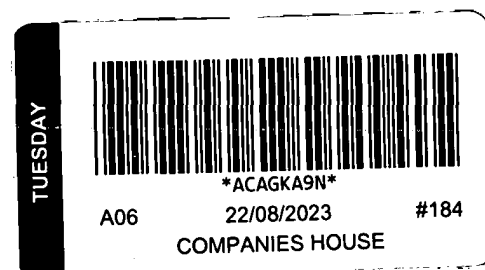


**itsu [grocery] ltd**

**Annual report and Financial Statements**

**For the 52 week period ended 29 December 2022**



**Contents**

	<b>Page(s)</b>
<b>Company information</b>	<b>1</b>
<b>Strategic report</b>	<b>2-3</b>
<b>Directors' report</b>	<b>4-6</b>
<b>Independent auditors' report to the members of itsu [grocery] ltd</b>	<b>7-9</b>
<b>Statement of income and retained earnings</b>	<b>10</b>
<b>Balance sheet</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>12-25</b>

**itsu [grocery] ltd**

**Company information**

<b>Directors</b>	Mr. J Metcalfe Ms. C Santagada Mr. C Schlee Mr. C Ford Mr. A Tyers
<b>Company secretary</b>	Prettys Solicitors LLP
<b>Registered number</b>	06598773
<b>Registered office</b>	53 Victoria Street London SW1H 0EU
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

## Strategic report

For the period ended 29 December 2022

The directors present their Strategic report for the Company for the 52 week period ended 29 December 2022. The comparative results are for the 52 week period ended 30 December 2021.

### Business review and future developments

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

Net turnover for the period was up +37% year-on-year, from £29,143k in FY21 to £40,061k in FY22. Growth was driven by distribution gains, increased penetration of the frozen ranges, rate of sale improvements across multiple lines, new listings, international growth, annualisation of previous period listings, and new product/range launches. The Company benefitted from the mix of its product portfolio putting it in a position to react to the changing shopper behaviours post-pandemic. Out of the 18 ranges on offer, all but 2 posted year on year growth.

International gross sales (turnover net of VAT before any selling costs) grew by +82% vs. FY21 (£627k FY21 vs. £1,144k FY22), despite the ongoing challenges of dealing with new regulations in trading with the EU. In order to support international growth, the Company incorporated a wholly owned subsidiary in the Netherlands, itsu [grocery] Europe B.V. on 7<sup>th</sup> July 2022.

The Company's profitability was negatively affected by the costs of preparing for successful long-term growth, including in part the implementation of a long-term incentive plan. The Company's waste margin grew slightly, from 0.35% of gross sales in FY21 to 0.58% in FY22, in part due to the strategic priority to grow sales from chilled products, which have a shorter shelf life. The Company continued to work with Fare Share to donate short life stock, in order to minimise food waste (7.718 tonnes were donated).

The Company continues to adopt the following strategies:

- To grow sales organically through distribution increases, new customer acquisitions, rate of sale improvements, strong promotional performance and new product listings;
- To ensure innovation remains a core part of the business through existing product development, product re-engineering and new product development;
- To continue to develop the brand through effective and innovative marketing activities aimed at increasing awareness and penetration;
- To improve profitability through procurement initiatives and distribution cost reductions;
- To improve working capital through continuous review of creditor days, debtor days, stock holding cover and negotiating terms with customers and suppliers.

### Key performance indicators (KPIs)

- Gross turnover (turnover net of VAT, before selling costs) growth of +36% year-on-year, £43.0m in FY22 versus £31.7m in FY21;
- Gross profit growth of +25% year-on-year (FY22: £12.4m, FY21: £9.9m);
- Waste FY22 of 0.58% of gross turnover vs. FY21 0.35% of gross turnover;
- International gross turnover growth of +82%, from £0.6m in FY21 to £1.1m in FY22 (including intercompany sales to the subsidiary);
- EBITDA decline of -133%, with -£704k in FY22 vs. £2,148k in FY21 (adjusted for LTIP, FY22 EBITDA was £1.8m, down £0.3m, or -15%, on FY21);
- A net debt position of £333k in FY22 (FY21: net cash £1,801k).

**Strategic report (continued)**

**For the period ended 29 December 2022**

**Principal risks and uncertainties**

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

- Exposure to fluctuating commodity, labour, energy and packaging prices, which are partially mitigated through annual supplier negotiations, though the current inflation rate represents a challenge as cost increases are occurring more frequently;
- Short supply of certain ingredients and packaging as the result of the ongoing conflict between Russia and Ukraine;
- Trade and foreign exchange risk partially mitigated via derivative instruments;
- New regulatory environment on imports and exports as a result of ongoing changes following BREXIT (clearance forms, duty, health certificates);
- Playing in highly competitive categories. The Company monitors market offerings and mitigates this risk through continuous innovation, target marketing and pricing structure;
- Exposure to fluctuating and increasing freight rates, as many of the Company's purchases are from Asia;
- Operational complexity as a result of having a wide range of products sourced from different countries;
- Reliance on third party suppliers and manufacturers for all products. The Company continues to review and improve its operational supplier base;

The directors continuously identify and review key business risks and uncertainties.

**Financial risk management**

The directors regularly review the financial requirements of the Company and the risks associated therewith. The company does not use complicated financial instruments. The Company does not use complex derivative financial instruments for trading purposes. The Company operations are primarily financed by sales and intercompany loan. In addition to the primary financial instruments, the Company has other financial instruments such as debtors, prepayments, trade creditors and accruals that directly arise from the Company's operations.

**Liquidity risk**

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

**Interest rate risk**

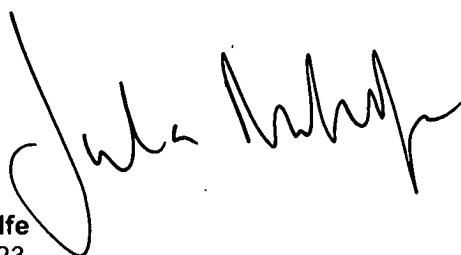
The Company is exposed to fair value interest rate risk on its borrowings from itsu Limited.

**Credit risk**

Derivative instruments are purchased through reputable banks.

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.

This report was approved by the board on 27/07/23 and signed on its behalf.



**Mr. J Metcalfe**  
4 August 2023  
Director

## **itsu [grocery] ltd**

### **Directors' report**

**For the period ended 29 December 2022**

The directors present their report and the audited financial statements of the Company for the 52 weeks ended 29 December 2022.

#### **Financial risks**

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

#### **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 activity is to deliver restaurant quality Asian inspired products to the grocery, convenience, online and wholesale channels as well as supplying core products to itsu Limited.

#### **Principal risks**

The principal risks and uncertainties are disclosed in the Strategic report.

#### **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.'s head office is in London, UK. The Company trades in the UK and internationally.

#### **Results and dividends**

The loss for the financial period amounted to £380k (FY21 profit: £2,070K). Interim dividends totaling £Nil (FY21: £Nil) were paid out during the period. The directors have not proposed a final dividend for FY22.

#### **Net assets**

The Company had net current assets of £7,462k at the balance sheet date (FY21: £5,358K).

#### **Qualifying third party indemnity provisions**

During the period, and up to the date of approval of the financial statements, the Company had in place qualifying third party indemnity provision for the benefit of all the directors of the Company.

#### **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

Mr. C Schlee

Mr. C Ford (appointed 2 March 2023)

Mr. A Tyers (appointed 2 March 2023)

#### **Donations**

No donations for political or charitable purposes have been made by the Company during the period (FY21: £Nil).

**Directors' report (continued)**  
**For the period ended 29 December 2022**

**Going concern**

The directors continue to adopt the going concern basis in preparing the company financial statements. The going concern assessment is performed on a group basis at the Butterfly 21 Topco Limited level and the reason for adopting the going concern basis for the Company is that the directors have received a letter of support from the ultimate parent entity.

The directors have considered the availability of funding alongside detailed 18-month cash flow projections through to June 2024 to determine whether the group can meet obligations when they fall due. The cash flow projections consider recent trading in both the Retail and Grocery divisions, both of which are showing trading at or ahead of pre-pandemic levels alongside growth through new shop building and ongoing food innovation.

In both a base case scenario and a downside scenario (premised on a sharp drop in footfall alongside continuing high food and energy cost inflation), the group plans to continue to reinvest in the business, increasing the retail store estate. This material cash investment allows the group to achieve its strategic objectives over the next 5 years. The downside scenario assumes that retail footfall drops sharply from the end of Q1 2023 with the squeeze on expendable income from ongoing cost inflation and that this 'trough' continues through to mid-2024.

**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 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 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 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 also 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.

**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 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.

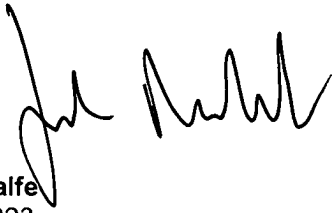
**itsu [grocery] ltd**

**Directors' report (continued)**  
**For the period ended 29 December 2022**

**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 of Directors on 27/07/23 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J Metcalfe', is written over the printed name.

**Mr. J Metcalfe**  
4 August 2023  
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 29 December 2022 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Balance sheet as at 29 December 2022; and the Statement of Income and Retained Earnings 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 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

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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 on, 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 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 Strategic report and Directors' report for the period ended 29 December 2022 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, 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.

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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety (including food safety) 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 UK tax legislation and 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's 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 assumptions and judgements made by management in determining significant accounting estimates or judgements; and
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations; and
- Reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations.

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 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

7 August 2023

**Statement of income and retained earnings**

**For the period 52 week period ended 29 December 2022**

	Note	52 week period 29 December 2022 £000	52 week period 30 December 2021 £000
Turnover	5	40,061	29,143
Cost of sales		(27,641)	(19,226)
<b>Gross profit</b>		<b>12,420</b>	<b>9,917</b>
Distribution costs		(2,413)	(1,369)
Administrative expenses		(10,778)	(6,450)
<b>Operating (loss) / profit</b>	6	<b>(771)</b>	<b>2,098</b>
Interest payable and similar expenses	9	(55)	(37)
<b>(Loss) / profit before taxation</b>		<b>(826)</b>	<b>2,061</b>
Tax on (loss) / profit	10	446	9
<b>(Loss) / profit for the financial period</b>		<b>(380)</b>	<b>2,070</b>
Retained earnings at the beginning of the period		5,451	3,381
(Loss) / profit for the financial period		(380)	2,070
<b>Retained earnings at the end of the period</b>		<b>5,071</b>	<b>5,451</b>

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

	2022 £'000	2021 £'000
Operating (loss) / profit	(771)	2,098
Depreciation	67	50
<b>EBITDA*</b>	<b>(704)</b>	<b>2,148</b>

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

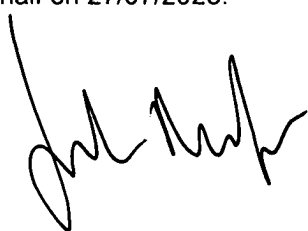
The notes on pages 12 to 25 form part of these financial statements.

**Balance sheet**  
**As at 29 December 2022**

	Note	2022 £000	2022 £000	2021 £000	2021 £000
<b>Fixed assets</b>					
Tangible assets	11		134		93
Investments	12		-		-
<b>Current assets</b>					
Inventories	13	6,082		3,883	
Debtors	14	7,919		6,140	
Cash at bank and in hand	15	717		3,101	
		14,718		13,124	
Creditors: amounts falling due within one year	16	(7,256)		(7,766)	
<b>Net current assets</b>			7,462		5,358
<b>Total assets less current liabilities</b>			7,596		5,451
Creditors: amounts falling due after more than one year	17	(2,525)		-	
<b>Net assets</b>			5,071		5,451
<b>Capital and reserves</b>					
Called up share capital	19	-		-	
Retained earnings		5,071		5,451	
<b>Total shareholders' funds</b>			5,071		5,451

The financial statements on pages 10 to 25 were approved and authorised for issue by the board and were signed on its behalf on 27/07/2023.

Mr. J Metcalfe  
 4 August 2023  
 Director



The notes on pages 12 to 25 form part of these financial statements.

**Notes to the financial statements**  
**For the period ended 29 December 2022**

**1. General information**

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

itsu [grocery] ltd is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is 53 Victoria Street, London, SW1H 0EU.

**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 accounting policies applied are consistent with prior period.

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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The following principal accounting policies have been applied:

**3.2 Going concern**

The directors continue to adopt the going concern basis in preparing the company financial statements. The going concern assessment is performed on a group basis at the Butterfly 21 Topco Limited level and the reason for adopting the going concern basis for the Company is that the directors have received a letter of support from the ultimate parent entity.

The directors have considered the availability of funding alongside detailed 18-month cash flow projections through to June 2024 to determine whether the group can meet obligations when they fall due. The cash flow projections consider recent trading in both the Retail and Grocery divisions, both of which are showing trading at or ahead of pre-pandemic levels alongside growth through new shop building and ongoing food innovation.

In both a base case scenario and a downside scenario (premised on a sharp drop in footfall alongside continuing high food and energy cost inflation), the group plans to continue to reinvest in the business, increasing the retail store estate. This material cash investment allows the group to achieve its strategic objectives over the next 5 years. The downside scenario assumes that retail footfall drops sharply from the end of Q1 2023 with the squeeze on expendable income from ongoing cost inflation and that this 'trough' continues through to mid-2024.

**Notes to the financial statements (continued)**

**For the period ended 29 December 2022**

**3. Accounting policies (continued)**

**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 Group accounts comply with the statutory disclosure requirements.

The Company has taken advantage of the following exemptions:

- from preparing consolidated financial statements for subsidiary companies (in UK), under section 400 of Companies Act 2006;
- 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, Butterfly 21 Topco Limited, includes the Company's cash flows in its own consolidated financial statements;
- from the financial instrument disclosures, required under FRS 102 paras 11.42 – 11.48A and 12.26 – 12.29, as the information is provided in the consolidated financial statement disclosures;
- 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 29 December 2022 it was a wholly owned subsidiary.

**3.4 Turnover**

Turnover represents the invoiced amount of products sold less allowances, discounts and sales related rebates, excluding sales based taxes. 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'.

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**3. Accounting policies (continued)**

**3.6 Borrowing costs**

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

**3.7 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, fittings and equipment	-	33% 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.

**3.8 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. Inventory is provided against where there is an expectation of waste or obsolescence.

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.



**Notes to the financial statements (continued)**

**For the period ended 29 December 2022**

**3. Accounting policies (continued)**

**3.9 Financial instruments**

With the exception of forward foreign exchange contracts which are described below, 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.

**3.10 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.

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**3. Accounting policies (continued)**

**3.11 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.

**3.12 Creditors**

Short term creditors are measured at the transaction price.

**3.13 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's financial statements.

**3.14 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.

**3.15 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**

The group operates a cash-settled long term incentive plan at an operating business level for certain members of management. The plan is based on the business's performance in the financial year 2026 on a combination of measures, including revenue growth and an adjusted operating profit measure. A liability for the plan is raised on the estimated amount payable in terms of the incentive scheme plans.

**Notes to the financial statements (continued)**

**For the period ended 29 December 2022**

**3. Accounting policies (continued)**

**3.17 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.

Current or deferred taxation assets and liabilities are not discounted.

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.

**3.18 Investments**

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

**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.

**3.20 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 income and retained earnings to which they best relate. No such costs arose in FY21 or FY22.

**Notes to the financial statements (continued)**

**For the period ended 29 December 2022**

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

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

Exceptional items – management makes judgements and classifies costs as exceptional, where they are deemed to be material either because of their size or their nature, or are non-recurring. No such costs arose in FY21 or FY22.

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

Long term incentive plans – management assess the total liability of the plan based on the projected performance in 2026, using the Company's 5 year projections and accrues a liability on a straight line basis across the period of the incentive plan.

**5. Turnover**

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

**6. Operating (loss) / profit**

The operating (loss) / profit is stated after charging:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Depreciation of owned tangible assets	<b>67</b>	50
Provision for bad debt	<b>118</b>	-
Cost of inventories recognised as an expense	<b>22,434</b>	15,994
Fees payable to the Company's auditors for the audit of the Company's financial statements	<b>75</b>	50
Non-audit service - tax compliance	<b>5</b>	5

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**7. Employees**

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

	<b>2022</b>	2021
	<b>£000</b>	£000
Wages and salaries	<b>4,701</b>	2,570
Social security costs	<b>548</b>	237
Other pension costs	<b>101</b>	75
	<b>5,350</b>	2,882

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

	<b>2022</b>	2021
	<b>Number</b>	Number
Selling and distribution	<b>26</b>	18
Management	<b>33</b>	27
	<b>59</b>	45

Included in accruals is £21k for pension payments (FY21: £14k).

**8. Directors' remuneration**

	<b>2022</b>	2021
	<b>£000</b>	£000
Directors' emoluments	<b>910</b>	172
Pension contributions	<b>5</b>	5
	<b>915</b>	177

Only 1 (FY21: 1) director received pension contributions and remuneration from the Company, as the other 2 (FY21: 3) are remunerated by the parent entity and recharges to the Company are immaterial.

**Highest paid director**

The highest paid director received emoluments amounting to £909,992 (FY21: £172,402) and pension contributions amounting to £5,450 (FY21: £4,850) in the period.

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**9. Interest payable and similar expenses**

	<b>2022</b>	2021
	<b>£000</b>	£000
Interest payable on intercompany loans	<b>55</b>	37

**10. Tax on (loss) / profit**

	<b>2022</b>	2021
	<b>£000</b>	£000
<b>Total current tax</b>	<b>-</b>	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(187)</b>	(4)
Changes to tax rates	<b>(115)</b>	(5)
Adjustments in respect of previous periods	<b>(144)</b>	-
<b>Total deferred tax</b>	<b>(446)</b>	(9)
<b>Total tax charge/(credit) for the period</b>	<b>(446)</b>	(9)

**Notes to the financial statements (continued)****For the period ended 29 December 2022****10. Tax on (loss) / profit (continued)****Factors affecting tax charge/(credit) for the period**

The tax assessed for the period is lower than (FY21 - lower than) the standard rate of corporation tax in the UK of 19% (FY21: 19%). The differences are explained below:

	<b>2022</b>	2021
	<b>£000</b>	£000
(Loss) / profit before taxation	<b>(826)</b>	2,061
	<hr/>	<hr/>
(Loss) / profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (FY21 19%)	<b>(157)</b>	404
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	-
Adjustments in respect of previous periods	<b>(144)</b>	-
Changes to tax rates	<b>(114)</b>	(5)
Effects of group relief	<b>(31)</b>	(408)
	<hr/>	<hr/>
<b>Total tax charge/(credit) for the period</b>	<b>(446)</b>	<b>(9)</b>
	<hr/>	<hr/>

**Factors that may affect future tax charges**

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead.

The recognised deferred tax assets and liabilities reflect these rates.

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**11. Tangible assets**

	Land and buildings leasehold £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost or valuation</b>				
At 30 December 2021	71	196	159	426
Additions	-	68	40	108
At 29 December 2022	71	264	199	534
<b>Accumulated depreciation</b>				
At 30 December 2021	71	130	132	333
Charge for the period	-	43	24	67
At 29 December 2022	71	173	156	400
<b>Net book value</b>				
At 29 December 2022	-	91	43	134
At 30 December 2021	-	66	27	93

**12. Investments**

	2022 £000	2021 £000
Cost and net book value	-	-

The Company incorporated a wholly owned subsidiary in the Netherlands, itsu [grocery] Europe B.V. on 7 July 2022, which will distribute itsu branded products across Europe, the registered address is Schiphol Boulevard 195, 1118BG Schiphol.

**13. Inventories**

	2022 £000	2021 £000
Finished goods and goods for resale	6,082	3,883

Inventories are stated after a provision of £138k (FY21: £75k).



**Notes to the financial statements (continued)**

**For the period ended 29 December 2022**

**14. Debtors**

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>6,368</b>	5,370
Amounts owed from group undertakings	<b>26</b>	-
Deferred tax asset (note 18)	<b>617</b>	171
Taxation and social security	<b>548</b>	331
Prepayments and accrued income	<b>360</b>	268
	<b>7,919</b>	6,140

There is a provision for trade debtors of £118k (FY21: nil).

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	<b>717</b>	3,101

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

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	<b>3,124</b>	2,172
Amounts owed to group undertakings	<b>1,050</b>	1,300
Other taxation and social security	<b>121</b>	97
Derivative financial instrument	<b>209</b>	100
Accruals and deferred income	<b>2,752</b>	4,097
	<b>7,256</b>	7,766

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 (continued)

For the period ended 29 December 2022

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

	2022	2021
	£000	£000
Accruals and deferred income	<u>2,525</u>	<u>-</u>

The accrual wholly relates to the company's long term incentive plan payable in 2027.

18. Deferred tax

	2022	2021
	£000	£000
At beginning of period	171	162
Credited to the Statement of income and retained earnings	446	9
<b>At end of period</b>	<u><b>617</b></u>	<u><b>171</b></u>

The deferred taxation asset is made up as follows:

	2022	2021
	£000	£000
Fixed asset timing differences	23	18
Short term timing differences - trading	<u>594</u>	<u>153</u>
	<u><b>617</b></u>	<u><b>171</b></u>

The net deferred tax asset primarily relates to short term timing differences.

19. Called up share capital

	2022	2021
	£000	£000
<b>Authorised</b>		
1,000,000 (FY21: 1,000,000) Ordinary shares of 0.100p each	<u>1</u>	<u>1</u>
<b>Allotted and fully paid</b>		
200,000 (FY21: 200,000) Ordinary shares of 0.100p each	<u>-</u>	<u>-</u>

**Notes to the financial statements (continued)**  
**For the period ended 29 December 2022**

**20. Commitments under operating leases**

At the reporting end date the Company has no outstanding commitments for future minimum lease payments under non-cancellable operating leases.

**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. There were no related party transactions outside the group in FY22.

**22. Immediate and ultimate controlling party**

The company is 100% owned by Butterfly 21 Bidco Limited, who have a registered office at Partnership House, Carlisle Place, SW1P 1BX. The ultimate parent is Butterfly 21 Topco Limited, a company registered at Partnership House, Carlisle Place, SW1P 1BX.

The smallest and largest group in which the results of the company and its subsidiary are consolidated is that headed by Butterfly 21 Topco Limited.