

Registered number: 06598773

itsu [grocery] ltd

Annual report and Financial Statements

For the 53 week period ended 31 December 2020



itsu [grocery] ltd

Contents

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

itsu [grocery] ltd

Company information

Directors

Mr J Metcalfe
Ms C Santagada
Mr C Schlee

Company secretary

Pretty's Solicitors LLP

Registered number

06598773

Registered office

53 Victoria Street
London
SW1H 0EU

Independent auditors

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

Strategic report

For the period ended 31 December 2020

The directors present their Strategic report for the Company for the 53 week period ended 31 December 2020. The comparative results are for the 52 week period ended 26 December 2019.

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 35% YOY, from £15,612,949 in FY19 to £21,001,138 in FY20. The growth was strong despite net sales to itsu Limited decreasing 39% YOY (from £4.1m in FY19 to £2.5m in FY20) as a result of the outbreak of novel coronavirus (COVID-19) in early 2020 which heavily impacted the hospitality sector. Removing itsu Limited from the sales figures, the Company net turnover grew 60% YOY. The 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, new products/ranges launches. The Company benefitted from the variety of its product portfolio putting it in a position to react to the changing shopper behaviors caused by COVID-19. In particular, while sales of its snacking lines declined YOY (with the exception of seaweed thins that still grew YOY mainly due to the online channel), its frozen ranges and ambient back of store ranges continued to grow. Gross turnover (turnover [net of VAT] before any other selling costs) via the online channel grew 120% YOY as the Company focused on optimising its online presence.

In FY20, to deal with the uncertainties caused by the outbreak of COVID-19, on top of maximising sales opportunities to the grocery and online accounts so as to mitigate the loss of sales from wholesale, food services and travel accounts, the Company:

- placed a strong focus on tight inventory management aimed at protecting cash flow and minimising waste (FY20 1.36% of gross turnover, FY19 1.17% of gross turnover). To this purpose, the Company converted some stock at waste risk into a product line sold for a temporary period to the discounter channel.
- implemented targeted and cost-efficient marketing activities, reigning back on discretionary spending in marketing.

Due to the national COVID-19 lockdown the Company's fellow Group company itsu Limited was required to close all of its stores nationwide. As the outlook continued to worsen, after careful review of the alternatives, the directors of itsu Limited took the decision to undertake a Company Voluntary Arrangement (CVA) to propose an agreement between itsu Limited and its creditors. In August 2020, 82.6% of the creditors of itsu Limited voted in favour of the proposal which entered itsu Limited into a CVA for a period of 24 months. As a result of the CVA, itsu [grocery] ltd wrote off £1.55m relating to the Company's itsu Limited debtor balance.

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 grow the Company internationally;
- To continue to develop the brand through effective and smart marketing activities aimed at increasing awareness and penetration;
- To improve profitability through procurement initiatives and distribution cost reductions; and
- To improve working capital, through continuous review of creditor days, debtor days and stock holding cover.

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;
- Trade and foreign exchange risk partially mitigated via derivative instruments;

Strategic report (continued)

For the period ended 31 December 2020

- New regulatory environment on imports and exports (clearance forms, duty, health certificates) as a result of ongoing BREXIT changes.
- Playing in highly competitive categories. The Company monitors market offerings and mitigates this risk through continuous innovation, target marketing and pricing structure;
- Reliance on a relatively small customer base;
- 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 for all products. The Company continues to review and improve its operational supplier base and;
- The ongoing impact of COVID-19. The Company continues to monitor COVID-19 developments closely and implements contingency plans to mitigate the adverse impact on the Company's employees and operations.

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

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.

Net assets

The Company had net current assets of £4,097k at the balance sheet date (FY19: £2,400k).

Key performance indicators (KPIs)

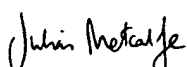
The key performance indicators for the 53 week period ended 31 December 2020 were:

- Gross turnover growth (+36% YOY, £22.8m in FY20 versus £16.8m in FY19).
- Gross profit growth (FY20 £7.1m vs FY19 £4.5m)
- Waste (FY20 1.36% of gross turnover, FY19 1.17% of gross turnover)

Prior period KPIs also included adjusted EBITDA £2,932k (FY19: £570k). Adjusted EBITDA is operating profit adjusted for depreciation and amortisation, and in FY20 also adjusted for the exceptional cost of £1,553k relating to itsu Limited CVA as this was a one-off and not reflective of normal trading behaviour.

Working capital management is another key performance indicator for the Company. The Company finished in a net cash position of £576,707 in FY20 (FY19: net debt -£130,019).

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



Mr J Metcalfe
Director

itsu [grocery] ltd

Directors' report

For the period ended 31 December 2020

The directors present their report and the audited financial statements of the Company for the 53 weeks ended 31 December 2020.

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 operates principally in London, UK.

Results and dividends

The profit for the financial period amounted to £1,377k (FY19: £550k).

Interim dividends totaling £Nil (FY19: £Nil) were paid out during the period. The directors have not proposed a final dividend (FY19: £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 (resigned on 28 July 2020)
Mr C Schlee
Mr S Schoen (resigned 10 June 2021)

Donations

No donations for political or charitable purposes have been made by the Company during the period (FY19: £Nil).

Going concern

The directors of itsu [grocery] Ltd have 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 2020 financial statements and therefore consider that the Company has adequate resources to continue to operate for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis.

The Company's fellow Group company, itsu Limited, secured an extension of its £10m revolving credit facility which is now committed until 31 December 2022. In addition, Bridgepoint Europe V Fund, managed by Bridgepoint Group plc, acquired 30% of the ordinary shares in itsu limited from Ambrosia SPV in June 2021. This provides itsu Limited with a further £10m of unconditional committed funding to navigate challenges that the COVID-19 pandemic may still cause or provide future funding for the ongoing growth of the Group.

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

Directors' report (continued)

For the period ended 31 December 2020

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

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

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

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 period. 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' report (continued)

For the period ended 31 December 2020

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.

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 01 March 2022 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 31 December 2020 and of its profit for the 53 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.2 to the financial statements concerning the company's ability to continue as a going concern. The company is reliant on support from its fellow group company, itsu Limited. There is unpredictability in the nature, extent and duration of COVID-19 and the level of operating restrictions that may be imposed during the next 12 months and beyond and it is uncertain how this will impact the group's operational performance. In the severe but plausible downside scenario modelled by the directors of itsu Limited, the reduced liquidity could prevent the group being able to repay its revolving credit facility when it expires in December 2022 and would therefore require approval of a further extension or receipt of additional financing. These conditions, along with the other matters explained in note 3.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

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

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

Reporting on other information

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

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

With respect to the 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 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the 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), taxation, and employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws

and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and review of board meeting minutes, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumption and judgements made by management in determining significant accounting estimates or judgements; and
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations.

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. 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
2 March 2022

itsu [grocery] ltd

**Statement of income and retained earnings
For the period ended 31 December 2020**

	Note	2020 £000	2019 £000
Turnover	5	21,001	15,613
Cost of sales		(12,970)	(10,346)
Gross profit		8,031	5,267
Distribution costs		(917)	(726)
Administrative expenses including exceptional costs relating to itsu Limited CVA of £1.55m		(5,782)	(4,006)
Operating profit	6	1,332	535
Interest payable and similar expenses	9	(33)	(32)
Profit before taxation		1,299	503
Tax on profit	10	78	47
Profit for the financial period		1,377	550
Retained earnings at the beginning of the period		2,004	1,454
Profit for the financial period		1,377	550
Retained earnings at the end of the period		3,381	2,004

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

	2020 £'000	2019 £'000
Operating profit	1,332	535
Depreciation and amortisation	47	35
Exceptional costs relating to itsu Limited CVA	1,553	-
Adjusted EBITDA*	2,932	570

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

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

itsu [grocery] Ltd

**Balance sheet
As at 31 December 2020**

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	11		74		58
Current assets					
Inventories	12	2,916		2,610	
Debtors	13	3,557		2,835	
Cash at bank and in hand	14	1,877		1,170	
		8,350		6,615	
Creditors: amounts falling due within one year	15	(4,253)		(4,215)	
Net current assets			4,097		2,400
Total assets less current liabilities			4,171		2,458
Creditors: amounts falling due after more than one year	16		(790)		(454)
Provisions for liabilities					
Net assets			3,381		2,004
Capital and reserves					
Called up share capital	18		-		-
Retained earnings			3,381		2,004
Total shareholders' funds			3,381		2,004

The financial statements on pages 10 to 25 were approved and authorised for issue by the board and were signed on its behalf on 01 March 2022



Mr J Metcalfe
Director

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

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

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 the United Kingdom. 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 (see note 4).

The following principal accounting policies have been applied:

3.2 Going concern

The directors of itsu [grocery] Ltd have 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 2020 financial statements and therefore consider that the Company has adequate resources to continue to operate for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis.

The Company's fellow Group company, itsu Limited, secured an extension of its £10m revolving credit facility which is now committed until 31 December 2022. In addition, Bridgepoint Europe V Fund, managed by Bridgepoint Group plc, acquired 30% of the ordinary shares in itsu limited from Ambrosia SPV in June 2021. This provides itsu Limited with a further £10m of unconditional committed funding to navigate challenges that the COVID-19 pandemic may still cause or provide future funding for the ongoing growth of the Group.

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

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

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

Notes to the financial statements (continued)
For the period ended 31 December 2020

3. Accounting policies (continued)

3.2 Going concern (continued)

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

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 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 Limited, 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 31 December 2020 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 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.

Notes to the financial statements (continued)
For the period ended 31 December 2020

3. Accounting policies (continued)

3.5 Foreign currency translation (continued)

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.

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.

3.8 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.

Notes to the financial statements (continued)
For the period ended 31 December 2020

3. Accounting policies (continued)

3.9 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.

3.10 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.

Notes to the financial statements (continued)
For the period ended 31 December 2020

3. Accounting policies (continued)

3.10 Financial instruments (continued)

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.

3.11 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.

3.12 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.

3.13 Creditors

Short term creditors are measured at the transaction price.

3.14 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.

3.15 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.

3.16 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.

Notes to the financial statements (continued)
For the period ended 31 December 2020

3. Accounting policies (continued)

3.17 Employee benefits (continued)

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.

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.

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 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.

3.19 Exceptional items

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

Notes to the financial statements (continued)
For the period ended 31 December 2020

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

(b) Key accounting estimates and assumptions

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.

6. Operating profit

The operating profit is stated after charging:

	2020	2019
	£000	£000
Depreciation of owned tangible assets	47	35
Cost of inventories recognised as an expense	11,743	9,205
Operating lease charges	40	90
Exceptional items	1,553	-
Fees payable to the Company's auditors for the audit of the Company's financial statements	46	30
Non-audit service - tax compliance	-	5
	<u> </u>	<u> </u>

Exceptional items are relating to £1.55m write off of balance owed from fellow Group company itsu Ltd post-CVA.

Notes to the financial statements (continued)
For the period ended 31 December 2020

7. Employees

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

	2020	2019
	£000	£000
Wages and salaries	2,037	1,631
Social security costs	186	148
Other pension costs	61	45
	2,284	1,824

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

	2020	2019
	Number	Number
Selling and distribution	15	12
Management	23	18
	38	30

Included in accruals is £12,275 in respect of pension payments (FY19: £8,903)

8. Directors' remuneration

	2020	2019
	£000	£000
Directors' emoluments	145	188
Pension contributions	4	6
	149	194

Only 2 (FY19: 2) directors receive pension contributions (into a plan held by itsu [grocery] Ltd) and remuneration from the Company, as the other 3 (FY19: 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 £144,460 (FY19: £130,366) and pension contributions amounting to £4,400 (FY19: £4,050) in the period.

Notes to the financial statements (continued)
For the period ended 31 December 2020

9. Interest payable and similar expenses

	2020 £000	2019 £000
Interest payable on intercompany loans	<u>33</u>	<u>32</u>

10. Tax on profit

	2020 £000	2019 £000
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	(68)	(38)
Changes to tax rates	(10)	4
Adjustments in respect of previous periods	-	(13)
Total deferred tax	<u>(78)</u>	<u>(47)</u>
Total tax charge/(credit) for the period	<u>(78)</u>	<u>(47)</u>

Notes to the financial statements (continued)
For the period ended 31 December 2020

10. Tax on profit (continued)

Factors affecting tax charge/(credit) for the period

The tax assessed for the period is lower than (FY19 - lower than) the standard rate of corporation tax in the UK of 19% (FY19: 19%). The differences are explained below:

	2020	2019
	£000	£000
Profit before taxation	1,299	503
	<hr/>	<hr/>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (FY19: 19%)	247	96
Effects of:		
Expenses not deductible for tax purposes	295	-
Adjustments in respect of previous periods	-	(13)
Changes to tax rates	(10)	4
Effects of group relief	(610)	(134)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	(78)	(47)
	<hr/>	<hr/>

Factors that may affect future tax charges

The UK corporation tax rate enacted at the balance sheet date of 19% has been reflected in the deferred tax assets and liabilities calculations. The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. As this was not enacted at the balance sheet date, its impact has not been factored into the financial statements. The impact of this change on future years is considered to be immaterial.

Notes to the financial statements (continued)
For the period ended 31 December 2020

11. Tangible assets

	Land and buildings leasehold £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost or valuation				
At 26 December 2019	71	99	124	294
Additions	-	45	18	63
At 31 December 2020	<u>71</u>	<u>144</u>	<u>142</u>	<u>357</u>
Accumulated depreciation				
At 26 December 2019	71	77	88	236
Charge for the period	-	24	23	47
At 31 December 2020	<u>71</u>	<u>101</u>	<u>111</u>	<u>283</u>
Net book value				
At 31 December 2020	<u>-</u>	<u>43</u>	<u>31</u>	<u>74</u>
At 26 December 2019	<u>-</u>	<u>22</u>	<u>36</u>	<u>58</u>

12. Inventories

	2020 £000	2019 £000
Finished goods and goods for resale	<u>2,916</u>	<u>2,610</u>

Inventories are stated after a provision of £159,794 (FY19: £208,900).

Notes to the financial statements (continued)
For the period ended 31 December 2020

13. Debtors

	2020	2019
	£000	£000
Trade debtors	2,940	1,976
Amounts owed by group undertakings	-	556
Prepayments and accrued income	250	118
Deferred tax asset (note 17)	162	84
Taxation and social security	205	101
	3,557	2,835

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

14. Cash at bank and in hand

	2020	2019
	£000	£000
Cash at bank and in hand	1,877	1,170

The Company has a loan from itsu Limited of £1,300k (FY19: £1,300k) as disclosed in note 15 and as a result the Company's net cash position is £577k (FY19: net debt -£130k).

15. Creditors: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	1,542	1,090
Amounts owed to group undertakings	1,300	1,300
Other taxation and social security	69	97
Derivative financial instrument	42	68
Accruals and deferred income	1,300	1,660
	4,253	4,215

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 31 December 2020

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

	2020	2019
	£000	£000
Accruals	790	454

17. Deferred tax

	2020	2019
	£000	£000
At beginning of period	84	37
Adjustment in respect of previous periods	-	-
Credited to the Statement of income and retained earnings	78	47
At end of period	162	84

The deferred taxation asset is made up as follows:

	2020	2019
	£000	£000
Fixed asset timing differences	10	6
Short term timing differences - trading	152	78
	162	84

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

18. Called up share capital

	2020	2019
	£000	£000
Authorised		
1,000,000 (FY19: 1,000,000) Ordinary shares of 0.100p each	1	1
Allotted and fully paid		
200,000 (FY19: 200,000) Ordinary shares of 0.100p each	-	-

Notes to the financial statements (continued)

For the period ended 31 December 2020

19. 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 has no outstanding commitments for future minimum lease payments under non-cancellable operating leases.

20. 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.

	31	26
	December	December
	2020	2019
	£000	£000
Related party transactions outside the group	27	-
	27	-

Related party transactions in FY20 relate to consultancy work undertaken by a Director (Ms C Trendell), the cost of which can be found within Administrative expenses on the Statement of income and retained earnings. The Balance sheet impact of these transactions is nil.

21. Immediate and ultimate controlling party

The immediate 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 Partnership House, Carlisle Place, London, SW1P 1BX.

J Metcalfe is the ultimate controlling party.

22. Post balance sheet events

Group Structure

On the 10th June 2021, Bridgepoint Europe V Fund, managed by Bridgepoint Group PLC acquired 30% of the ordinary shares in itsu [grocery] Ltd's immediate and ultimate parent company, itsu Limited, from Ambrosia SPV via a three-tier UK incorporated and tax resident holding structure.

On 17th December 2021 the legal structure of the Group was restructured such that itsu [grocery] Ltd became a direct subsidiary of the three-tier structure as opposed to a subsidiary of itsu Limited. The new immediate parent is now Butterfly 21 Bidco Limited and ultimate parent is Butterfly 21 Topco Limited.