contribution pension plan for Company employees. The amount charged to the Statement of income and retained earnings represents the contributions payable to individual personal pension schemes for those individuals. The assets of the schemes are held separately from those of the Company.

iii) Long term incentive plans

Certain members of the management team are remunerated through a long term incentive plan. This is a cash based scheme with amounts payable linked to the performance of itsu [grocery] Ltd. An accrual is recorded which represents management's best estimate of the amounts payable based on forecast performance and expected leavers.

Notes to the financial statements
For the period ended 27 December 2018

3. Accounting policies (continued)

3.18 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, 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 operates and generates 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:

- 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; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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.

3.19 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. Judgments in applying accounting policies and key sources of estimation uncertainty

(a) Critical judgements in applying the Company's accounting policies

In the view of management and the Directors, there are no critical judgements in applying the Company's accounting policies.

(b) Key accounting estimates and assumptions

In the view of management and the Directors, there are no key accounting estimates and assumptions in applying the Company's accounting policies.

5. Turnover

Turnover relates to the Company's main activity which is primarily carried out in the United Kingdom.

Notes to the financial statements
For the period ended 27 December 2018

6. Operating profit

The operating profit is stated after charging:

	2018	2017
	£000	£000
Depreciation of owned tangible assets	80	33
Amortisation of intangible assets	147	61
Cost of stocks recognised as an expense	7,076	6,208
Operating lease charges	91	90
Fees payable to the Company's auditors for the audit of the Company's financial statements	20	11
Non-audit service - tax compliance	5	3
	=====	=====

7. Employees

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

	27	31
	December	December
	2018	2017
	£000	£000
Wages and salaries	1,468	906
Social security costs	120	100
Other pension costs	27	17
	=====	=====
	1,615	1,023
	=====	=====

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

	2018	2017
	Number	Number
Selling and distribution	10	5
Management	14	15
	=====	=====
	24	20
	=====	=====

Included in accruals is £4,288 in respect of pension payments (2017: £3,855).

Notes to the financial statements
For the period ended 27 December 2018

8. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	220	251
Pension contributions	5	5
	225	256

The above emoluments relate to 5 directors (2017: 6). Please note that only 2 (2017: 3) directors receive remuneration from the Company, as the other 3 (2017: 3) are remunerated by the parent entity.

There were 2 directors receiving pension contributions into a pension plan held under itsu [grocery] ltd (2017: 2).

Highest paid director

The highest paid director received emoluments amounting to £125,282 (2017: £112,735) and pension contributions amounting to £2,963 (2017: £2,112) in the year.

9. Interest payable and similar expenses

	2018	2017
	£000	£000
Interest payable on bank overdrafts and loans	34	30

10. Tax on profit

	2018	2017
	£000	£000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(72)	(16)
Changes to tax rates	8	(3)
Adjustments in respect of previous periods	-	41
Total deferred tax	(64)	22
Total tax (credit)/charge for the period	(64)	22

Notes to the financial statements
For the period ended 27 December 2018

10. Tax on profit (continued)

Factors affecting tax (credit)/charge for the period

The tax assessed for the period is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Profit before taxation	817	265
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	155	51
Effects of:		
Expenses not deductible for tax purposes	8	1
Adjustments in respect of previous periods	-	41
Changes to tax rates	8	(3)
Effects of group relief	(235)	(68)
Total tax (credit)/charge for the period	(64)	22

Factors that may affect future tax charges

The prevailing UK corporation tax rate was substantively enacted as part of the Finance Act 2019 on 12 February 2019. This reduces the main rate of tax to 17% from April 2020. The deferred tax assets and liabilities reflect these rates.

Notes to the financial statements
For the period ended 27 December 2018

11. Intangible assets

	Development £000
Cost	
At 1 January 2018	305
	<hr/>
At 27 December 2018	305
	<hr/>
Accumulated amortisation	
At 1 January 2018	158
Charge for the year	147
	<hr/>
At 27 December 2018	305
	<hr/>
Net book value	
At 27 December 2018	-
	<hr/> <hr/>
At 31 December 2017	148
	<hr/> <hr/>

Notes to the financial statements
For the period ended 27 December 2018

12. Tangible assets

	Land and buildings leasehold £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 1 January 2018	53	59	74	186
Additions	18	40	31	89
At 27 December 2018	<u>71</u>	<u>99</u>	<u>105</u>	<u>275</u>
Accumulated depreciation				
At 1 January 2018	23	45	53	121
Charge for the year	48	14	18	80
At 27 December 2018	<u>71</u>	<u>59</u>	<u>71</u>	<u>201</u>
Net book value				
At 27 December 2018	<u>-</u>	<u>40</u>	<u>34</u>	<u>74</u>
At 31 December 2017	<u>30</u>	<u>14</u>	<u>20</u>	<u>64</u>

13. Inventories

	2018 £000	2017 £000
Finished goods and goods for resale	<u>2,683</u>	<u>1,614</u>

Notes to the financial statements
For the period ended 27 December 2018

14. Debtors

	2018 £000	2017 £000
Trade debtors	1,237	1,299
Amounts owed from group undertakings	302	-
Other tax and social security	83	28
Prepayments and accrued income	106	105
Deferred tax asset (note 18)	37	-
Derivative financial instrument	5	-
	<u>1,770</u>	<u>1,432</u>

Derivative assets are foreign exchange forward contracts. These are marked-to-market at each Balance sheet date.

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

15. Cash at bank and in hand

	2018 £000	2017 £000
Cash at bank and in hand	<u>1,478</u>	<u>383</u>

16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	1,014	646
Amounts owed to group undertakings	1,300	1,600
Other tax and social security	42	-
Accruals and deferred income	1,926	786
Derivative financial instrument	-	9
	<u>4,282</u>	<u>3,041</u>

Derivative balances are foreign exchange forward contracts. These are marked-to-market at each Balance sheet date.

Amounts owed to group undertakings are a loan from itsu Limited which is subject to interest at the same rate as the Group's HSBC loan agreement, and is repayable on demand.

Notes to the financial statements
For the period ended 27 December 2018

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

	2018 £000	2017 £000
Accruals	269	-
	<u>269</u>	<u>-</u>

18. Deferred tax

	2018 £000	2017 £000
At beginning of period/year	(27)	(6)
Adjustment in respect of previous periods	-	(40)
Credited to the Statement of income and retained earnings	64	19
At end of period/year	<u>37</u>	<u>(27)</u>

The deferred taxation asset/(liability) is made up as follows:

	2018 £000	2017 £000
Fixed asset timing differences	(9)	(27)
Short term timing differences - trading	46	-
	<u>37</u>	<u>(27)</u>

The net deferred tax asset is expected to reverse in 2019 and primarily relates to short term timing differences.

19. Called up share capital

	2018 £000	2017 £000
Authorised		
1,000,000 (2017: 1,000,000) Ordinary shares of 0.100p each	1	1
	<u>1</u>	<u>1</u>
Allotted and fully paid		
200,000 (2017: 200,000) Ordinary shares of 0.100p each	-	-
	<u>-</u>	<u>-</u>

Notes to the financial statements
For the period ended 27 December 2018

20. Commitments under operating leases

Operating lease payments represent rentals payable by the Company, rent is reviewed every five years.

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

	27 December 2018 £000	31 December 2017 £000
Within 1 year	90	90
Within 2 to 5 years	60	360
More than 5 years	-	540
	<hr/> 150 <hr/>	<hr/> 990 <hr/>

21. Related party transactions

The Company is exempt under the terms of Financial Reporting Standard 102 (FRS 102) paragraph 33.1, from disclosing related party transactions with other group companies, on the grounds that 100% of the voting rights in the Company are controlled within the group and the Company is included in consolidated financial statements prepared by the group.

22. Immediate, ultimate parent and ultimate controlling party

The immediate parent undertaking is itsu [grocery] holdings ltd, a Company incorporated in the United Kingdom.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is itsu Limited. Copies of itsu Limited's financial statements can be obtained from 52-54 High Holborn House, Brownlow Street Entrance, High Holborn, London, WC1V 6RL.

J Metcalfe is the ultimate controlling party.