Company registered no: 00868097

Hancock Cash & Carry Limited
Annual report for the year ended
31 December 2020

Hancock Cash & Carry Limited

Contents

Hancock Cash & Carry Limited

Board of directors and advisers

Directors
W Beedle
S Foster

Company number
00868097

Registered office
25 Jubilee Drive
Loughborough
Leicestershire
LE11 5TX

Independent auditors
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
1 Holly Street
Sheffield
S1 2GT

Hancock Cash & Carry Limited

Strategic report
for the year ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Principal activities

The company has continued its principal trade of cash and carry confectionery wholesaling through a national network of depots.

Business review and future development

The company recorded sales of £66.1m (2019: £72.8m) and a loss before taxation of £1.3m (2019: loss of £0.3m) impacted mainly by the Covid pandemic and partly by £2.1m (2019: £0.2m) of non-recurring expenses. Non-recurring and exceptional expenses include redundancy and restructuring which are planned to rationalise the use of property with more centralised distribution and reduced future costs.

At 31 December 2020 the company had net assets of £18.5m (2019: £19.8m). The company has plans and aspirations to continue developing the business through a widening of the product range, customers and markets with particular focus on digital channels.

As with all businesses, 2020 has been impacted by Covid-19 and the UK shut down of businesses with uncertainty over the continuing impact and potential ongoing restrictions. Whilst the cash and carry stores were closed for a period of time and this has limited the trading activity, overperformance in other channels has offset a degree of the shortfall. This has been coupled with cost management, including the furloughing of a number of employees for a period of time.

The UK has now left the European Union and the uncertainty around the implications of Brexit is reducing with no major impact on trading. The primary risks are uncertainty in the overall UK economy as the pandemic continues to impact operational conditions and consumer confidence.

Key performance indicators ("KPIs")

Given the nature of the business, the directors are of the opinion that analysis using any KPIs in addition to turnover and operating profit is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks faced by the company are the continuing impact of Covid-19 together with the level of competition from local and national wholesalers. This is managed by active control of costs and maintaining a safe environment for deliveries to customers together with the continued development of product ranges and customer service.

Financial risk management

The company's operations expose it to a variety of financial risks that include commodity price risk, currency risk, credit risk, liquidity risk and interest rate cash flow risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring and minimising levels of risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department. The department adopts policies and procedures that set out specific guidelines to manage risks and circumstances where it would be appropriate to use financial instruments to manage them.

Strategic report
for the year ended 31 December 2020 (continued)

Price risk
The company is indirectly exposed to a degree of commodity price risk as a result of its operations. However, not being a manufacturer, the ability to manage that exposure to commodity price risk is limited to pricing negotiations with suppliers of product containing commodities and with customers purchasing that product.

Currency risk
The company utilises appropriate forward foreign currency contracts to mitigate risks associated with foreign currency purchases.

Credit risk

The company has implemented policies that require appropriate credit checks on potential and continuing customers before credit sales are made and then monitored to ensure these terms are subsequently complied with.

Liquidity and interest rate risk
The group of which the company is a member actively maintains appropriate levels of liquidity designed to ensure the group has sufficient funds available for operations and planned expansion. The group uses a working capital facility, long term finance and rolled up interest arrangements that are designed to ensure the group has sufficient available funds for operations and planned expansions.

The Directors' duties and company stakeholders
The directors of the company, as for all UK companies, must act in accordance with the general duties set out in section 172 of the Companies Act 2006. This is summarised as follows:

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

Strategic decisions
The company operates in a relatively stable but competitive market for both independent and major retailers with changes in distribution occurring over time and as a consequence of the Covid 19 pandemic. This has required continuing review and enhancement of product development and investment in technology, on-line ordering and distribution to maintain revenue and profitability whilst engaging and communicating with all stakeholders including suppliers, customers and employees.

Hancock Cash & Carry Limited

Strategic report
for the year ended 31 December 2020 (continued)

Our employees
Employees are essential to the company's interaction with other stakeholders and their commitment ensures successful trading and development of the business. We invest in employees through training, remuneration and incentive schemes where appropriate. Assessing health and safety for employees has been paramount in the Covid-19 outbreak as well as the health and safety of those who employees come into contact with and had guided the actions taken. This has guided the temporary shut down of elements of the business, home working and furloughing to maintain continuity of employment where there is temporarily no active role.
It is the company's policy to give full consideration to suitable applications for employment by disabled persons (including any who may become disabled whilst in the employment of the company) and to arrange appropriate training.
The company is committed to involving all employees in the performance and development of the company with communication through regular internal communications at both a group and departmental level. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting the day to day operations of the company and group.

Business relationships
Customer relationships and high standards of service are key to maintaining and growing the company's business. The company has a diverse customer base and seeks to provide the right range of existing and new products to enhance sales to customers. Ongoing communication occurs through the company's websites and those employees which have regular face to face interactions with customers. Where appropriate, rebates or incentives are agreed to drive and share in the benefit of increased sales.

Suppliers are fundamental to the business as a wholesaler in respect of providing a range of products and in ensuring that the supply and quality of products to be sold is maintained. There is regular communication with major suppliers, there are agreements in place to incentivise levels of purchases to benefit both supplier and the company and the company policy is to consistently meet payment terms.

Community and environment
The company both promotes and encourages engagement with employees and employee involvement in community and charitable projects including in respect of strategic partnerships and the ad hoc support of worthy causes.
The company is committed to sustainable use of resources and packaging and has continued to increase both the use of recyclable materials and recycling of office and warehouse waste.

Standards and values
The directors recognise the importance of a positive corporate culture and have drawn up a framework of values and behaviours that all employees are expected to adhere to.

Shareholders
Continued access to capital and the structure of the private equity group funding is essential to the operation and development of the business. The directors regularly report to the group shareholders who also monitor and have oversight of the annual plans, initiatives and longer term plans as well as being party to an investor agreement with the group. This resulted in a recapitalisation in 2019 and the deferral of interest payments in order to appropriately fund and support the medium term development of the business.

On behalf of the board

Steve Foster

S Foster
Director
30 April 2021

Hancock Cash & Carry Limited

Directors' report
for the year ended 31 December 2020

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

Results and Dividends

The loss for the financial year after taxation amounted to £1.3m (2019: loss of £0.2m). A dividend of £nil was paid during the year (2019: £nil).

Strategic report

The following items have been included within the strategic report on pages 2 to 4:

- Principal activities
- Business review
- Future developments
- Key performance indicators
- Principal risks and uncertainties
- Financial risk management
- The directors' duties under s172 of the Companies Act including those relating to employees and other group stakeholders

Research and development

We continue to invest in the systems, both at our warehouses and Head Office, to enable us to provide better product ranges, consistent quality, and improved customer service.

Going concern

The company is party to group financing arrangements including a revolving cash facility. The company has received confirmation of support from the group and that intercompany loans will not be repayable ahead of external liabilities. The group meets its day-to-day working capital requirements through its available cash reserves and banking facilities together with term debt facilities provided to the group by the shareholders. A major recapitalisation of the loans and deferral of interest on the remaining debt held by shareholders was made in December 2019. In 2020 the group has drawn down new government backed loans of a net £6.5m, rolled up senior debt interest payments and the existing working capital facility remains in place.

The facilities are subject to revised covenant tests and the directors have run a number of downside scenarios, including those considered worst case and factoring in reasonable mitigating factors, to demonstrate that no covenant breaches are considered likely in the foreseeable future.

Notwithstanding the impact of Covid-19 and the loss for the year, the group's forecasts and projections based on the current trends in trading, and after taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its currently available cash reserves, banking facilities and related covenants. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

The company therefore continues to adopt the going concern basis in preparing its financial statements.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

W Beedle
S Foster

Hancock Cash & Carry Limited

Directors' report
for the year ended 31 December 2020 (continued)

Qualifying third party indemnity provision

The company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006, this was in force during the year and also at the date of approval of financial statements.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

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 Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements ; 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 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

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

To the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the board

Steve Foster

S Foster
Director
30 April 2021

Independent auditor's report to the members of Hancock Cash & Carry Limited

Opinion

We have audited the financial statements of Hancock Cash & Carry Limited (the 'company') for the year ended 31 December 2020, which comprise the profit and loss account, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Independent auditor's report to the members of Hancock Cash & Carry Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Independent auditor's report to the members of Hancock Cash & Carry Limited (continued)

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- we obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Financial Reporting Standard 102, the Companies Act 2006 and the Health and Safety Act 1974;
- we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors, and from inspection of the company's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations with the directors;
- we assessed the susceptibility of Hancock Cash & Carry Limited's financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts;
- we assessed the appropriateness of the collective competence and capabilities of the engagement team including the consideration of the engagement team's understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation and knowledge of the industry in which the company operates.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
30 April 2021

Hancock Cash & Carry Limited

Profit and loss account
for the year ended 31 December 2020

	Note	2020	2019
		£'000	£'000
Turnover	3	**66,125**	72,837
Cost of sales		**(51,798)**	(57,649)
Gross profit		**14,328**	15,188
Other operating income	4	**1,050**	-
Distribution costs		**(1,388)**	(1,112)
Administrative expenses		**(15,309)**	(14,411)
Operating loss	4	**(1,319)**	(335)
Interest receivable and similar income	6	**33**	5
Interest payable and similar charges	6	**-**	(1)
Net interest income	6	**33**	4
Loss before taxation		**(1,286)**	(331)
Tax on loss	7	**4**	116
Loss for the financial year		**(1,282)**	(215)

The notes on pages 13 to 24 form part of these financial statements.

There are no recognised gains or losses for the financial years stated above other than those included above. Accordingly, no separate statement of comprehensive income is presented.

The results presented are all derived from continuing activities.

Hancock Cash & Carry Limited

Balance sheet
as at 31 December 2020

	Note	2020	2019
		£'000	£'000
Fixed assets			
Intangible assets	8	**164**	129
Tangible assets	9	**921**	812
		1,085	941
Current assets			
Inventories	10	**12,259**	12,771
Debtors	11	**52,027**	46,046
Cash at bank and in hand		**3,893**	1,867
		68,179	60,684
Creditors: amounts falling due within one year	12	**(50,728)**	(41,791)
Net current assets		**17,451**	18,893
Total assets less current liabilities		**18,536**	19,834
Provisions for liabilities	14	**(37)**	(53)
Net assets		**18,499**	19,781
Capital and reserves			
Called up share capital	15	**348**	348
Share premium account		**529**	529
Capital redemption reserve		**7**	7
Retained earnings		**17,615**	18,897
Total equity		**18,499**	19,781

The notes on pages 13 to 24 form part of these financial statements.

These financial statements on pages 10 to 24 were approved by the board of directors on 30 April 2021 and were signed on its behalf by:

Steve Foster

S Foster
Director

Hancock Cash & Carry Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Capital redemption reserve	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2019	348	7	529	19,112	19,996
Profit for the financial year and total comprehensive income	-	-	-	(215)	(215)
As at 31 December 2019 and 1 January 2020	348	7	529	18,897	19,781
Loss for the financial year and total comprehensive expense	-	-	-	(1,282)	(1,282)
As at 31 December 2020	**348**	**7**	**529**	**17,615**	**18,499**

The notes on pages 13 to 24 form part of these financial statements.

Hancock Cash & Carry Limited

Notes to the financial statements
for the year ended 31 December 2020

1. Summary of significant accounting policies and general information

Hancock Cash & Carry Limited ('the company') has a principal trade of cash and carry confectionery wholesaling mainly through a national network of cash and carry depots.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is 25 Jubilee Drive, Loughborough, Leicestershire, LE11 5TX.

Statement of compliance
The financial statements of Hancock Cash & Carry Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "the Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006. The amendments to FRS102 issued in December 2017 have also been applied in these financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities at fair value through profit or loss.

The financial statements are drawn up in Sterling, the functional currency of the company. The level of rounding for the financial statements is the nearest thousand pounds.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of 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 2.

Going concern
The company is party to group financing arrangements including a revolving cash facility. The company has received confirmation of support from the group and that intercompany loans will not be repayable ahead of external liabilities. The group meets its day-to-day working capital requirements through its available cash reserves and banking facilities together with term debt facilities provided to the group by the shareholders. A major recapitalisation of the loans and deferral of interest on the remaining debt held by shareholders was made in December 2019. In 2020 the group has drawn down new government backed loans of a net £6.5m, rolled up senior debt interest payments and the existing working capital facility remains in place.
The facilities are subject to revised covenant tests and the directors have run a number of downside scenarios, including those considered worst case and factoring in reasonable mitigating factors, to demonstrate that no covenant breaches are considered likely in the foreseeable future.
Notwithstanding the impact of Covid-19 and the loss for the year, the group's forecasts and projections based on the current trends in trading, and after taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the level of its currently available cash reserves, banking facilities and related covenants. The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.
The company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemptions for qualifying entities under FRS 102
FRS 102 allows a qualifying entity certain disclosure exemptions, and the company has taken advantage of the following exemptions:

- From preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows includes the company's cash flows; and
- From disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7
- From including certain financial instrument disclosures as equivalent disclosures are contained in the consolidated financial statement of the group.

1. Summary of significant accounting policies and general information (continued)

Foreign currency

The financial statements are presented in pound sterling and rounded to thousands.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of the transactions. At each period end foreign currency monetary assets and liabilities are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transactions and non-monetary items measured at fair value are measured using the exchange rate when the 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 profit and loss account.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the profit and loss account within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the profit and loss account within 'Administrative expenses'.

Related party transactions

The company has taken the exemption from disclosing related party transactions with companies that are wholly owned within the group.

Tangible fixed assets and depreciation

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use or dismantling and restoration costs. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Long leasehold property	50 years
Plant and machinery	2-20years

Intangible assets

Software costs are costs directly attributable to the acquisition of IT technologies in the year. These are capitalised within intangible assets and amortised over a similar life to other computer equipment of four years.

Impairment

Intangible and tangible assets are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised in the profit and loss account to the extent that the carrying amount cannot be recovered either by selling the assets or from the discounted future earnings from operating the assets.

Inventories

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the first in first out basis method is used. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Appropriate provisions are made for slow-moving and obsolete stock.

1. Summary of significant accounting policies and general information (continued)

Reserves

Retained earnings represents cumulative net profits from the profit and loss account and comprehensive income. Movements on the reserve are set out in the statement of changes in equity. Share premium represents the excess consideration received over the nominal value of share capital upon the issue of shares, less any incidental costs of issue. Capital redemption reserves are non-distributable reserves arising from the redemption or purchase of the Company's own shares.

Financial instruments

Basic financial assets, including trade and other receivables, cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transactions is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence for impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the profit and loss account.

Basic financial liabilities, including trade and other payables, loans from fellow group companies and overdrafts are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transactions is measured at the present value of the future payments discounted at a market rate of interest.

The company does not apply hedge accounting in respect of forward foreign exchange contracts held to manage the cash flow exposures of forecast transactions denominated in foreign currencies. The company utilises forward exchange contracts to mitigate the risk of adverse exchange rate movements on foreign currency denominated inventory purchases. These derivatives are measured at the fair market value, at the balance sheet date, with the fair value gain or loss movements arising being recognised within cost of sales in the profit and loss account.

Turnover

Turnover represents the amounts (excluding value added tax and net of trade discounts and rebates) derived from the provision of goods to customers during the period, recognised on delivery to or collection of goods by customers when the significant risk and rewards of ownership have been transferred.

Grant income

Other operating income is recognised when the right to receive payment is established. Income in respect of government grants including furlough related amounts is recognised in other operating income when the grant proceeds are received (or receivable) provided that the terms of the grant do not impose future performance-related conditions.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Supplier rebates

Supplier rebates are recognised when earned and accounted for as a reduction in raw materials and consumable costs. When appropriate, amounts receivable which relate to stocks are reflected within the carrying value of stocks.

1. Summary of significant accounting policies and general information (continued)

Operating leases

Leases that do not transfer all of the risks and rewards of ownership are classified as operating leases. Payments under operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Dilapidation liabilities that arise under the terms of property lease agreements are accrued within the period of the lease as the property falls below the original state of repair and obligations to repair or replace elements are incurred.

Exceptional expenses

The company classifies certain one-off charges or credits that have a material impact on the financial results, as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the company.

Tax

The tax payable is based on the taxable profit for the year. Taxable profit differs from the profit as reported in the profit and loss account because it excludes items of income and expense that are taxable or deductible in other years and it also excludes items which are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on enacted or substantially enacted taxes and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts which were initially recorded, such differences will impact the corporation tax and deferred tax provisions in the period in which such determination is made.

Distributions to equity holders

Dividends and other distributions to company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the company's shareholders. These amounts are recognised in the statement of changes in equity.

2. Critical accounting judgements and estimation uncertainty

The company makes a limited number of material estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, not always equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Inventory provisioning

The company is a national cash and carry wholesaler and is therefore subject to seasonality of products. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying the assumptions around anticipated saleability of finished goods. See note 10 for the net carrying amount of the inventory and associated provision.

Taxation

The deduction of interest for corporation tax computations is subject to revised rules and thresholds particularly where parties are related. Management have judged that for the periods prior to the transfer of the controlling shares to the loan holder, a majority of the interest in the group remains deductible and within amounts available for group relief.

Complex supplier arrangements

As part of the normal course of business, the company has entered into rebate arrangements with suppliers whereby retrospective discounts are applied to purchases made, based upon the achievement of certain criteria agreed with suppliers. The criteria behind each agreement can vary and is often dependent upon the purchase levels in the defined periods. An estimation of the likely amounts to be received is made, included in debtors and reviewed at the end of each reporting period.

Hancock Cash & Carry Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3. Turnover

Turnover by destination is analysed as follows:

	2020	2019
	£'000	£'000
Within the UK	63,435	68,587
Overseas markets including Republic of Ireland	2,690	4,250
	66,125	72,837

All turnover relates to the sale of goods through ecommerce and cash and carry depots.

4. Operating loss

Operating loss is stated after charging/(crediting):

	2020	2019
	£'000	£'000
In other operating income:		
Government job retention scheme income	(1,050)	-
Wages and salaries	5,993	6,573
Social security costs	675	603
Other pension costs	258	251
Total staff costs	6,926	7,427
Auditor's remuneration for audit	30	30
Depreciation of tangible assets	377	346
Amortisation of intangible assets	86	96
Operating lease charges – plant and equipment	389	449
Operating lease charges - other	1,427	1,173
Foreign exchange losses	137	57
Bad debt expense	184	15
Exceptional restructuring and transaction related costs	2,100	204

£2.1m of non-recurring and exceptional expenses were incurred in the year including redundancy and restructuring expenses which are planned to result in a rationalised use of property with more centralised distribution and reduced future costs (2019:£0.2m of restructuring costs incurred)..

4 Operating loss (continued)

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditors, in respect of the statutory audit for the year ended 31 December 2020. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditors Liability Agreements, and was approved by the shareholders on 9 December 2020.

In addition to the cost shown above, £942,000 of payroll costs were recharged to a fellow group subsidiary (2019: £962,000).
The directors' emoluments were paid by Hancocks Holdings Limited and IB Group Ltd and are disclosed in the financial statements of those companies. No recharges were made to the company for the directors' services and the directors do not believe it possible to apportion the remuneration between the companies.

5. Staff numbers

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2020 Number	2019 Number
Administration and management	**77**	81
Sales	**201**	224
	278	305

6. Net interest income

	2020 £'000	2019 £'000
Other interest receivable	**33**	5
Interest receivable and similar income	33	5
Other interest payable	-	(1)
Interest payable and similar charges	-	(1)
Net interest income	33	4

Hancock Cash & Carry Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7. Tax on loss

	2020	2019
	£'000	£'000
Current tax:		
UK corporation tax on loss for the year	**-**	-
Adjustments in respect of prior periods	**12**	(135)
Total current tax	**12**	(135)
Deferred tax		
Origination and reversal of timing differences	**(29)**	18
Adjustments in respect of prior periods	**13**	1
Total deferred taxation (note 14)	**(16)**	19
Total tax credit on loss	**(4)**	(116)

The tax credit for the year differs from the standard rate of corporation tax charge in the UK of 19% (2019: 19%). The differences are explained as follows:

	2020 £'000	2019 £'000
Loss before taxation	**(1,286)**	(331)
Loss before taxation multiplied by standard rate of corporation tax in the UK at 19% (2019: 19%)	**(244)**	(63)
Effects of:		
Expenditure not deductible for tax purposes	**10**	11
Group relief not paid for	**197**	72
Adjustments in respect of prior periods	**25**	(134)
Differences in tax rates	**8**	(2)
Total tax credit	**(4)**	(116)

The Finance Act 2016 included legislation to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. A change to the main rate of corporation tax announced in the 2020 Budget was substantively enacted on 17 March 2020. The rate from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17% and is therefore applied to deferred taxation balances at 31 December 2020 (2019: 17%).

In March 2021 it was announced that the rate of corporation tax is expected to increase to 25% from April 2023 and the potential impact of this rate to increase deferred tax liabilities by £12,000 is not recognised in these financial statements.

Hancock Cash & Carry Limited

Notes to the financial statements
for the year ended 31 December 2020 (continued)

8. Intangible assets

	Software costs £'000
Cost	
At 1 January 2020	439
Additions	121
At 31 December 2020	**560**
Accumulated depreciation	
At 1 January 2020	310
Charge for the year	86
At 31 December 2020	**396**
Net book value	
At 31 December 2020	**164**
At 31 December 2019	129

9. Tangible assets

	Leasehold property £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2020	158	7,596	7,754
Additions	-	486	486
At 31 December 2020	**158**	**8,082**	**8,240**
Accumulated depreciation			
At 1 January 2020	142	6,800	6,942
Charge for the year	8	369	377
At 31 December 2020	**150**	**7,169**	**7,319**
Net book value			
At 31 December 2020	**8**	**913**	**921**
At 31 December 2019	16	796	812

10. Inventories

	2020	2019
	£'000	£'000
Finished goods and goods for resale	**12,259**	12,771

There is no significant difference between the replacement cost of the inventory and its carrying amount. Inventories are stated after provisions for impairment of £226,000 (2019: £179,000).

11. Debtors

	2020	2019
	£000	£000
Trade debtors	**2,079**	2,484
Amounts owed by group undertakings	**48,081**	42,770
Other debtors	**1,328**	139
Prepayments and accrued income	**539**	653
	52,027	46,046

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.
Trade debtors are stated after provisions for impairment of £71,000 (2019: £20,000).

12. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
Trade creditors	**8,483**	8,973
Amounts owed to group undertakings	**39,166**	30,090
Taxation and social security	**1,506**	988
Corporation tax payable	**13**	77
Other creditors	**147**	380
Accruals and deferred income	**1,413**	1,283
	50,728	41,791

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

12. Creditors: amounts falling due within one year (continued)

The company's financing facility includes a revolving credit facility of £15m to cover working capital and liquidity commitments. Interest is charged at LIBOR plus 3.25% on the drawn down amount. A commitment fee of 1.3% is charged on the undrawn amount. This facility is shared between the company and fellow group members, World of Sweets Limited and Innovative Bites Limited. Bank borrowings are secured by fixed and floating charges over the group assets together with cross guarantees between all group companies.

13. Financial instruments

Derivative financial instruments

The company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency receivables and payables. At 31 December 2020 the fair value of these was considered immaterial and not booked by the company (2019: asset of £nil).

14. Provisions for liabilities

Deferred taxation	£000
Deferred tax liability at 1 January 2020	(53)
Credited to profit and loss account (note 7)	16
Deferred tax liability at 31 December 2020	(37)

Being:	**2020**	2019
	£'000	£'000
Accelerated capital allowances	**(41)**	(65)
Other timing differences	**4**	12
Deferred tax liability	**(37)**	(53)

15. Called up share capital

	2020	2019
	£'000	£'000
1,391,100 ordinary shares of £0.25 each	**348**	348

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

Hancock Cash & Carry Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

16. Capital and other commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2020	2019
	£'000	£'000
Payment due date		
Not later than one year	**1,539**	1,176
Later than one year and not later than five years	**3,122**	2,037
Later than five years	**1,728**	1,749
	6,389	4,962

17. Contingent liabilities

The company has given cross guarantees in respect of £52.8m (2019: £53.9m) of fellow group subsidiary company borrowings.

18. Pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company.

Total pension costs during the year amounted to £215,000 (2019: £251,000). Contributions of £19,000 (2019: £71,000) were included in creditors at 31 December 2020.

19. Ultimate parent company and controlling parties

The immediate parent company is Hancocks Holdings Limited and the ultimate parent company as of 31 December 2020 was IB Topco Ltd, registered in England and Wales.

Copies of the financial statements of IB Group Limited, which is the only parent group company to prepare consolidated financial statements at 31 December 2020, can be obtained from the registrar of Companies, Companies House, Crown Way, Cardiff.

Sculptor Capital Management Europe Limited manages the interests of the private investing funds, which control the majority of the shares in the ultimate parent company.